

## 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 of 140 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 a true 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 for the professional challenges, knowing how to select them, develop and make the most of their talents, and train, challenge and engage 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**

With regard to regional structures, Italy was placed under the South Europe region in 2016 as part of the process of rationalising Country structures in Europe on a regional basis to improve commercial synergies in an increasingly integrated European market. The new organisational structure has also helped improve the sharing of industrial know-how, as well as logistics and procurement processes.

During the year a new segmentation of the business was introduced, involving the creation of the new OIL&GAS operating segment, which brings together the businesses operating in this market with a view to creating commercial synergies and developing integrated products and services. In addition, the structure of Oil&Gas Core Cables was redefined to promote greater cross-national coordination for major projects.

Within head office, a new Audit & Compliance department was established, extending the responsibility of the former Audit department to allow systematic management and control of Group compliance.

### **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 make the most of them. During the period 2012-2016, 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 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 program to place young high-potential graduates in different business functions and geographical locations.

The Graduate Program involves the following phases:

- Meticulous selection process. The selection phase is based on the most sophisticated assessment centre techniques: analysis of CV, administration of cognitive numerical/verbal tests, personality and corporate culture questionnaires, group exercises and individual interview.

- Two weeks of Induction in Milan in year one, plus another three weeks of training in the next two years under the Post Graduate Program, which allows recruits to acquire fundamental knowledge about the business, products, processes and customers.
- One-year job rotation (six months in Research and Development, three months in Operations and three months in Sales) in order to learn about all the critical stages of the value chain, as well as technical and product skills.
- Mentorship, to guide and mentor graduates in their first three years of working for the business.
- Two-year international assignment in one of the Group's locations.
- Appointment to an important technical or managerial position at the end of the three years.

Launched in 2012, the program has resulted in the recruitment of around 170 young people from around the world. The first half of 2016 saw the intake of 40 new graduates from every continent as part of the fifth cohort, while more than 28,000 applications were received in the second half of 2016 for the selection and intake of a sixth cohort in 2017 comprising another 40 graduates.

The program is currently one of the most attractive in the world thanks not only to the particular career path offered, involving a high standard of program conduct in the various countries, but also to an intensive employer branding campaign to promote the company brand in partnership with the leading professional social network (LinkedIn), to intense contact with the world's top engineering and economic universities and assiduous participation at careers fairs, and to the development of intense and focused activities on Facebook and other major social channels.

In particular, in 2016 the company used "Facebook Live" for the first time with candidates, in order to present them the company and its culture as best possible, to respond in real time to relevant questions and to provide a constant update on the various stages of the selection process. The initiative was a great success, with thousands of comments and visits.

### *Make It*

Consistent with the talent acquisition strategy, Prysmian has 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 within the Group's most important factories.

The aim is to identify engineers, including from other sectors, who will have the opportunity to make their own significant contribution to the growth in manufacturing.

The program, designed to grow and develop manufacturing talent, involves the following stages.

- On boarding & on-the-job training for about 2 months designed to provide exposure to the local business and the specific job.
- Technical and managerial induction at the Group's Manufacturing Academy in Mudanya, Turkey. A period of training in the fundamentals of Prysmian's manufacturing culture, its values and common business language.
- Mentorship, with the goal of being directed to the best in the business.
- Continued technical training, through participation in Lean Six Sigma skills development program.

- Career development through individual performance evaluation and assessment of potential.

The first edition attracted about 6,000 direct and 1,500 indirect applications, and thanks to a rigorous selection process conducted in partnership with HAYS, an international recruiting firm, involving analysis of CV and career, the administration of tests and questionnaires and the conduct of multiple individual interviews, about 50 engineers from around the world and the most advanced industries joined Prysmian in 2016.

### *Sell It*

Consistent with its strategic recruitment activities, during the year Prysmian developed "Sell It", a new recruitment program targeting sales professionals. The program, due to be launched early in 2017, aims to identify young people from different industries with 3/7 years of experience in sales, for placement in the Group's different business areas in key and highly-challenging positions.

The program has been designed with the important input from the sales force through a detailed process of interviews and a survey of a representative sample of approximately 100 sales staff.

## **Training and Development**

### *Prysmian Group 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.

### *Management School*

The *Management School*, run in partnership with SDA Bocconi and a network of more than 10 major international business schools (ESADE, FUDAN, SMU, CBS, STENBEIS, UNIVERSITY OF STOCKHOLM, FGC, IESEC, USC), has seen around 600 participants pass through its doors in 5 years and has awarded 300 diplomas, with continued ambition to grow in 2017.

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 uniqueness of Prysmian Group's management school lies in the fact that its comprehensive portfolio of management training programs allows participants to accumulate credits towards GEMBA Global Executive MBA, an internationally recognised degree program run by SDA Bocconi in partnership with an international network of business schools.

Furthermore, all contents of the programs have been heavily customised to respond to the competitive challenges of the industry in which Prysmian operates. This has been possible by getting SDA Bocconi to

develop "Global and Regional Prysmian case studies", which, by starting with real situations, allow participants to get to grips with the everyday difficulties faced when devising strategies in the cable world.

The management training portfolio is structured in 6 leadership programs:

1. Post Graduate Program: a Group induction program for new graduates who have just joined Prysmian Group, allowing them to learn the fundamentals about the business, products, processes and customers
2. International Leadership Program: an intensive Group program for talented resources with 5/7 years of experience who are on track for international leadership roles within Prysmian Group
3. Regional Leadership Programs: training programs of a regional nature (SOUTH EUROPE, NORTH EUROPE, SOUTH AMERICA, NORTH AMERICA, CENTRAL EAST EUROPE, APAC) designed in partnership with leading business schools, targeting 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 networking within the Region without losing sight of the Group's overall strategy.
4. Advanced Leadership Program: a specially designed Group 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.
5. GEMBA, Global Executive MBA run by SDA Bocconi.
6. Senior Leadership Program (SLP), workshops and seminars on specific topics for the CEO's first line of reports. In particular, these addressed the topic of innovation in 2016.

Of particular importance was the establishment during the year of the first ALUMNI program, involving more than 100 employees who had completed previous editions of the leadership programs; the Alumni program aims to maintain and energise the network, as well as to serve as a source of continuing professional education.

#### *Professional school*

The *Professional School* is organised into a series of Academies by function (R&D, Manufacturing, Purchasing, Supply Chain, Quality, HR, Finance, Interfunctional) and centres of expertise (Manufacturing, Technology, Sales) and has trained more than 1,000 employees in five years, involving more than 100 experts with a similar number expected to be involved in 2017; its mission is to develop and share key technical and professional skills, with the assistance of a team of in-house 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. Details are set out below.

- Manufacturing Academy: the first centre of expertise was completed in 2016 in a fully equipped space within the Mudanya factory in Turkey, one of the Group's largest; so far it has provided technical training to about 100 employees from all the Group's plants.
- Research and Development Academy: courses conducted by senior in-house experts are designed to enhance technical expertise in the areas of innovation and product development so that customers can be provided with technologically innovative solutions at increasingly competitive costs.
- Quality and Supply Chain Academy: for staff who work in Operations, to enhance their key production management skills.
- Purchasing Academy: intended to develop excellence in managing procurement of materials and services, it explores key issues like negotiation.
- Sales and Marketing Academy: course designed to strengthen and develop technical and commercial skills in the different business segments, such as market analysis and product marketing.
- IT Academy: focused on providing the necessary knowledge for fundamental activities involving SAP One Client.
- Interfunctional Academy: specialist courses that aim to develop interfunctional knowledge.
- Human Resources Academy: courses which consolidate skills to manage the fundamental processes of recruiting, training and development.

Also deserving of mention was the development of four important activities involving business partnership, innovation and knowledge management:

1. The preparation of the start-up of the Group's Product and Technology school, based in Lexington, North America, under the leadership of the Group's most experienced chief engineer (retired in 2016).
2. The issue by the Prysmian Academy of the first in-house publication on optical fibre, curated by the Group's leading experts.
3. The launch of the Digital Academy, involving a pilot group of about 250 employees from the Quality function, was an important test of methodology and not just of on-line learning. A specific web-accessed Learning platform [www.prysmiangroupacademy.com](http://www.prysmiangroupacademy.com) has been set up for this purpose.
4. Delivery of courses to Prysmian customers. Several technical training courses on the PRYCAM product were conducted for customers.

## 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.

A performance appraisal system, known as Prysmian People Performance (P3), was introduced for the first time in 2012. Following the pilot project involving the Group's executives, the system has been extended to all management and clerical staff in every country, involving a total of about 5,000 people in 2016.

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;
- guide leadership behaviour;
- 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, supported by an on-line platform, involves 5 main steps.

1. Performance definition: to determine targets and expected behaviours. This important phase requires appraiser and appraisee to agree objectives, including a detailed description (WHAT), how they will be measured and achieved (HOW).
2. Constant feedback: for a solid and lasting relationship between appraiser and appraisee.
3. Overall assessment: appraisal of the quantitative and qualitative results achieved.
4. Calibration: sharing and comparison of the appraisals made by management at various levels (Country/Region, Business Unit, Group). This phase is certainly what makes the Group's assessment model unique, with individual appraisals shared with committees at different levels of the organisation in order to gather the many options of the various stakeholders and be able to arrive at an objective appraisal.
5. Feedback: provision of feedback to appraisee. This is when the appraiser plays a key role in the growth and development of their staff, and when appraisees also gain an important say in their personal development.

In the spirit of continuous improvement in the business and in the business processes, a number of improvements were adopted and monitored in 2016 to ensure ever more meritocracy and employee engagement:

- 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 and writing of an action plan aimed at improving performance;
- alignment between performance process and career programs;
- link between appraisal systems and reward system.

## Talent and Succession Management

As a result of these different experiences of talent assessment and measurement, and as advocated by Italy's Corporate Governance Code (art. 5) regarding succession planning, the Group - under a mandate from the Compensation Committee - decided in 2015 to rationalise its talent management activities and adopt a unified process to identify talent and draft succession plans.

It therefore introduced in 2016 a unified talent identification process called P4 (Prysmian People Performance Potential), in partnership 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 process is based on the assumption of what talent means for Prysmian, defined through a series of structured interviews with 35 of the Group's key managers.

### TALENT IN PRYSMIAN = CONSISTENT PERFORMANCE + POTENTIAL

Consistent performance means the ability to have achieved good results in at least the past two years (calculated using an algorithm of the P3 appraisal system).

Potential means the combination of 8 personal characteristics relevant to the Group.

The process, launched in March 2016, has covered everyone taking part in the P3 process (5,000 employees), and involved the following steps:

- ✓ **POTENTIAL SCOUTING.** The "consistent performance" access condition was calculated for all employees. A scouting activity was performed for the some 800 employees defined as consistent performers, involving a guided observation of the 8 characteristics of potential and a rating of potential on a scale of one to three.
- ✓ **TALENT POOLS.** All assessments were consolidated into a 9-box grid, consolidated by organisational level to produce talent pools.
- ✓ **TALENT DISCUSSION.** Discussion panels were held in each country to share the results of observations and prepare succession tables.
- ✓ **GROUP VALIDATION.** All the individual country reports were presented to corporate function committee meetings with the aim of validating and completing the mapping of talents and the succession plans.
- ✓ **EXTERNAL ASSESSMENT.** An external partner (Spencer Stuart) was also involved for the 10 strategic positions, with the performance of an independent assessment of potential for about 30 managers, to evaluate their level of readiness for these 10 particular jobs.

Given the positive results of this process in 2016 and its importance to risk assessment and business sustainability, it has been confirmed as an annual process, designed to ensure continuous monitoring of the pipeline, as well as of the risk of discontinuity for critical positions.

In terms of talent assessment, it is particularly worth mentioning the structured work in this area conducted in the Academy classrooms, in partnership with CEB, a consulting firm. Consistent with the P4 process, the leadership programs of the management school and some programs of the professional school have included an *assessment process* and *leadership development* modules, involving about 400 employees to date, including executives, middle managers and technicians. This process makes it possible to supplement the Prysmian Academy programs with individual action and development plans and to provide the Group with information about leadership potential and motivational drivers, information that can then be used for succession planning. 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.

### **International mobility**

At 31 December 2016, the Prysmian Group had an expatriate population of 233 people from about 30 different nationalities (of whom 36% were Italian), who had moved to 36 different destination countries; of this total 72% were non-executive staff and 16% women. A total of 88 people embarked on new international assignments during 2016.

The numbers presented above demonstrate the importance of international mobility within the Group, as evidence of how this tool is an integral part of the policies of talent development and growth. On the one hand, it allows the culture and values of Prysmian to spread to all its countries, fundamental after the Draka Group's acquisition in 2011. On the other hand, it allows local organisational needs to be met by transferring 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 2016, 40 recent graduates from 18 different countries were involved in two-year international assignments in as many as 19 different destination countries.

Despite this great attention to internationalism and the development of transnational resources, Prysmian devotes considerable energy to promoting the cultural diversity of the individual countries in which it operates. Of the Group's senior executives, 56% work in their country of origin.

The focus of international mobility programs in 2017 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 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 230 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 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 2016 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. Starting in 2017, the fourth objective for everyone will be linked to sustainability, as measured by the Group's improvement in the Dow Jones Sustainability index. 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 YES Plan (Your Employee Shares), an employee share ownership scheme open to all Group employees, was introduced at the end of 2013 in 28 countries after an intense communication campaign and series of special presentations; initially for three years, the plan has now been extended for another three years.

The YES Plan's regulations allow participating employees to buy Prysmian shares, during specific purchase windows in 2017, 2018 and 2019, 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, by way of entry bonus, all participants receive 6 free shares in year one and 3 thereafter. The new three-year plan provides for an entry bonus of 8 shares to all participants in the previous plan.

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.

Participation in the plan in its first three years has confirmed expectations: around 7,300 employees, or 44% of those eligible (of whom about 55% are blue-collar employees) have signed up, investing a total of Euro 17.5 million, thereby confirming their great sense of corporate belonging and their confidence in Prysmian's people and in its future.

Participation in some countries has been very high, with for example, nearly all employees signing up in Romania, about 85% in Turkey and around 65% 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 2016 a number of industrial restructurings in France, the Netherlands and Denmark 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 2016 and were attended by the body's delegate members. During the meeting in April, a very first training event was held for EWC delegates on the topic of Health & Safety. Both meetings were prepared beforehand by the Select

Committee which decided the content in terms of information about the business's performance and its most significant initiatives expected in the year, 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 2016 Sustainability Report.