

# PRYSMIAN GROUP 2015 SUSTAINABILITY REPORT



**Prysmian**  
Group





# PRYSMIAN GROUP **2015** SUSTAINABILITY REPORT

## Contents

<b>Letter to the Stakeholders .....</b>	<b>6</b>
<b>Introduction .....</b>	<b>10</b>
Methodology .....	11
A year of sustainability .....	13
Group Commitment .....	14
Dialogue with Stakeholders .....	16
Materiality analysis .....	18
<b>Group ID Card .....</b>	<b>19</b>
The Prysmian Group in the world .....	20
Ethics and integrity .....	32
Governance .....	35
Shareholders and Investor relations .....	38
Risk Management .....	41
Economic performance .....	46
<b>Integrated Sustainability .....</b>	<b>48</b>
Group approach .....	49
Customer Centricity .....	50
Operations .....	55
Focus on product quality .....	58
<b>Sustainable Innovation .....</b>	<b>60</b>
Commitment to innovation .....	61
Main projects .....	63
Intellectual property rights .....	71
<b>Supply Chain .....</b>	<b>72</b>
Strategic approach by the Group .....	73
Optimisation of transportation .....	80
<b>Prysmian's People .....</b>	<b>84</b>
Enhancement of personnel .....	85
Investing in people .....	89
Remuneration policies .....	98
Diversity and equal opportunity .....	101
Industrial relations .....	103
Internal communications and involvement .....	104
Health and safety .....	105
<b>Community .....</b>	<b>110</b>
Corporate Citizenship and Philanthropy initiatives .....	111
<b>Environment .....</b>	<b>118</b>
Prysmian and the environment .....	119
Energy .....	127

Greenhouse gases emissions .....	129
Waste.....	131
Water .....	135
Ozone-depleting substances .....	138
<b>Attachments .....</b>	<b>139</b>
<b>Auditors' Report.....</b>	<b>158</b>
<b>GRI Content Index .....</b>	<b>162</b>

LETTER TO  
STAKEHOLDERS



The Prysmian Group implemented numerous sustainability initiatives during 2015, once again achieving significant results. In particular, with a focus on the **Sustainable Development Goals** (SDGs) for 2030, renewed by the 193 Member States of the United Nations in order to promote global growth, the Group strengthened its commitment by improving the governance of sustainability, analysing more precisely the impact of its activities, adopting new KPIs, improving disclosures and implementing a new Multi-Stakeholder Engagement initiative in Spain.

These efforts were driven by the spread of a culture of sustainability throughout the organisation and a rigorous reporting that assures completeness and transparency in relation to the economic, social and environmental matters addressed by the Group. This Sustainability Report was prepared in accordance with the “**G4 Sustainability Reporting Guidelines**” issued in 2013 by the GRI – Global Reporting Initiative. These guidelines drive organisations in the disclosure of information about material matters, which are those with a significant economic, environmental and/or social impact and that significantly influence the assessments and decisions of stakeholders. With the aim of guaranteeing the reliability of the information included in this document, Deloitte was appointed to review again for this year, this information and release the Auditors' Report.

The Group was included in the **FTSE4Good** in 2015. This prestigious global index comprises firms that stand out for the ethical, transparent and sustainable management of their activities. In addition, Prysmian achieved a 10-point improvement in its Corporate Sustainability Assessment for the **Dow Jones Sustainability Index** (DJSI), which is one of the main sustainability assessments at international level.

The sustainability strategy adopted by the Group focuses on such key topics as sustainable and technological innovation in the solutions offered, the environmental responsibility of production processes, the management of relations with local communities, safety at work and the development of personnel.

In terms of **Governance**, the Board of Directors has appointed the Compensation and Nomination Committee with supervising the sustainability matters associated with the Group's activities and the dynamics of its interactions with all stakeholders.

With regard to **economic and financial responsibility**, Prysmian has re-opened the international YES (Your Employee Shares) programme, following the broad involvement achieved in the first two years. This plan enables employees to purchase shares on advantageous terms. To date, the YES plan has involved about 40% of employees, with an investment of almost 17 million euro and about 1% of capital. This successful programme seeks to increase the involvement, sense of belonging and business understanding of employees, thus strengthening the internal perception of the Prysmian Group as ‘One Company’.

Work on the **development of innovative products** has continued in all segments of the market: Energy Projects, Energy Products and Telecom. The Group extended the line of Afumex Green cables during the year, with the Afumex Green 1kV now representing the safest and most sustainable cable on the market. In particular, the production of this product no longer uses the traditional petroleum-derived polyethylene for insulation purposes, but rather bio-polyethylene (“green” polyethylene) derived from sugar cane, which is 100% renewable, certified at international level and capable of reducing CO<sub>2</sub> emissions.

In order to assess the environmental and social impact of activities of the Group, Prysmian has taken additional steps towards the **sustainable management of the entire supply chain**. With regard to the management of supplier relations, the Group has already adopted a Code of Business Conduct that is

intended to spread responsible business practices. In this context, screening initiatives were strengthened during the year by considering sustainability criteria in the process of selecting and qualifying new suppliers. In addition, all suppliers of wire rod, which represents about 80% in volume of all metals purchased, were requested to complete a self-assessment questionnaire. The results were consequently shared with each supplier during the usual negotiation meetings.

Given the importance of the role played by **intellectual capital** and **talent** in achieving the various profitability and value creation objectives, the Group has further supported the activities of the Prysmian Group Academy, an international professional and management education centre, with the involvement of more than 700 employees. Additionally, consistent with the strategy of acquiring talent, a new international recruiting programme, known as "Make It", has been launched to attract engineers interested in taking key, highly challenging positions at the main plants within the Group. The first year of this programme gathered about 6,000 applications.

Prysmian has also continued to **support the economic, social and cultural development of the territories in which the Group is active**, encouraging offices and factories around the world to take a proactive approach to the well-being of their local communities. In particular, consistent with the Corporate Citizenship and Philanthropy strategy designed to support access to energy and telecommunications, the Group has collaborated with the UNHCR (United Nations High Commission for Refugees) by contributing to the purchase of solar lights for the Nepalese people hit by a major earthquake that, among the very serious damage caused, also destroyed the country's electricity grid.

Lastly, the UN Climate Change Conference, COP 21, was held in Paris during the year, with the leaders of every country in the world seated around a table to discuss the future of our planet. In this context, Prysmian has maintained a strong **focus on the environmental impact of the Group**, making constant efforts to implement initiatives designed to reduce energy consumption, the quantity of waste produced and the amount of water consumed. This way of making our contribution will continue into the future, with an ever greater commitment.

Valerio Battista - Chief Executive Officer





# INTRODUCTION

## *Methodology*

The Sustainability Report of the Prysmian Group (also "Prysmian" or the "Group"), published annually and now in its fifth edition (the fourth edition, relating to 2014, was published in May 2015), represents the main tool used to inform stakeholders about the Group's performance on economic, social and environmental matters. The document describes the history of Prysmian's commitment to the creation of value not only for the Group itself but also for its stakeholders.

Continuing in the direction first taken in 2014, this Sustainability Report and its Attachments have again been prepared in accordance with the "Core" option of the «*G4 Sustainability Reporting Guidelines*». This confirms the Group's commitment to making broader and more effective disclosures ensuring the consistency and depth of the information reported.

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

The process of collecting data and information in order to prepare the Report was managed by the Corporate and Business Communications function in collaboration with various other business functions, in order to clearly and precisely identify the most relevant information for stakeholders, according to the following reporting principles: balance, comparability, accuracy, timeliness, clarity and reliability.

Except where otherwise indicated, the data and information contained in this report relate to those companies within the Prysmian Group as of 31 December 2015 that are consolidated on a line-by-line basis in the Annual Report. Where available, data relating to previous years has been reported, in order to ensure the comparability of indicators over time and enable readers to compare Group performance and analyse trends among reporting periods. In addition, in order to guarantee the reliability of the information presented in this document, the parameters reported are, wherever possible, directly measurable. When recourse to estimates is necessary, these are made using the best methodologies available and disclosed appropriately. There were no significant changes in the ownership structure or scale of the Group during 2015 that would affect the scope of this Report.

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

## Structure of the Sustainability Report

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

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

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

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

The "Environment" chapter is dedicated to our Health, Safety and Environment (HSE) policies and our environmental performance by analysing the most significant aspects, such as our use of natural resources and raw materials, our consumption of energy and the related greenhouse gases emissions, and our elimination of processing waste.

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

## Contacts

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

CORPORATE AND BUSINESS COMMUNICATIONS

+39 0264491

[sustainability@prysmiangroup.com](mailto:sustainability@prysmiangroup.com)

## *A year of sustainability*

### MAIN RESULTS ACHIEVED IN THE YEAR

#### Group ID Card

€ 7,361 million - Total revenues

€ 1.00 - Earnings per share

#### Integrated Sustainability

€ 210 million - Investment

88 factories in 31 countries

#### Sustainable Innovation

€ 13.8 million - Cost reductions deriving from the Design-To-Cost programme

4,785 patents<sup>1</sup>

#### Supply Chain

>78% of services purchased locally

28% of wooden drums reused

#### Prysmian's People

19,316 employees<sup>2</sup>

96.2% of employees with permanent contracts<sup>3</sup>

About 40% of employees that participated<sup>4</sup> in the YES programme

#### Communities

75% of contributions for corporate citizenship and philanthropy initiatives related to education<sup>5</sup>

#### Environment

91% of production sites are ISO14001 certified

63% of production sites are OHSAS18001 certified

- 7.8% ozone-depleting substances compared with 2014

718,667 tonnes of CO<sub>2</sub>-equivalent emissions

6,189,327 GJ of energy consumed

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<sup>1</sup> As of 31.12.2015

<sup>2</sup> Expressed as FTEs

<sup>3</sup> Headcount data

<sup>4</sup> Headcount data

<sup>5</sup> Data include the following countries: Hungary, Germany, Italy, China, North America, Estonia, United Kingdom, Argentina, Finland, Sweden, Spain.

## Group Commitment

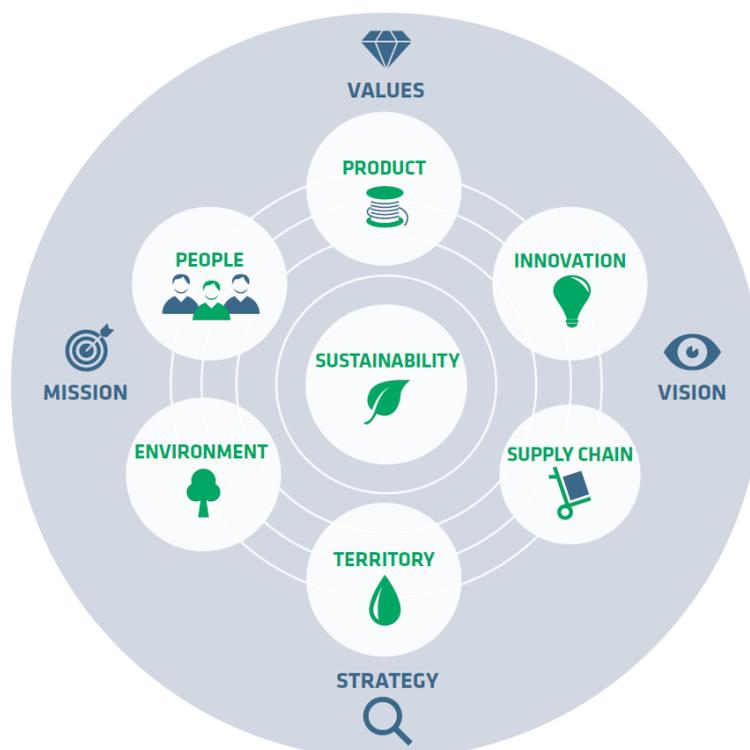
Sustainability plays a central role for Prysmian, which constantly seeks to promote a responsible business model by encouraging the increased integration of sustainability within the Group's growth strategy.

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

Consistent with the Corporate Vision, which seeks to promote 'the efficient, effective and sustainable supply of energy and information as the main driver for the development of communities', Prysmian has consolidated over the years its commitment to sustainability, establishing ever more challenging objectives that open up new horizons for the Group. Always seeking to satisfy continually the needs of customers, the daily activities of Prysmian stay true to our mission with the development of high quality, sustainable products, by investing in advanced technological solutions that enhance the value of our product range.

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

### The Group's approach to sustainability



During 2015, Prysmian took an important step towards the increased integration of sustainability matters within the Group's business activities. Reflecting the importance of sustainability matters in the management of business processes and accepting the invitation to formalise the approach taken to them contained in the Corporate Governance Code for Listed Companies, the Group's Board of Directors has tasked the Remuneration and Appointments Committee with supervising, from 1 January 2016, the sustainability matters associated with the Group's activities and the dynamics of its interactions with all stakeholders. As part of the system for the governance of sustainability, Prysmian has formed a Sustainability Steering Committee to support the activities of the Board Committee. This working party, comprising senior managers, is tasked with discussing the Group's strategic guidelines for sustainability, as well as preparing and implementing the action plan devised with reference to the agreed strategic guidelines. The Corporate and Business Communications function also plays a significant role, having responsibility for mapping and monitoring the expectations of stakeholders in relation to the Group, proposing guidelines and actions, organising stakeholder engagement activities and, drawing on the multiple resources available, guaranteeing constant and transparent communications with the stakeholders.

Following definition of the governance of sustainability, the Group has commenced an organised process designed to identify sustainability guidelines and objectives, as well as the plan of actions to be taken. This work is being performed in a manner consistent with the identity of the Group and our business priorities, having regard for the expectations of stakeholders. This process makes reference to the Sustainable Development Goals established by the United Nations in September 2015, which accurately reflect the global sustainable development trends in which governments, for-profit and non-profit organisations will invest over the next 15 years.

Prysmian has continued to develop important initiatives in collaboration with stakeholders, in order to improve the economic, environmental and social performance of the Group. With this intention, a number of high value-added activities were launched during the year, including the organisation of a Multi-Stakeholder Engagement event in Spain and signature of the Europacable Industry Charter, which commits the Group to defending the interests of employees, customers, the wider community and the environment.

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

## *Dialogue with Stakeholders*

The sustainability strategy adopted by Prysmian is marked by the importance recognised to the Group's numerous stakeholders. In pursuing our corporate objectives, it is fundamental for Prysmian to develop forms of constant dialogue and interaction with both the internal and external stakeholders, in order to understand the various needs, interests and expectations (social, economic, professional, human) of all the actors involved. In particular, against a background that is dynamic, competitive and subject to major changes, being able to foresee changes and identify emerging trends enables the Group to generate constant and shared value added over the long term.

Establishing and developing trust-based relationships, founded on the principles of transparency, openness and listening, enables Prysmian to understand the constantly changing expectations and requirements of those stakeholders that, directly or indirectly, influence the activities of the Group or that, in turn, are influenced by us. In particular, these relationships represent a fundamental step in the development of structured processes that seek to identify emerging trends and predict future changes, especially in view of the current economic scenario that is highly dynamic and competitive, with a high propensity to embrace change.

The approach used by the Group to communicate with stakeholders has evolved steadily over time, involving various initiatives intended to make best use of the multiple channels available.

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

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

Following the first Multi-Stakeholder Engagement event held in Milan in 2014, the Group took a further step along the sustainability path by organising an international Multi-Stakeholder Engagement initiative in February 2016. This was held at Vilanova i la Geltru (Barcelona, Spain), where the Group has a factory. The event involved 22 local representatives of five categories of external stakeholder: suppliers, customers, public administrations, local communities and universities/research centres. The participants were able to play an active role in the discussions and workshops, during which they were free to express and exchange ideas, opinions and views on a variety of topics related to sustainability and corporate social responsibility. This open dialogue resulted in discussion of Prysmian's approach to sustainability, drawing out the subject areas considered priority by the stakeholders, in order to guide the Group towards new and ever broader horizons. In addition, during the discussions, participants made a significant contribution to identifying the main effects of Group activities on the various stages of the value chain, highlighting the relevance and perceived materiality of each sustainability-related matter. The main matters identified can be grouped into four areas: supply chain, compliance, logistics and transportation, and the environment. Lastly, the stakeholders suggested possible initiatives and sustainability challenges that the Group should tackle over the long term, in order to continue along the road towards sustainable development.

During 2016, Prysmian will continue the stakeholder involvement activities commenced last year. In particular, work to re-map the Group's stakeholders and their expectations is under way, with a view to expanding and giving new impetus to the related activities. The approach adopted is structured and inclusive, taking account of the sustainability indices and ratings that are routinely used by investors and commercial partners when making investment and purchasing decisions. Additionally, a new Multi-Stakeholder Engagement event will be organised during the year in a country in which the Group is active.

#### Stakeholder map for Prysmian Group<sup>6</sup>



<sup>6</sup> The categories of Group stakeholder were identified from an internal analysis, updated periodically, with reference to the AA 1000 standards and the GRI. This analysis was updated during 2015.

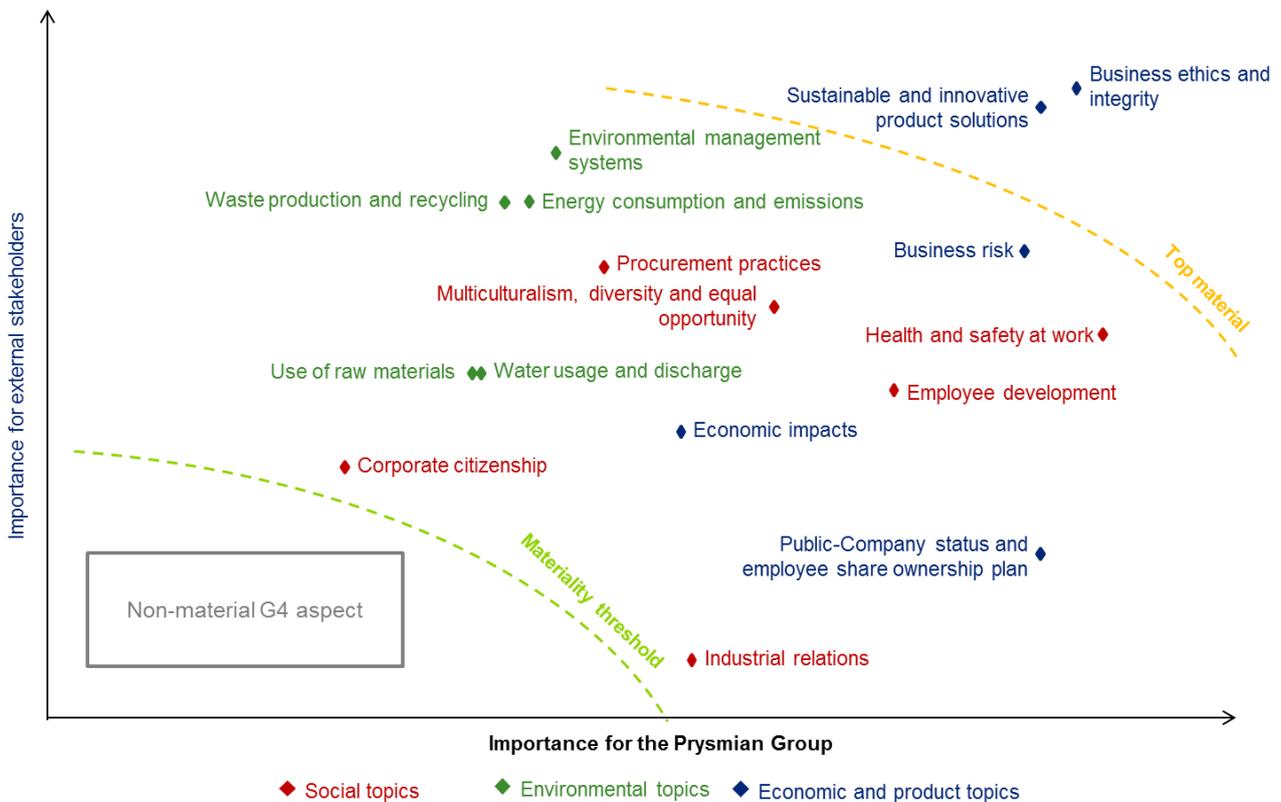
## Materiality analysis

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

Consistent with the “G4 Sustainability Reporting Guidelines” defined in 2013 by the GRI – Global Reporting Initiative and adopted for the first time last year, Prysmian's materiality analysis has been updated to reflect its increasing importance as the starting point for reporting on significant aspects of the Group. This work took account of the new needs and requirements of the Group's external stakeholders identified at the Multi-Stakeholder Engagement event organised at Vilanova i la Geltru (Barcelona, Spain).

The output of the analysis identified the material sustainability matters for the Prysmian Group, covered in this Report, that are central to the Group's commitments. The analysis of significant matters took account of the impact of each, both within the Group and beyond, throughout the entire value creation chain. Further information about this analysis is presented in the Attachments to this Report.

**Materiality diagram of the Group**





GROUP ID CARD

## *The Prysmian Group in the world*

*The Prysmian Group: innovation and advanced technology in order to maintain market leadership in the global cables industry.*

The Prysmian Group is world leader in the supply of cables and systems for energy and telecommunications. With almost 140 years of experience, sales of about 7.5 billion euro in 2015, more than 19,000 employees in 50 countries and 88 factories, the Group offers the broadest range of products, services, technologies and know how for every type of industry, sustained by a grassroots commercial presence and 17 R&D centres in Europe, the United States, South America and China that are staffed by more than 500 experienced professionals.

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

The Group is organised into the Energy Projects, Energy Products and Telecom operating segments, and is active the development, design, production, supply and installation of cables for highly diverse applications.

The Company supplies terrestrial and submarine cables and systems for the transmission and distribution of **energy**, special cables for applications in various industrial sectors and medium-low voltage cables for infrastructure and construction needs.

With regard to **telecommunications**, the Group produces cables and accessories for voice, video and data transmissions, drawing on a complete range of optical fibres, optical and copper cables and connectors. The Prysmian Group has reached many major milestones over the years, completing projects with innovative and cutting-edge solutions that satisfy the highest expectations of customers and create value for both stakeholders and the Group.

The Group has completed several major **undersea power delivery projects** for grid managers and utilities. These included the recent NSN (North Sea Network) Link between Norway and the United Kingdom that, when operational, will be the first cable system for the transmission of electricity between the two countries, as well as the record-breaking Western HVDC Link project in the United Kingdom. This last involves a number of industry firsts, in terms of voltage (600 kV), highest operational rating for an insulated cable (2200 MW) and distance (over 400 km). In the United States, the Trans Bay, Neptune and Hudson projects are worthy of note, illuminating large areas from San Francisco to New York City with electricity from different sources.

The Group is also world leader in submarine links for offshore wind farms. In addition to participating in all the major projects completed at European level in recent years, Prysmian has recently designed the cable link between a number of wind farms in the West of Adlergrund area of the Baltic Sea and the terrestrial electricity grids in Germany.

In terms of **terrestrial infrastructure**, the Group has helped to build electricity grids in some of the world's largest cities, from New York to Buenos Aires, from London to St. Petersburg, and from Hong Kong to Sydney. Furthermore, in 2016, Prysmian will lead a consortium of 7 firms in the creation of a new HVDC "Piemonte-Savoia" link between Italy and France. This project is strategic to increasing the security of electricity supplies and will allow up to 1,200 MW of power to flow between Italy and France.

The Group also assists the **petrochemicals industry**, offering sector operators solutions for use in exploration and production, as well as in the transformation and storage of hydrocarbons. These solutions

extend from power, instrumentation and control cables to a range of SURF products and services, including umbilical cables for offshore platforms and high-technology flexible pipes for the lifting of petroleum.

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

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

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

The Group 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, the fastest trains and most innovative metro systems, such as that recently inaugurated in Shanghai. Three million passengers travel on the London Underground each day, using 400 km of tunnels cabled by Prysmian and Draka fire-resistant products.

Lastly, the Prysmian Group is the world's leading producer of Telecom cables, with a wide range of optical fibre solutions for voice communications and around 30 factories dedicated to this sector. In this way, we help to develop the infrastructure that supports information flows and communications between communities around the world. The quality of our optical fibres and innovative cabling solutions enables the Group to tackle the most difficult and ambitious challenges. In Australia, Prysmian is helping the government to achieve the goal of creating a "Fibre-to-the-Premises" network that will connect 93% of the country's residential and commercial buildings. This project confirms the Group's central role in the largest infrastructure challenge ever faced in Australia's history.

## OPERATING SEGMENTS

### Energy Projects

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 terrestrial, submarine and SURF cables, being umbilical cables, flexible pipes and special DHT (Downhole Technology) cables for the petroleum market.

Prysmian designs, manufactures and installs high and ultra-high voltage cables and systems for *underground and submarine power transmission* directly from generating stations to the primary distribution grids. Via Prysmian PowerLink S.r.l., the Group develops leading-edge turnkey submarine cable systems, with installation at depths of up to 2,000 metres using the Giulio Verne, one of the world's largest and most technologically advanced cable-laying ships. Prysmian also offers advanced services for the establishment of submarine power transmission links for offshore wind farms, ranging from project management to the installation of cables using the Cable Enterprise, another cable-laying ship that, in addition to being one of the most powerful in the world, also has unrivalled green credentials. In particular, by reducing NOx emissions by about 80%, the Cable Enterprise can easily be considered the most sustainable cable-laying ship in the world. Again with regard to submarine projects, the Group's technologies include cables for the functioning of wind turbines, cables linking the various turbines and cable links to the terrestrial grid.

The Group also offers a complete range of SURF (Subsea Umbilical, Riser and Flowline) products and services to the petroleum market for its offshore exploration activities. This range includes multi-function umbilical cables for the transportation of energy, telecommunications, fluids and chemical products; high-tech flexible tubes and conduits for the offshore lifting of oil; and special DHT (Downhole Technology) cables, that include cable for controlling the lifting equipment, power cables and tubes for the passage of hydraulic fluids.

### Energy Products

The Energy Products Operating Segment offers a complete and innovative portfolio of products designed to meet the widest market needs. The segment comprises the following businesses: Energy & Infrastructure, including Power Distribution and Trade & Installers, and Industrial & Network Components, including Specialties & OEM, Oil & Gas, Elevators, Automotive and Network Components.

With regard to the transmission and distribution of energy, 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. The products for the petrochemical market include power, instrument and control cables for use in exploration, production, transformation and storage activities. 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 main international manufacturers in the sector. The range of products is completed by network accessories and components for joining cables and other network components.

## Telecom

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, OPGW (Optical Ground Wire) cables and copper cables.

With centres of excellence in Battipaglia (Italy), Eindhoven (Netherlands) and Douvrin (France) and five factories around the world, 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 Prysmian BendBright<sup>xs</sup>, an optical fibre insensitive to bending that was developed specifically for this application.

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

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

## **A STORY THAT BEGAN TWO CENTURIES AGO**

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

### **1900**

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

### **1910**

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

### **1900-1950**

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

### **1990-2000**

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

### **2005**

Pirelli Cavi was sold by Pirelli and Prysmian was founded.

### **2007**

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

### **2010**

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

### **2011**

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

### **2015**

Prysmian celebrates its first decade.

## VISION

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

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

## MISSION

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

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

## VALUES

**Excellence. Integrity. Understanding.**

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

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

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

## GLOBAL PRESENCE

### EMEA

#### Ivory Coast

Abidjan

#### Denmark

Brøndby

#### Estonia

Keila

#### Finland

Pikkala

Oulu

#### France

Amfreville

Angy

Charvieu

Chavanoz

Gron

Neuf Pré

Paron

Xoulces

Douvrin

Calais

Sainte Genevieve

#### Germany

Neustadt

Schwerin

Nurnberg

Wuppertal

Berlin

#### Italy

Arco Felice

Battipaglia

Giovinazzo

Livorno

Merlino

Pignataro Maggiore

Quattordio

#### Norway

Drammen

#### Oman

Muscat

Sohar

### Netherlands

Eindhoven

Delft

Amsterdam

Emmen

Delfzijl

Nieuw Bergen

### Czech Republic

Velke Mezirici

### Romania

Slatina

### Russia

Rybinsk

### Slovakia

Presov

### Spain

Vilanova y la Geltrú

Santander

Santa Perpetua

### Sweden

Nassjo

### Tunisia

Grombalia

### Turkey

Mudanya

### U.A.E.

Fujairah

### UK

Aberdare

Bishopstoke

Wrexham

Washington

### Hungary

Balassagyarmat

Kistelek

### SOUTH AMERICA

#### Argentina

La Rosa

Quilmes

#### Brasil

Joinville

Sorocaba (2)

Santo André

Vila Velha

### APAC

#### Australia

Dee Why

Liverpool

#### China

Baoying

Tianjin

Wuxi

Wuhan

Haixun

Shanghai

Suzhou

Zhongyao

#### Philippines

Cebu

#### India

Pune

Chiplun

#### Indonesia

Cikampek

#### Malaysia

Kuala Lumpur

Melaka

#### New Zeland

Auckland

#### Thailand

Rayong

### NORTH AMERICA

#### Canada

Prescott

#### Mexico

Durango

#### USA

Abbeville

Lexington

North Dighton

Bridgewater

Rocky Mount

Claremont

Schuylkill Haven



50 COUNTRIES



88 PLANTS

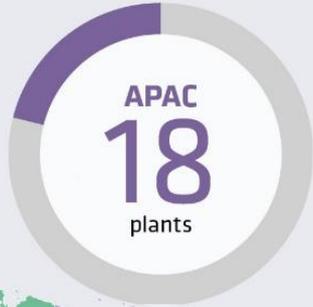
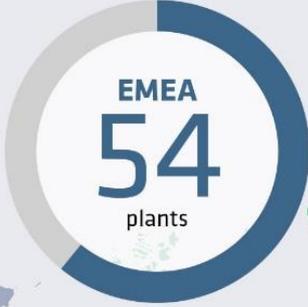


17 R&D CENTRES



19,000 EMPLOYEES





- Energy (61)
- Combined Energy and Telecom (9)
- Telecom (18)
- HQ
- Offices (34)

## KEY EVENTS DURING THE YEAR

- **Prysmian: the first decade**

The tenth anniversary of the founding of the Prysmian Group was celebrated in 2015, representing an ideal occasion to remember the great success achieved over the years.

These celebrations, with various initiatives involving Prysmian's people and stakeholders, also offered a chance to think about and analyse the results delivered during the past decade. Multiple marketing and communications activities were organised throughout 2015 to mark this 10-year milestone: all communications carried a golden logo created especially in honour of the tenth anniversary, while the history of Prysmian over the decade was gathered and recounted in a book, produced for the occasion, that was dedicated and distributed to every employee.

All the activities and initiatives implemented during 2015 sought to further strengthen the Group's brand and identity, as well as to highlight the commitment of the people who together make up the Group and contribute to its success. These initiatives also made the Group's ties with its stakeholders both stronger and closer, thereby consolidating Prysmian's growth and strategic development programmes.

- **Inclusion in the FTSE4Good index**

Prysmian is now included in the FTSE4Good, a prestigious global index comprising firms that stand out for both their ethical and transparent management practices, and the implementation of sustainable policies. The majority of the stringent requirements specified by the FTSE Group were met by Prysmian. In particular, Prysmian received excellent ratings from the Index's commission of experts due to the high standards assured for employees, as exemplified by our Diversity and Inclusion policies. The Group's HR management processes are designed to support the development of individuals and a common identity, via multiple programmes for the management of talent within a highly multi-cultural environment. Additional merit points were awarded for the close attention paid by the Group to the entire supply chain, thanks to the introduction of the Code of Business Conduct that was devised in order to disseminate and assure the adoption of responsible practices by all suppliers.

- **“Italy shows its true Fibre”**

In 2015, Prysmian launched a communication campaign designed to support plans for the development of new, ultra-broadband telecommunications networks in Italy. The fibre, manufactured by Prysmian in Italy and used to link communities around the world, is the result of technology, innovation and experience, as well as an in-depth knowledge of the country. Additionally during the year, the Group completed the investment of almost 30 million euro at the optical fibre centre of excellence in Battipaglia (Salerno), which is now one of the most advanced and competitive in the world.

## A YEAR OF AWARDS AND RECOGNITION

- The 18th edition 2014-2015 of the **Combrend Webranking Research**, the leading European survey of corporate websites and the only global classification based on requests from stakeholders, assessed in collaboration with Lundquist the 500 largest European companies in terms of market capitalisation. Prysmian obtained a score of 55 out of 100 and was classified 62nd, compared with 127th in the previous year. Prysmian was also classified among the Top 10 Italian companies included in the Webranking FT Europe 500, moving up from 60th to 10th place.  
This research estimates the ability of the largest listed European companies to meet the expectations of their stakeholders, in terms of transparency and dialogue using digital channels. In particular, the research considers the ability of these companies to stand out in an increasingly competitive environment, describing their official positions on corporate matters via digital channels and by involving their stakeholders in social media communications.
- For the second consecutive year, the Prysmian Group place first in Integer Research's "**Top 100 Global Wire & Cable Producer Database 2015**", which ranks the world's 100 largest cable manufacturers with reference to their revenues in the previous year. Strong sales of submarine and fibre optic cables during 2014 helped Prysmian to retain first place in the classification.
- During the year, the Group participated in France in the first "**Innovation Challenge Suppliers 2015**" organised by SPIE Sud-Est, a key French customer and partner in the installation of cables. Prysmian won the "Environmental Impact" prize for its innovative project regarding the new PV1100 AR cable. Devised by the purchasing department of SPIE Sud-Est, this challenge serves to highlight all those new products, concepts, ideas or product innovations that limit the environmental impact of products or improve human safety. In particular, the PV1100 AR presented by Prysmian is a low voltage cable designed for connecting photovoltaic fields. Its double insulation sheath means that the cable can be buried directly, without additional mechanical protection, while still ensuring the safety of the cable. As a result, the adoption of this cable makes installation a quick and easy process, with a smaller environmental impact due to the lower consumption of materials and reduced transportation. A total of 85 firms participated in the first edition of this competition, presenting 150 innovations. Ten prizes were awarded in five categories: safety, environmental impact, ease of implementation, technological innovation and economic impact. As mentioned, Prysmian was selected as the best large firm within the "environmental impact" category.
- The Prysmian Group received the "**Frost & Sullivan 2015 European New Product Innovation Award**" in London, for its BendBright<sup>XS</sup> fibre optic cable. Each year, Frost & Sullivan, a leading global consultancy in growth strategies and the integrated areas of technological and market research, presents this award to a firm that has developed an innovative product using cutting-edge technology. The award recognises the value added by the product, in terms of characteristics and benefits, including an increased ROI for the customer, thus ensuring an increase in the number of end customers and overall market penetration. The BendBright<sup>XS</sup> fibre, originally designed for FTTH applications, paves the

way for a multitude of innovative cabling solutions. The product is applicable to a wide range of network configurations, combining extremely low sensitivity to macro-bending and sector standard performance when it comes to micro-bending. All this without altering the traditional characteristics of single-mode fibre.

- In 2015, the Prysmian Group won a **"Supplier of the Year" award from the National Broadband Network (NBN)** in Australia, at the strategic summit of that network's suppliers. National Broadband is Australia's largest infrastructure project and the firms involved in its construction are the world's best in that field. Prysmian, in particular, as a partner of the Australia government for this project, manufactures and supplies fibre optic ribbon cables and recently became the network's exclusive supplier of copper cables. This award therefore confirms Prysmian's leading position among the suppliers of fibre optic and copper cables to the telecommunications industry in Australia and New Zealand, highlighting once again the predominant role played by the Group on the world stage.
- The Siemens Prysmian Western HVDC Link consortium received the **"Sword of Honour"** award in 2015, at the prestigious "Sword and Globe of Honour Luncheon". The British Safety Council (BSC) awarded the "Sword of Honour" to the Prysmian-Siemens consortium that is currently working on the Western HVDC Link project, under a contract signed in February 2012 with the joint venture between the English National Grid and Scottish Power Transmission. The "Sword of Honour" award from the British Safety Council represents maximum recognition for the extensive commitment made to and excellent management of health and safety matters. Only firms that obtain maximum points (five stars) in the "Five Star Occupational Health and Safety Audit" carried out by the BSC are invited to compete for this award.
- Prysmian Turkey received the **"Adding Value to the Economy"** award from the Bursa Chamber of Commerce and Industry (BTSO). This award is made to businesses in various sectors that make the largest contribution to the economy of the town and the country. Specifically, Prysmian Turkey obtained first prize as sector leader in the "Electrical-Electronics" category, in the presence of several of Turkey's most important political and industrial personalities.

## ASSOCIATION MEMBERSHIPS

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

### Europacable Industry Charter

The Prysmian Group signed the Europacable Industry Charter in 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.

By signing the Industry Charter, the members of Europacable - aware of the requirements of all stakeholders - agree to defend the interests of their employees, customers, the entire community and the environment. This means going beyond basic legal compliance, to play a pro-active role in the monitoring and assessment of emerging issues, while also finding innovative solutions that improve on the minimum requirements.

The document was presented at the general meeting of Europacable held at the end of April 2015 and made public following signature by the association's members, which are committed to complying with its principles.

## *Ethics and integrity*

The sustainability strategy adopted by the Prysmian Group is founded on a system of values that mark the behaviour of individuals both within and outside the organisation. The Code of Ethics establishes the principles for all to follow, consistent with the Vision and Mission of the Group. Acting as a veritable guide to daily behaviour, the Code of Ethics plays a strategic role for the Group as a tool for preventing irresponsible or illegal conduct by those who work in the name and on behalf of Prysmian. The values and principles expressed in the Vision, Mission and Values of the Group are integral to this document. The Code of Ethics lives and evolves with the development of the business in the competitive world. It is always open to receive and accept requests for legality and propriety expressed by any group of Prysmian stakeholders.

The Code of Ethics complies with international best practices and adopts the principles embodied in the UN Universal Declaration of Human Rights and the Fundamental Conventions of the International Labour Organization (ILO).

With a view to managing the issues of corruption and unfair competition, Prysmian has adopted an Anti-Bribery Policy and an Antitrust Code of Conduct, as part of the Group's Compliance Policies. These policies are published on the Group's website and on the corporate intranet, while updates are communicated to all Group employees. In addition, during the year, the Group also adopted a Whistleblowing mechanism that complies with the best practices on ethical and compliance matters.

In order to support and sustain one of Prysmian's key values, namely Integrity, the Group has established a compliance structure that monitors observance of the Code of Ethics and the Compliance Policies. This organisation comprises the following roles:

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

The Code and the above policies reflect a common and shared approach to business, honest, ethical and compliant with all current laws and regulations, which must be respected by all Group employees wherever they work and live around the world. It is fundamental, in fact, for all employees to take responsibility for their daily work and accept personally, with conviction, the spirit of the Code.

As part of the Group's commitment to ethical and legal behaviour, the Code of Ethics invites Interested Parties to report any real or apparent violations of the law, the Code or ethical standards, so that they can be examined and dealt with appropriately. In order to achieve this and create conditions that assure confidentiality, security and ease of reporting, the Prysmian Group launched a project in 2015 for the implementation of a whistle-blowing process that will be completed during 2016. This process will implement two channels for the collection of reports, comprising dedicated telephone lines and a web portal, that will both be managed by independent operators and available in the 26 languages used by the Group.

## 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 rests 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](http://www.prysmiangroup.com).

### Anti-corruption policy

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

Under this policy, 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, unless in compliance with all current laws and to the extent expressly allowed by Group Policy.

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
  - The 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. These activities must be carried out on recruitment and at least once every year thereafter.
- 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.

## Governance

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

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

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

With a view to constantly improving the system of corporate governance, Prysmian took various additional steps during 2015 to implement the recommendations contained in the Corporate Governance Code for Listed Companies, adopted by the Group, and strengthen the principles of transparency and integrity applied.

The structure of corporate governance within the Group is founded on the core role of the Board of Directors - as the most senior body appointed to manage the Company in the interests of shareholders - in providing strategic direction, guaranteeing the transparency of decision-making processes and establishing an effective system of internal controls and risk management that encompasses the decisions made with internal and/or external effects. The 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 Group's Board of Directors, appointed at the Shareholders' Meeting held on 16 April 2015, comprises eleven directors, eight men and three women, three aged between 30 and 50 and eight who are over 50 years of age. Additionally, seven directors are considered independent pursuant to the Consolidated Finance Law (T.U.F.).

Further information on the system of corporate governance of Prysmian S.p.A., and on the ownership structure, can be found in the "Report on Corporate Governance and the Ownership Structure" available on the Company's website [www.prysmiangroup.com](http://www.prysmiangroup.com)

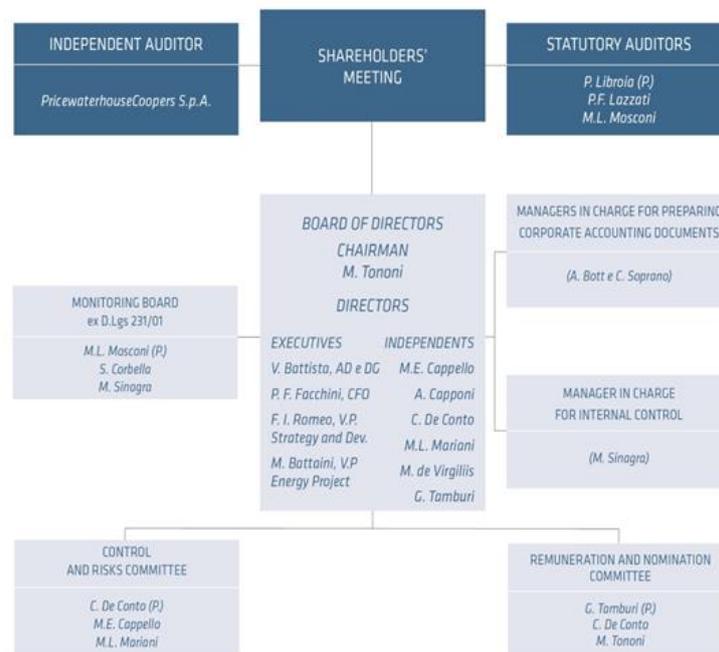
### Governance of Sustainability

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

Reflecting the importance of sustainability matters in the management of business processes and accepting the invitation to formalise the approach taken to them contained in the Corporate Governance Code for Listed Companies, the Board of Directors has tasked the Remuneration and Appointments Committee with

supervising, from 1 January 2016, the sustainability matters associated with the Group's activities and the dynamics of its interactions with all stakeholders.

**Prysmian's Governance Structure**



**Anti-trust regulations**

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.

The geographical distribution of personnel and, sometimes, their limited knowledge of local rules combined with the dynamism of the market makes it difficult to monitor the anti-competitive behaviour of third parties, such as suppliers and competitors. This exposes Prysmian to the risk of heavy economic penalties, with an adverse impact on the Group's reputation and the credibility of our corporate governance system. Consistent with the priorities defined in the "Enterprise Risk Management" process, the Legal Department with support from the Group's Compliance function has taken steps to raise awareness by adopting an "Anti-trust Code of Conduct". All directors, executives and employees of the Group are expected to know and comply with this Code in the performance of their duties and in relations with third parties. These actions to stimulate pro-competitive behaviour and make individual more aware of their professional duties and responsibilities, representing the first step in establishing an "anti-trust culture" within the Group.

On 2 April 2014, in the context of its anti-trust investigations, the European Commission ruled that, between 18 February 1999 and 28 January 2009, the world's largest cable manufacturers, including Prysmian Cavi e Sistemi S.r.l., had acted to restrict competition in the European markets for, respectively, submarine power cables and high voltage terrestrial power cables.

Further information about this can be found in the Annual Report 2015, which is available on the Company's website [www.prysmiangroup.com](http://www.prysmiangroup.com).

The European Commission deemed Prysmian Cavi e Sistemi S.r.l., together with Pirelli & C. S.p.A., responsible for the alleged violation during the period from 18 February 1999 to 28 July 2005 and condemned them to pay a fine of 67.3 million euro. It also deemed Prysmian Cavi e Sistemi S.r.l., together with Prysmian S.p.A. and The Goldman Sachs Group Inc., responsible for the alleged violation during the period from 29 July 2005 to 28 January 2009, condemning them to pay a fine of 37.3 million euro. Prysmian has appealed to the European Court against this decision and has presented requests to participate in the appeals against the same decision filed by Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. Both Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have, in turn, presented requests to participate in the appeals promoted by Prysmian against the decision taken by the European Commission. The participation requests presented by Prysmian, Pirelli & C. S.p.A. and The Goldman Sachs Group Inc. have all been accepted by the European Court. Prysmian has not made any cash payments as a result of the above decision, having elected - while awaiting the appeal - to give bank sureties guaranteeing payment of half the fine levied by the European Commission (amounting to about 52 million euro) for the disputed violation in both the above periods. Prysmian understands that Pirelli & C. S.p.A. has also given bank sureties to the European Commission covering half the fine levied in relation to the disputed violation in the period from 18 February 1999 to 28 July 2005. Pirelli & C. S.p.A. has also taken civil action against Prysmian Cavi e Sistemi S.r.l., before the Milan Court, requesting to be held free from any demands advanced by the European Commission consequent to the enforcement of its decision and from any related enforcement charges. In February 2015, Prysmian Cavi e Sistemi S.r.l. filed in relation to the above action, requesting complete rejection of the demands advanced by Pirelli & C. S.p.A. and, with reference to the disputed violation in the period from 18 February 1999 to 28 July 2005, that Pirelli & C. S.p.A. be required to hold Prysmian Cavi e Sistemi S.r.l. free from any demands advanced by the European Commission consequent to the enforcement of its decision and from any related enforcement charges. The action was then suspended, by order of the Milan Court in April 2015, while awaiting the outcome of the appeal against the European Commission decision promoted in the European courts by both Prysmian and Pirelli. Pirelli has appealed to the Court of Cassation to overturn this order.<sup>7</sup>

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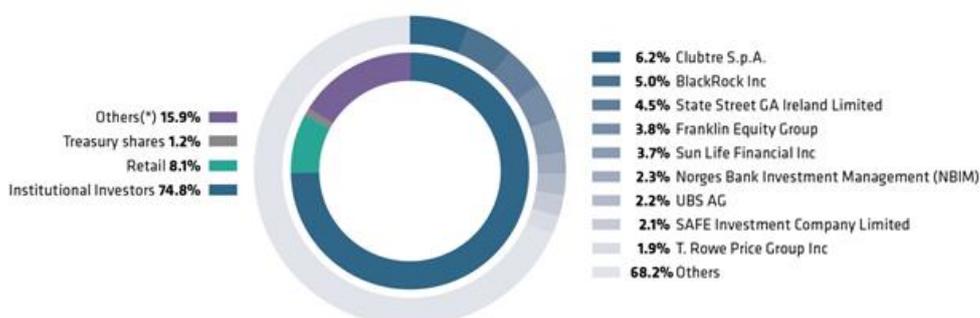
<sup>7</sup> Further information is available in the Annual Report 2015

## Shareholders and Investor relations

*The Prysmian Group is a true Public Company: floating stock amounts to 100% of the shares, with almost 80% of capital held by institutional investors.*

As of 31 December 2015, the share capital of Prysmian S.p.A. amounts to Euro 21,672,092.20, represented by 216,720,922 ordinary shares with a nominal value of Euro 0.1 each. The ownership structure at that date is indicated below.

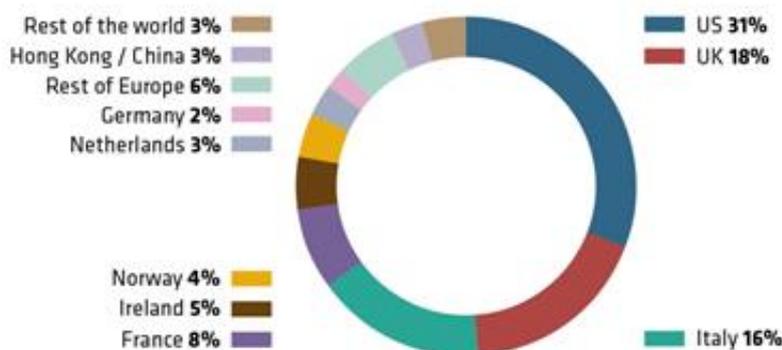
**Share ownership by type and significant shareholders <sup>8</sup>**



All the shares in circulation as of 31 December 2015 are floating shares, with major shareholdings (in excess of 2%) accounting for around 22% of share capital. Accordingly, there are no majority or relative majority shareholders.

Prysmian is one of the few Italian manufacturers with a global presence that, in recent years, has achieved true public company status.

**Institutional investors by geographical area**

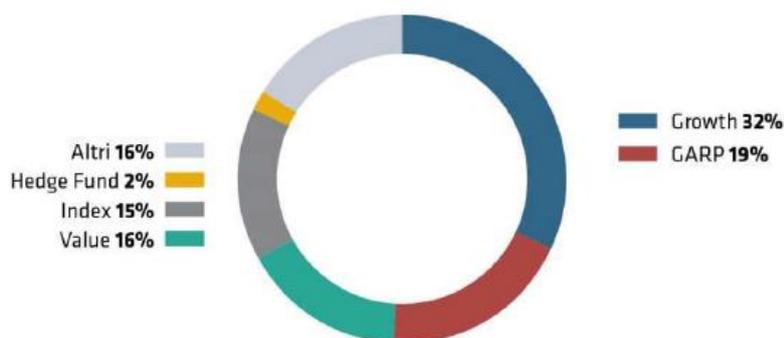


<sup>8</sup> Source: Nasdaq OMX, December 2015 (Share ownership by type); Thomson One public sources and CONSOB, December 2015 (Significant shareholders, over 2%).

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

Analysis of share ownership by geographical area confirms the predominance of the United States, with 31% of capital held by institutional investors following a rise since 2014. At the end of 2015, investors in the United Kingdom held about 18% of capital. Institutional investors in Italy held about 16% of capital at the end of 2015, following a rise since 2014, while the holdings of investors in France decreased to 8% of capital. The weighting of Asian investors is stable.

#### Institutional investors by investment style



Source: Nasdaq OMX, December 2015

About 67% of the capital held by institutional investors is owned by *Value*, *Growth* or *GARP* investment funds that have a medium/long-term time horizon. With respect to the previous year, there has been a slight increase in the number of shareholders adopting an *Index* investment strategy, based on the main stock indices, while the *Hedge Fund* component - with a shorter time horizon - now only represents 2% of the total.

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

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

## INVESTOR RELATIONS

***Supporting transparent communications, encouraging market confidence in the company and promoting a long-term approach to investment in the shares are fundamental in order to create value for the Group's shareholders.***

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 Group 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.

Contacts with the financial markets were intense during 2015: Prysmian organised about 400 meetings with the financial markets, counting conference calls, Group meetings and one-to-one sessions.

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

The Prysmian Group was involved in numerous road shows during the year, visiting the main financial markets in Europe and North America, and also participated in conferences organised by leading international brokers.

The increasing attention paid to the activities of the Group by socially responsible investors (SRI) was confirmed by their growing attendance at the road shows and meetings held for them. Lastly, the Group organised various visits to factories and R&D centres for institutional investors and financial analysts during the year, in order to provide them with more detailed information about its products and production processes.

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

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

## Risk Management

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

The value creation policy pursued by the Prysmian Group is and always has been based on the effective management of risks. Commencing from 2012, on adoption of the recommendations of the "Corporate Governance Code 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 main 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 main risks faced by Prysmian and its subsidiaries are identified, assessed and monitored on a timely basis. In addition, an Internal Risk Management Committee comprising senior managers ensures, via the CRO, that the ERM process remains dynamic to reflect changes in the business, requirements and events affecting the Group over time. The CRO reports periodically (at least twice each year) to senior management on these changes.

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

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

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

**Risk Model adopted by the Prysmian Group**

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

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

During 2015, the ERM process involved the Group's main business/function managers, resulting in identification and assessment of the main risk factors that are summarised below, together with the mitigation strategies adopted.

### Sustainability risks

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

**Sustainability Risk Model adopted by the Prysmian Group**

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

## ORGANISATIONAL MODEL (DECREE 231/2001)

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

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

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

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

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

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

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

Following the amendments made to the Decree during 2015, with regard to Eco-crimes<sup>9</sup> relating to environmental matters and to self-money laundering<sup>10</sup>, the Internal Audit function has commenced a risk assessment in order to assess the Group's exposure to the above offence risk scenarios and, if necessary, update the Model adopted by Prysmian and each Italian company within the Group.

<sup>9</sup> Law 68/2015, so-called "Eco-crimes Law": "Instructions on crimes against the environment".

<sup>10</sup> Law 186/2014: "Instructions on the emergence and return of capital held abroad, as well as for strengthening the fight against tax evasion. Instructions on self-money laundering". This measure amended the existing legislation by adding the new crime of self-money laundering to art. 25-octies of Decree 231/2001 and to the criminal code (art. 648-ter.1), as well as by increasing the penalties for money laundering (art. 648-bis) and the use of cash, goods or other value obtained from illegal sources (art. 648-ter).

**INTERNAL AUDIT AND INTERNAL CONTROL**

The Internal Audit Department prepares an annual audit plan using a risk assessment approach. Risk factors are analysed and revised every year to ensure that this plan properly covers the risks to which the Group is exposed. The Internal Audit Manager attends the meetings of the Risk Management and Internal Control Committee, reporting on matters identified by the audit work and the improvements agreed. The status of the audit plan is also reported, along with any proposals to amend the original audit plan and the implementation status of previously-agreed improvement work.

The Prysmian Group adopts a series of administrative and accounting procedures to ensure the reliability of the system of internal controls over financial disclosures. Prysmian uses policies, procedures and operating instructions to ensure an effective flow of information from affiliates.

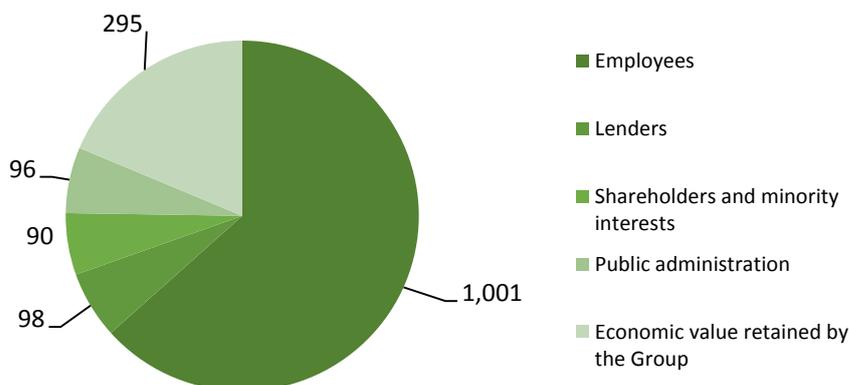
## Economic performance

### ECONOMIC VALUE DISTRIBUTED TO STAKEHOLDERS

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

The value retained by the Group is represented by the profit reserves carried forward.

**Allocation of economic value created in 2015 (in millions of euro) as of 31.12.2015**



The schedule showing how the economic value generated by Prysmian is allocated was prepared with reference to the income statement captions reported in the consolidated financial statement as of 31 December 2015. The economic value generated by Prysmian in 2015, net of reclassified costs, amounted to 1,580 million euro or about 21% of consolidated sales. The largest part of this value is represented by the remuneration of human resources (63%), followed by the remuneration of lenders, shareholders and minority interests and the Public Administration (6%). and by roughly 225,000 euro in community contributions<sup>11</sup>. The remainder (19%) represents the value retained by the business.

<sup>11</sup> This amount only includes the gifts and donations to the community reported by some of the companies within the Prysmian Group: Hungary, Germany, Italy, China, North America, Estonia, United Kingdom, Argentina, Finland, Sweden, Spain.



A close-up photograph of several sheets of corrugated metal. The sheets are arranged in a way that shows their overlapping edges and the characteristic wavy, ribbed texture. The colors are a vibrant blue and a bright yellow. The lighting is bright, creating strong highlights and shadows that emphasize the three-dimensional quality of the ridges and valleys. The text 'INTEGRATED SUSTAINABILITY' is overlaid in white, sans-serif capital letters on the left side of the image.

INTEGRATED  
SUSTAINABILITY

## Group approach

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

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

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

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

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

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

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

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

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

## *Customer Centricity*

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

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

The Prysmian Group is able to develop solutions that meet specific standards, as well as those that respond to the precise requirements of an individual customer.

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

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

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

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

The Prysmian Group aims to be the "preferred partner" where customer satisfaction is concerned. To achieve this goal, in addition to the regular monitoring of key service indicators, such as reliability and speed, the Group has conducted specific customer satisfaction surveys every two years (most recently in 2014) for more than ten years.

These customer satisfaction surveys are carried out by a leading firm in the sector, using a standardised telephone questionnaire answered by the customer contact persons who maintain commercial relations with Prysmian (purchasing, technical area and logistics) and involving T&I customers in the various countries in which the Group operates. The purpose of the survey is to measure the level of customer satisfaction with the different elements of the service provided: commercial and marketing, technical and sales support, management of requests, order processing and invoicing, as well as the range and quality of products.

The Group considers the results of these surveys to be a key tool for better understanding the service perceived by customers, both in absolute terms and relative to other market competitors. They also allow the Group to collect further information about the main requirements of customers in terms of service. As a result

of this work, it is also possible to understand the changes over time in the perception of the service offered by Prysmian; identify the reasons for any dissatisfaction, and measure the importance of each component of service in relation to the overall level of satisfaction. The ultimate purpose of the surveys is to identify priorities for the improvement of service and verify the effectiveness of the improvement actions taken in the past. In this regard, the outcome of the surveys provides a basis for the corrective actions implemented in each country, involving all business functions under the supervision of senior management. Not least, the surveys carried out also help validate the internal measurements carried out every month.

In addition to the global survey carried out every 2 years, specific customer satisfaction surveys were conducted in China and Hong Kong in the summer of 2015. There were three survey participants in China: a contractor, a distributor of Prysmian products and an end user. The survey was organised in two parts: in the first part, customer were requested to assess, on a scale of 0 to 10, the performance of the Prysmian Group on 20 aspects linked to the service provided by the Group. The objective of second part of the survey, conducted in the form of interviews, was to understand the actions requested by Prysmian customers in order to improve the quality of the service offered. Prysmian received positive feedback from the questionnaire, especially with regard to product quality and the support provided by the Group regarding the management of information and, in general, the service offered.

Overall, Prysmian received an average score of 7.9/10 from the contractor, 9/10 from the end user and 7.2/10 from the distribution agent.

The objective of the customer satisfaction survey carried out in Hong Kong was to identify the level of satisfaction of a key Prysmian customer. Consistent with the approach taken in China, the survey methodology included questions and interviews, during which the customer identified possible actions for improving the performance of the Group. Here too, the best feedback obtained by Prysmian included out ability to meet the customer's requirements in terms of product quality and the product range.

The objective of the Prysmian Group is therefore to establish ever closer relations with customers, partly by the implementation of surveys and interviews that target specific types of customers, business units and geographical areas. This approach will not only enable us to measure the level of service provided, but also - and above all - to take specific actions that enhance our commitment to customers. These actions will be monitored over time, via specific follow-up by both Prysmian and the customer, with reference to the agreed business and/or improvement objectives.

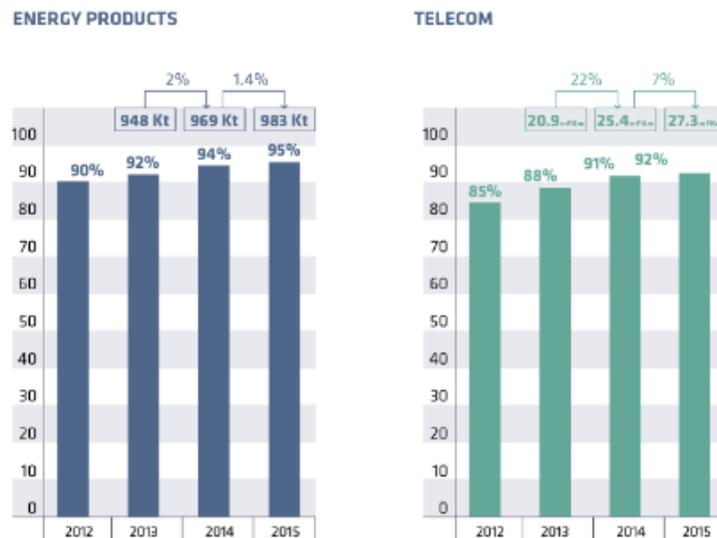
**IMPROVING CUSTOMER SATISFACTION IN TURKEY**

***An opportunity to contribute to the cables market in Turkey via the provision of services and products that perform better and are safer and more efficient.***

*The Prysmian Group has developed and launched a new solution-oriented project in Turkey, in order to provide information to distributors with greater rapidity. The objective of this customer care project was to work on and modify the market's traditional approach to sales, by separating the process into pre- and post-sale activities. This involved assigning a dedicated representative to each distributor, with a view to guaranteeing the resolution of 80-90% of problems within a maximum of two days. The purpose of this initiative was consistent with the drive to improve customer satisfaction, reduce the workload of certain sales teams, guarantee the improved use of Group resources by more streamlined and efficient inter-departmental communications and, accordingly, implement a customer-centric approach at all levels.*

*Prysmian is the first cables company to have launched a project of this kind in Turkey, confirming an approach that is profoundly end-customer oriented.*

**ON TIME DELIVERY**

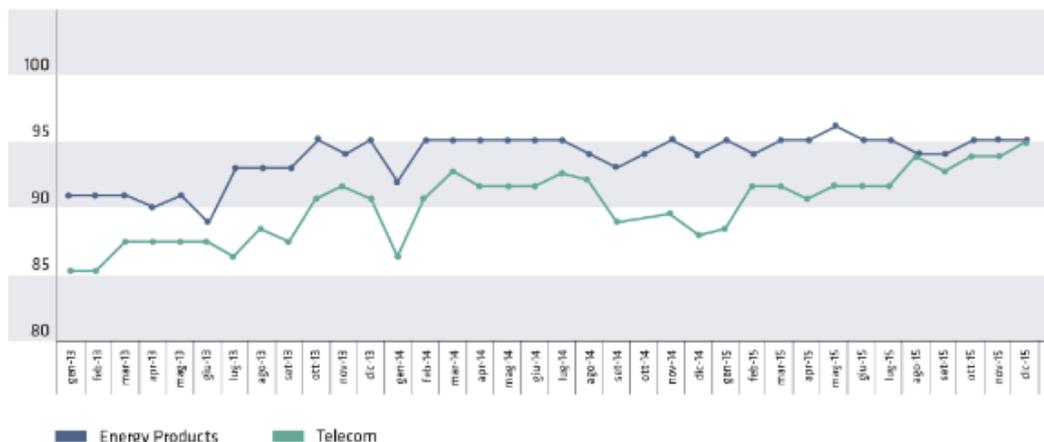


Consistent with the Group's strategic objectives and in addition to the Customer Centricity and Factory Reliability initiatives, during 2015 the Prysmian Group continued the work carried out in recent years to improve our logistics services in terms of flexibility, timeliness and lead-time efficiency.

The Prysmian Group has confirmed our strong orientation to continuous improvement in the punctuality and reliability of our processes. As shown in the charts, the measurement of On-Time Delivery (OTD), being the ability to serve customers by respecting the delivery date promised on confirmation of the order received, highlights the improvements achieved by both the Energy Products and Telecom segments. In addition to the improvement in on-time deliveries in absolute terms, the number of factories performing below the 90% threshold decreased further in 2015, thus ensuring greater uniformity in the service provided by the Group's factories.

A number of new projects were also launched during the year with a view to reducing response times, both when acquiring orders (Fast Order Entry) and when organising the related production (Lead Time Reduction). The "Fast Order Entry" project has halved the time taken to input and process orders by Sales Customer Care, by working on the searches for products and on their availability in inventory. With regard to accelerating the speed of execution, on the other hand, 4 lead-time reduction projects implemented at 4 key factories within the Group shortened production times by an average of 17 days (-24%).

**LOGISTICS**



**PROMOTING THE GROUP'S CULTURE IN THE BALKANS**

**The objective of this workshop was to strengthen Prysmian's relations with telecom operators in Croatia and improve the Group's presence in this rapidly growing sector.**

Following the success of the technical workshops organised in Italy, Hungary and Serbia during 2014, the «Telecom Solutions Business Unit» continued to promote the Group's culture in the Balkans during 2015, by organising a special event in Croatia for the key customers of Telekom Croazia and the local providers of fixed line, mobile and Internet communications services. Additionally, on 13 October 2015, Prysmian Italia held a special workshop in collaboration with the Prysmian Romania team, involving a series of technical seminars on optical fibres and telecom cable solutions. The objective of this meeting, attended by more than 30 professionals from various business functions, was to present the best and most recent solutions available for the telecommunications sector while, at the same time, stimulating the interest of customers in specific product ranges and mixes. Participants were also able to follow a number of practical demonstrations, in order to understand more clearly the true benefits and main advantages of the products presented.

**POWER DISTRIBUTION OPEN DAY: EVER CLOSER TO OUR CUSTOMERS**

**An occasion for reinforcing the role of Prysmian as market leader.**

Prysmian Australia organised the first Power Distribution Open Day, at the Liverpool plant, in May 2015. Thirty customers, representing about 90% of all Australian users, attended in order to discover the industrial capabilities of Prysmian and the technical know-how accumulated by the Group over time. The event alternated between presentations, workshops and site visits, offering customers a concrete opportunity to understand the internal functioning of the Group's technical teams, demonstrating the commitment required to design, manufacture and test cables to meet specific standards and requirements, and demonstrating all the experience accumulated by Prysmian in the sector.

## Operations

The Prysmian Group's manufacturing operations are highly decentralised, with 88 factories in 31 countries. The capillary distribution of factories is a strategic asset, allowing the Group to respond in a suitably timely manner to the different requirements of market around the world.

Once again during 2015 the Prysmian Group continued to implement an industrial strategy based on the following factors:

- Manufacture of higher value-added products with greater technological content at a limited number of factories, that become centres of excellence with outstanding technological skills. This ensures the achievement of economies of scale, consequently increasing production efficiency and reducing 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.

Gross investment totalled 210 million euro in 2015 (+29% compared with 2014), mainly due to the efforts made on the projects addressing the industrial footprint, as well as to the usual level of investment made in the submarine cable businesses (both on- and off-shore) and the optical fibre business.

The most significant investment - around 44% of the total - was dedicated to increasing production capacity and to changes in mix.

Alongside the increase in production capacity, the related rationalisation process also continued during the year: the factories in Ascoli (Italy) and Aubevoye (France) were closed, with the consequent transfer of their machinery to other factories within the Group. This concentration of production has optimised the cost structure and rationalised the industrial footprint of the Group, in order to guarantee the appropriate saturation of plant capacity in each country.

With regard to the Energy Projects business at the Group's factories dedicated to submarine cables, Arco Felice (Italy) and Pikkala (Finland), significant investment has been made in order to increase capacity for the "50 Hertz" contract. This contract, worth more than 700 million euro that was awarded to the Group in 2014, involves the design, supply and installation of high voltage submarine cable systems between offshore wind farms situated in German waters.

Again with regard to the submarine cables business, work has started on the upgrade of the "Pacifique", a new cable-laying ship, in order to add a third dedicated installation unit alongside the "Giulio Verne" and the "Cable Enterprise".

In the High Voltage business, the two main investment projects started in 2014 have been completed: the first, in Abbeville (United States), involved the installation of a second vertical insulation line for Extra High Voltage cables with extruded insulation, in order to meet the growth in volume of a market that continues to expand; the second, in Slatina (Romania), was designed to satisfy the growth in demand from the market in south-east Europe.

Lastly, the Group has invested in Delft (Netherlands), following the award of a project to install a high-voltage link in the Netherlands for "TenneT".

Investment in the Energy Products segment continued during 2015, with a focus on those countries with the greatest growth potential, being China, Estonia, Malaysia and Hungary.

In Suzhou and Tianjin, China, production capacity has been increased for Trade & Installer, Rolling Stock and Elevator cables; in Keila, Estonia, the Group has invested in a new production hub for LV cables that will serve the north European market; in Malaysia, on the other hand, capacity has been installed for the production of instrument and control cables for the Far East area; lastly, two projects are nearing completion in Kistelek, Hungary: the first to create a line that produces rubber-sheathed cables for the central European market, and the second to expand production capacity in the Trade & Installer sector, in order to serve the central European market from a source with lower transformation costs.

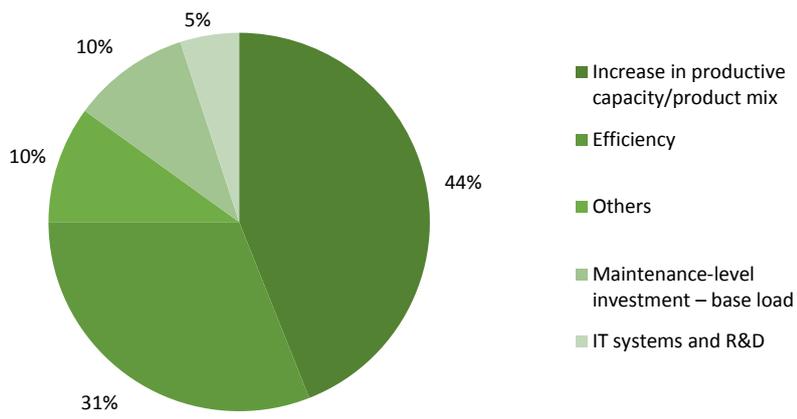
In the Telecom business area, major work continued during 2015 in order to verticalise the production of optical fibres at the Sorocaba factory in Brazil, and at the Claremont factory in the United States, in order to serve better the North American market. Investment in additional capacity for the production of optical cables also continued at the factory in Slatina (Romania) where, at the same time, work has commenced on the construction of a new factory dedicated entirely to Telecom cables. This further confirms the desire to create there a European centre of excellence for telecom optical cables.

The Group invested 31% of the available resources in efficiency improvements that reduce fixed and variable costs, especially in relation to the use of materials and the design of products. This percentage was considerably higher than in the previous year (20%). Specifically, significant investments in efficiency have been made in the metallurgy sector of the Energy Products segment, following the decision of the Group to complete the verticalisation of production at a number of factories. With regard to the Telecom segment, investment to enhance efficiency has continued at the European factories for the production of optical fibre in Battipaglia (Italy) and Douvrin (France), with a view to reducing fibre manufacturing costs. In addition, projects completed at the Italian factory included the installation of a tri-generation plant that will reduce energy costs, as well as work to increase the size of pre-forms. Lastly, the Group has started work to expand the Grombalia plant in Tunisia, following a decision to bring activities in-house that were previously outsourced.

The Prysmian Group allocated 5% of total investment in the constant development of our IT systems and in R&D (the part not charged to the income statement). In particular, investment on implementation of the "SAP Consolidation" project continued during 2015. This is designed to harmonise IT systems across the Group in the coming years. Specifically, the kernel of the new ERP system was updated and the system was extended to the United Kingdom and Brazil.

Consistent with last year, capital investment to maintain capacity amounted to about 10% of the total, while the portion relating to other investments declined to 10%. This last category mainly includes construction of the Group's new headquarters within the Ansaldo 20 industrial area in the Bicocca zone of Milan. This facility, developed over an area in excess of 20,000 m<sup>2</sup>, will enable Prysmian to bring all business functions together in one location, thus saving on operating costs.

### GROUP INVESTMENTS IN 2015



## *Focus on product quality*

Seeking to be the reference for excellence in every market served, the Prysmian Group concentrated on the improvement of performance during 2015, in order to increase customer satisfaction.

As part of this strategy, Prysmian has continued to implement proprietary programmes designed to obtain an immediate, clear picture of the performance of every entity within the Group. This is consistent with the need to organise and control quality-related activities within a unified context shared by the entire Group.

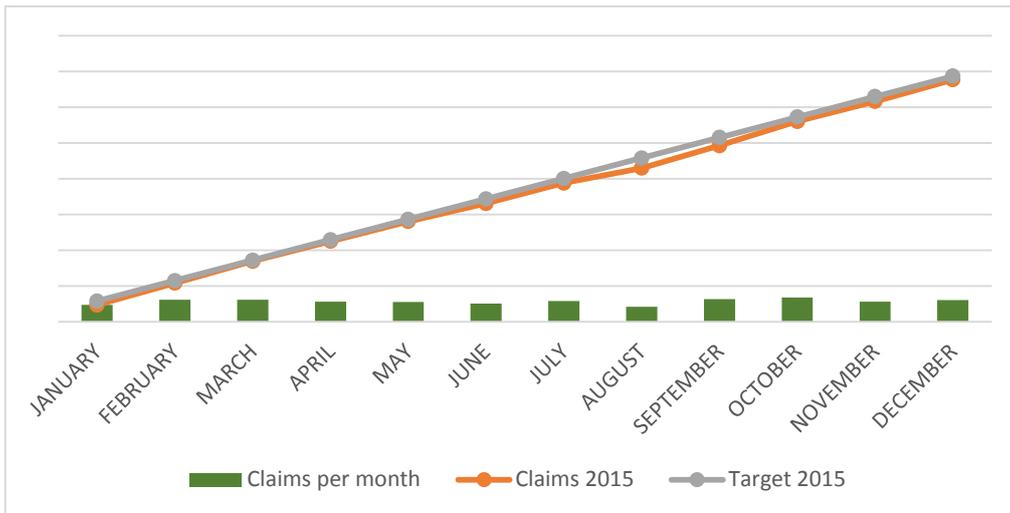
New indicators dedicated to the monitoring of response times have enabled the Group to identify significant improvements, and stimulate the entire organisation to find a rapid and effective response to problems.

Particular attention has been dedicated to the constant improvement of internal processes. Specifically, an extensive training programme has been developed covering the main methodologies for the proper analysis and resolution of problems relating to product and process quality. Furthermore, each factory has launched a campaign of constant improvement projects designed to capitalise on additional opportunities to increase the quality and efficiency of internal processes, with clear benefits in the area of cost containment as well.

The introduction of controls over the performance of key suppliers was another important step made in 2015. In addition to the implementation of specific preventive measures, this work has improved the relationship of trust established between the parties and suggested interesting areas for exploration. The definition of specific performance indicators also enables relations with each supplier to take account of the impact of its activities on individual departments, thus providing a broader and more complete picture.

A Worldwide Quality Meeting, attended by all Quality Managers within the Group, was held at the end of last year with a view to sharing best practices and development guidelines. The results achieved during the year were reviewed and strategies were agreed, together with the main projects to be implemented during 2016.

**CUSTOMER CLAIMS IN 2015**



Once again, the Prysmian Group managed to contain the number of customer claims within established target levels during 2015, thus confirming the constant attention dedicated to customers.

SUSTAINABLE  
INNOVATION



## *Commitment to innovation*

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

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

Sustainability is a constant focus for the Prysmian Group, in step with the times and the markets; it is not only a prerogative for research, development and innovation in the more developed countries, but also for that performed in the emerging countries. Investment in sustainability helps, in fact, to lower risk in places where energy costs are rising and access to energy sources remains unstable.

In addition, the Group's engineers employ advanced tools to validate the performance of our cables and simulate applications, even before any prototypes are made. This process helps to maximise the use of laboratory time, for example by avoiding unnecessary repetitions, and therefore reduce the consumption of materials and energy.

Spending by Prysmian on Research, Development and Innovation during 2015 totalled about 82 million euro<sup>12</sup>, confirming our constant commitment and focus on sustainable growth over the long term.

Work dedicated to the optimisation of costs via the Design-To-Cost (DTC) programme has also continued. This methodology is used to lower production costs, both when developing a new product and when re-engineering an existing product. This programme achieved cost savings totalling almost 14 million euro in 2015.

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

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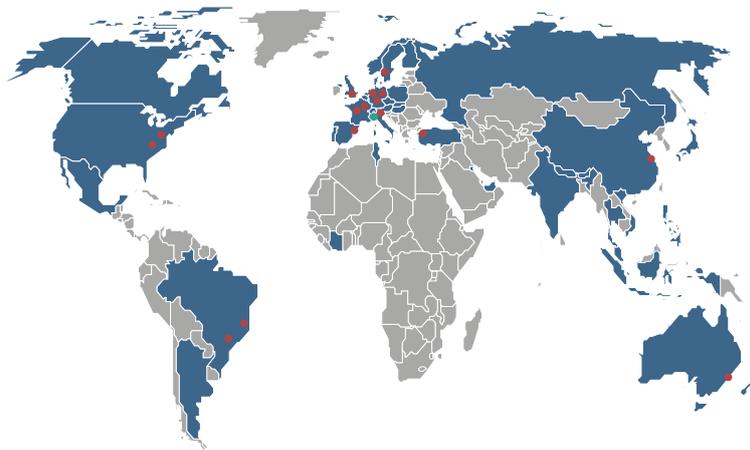
<sup>12</sup> Including 73 million opex and 9 million capex.

## UNIVERSITIES AND RESEARCH CENTRES

Prysmian has established consolidated collaborative relations with major universities (more than 40 agreements) and research centres in various countries around the world: China, Netherlands, New Zealand, Brazil, Finland, UK, United States, Spain and Italy. Numerous key collaborations include those with Politecnico di Milano, Centro di Pesquisa e Desenvolvimento em Telecomunicacoes in Brazil, Universitat Politecnica de Catalunya in Spain and the University of South Carolina in the United States.

Again in North America, the Prysmian Group is an honorary member of NEETRAC (National Electric Energy Testing Research and Applications Center) at the Georgia Institute of Technology.

Collaboration with the universities is strategic for Prysmian, in order to keep constantly updated about all technological innovations and ensure adoption of the most advanced technologies available to the scientific community.



€ **82**million  
invested in R&D

**17**R&D  
centres

Over**500**  
professionals

About **4,800**  
patents

During 2015, the Prysmian Group worked with MIP (Politecnico di Milano) to develop a new methodology for innovation: the design-driven funnel. This methodology defines an innovation process for the development of new solutions within the cables system.

Specifically, under the supervision of experts from Politecnico di Milano, a team consisting of personnel from the R&D department and Prysmian's business functions identified four solutions from an initial pool of 70 ideas. This result was achieved, in part, due to the involvement of Group suppliers and customers in the innovation process. The “design-driven funnel” methodology is an important example of Open Innovation and was applied to the Oil & Gas and SURF segments, enabling the Group to devise additional innovative solutions for our customers.

## *Main projects*

*Numerous R&D projects have been progressed by the Group in all areas of activity. The most significant are presented below.*

### **Energy**

#### **Submarine cables**

In addition to expansion of the product range, development activity in 2015 was mostly dedicated to the creation of better performing products, especially in terms of power transmission and overall system efficiency. This has reduced both the consumption of materials and energy losses under normal operating conditions.

As part of the expansion of the tri-polar AC cables range, we have qualified the 220kV 50 Hz cable that will be used for the long-distance transmission of the power generated by offshore wind farms. Additionally, we have developed two new types of tri-polar cable with double steel wire armature for installation at medium-high depths, close to 1,000 metres. In general, these cables will improve overall efficiency and the selection of energy sources with a lower environmental impact.

New techniques for connecting conductors have been developed and tested internally, to confirm the possibility of using large aluminium conductors and connecting conductors with different cross-sections and materials. These technologies make designing both AC and DC systems more effective, with a consequent reduction in the consumption of materials.

Testing of the first prototype using alternative armatures has also been completed, with a view to developing cables for installation at great depth. Furthermore, a new prototype has been designed for installation at depths in excess of 2,500 metres, using innovative reinforcements that were developed and fully checked during the year. The ability to install cables at extreme depths will further contribute to the connection of renewable energy sources with the power distribution grids.

With regard to MI cables, work has continued on the WesternLink – HVDC 600 kV project with PPL technology and research has started on the use of alternative materials and on optimisation of the design, with a view to increasing considerably the operating voltage from the current 600 kV.

Lastly, studies and simulations have continued with a view to reducing losses from the steel armatures of tri-polar submarine cables. Optimisation of the design of these connectors, which are increasingly required for offshore wind farm applications, will reduce not only operational losses but also their weight and size, due to more precise dimensioning.

#### **Terrestrial cables**

Against a very dynamic background, the terrestrial cables market is becoming ever more demanding in terms of improved performance, maximisation of the reliability of transmission systems and the number of interconnections between grids. Given this, the objectives of our development activity were similar to those described above in relation to submarine cables.

A key milestone has been reached in the field of extra high voltage (EHV) terrestrial cables, with the qualification of systems with extruded sheathing for voltages in excess of 500 kV. In particular, the 525 kV HVDC system with solid sheathing has been tested successfully. As known, HVDC power transmission systems have a number of advantages with respect to HVAC systems: longer distances, absence of dielectric losses dependent on frequency and greater power transmission capacity. The result is a considerable decrease in the consumption of raw materials and energy at the manufacturing stage, as well as in the losses associated with power transmission.

Lastly, again with regard to high voltage terrestrial cables, we are working on the optimisation of conductors in order to reduce excess metal consumption and improve their efficiency.

Initial applications have already resulted in a 2% weight reduction for certain conductors.

### **P-Laser**

With regard to development of the P-Laser technology, the first cable produced using recyclable raw materials for eco-sustainable electricity networks, the pre-qualification of the HVDC terrestrial system, together with accessories, has been successfully completed for the 320 kV class. This test was particularly significant, since the conductor temperature of 90°C was higher than the qualification temperature normally used for systems insulated using standard XLPE. The adoption of 90°C provides a greater safety margin during operation, in the event of line overloads or in points where special laying conditions require an increase in the thermal isolation of the cable. Additional tests, carried out using a special protocol defined by the main Italian TSO, have also confirmed the superior performance of the P-Laser system for systems with polarity inversion (LCC) up to 350 kV. This outcome is particularly significant, since the cable insulation was significantly thinner than that for cables in the same voltage class made using "traditional" mesh solutions.

The above work has significant advantages in terms of lowering the environmental impact of HVDC systems, both in the design phase and when manufacturing the cable. In particular, it is now possible to optimise the design of the cable - and the system - in order to reduce the quantity of materials used, as well as the weight and size of the various components. This applies to the conductor, which can have a narrower section given the ability to withstand higher temperatures, and to the other components of the cable, including the thickness of the insulation, which can be reduced in view of the excellent electrical properties of the P-Laser material. In the manufacturing phase, on the other hand, the degasification stage can be eliminated. The degasification treatment, which involves heating the insulated core suitably for as much as 2/3 months before the next phase of processing, is particularly important and onerous for meshed HVDC systems. This is due to the need to remove virtually all by-products from these cables, in order to avoid penalising their electrical performance under operating conditions. P-Laser allows this treatment to be eliminated, with clear advantages in terms of greenhouse gas emissions into the atmosphere and energy saving during the manufacturing process.

Turning to Power Distribution, a special P-Laser cable has been designed for the Finnish market, with a conductor that has longitudinal water resistance. The Finnish grid has carried out a pilot installation using this cable, with entirely positive feedback from the local utility.

## Oil & Gas

The two main activities implemented in the Downstream segment during 2015 involved the development, by various affiliates, of an improved low temperature solution ("Arctic onshore") for projects in Russia (Yamal LNG and Zapsib 2). These solutions ensure a more sustainable approach over the long term to the servicing of cables at extremely low temperatures (-52°C), while also reducing the risk of damage during installation.

As in North America last year, the innovative Airguard solution has been implemented on various projects around the world, extending the product range from medium voltage to low voltage, as well as to instrumentation and control cables. Airguard is a proprietary Prysmian solution that has been developed as an alternative to armoured cables and lead sheathing. Performance is better during the installation phase (preparing the cable terminals and laying) and the environmental impact is lower, due to the elimination of heavy metals and armouring at the manufacturing stage.

## OEMs

With regard to cables for wind farms and, in particular, for their generators, we have developed the Tropical Wind range of medium voltage cables for the market in South America. These cables have been designed specifically for use in tropical areas, where environmental requirements allow the sizing and use of materials with a lower environmental impact.

In addition, we have transferred technology for the production of TecSun cables in China, in order to support the development and spread of photovoltaic power stations in the Far East, by providing high performance products that retain the eco-compatible characteristics expected in Europe.

## Monitoring systems

Work began in 2015 on the development of a system for the monitoring and control of power flows along high voltage transmission lines. The system applies known technology, but the Prysmian Group's own application will be optimised in order to maximise the efficiency of the systems supplied and installed directly. Two important innovations have been made in development of the Prycam technology, which measures partial discharges.

The first relates to the manufacture of Prycam family products using materials that, in weight terms, are more than 70% recoverable and recyclable, as well as to the technology used, which has considerable environmental advantages due to very low consumption and high energy efficiency. In particular, the first innovation in 2015 relates to the Prycam Grids that will monitor partial discharges in fixed installations and, as with the other components in the family, allow the information obtained to be viewed on the web and sent to Pry-Mon, the common monitoring platform.

The second innovation relates to Prycam Wings 2.0, a new sensor that draws on the experience gained with the Prycam Portable sensor for the identification of partial discharges, but also includes sensor functions for temperature and current. A new injection technology for the manufacture of the sensor was perfected during the year and the duration tests under extreme conditions (from -60° to +80° with up to 100% humidity) were completed successfully.

## Telecom

### Optical cables

In the optical cables field, the Flextube family of cables has been found to be the more efficient technology for optimising and reducing the size of cables with a very large number of fibres, due to such success factors as the combination of the flextube micro-module technology with that of BBXS fibres with a diameter of 200 microns.

The number of fibres contained in this family of cables, usually employed in large data centres, has increased from 1,728 to 2,112: with a diameter of 23 mm, the cable with 1,728 fibres represents an absolute record in terms of density.

In addition, new Nano cables have been developed by assembling micro-tubes with 200 micron BBXS fibres. Density has been increased and the diameter of the tubes in which these cables are installed has been decreased considerably by use of a 'blowing' technology. The result is a marked reduction in the space occupied.

Lastly, ribbon cable production at the Dee Why factory in Australia has been further developed using dry technology and small diameters. On the other hand, the Lexington factory in the United States has introduced a 36 fibre ribbon as the basic component for cables with a central tube containing 864 fibres, for external use.

### Optical fibre

Intensive work has continued on the development of optical fibre products and processes using mono-modal and multi-modal technology.

In the field of mono-modal optical fibres, various Group factories have been equipped for the full-scale production of BendBright<sup>XS</sup> (BBXS) fibres, which are resistant to bending and whose micro and macro-bending performance is much better than that of competing products. In fact, bending performance and reduced diameter are key factors that allow the production of smaller cables for use in the various layers of FTTH networks. Multiple improvements have also been made at factory level, resulting in a marked reduction in the product cost of these fibres.

With regard to multi-modal optical fibres, on the other hand, the WideCAP OM4 fibre remains unique in the market, confirming the Prysmian Group's leadership in this sector. Indeed, the international standardisation committees have adopted this fibre in record time, thus allowing a reduction in the wiring required for 40, 100 and 400 Gb/s communications in data centres.

Lastly, the Few Mode fibre technology represents another innovation. As with the mono-mode technology, in which digital information is codified and propagated on a single luminous mode, using the Few Mode technology several luminous modes are able to transmit the digital information. These fibres are likely to find applications in data centres and telecom networks.

### **THE "ITALY SHOWS ITS TRUE FIBRE" CAMPAIGN PROMOTES ITALIAN OPTICAL FIBRES**

*The Prysmian Group launched its "Italy shows its true fibre" communications campaign in September 2015. The objective was to relaunch the production of optical fibres in Italy and support the development plans for the country's new ultra-broadband telecommunications networks. The fibre, manufactured by Prysmian in Italy and used to link*

*communities around the world, is the result of technology, innovation and experience, as well as an in-depth knowledge of the country. Now, following the challenge set by the Italian government to provide broadband services to all citizens by 2020, Prysmian has decided to be even more pro-active in this sector. In particular, the Group has completed the investment of almost 30 million euro at the centre of excellence in Battipaglia (Salerno), which is now one of the most advanced and competitive in the world.*

### **Accessories and connectivity**

With regard to connectivity, Prysmian has continued to develop new accessories for the use of FTTH (Fiber To The Home) applications. Development of the LMJ (Large Multi-Function Joint) has been key, since this allows the connection of up to 2,688 fibres and uses trays each of 24 elements. Accordingly, it is possible to have a cable with a large number of fibres and a high density joint.

In addition, a new, extremely robust connector for external use is now available, with appropriate joints and accessories: the trend to use pre-connected cables is, in fact, continuing to gather pace.

Lastly, due to the ability to extract their optical elements, solutions such as Verticasa and RetractaNet are playing an important role in the expansion of networks, by reducing both installation times and the number of soldered joints and connectors. The RetractaNet solution has also been further developed for aircraft applications and supplemented by various cabling and connectivity solutions.

### **Multimedia solutions and cables for Data Centres**

For wiring with copper cables, the Category 6A U/UTP solution using a discontinuous metallic ribbon has been improved even further: in fact, in addition to the fully shielded cables, this technology represents the next best solution for reducing the diaphony between cables. In particular, the Power over Ethernet (PoE) technology and the performance requirements have been studied in detail, using theoretical and experimental modelling. PoE uses Category cables to supply both electricity and the flow of data to connected devices, such as wireless access points, IP telephones and video cameras.

An optimised family of cables for long distance PoE has been developed, based on the Prysmian Cat.7A platform. Turning to the home wiring sector, a solution based on the new, reduced diameter Cat.7A cables has been developed that provides a 60 metre transmission channel at 10 Gb/s.

As an alternative to internal wiring with loose tube or central tube cables, a complete range of optical cables based on Flextube micro-modules is also available. This family allows easy access to the modules and simplifies handling in junction boxes and connection cabinets.

Established wiring solutions using copper and optical fibre cables have also been developed further for Data Centre applications.

### **Industrial innovations**

Prysmian is strengthening exploratory studies into materials, in view of the strategic role they play in the technologies employed by cables and accessories. The main results achieved during 2015 include:

- Completion of a preliminary study that will result in Prysmian formulating a mix with variable resistance, so that extremely compact joints can be manufactured for HVDC cables.
- Completion of a feasibility study of a proprietary formula for primary and secondary sheathing of optical fibres.

- Continuation of studies of the protection of copper in order to improve or avoid the oxidation of copper wires for major section conductors. Completion of a study for the protection of aluminium that could enable the Group to use it for applications that have been excluded until now due to corrosion problems.
- Continuation of studies of carbon nano-tubes to identify possible uses for them as conductors, as well as contacts with a manufacturer of graphene in order to obtain a quantity of this new material for experimental purposes.

## 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 on the society. 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.

Examples of this initiative within the Telecom business include the efficiencies achieved in the manufacture of data transmission cables and optical cables with loose tube and Flextube micro-module design. In a specific improvement programme, the speeds of the buffering lines and the insulation lines were compared at various factories, using a best practices approach. This resulted in efficiency improvements, as well as a reduction in the energy consumed by these manufacturing processes.

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

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

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

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

The qualification trials have been completed and the changeover to LED will be completed during 2016: this could reduce the energy consumed to manufacture a bobbin of fibre by more than 20%.

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.

Prysmian also demonstrates its commitment to mitigating the environmental impact of products by setting an additional objective: reduce energy consumption during the cable production process. This objective is evidenced in particular by the use of P-Laser technology in HV cables and, especially, in HVDC cables.

The P-Laser production process does not require continuous vulcanisation (a process that consumes considerable energy) and, in general, requires less materials for the same voltage level. Furthermore, no degassing time is needed, which again reduces the consumption of energy at the production stage.

Lastly, with regard to the new generation of Afumex LSOH cables, energy consumption during processing has been reduced significantly and better surface finishing has been achieved by the development and industrialisation of new formulas. The reduction of energy consumption is partly assured by the development of specific materials, such as:

- In the PVC field, a study of alternative plastifiers has been completed, in case those currently used are banned for being potentially carcinogenic.
- Gas Getters: further industrial experimentation has identified the possibilities and limitations of the system, finding new compositions that eliminate the latter. Initial studies of materials capable of absorbing water and gas vapour have produced interesting results.
- Constant improvements are being made to a large number of cables made using PVC-based mixes and formulations without halogens, with reductions in the quantity of materials used.

## Eco-sustainable solutions

### Afumex

Prysmian technology has perfected a generation of cables under the Afumex™ name using jacketing that is low smoke, zero halogen (LSOH). On contact with flames, this type of jacketing greatly limits the emissions of acidic gases, toxic gases and smoke that often cause panic and physical injury while also, from an ecological standpoint, corroding surfaces and polluting the water table. Prysmian's Afumex cables have been used in some of the world's most prestigious buildings, where safety is paramount. The successful introduction of a new mixing line with reduced viscosity has decreased the energy used to manufacture these cables.

### **AFUMEX EASY. "PRYSMIAN MARCA LA DIFERENCIA"**

*Prysmian Spain has launched a new on-line campaign entitled "Prysmian marca la diferencia" (Prysmian makes the difference) to explain in detail the qualities of Prysmian products for T&I (Trade and Installers) applications. The campaign coincides with the second wave of promotions for the new Afumex EASY 1kV cables, which are easier and quicker to install. The main objective of the campaign is to combat the "Commoditisation" of the Spanish market, by focusing on the main advantages of the solutions afforded by low voltage cables that are quick and easy to install, thus guaranteeing lower installation costs.*

## **Afumex Green**

Laboratory testing has started with a view to using polymers produced from ethylene derived from sugar cane in Italian formulations. This study is currently constrained by the limited number of types of product available.

### **THE SAFEST AND MOST SUSTAINABLE ELECTRICITY CABLE ON THE MARKET**

*In line with the main developments of safe, reliable and sustainable technologies, Prysmian has once again confirmed its pioneering and innovative spirit by expanding the range of Afumex Green cables. The new member of the Afumex family, Afumex Green 1kV, is now the safest and most sustainable cable on the market.*

*With this launch, the traditional petroleum-derived polyethylene, used for insulation purposes, is replaced by bio-polyethylene ("green" polyethylene) derived from sugar cane, which is 100% renewable, certified at international level and reduces CO<sub>2</sub> emissions. It is calculated that for every tonne of green polyethylene produced, more than two tonnes of carbon dioxide are captured from the atmosphere.*

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

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

## **P-Laser**

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

The Prysmian Group's R&D department has completed a project that compared the environmental impact of two different systems for the production of medium voltage power cables: P-Laser and XLPE. The study was carried out using the Carbon Footprint methodology, which summarises the entire environmental impact in terms of total emissions of CO<sub>2</sub> equivalents. The results showed that the CO<sub>2</sub> emissions associated with P-Laser cables are 30% of the total emissions attributable to XLPE cables, being about 800-1,000 kg of CO<sub>2</sub> for each kilometre of cable produced.

## **COMMITMENTS FOR THE FUTURE**

In 2016, the Prysmian Group is committed to pursuing product development that increases the efficiency and reliability of the products concerned, while also reducing the dissipation of energy and power.

Implementation of the Design To Cost (DTC) project will also continue, resulting in reductions in the weight of conductors and direct materials used in the production of cables.

## *Intellectual property rights*

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

As of 31 December 2015, the Prysmian Group holds 4,785 patents and patent applications throughout the world, covering 771 inventions (of which 228 in the Energy Projects and Energy Products segments and 543 in the Telecom sector). A total of 45 patent applications were filed during 2015, of which 20 in the Telecom sector and 9 in the Energy sector. Following examination, 164 patents were granted during the year, 17 by the European Patent Office (EPO) and 34 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 2015, the Prysmian Group owns 589 trademarks, with 2,762 registrations in the various countries in which we operate, covering the names and logos of our companies, activities, products and product lines.

The latest edition of the important "Prize for Inventions" event, referring to patents awarded in 2013, was held at the Group's R&D centre in Milan in July 2015. A total of 30 patents were awarded prizes. This event celebrated the intensive work of the Prysmian's R&D professionals, who have guaranteed a constant flow of new patents to the Group's portfolio, especially in the high-tech and value-added segments.

Prysmian also awarded 30 prizes to our inventors in June 2015, marking the best patents granted and patent applications filed during 2014, comprising 5 in the Energy area and 25 in the Telecom area.

SUPPLY CHAIN



## *Strategic approach by the Group*

*The Prysmian Group constantly strengthens relations with strategic suppliers, centralising procurement and leveraging a global approach marked by a single organisational model, common processes and a system for the management of commodities.*

The focus on customer service continued during 2015. This policy was adopted in previous years with the aim 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 main raw materials used by Prysmian in the production processes: copper, aluminium, lead, various petroleum derivatives (such as PVC and polyethylene) and components for power and Telecom cable accessories, as well as special types of glass and sheathing for optical fibre.

With reference to the strategic approach adopted to supply chain management, the Group has established five priorities that take environmental and social objectives into account:

- only use qualified suppliers;
- only use materials whose technical characteristics have been authorised;
- develop strategies for commodities that guarantee continuity of supply and availability of the required volume. In particular, the financial health of the supplier is important, as is only modest dependency on specific suppliers by Prysmian;
- guarantee on-time delivery and a high level of quality over time;
- ensure competitive prices.

### **Purchasing of metals**

The majority of the Group's purchases of raw materials, about 70%, comprise metals (especially copper and aluminium), which are a fundamental resources for our activities.

With regard to the procurement of metals, Prysmian purchases copper and aluminium wire rod, from the world's leading manufacturers, in order to make the conductors for cables. Only in specific 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 sector<sup>13</sup>. Given the substantial fragmentation of the copper market, Prysmian is one of the leading economic players in the sector.

Accordingly, considering the importance of the role that suppliers play within the Group's value chain, the high consumption of metal and the very broad geographical distribution of Prysmian's factories, the procurement of metals follows two strategic directions. Firstly, Prysmian uses manufacturers that are as integrated as possible, with direct access to the raw material (mines or concentrates) and the ability to

<sup>13</sup> Source: Global data Source from Natixis, Reuters and Morgan Stanley.

guarantee long-term suppliers; secondly, Prysmian purchases from all major global manufacturers, in order to ensure the efficient coverage of requirements and optimise the metals logistics chain.

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

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

## **THE GROUP'S SUSTAINABLE SUPPLY CHAIN**

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

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

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

Continuing this approach, Prysmian implemented multiple initiatives in 2015, with a view to strengthening its commitment on sustainability matters. In order to guarantee the quality of the materials purchased, the Group is committed to using only those raw materials approved by the responsible technical functions following laboratory tests and extended processing trials conducted both in-house and by qualified suppliers. This process seeks to check the environmental and social aspects, as well as those of a qualitative nature. The qualification process starts by sending a questionnaire that the supplier is required to complete in full, addressing every aspect. This is followed by an audit of the materials classified as critical, or if further information is 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.

9 audits were carried out at European and American suppliers during 2015: there was only one case in which these checks identified need for a plan to improve the process controls in place to guarantee constant quality levels. The related supplies were rescheduled for delivery from alternative established suppliers.

Action taken in 2015 included adding a section on sustainability to the new supplier qualification questionnaire, as part of the process of evaluating environmental and social criteria when selecting,

assessing and qualifying suppliers. The objective is to purchase raw materials from suppliers that have clear policies for the safeguarding of environmental and social matters.

As an integral part of the “Supplier Quality Assurance” Operating Procedure, this questionnaire asks suppliers to certify the existence of a company policy on sustainability matters, the mechanisms in place to guarantee its implementation and any third-party certifications obtained. With regard to the environmental, health and safety aspects, the questionnaire checks for the existence of certifications, or certification work in progress, that cover strictly environmental matters (ISO 14001, EMS), as well as the system for managing the risks and hazards associated with production processes, and the actions taken to reduce their impact (OHSMS). The replies received to each questionnaire are used to check the alignment of the supplier's policies with those of the Group and, therefore, to select suppliers that guarantee full compliance with and implementation of the Group's sustainability systems.

In addition, as part of the vendor management of metal suppliers, Prysmian decided during 2015 to map fully all suppliers of wire rod to the Group. Prysmian in fact believes that the most significant environmental impact is probably generated by the production cycle used by the suppliers of base metals, from extraction to the greenhouse gases emissions, and from the consumption of energy at the refining stage, through to the production of rod.

Alongside this mapping, all suppliers were classified with reference to their awareness of sustainability and the attention dedicated to the issues by them. The results will be considered when Prysmian makes purchasing decisions, giving preference where possible to suppliers with the highest sustainability ratings.

The Group therefore devised and sent a self-assessment questionnaire to 47 suppliers of wire rod, representing almost the entire rod supply chain external to Prysmian and about 80% of the total volume of the metal suppliers. The questionnaire investigated the following aspects of their business behaviour:

- 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
- conflict minerals, resettlement, closure plans and sustainable use of land

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 main base metal suppliers used by Prysmian in 2016.

Lastly, management of potential risks in the business relationship includes supplier approval of Prysmian's Code of Ethics. Whenever a contract is awarded, the supplier must accept and sign the Group's Code of Ethics, in full awareness of the related rights and obligations.

## **Code of business conduct**

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

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

### ***PRYSMIAN POWERLINK: AN INNOVATIVE APPROACH TO THE SUSTAINABILITY OF SUPPLIERS***

*Prysmian PowerLink has recently finalised the implementation of a cloud platform for the Vendor Management process, with a view to improving the process of qualifying suppliers by facilitating customer-supplier communications. The portal was developed during the first four months of 2015 and comprises two separate 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). 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, with 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 the supplier base or, depending on the seriousness of the case, to "black-list" the supplier. To date, more than 85% of suppliers have passed the qualification process.*

## LOCAL SUSTAINABILITY INITIATIVES

In Norway, the Group has adopted a local system for the management and rating of suppliers, which are assessed with reference to the ISO 9001, ISO 14001, OHSAS 18001 certifications of their management systems, the efficiency of their logistics processes and, in particular, the traceability of their raw materials.

The process includes the implementation of a supplier scorecard and, in the event of an adverse outcome, critical suppliers are contacted to discuss possible areas for improvement.

Other specific initiatives involving suppliers taken by Prysmian Norway relate to:

- the improvement of forecasting & planning processes in order to increase the number of full-load shipments, thereby minimising the cost of transporting goods;
- the improvement of packaging;
- the signature of agreements with suppliers governing the system for the recovery of wooden and plastic drums, in order to avoid unnecessary disposal and facilitate their re-use.

## PURCHASING PROFESSIONAL ACADEMY

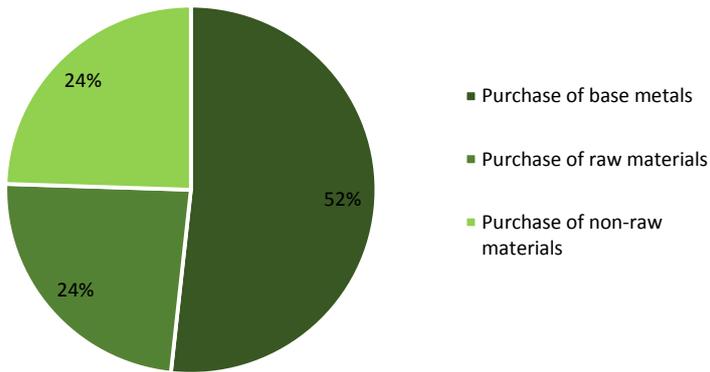
Prysmian Group Academy is the Group's international professional and management education and training school. Over the past three years, the Professional School has specifically addressed purchasing by delivering an annual one-week course for 30 participants that combines contributions from highly professional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

A section dedicated to understanding the importance of sustainability matters, entitled "Purchasing & Sustainability", was included in the course held in 2015. This lesson focused on sustainability with the Prysmian Group, as it relates to the supply chain and purchasing, highlighting the activities and topics of concern to the function and also covering aspects of the Group's Code of Business Conduct. Additionally, the lesson guided buyers to take full account of sustainability when scouting for and selecting suppliers, alongside the traditional selection criteria based on technical, economic and financial parameters, risk management and overall cost effectiveness.

## COMMITMENTS FOR THE FUTURE

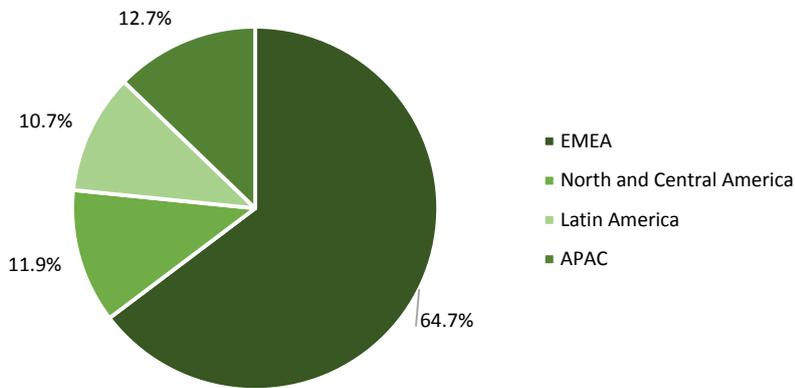
In confirmation of the commitment to manage the sustainability risks relating to first-level suppliers, Prysmian expects to carry out audits at 20 suppliers during 2016.

**Total purchases by type in 2015**



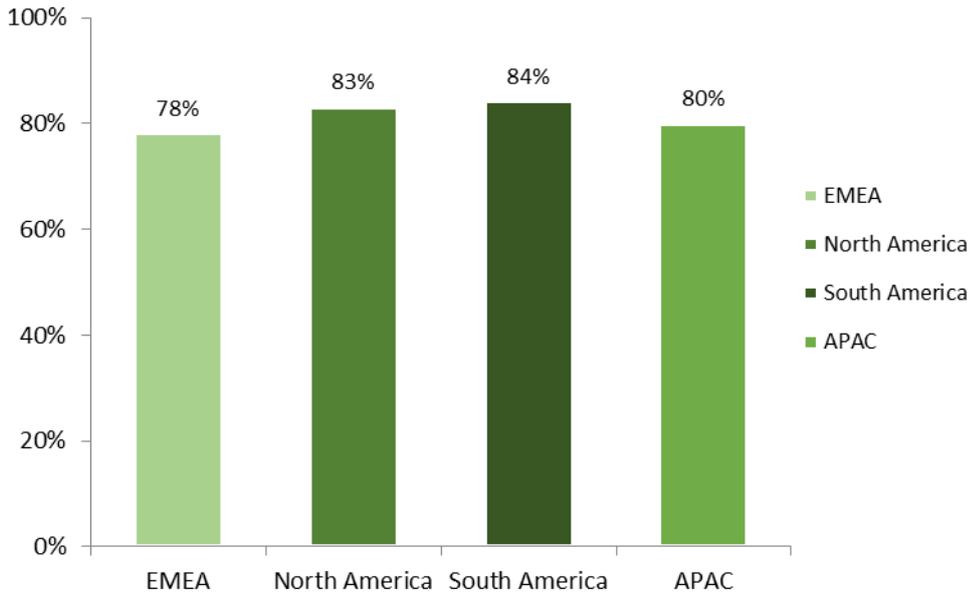
In 2015, 52% of total Group purchases are related to “base metals”, with the remaining split between “raw materials” and “non-raw materials”.

**Total number of suppliers broken down by geographical area in 2015**



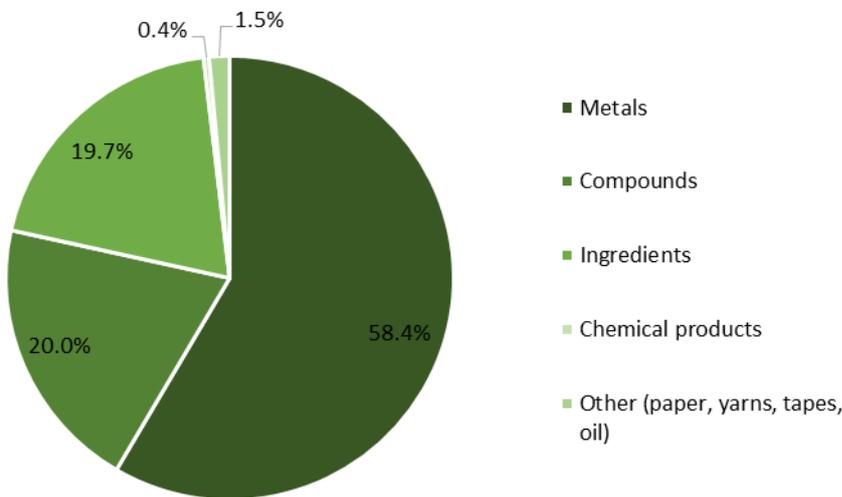
In 2015, out of 5,024 suppliers of “base metals” and “raw materials”, 64.7% are located in the EMEA area, in line with 2014 data. The remaining is split almost equally among the other geographical areas.

**Percentage of goods and services purchased locally in 2015**



In confirmation of Prysmian's commitment to promote local buying, purchases of goods and services classified as "non-raw materials" from local suppliers exceed 80% in all geographical areas of operation except EMEA, which reaches 78%.

**Raw materials purchased by the Group in 2015 (Ktonne)**



Raw material purchases in 2015 are 1,155 Ktonnes, of which 59% are metals in line with the quantity purchased in 2014. Once again, 11% of the raw materials used are sourced from recycled materials.

## *Optimisation of transportation*

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

Specific attention was dedicated to all aspects of inventory management during 2015, specifically:

- raw materials, with a growing commitment to the planning and logic of materials procurement, including metals in particular (copper, aluminium and lead), where more reliable forecasting of local requirements has significantly reduced the levels of buffer stocks;
- semi-finished products, with the implementation of various lean and six-sigma projects at the factories considered most critical;
- finished products, with an emphasis on the accuracy of sales forecasts and a constant focus on the reduction of slow-moving items.

At the same time, the Logistics function has focused further on customer centricity by strengthening its service (on-time delivery) parameters and by faster order entry.

Actions and projects of this kind confirm the Group's commitment to the ever more efficient use of resources, greater information sharing and reducing the time taken to respond to market needs.

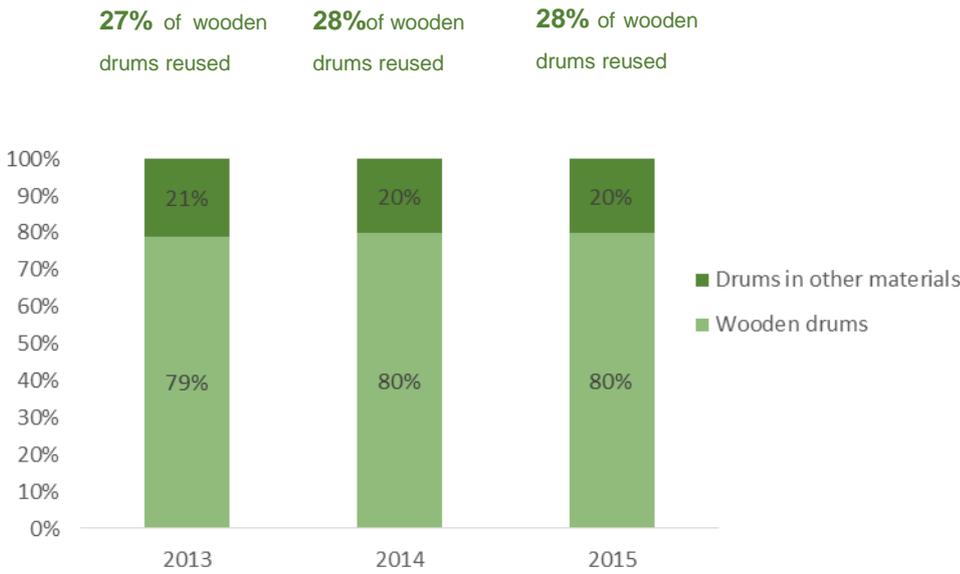
The increased attention paid to market dynamics, the optimal management of inventories and the procurement and distribution processes combines with strong awareness about the movement of materials, highlighting the Group's commitment to reducing the environmental impact and improving the sustainability of its production and distribution processes.

In the context of the Prysmian Academy, during 2015 the Logistics function began 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 this course is to facilitate networking, enhance the professional standing of the individuals concerned and share ways to improve the Group's logistics and make them more efficient.

**COMMITMENTS FOR THE FUTURE**

During 2016, 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.

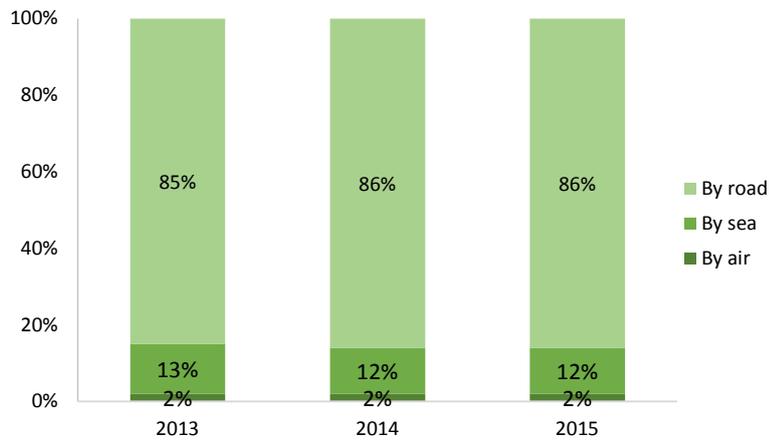
**DRUMS MADE OF WOOD AND OTHER MATERIALS**



Small diameter drums are made from plastic/plywood, wood is used up to 3 metres in diameter, while larger drums for cables are made from steel. In general, the drum material selected depends on the diameter and length of the cable, criteria for the optimisation of logistics in order to reduce the carbon footprint, and specific requests from customers associated with regulatory aspects in the destination country. The Group is heavily committed to maximising the re-utilisation of drums and lowering their environmental impact. For example, this involves using wood from replanted forests and implementing lagging solutions that reduce the recourse made to quality materials, while continuing to use recyclable materials. This commitment over the years has helped to improve the re-use rate of drums, as a consequence of our more precise and modern management techniques.

With a view to improving efficiency, the Prysmian Group has worked on logistics together with a Turkish supplier of steel wire: previously this wire was supplied on shipping drums and had to be transferred to drums suitable for use on production machinery. As a result, a batch of 300 drums has been introduced that are suitable for use both on Prysmian's machines and at the supplier's factory for deliveries to Prysmian, thus eliminating the transfer process.

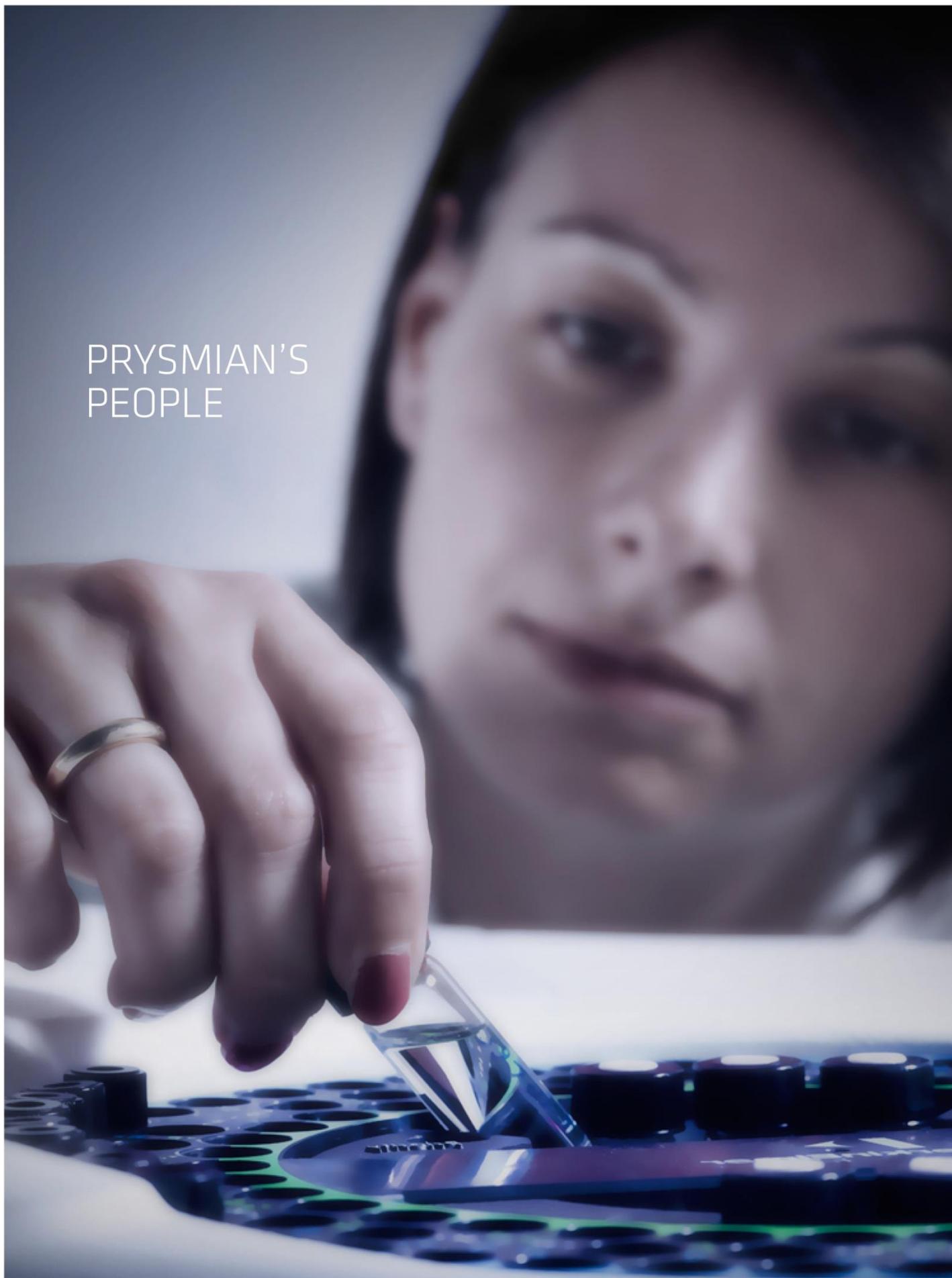
In Brazil, the Group has launched a project that involves covering drums with plastic film, which increases their average life and facilitates their handling and storage at the shipping stage.

**METHODS OF TRANSPORTATION**

As regards transport, Prysmian not only gives preference to local suppliers but is also committed to optimising the carriage of goods by air and by sea, as well as to selecting road hauliers that seek to implement sustainable policies and actions. In recent years, the Group has increased efforts to minimise the adverse effects of transportation on the environment. As in previous years, road transport was the main type of transport used by the Group during 2015.



PRYSMIAN'S  
PEOPLE



## *Enhancement of personnel*

*People are the most important resource for creating, within a global company such as Prysmian, the cohesion needed to compete at the highest level in the business sectors addressed, while also pursuing the objective of generating lasting and sustainable value.*

Within the social dimension of our business, Prysmian recognises its commitment and responsibility towards the people 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 at the end of 2011 to integrate the distinct realities found within Prysmian and Draka, seeks to continue along this road: fire the passion, motivation and skills of employees, so they become a true and lasting source of sustainable value, guaranteeing the best ideas, products and performance available in the marketplace and satisfying the needs of the most demanding customers. To this end, the Group's human resources strategy is founded on the following pillars:

- Develop and spread a shared common identity: all individuals must feel part of a joint Prysmian project in which they believe;
- Inspirational leadership model: managers of high moral and professional standing are essential when aspiring to make major progress and obtain consistent results over the long term;
- Attract individuals of value available on the market, presenting a professional, intellectual and career alternative that is challenging and dynamic, but capable of offering long-term prospects;
- Develop and manage talent: in order to prepare the Group for future challenges, it is necessary to define a way to train, stimulate and make best use of the most qualified individuals;
- International and multi-cultural working environment, consistent with the Group's industrial and commercial presence throughout the world.

### **NEW MILESTONES**

To maintain its commitments from last year, in 2015 the Prysmian Group launched a series of initiatives address to its employees, which are described below :

- Recognising the importance of equal opportunities within the Group's multiple realities, Prysmian has adopted a Diversity and Inclusion Policy that states the principles applying to all employees.
- An Engagement Survey was launched to evaluate the link between Prysmian and its personnel, the employees' sense of commitment towards the company and the degree of satisfaction in their work. Globally, the survey covered 5,000 white-collar staff, and a pilot survey was carried out on 2,200 blue-collar staff. The areas evaluated included the working environment, staff management practices and internal communications. The data was collected in December 2015 and the results were shared with staff in the first quarter of this year. Prysmian will consider the benefits of making the Engagement Survey a regular practice.

- The global mobility policy and processes were reviewed and became operational on 1 January 2016. The purpose of this review is to align 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.
- At the end of 2015 a new section of the Academy was created, for Manufacturing professionals. This involved the setting up of a practical training programme at the Mudanya plant in Turkey.
- With regard to transparency on pay issues, the Group has implemented a job weighting system, which is designed to enable a quick analysis of fairness and alignment with market pay practices. It has also 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.

### COMMITMENTS FOR THE FUTURE

In 2016 the Prysmian Group expects to launch a further series of initiatives for its employees and external stakeholders.

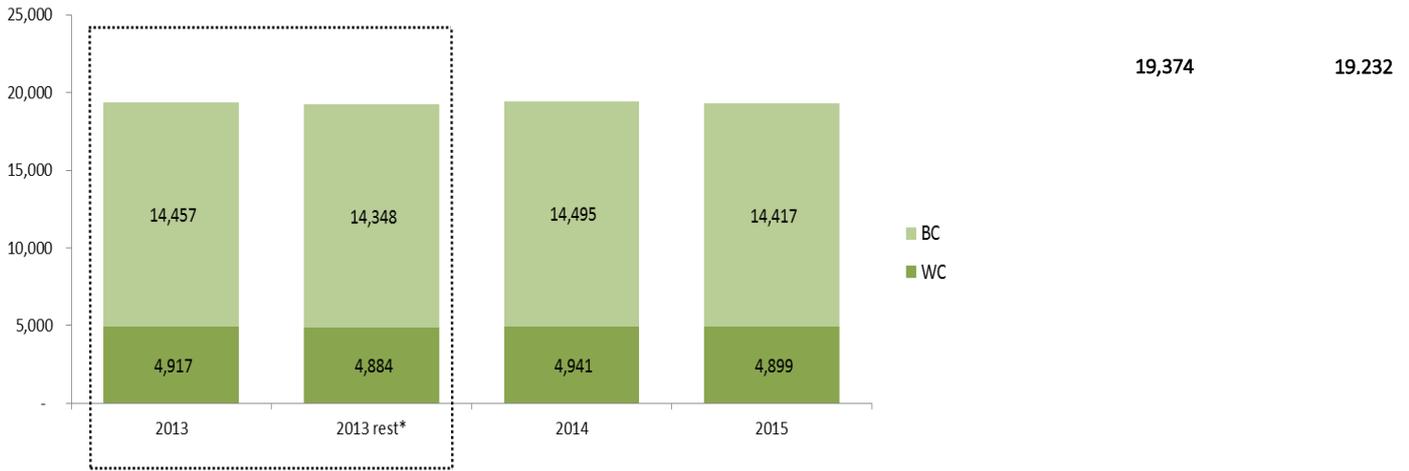
- The global recruitment programme "Make it", which was launched at the end of 2015 and whose aim is to introduce key figures to the Production, Logistics, Quality and R&D divisions, will bring in 40-50 staff with experience, and will be repeated in the future.
- The results of the Group survey will be published and action will be taken to respond to any issues that arise.
- The "Build the future" recruitment programme for new graduates will be held for the fifth time, with the aim of making recruitment a key element of the Group's workforce and skills planning strategy.
- The P3 performance management process will be further improved, by giving staff the opportunity to state their objectives to their superiors in order to boost engagement and participation. In the near future, this system will also allow the exchange of peer-to-peer feedback.
- The Senior Leadership Program, which is addressed to senior managers with the aim of creating a common corporate language to deal with managerial challenges, will be completed within the Leadership Academy.

### TOTAL GROUP EMPLOYMENT AS OF 31 DECEMBER 2015<sup>14</sup>

The Prysmian Group employs 19,316 people, comprising 4,899 white-collar staff including executives and 14,417 blue-collar workers.

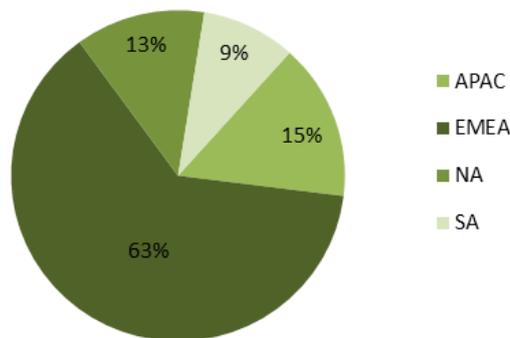
There were 119 fewer employees compared to the previous year. This net reduction includes departures as a result of industrial restructuring and reorganisation in Europe and also the efficiency-enhancing programmes in South America. There are also increases resulting from new investments in certain countries. In addition, the "Graduate Program" saw its fourth intake (41 new graduates) during 2015.

<sup>14</sup> Data expressed in FTE (Full Time Equivalents), including the employees and temporary staff of companies that are Group subsidiaries or subject to management and control.



**EMPLOYMENT BY GEOGRAPHICAL AREA AS OF 31 DECEMBER 2015 <sup>15</sup>**

In 2015, 63% of personnel were located in EMEA (Europe, Middle East and Africa), including 18% in Italy. North America (United States, Canada and Mexico) and South America employ respectively 13% and 9% of personnel, while APAC (Australia, Asia and China) account for 15%.

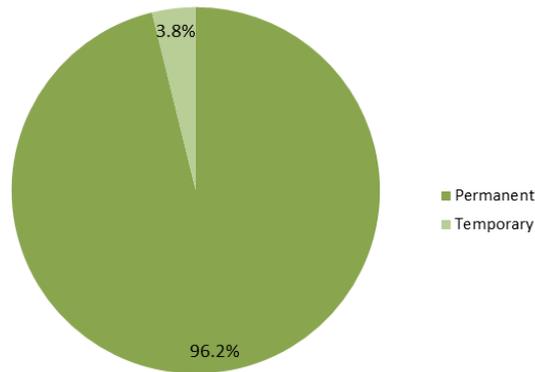


<sup>15</sup> Headcount data at year-end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group.

\* Following the deconsolidation of the Malaysia PCM (from 1 January 2014), the chart shows 2013 employment as restated after excluding the personnel concerned, in order to ensure comparability with 2014 and 2015 workforce figures.

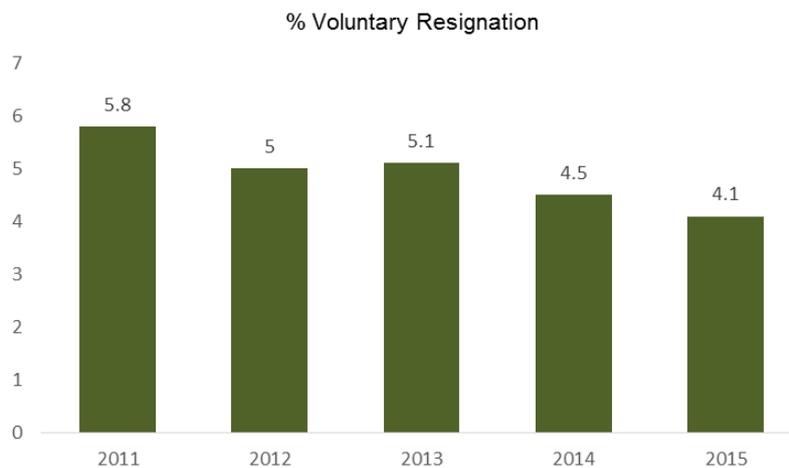
**EMPLOYMENT BY TYPE OF CONTRACT AS OF 31 DECEMBER 2015** <sup>16</sup>

The Group had 17,327 permanent employees in 2015, comprising 12,513 blue collar and 4,814 white collar, which represented 96.2% of the total Group employees.



**TURNOVER – VOLUNTARY DEPARTURES OF WHITE-COLLAR STAFF** <sup>17</sup>

During 2014 there were 202 voluntary departures (4.1% of the white-collar population) out of a total of 613, which was slightly lower than in previous years (4.5% in 2014 and 5.1% in 2013). The overall reduction is 30%, considering the period 2011-2015.



<sup>16</sup> Headcount data at year-end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group.

<sup>17</sup> Data expressed in FTE (Full Time Equivalents), including the employees and temporary staff of companies that are Group subsidiaries or subject to management and control.

## Investing in people

For the Prysmian Group, intellectual capital and talent are strategic assets for the achievement of profitability and value creation objectives and, as such, must be supported by appropriate actions to develop and enhance their worth. For all activities, the Group relies on the performance of its people, be it the steady improvement of product quality, the expansion of markets, the management of customers or the acquisition of new businesses.

Consolidated processes for the management of human resources, incentives and personal motivation, combined with opportunities for international exchanges, ensure that Group employees are able to grow both personally and professionally.

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

The talent management system is based on four pillars: Recruiting and Talent Acquisition, Training and Development, Performance Management and Talent and Succession Management.



### RECRUITING AND TALENT ACQUISITION: GRADUATE PROGRAM

**Over 45,000 applications received and 170 young people selected in 2012-2016.**

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 involves the following phases: a thorough selection process, an induction period in Milan followed by a one-year job rotation and allocation of a company mentor, an international placement for at least two years, ongoing training opportunities and involvement in inter-company projects.

Launched in 2012, this programme has already resulted in the recruitment of 170 young people from 30 different countries. In the first half of 2015, 41 new international staff were taken on from the fourth wave of the programme, while in the second half of the year 20,000 applications were received. This will lead to the

recruitment of another 40 young people in the fifth wave of the programme. All this has been made possible thanks to an intensive employer branding campaign, in partnership with professional social networks such as LinkedIn and Monster, as well as local networks, online portals, employment fairs at the best engineering and economic universities in the world and finally on Facebook, in order to maximise media exposure and gather the highest possible number of quality applications.

## **MAKE IT**

In 2015, in line with the talent acquisition strategy, Prysmian launched a new international recruiting programme known as "Make It". It specifically targets engineers with 3-5 years' experience who are interested in taking key, highly challenging positions at the main factories within the Group.

Prysmian is looking for process, maintenance and design and quality engineers as well as expert technicians to hold key manufacturing area positions at one of our global centres of excellence.

The first edition, which was launched in October 2015, received around 6,000 direct and indirect applications. The aim is to recruit 40 engineers from other sectors. They will have the opportunity to contribute to the growth of manufacturing and will be committed to a structured programme that will offer them training, mentorship, challenging roles and professional growth pathways.

Over a professional development path of four years, "Make It" will offer the successful applicants a high-standard training programme organized by the Prysmian Group Academy thus further honing the prime vocational skills of the chosen candidates.

In 2016, the programme will include a two-week training session at the Milan offices and a further two weeks' training in the new Manufacturing Academy of Mudanya (Turkey), a centre of specialization that was launched in January 2016 at one of the main Group plants enabling us to train our staff to an exceptionally high level.

## TRAINING AND DEVELOPMENT: PRYSMIAN GROUP ACADEMY

### About 750 employees involved in 2015

In order to develop its people, in 2012 the Group 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.

All the training provided is monitored with systems to measure both its effectiveness and the satisfaction of the participants.

*Prysmian Group Academy*, the Group's Corporate University, has a Professional School and a School of Management.

### Professional School

The objective of the Professional School is to develop and consolidate the know-how and technical skills of individuals, ensuring that experts transmit their knowledge of the product portfolio to younger people, with a view to building an in-house network. Training during 2015 involved about 350 employees from all continents, with activities concentrated in the following functional areas:

- Manufacturing Academy: this has been made possible thanks to a strategic investment in training infrastructure at the Mudanya plant in Turkey. The school aims to develop the expertise of professionals operating at the Group's 80 sites.
- Research and development: courses delivered by senior Group experts, which seek to develop technical skills in the areas of innovation and product development with the aim of providing customers with technologically innovative solutions at ever more competitive prices;
- Manufacturing, 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.

### School of Management

The School of Management, which is run in partnership with SDA Bocconi and a network of leading international business schools, has seen 500 staff participate since 2012. Another 200 will participate in 2016 alone. The school is designed to attract talented staff with the aim of sharing a common vision of the business, diffusing the values and culture of Prysmian and exposing them to the best managerial practices.

The full product portfolio of managerial training programmes, which are structured to suit the various participants, will bring the trainees closer to an MBA. The programmes include:

- **Post Graduate Program:** a 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 programme for talents with 5-7 years of experience, preparing them to take leadership positions within the Prysmian Group at an international level;
- **Regional Leadership Programs:** programmes designed in the ASEAN region in collaboration with Singapore Management University and the School of Management off Fudan University; in the United States, in collaboration with the Darla Moore School of Business of the University of South Carolina, and in CEE with the Steinbeis-Hochschule Berlin and the Corvinus University of Budapest. The programmes are addressed to regional middle managers who are not taking part in the global programmes. This means that the design and content of the courses can be tailored to suit the particular characteristics of the business and the local markets, reinforcing the network within the region without losing sight of the group's unitary strategy.
- **Advanced Leadership Program:** an ad-hoc 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. At the end of this programme, selected participants will be able to access the GEMBA, the global executive MBA course run by SDA Bocconi.
- **The Senior Leadership Program,** which will be introduced in 2016, is addressed to senior managers with the aim of creating a common corporate language to deal with managerial challenges.
- **Alumni:** events aimed at ALP, ILP and PGP participants with the aim of strengthening the network, facilitating knowledge sharing and diffusing best practices.

All the 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 drafting "Prysmian case histories". Based on real situations, the case histories allow participants to pit themselves against the daily challenges they will find when elaborating strategies in the world of cables.

### **Academy more than training**

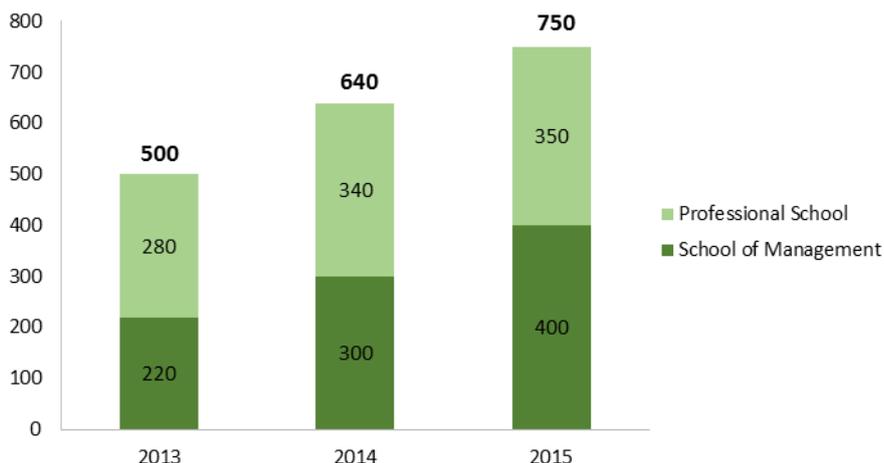
Leadership assessment and development processes have been included in all Academy classrooms. They were developed in 2014 in partnership with the consulting firm CEB. To date, about 250 executives, middle managers and technicians have benefited. This process means that the Prysmian Academy programmes can be complemented by individual action plans and growth plans, which gives the Group information about leadership potential and motivational drivers. This information can then be used in putting together succession plans.

Each programme, organised in partnership with the consulting firm CEB, has been devised to deliver training using the most innovative methodology.

**The first Regional Leadership Program (RLP) of the APAC region**

The first Regional Leadership Program (RLP) of the APAC region began in August 2015 with a five-day course in Singapore, during which various professors from two prestigious international business schools (SDA Bocconi and SMU – Singapore Management University) gave lectures on various topics including: Developing Strategic Projects, Business Model Innovation, Human Capital across borders in Asia and Doing Business in APAC.

**PRYSMIAN GROUP ACADEMY – PARTICIPANTS**



Once again in 2015 the number of participants in the Prysmian Group Academy rose substantially compared to the previous year (more than 15%). The increase in the number of staff involved also saw a rise in the number of courses, which increased from 30 to 42 between 2014 and 2015.

**PERFORMANCE MANAGEMENT: P3 PRYSMIAN PEOPLE PERFORMANCE**

**About 5,000 staff involved in 2015.**

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

The Prysmian People Performance system (P3) was introduced for the first time in 2012. After a pilot phase targeting the Group’s executives, the system was then extended to the entire managerial and clerical population in all countries, involving around 5,000 staff in 2015.

The objectives of the Prysmian People Performance system are:

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

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

- definition of performance: determine targets and expected behaviours
- constant feedback: consolidated and lasting relations between managers and staff

- overall assessment: appraisal of the quantitative and qualitative results achieved
- calibration: sharing and comparison of the assessments made by management at different levels (Country/Region, BU, Group)
- feedback: provision of feedback to staff

In 2015, thanks to a survey that received a large response (around 3,000 replies) and was widely praised, various improvement actions were launched in order to guarantee better meritocracy and employee engagement:

- alignment between the performance process and career programmes
- links to rewarding practices
- the possibility for staff to state their targets as agreed with their superiors, and to redefine those targets during the year in response to changes in their roles or conditions in the external environment
- elaboration of an action plan intended to improve performance

#### **TALENT MEASUREMENT AND SUCCESSION: P4 PRYSMIAN PEOPLE PERFORMANCE POTENTIAL About 250 executives, middle managers and professionals involved in leadership assessment programmes**

In 2015, following various talent assessment and measurement projects and also in accordance with the provisions of the Code of Conduct of the Italian Stock Exchange on successions, the Group decided to streamline its talent assessment procedure by introducing a single process for talent assessment and for the drafting of succession plans. This initiative involves everyone who participates in the P3 process and the aim is to create talent pools and succession tables for all key positions, not only on the Group's front line but also for each country and site. The new P4 (Prysmian People Performance Potential system) process has the fundamental aim of assessing talent and of predicting future performance in roles of greater responsibility. The first step is to work towards defining talent for Prysmian by means of structured interviews with 35 key managers. The process, which is expected to be launched in April 2016, will involve around 1,000 staff and will be in three phases:

- individual assessment of potential by managers
- consolidation of the Group Talent Pools
- preparation of the succession plans

## COMMITMENTS FOR THE FUTURE

### Strategic Recruitment

“Build the Future, the Graduate Program” and “Make-it, Manufacturing career at Prysmian Group”: 80 new staff are ready to join the Group in 2016, which confirms the great success of the two strategic recruitment programmes aimed at building the future of our business.

### Training and development

For 2016, Prysmian Group Academy plans to run about 50 Technical/Managerial courses with the aim of diffusing technical and specialist knowledge and of strengthening the managers' ability to guide the business and manage their staff along with the many change processes currently underway on the industrial, strategic, organisational and commercial front. Investment in the regional academies is also continuing, with Prysmian being committed to offering bespoke training for managers and professionals in the various countries with the aim of integrating the experience and excellence built up by the Group over the years with local requirements, thus creating an effective network which is necessary for knowledge sharing within Prysmian, both internally and externally to the region. Decentralising while preserving the Academy's approach by adopting best practices is now a must for Prysmian, in order to meet local requirements and gain a better understanding of each country.

These programmes were launched in Central & Eastern Europe (CEE) and South America in 2016.

### Performance and Career

In line with the strategic development of the business and the opinions of staff gathered in the P3 pulse survey, several major development and improvement actions will be rolled out during the year:

- alignment between the performance process and career programmes;
- links to rewarding practices;
- staff involvement in proposing targets, after agreeing them with their superiors;
- elaboration of an action plan intended to improve performance

## **INTERNATIONAL MOBILITY**

As of 31 December 2015, the Prysmian Group's expat population counts about 215 employees with 27 different nationalities (slightly over 38% are Italians) allocated to 29 different destination countries. 66% are at a non-executive level and 14% are women. There were 68 new relocations in 2015.

These statistics evidence the importance of the international mobility programme within the Prysmian 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.

During 2015 the Group reviewed the mobilisation policy and processes, which became operational on 1 January 2016. The purpose of this review was to align Prysmian's policy with the most advanced market practices to facilitate expatriates even outside of the head office, to standardise their treatment and to segment the various types of assignment.

International experience is also central to the professional and managerial growth of the young talents participating in the Graduate programme.

During 2015, 39 new graduates from 18 different 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 Prysmian Group also dedicates much energy to appreciation of the cultural diversity that exists within each country where the Group is present. About 54% of the Group's senior executives work in their country of origin.

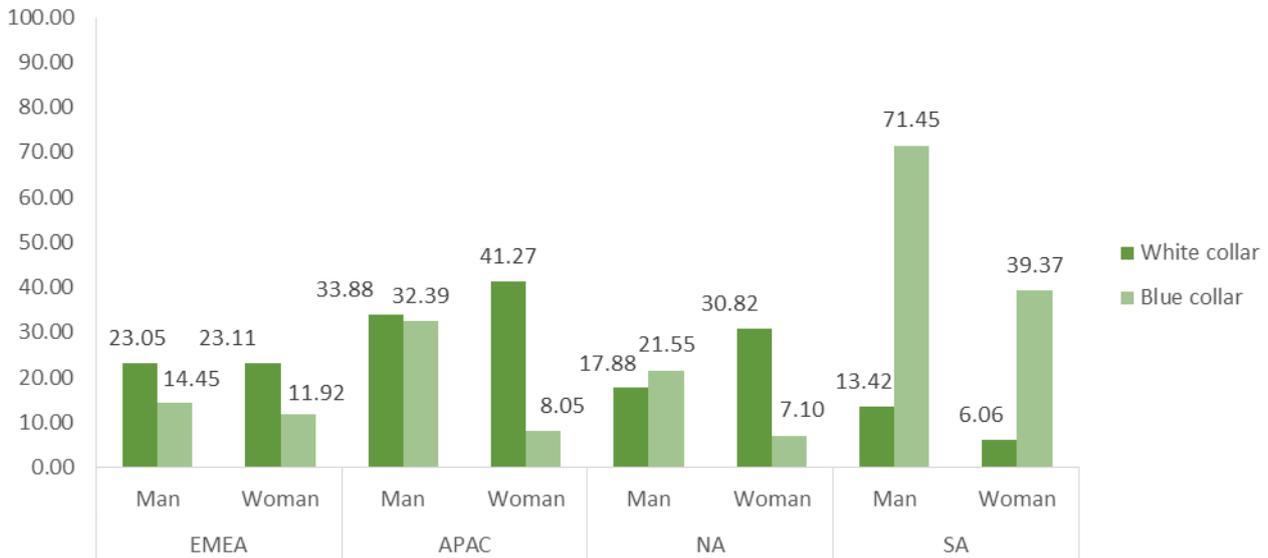
International mobility during 2016 will focus on guaranteeing the success of the international assignment, as measured in terms of its effectiveness in transferring know-how and developing the local team. Efforts will also be made to improve the career planning for expatriates on completion of their international assignment. The success of the international mobility policy very much depends on expatriates sharing 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 organisation.

## **EXPERIENCE COUNTS**

As in all companies where technology is one of the main resources, critical know-how within the Prysmian Group is often concentrated in the hands of a few. Facilitating exchanges of knowledge and best practices is therefore a key aspect and expert workers are a fundamental component of this process: keeping senior workers fully on-board is necessary for the creation and spread of the Prysmian Group's management culture.

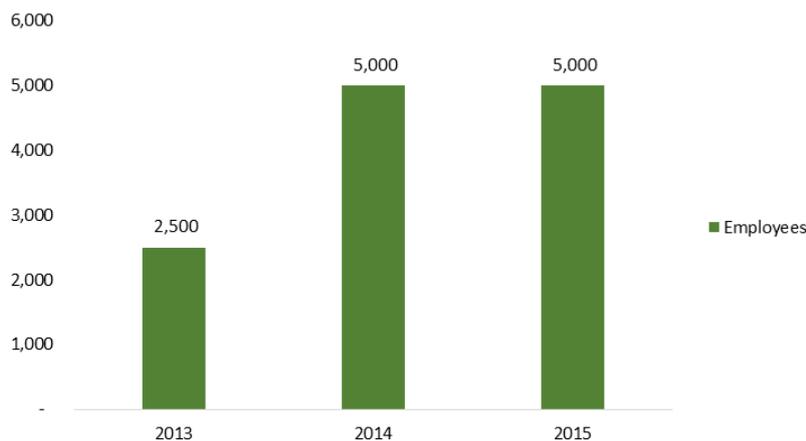
**PER CAPITA TRAINING HOURS<sup>18</sup> BY EMPLOYEE CATEGORY AND GENDER**

The chart<sup>19</sup> shows the per capita training hours delivered at some of the Group's main locations during 2015. The training offer includes courses on issues such as health and safety, anti-corruption and human rights.



**COMPANY POPULATION INVOLVED IN THE P3 PRYSMIAN PEOPLE PERFORMANCE PROGRAMME**

The graph shows that the company population involved in the P3 programme has increased significantly between 2013 and 2014, peaking at 5,000 participants in 2014. This number was maintained in 2015 and corresponded to almost all of the white-collar population.



<sup>18</sup> Headcount data at year-end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group.

<sup>19</sup> The following countries are included: EMEA (Turkey, the UK, Sweden, Denmark, Romania, Spain, Estonia, Russia, Finland, Italy, Norway, Slovakia, Hungary, Germany), APAC (Thailand, the Philippines, Malaysia and Indonesia), NA (US, Canada, Mexico), SA (Brazil).

## *Remuneration policies*

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

These policies are defined and implemented centrally in relation to executive personnel (about 300 employees) and expatriates (about 215 employees), but are addressed locally for all other employees subject to the guidelines which are issued centrally.

The main new measures introduced in 2015 were:

- the launch of a new medium-long-term equity bonus scheme for Management. This share-based plan, which is linked to three-year business objectives, was approved by the shareholders' meeting on 16 April 2015;
- adaptation to the best practices of severance pay policies;
- adaptation of pay levels for non-executive directors to bring them into line with market practice;
- launch of the special-rate share purchase plan (named YES) for the period 2016-2018.

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

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

The monetary-equity offer is supported by additional benefits such as supplementary welfare, additional medical care, personal accident policies, a company car for staff who are entitled to one, and company canteen or restaurant vouchers. These benefits are adapted to local conditions, having regard for market characteristics and relevant regulations. All employees in the Milan office have access to doctors at specialist medical facilities, and their children can obtain grants for advanced secondary education and for their university studies. The benefits available to full-time workers are also available to those on part-time contracts.

In addition, in 2015 Prysmian decided to carry out a worldwide analysis of the benefit and welfare policies applied locally by the various Group companies. The objective of this project is to map the current situation, before starting work to rationalise and implement welfare development projects.

After this analysis, which is now ongoing, the Group intends to evaluate the implementation, where possible, of flexible benefit projects and the launch of new initiatives that draw on existing approaches. Greater focus and investment in this area will undoubtedly improve employee engagement and, consequently, the results of the Group.

This focus on individuals is confirmed by the Prysmian Group's commitment to investing in the development of employee-company relations, via numerous initiatives designed to encourage involvement. The Group also signs agreements with external partners for the supply of products and services on attractive terms to employees, such as discounts on theatre tickets, gym subscriptions, magazines and products purchased in shops.

The initiatives worthy of note include anti-stress counselling given to staff in the Philippines, programmes for smokers and people with dietary issues in North America, and the possibility for Russian employees to send their children to summer camps with a discount of up to 80% of the cost.

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

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

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

The remuneration policy and the long-term incentive plans were well received by the stakeholders, 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 main proxy advisors about the compensation report and the incentive plans, and recommends amendments and changes in practices in response to this input.

With regard to transparency on pay issues, in line with its commitments in 2014, the Group has implemented a job weighting system, which is designed to enable quick analysis of fairness and alignment with market pay practices. It has also 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.

## **YES: YOUR EMPLOYEE SHARES**

Towards the end of 2013, the Group launched the YES (Your Employee Shares) Plan, which is a share ownership scheme open to all employees. The Plan has been introduced in 28 countries, informing employees via an intensive communications campaign and dedicated training sessions. The plan regulations allow participating 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 participating in the initiative may purchase Prysmian shares at a variable discount, that ranges 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 are given 6 free shares as a welcome bonus. The objectives pursued by this plan are to increase the involvement, sense of belonging and business understanding of our employees, confirm the shared, long-term mutual interests of employees, customers and shareholders, and strengthen the internal perception of the Prysmian Group as truly "One Company". In short, the wish expressed by the Group via the launch of this plan is to encourage employees to become stable shareholders, thus making them owners of a small part of the business in which they work.

The YES programme has proved to be a real success. It was taken up by 6,469 staff in 28 countries. Around 30% of the entitled population became shareholders. Participation in the Plan in certain countries was very high even in the second year. For example almost all staff in Romania joined the plan, 89% in Turkey and 67% at the Milan head office.

The third subscription period ended in December 2015 and the related shares will be acquired in summer 2016. Considering the subscription of the third wave at current prices, the YES plan will have the following results:

- 7,226 shareholder employees, 44% of those entitled
- €16.8M investment by employees over three years
- 420,000 own shares used by the company, which are free for staff

This high level of participation has persuaded Prysmian that the scheme should be continued for a further three years. Proposal renewal will be put to the shareholders' meeting in April 2016. This will include certain other benefits to encourage employees to join.

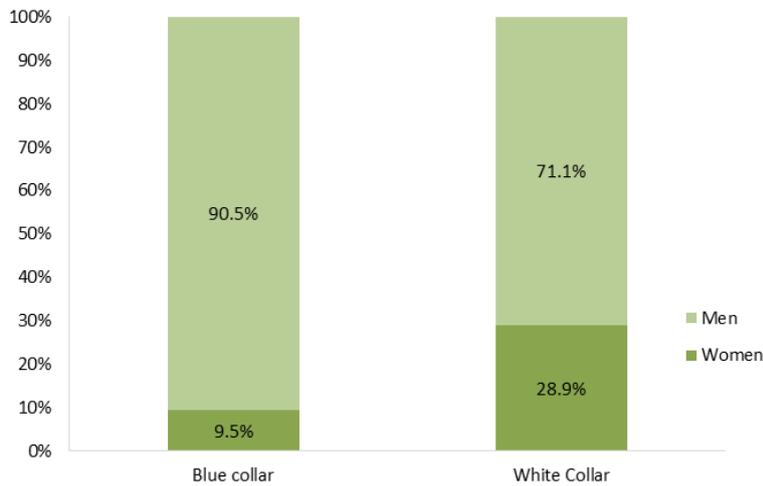
### **COMMITMENTS FOR THE FUTURE**

For 2016, the Group has planned new transparency and process automation activities with regard to pay issues, designed to simplify procedures and provide employees with immediate information.

## Diversity and equal opportunity

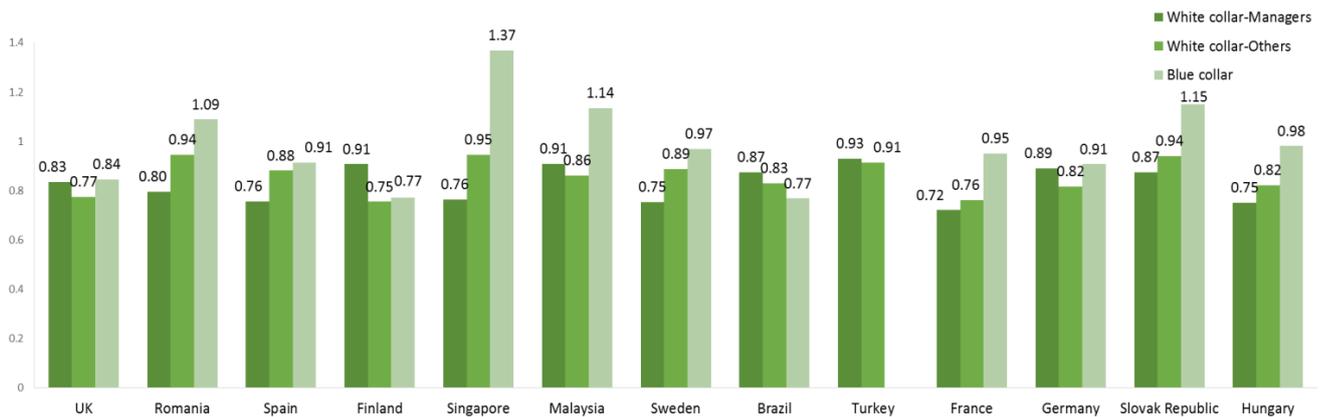
### EMPLOYMENT BY GENDER AND EMPLOYEE CATEGORY AS OF 31 DECEMBER 2015<sup>20</sup>

About 15% of Group employees in 2015 were women. In detail, 9.5% of blue-collar staff are women, while this quota is almost 30% in the white-collar category.



### RATIO OF REMUNERATION OF WOMEN TO MEN BY EMPLOYEE CATEGORY (BASIC GROSS SALARY)

Remuneration at several of the Group’s main locations remained weighted in favour of men during 2015, despite some progress in closing the gap between men and women in recent years.

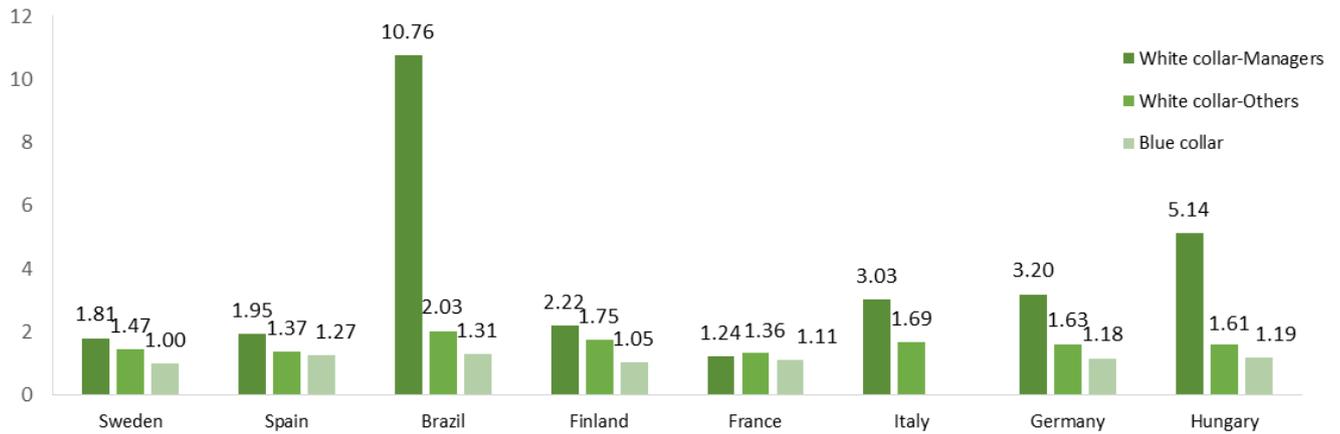


<sup>20</sup> Headcount data at year-end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group.

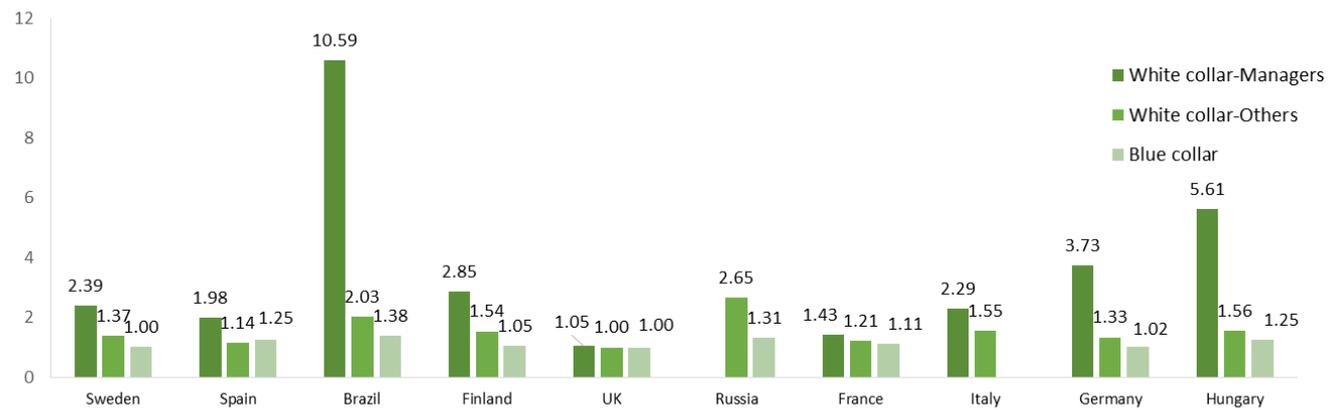
**RATIO OF BASIC SALARY TO THE MINIMUM SALARY SPECIFIED IN THE NATIONAL CONTRACT, BY GENDER**

The graph shows that in 2015 the ratio between the basic salary of new employees in the Prysmian Group and the minimum local salary as determined in the national contract is significantly higher than one, in most of the countries evaluated.

**Men**



**Women**



## *Industrial relations*

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

In many of the countries where the Group has factories, 2015 was marked by the signature of agreements with workers' representatives and trade unions. These agreements covered the normal renewal of the economic and regulatory terms of current payroll contracts, as well as specific actions to improve competitiveness/reduce costs where required by market conditions.

## *Internal communications and involvement*

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

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

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

- "Inside" (the Group intranet), an information tool designed to create a global community that helps to establish a common identity within the Group. The intranet functions as an online magazine for around 8,000 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 stakeholders. Published on the website, this magazine is a privileged channel for reporting regularly on the progress of the Group, from the latest financial results to changes in the share price, with in-depth commentary on the businesses and the markets in which Prysmian operates, as well as a focus on individuals and the initiatives taken throughout the world;
- «YES app». Created to facilitate the exchange of information with employees participating in the YES share plan, the Group's first app has become a point of reference for anyone interested in the latest information about the Prysmian Group. Its main purpose is to reach all categories of employee, especially those without a workstation with direct access to the intranet.
- Social network. Prysmian is active on the main 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.

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. Various local initiatives were organised at local level during 2015, in order to encourage the involvement of employees and their families, to build the group spirit and to celebrate the 10 years since the creation of the Prysmian brand.

## *Health and safety*

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

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

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

Partly to ensure compliance with current regulations, the HR functions at country level prepare training plans for their personnel and determine specific training paths for the various categories of worker, depending on their roles, duties, levels of responsibility and working environment. The commitment to health and safety was reinforced once again during 2015, via the coordination of central and local activities under the guidance of the HSE function. At the start of the year, HSE gathered, analysed and shared with top management the results achieved in 2014 and the performance of the Group and each Country/Geographical Area, determined with reference to relevant indicators (total number of events involving the loss of work and related 'Frequency Indicator').

On the basis of the technical evaluations and taking into account the changes and local requirements, the HSE division has set its objectives for 2015. To facilitate this it has also encouraged a series of support projects involving various levels of the company, as described below:

- making more effective and accepted the process of analysing events and defining corrective and preventive actions: in the case of serious accidents, analysing the causes in detail, both in order to contribute to the management of the cases concerned and to identify from them ideas for the prevention of repetitions at the Group's other operating units;
- continuing the training provided on specific safety issues: web-based training sessions were provided during the year, while at the worldwide meetings, HSE analysed the results and difficulties encountered during the year by the various Areas and business unit, in order to acquire practice and experience and to present the project and tools organised by the central HSE division, to enable the increasingly efficient management of HSE issues;
- continuing the 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: 24 safety audits were carried out during 2015, including 4 pre-audits designed to check

directly the compliance of local systems with the Group's rules and regulations, and assess their suitability for certification.

The Group's priority objective is to reduce accidents, as measured by the IF rate (OHSALTA). The figure was 2.6. A further reduction in the rate of at least 5% is expected in 2016. Accidents are also monitored with reference to other parameters, such as their seriousness considering days absent from work.

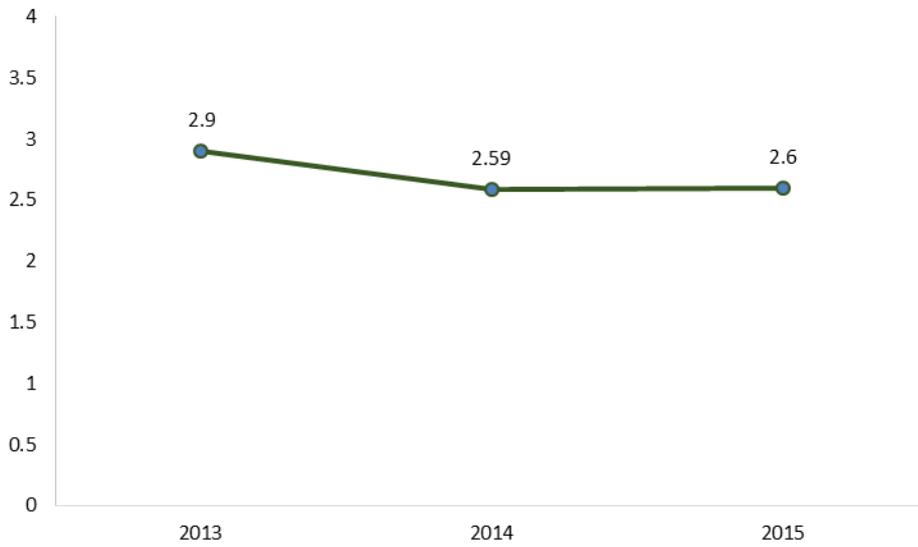
With regard to industrial illnesses, prevention and monitoring activities are organised using suitable tools at local level in order to improve their effectiveness; the HSE function is responsible for establishing the related guidelines and action points.

### ***New milestones in workplace safety***

*On 12 April 2015, the plant in Abbeville, South Carolina (USA) reached a key milestone in worker safety: 1 million hours worked without any working days lost due to accidents. The last working day lost was 16 December 2013. Communications, observance of procedures and the introduction of safe behaviours have proved to be effective ways of raising awareness among staff.*

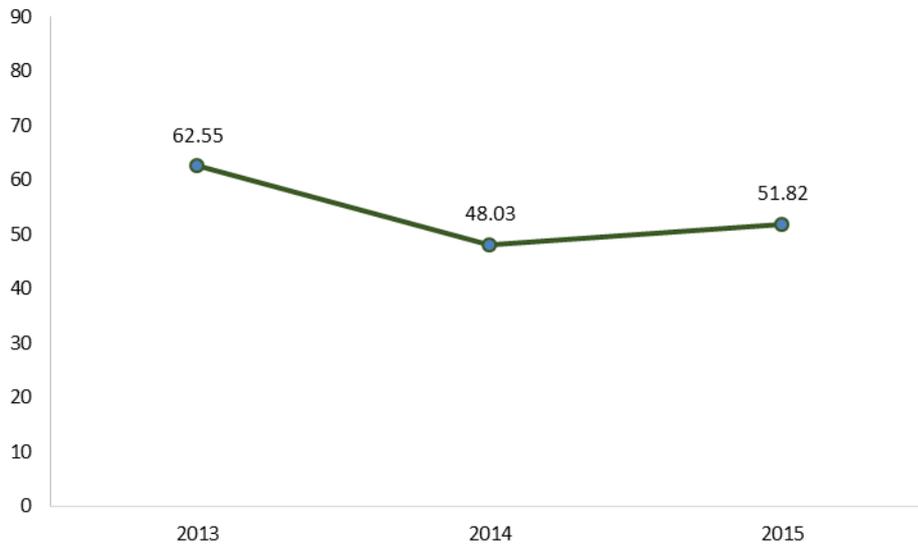
*In North Carolina, the Claremont plant received the Gold Status Award from the North Carolina Department of Labor, as no incidents occurred last year.*

**FREQUENCY RATE<sup>21</sup>**



The frequency rate of accidents at Group level has fallen in recent years, from 2.9 in 2013 to 2.6 in 2015.

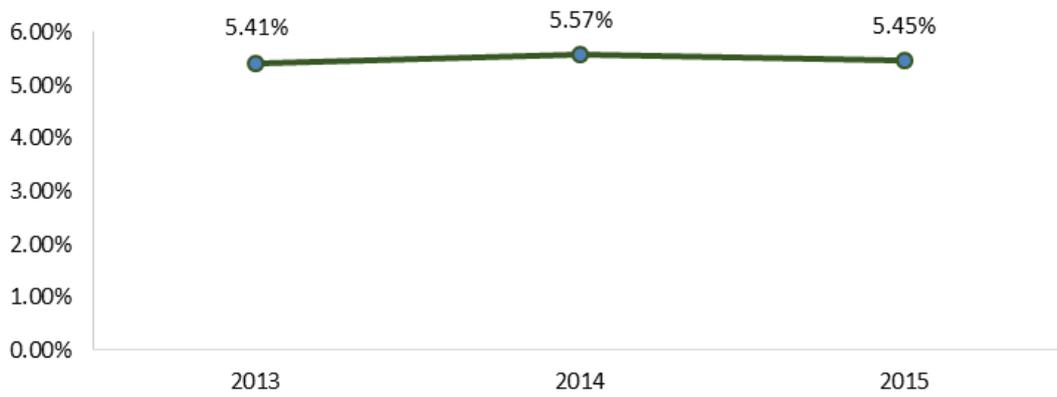
**SEVERITY RATE<sup>22</sup>**



In recent years there has been a gradual improvement in the severity rate of accidents in the workplace. In particular, the rate has decreased from 62.55 in 2013 to 51.82 in 2015.

<sup>21</sup> Frequency rate: (Total number of accidents with loss of work \* 200,000)/Hours worked).

<sup>22</sup> Severity rate: (Number of days lost / Hours worked) \* 200,000.

**ABSENTEE RATE<sup>23</sup>**

As in previous years, in 2015 absenteeism at Group level remained stable at around 5%.

<sup>23</sup> Absentee rate: Total hours of absence / Total workable hours. 2013, 2014 and 2015 do not include the factories at Sicable (Ivory Coast) and Arco Felice (Italy).



COMMUNITY



## *Corporate Citizenship and Philanthropy initiatives*

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

Relations with local communities are important for the creation of value around Prysmian.

During 2015, the Group continued pursuit of its commitment to be socially responsible by supporting, via specific initiatives, the economic, social and cultural development of the areas in which it is present. In addition to direct economic contributions and donations in kind when allowed by the Corporate Citizenship and Philanthropy Policy, the Prysmian Group also provides indirect support for social projects via the hours paid to employees involved in the charitable activities.

The main activities during the year involved various areas and were concentrated in Italy, in other European countries such as Spain, Finland, Germany and the UK, and further away, in places like China, North America and Argentina.

### **CORPORATE CITIZENSHIP AND PHILANTHROPY POLICY**

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

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

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

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

## Headquarters

Prysmian decided to collaborate with the UNHCR (United Nations High Commission for Refugees) in providing rapid assistance to the victims of the earthquake that struck Nepal on 25 April 2015.

The Group invited about 20,000 employees to make a donation, however symbolic, which CEO Valerio Battista then decided would be doubled by the Company.

These donations paid for the immediate purchase of 19,000 plastic sheets to serve as temporary shelter for the survivors of the quake, as well as 8,000 solar lamps to provide lighting in the worst-hit areas, given the lack of power in addition to the destruction of homes, offices and public buildings.

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

## Italy

In 2015, Prysmian continued a project that begun in 2014 by donating about 10 km of low voltage electricity cable to the new "Maria Letizia Verga" centre at Ospedale San Gerardo di Monza. Since opening on 17<sup>th</sup> July 2015, this facility has become an established centre of excellence for research into and care of infantile leukaemia. The Group has contributed to this initiative by donating various types of low voltage residential cable, include cables from the Afumex range. These cables, which use LS0H technology, are usually installed in high density public locations. The materials used to manufacture these cables are, in fact, eco-sustainable do not contain any halogens. They impede the propagation of flames, generating less heat and fumes and minimising the emission of acids and corrosive gases.

In addition, Prysmian Italy focused on the children of employees by organising events in support of students aged between 19 and 24, as they approach the world of work.

These events took the form of special days dedicated to motivating over 100 young people, during which Prysmian employees and members of the HR Community Academy helped them to understand their strengths and weaknesses, and provided them with tools and techniques in readiness for the world of work.

## UK

The British affiliate announced a major sponsorship agreement with Hampshire Cricket, as part of its programme to support local communities and strengthen Prysmian's brand image at international level. The Group has taken a number of initiatives in support of young people in the Bishopstoke area, where Prysmian has one of its two factories. These included the Hampshire Cricket training programme, which was developed with a view to identifying and promoting young cricketing talents. At the same time, the chance to obtain media coverage of our brand was a unique opportunity for Prysmian, helping to attract local talent to the business.

During the year, Prysmian celebrated its UK centenary by, among other activities, organising a visit of Bishopstoke school children to the local factory, in collaboration with the education authority. The objective was to show them the cable production process and the working environment in general.

Prysmian also participated in job fairs and recruiting events at local colleges and universities, again with a view to informing young people about the professional opportunities offered by the Group.

### **Finland**

Prysmian Finland has organised various initiatives to develop the skills and health of children in the local community.

In particular, Group employees supported the organisation of a skills competition for electronics students, via the supply and installation of cables for the event. At the local middle school, on the other hand, a study grant was awarded to the best student in mathematics and related disciplines.

Lastly, as in previous years, Prysmian made cash donations to the Mannerheim League for Child Welfare, which is the largest research foundation that takes care of children in Finland.

### **Germany**

In Germany, once again, Prysmian made cash donations to various initiatives promoting health, the arts and culture, economic development and welfare. The funds available to the Group were allocated, for example, to supporting local communities via direct donations and grants to associations in the municipality of Neustadt.

Prysmian also decided to promote various events in Wuppertaler, with a view to strengthening its presence in the local community.

### **Estonia**

In Estonia, Prysmian made cash donations to various initiatives, mainly relating to health, the arts and culture. In particular, study grants were awarded to Master and PhD students and Prysmian also participated in and supported charity events organised at local level, including “Help Orphan Kids” and the “Kelia Lions Club”.

### **Spain**

During the year, Prysmian Spain strengthened its long-term relations with the Vilanova i la Geltrù Railway Museum, both by cash donations and by the supply of drums and other materials for exterior decoration purposes.

The Group is also the official sponsor of the Vilanova Half Marathon and the local football team, Union Esportiva Castelldefels.

Two important initiatives were promoted in the areas of health and welfare, via support for two special projects. The first was carried out in Spain together with Endesa, an electricity company, while second was carried out in Chad together with the El Halto Foundation, which has worked for many years to improve the well-being of the local population, with a particular focus on young mothers and their children. With regard to the latter initiative, Prysmian Spain supplied optical fibre cables to improve the connections of the hospitals in the region.

## Sweden

With a view to strengthening the Group's brand and consolidating relations with its local communities, Prysmian Sweden has promoted numerous initiatives that mainly address health, education, the arts and culture.

In particular, clubs and sports teams in the Nässjö area have been sponsored, together with various local cultural associations, and two training courses were held, focusing on road and environmental education. With regard to health, donations were made to support cancer research.

Lastly, in terms of the Group's mission to promote access to energy and telecommunications, as a necessary condition for the social and economic development of communities, Prysmian has supplied cables to a local professional training school.

## Hungary

Prysmian Hungary has renewed its support for the local handball team, which is the point of reference for young sports enthusiasts in the community. For smaller children, the Group sponsored a "Children's Day" that was held at the Balassagyarmat kindergarten. Again with a view to supporting the local communities and the most needy, Prysmian also sponsored a "Gala Charity Dinner" organised by the Friends of Italy Association. The purpose of the event was to gather funds for the "Mosoly Otthon Közhasznú Alapítvány" (MOHA) and "Vakok Batthyány László Gyermekotthona" Institutes, in order to develop their respective programmes in support of autistic youngsters, blind children and orphans with serious illnesses.

## Romania

Prysmian organised a fun run in Slatina to celebrate the first 10 years of the brand. . The local population also participated, in addition to our employees, with a total of 60 runners. Two events were held: a "Popular Race" over 2 km for beginners and a "Competitive Race" over 6 km for professionals and amateurs. All runners participated with enthusiasm, happy to promote sports and good health.

## North America

With a view to further increasing awareness of the Group and our products via education, Prysmian North America has started to collaborate with the College of Art and Design (SCAD) in Savannah, Georgia.

This college has won the "Design Intelligence Award", as the best Architecture and Design school in the United States, for three consecutive years. During the year, the college's creative learning centre organised a design challenge focused on uses for the scrap materials produced by Prysmian. The challenge will enable various groups of students, from numerous countries and specialised in different artistic disciplines, to create works of art using scrap cables sourced from Prysmian's North American factories, thus competing for the three prizes on offer. The programme allows these students to obtain some experience of the real world and promotes the up-cycle concept, being the conversion of scrap and unused materials into new goods with a new value, in this case by turning them into veritable works of art.

In addition, again in North America, Prysmian has officially launched the "Walk to Milan", a health competition involving clerical staff that recognises the first group of people capable of taking the 8 million steps needed, in theory, to reach the Group's Headquarters in Milan.

Other initiatives in North America included: smoke prevention and the education of smokers about its adverse effects; the involvement of children in the 2015 employees' calendar, with a theme of physical well-being; a personal health assessment that assessed, on an anonymous basis, the lifestyles of the Group's employees; a competition among the employees of the Telecom and Energy areas based on the quantity of food donated to the food bank; the organisation and financing of engineering projects for students at local schools.

### **Argentina**

In confirmation of the Group's desire to strengthen its relations with public institutions at local level, Prysmian Argentina treated the renewal of its IT equipment as an opportunity to donate more than 50 used computers to schools and local police departments with limited resources.

### **China**

In August, a group of Prysmian volunteers took part in a day of activities in support of the orphanage at the village of Tianjin Sun, China. Located in the Beichen district, this home looks after the orphaned children of Chinese convicts and, at this time, has 24 residents aged from just a few months to 24 years old. The volunteers from the Tianjin factory helped to cultivate the fields, repair roads and feed the animals.

The Group also donated 1,400 metres of 16 mm<sup>2</sup> cable and 970 metres of 4 mm<sup>2</sup> cable, to improve the lighting system at Tianjin Sun. The Prysmian volunteers also helped to save some of the stray animals that live there.

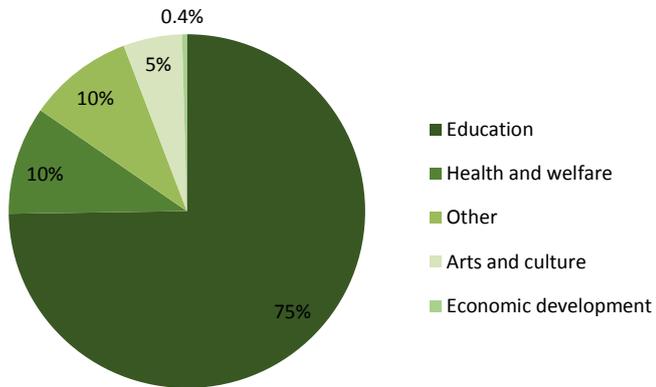
Employees at the other two factories also took part in similar charitable initiatives. Suzhou volunteers helped to modernise the facilities at the Yucai School, while Wuxi employees made efforts to improve the living conditions of children at a welfare house situated close to the factory.

### **COMMITMENTS FOR THE FUTURE**

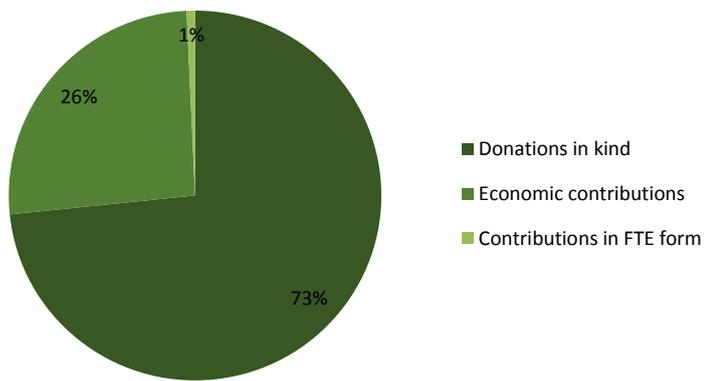
During 2016, Prysmian will analyse a number of the Group's corporate citizenship and philanthropy initiatives using the Social Return on Investment (SROI) methodology. This methodology makes it possible to measure the social, environmental and economic impact of the activities assessed, using monetary values that highlight the relationship between the investment made in an initiative and the return on that investment.

**MAIN NUMBERS<sup>24</sup>**

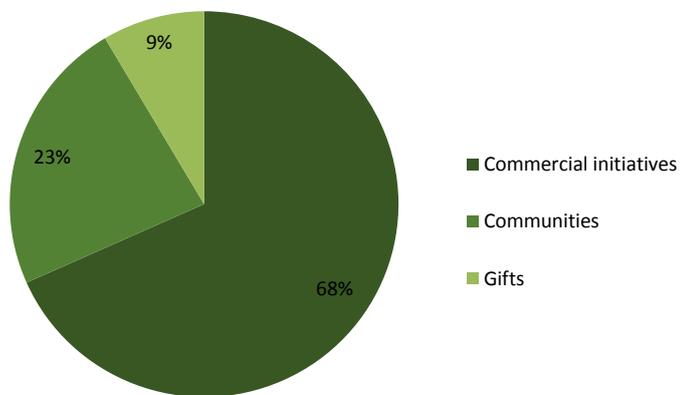
**Contribution by subject in 2015**



**Type of contribution in 2015**



**Type of initiatives**



<sup>24</sup> Data include the following countries: Hungary, Germany, Italy, China, North America, Estonia, United Kingdom, Argentina, Finland, Sweden, Spain.



ENVIRONMENT



## *Prysmian and the environment*

***Commitment to safeguarding the environment and conserving natural resources is essential for the creation of sustainable value by the Group, 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.

Considering the environmental aspects deemed significant at Group level, Prysmian's Health, Safety & Environment function (also "HSE") worked with other business functions to establish the HSE objectives for 2015, which were endorsed by the Board of Directors. These objectives - and, where possible, the related numerical targets - were communicated to all country and business managers at an update seminar held in 2015.

During the year, the HSE function 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.

Once again, significant variables and indicators were monitored regularly to check the effectiveness of health, safety and environment activities, including compliance with health and safety at work standards, energy consumption, waste management, water usage and greenhouse gas emissions. In particular, with reference to the last mentioned, the Group has strengthened the process of collecting energy consumption data in order to track both "direct" emissions (deriving from production processes) and "indirect" emissions (deriving from the energy purchased). This system of monitoring and reporting enabled the Group to participate in 2015, once again, to the Carbon Disclosure Project (CDP), which seeks to contribute to the pursuit of the objectives agreed in the Kyoto Protocol regarding the global reduction of greenhouse gas emissions.

Further developments in this area will be made possible by considering the outcome of the energy audits carried out during 2015 at a number of European factories, deemed representative, in order to identify actions to improve energy efficiency and reduce greenhouse gas emissions. Methodologies are also being defined with a view to assessing the environmental impact of products and especially their carbon footprints, at the design stage.

About 160 inspections were carried out at the various factories during the year, including certification audits and certification maintenance audits, about 25% of which were carried out by experienced Prysmian personnel, while the rest was performed by auditors from external certification agencies. On top of this, 17 energy audits were conducted and internal auditors also visited various locations to check on specific matters. Territorial external agencies carried out periodic inspections too.



Significant events during 2015 included the investment of about 10 million euro in health, safety and environmental activities, a large part of which (about 3 million euro) was dedicated to the FOS "tri-generation" plant at the Battipaglia factory. This plant is estimated to have saved about 2,000 TOE in 2015 compared with 2014<sup>25</sup>.

In addition to various training initiatives, Prysmian has managed and completed numerous other 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, Prysmian Group uses quali-quantitative parameters to monitor environmental performance and health and safety in the workplace.

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

Future developments will include further strengthening of the "central coordination" concept, with a view to transforming the environment and safety management system into a "multi-site" model that is certified by the Corporate Head Office in accordance with an annual audit plan. This change will maximise the efficiencies and synergies released by the revised system, especially in terms of improved performance and lower costs.

## MANAGEMENT SYSTEMS

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

- extending OHSAS 18001 certification of the safety management system to an additional 4 locations;
- using the official certification agency at factories previously certified by other agencies. In particular, during 2015, 16 factories changed to the official agency for ISO 14001 certification (regarding Environment Management Systems) and 4 changed in relation to OHSAS 18001 certification. This change has helped to coordinate the management systems, with the periodic checking of the Group's HSE procedures by the external agency and the involvement of HSE in defining and agreeing the corrective actions to be taken at the various Group factories, 91% and 63% of which were, respectively, ISO 14001 and OHSAS 18001 certified at the end of 2015. These percentages take account of the new certifications, following the extension of OHSAS 18001 Safety Management System certification to an additional 4 locations.

<sup>25</sup> TOE: Tonnes of oil equivalent. This data was estimated by reference to constant production levels, assuming that output in 2014 was the same as in 2015. With respect to the forecast made last year, the conversion coefficient used for the calculation has been updated in compliance with the relevant current legislation. The data considers the energy consumed at source in order to supply the Italian grid.

## LIFE CYCLE ASSESSMENT

In order to achieve a more systematic analysis of the environmental impact of cables and other products, including in particular their carbon footprint, during 2015 the Group launched a project to apply Life Cycle Assessment (LCA) methodologies to the design tools used to define products, in terms of the materials to be assembled and the processing cycles required. For this purpose, HSE informed R&D managers and representatives about certain fundamental concepts that underpin the techniques for assessing the environmental impact of products, and then worked with IT managers to find the most suitable ways to apply them to the above design tools. The next stage of the preparatory work will consider materials and processes involved in more detail.

## WORLD ENVIRONMENT DAY

On the 5<sup>th</sup> of June 2015, the Prysmian Group participated in the World Environment Day (WED) for the first time. WED is the main tool used by the United Nations to focus the attention of the public and political decision-makers on the global environment. The objective of the event is to pose environmental questions from a human standpoint, giving individuals the chance to play an active, leading role in achieving sustainable development. Various Prysmian locations organised initiatives in this light, ranging from plantings and gifts to employees who use eco-sustainable transportation, to efforts to save on the use of lighting. In particular, 52 factories took part in 17 countries, being Argentina, Australia, Brazil, China, France, Italy, the Netherlands, Russia, Turkey, Sweden, UK and factories in Asia – Indonesia, Malaysia, Thailand, Philippines, Singapore as well as the Milan headquarters.

## COMMITMENTS FOR THE FUTURE

With reference to the HSE policy and use of the HSE Management System, in recent years Prysmian has launched various initiatives intended to use resources efficiently and to reduce the environmental impact of production processes at a number of factories (e.g. replacement of lighting systems, recycling of SF<sub>6</sub>, awareness campaigns about the consumption of energy). These initiatives have generated various benefits in both environmental and cost reduction terms. However Prysmian has felt the need to continue in a more systematic and coordinated manner, focusing above all on the improved reporting at Group level of consumption and greenhouse gas emissions. The first concrete step in this direction was taken in 2015 by conducting 17 energy audits at European factories, in accordance with the requirements of the European Energy Efficiency Directive 2012/27/EU. These audits, which will be repeated periodically in future, were carried out at 16 selected factories, deemed representative of the various types of Prysmian production, and at the R&D laboratories in Milan.

The work, performed by experienced external auditors in coordination with the HSE function, identified areas for improvement at each location together with the related energy efficiency improvements to be made.

The HSE function has analysed the results of the energy diagnoses and classified the proposed work as follows:

- Common initiatives: applicable to all Group locations, to be scheduled for all countries/regions over the next 3-5 years, on the basis of established priorities, via central projects coordinated by the corporate HSE function;
- Local initiatives: to be scheduled and managed directly by the individual production units;

- Future initiatives or developments: to be considered and including in forthcoming HSE plans at Group level.

Among the common initiatives, the HSE function has decided to coordinate centrally the project to replace the traditional lighting at factories with LED bulbs. This project will be launched during 2016, starting at the factories designated as priority locations by the HSE function. As a consequence, electricity consumption will be reduced together with the operating costs of the lighting installations. LED technology has, in fact, various advantages over traditional lighting sources, such as energy saving, an average life that is 6 times longer than traditional bulbs, easy maintenance and relatively rapid recovery of the initial investment.

With regard to Management Systems, the Prysmian Group plans to implement six new OHSAS 18001 certifications in 2016, as well as one ISO 14001 certification.

## MAIN INITIATIVES TO LOWER ENVIRONMENTAL IMPACT

### Power Cables

A factory scrap reduction programme in Cebu, Philippines, during 2015 has drastically reduced the volume of non-hazardous waste mixture (37% reduction in the quantities disposed per tonne of product, compared with 2014). The main efforts were made on the extrusion lines, linking the results with a series of bonuses for those who achieved scrap reductions.

At the Delft factory, the Netherlands, there were significant reductions in the quantities of spent oils (37% reduction in quantity per tonne of product compared with the previous year) and spent emulsions (23% reduction per tonne of product compared with 2014). A consultant has also been appointed to optimise the management of process oils. In addition, improvements in the maintenance of the conduits for the drawing lines have reduced emulsion losses, which were disposed of as waste in previous years. Again in 2015, the steam generator was replaced by new one that, by requiring less water, generates lower emulsion losses (also previously disposed of as waste).

At the Gron factory, France, there was a marked decrease in the spent solvent sent for disposal (about a 54% reduction in quantity per tonne of production in 2015 compared with the previous year). This decrease was made possible by replacing the use of solvents with other washing methods and materials including, specifically, electric brushing and washing with hot water and detergent.

At the North Dighton factory, United States, there was a major reduction in water consumption (35% decrease in consumption per tonne of product compared with 2014) following replacement of the heat recovery system.

The consumption of water per tonne of product also fell at the Sorocaba energy plant, Brazil (down 24% compared with 2014). This achievement was assisted by the automation of the water supply system for the tower, which has resulted in avoiding overflow losses that need to be replaced. Previously the water level was topped up manually.

Again in Brazil, the reduction in water consumption at the Vila Velha plant (58% decrease per tonne of product in 2015 compared with 2014) was due to reusing the same tank of water for multiple product immersion tests.

The condition of water used in the test tank deteriorates with use. For this reason, unfortunately, additives must be purchased to extend its useful life, which means that even more tests can be carried out.

At the Santa Perpetua factory, Spain, the quantity of water used per tonne of product was reduced by 27% compared with the previous year, due to:

- a steam recovery system;
- the improved water treatment, enabling the circuit valves to be kept closed for longer, thus increasing the reuse of water and reducing consumption;
- improvements in the osmosis membrane operating conditions at the water treatment plant, resulting in a reduced quantity of discharges.

Lastly, at the Slatina factory, Romania, a reduction in the packaging sent for disposal (47% decreased in quantity per unit of product) was due to more massive reuse previous to disposal.

### Telecom Cables

At the Calais factory, France, the consumption of water per km of product was reduced by 36% in 2015 compared with 2014. This was primarily achieved by improved supervision of the functioning of the technical plant and better preventive maintenance of key plant equipment (filters, pumps etc.), but also by keeping a daily record to monitor water consumption.

At the Nurnberg factory, Germany, electricity consumption per tonne of product fell by 19% in 2015 compared with the previous year. This was made possible by replacing the dryers and reducing the losses from the compressed air system.

The use of a new type of ink that fixes better at the Washington factory, United Kingdom, reduced the need to clean with solvents and the consequent dispose of them, thus cutting by 76% the quantity of waste solvents compared with the previous year.

Telecom operating unit at the Slatina factory, Romania, also benefited from the drastic reduction in packaging sent for disposal observed at Energy unit.

### **Optical Fibre**

In 2015, at the Eindhoven factory, the Netherlands, there was a marked increase in the quantity of germanium-based waste sent for recycling. The recycling of this chemical element commenced in 2009, as a result of combined efforts with the local supplier of raw materials and vegetable fibre.

This action is particularly meaningful, since germanium is a precious substance and its recycling therefore falls within the factory's sustainability programme.

Additionally, two new operational flows have increased by almost 40% the volume of germanium recycled: the first flow consists of scrapped fibres that are processed in order to extract the germanium; the second flow, on the other hand, uses the PCVD (Plasma Chemical Vapour Deposition) process to separate a substance that is collected in order for the germanium to be recovered at the premises of our suppliers.

The recycling yield from these two flows is expected to improve further, and another flow will be explored in the near future.

At the same location, 25,713 kg of optical fiber on bobbins were sent for recycling in 2015.

## PRESENTATION OF ENVIRONMENTAL NUMBERS

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 to the value of the Group. These aspects are considered significant and this Report presents indicators showing their importance:

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

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

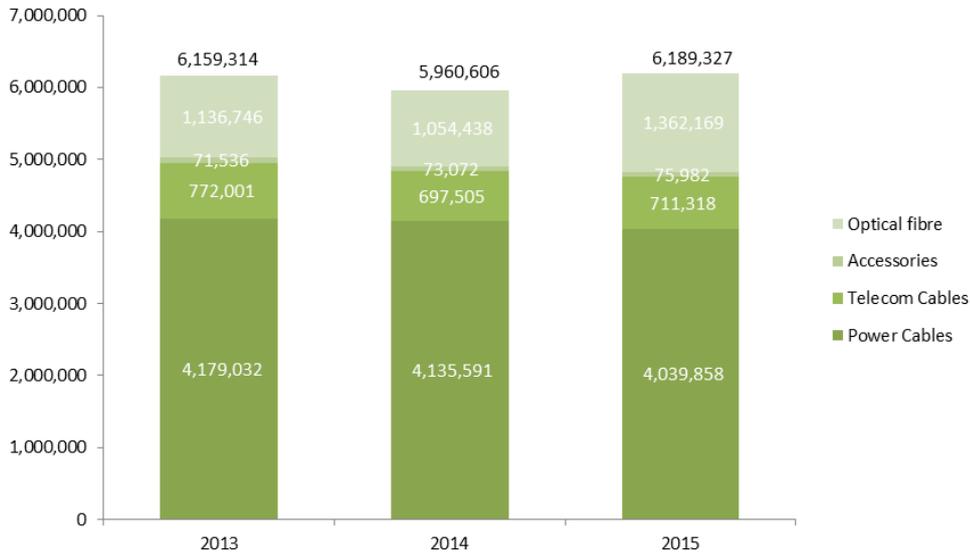
- waste water generated from cooling systems, if not contained within a closed-circuit system and if not requiring special treatment;
- atmospheric emissions generated by production processes, which are not especially significant in most cases.

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

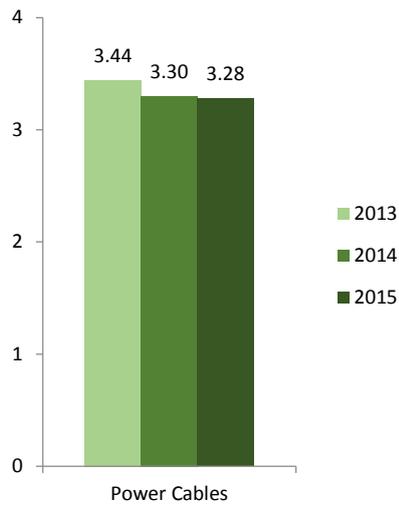
## Energy

### ENERGY CONSUMPTION (GJ)

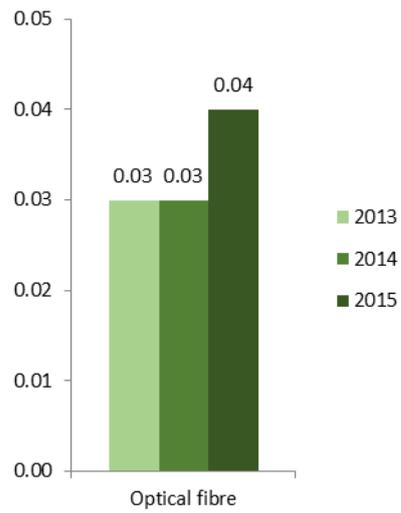
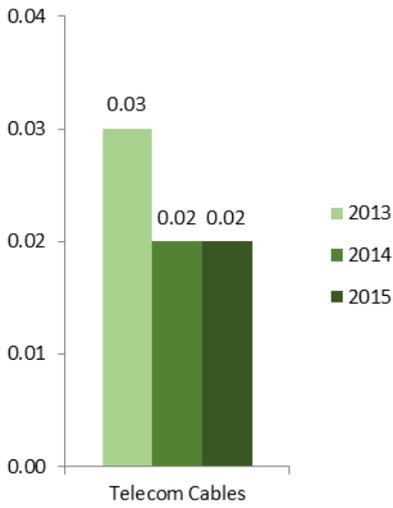
Energy consumption by the Group totalled 6,189,328 GJ in 2015, up by 3.8% compared with 2014 due, mainly, to an increase in consumption in the optical fibres category.



**ENERGY CONSUMPTION PER TONNE OF PRODUCT (GJ/t)**



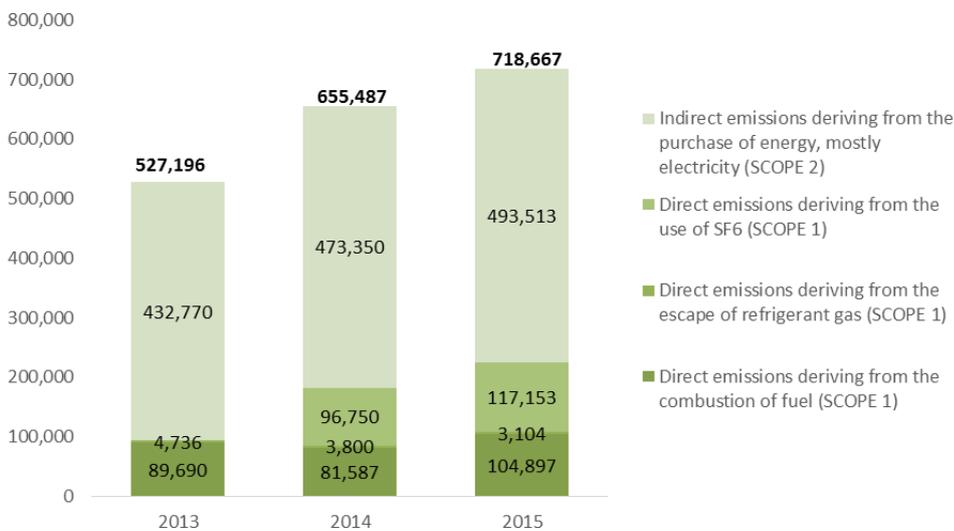
**ENERGY CONSUMPTION PER Km OF PRODUCT (GJ/Km)**



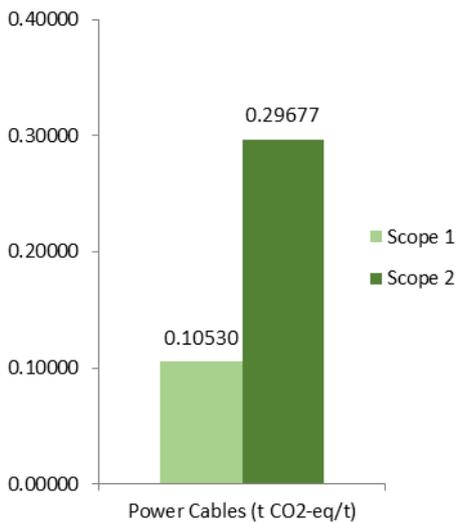
## Greenhouse gases emissions

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

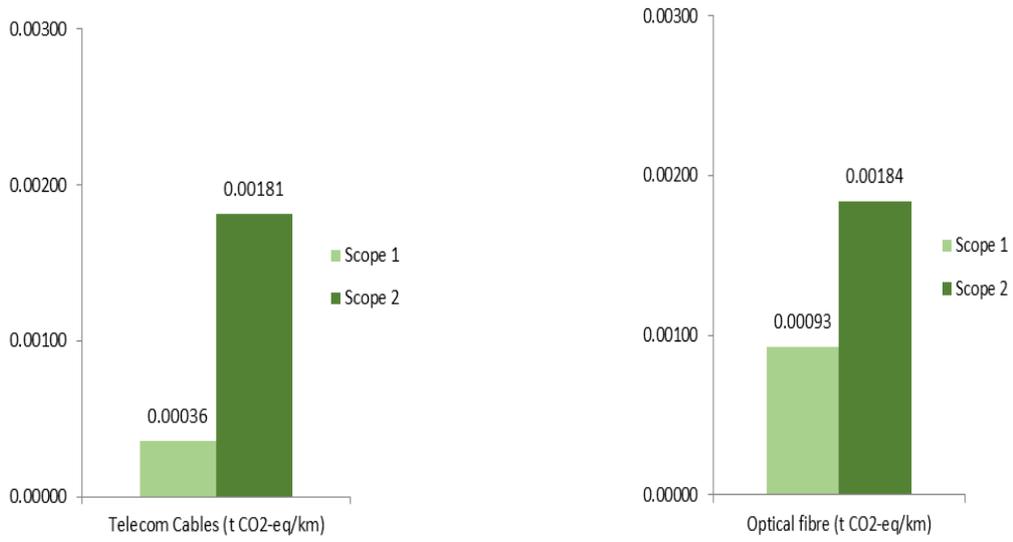
### CO<sub>2</sub> EMISSIONS, BROKEN DOWN BY BETWEEN SCOPE 1 AND SCOPE 2 (tCO<sub>2</sub>eq)



### SCOPE 1 AND SCOPE 2 EMISSIONS OF CO<sub>2</sub> PER TONNE OF PRODUCT (tCO<sub>2</sub>eq/t)



**SCOPE 1 AND SCOPE 2 EMISSIONS OF CO<sub>2</sub> PER Km OF PRODUCT (tCO<sub>2</sub>eq/km)**

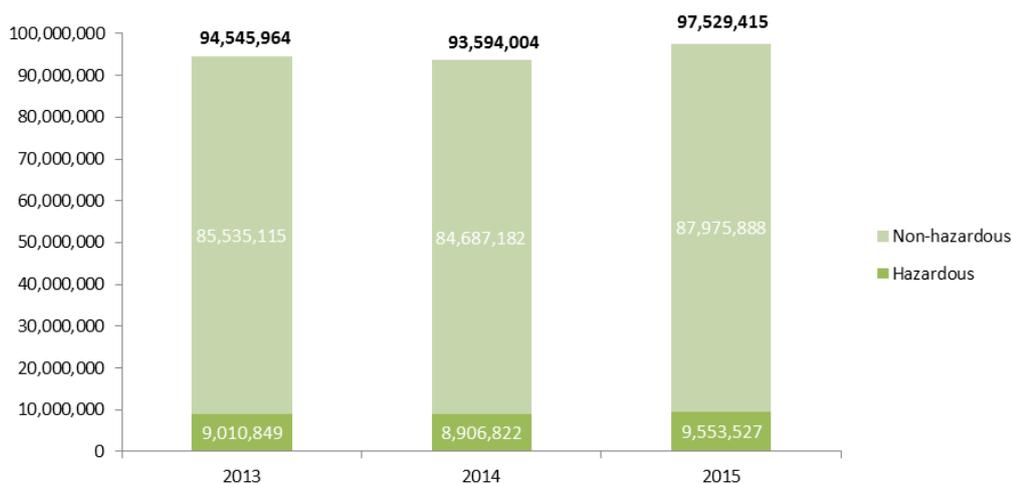


## Waste

The main 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. In such cases, waste is classified in one category or the other depending on local laws and regulations.

Total waste disposed in 2015 amounted to 97,529,415 Kg, which increased over last year.

### WASTE DISPOSED BY TYPE (Kg)



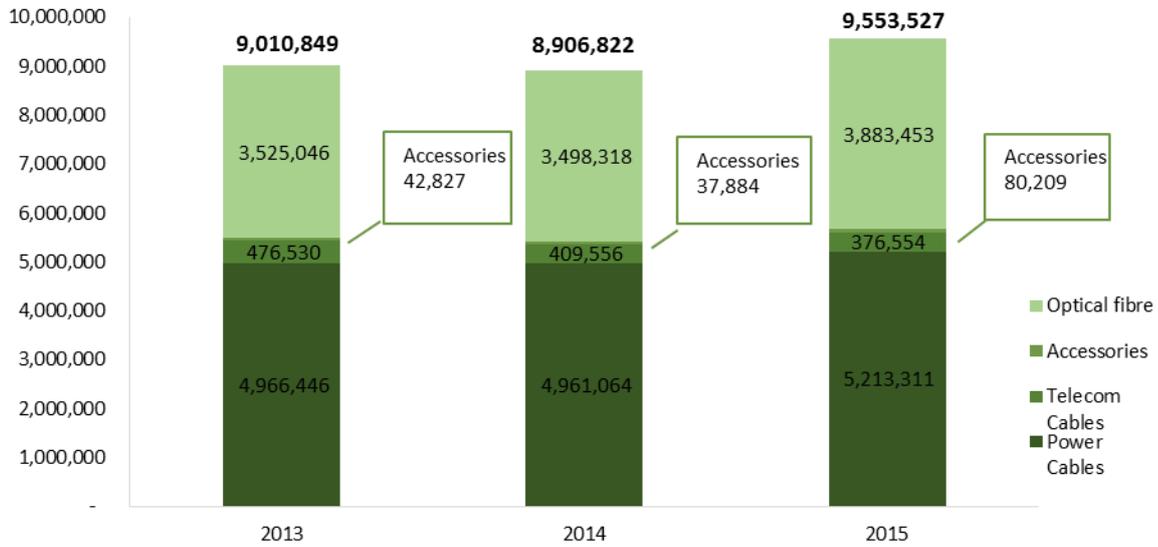
Total hazardous waste disposed by the Group amounted to 9,553,527 Kg, which was 7.3% more than in the previous year. This increase was largely due to an increase in the waste produced by the optical fibre category.

With regard to the increase in hazardous waste disposed in the Energy Cables category, the opening of a mixing plant in Spain during 2015 resulted in a need to perform various test, which generated an exceptional quantity of waste. In addition, waste was generated at the construction site and in connection with the installation of equipment. Lastly, again in the Energy Cables sector, an increase in waste was caused by the number of factories that cleaned drawing tanks and other machinery, which is not necessarily an annual activity and depends on production and quality requirements.

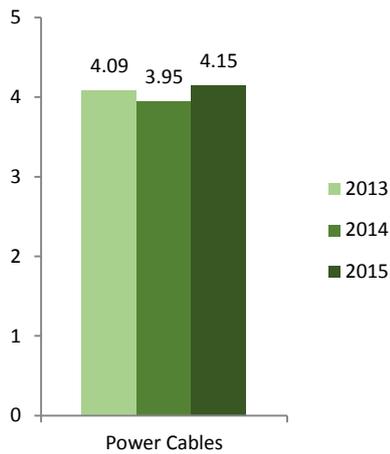
One factory's accessories department was closed during 2015, resulting in an exceptional volume of disposals and a spike in the graph of hazardous waste disposed by the accessories category.

The same graph shows a reduction in relation to the Telecom Cables sector. This was partly due to different manufacturing requirements (e.g. smaller quantities of coloured fibres with respect to non-coloured fibres, with a lower usage of solvents) and, in part, to the use of colours that fix better, thus reducing the quantity of solvents used for cleaning. In other cases, this trend was caused by a reduction in waste oils as a consequence of maintenance repairs.

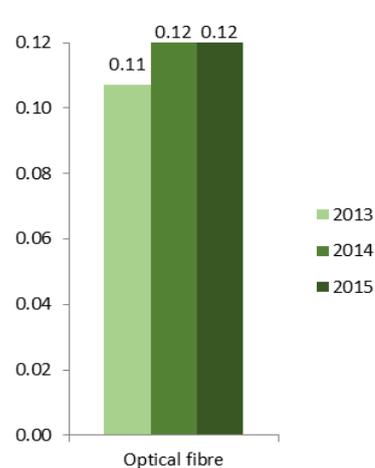
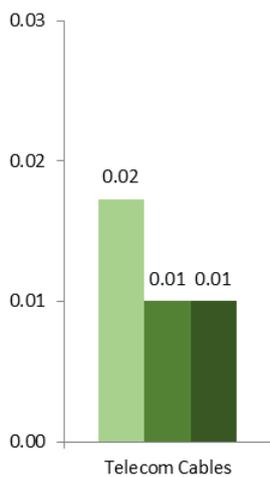
### HAZARDOUS WASTE (Kg)



### HAZARDOUS WASTE PER TONNE OF PRODUCT (Kg/t)



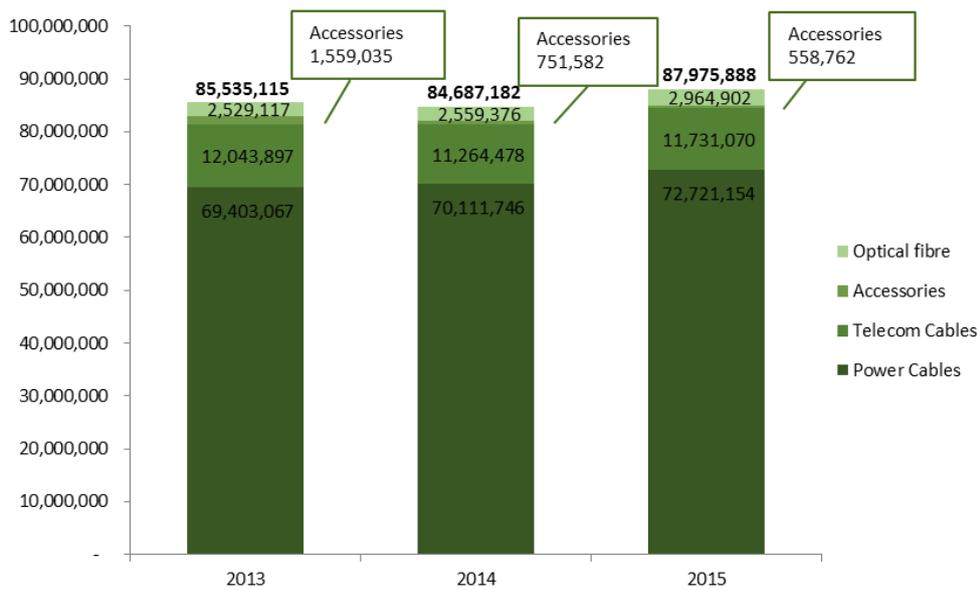
### HAZARDOUS WASTE PER Km OF PRODUCT (Kg/Km)



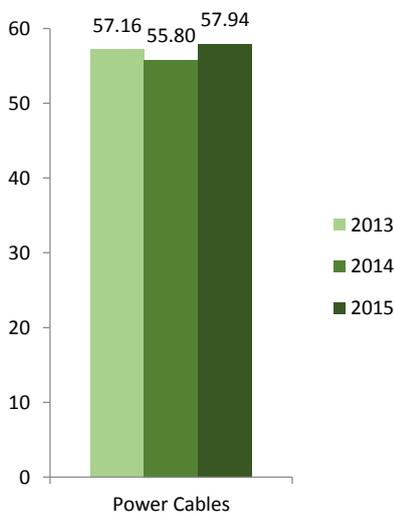
Total non-hazardous waste disposed by the Group in 2015 amounted to 87,975,888 Kg, which was 3.9% more than in the previous year. The overall rise with respect to the previous year, largely due to the increase in non-hazardous waste generated by the optical fibre category, was mostly caused by exceptional cleaning activities, as well as by the on-site scrapping of machinery.

The reduction in non-hazardous waste generated by the accessories category in 2015, on the other hand, was partly due to the transfer of one category of waste from non-hazardous to hazardous.

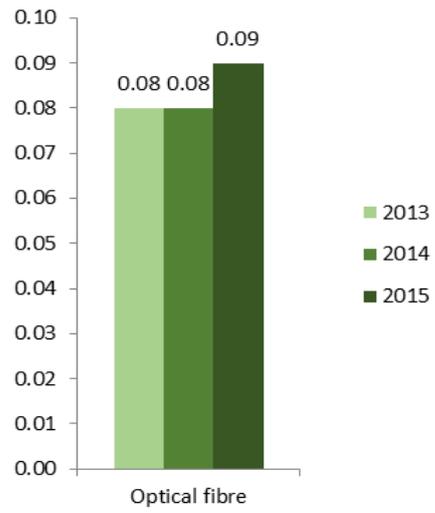
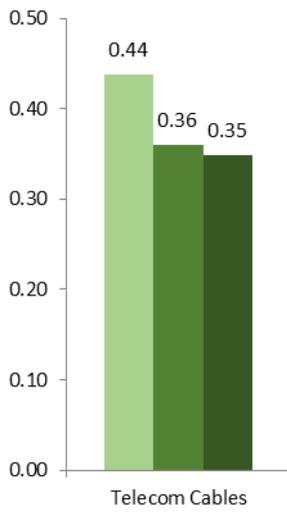
**NON-HAZARDOUS WASTE (Kg)**



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



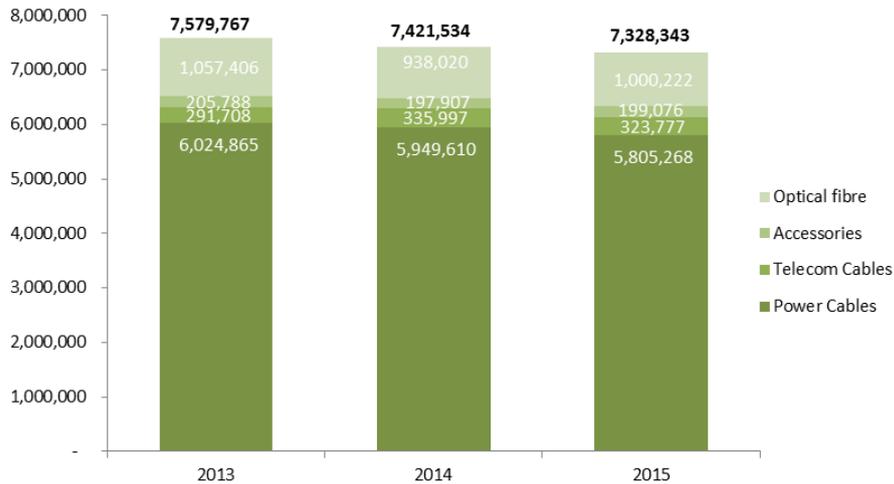
**NON-HAZARDOUS WASTE PER Km OF PRODUCT (Kg/Km)**



## Water

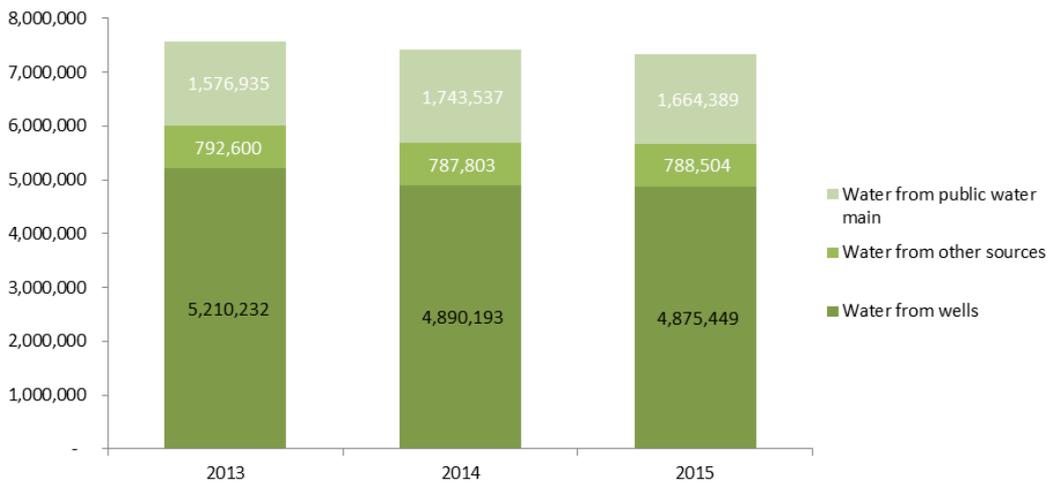
Water consumption by the Group in 2015 totalled 7,328,343 m<sup>3</sup>, which was 1.3% less than in 2014 following the decreasing trend of previous years.

### WATER CONSUMPTION (m<sup>3</sup>)

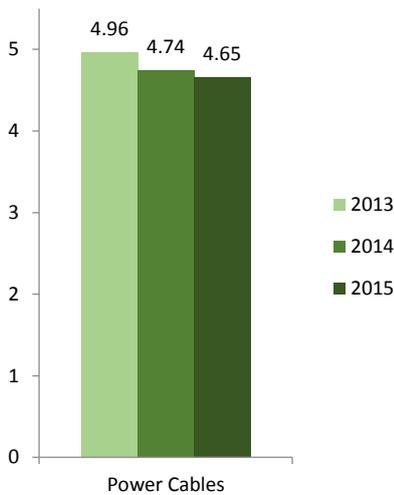


As in previous years, wells represented the main source of water during 2015, providing 66% of the water consumed. The public supply contributed 23% of the water consumed, while other sources were responsible for the remaining 11%.

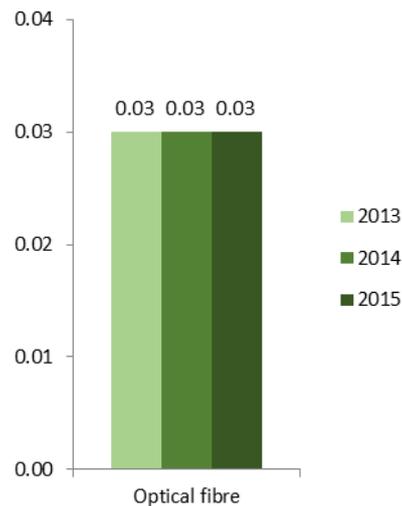
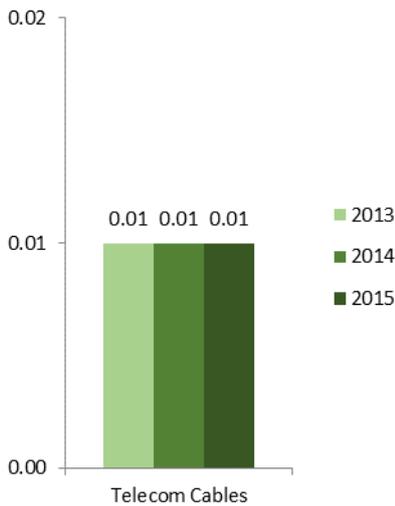
### WATER CONSUMPTION, BROKEN DOWN BY SOURCE OF SUPPLY (m<sup>3</sup>)



**WATER CONSUMPTION PER TONNE OF PRODUCT (m<sup>3</sup>/t)**



**WATER CONSUMPTION PER Km OF PRODUCT (m<sup>3</sup>/Km)**



**PERCENTAGE OF PROCESS WATER RECIRCULATED**

Process water - e.g. which is used to cool semi-final 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, a methodology has been devised in collaboration with the Merlino factory in order to determine the "percentage of water recirculated" with respect to the total water consumption. 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 applied to an increasing number of factories and, in 2015, slightly more than half of them reported the related 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 (confirmed by 94% of factories) and, of these, the recirculated water represents between 90 and 99.9% of the total water used in

more than 80% of cases, while about 20% of factories recirculate less than 90% of the water and 7% less than 80% (since their recirculation systems do not cover all their hydraulic circuits, yet).

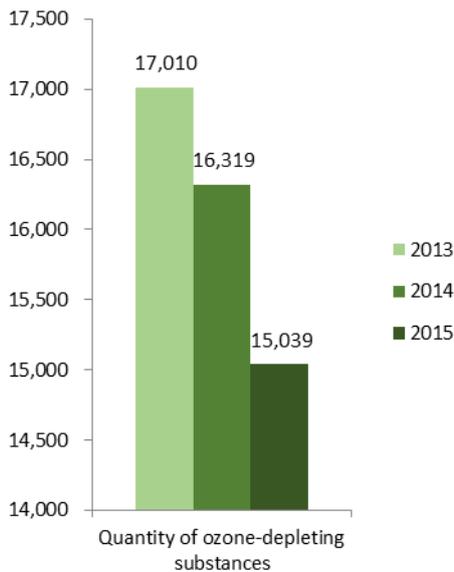
The above results were provided by the following countries: Argentina, Brazil, China, Denmark, Estonia, France, Germany, Indonesia, Italy, Norway, Russia, Sweden, Turkey, UK.

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.

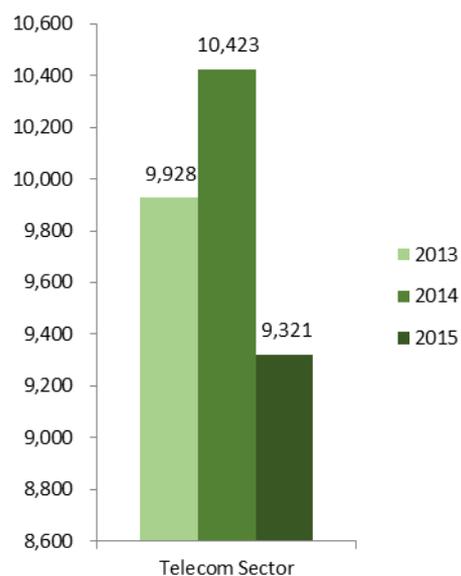
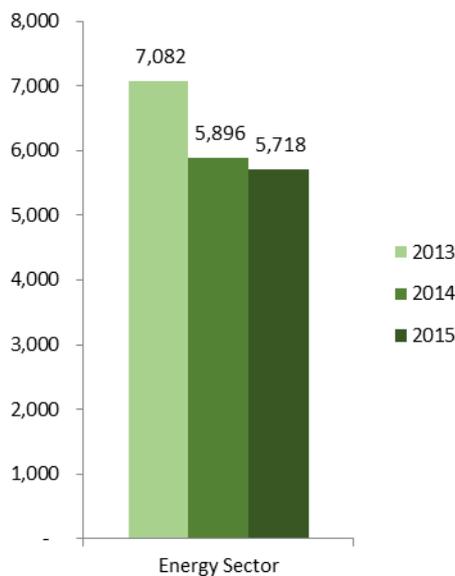
## Ozone-depleting substances<sup>26</sup>

In line with the previous year, the quantities of ozone-depleting substances fell again during 2015 (down 7.8% compared with 2014). This reduction was mainly concentrated in the Telecom Sector and was partly due to the exclusion of the Wuhan site, as well as to certain disposals of fluorinated gases.

### OZONE-DEPLETING SUBSTANCES (Kg)



### OZONE-DEPLETING SUBSTANCES (Kg) BY BUSINESS SECTOR



<sup>26</sup> Most of the ozone-depleting substances reported relate to HCFCs, especially Freon (a.k.a. R-22), which is less problematic than other families of refrigerant gases already banned by law, such as CFC and Halon.

# ATTACHMENTS

## METHODOLOGY AND MATERIALITY ANALYSIS

### Reconciliation of the Prysmian Group's material topics with the corresponding G4 aspects

Material topics	G4 aspects
Business ethics and integrity	Anti-corruption Unfair competition Compliance
Sustainable and innovative product solutions	Products and services - Environment
Public-Company status and employee share ownership plan	-
Business risk	-
Environmental management systems	Compliance with laws and regulations on environmental matters Expenditure and investment to protect the environment
Energy consumption and emissions	Energy Emissions
Waste production and recycling	Discharges and waste
Water usage and discharge	Water
Use of raw materials	Materials
Procurement practices	Procurement practices Transport Investment in Human Rights
Employee development	Employment Training and education
Multiculturalism, diversity and equal opportunity	Diversity and equal opportunity Equal remuneration for men and women
Industrial relations	Industrial relations
Health and safety at work	Health and safety at work
Corporate citizenship	Local communities
Economic impacts	Economic performance Market presence Indirect economic impacts

**G4 aspects not material for the Prysmian Group**

<b>Environmental category</b>
Biodiversity
Environmental assessment of suppliers
Mechanisms for complaints about environmental matters
<b>Social category</b>
<b>Sub-category: working practices and suitable working conditions</b>
Assessment of supplier employment policies and working conditions
Mechanisms for complaints about working conditions
<b>Sub-category: human rights</b>
Non-discrimination
Freedom of association and collective bargaining
Under-age working
Forced labour
Security practices
Rights of the local community
Operations subjected to review in relation to human rights and/or impact assessment
Assessment of suppliers in relation to human rights
Mechanisms for complaints about human rights
<b>Social category</b>
<b>Sub-category: company</b>
Public policies
Assessment of suppliers in relation to their impact on the company
Mechanisms for complaints about supplier impact on the company
<b>Product category</b>
Health and safety of consumers
Labelling of products and services
Marketing activities
Respect for privacy
Compliance with laws and regulations on the use of products and services

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

Material GRI G4 aspects	Scope of aspect materiality	
	Internal <sup>27</sup>	External <sup>28</sup>
<b>Economic category</b>		
Economic performance	Group	-
Market presence	Group	-
Indirect economic impacts	Group	-
Procurement practices	Group	Suppliers
<b>Environmental category</b>		
Materials	Group	Suppliers
Energy	Group factories	Suppliers
Water	Group factories	-
Emissions	Group factories	-
Discharges and waste	Group factories	-
Products and services	Group	Customers
Transport	Group	Suppliers
Compliance with laws and regulations on environmental matters	Group	-
Expenditure and investment to protect the environment	Group	-
<b>Social category</b>		
<b>Sub-category: working practices and suitable working conditions</b>		
Employment	Group	-
Industrial relations	Group	-
Health and safety at work	Group	-
Training and education	Group	-
Diversity and equal opportunity	Group	-
Equal remuneration for men and women	Group	-
<b>Sub-category: human rights</b>		
Investments	Group	Suppliers
<b>Sub-category: company</b>		
Local communities	Group	Customers
Anti-corruption	Group	-
Unfair competition	Group	-
Compliance	Group	-

<sup>27</sup> The limitations of the internal scope of reporting are stated in the GRI table.

<sup>28</sup> For aspects that are also material outside of the organisation, the reporting of data and information is limited to the activities of the Group.

**GROUP ID CARD****Economic value generated and distributed to stakeholders**

Stakeholders	2013		2014		2015	
	Millions of euro	%	Millions of euro	%	Millions of euro	%
Employees	965	64%	948	66%	1,001	63%
Lenders	135	9%	130	9%	98	6%
Shareholders and minority interests	94	6%	90	6%	90	6%
Public Administration	68	5%	57	4%	96	6%
Communities	0.14	0.01%	0.20	0.01%	0.22	0.01%
Economic value retained by the Group	240	16%	213	15%	295.00	19%
<b>Economic value generated</b>	<b>1,502</b>	<b>100%</b>	<b>1,438</b>	<b>100%</b>	<b>1,580</b>	<b>100%</b>

**INTEGRATED SUSTAINABILITY AND SUSTAINABLE INNOVATION****Investments**

Investments (Mil €)	2013 <sup>29</sup>	2014	2015
Gross annual investment	136	163	210
Investment in R&D (Opex)	68	71	73

**Main R&D indicators**

	2013	2014	2015
Investment in R&D (Mil €)	68	87	82
No. of R&D centres	17	17	17
No. of R&D professionals	Over 500	Over 500	Over 550
No. of patents <sup>30</sup>	5,731	5,836	4,785

<sup>29</sup> The data for 2013 has been adjusted following the introduction of IFRS 10 and 11 and the new criteria for classifying the Group's share of the results of associates and joint ventures.

<sup>30</sup> The data relates respectively to: 31/12/2013, 31/12/2014, 31/12/2015

**SUPPLY CHAIN**

**Total number of Prysmian Group suppliers broken down by geographical area as of 31 December<sup>31</sup>**

Geographical area	2013	2014	2015
EMEA	3,446 (65.1%)	3,472 (66.1%)	3,248 (64.7%)
North and Central America	571 (10.8%)	593 (11.3%)	600 (11.9%)
Latin America	599 (11.3%)	566 (10.8%)	536 (10.7%)
APAC	676 (12.8%)	621 (11.8%)	640 (12.7%)
<b>Total</b>	<b>5,292</b>	<b>5,252</b>	<b>5,024</b>

**Total raw materials purchased by the Group, broken down by type of raw material and percentage of raw materials used that derive from recycled materials as of 31 December**

Raw materials purchased	2013		2014		2015	
	Volume (Ktonne)	% from recycled materials	Volume (Ktonne)	% from recycled materials	Volume (Ktonne)	% from recycled materials
Metals	652	21.47%	721	19.42%	675	19.61%
Compounds	237	0.42%	242	0.45%	231	0.29%
Ingredients	225	-	235	-	227	-
Chemical products	12	0.13%	6	0.25%	5	0.20%
Other (paper, yarns, tapes, oil)	17	-	19	-	17	-
<b>Total</b>	<b>1,143</b>	<b>12.34%</b>	<b>1,223</b>	<b>11.54%</b>	<b>1,155</b>	<b>11.52%</b>

**Local purchases out of total purposes (Mil €)**

Geographical area	2013		2014		2015	
	Total purchases	Purchases from local suppliers	Total purchases	Purchases from local suppliers	Total purchases	Purchases from local suppliers
EMEA	920	662 (72%)	920	662 (72%)	944	737 (78%)
North and Central America	111	84 (76%)	111	84 (76%)	124	103 (83%)
Latin America	103	81 (79%)	103	81 (79%)	86	73 (84%)
APAC	71	55 (77%)	71	55 (77%)	97	77 (80%)

<sup>31</sup> Data only considers suppliers of base metals and raw materials.

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

Type purchased	2014	2015
Base metals	2,713 (52%)	2,642 (52%)
Raw materials	1,213 (23%)	1,215 (24%)
Non-raw materials	1,317 (25%)	1,251 (24%)
<b>TOTAL</b>	<b>5,243</b>	<b>5,108</b>

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

Type purchased	2013	2014	2015
Wooden drums	79%	80%	80%
of which: reused	<b>27%</b>	<b>28%</b>	<b>28%</b>
Drums in other materials	21%	20%	20%

**Transportation (%)**

Type of transportation	2013	2014	2015
By road	85%	86%	86%
By sea	13%	12%	12%
By air	2%	2%	2%

**PRYSMIAN'S PEOPLE****Distribution of employment by employment category and gender as of 31 December<sup>32</sup>**

No. persons	Men	Women	Total
White collar	3,469	1,411	<b>4,880</b>
Blue collar	11,884	1,252	<b>13,136</b>
<b>Total</b>	<b>15,353</b>	<b>2,663</b>	<b>18,016</b>

**Distribution of employment by employment category, gender and age as of 31 December<sup>33</sup>**

No. persons	<30			30-50			>50			Total
	Men	Women	Total	Men	Women	Total	Men	Women	Total	
White collar	511	211	<b>722</b>	2,010	821	<b>2,831</b>	948	379	1,327	<b>4,880</b>
Blue collar	1,765	185	<b>1,950</b>	6,899	789	<b>7,688</b>	3,220	278	3,498	<b>13,136</b>
<b>Total</b>	<b>2,276</b>	<b>396</b>	<b>2,672</b>	<b>8,909</b>	<b>1,610</b>	<b>10,519</b>	<b>4,168</b>	<b>657</b>	<b>4,825</b>	<b>18,016</b>

**Distribution of employment by employment category, gender and type of profession as of 31 December<sup>34</sup>**

No. persons	Full time			Part time			Total
	Men	Women	Total	Men	Women	Total	Total
White collar	3,455	1,347	<b>4,802</b>	14	64	78	<b>4,880</b>
Blue collar	11,850	1,239	<b>13,089</b>	34	13	47	<b>13,136</b>
<b>Total</b>	<b>15,305</b>	<b>2,586</b>	<b>17,891</b>	<b>48</b>	<b>77</b>	<b>125</b>	<b>18,016</b>

**Distribution of employment by employment category, gender and type of contract as of 31 December<sup>35</sup>**

No. persons	Permanent contracts			Fixed-term contracts			Total
	Men	Women	Total	Men	Women	Total	Total
White collar	3,420	1,394	<b>4,814</b>	49	17	<b>66</b>	<b>4,880</b>
Blue collar	11,421	1,092	<b>12,513</b>	463	160	<b>623</b>	<b>13,136</b>
<b>Total</b>	<b>14,841</b>	<b>2,486</b>	<b>17,327</b>	<b>512</b>	<b>177</b>	<b>689</b>	<b>18,016</b>

<sup>32</sup> Headcount data at year end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group.

<sup>33</sup> Headcount data at year end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group.

<sup>34</sup> Headcount data at year end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group.

<sup>35</sup> Headcount data at year end, including solely the employees of companies that are Group subsidiaries or subject to management and control. This data represents 100% of total employment by the Prysmian Group.



**New hires broken down by age, gender and geographical area<sup>36</sup>**

No. persons	New hires									Total
	<30			31-50			>50			
	Men	Women	Total	Men	Women	Total	Men	Women	Total	
APAC	30	18	48	46	37	83	7	2	9	140
EMEA	58	32	90	93	36	129	12	7	19	238
North America	9	10	19	14	12	26	8	4	12	57
South America	10	4	14	11	2	13	1	0	1	28
<b>Total</b>	<b>107</b>	<b>64</b>	<b>171</b>	<b>164</b>	<b>87</b>	<b>251</b>	<b>28</b>	<b>13</b>	<b>41</b>	<b>463</b>

**Voluntary terminations broken down by age, gender and geographical area<sup>37</sup>**

No. persons	Voluntary terminations									Total
	<30			31-50			>50			
	Men	Women	Total	Men	Women	Total	Men	Women	Total	
APAC	10	11	21	12	14	26	2	3	5	52
EMEA	13	7	20	43	19	62	13	7	20	101
North America	2	5	7	11	7	18	7	2	9	34
South America	5	0	5	2	6	8	2	0	2	15
<b>Total</b>	<b>30</b>	<b>23</b>	<b>53</b>	<b>68</b>	<b>46</b>	<b>114</b>	<b>24</b>	<b>12</b>	<b>36</b>	<b>202</b>

**Frequency and severity rate of accidents broken down by geographical area**

	2014		2015	
	Frequency rate	Severity rate	Frequency rate	Severity rate
APAC	1.08	21.4	0.97	43.15
EMEA	3.29	54.2	3.70	61.07
North America	0.43	35.93	0.33	11.93
South America	5.13	89.4	3.38	83.13

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

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

**COMMUNITIES<sup>38</sup>****Contribution by subject (%)**

	2013	2014	2015
Education	27.2%	19.9%	74.8%
Health and welfare	65.4%	77.2%	9.9%
Arts and culture	1.4%	2.2%	5.3%
Economic development	1.9%	0.1%	0.4%
Other	4.1%	0.6%	9.6%

**Type of contribution (%)**

	2013	2014	2015
Donations in kind	5.8%	36.8%	73.5%
Economic contributions	74.4%	63.2%	25.8%
Contributions in FTE form <sup>39</sup>	19.8%	0%	0.7%

**Type of initiatives (%)**

	2014	2015
Commercial initiatives	0.7%	68.3%
Communities	60.9%	23.2%
Gifts	38.4%	8.5%

<sup>38</sup> Data include the following countries: Hungary, Germany, Italy, China, North America, Estonia, United Kingdom, Argentina, Finland, Sweden, Spain.

<sup>39</sup> FTE: Full Time Equivalent

## ENVIRONMENT

### Notes on the scope and methods of reporting

The environmental indicators presented in this Report derive from a system of reporting that, compared with the scope of reporting stated in this Report, do not include data relating to the R&D laboratories or the offices, as their environmental impact is low. Two recently-acquired production units in Oman (Muscat and Sohar) and a factory in Malaysia (Kuala Lumpur), no longer under Prysmian control, are also not included in the data, together with certain production units whose data collection methods are not fully aligned with those of the Group, being: Wuhan (China); Pune, Chiplun (India); Grombalia (Tunisia). 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.

On the other hand, the data reported does include an Italian site (Ascoli) and a Spanish site (one of the two factories at Vilanova y la Geltru) that were closed during 2015.

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

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

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

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

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

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

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

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

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

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

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

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

**Energy consumption (GJ)**

Source	2015					2014	2013
	Power cables	Telecom cables	Accessories	Optical fibre	Group	Group	Group
Electricity (purchased from the grid)	2,861,193	509,508	48,939	802,122	4,221,764	4,417,850	4,294,587
Fuel oil	34,416	5,455	-		39,870	33,431	32,135
Petrol	3,423	429	47	23	3,922	4,948	5,015
Diesel	81,379	5,488	106	1,354	88,327	86,570	88,284
LPG	90,825	7,364	1,865	193	100,246	90,100	83,796
Natural gas	854,161	180,424	25,024	549,777	1,609,386	1,182,419	1,361,591
Steam (purchased, not produced internally)	33,945		-		33,945	59,913	37,627
Compressed air	-		-		0	-	-
Electricity supplied 100% under a certified-green contract	-		-		-	2,493	190,772
Electricity from co-generation	3,598		n.a.		3,598	n.a.	n.a.
Heat purchased from distribution networks	76,919	2,650	-	8,700	88,269	82,631	65,259
Electricity from renewable sources	-		-		-	251	250
<b>Total</b>	<b>4,039,859</b>	<b>711,318</b>	<b>75,982</b>	<b>1,362,169</b>	<b>6,189,327</b>	<b>5,960,606</b>	<b>6,159,316</b>

**Conversion coefficients**

Energy source	Value	Unit	Source
Electricity	4	Mj/kWh	Idemat 2001
Natural gas	34	Mj/m3	Idemat 2002
Diesel	45	Mj/kg	Idemat 2003
LPG	46	Mj/kg	Idemat 2004
Fuel oil	41	Mj/kg	Idemat 2005
Steam	2,600	Mj/t	Idemat 2006

**Emissions of CO<sub>2</sub>-eq (t), broken down by between SCOPE 1 and SCOPE 2**

	2015					2014	2013
	Power cables	Telecom cables	Accessories	Optical fibre	Group	Group	Group
<b>Emissions Scope 1</b>	<b>131,043</b>	<b>51,634</b>	<b>12,005</b>	<b>30,472</b>	<b>225,154</b>	<b>182,137</b>	<b>94,426</b>
Direct emissions deriving from the combustion of fuel	61,809	1,512	11,242	30,334	104,897	81,587	89,690
Direct emissions deriving from the escape of refrigerant gas	2,104	98	764	138	3,104	3,800	4,736
Direct emissions deriving from the use of SF6	67,130	50,023	-	-	117,153	96,750	n.a.
<b>Emissions Scope 2</b>	<b>365,947</b>	<b>6,221</b>	<b>61,019</b>	<b>60,326</b>	<b>493,513</b>	<b>473,350</b>	<b>432,770</b>
Indirect emissions deriving from purchased energy	365,947	6,221	61,019	60,326	493,513	473,350	432,770
<b>Total</b>	<b>496,990</b>	<b>57,856</b>	<b>73,024</b>	<b>90,798</b>	<b>718,667</b>	<b>655,487</b>	<b>527,196</b>

**Emissions of CO<sub>2</sub>-eq (t) per unit of product, broken down by between SCOPE 1 and SCOPE 2**

	Power Cables (t CO <sub>2</sub> -eq/t)	Telecom Cables (t CO <sub>2</sub> -eq/km)	Optical fibre (t CO <sub>2</sub> -eq/km)
<b>Emissions Scope 1</b>	<b>0.10530</b>	<b>0.00036</b>	<b>0.00093</b>
Direct emissions deriving from the combustion of fuel	0.04967	0.00033	0.00092
Direct emissions deriving from the escape of refrigerant gas	0.00169	0.00002	0.00000
Direct emissions deriving from the use of SF6	0.05394		
<b>Emissions Scope 2</b>	<b>0.29677</b>	<b>0.00181</b>	<b>0.00184</b>
Indirect emissions deriving from the purchase of energy, mostly electricity	0.29677	0.00181	0.00184
<b>Total</b>	<b>0.40207</b>	<b>0.00217</b>	<b>0.00277</b>

**Hazardous waste disposed (Kg)**

Type of waste	2015					2014	2013
	Power cables	Telecom cables	Accessories	Optical fibre	Group	Group	Group
Ingredients of hazardous compounds	156,916	97	-	-	157,013	141,470	87,526
Asbestos	39,755	9,870	-	-	49,625	25,465	15,646
Copper and aluminium sludge	272,986	1,743	-	-	274,729	309,251	278,855
Equipment containing PCBs	61	-	-	-	61	2,242	4,035
Solvents	67,098	16,599	4,050	51,251	138,998	373,719	347,979
Waste waxes and fats	38,493	21,926	-	-	60,419	56,805	55,753
Waste oil	388,453	35,733	2,590	6,246	433,022	408,183	420,910
Waste emulsions	2,109,370	183,056	-	-	2,292,426	2,354,717	2,687,801
Waste ink	23,908	3,245	-	-	27,153	10,888	17,036
Contaminated sawdust	61,742	5,013	-	-	66,755	37,470	38,351
Sludge or solid waste with solvents	-	-	-	10,523	10,523	10,868	9,352
Other hazardous waste	2,054,529	99,272	73,569	3,815,433	6,042,803	5,175,744	5,047,637
<b>Total</b>	<b>5,213,311</b>	<b>376,554</b>	<b>80,209</b>	<b>3,883,453</b>	<b>9,553,527</b>	<b>8,906,822</b>	<b>9,010,849</b>

**Non-hazardous waste disposed (Kg)**

Type of waste	2015					2014	2013
	Power cables	Telecom cables	Accessories	Optical fibre	Group	Group	Group
Waste compounds	13,128,289	1,562,118	-	-	14,690,407	13,592,959	13,732,451
Non-hazardous packaging	11,828,641	3,159,757	243,798	279,851	15,512,046	16,170,642	15,054,550
Non-hazardous ingredients for compounds	1,054,337	-	-	-	1,054,337	675,658	1,027,881
Sludge from treatment of emissions	-	-	-	323,770	323,770	290,980	339,700
Sludge from cleansing of civil water	607,775	3,000	-	30,000	640,775	634,927	1,173,180
Sludge from cleansing of industrial water	840,419	29,587	-	-	870,006	89,990	261,130
Urban waste	11,094,468	2,917,436	267,546	817,779	15,097,228	15,147,151	13,654,130
Wood	-	-	-	-	-	21,948	-
Alkaline waste	-	-	-	-	-	-	-
Other non-hazardous materials	34,167,226	4,059,171	47,418	1,513,502	39,787,317	38,062,927	40,292,092
<b>Total</b>	<b>72,721,154</b>	<b>11,731,070</b>	<b>558,762</b>	<b>2,964,902</b>	<b>87,975,887</b>	<b>84,687,181</b>	<b>85,535,116</b>

**Water consumption, broken down by source of supply (m<sup>3</sup>)**

Source	2015					2014	2013
	Power cables	Telecom cables	Accessories	Optical fibre	Group	Group	Group
Water from wells	3,944,043	164,859	-	766,547	4,875,449	4,890,193	5,210,232
Water from other sources	609,268	26	179,210	-	788,504	787,803	792,600
Water from public water main	1,251,956	158,892	19,866	233,675	1,664,389	1,743,537	1,576,935
<b>Total</b>	<b>5,805,268</b>	<b>323,777</b>	<b>199,076</b>	<b>1,000,222</b>	<b>7,328,343</b>	<b>7,421,533</b>	<b>7,579,767</b>

# AUDITORS' REPORT



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## INDEPENDENT AUDITORS' REPORT ON THE SUSTAINABILITY REPORT

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

We have performed a limited assurance engagement on the Sustainability Report of the Prysmian Group (the "Group") as of December 31, 2015.

### Directors' responsibility on the Sustainability Report

The Directors are responsible for the preparation of the Sustainability Report in accordance with the "G4 Sustainability Reporting Guidelines" issued in 2013 by GRI – *Global Reporting Initiative*, as stated in the paragraph "Methodology" of the Sustainability Report, and for such internal control as they determine is necessary to enable the preparation of a Sustainability Report that is free from material misstatement, whether due to frauds or unintentional behaviours or events. The Directors are also responsible for defining the Prysmian Group's objectives regarding the sustainability performance and the reporting of the achieved results, for the identification of the stakeholders and the significant aspects to report.

### Auditors' responsibility

Our responsibility is to issue this report based on the procedures performed. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagement 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board for limited assurance engagements. The standard requires the compliance with ethical principles, including independence requirements, and that we plan and perform the engagement to obtain limited assurance whether the Sustainability Report is free from material misstatement. These procedures included inquiries, primary with company personnel responsible for the preparation of the Sustainability Report, analysis of documents, recalculations and other evidence gathering procedures as appropriate.

The procedures performed on the Sustainability Report consisted in verifying its compliance with the principles for defining report content and quality set out in the "G4 Sustainability Reporting Guidelines", and are summarized as follows:

- comparing the economic and financial data reported in the paragraph "Economic performance" included in the Sustainability Report with those reported in the Group Consolidated Financial Statements as of December 31, 2015, on which another auditor issued the auditors' report (pursuant to articles 14 and 16 of Legislative Decree no. 39 of 27 January, 2010), dated March 23, 2016;
- analysing, through interviews, the governance system and the management process of the matters related to sustainable development regarding the strategy and operations of the Group;
- analysing the process relating to the definition of material aspects disclosed in the Sustainability Report, with reference to the methods used for the identification and prioritization of material aspects for stakeholders and to the internal validation of the process results;

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- analysing how the processes underlying the generation, collection and management of quantitative data of the Sustainability Report operate. In particular, we have performed:
  - interviews and discussions with the management of Prysmian S.p.A. to gather information about the accounting and reporting systems used in preparing the Sustainability Report, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the Sustainability Report;
  - analysis, on a sample basis, of the documentation supporting the preparation of the Sustainability Report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the Sustainability Report;
- analysing the compliance and the internal consistency of the qualitative information disclosed in the Sustainability Report in relation to the guidelines identified in the paragraph “Directors’ responsibility on the Sustainability Report” of this report;
- analysing the stakeholders engagement process, in terms of methods applied, through the analysis of the minutes of the meetings or any other available documentation about the main topics arisen in the discussion with them;
- obtaining the representation letter signed by the Chief Executive Officer of Prysmian S.p.A., on the compliance of the Sustainability Report with the guidelines identified in the paragraph “Directors’ responsibility on the Sustainability Report”, as well as the reliability and completeness of the data and information disclosed.

Data and information subject to our limited assurance are reported, as required by the “*G4 Sustainability Reporting Guidelines*”, in the “GRI Content Index” of the Sustainability Report.

The procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

#### **Conclusion**

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of the Prysmian Group as of December 31, 2015 is not prepared, in all material respects, in accordance with the “*G4 Sustainability Reporting Guidelines*” issued in 2013 by GRI – *Global Reporting Initiative*, as stated in the paragraph “Methodology” of the Sustainability Report.

Milan, April 4, 2016

DELOITTE & TOUCHE S.p.A.

Franco Amelio  
Partner

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



# GRI CONTENT INDEX

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

Indicator		Page
<b>General standard disclosure</b>		
<b>Strategy and analysis</b>		
<b>G4 - 1</b>	Statement by the Chairman and Chief Executive Officer	7-8
<b>Profile of the Organisation</b>		
<b>G4 - 3</b>	Name of the organisation	20
<b>G4 - 4</b>	Main trademarks, products and services	22-23
<b>G4 - 5</b>	Main office	168
<b>G4 - 6</b>	Countries of operation	20; 26-27
<b>G4 - 7</b>	Ownership structure and legal form	20
<b>G4 - 8</b>	Markets served	20-23
<b>G4 - 9</b>	Size of the Organisation	13; 20-23; 26-27; 87
<b>G4 - 10</b>	Employment by type of contract, gender, geographical area, level	86-88; 146-147
<b>G4 - 11</b>	Percentage of employees covered by collective bargaining agreements	Over 80%
<b>G4 - 12</b>	Description of the organisation's supply chain	73-79;144-145
<b>G4 - 13</b>	Significant changes in the size, structure, ownership or supply chain of the organisation	11
<b>G4 - 14</b>	Application of a prudent approach to risk management	41-43
<b>G4 - 15</b>	Adoption of external codes and standards on economic, social and environmental matters	32-34; 76
<b>G4 - 16</b>	Membership of trade associations or organisations	31
<b>Materiality and scope of the report</b>		
<b>G4 - 17</b>	List of entities included in the consolidated financial statements and those not included in the sustainability report	11
<b>G4 - 18</b>	Description of the process for determining the content of the report	11; 18
<b>G4 - 19</b>	Material aspects identified	18; 139
<b>G4 - 20</b>	Material aspects within the organisation	18; 139
<b>G4 - 21</b>	Material aspects outside the organisation	18; 139
<b>G4 - 22</b>	Changes to information compared with the last report	11
<b>G4 - 23</b>	Significant changes in terms of objectives and scope compared with the last report	11
<b>Stakeholder engagement</b>		
<b>G4 - 24</b>	Categories and groups of stakeholders involved by the organisation	16-17
<b>G4 - 25</b>	Process of identifying stakeholders	16-17
<b>G4 - 26</b>	Approaches to stakeholder engagement, including frequency and types of activity	16-17; 40
<b>G4 - 27</b>	Key aspects identified by the engagement of stakeholders	16-17
<b>Report profile</b>		
<b>G4 - 28</b>	Reporting period covered	11

Indicator		Page
<b>General standard disclosure</b>		
<b>G4 - 29</b>	Date of publication of the previous report	11
<b>G4 - 30</b>	Reporting cycle	11
<b>G4 - 31</b>	Contacts for information about the report	12
<b>G4 - 32</b>	GRI index	161-166
<b>G4 - 33</b>	Policies and practices regarding external assurance	157-158
<b>Governance</b>		
<b>G4 - 34</b>	Governance structure	35-37
<b>Ethics</b>		
<b>G4 - 56</b>	Values, principles, standards and rules of behaviour of the organisation	25; 31; 33; 76

Indicator		Page	Omission
Specific standard disclosure			
Economic category			
Economic performance			
G4-DMA	General information about methods of management	20-21	
G4 - EC1	Economic value directly generated and distributed	46	
G4 - EC2	Economic-financial implications of climatic changes	15	
Market presence			
G4-DMA	General information about methods of management	20-21; 98-99	
G4 - EC5	Ratio of standard entry level wage by gender compared to local minimum wage at significant location of operations	102	
G4 - EC6	Percentage of senior executives belonging to local communities	96	
Indirect economic impacts			
G4-DMA	General information about methods of management	111-115	
G4 - EC7	Development and impact of investment in infrastructure and services	111-116	
G4 - EC8	Main indirect economic impacts	111-116	
Procurement practices			
G4-DMA	General information about methods of management	73-77	
G4 - EC9	Policies, practices and percentage of spending concentrated on local suppliers	78; 144	
Environmental category			
Materials			
G4-DMA	General information about methods of management	73-77; 119-122	
G4 - EN1	Materials used	79; 144	
G4 - EN2	Materials used that derive from recycled materials	79; 144	
Energy			
G4-DMA	General information about methods of management	119-122	
G4 - EN3	Direct consumption of energy	126-127; 152	
G4 - EN5	Energy intensity	127	
G4 - EN6	Reduction of energy consumption	123-124	The process of data collection is under development.
G4 - EN7	Reduction in the energy requirement of products and services	63-70	
Water			
G4-DMA	General information about methods of management	119-122	
G4 - EN8	Water drawn, analysed by source	134-135; 155	

G4 - EN10	Percentage and total volume of recycled and re-used water	135-136	Information is not available for all Group factories. The process of data collection is under development.
Emissions			
G4-DMA	General information about methods of management	119-122	
G4 - EN15	Total direct greenhouse gases emissions, analysed by weight (scope I)	128; 153	
G4 - EN16	Total indirect greenhouse gases emissions, analysed by weight (scope II)	128; 153	
G4 – EN18	Greenhouse gas (GHG) emissions intensity	128-129; 153	
G4 - EN19	Reduction of greenhouse gases emissions	123-124; 128	
G4 - EN20	Emissions of substances that damage the ozone layer, analysed by weight	137	
Discharges and waste			
G4-DMA	General information about methods of management	119-122	
G4 - EN23	Waste disposal	130-132; 154-155	
G4 - EN25	Hazardous waste	130-132; 154	
Products and services			
G4-DMA	General information about methods of management	61-70	
G4 - EN27	Mitigation of the impact of products and services on the environment	68-70	
G4 - EN28	Percentage of products sold and related packaging that is recycled or re-used	81	
Compliance with laws and regulations on environmental matters			
G4-DMA	General information about methods of management	119-122	
G4 - EN29	Monetary value of significant fines and number non-monetary penalties for failure to comply with environmental regulations and laws	No significant fines or penalties for environmental matters were received during the year	
Transport			
G4-DMA	General information about methods of management	80-82	
G4 - EN30	Significant environmental impacts deriving from the transportation of products and materials	80-82 ; 145	
Expenditure and investment to protect the environment			
G4-DMA	General information about methods of management	119-122	
G4 - EN31	Expenditure and investment to protect the environment, analysed by type	120	
Social category			
Sub-category: working practices and suitable working conditions			
Employment			
G4-DMA	General information about methods of management	85-86	
G4 - LA1	Total number of new employee hires and turnover, analysed by age, gender and geographical area	88-147	Information is not available in a structured form for all the sub-divisions

			requested or for blue-collar workers. The process of data collection is under development.
G4 - LA2	Benefits envisaged for full-time workers but not for part-time and/or fixed-contract workers	98	
Industrial relations			
G4-DMA	General information about methods of management	103	
G4 - LA4	Minimum notice period for operational/organisational changes, specifying whether or not the conditions are included in the national contract	In compliance with local legislation and the contractual forms agreed with local trade union representatives	
Health and safety at work			
G4-DMA	General information about methods of management	105-106	
G4 - LA6	Rate of accidents at work, illnesses, working days lost, absenteeism and total number of deaths, analysed by geographical area and gender.	107-108;147	Information is not available in a structured form for all the sub-divisions requested. The process of data collection is under development.
Training and education			
G4-DMA	General information about methods of management	89-95	
G4 - LA9	Average hours of training per employee each year, analysed by gender and employment category	97	Information is not available in a structured form for all parts of the Group. The process of data collection is under development.
G4 - LA10	Programmes for the development of skills, career advancement and management of the final phase of careers	93-95	
G4 - LA11	Percentage of employees evaluated on performance and career development, analysed by gender and professional category	97	
Diversity and equal opportunity			
G4-DMA	General information about methods of management	85-86	
G4 - LA12	Composition of the governing bodies of the organisation and analysis of employees by gender, age and other indicators of diversity	35;101;146-147	
Equal remuneration for men and women			
G4-DMA	General information about methods of management	85-86; 98	
G4 - LA13	Ratio of the basic salary of women to that of men in the same category, analysed by significant locations of operation.	101	
Sub-category: Human Rights			
Capital investment			
G4-DMA	General information about methods of management	73-76	
G4-HR1	Agreements and contracts that include clauses on human rights or that have been subjected to related assessments	76	
Sub-category: Society			

Local communities			
G4-DMA	General information about methods of management	111	
G4 - SO1	Percentage of activities that implemented policies of engagement with the local communities, impact assessment and development programmes	112-116; 148	
Anti-corruption			
G4-DMA	General information about methods of management	32-34	
G4 - SO4	Communications and training on anti-corruption policies and procedures	32-34	Information about training is not available in a structured form for all parts of the Group. The process of data collection is under development.
Unfair competition			
G4-DMA	General information about methods of management	33; 36-37	
G4 - SO7	Legal actions associated with unfair competition, anti-trust and related rulings	36-37	
Compliance			
G4-DMA	General information about methods of management	33; 36-37	
G4 - SO8	Monetary value of significant fines and total number non-monetary penalties for failure to comply with regulations and laws	36-37	
Product responsibility			
G4 - PR5	Results of customer satisfaction surveys	51-52	



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# PRYSMIAN GROUP **2015** SUSTAINABILITY REPORT