

HUMAN RESOURCES

The HR strategy is rooted in the development and spread of a shared common identity: everyone must feel part of the team, contributing to a common project in which they believe.

Over a period spanning more than 130 years, the Prysmian Group has built its success and achieved important milestones thanks to the ability of its employees who, generation after generation, have been able to pass on to younger colleagues their values, experience and sense of belonging to the Group.

The human capital strategy of Prysmian seeks to continue in this direction: fostering and shaping the passion, motivation and competencies of employees into the real competitive edge over competitors.

In line with the Group's objectives, the human capital strategy is underpinned by a number of pillars:

- The development and spreading of a shared common identity: everyone must feel part of the team, contributing to a common project in which they believe.
- An inspiring model of Leadership: a management class of high moral and professional standing is essential for aspiring to ambitious goals and for achieving stable, long-term results. This also involves continually enhancing the ability to have a 360-degree vision of the business and related opportunities, as well as to anticipate changes in the business.
- The development and management of talent: involving the right people in the professional challenges, knowing how to select them and developing and making the most of their skills; training them, challenging them and engaging them. These activities, like others, require planning and method in order to prime the Group to face the challenges of the future. The Group aims to step up the development of the "people pipeline" that will drive and support both current activities and Prysmian's future growth.
- The ability to attract top quality resources, by offering professional, intellectual and challenging career alternatives, that are dynamic but also able to offer attractive long-term prospects.
- The ability to protect critical know-how and to prepare a planned succession for the more important technical roles within the factories.
- The development of an organisation that, in terms of size, structure and processes, will allow the Group to compete effectively on the market.
- The importance of internal communication and social relations, key to managing a large organisation and being able to engage internal and external stakeholders.
- The international and multicultural dimensions of our workplaces, consistent with our industrial and commercial presence worldwide.

Leadership Alignment/Organisational efficiency

The process of optimising organisational structures carried on in 2015, especially with a view to improving their effectiveness in the business. In particular, one significant action, announced in 2014 but effective from January 2015, was the process of rationalising Country structures in Europe with a view to regionalisation

that will improve commercial synergies in an increasingly integrated European market. The two regions of Central East Europe and South Europe have been created, while the North Europe region has been extended to include Russia. The new organisation has also helped to improve the sharing of industrial know-how, as well as logistics and procurement processes.

Lastly, the Group has increased its focus on developing new markets, by creating a new business area dedicated to this area.

Talent and People Development: investing in people

Intellectual capital and talent are strategic assets for achieving Prysmian's goals of profitability and value creation, which is why they must be supported by appropriate actions to develop and enhance them.

During the period 2012-2015, the Group has designed and implemented a Human Capital Development strategy intended to minimise errors in personnel decisions and ensure the right people are in the right place, by staffing the business with capable resources able to contribute to future growth and maintenance of the global industry-leading position.

The Human Capital Development strategy is based on an integrated system of talent management, that is able to attract, develop, promote and retain talented people in the business.

This talent management system is based on four basic pillars:

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

Recruiting and Talent acquisition

Build The Future

Building the managers and technicians of the future begins with selecting the best talents on the market, with particular attention to recent graduates. "Build the Future, the Graduate Program" is the Group's international recruitment programme to place young high-potential graduates in different business functions and geographical locations.

The Graduate Program involves the following phases:

- meticulous selection process
- period of induction in Milan, followed by one-year job rotation and mentoring program
- two-year international assignment
- continuous training opportunities and participation in intercompany projects

Launched in 2012, the programme has resulted in the recruitment of around 130 young people from around the world. The first half of 2015 saw the intake of 40 new graduates from every continent as part of the fourth cohort, while more than 20,000 applications were received in the second half of 2015 for the selection and intake of a fifth cohort in 2016 comprising another 40 graduates. This was the result of an intensive campaign of employer branding in partnership with professional social networks like LinkedIn and Monster

as well as local ones and online portals, attendance at careers fairs at the world's top engineering and economics universities, and FaceBook, all geared to maximising media exposure and receiving the largest number of applications possible.

Make It

In 2015, consistent with the talent acquisition strategy, Prysmian launched a new international recruitment program, called "Make It", particularly targeting engineers with 3-5 years of experience and interested in playing key and highly challenging roles in the Group's most important factories.

The first edition, launched in October 2015, received about 6,000 direct and indirect applications. The aim is to identify about 40 engineers from other sectors, who will have the opportunity to make their own significant contribution to the growth in manufacturing, through being involved in a structured program that will offer them training, mentorship, challenging roles and career development paths.

Training and Development

Prysmian Academy

In the area of resource development, the Group has created the Prysmian Group Academy, an international school of management and vocational education, with the mission of developing and strengthening the leadership and technical skills of its management.

The Academy is structured in two distinct but complementary schools: the Management School and the Professional School.

The *School of Management*, run in partnership with SDA Bocconi and a network of major international business schools, has seen around 450 employees pass through its doors since 2012 and expects to see another 200 in 2016. This school has been designed for the more talented resources with the goal of sharing a common vision of the business, of spreading Prysmian values and culture and of exposing them to best management practices.

The comprehensive portfolio of management training programs allow participants to accumulated credits towards earning an MBA. All contents of the programs have been heavily customised in order to respond to the competitive challenges of the industry in which Prysmian operates. This has been possible by getting SDA Bocconi to develop "Prysmian case studies", which, by starting with actual situations, allow participants to get to grips with the everyday difficulties faced when devising strategies in the cable world.

- Post Graduate Program: an induction program for new graduates who have just joined the Prysmian Group, allowing them to learn the fundamentals about the business, products, processes and customers.
- International Leadership Program: an intensive program for talented resources with 5/7 years of experience who are on track for international leadership roles within the Prysmian Group.
- Advanced Leadership Program: a specially designed program for middle and senior managers in order to assess and develop their managerial and leadership skills and to foster rapid career

advancement within the business. Completion of this program allows participants to be admitted to GEMBA, the global executive MBA program run by Bocconi.

- **Regional Leadership Programs:** programs designed in ASEAN, in partnership with the Singapore Management University and the School of Management, Fudan University, and in the United States, in partnership with the Darla Moore School of Business of the University of South Carolina, and in the European Union with Steinbeis Business Academy and Corvinus University. These are directed at regional middle management not involved in the global programs; with their design and content adapted to the specific nature of local business and markets, they seek to foster stronger regional networking between managers without losing sight of the Group's overall strategy.

The *Professional School* is organised into a series of Academies by function (R&D, Manufacturing, Purchasing, Supply Chain, Quality, HR, Finance) and has seen around 850 employees pass through its doors since 2012 and expects to see around 500 in 2016. Its mission is to develop and share key technical and professional skills, with the assistance of an in-house team of experts from all over the world. The key objective is to develop and consolidate know-how and technical skills, by ensuring their transfer from older experts to younger staff, in order to spread knowledge of the product portfolio and foster the development of an internal network within the business.

The new Manufacturing Academy was set up in 2015. Located in Mudanya (Turkey), in one of the Group's largest factories, it offers technical training to people from all the Group's plants.

In addition, during the year *leadership assessment and development* was introduced into Academy classrooms, in partnership with CEB, a consulting firm. To date around 250 employees have been involved, including senior and middle managers and technicians. This process had made it possible to supplement the Prysmian Academy programs with individual action and development plans. In addition, this process provides the Group with information about leadership potential and drivers of motivation, which can then be used in developing succession plans. The same methodology has been used in critical selection processes in several of the Group's operating companies, by providing additional information about candidates to make for a more robust decision-making process.

Performance Management

To achieve the business objectives and continue to improve the results, each employee must be able to make their daily contribution by being set clear objectives, agreed with their manager, and to have constant feedback on their work and the results achieved.

The performance appraisal system, known as Prysmian People Performance system (P3), was introduced for the first time in 2012. Following the pilot project involving the Group's executives, the system was extended to all management and clerical staff in every country, involving a total of about 5,000 people in 2015.

The objectives of P3 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, and create a single business identity;
- facilitate communications between managers and staff, so that the results achieved can be shared;
- reward the most deserving resources based on objective appraisals.

The process, backed by an online platform, involves 5 main steps:

- performance definition: 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 various levels (Country/Region, Business Unit, Group);
- feedback: provision of feedback to staff.

Partly thanks to a survey to which the some 3,000 responses showed wide appreciation of the process and the tool, a number of improvements were made in 2015 to ensure ever more meritocracy and employee engagement:

- alignment between performance process and career programs;
- connection with reward policies;
- possibility for employees to propose their own target objectives, agreeing these with their superiors, and to redefine them in the course of the year if the job or external market conditions should change;
- preparation of an action plan aimed at improving performance;

Talent and Succession Management

As a result of these different experiences in the field of assessment and measurement of talent, and not least as advocated by Italy's Corporate Governance Code (art. 5) in matters of succession, the Group decided in 2015 to rationalise its activities regarding assessment of potential and to adopt an overall process of evaluating potential and drafting of succession plans. This initiative covers all those involved in the P3 process and aims to create talent pools and succession maps for all critical positions, not only at the Group's top management level but also at individual country and plant level. The new process, which will be called P4 (Prysmian People Performance Potential system), is being developed with MERCER, a human resource consulting firm. Its basic purpose is to provide an assessment of potential, by predicting future performance in positions of greater responsibility. The first step has been to work on defining what talent means for Prysmian, through a series of structured interviews with 35 of the Group's key managers. The process, due to be launched in March 2016, will have three stages and involve approximately 1,000 employees:

- individual assessment of potential by managers
- consolidation of talent pools at Group level
- development of succession plans

International mobility

At 31 December 2015, the Prysmian Group had an expatriate population of about 215 people from 27 different nationalities (of whom slightly more than 38% were Italian), who had moved to 29 different destination countries; of this total 66% were non-executive staff and 14% women. A total of 68 people embarked on new international assignments during 2015.

The above numbers demonstrate the importance of international mobility within the Prysmian Group. In fact, this tool is an integral part of the policy of developing and growing talent within the Group. On the one hand, it allows the culture and values of Prysmian to spread to all its countries and all its subsidiaries, a particularly important requirement after the Draka Group's acquisition in 2011. On the other hand, it allows local organisational needs to be met by allowing the transfer of both managerial and technical know-how from one country to another. International experience is also central to the professional and managerial growth of young talents participating in the "Graduate" program. In 2015, 39 recent graduates from 18 different countries were involved in a two-year international experience in as many as 16 different destination countries.

The Prysmian Group's attention to internationalism and the development of transnational resources is matched by the considerable energy it devotes to fostering the cultural diversity of the individual countries in which it operates. Of the Group's senior executives, 54% work in their country of origin.

The focus of international mobility programs in 2016 will continue to be on ensuring the success of international assignments by measuring their effectiveness in terms of know-how transfer and local team professional development and by improving the career planning for expatriates once they finish their international assignments.

Key to the success of the international mobility policy is that expats manage to share and strengthen the Prysmian sense of identity, its corporate culture and values within the local teams, while leveraging the diversity of talents beyond geographical borders in order to achieve better results for the business.

Remuneration policies

The Compensation & Benefits policies adopted by the Prysmian Group are designed to attract and retain highly professional resources, particularly for key positions, with the right skills for the complexity and specialisation of the business, while also having a view to the sustainability of costs and results over time. The business's growing internationalisation means constantly monitoring the different geographical situations to secure distinctive talents in a competitive market environment.

These policies are defined and implemented centrally for the Executive population (about 300 employees) and for expatriates (about 215 employees), while these activities are delegated to the local level for the rest of the workforce. Over the next few years, centralised management will also extend to the population of experienced employees, meaning those with extensive know-how linked to length of service.

In line with best market practice, executive remuneration packages contain a fixed component as well as short and long-term variable components. All components of remuneration are performance-related and the variable ones, in particular, account for an important percentage of the overall compensation package offered.

The fixed portion of remuneration is reviewed annually and revised if necessary to take account of competitiveness versus market compensation data, internal equity and individual performance, all of which in compliance with local regulations. This meritocratic approach is based on the P3 global performance appraisal system which is applied uniformly and consistently throughout the Group.

The executive population and 500 other managers of the Group participate annually in the MBO (Management by Objectives) plan under which an annual incentive is paid upon meeting predetermined Group objectives in line with the priorities identified in the business plan. In 2015 these objectives (on-off conditions) were represented by the Group's Net Financial Position and EBITDA. The value of the incentive paid depends on the percentage achieved of the predetermined business and/or functional and/or individual objectives, defined with the aim of aligning individual behaviour with the organisation's annual strategic objectives. Where possible, individual sustainability objectives are included. There is also a multiplier that is applied to the final value of the MBO, depending on the P3 performance appraisal. The calculation of the final bonus therefore also takes into account an employee's qualitative performance and overall conduct. The MBO has very strict rules which are communicated clearly and transparently to all participants.

In a spirit of continuity with the past, and convinced of the importance of linking executive remuneration to business short-term as well as long-term results, the Prysmian Group launched a new long-term incentive plan (LTI) in 2015, duly approved by the shareholders.

Beneficiaries of the 2015-2017 LTI plan are executives, as well as some of the Group's talents and key people. This plan is based on the achievement of three-year targets and designed so as to be consistent with the interests and expectations of investors, by ensuring the sustainability of the business in the long run and promoting the retention of key resources within the Group.

The LTI plan is structured in two parts: a coinvestment part for the annual bonus (MBO) and a performance shares part.

The co-investment part requires a portion of the annual bonus (MBO) earned in relation to performance in 2015 and 2016 to be deferred and invested in shares, to which a multiplier will be applied at the end of the three-year period if the Group's two economic and financial targets have been met over the three-year period. The performance shares part involves the allocation of a variable number of the Group's shares, also linked to achievement of the Group's economic and financial targets over the three-year period. A lock-up period also applies to part of the shares, thereby underlining the plan's purpose of fostering medium-term retention and commitment.

Group employee share purchase plan (YES Plan)

The Prysmian Group has also launched the YES Plan (Your Employee Shares), open to all Group employees. The Plan was introduced at the end of 2013 in 28 countries, after an intense communication campaign and a series of special presentations.

The YES Plan's regulations allow participating employees to buy Prysmian shares, during specific purchase windows in 2014, 2015 and 2016, on preferential terms and on condition that they retain the shares for at least 36 months from the purchase date. Plan participants can buy Prysmian shares at a discount, that varies from 1% for the CEO and Senior Managers, to 15% for executives and 25% for the remaining

workforce, thereby encouraging employee participation at every level. Moreover, all participants receive 6 free shares as a one-off entry bonus.

The objectives pursued in launching this plan are to increase employees' sense of closeness and belonging to the Group as well as their engagement with and understanding of the business, in order to converge the long-term interests of shareholders, customers and employees and to strengthen the internal perception of Prysmian Group as one, single company, a real "One Company". In brief, the Group's intent is to have its employees become stable shareholders, thus making them owners of a small part of the business in which they work.

Plan participation in the launch year confirmed the expectations: around 5,000 employees, or 32% of the total (of whom about 55% were BC grades) signed up to the Plan in 2014, confirming their great sense of corporate belonging and their confidence in Prysmian's people and in its future.

Year two of the plan in 2015 saw the number of employee-shareholders climb to 6,500, representing 40% of those entitled.

Plan participation in some countries was very high even in year two, with for example, nearly all employees signing up in Romania, about 89% in Turkey and 67% in the Milan headquarters.

Social and internal relations

The Group maintains constant and positive relations with employee representatives and trade unions based on mutual respect and fair discussion, in the belief that, with due respect for each other's roles, common interests can be pursued through constructive dialogue.

Employee and trade union representatives therefore operate freely in compliance with local laws and practices.

During 2015 a number of industrial restructurings in Italy, France and the Netherlands were the subject of discussions with the unions, leading to agreements for the definition and/or conclusion of the relevant social plans.

Meetings of Prysmian's European Works Council were held in April and October and were attended by the body's delegate members. Both meetings were prepared beforehand by the Select Committee which decided the content in terms of information about the business, its most significant initiatives, and information about the shareholders, with ample room left for further questions.

For a more detailed understanding of the Prysmian Group's commitment to human resources, please refer to the 2015 Sustainability Report.