

PURCHASING PROFESSIONAL ACADEMY

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

A section dedicated to understanding the importance of sustainability matters, entitled "Purchasing & Sustainability", has been included since 2015.

This lesson focused on sustainability within the Prysmian Group, as it relates to the supply chain and, therefore, purchasing, highlighting the activities and topics of concern to the function and also covering aspects of the Group's Code of Business Conduct and of monitoring activities for the supply chain undertaken in recent years (self-assessment, Desk and Risk Analysis and audit). Additionally, the lesson guides buyers to take full account of sustainability when scouting for and selecting suppliers, alongside the traditional selection criteria based on technical, economic and financial parameters, risk management and overall cost effectiveness.

By the end of 2017, more than 40% of Prysmian purchasing personnel around the world have received training in this area.

COMMITMENTS FOR THE FUTURE

In confirmation of the commitment to manage the sustainability risks relating to first-level suppliers, Prysmian expects to continue the programme of supplier audits during 2018 at the same level of intensity as in prior years. Furthermore, following the publication of the Sustainability Scorecard, the Prysmian Group has committed itself to achieving all the objectives declared by 2020.

SALES & OPERATIONS PLAN

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

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

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

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

The Supply Chain function manages short and medium-term production allocations and planning through the Sales & Operations Planning (S&OP) process, which links the demand cycle (sales) with the supply cycle (manufacturing and procurement).

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

The Prysmian Group continued the strategic focus on Customer Centricity during 2017, stabilising the high level of service achieved in terms of delivery reliability while, at the same time, starting work to reduce the lead-time between the receipt of an order to delivery of the product to the customer.

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

OUTBOUND LOGISTICS

METHODS OF TRANSPORTATION

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

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

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

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

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

The optimisation of the distribution chain has continued in 2017 at the operational macro-region level, with a particular focus on the consolidation of warehouses/distribution centres and the outsourcing of logistics services in order to lower distribution costs.

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

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

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

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

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