

# STRATEGIC APPROACH



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 2014. This policy was adopted in prior years with the objective 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.

## 5,000 SUPPLIERS OF DIRECT MATERIALS WORLDWIDE

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.

### Purchasing of metals

The majority of the Group’s purchases of raw materials 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. In special cases, Prysmian produces its own copper rod from copper cathode, but the output volume is less than 10% of the Group’s total consumption.

Prysmian absorbs slightly more than 2% of the world’s copper production and about 5% of the copper used in the electrical and electronic sector. 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 played by suppliers 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 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 opted for 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.



## COMMITMENTS FOR THE FUTURE

During 2015, the Group will implement the following initiatives designed to increase awareness and the attention dedicated by Prysmian to sustainability topics:

- The 2015 edition of the Prysmian Purchasing Professional Academy, the training programme dedicated to purchasing matters, will include a new chapter dedicated to examining the importance of sustainability considerations;
- The most significant environmental impact is probably generated by the production cycle used by the suppliers of base metals, from extraction to emissions and the

consumption of energy at the refining stage, through to the production of rod. Given this, as part of the vendor management of base metal suppliers, Prysmian has decided to map fully all suppliers of rod at Group level during 2015. Alongside this mapping, all suppliers will be 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.



## A SUSTAINABLE SUPPLY CHAIN

In terms of supplier management, Prysmian identifies the component members of its supply chain via a formal process founded on economic and financial analysis. Specifically, the Group examines data and information about its dependency on the various suppliers 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. The Group will develop this type of analysis further during 2015, by monitoring a greater number of risks related to sustainability. 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.

The Prysmian Group carried out an internal analysis of key suppliers during 2014, assessing them against a number of sustainability criteria. This analysis covered the Group's

**79%**

of strategic suppliers adopt a Code of Ethics\*

**98%**

of strategic suppliers are certified ISO 9001\*

**76%**

of strategic suppliers publish a sustainability report\*

**83%**

of strategic suppliers carry out Corporate Citizenship\* activities

**95%**

of strategic suppliers are certified ISO 14001\*

strategic suppliers: those that are critical and those deemed significant in terms of the value of purchases.

The suppliers selected provide about 51% of the Group's purchases. In particular, 76% of the spending on metals was analysed in terms of sustainability.

In addition, in 2014, the Group decided to adopt a Code of Business Conduct that will apply to all employees and suppliers from 2015.



## 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 will take effect from 2015 and apply to all employees and suppliers.

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 topics:

- 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 precaution, use of raw materials and compliance, energy consumption, greenhouse gases and other emissions, use of water, production of waste and recycling).

The Prysmian Code of Business Conduct will be published on the Group's website.

\* Percentages expressed in terms of the value of purchases from strategic suppliers.