

## LETTER TO STAKEHOLDERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Valerio Battista - Chief Executive Officer