Prysmian Group

# 2022

# Task Force on Climate-related Financial Disclosures Report

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Linking the sustainable future

# INDEX

# ABOUT THIS REPORT

The objective of this document is to demonstrate Prysmian's transparent approach on sustainability and climate-related matters providing accessible information to investors and other users.

Prysmian 2022 TCFD Report is part of a wider information embedding:

- 2022 Annual Report that integrates a specific section on the "2022 Non-Financial Declaration";
- 2022 Sustainability Report;
- 2022 SASB Report;
- 2022 GHG Statement.

Prysmian's commitment towards climate is confirmed through the management of operations, as part of core business activities and it is extended to the whole Group's value chain: from the greening of supply chain to the offering low carbon products.

This has been confirmed by 2022 Materiality Assessment conducted within the reporting activities. The 2022 Materiality Assessment has highlighted, among others, the following material topics:

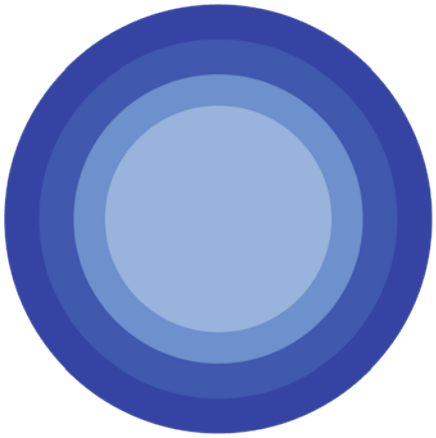
- Enabling the decarbonization to Net-Zero and digitalization;
- Sustainable vale chain;
- Efficient, sustainable, and circular operations;
- Sustainable innovation for products, applications, and processes.

In fact, the materiality assessment has been conducted with the support of the Risk Management function through the analysis of ERM models methodologies, in synergy with the approaches adopted for the climate assessment conducted for the TCFD report with continuous monitoring of risks and opportunities.
Following the objectives set at the COP 27 held in 2022, Prysmian reaffirms its important role in the energy transition. By considering what was said in its April 2022 report, the IPCC indicated limiting global warming to around 1.5°C requires greenhouse gas (GHG) emissions to peak before 2025 at the latest and be reduced by 43% by 2030 to reach Net-Zero by 2050. In this context, this Report highlights the importance of Prysmian's activities for the transition to a low-carbon economy. The role of Prysmian Group in this transition is also confirmed by the results of the analysis conducted to align Prysmian economic activities and comply with the EU Taxonomy Regulation (Regulation EU 2020/852) that are reported in the 2022 Annual Report and in the 2022 Sustainability Report.

Finally, Prysmian commitment towards climate change is demonstrated through the participation to the Science Based Targets initiative (SBTi) by submitting Scope 1, 2 and 3 targets to reach Net-Zero. This report is based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The TCFD is a set of voluntary, consistent disclosure recommendations for use by companies in providing information to investors, lenders and insurance underwriters about the company's overall strategy and governance, their climate-related financial risks and opportunities, and relevant metrics and targets.

Following the recommendations of the TCFD, this report is structured on 4 core elements: Governance, Strategy, Risk Management, Metrics and Targets.

## CORE ELEMENTS OF RECOMMENDED CLIMATE-RELATED FINANCIAL DISCLOSURES



**Governance**
The organization's governance around climate-related risks and opportunities

**Strategy**
The actual and potential impacts of climate-related risks and opportunities on the organizaion's business strategy and financial planning

**Risk Management**
The processes used by the organization to identify, assess, and manage climate-related risks

**Metrics and Targets**
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

*Source: 2022 TCFD Implementing Guidance*

The data and information refer to fiscal year 2022. The perimeter of environmental and climate change data is aligned with that published in the 2022 Prysmian Group Annual Report.
For comments, requests, opinions, and suggestions for improvement on Prysmian's operations and on the information reported in this Report, please contact Sustainability Department at the following e-mail address: *sustainability@prysmiangroup.com*

# MESSAGE FROM THE CHIEF SUSTAINABILITY OFFICER

I am pleased to share Prysmian's second standalone report responding to the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD). This report provides an overview on how Prysmian will proactively contribute to the transition to a low-carbon economy. The year 2022 has confirmed the relevance of a collective effort to face climate change and how companies need to embrace the change, converting business into a more sustainable way of operating.

The COP27 underlined the importance of actively contributing to mitigate business impacts on climate change as soon as possible. Extreme weather events continued causing significant destruction to the lives and livelihoods, causing disruption to business activities and supply chains globally.

Moreover, the war in Ukraine has shown the importance of guaranteeing energy security and work together to face the emergency. Sustainability is at the core of Prysmian Group Strategy which is focused on continuous Research and Development activities to widen offered solutions.

Prysmian Group contribution to the transition and to climate change mitigation is also confirmed by the results of the analysis conducted to align Prysmian economic activities and comply with EU Taxonomy Regulation (Regulation EU 2020/852) that are reported in the 2022 Annual Report and in the 2022 Sustainability Report. Moreover, CDP Climate Change questionnaire of Prysmian Group was scored A- in 2022.

CDP data and information are based on the TCFD recommendations, and this result gives this report an even more reliable tone. Climate change issues are also at the core of 2022 Materiality Assessment conducted within the reporting activities. The material topic "Enabling the decarbonization to Net-Zero and digitalization" has been voted as one of the most relevant for Prysmian Group during the 2022 Sustainability Week, a digital event that took place to determine strategic priorities to focus strategy and reporting activities.

In this context, with the Climate Change Ambition, the Prysmian Group has also developed a new strategy that adopts science-based targets aligned with the Paris Agreement and commits to a 2035 Net-Zero target for emissions from its own operations (Scope 1 and 2), and 2050 for value chain emissions (Scope 3).

The company will invest 100 million euro in this initiative over the next 10 years.
Along with these ambitious commitments, Prysmian is more convinced than ever that the integration of climate-related risks and opportunities into the strategic planning and enterprise risk management frameworks helps strengthen the resilience and adaptation to climate change.

This TCFD Report represents an important step in the execution of this strategy, by sharing a deep understanding of the strategic risks and opportunities the Group faces because of climate change, as well as the business responses and implementation plans, we are carrying out to face such challenges. Most importantly, we are fully aware of how climate change pose risks to current business models of companies, offering at the same time relevant opportunities to those companies willing to act decisively toward a low carbon economy.

**Cristina Bifulco**
*Chief Sustainability Officer Prysmian Group*

# MESSAGE FROM THE CHIEF RISK OFFICER

As Chief Risk Officer of Prysmian Group I am pleased of share with all stakeholders our commitment in monitoring climate-related risk and opportunities.

Awareness of climate change matters is leading supernational bodies to issue more stringent laws and regulations, requiring players from several sectors to be part of the transition to a more sustainable business.

Prysmian Group recognizes the importance of integrating in Enterprise Risk Management climate-related topic to identify key risks related to CO2 emissions, water availability, sea-level rising and all other issues that will determine our future long-term strategies and priorities to mitigate negative impacts and exploit new business opportunities.

Within this report, we classified climate-related financial risks according to their origins, by clustering them into 'physical risks' or 'transition risks' with distinctive economic and financial implications. While physical risks are direct effects of climate change, transition risks stem from the process of decarbonization, which is aimed at preventing or mitigating global warming.

Both categories are correlated because the more transition policies enter into force, the fewer physical risks are likely to materialize.

On the other hand, the harder the economy is hit by physical risks, the stronger the demand will be for effective transition measures.

It is important to bear in mind that climate change is one of several sources of risk to financial stability, along with issues like cybersecurity, rising inequality or geopolitical tensions. As also reported in 2022 Annual Report and 2022 Sustainability Report climate change issues are still at the core of 2022 Prysmian Materiality Assessment conducted within the reporting activities.

As an additional proof of our solid approach, Prysmian Group is listed as first in the section "Risk & Crisis Management" within the Corporate Sustainability Assessment (CSA) promoted by S&P. Moreover, We are part of the top 4% of the companies in Risk Governance at global level.

Many consequences of climate change are rather subject to uncertainty, as reaffirmed by the COP27 and in light of such a complexity and uncertainty.

We reperformed the analysis already conducted in 2021 starting from an integrated and consolidated Enterprise Risk Management Framework, which has been in place for many years, and utilizing advanced methodologies for prediction and quantification.

The result is an holistic approach that promotes a perfect and harmonized collaboration between all Company's functions, and in particular the Sustainability and Risk Management function, tasked with reassuring stakeholders about our company strategies and mitigation actions and with seizing potential opportunities.

**Alessandro De Felice**
*Chief Risk Officer Prysmian Group*

# 1. COMPANY OVERVIEW

With a direct presence in more than 50 countries around the world, 108 plants, 26 R&D center and more than 30,000 employees, Prysmian is a global leader in cable systems for energy and telecommunications. The Group HQ in Milan, Italy, employing around 800 persons, is supported by regional headquarters in North America, LATAM, EMEA and APAC.

Prysmian was established in 2005 following acquisition of the Energy Cables and Systems and Telecom Cables and Systems businesses of Pirelli by the Goldman Sachs group. The Company was listed on 3 May 2007, on the market placement of 46% of the shares held by the Goldman Sachs group and was added to the main FTSE MIB index in the following September. The Goldman Sachs group exited completely in 2010. Prysmian is one of the few Italian industries with global reach to achieve public company status: shares are held by international institutional investors and the creation of shareholder value is a key factor when making strategic decisions at all levels.

From the start, the DNA of the Prysmian Group has included a commitment to the environment and the communities in which operations are carried out. This core value is integral to the entire organization, which strives constantly to deliver technology in support of the energy transition.

Prysmian works every day to guarantee the sustainability of production processes and safeguard the environment, working alongside local communities to ensure that their territories are protected and that workplaces are safe.

This commitment was strengthened in 2021 with the launch of the Climate Change Ambition and the Social Ambition. These set challenging new climate and social objectives, designed to promote the transition to a low-carbon world and a fair and inclusive working environment. The goal of the Group is to become a global leader in sustainability.

## BUSINESS AREAS

The Prysmian Group has implemented a targeted strategy, including acquisitions, to evolve over the years from cable manufacturer to network solution provider. By drawing on the ability to combine engineering, installation, network monitoring and after-sales services ever more closely, the Group provides the value-added to ensure recurring revenue streams and build long-term partnerships with customers.

The Group is organized in a matrix structure by reference market and business unit, identifying three differentiated macro-areas of activity.
The Energy area is the largest, delivering long-term stability, while the Projects and Telecom areas have been characterized by greater dynamism linked, in part, to major market development and technological advance. The Group's acquisition policy has always been guided by a strategy of balanced geographical and market expansion. Indeed, the acquisition of General Cable in 2018 enabled the Group to diversify geographically with strong exposure to the North American market, which is structured differently with more consolidated dynamics.

## Energy

This area comprises business segments offering a complete and innovative portfolio of products designed to satisfy the many needs of the markets served. This macro-area is organized as follows:

1. Energy & Infrastructure, which includes Trade & Installers and Power Distribution;
2. Industrial & Network Components, which includes Specialties, Renewable & OEMs (inclusive of the Crane, Mining, Railway, Rolling Stock, Marine, Solar and Wind sectors), Elevators & Escalators, Automotive, Network Components, Oil & Gas, and Electronics (Electronics and Optical Sensing Solutions).

**The ENERGY business area generated 12,033 million euro in 2022, representing 75% of the total revenues of the Group.**

## Projects

The Projects area comprises terrestrial and submarine HV power cables, submarine cables for telecommunications and Offshore Specialties. The Group designs, produces and installs high and ultra-high voltage cabling systems for the transmission of electricity from generating stations and within the primary transmission and distribution grids. These highly specialized, technological products include cables sheathed in oil- or mass impregnated paper for voltages up to 700 kV and sheathed in extruded polymers for voltages up to 600 kV. In addition, cable-laying and installation services are available, together with network monitoring and preventive maintenance, the repair and maintenance of cable connections and emergency services that include prompt action in the event of damage. Taken together, this means that Prysmian is fully able to install turnkey systems. The Group is responsible for major terrestrial and submarine links, as well as for the submarine cable connections of large offshore wind farms, both fixed and floating.

**The PROJECT business area generated 2,161 million euro in 2022, representing 13% of the total revenues of the Group.**

## Telecom

As a partner of the world's main telecom operators, Prysmian Group is active in the development and production of a wide range of cabling systems and connectivity products used in telecommunication networks. This area comprises the following market segments:

1. Telecom Solutions;
2. MMS Multimedia Specials;
3. Optical fiber.

**The TELECOM business area generated 1,873 million euro in 2022, representing 12% of the total revenues of the Group.**

## VALUES, MISSION, VISION

Prysmian has identified the Values, Mission and Vision that guide the operations of the Group. These translate into products made and fuel the ambitions for our role in tomorrow's world.

**VISION**

We believe in the efficient, effective and sustainable supply of energy and data as the main driver for community development.

**MISSION**

We offer our customers worldwide cables and solutions for the transport of energy and telecommunications, using state-of-the art technological solutions.

**VALUES**

- **Drive** - Our objective is to guide the evolution of our industry: we develop our human capital and our business, by following a clear strategy while anticipating customer needs.
- **Trust** - We aim to create an environment that inspires trust, where diversity and collaboration are valued and people are empowered to make decisions with integrity.
- **Simplicity** - Our challenge is to simplify all that we can, focusing on activities that generate high value and timely decisions that enhance the Group's results.

## PRYSMIAN GROUP'S STRATEGY

During 2022 the world faced complex economic, social, and political risks that were often interlinked, such as the war in Ukraine, the isolation of China, the slowdown in global growth and high rates of inflation, not to mention extreme climate events. The challenges associated with the sourcing of energy and food, the scarcity of raw materials and the strategic role of cyber security caused businesses to adopt increasingly flexible and resilient business models. In a brittle, anxious, non-linear, and incomprehensible world (the BANI model), it is essential to understand the direction of changes and transform them into opportunities for growth.

## Five immediate challenges

Therefore, we have identified five global trends that Prysmian must address in the near future:

- **Growth of renewables**: there will be a progressive move away from fossil fuels to sustainable sources of energy, such as wind, solar and hydro power. In order to reduce CO2 emissions and tackle climate change, ever more ambitious economic plans are being prepared at international level in support of these renewable sources. Estimates expect them to cover 70% of global needs by 2050, which is more than double the current figure of 30%;
- **Electrification**, being the rise of electricity as the main source of power. Population growth, the steady increase in electricity consumption - stemming from new habits, such as the use of electric vehicles and heat pumps - and the proliferation of energy-intensive infrastructure for telecommunications, are just some of the drivers that will cause electricity consumption to rise by 25% by 2030;
- **Cloudification**, being the migration away from applications installed locally towards web-based solutions. The ongoing need for additional cloud capacity is contributing to an exponential increase in the number of data centers, which are becoming ubiquitous. These centers - forecast to absorb annual investment exceeding US$ 300 billion in 2030 - need an enormous quantity of energy to operate. Already, taken together, the world's DCs consume more than 300 TWh, which is the equivalent of a country like Italy;
- **Data booming**, being the exponential growth of data consumption due to the development of fixed and mobile networks. This exponential increase in data consumption will be evident by 2030, due to the greater quality and quantity of the infrastructure that carries it. It is estimated, for example, that much more than two-thirds (85%) of the world's homes will have a fiber broadband connection (FTTx) by 2030;
- **Smartisation and Servitisation**, being growth on the Internet of Things (IoT) in daily use and a focus on "Solutions" rather than "Products". The growth of technologies and in the speed of data transfers has facilitated the development of remote monitoring, tracking and control systems. Costs are expected to fall even further (for example, the cost of bandwidth is 40 times lower than in 2010) and new solutions (like autonomous driving) will be developed.

Each of these trends brings strong convergence and interdependence between energy and digitalization. Just think of the data centers or 5G towers, where suppliers, distribution channels, customers and value chains all intersect.

# PRYSMIAN'S COMPETITIVE ADVANTAGES

Faced with these continual complex changes, Prysmian can count on a solid business model founded on a number of strategic pillars:

## Diversification

A broad product portfozlio and diversified geographical coverage capable, respectively, of exploiting the convergence of Energy and Telecom and reducing the amplitude of business cycles in the various Regions.

## Technological Excellence

Technological leadership, being at the forefront technically with innovative products and solutions, while possessing highly qualified and experienced human capital.

## Decentralised Supply Chain

A global footprint, with plants distributed around the world that are capable of developing customized solutions that meet customer needs and exploiting the benefits of a decentralized supply chain.

## Aggregation Hub

Ability to complete acquisitions and mergers, acting as a sector aggregator to release major cost and revenue synergies.

## OUR STRATEGY FOR THE FUTURE

Leveraging these solid competitive advantages, the Prysmian strategy is focused on:

### The Consolidation Of Leadership

Consolidation of our leadership of core sectors (e.g., interconnections, strengthening of networks, FTTx), in which the Company is already a protagonist with clear and concrete signs of further major structural growth over the long term.

### Research And Development/Innovation

Development and evolution of skills and the product portfolio in sectors undergoing rapid expansion, such as Solar, Wind, EV Charging, Data Centers and 5G.

### Solution Provider

Expansion of the offer to customers by combining the supply of cables with the delivery of solutions to become a "solution provider for the energy transition and digitalization".

The pillars of the Prysmian strategy designed to seize these growth opportunities thus comprise an efficient and flexible supply chain, closeness to customers, technological innovation and the advancement of knowledge and skills, as well as focus on the environment and the wellbeing of our people and the communities in which the Group operates. Spanning all these factors, we find financial strength and the ability of the Group to generate the resources needed to sustain investment in value-added businesses with a high technological content, as well as constant improvements in the sustainability of our production processes and products.
Prysmian's competitive advantages and its strategy enable the Group to pursue its Climate Change Ambition, a climate strategy built on the ability of supporting and promoting a more sustainable way of doing business.
More information regarding the Climate Change Ambition is reported in the next paragraph.

# 2. CLIMATE CHANGE AMBITION

Prysmian Group seeks to become a global leader in Sustainability. This ambition has led the Group to establish challenging climate and social objectives that promote the transition towards a low-emissions world and a more equal and inclusive working environment.

During 2021, the Prysmian Group introduced two strategic ambitions that will guide the actions of the Group over the medium-long term: the Climate Change Ambition and the Social Ambition. Associating the Social Ambition with the achievement of environmental objectives is a fundamental element of Prysmian's Sustainability Strategy. The Climate Change Ambition drives Prysmian Group's climate strategy, that adopts science-based targets aligned with the Paris Agreement climate objectives. In particular, the Science-Based Targets initiative (SBTi) defines the requirements for an effective Net-Zero strategy:

- reduction of Scope 1, 2 and 3 emissions to zero, or at least to a residual level consistent with achievement of the global or sector objectives set in line with the Paris Agreement (1.5°C);
- neutralisation of any residual and GHG emissions released into the atmosphere.

The pledges achieved by Prysmian Group, decarbonisation of 90% of Scope 1 and 2 and reaching Net-Zero throughout the entire value chain, will be explained in Chapter 6 'Metrics and Targets'.

# 3. CLIMATE GOVERNANCE

| TCFD Recommended disclosures | |
|---|---|
| Describe the board's oversight of climate-related risks and opportunities | Describe management's role in assessing and managing climate-related risks and opportunities |

Environmental and sustainability journey is fundamental to Prysmian, and everyone affiliated with the company has a role to play. That includes the Board of Directors and the Top Management.

## THE BOARD'S OVERSIGHT

The Board of Directors has the responsibility to supervise the sustainability strategy associated with the Group's business, including climate change and environmental issues.
The Board of Directors is composed of the Board Chair (independent director), the Chief Executive Officer (CEO), the Chief Operating Officer (COO), the Chief Financial Officer (CFO), and other 8 independent directors. The Board Chair, together with the Board's Directors, supervises:

- the Sustainability Committee;
- the Control and Risk Committee;
- the Remuneration and Nominations Committee.

Prysmian Group's Board of Directors is fully committed in combining the Company's traditional aims of business profitability and financial soundness with the challenging new goals of improving environmental and social sustainability, as well as ethics and governance.
The Board strongly fostered and fully supported the Group in reaching the Climate Change Ambition which, together with the Social Ambition already introduced, aims to strengthen Prysmian Group's commitment and ESG impact.

## THE MANAGEMENT'S ROLE

### Sustainability Committee

The Sustainability Committee is chaired by the Chief Sustainability Officer (CSO) and is responsible for:

- promoting a culture of sustainability within all company activities, including climate-related issues;
- defining and evaluating the implementation of GHG emission reduction projects/programs;
- monitoring the objectives of the Group Sustainability Policy, the progress with respect to the Climate Ambition, the Social Ambition, the Sustainability Scorecard, and the progress of the actions to ensure compliance with the Group's policies;
- supervising all ongoing initiatives that have an impact, current and potential, on the performance of economic, social, and environmental sustainability;
- ensuring the effective communication of our commitment and results achieved in the field of climate change and sustainability;
- supporting initiatives to protect diversity and inclusion both internally and externally.

The Sustainability Committee reports directly to the Board of Directors, meaning that climate change-related issues are considered at the highest level of the organization and are integrated into the business strategy while leading the decision-making process.

The Chief Sustainability Officer reports directly to the Chief Executive Officer. Within its mission, it meets periodically to review and validate the KPIs, discuss strategic sustainability priorities, the progress of the action plan and its implementation. The strategic lines of sustainability are defined and promoted at the corporate level and then integrated into local policies and all daily activities.

In 2022, the Sustainability Committee monitored the entire process of Group's Science Based Targets (SBTs) submission and approval. Moreover, in 2022, the Sustainability Committee launched a process to update the materiality analysis and identify the most significant sustainability topics for its business. The assessment was carried out through stakeholder engagement activities and internal meetings and following the GRI standards recommendations. The Stakeholder engagement activities also included the 2022 Sustainability Week, a digital event that recorded around 6,000 people connected from around the world and was later seen by many more, who were able to view the recordings made by the various streaming platforms. Speakers included representatives of the Group, including Prysmian directors, managers, and employees, as well as such external guests as leaders of international organizations and partners in the value chain.
Drawing on their personal and career experiences, the various speakers contributed important points of view on specific sustainability matters, including climate change, energy transition, circular economy, recycling, business impact of environmental processes, sustainable innovation, digitalization, and electrification.

### Internal Risk Management Committee

The Internal Risk Management Committee, consisting of the Group's Senior Management ensures, through the Chief Risk Officer, a periodical assessment, review and reporting to the Control and Risk Committee, composed by three independent board members of those risk scenarios (included climate-related scenarios) that might compromise the achievement of strategic objectives, including the related mitigation actions.

Climate and sustainability related risks and opportunities, as all the other risks at Group level, are assessed through the ERM process which is periodically updated and reviewed by the Internal Risk Committee.

The specific responsibilities of the Internal Risk Management Committee are:

- to identify and report circumstances/risks related to climate change and sustainability;
- to ensure implementation of risk improvement recommendations;
- to build awareness on climate and sustainability risk at all levels of the organization.

## INCENTIVES

In order to establish a credible approach to sustainability, Prysmian Group has set specific objectives so that progress can be monitored constantly. Aside from the long-term targets, the Group is also committed to the achievement of short-term goals. The Sustainability Scorecard comprises 16 targets, progress against which is monitored by the Sustainability Steering Committee chaired by the Chief Sustainability Officer of the Group. The results obtained are also agreed and monitored by the Sustainability Committee.

Using 2019 as the baseline, 2022 was the target year for achieving the established goals.
The following KPIs do not comprise all those monitored, representing solely the indicators correlated with the Group's incentive system (see the "2022 Sustainability Report" published by Prysmian Group for further information). The value referring to the percentage reduction in GHG emissions (Scope 1 and 2, Market-Based) is calculated with respect to the 2019 baseline, in accordance with the provisions of the Science Based Targets initiative; all other KPIs refer to the annual performance.

## SCORECARD PRYSMIAN GROUP 2020-2022

| SDGs | KPI | Baseline 2019 | 2020 | 2021 | 2022 | Target 2022 |
|---|---|---|---|---|---|---|
| 13 CLIMATE ACTION | Percentage reduction of GHG emissions (Scope 1&2 Marked Based) vs 2019 baseline | 870 $ktCO_2$ | -17.4% | -22.1% | -24% | -16% to -21% |
| 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | Percentage of waste recycled | 63% | 69% | 69% | 71% | 65% |
| 8 DECENT WORK AND ECONOMIC GROWTH | Leadership Impact Index (LI)[1] | 57% | 57% | 54% | 55% | 59% to 65% |
| 5 GENDER EQUALITY | Percentage of women executives | 12% | 13% | 13.5% | 15.7% | 14% to 18% |
| | Percentage of white-collar women with permanent contracts[2] | 33% | 34% | 39% | 44.9% | 40% |
| 3 GOOD HEALTH AND WELL BEING | Frequency rate (IF) - Internal employees<br>Frequency rate (IF) - Internal and external employees[3] | IF: 1.30<br>IF: 1.31 | IF: 1.30<br>IF: 1.25 | IF: 1.49<br>IF: 1.55 | IF: 1.32<br>IF: 1.40 | IF: 1.2 |

[1] Leadership Impact Index (LI): index calculated as the percentage of employees who declared a level of engagement with the company of at least 5 out of seven points in the Speak Up survey conducted by the company. The indices and the survey were developed in collaboration with SDA Bocconi in order to ensure their quality and anonymity.
[2] Percentage of white-collar female employees on permanent contracts: (White-collar female employees on a permanent contract/total white-collar employees on a permanent contract)*100.
[3] Injury Rate (IF): (total number of injuries with loss of work/hours worked)*200,000. The 2021 figures include only Prysmian employees and the Prysmian Group fleet but no external personnel. The 2020 figures, on the other hand, include only Prysmian employees and no external personnel or the Group's fleet.

Work on decarbonizing Prysmian Group's activities has begun with great determination, achieving a reduction in emissions of about 30% compared with 2019. Three main drivers were responsible for this result: energy efficiency, the elimination of SF6 gas and the procurement of green energy. Prysmian first implemented a series of energy-saving initiatives (e.g. LED lighting, machinery upgrades, recovery of thermal energy), the effects of which began to become evident in 2021. There was further investment in energy saving during 2022 and Prysmian has allocated a specific budget of 100 million euro for use by 2030.
SF6 gas is used in the testing of cables and connectors for high voltage applications, and, despite its great global warming potential, it remains the current market standard. Prysmian is committed to eliminating this gas from its activities and is studying a number of alternative technologies, including solutions that envisage dry runs and the use of other gases that are the subject of sector pilot projects.

Lastly, Prysmian has appealed to the generation and procurement of green electricity in various countries where operations are carried out, thus heavily reducing the emissions linked with its electricity consumption.
With regard to the targets not yet achieved, Prysmian Group strives constantly to monitor the related indicators and improve its performance.

## Prysmian Group's new Sustainability Scorecard

Commencing from the end of 2022, Prysmian Group has defined a new three-year Scorecard (2023-2025, baseline 2022) focused on measuring the impacts generated by its activities via the use of specific "impact KPIs". When defining the Scorecard for 2023-2025, the Group also sought to rationalize the indicators considered in order to simplify the processes of monitoring, measuring, and thus communicating to Stakeholders the results achieved each year, thus making them more efficient. For this reason, the new Scorecard now contains 12 KPIs. These were defined after an analysis of:

- Long-term ambitions of the Group (Social Ambition and Climate Change Ambition);
- UN Sustainable Development Goals (SDGs);
- GRI Standards;
- New process for carrying out the Materiality analysis (focused on the external impacts generated by the business).

The Scorecard is built on 3 pillars strategic for the entire Group - Environment, People & Community, Innovation - that, in turn, are subdivided into various categories.
This document only presents those KPIs linked to the Group's incentive system (MBO, LTI), excluding others addressed in the Scorecard for 2023. For information about the latter, see the "Sustainability Report 2022" published by the Group. The value referring to the percentage reduction in GHG emissions (Scope 1 and 2, Market-Based) is calculated with respect to the 2019 baseline (870 ktCO2), in accordance with the provisions of the Science Based Targets initiative; all other KPIs refer to the annual performance.

### SCORECARD PRYSMIAN GROUP 2023-2025

| SDGs | Category | KPI | 2022 | Target 2025 |
|---|---|---|---|---|
|  | Climate | Percentage reduction of GHG emissions (Scope 1&2 Marked Based) vs 2019 baseline | -24% | -35%/-37% |
|  | Green & Circular Economy | Share of recycled content on PE jackets and copper[1] | 10% | 15%/16% |
|  | Diversity & Inclusion | Percentage of Executive women | 15.7% | 21%/24% |
|  | People Wellbeing | Safety Assessment Plan[2] | - | 2.75/5 |
| | | Leadership Impact Index | 55% | 57%/61% |

[1] Share of recycled content: The scope of the indicator includes 1) copper purchased at Group level, excluding occasional suppliers and semi-finished products; 2) polyethylene used for sheathing, excluding those applications for which customers do not allow the use of secondary materials.
[2] Safety Assessment Plan: indicator of the maturity of safety management at the various Group plants, calculated after an audit carried out by an independent specialist firm. The indicators comprise four categories with different weights (governance, employee engagement, risk analysis, injury rate). Following the assessment, an overall score is assigned on a scale from 1 (minimum) to 5 (maximum).

**Next steps into Prysmian TCFD journey**

**Prysmian will continue to involve the Board and the Top Management into strategic climate-change related discussions in order to improve awareness (also considering any regulatory changes that may occur), the responsiveness of the entire organization and the commitment towards a sustainable business model.**

# 4. CLIMATE STRATEGY

| TCFD Recommended disclosures | | |
|---|---|---|
| Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term | Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning | Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario |

Prysmian recognizes that Climate Change will have an impact on its business. Therefore, the identification of climate-related risks and opportunities is a key element of the Group Strategy.
As shown in paragraph "Prysmian Group's Strategy", the global trends Prysmian Group must address in the near future are strictly related to climate change (e.g., growth of renewables, electrification, etc.).
In this context, Prysmian has identified 3 physical risks resulting from climate change that can be event-driven (acute) or longer-term shifts (chronic) in climate patterns. While, in a scenario of transition to a lower-carbon economy, Prysmian has identified 5 transition risks and 4 opportunities.
These risks and opportunities, shown in figure A, have been confirmed in 2022 with advanced climate-related scenario analysis (including a 2°C or lower scenario) based on quantitative models and are considered in defining the Group's strategy, financial planning decisions and development of its operations.

## FIGURE A: PRYSMIAN'S MATERIAL CLIMATE-RELATED RISKS AND OPPORTUNITIES

| | Risk Description | TCFD Classification | Risk Impact |
|---|---|---|---|
| 1 | Climate-related emerging, alternative, or substitutive technologies that may impact on the Group's activities | TRANSITION<br>**Technology**: Development and use of emerging technologies that could affect the competitiveness of the organization, its production and distribution costs, and ultimately the demand for own products and services from clients | Reducing demand for products and services, resulting in decrease of revenue and potential write-offs and early retirement of existing assets |
| 2 | New entrants able to create production capacity through funding from large asset management companies attracted by the energy transition business | TRANSITION<br>**Market**: Shifting demand for climate-related services and products may represent opportunities for new entrants and risks for incumbents | Reducing Group's market share due to new entrant players, resulting in decrease of revenue and / or profitability due to stronger competitiveness |
| 3 | Impact on business of Carbon pricing scheme (Carbon tax and Emission Trading Scheme) and GHG price volatility | TRANSITION<br>**Policy & Legal**: Policy actions that attempt to constrain actions that contribute to the adverse effects of climate change or policy actions that seek to promote adaptation to climate change | Increasing carbon offset pricing impacting Prysmian's operating cost |
| 4 | Cyber-attacks exposure due to acceleration of Physical asset digitalization required by transition energy plans | TRANSITION<br>**Technology**: Use of emerging management, control, and monitoring technologies (IoT) that could affect the production activity of the organization (business interruption) | Increasing of exposure to ransom request and increasing costs for the adaption of countermeasures to protect and make more resilient physical assets against cyber-attacks and implement new practices and processes. |
| 5 | Risks associated with the management of third-party patents due to the increased complexity of solutions (assembly of multiple technology) driven by the need to meet low-carbon product requirements | TRANSITION<br>**Policy & Legal**: Failure of organizations to mitigate direct and indirect impacts of climate change | Rising in patent litigations, resulting in increase of operating costs. The complexity of claim management, in fact, requires fairly long periods and highly qualified external professionals |
| 6 | Risks related to water availability necessary for the Group's production activities and for key customers/suppliers due to changes in precipitation patterns, | PHYSICAL<br>**Chronic**: Chronic physical risks refer to longer-term shifts in climate patterns that may cause business interruption | Increasing operating costs to improve the resilience of plants, and adopt/implement new practices and processes |
| 7 | Risks of rising sea levels that may impact the Group's activities and key customers/suppliers | PHYSICAL<br>**Chronic**: Chronic physical risks refer to longer-term shifts in climate patterns that may cause business interruption | Rising sea level leading to flooding and damage of infrastructure long all lifetime cycle of assets, resulting in increased operating costs to improve the resilience of the plants, and expenditures relative to loss retention Loss of revenue due to potential downsizing or default of suppliers and/or customers |
| 8 | Risks related to increased severity of extreme weather events that may impact the Group's activities and key customers/suppliers | PHYSICAL<br>Acute: Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods | Increasing operating costs to improve the resilience of the plants, increasing of expenditures relative to loss retention and potential rising of insurance premium Loss of revenue due to potential downsizing or default of suppliers and/or customers |

| | Opportunity | TCFD Classification | Opportunity Impact |
|---|---|---|---|
| 1 | Development and expansion of low emission solutions, in particular in Energy Cable and Fiber markets | PRODUCTS & SERVICES<br>Innovation and development of new low-emission products and services may improve the organization's competitive position | Growing in demand for lower emissions products and services and better competitive position that reflect shifting consumer preferences, resulting in increased revenues and attractiveness of low-carbon investors (sustainable financing access) |
| 2 | Use of lower-emission sources through installation of renewable energy systems (e.g., photovoltaic) and purchase of renewable energy | ENERGY SOURCE<br>Use of renewable energy to carry out operational activities with the aim of reducing the carbon footprint of the organization | Reducing greenhouse gas emissions and consequently less exposure to changes in energy and carbon costs |
| 3 | Intercept the expected global cable market growth and access to emerging markets | MARKET<br>Pursue opportunities in new markets improving the organization's position taking advantage of the transition to a lower-carbon economy | Increasing in revenue through a strengthening of the market share and access to new and emerging markets (i.e., development of renewables, electric vehicle market, electricity transmission modernization, improvement of energy efficiency in buildings) |
| 4 | Greening the supply chain by evaluating options to reduce energy use and waste production and increase the use of recycled material | RESOURCE EFFICENCY<br>Improving efficiency across production and distribution processes of the organization, buildings, machinery/appliances, and transport/mobility | Reducing operating costs and improving reputation with stakeholders |

Each risk and opportunity category related to climate change is described below and assessed against the scenarios analyzed.

## TRANSITION RISKS

The cable industry will play an important role in the ecological and energy transition process underway. Prysmian has conducted an advanced analysis of four possible scenarios suggested by the International Energy Agency (IEA) to assess the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario:

1. **STEPS** (a conservative benchmark for the future, based on uncertainty that governments will reach all announced goals, and temperature above 2°C);
2. **APS** (benchmark for the future based on the governments announced ambitions and targets, and temperature limited to 2°C);
3. **SDS** (pathway consistent with the "well below 2°C" goal of the Paris Agreement);
4. **NZE** (pathway for the global energy sector to achieve Net-Zero CO2 emissions by 2050, consistent with limiting the global temperature rise to 1.5°C).

Among the material risks identified were those related to:

- emerging and replacement technologies (such as Hydrogen, Large battery storage, 5G Fixed Wireless Asset);
- new entrants into the competitive arena;
- carbon taxation;
- the impact of cyber-attacks due to the growth of digitalization of production lines;
- management of third-party patents.

The analysis has also been extended to the assessment of the expected lifetime of the assets and the entire supply chain: a specific in-depth benchmarking was carried out to understand how customers and suppliers are facing transition risks to better identify those that could have impacted the Group's business the most.

Each risk identified is shown in **Figure B**.

## FIGURE B: TRANSITION RISKS

| Transition Risk | | Time Horizons | | | |
|---|---|---|---|---|---|
| Climate Factors | Risk | Scenario | Short-Term (within 1 year) | Medium-Term (between 1 and 3 years) | Long-Term (between 3 and 10 years) |
| Emerging and/or substitutive technology | Climate-related emerging alternative or substitutive technologies that may impact on the Group's activities (Hydrogen, Large battery storage, lack of promise of achieving renewables targets, 5G Fixed Wireless Asset) | A | | | |
| | | B | | | |
| | | C | | | |
| | | D | | | |
| Enlargement of competitive arena (market) | New entrants able to create production capacity through funding from large asset management companies attracted by the energy transition business | A | | | |
| | | B | | | |
| | | C | | | |
| | | D | | | |
| Carbon taxation (policy and legal) | Impact on business of Carbon pricing scheme and GHG price volatity | A | | | |
| | | B | | | |
| | | C | | | |
| | | D | | | |
| Digitalization and cyber vulnerability in physical asset (technology) | Cyber attacks exposure due to acceleration of Physical asset digitalization required by transition energy plans | A | | | |
| | | B | | | |
| | | C | | | |
| | | D | | | |
| Integration and complexity of low-carbon aolutions (policy and legal) | Risks associated with the management of third-party patents due to the increased complexity of solutions driven by the need to meet low-carbon product requirements | A | | | |
| | | B | | | |
| | | C | | | |
| | | D | | | |

Scenarios (2022)

| | | |
|---|---|---|
| EIA STEPS: Stated Policies Scenario | A | Temperature higher than 2°Cin 2050 |
| EIA APS: Announced Policy Scenario | B | Temperature limited to 2°C in 2050 |
| EIA SDS: Sustainable Development Scenario | C | Pathway well below 2°C-Paris Agreement |
| EIA NZE: Net-Zero Scenario | D | Pathway Net-Zero in 2050 |

Risk Evaluation/Negative Impacts on financial performance

- Low
- Medium
- High
- Critical

**Business Response**: Using the results of our scenario analysis, Prysmian constantly works to build treatment plans against each material risk and understand the level of mitigation to create further resilience.

For instance, in terms of mitigation actions:

- A Chief Innovation Officer and Chief Digital Officer were appointed, reporting directly to the CEO. In addition, a Group Innovation Steering Committee chaired by the CIO has been established in order to consolidate the Prysmian Global Innovation Portfolio. New roadmaps have also been launched, dedicated to innovation, cost reduction and projects in the Projects and Telecom sectors;
- The Group monitors market trends evolution and Client's future needs, participates in international technological, associations and committees, evaluates potential technology acquisition and new strategical partnership agreements;
- Prysmian Group strives to monitor constantly the changes in the laws and regulations governing GHG emissions at an international level, especially in the countries where production plants are located;
- The Group has implemented an Information Security strategy that defines a governance structure and the guidelines for cyber risk management within IT architectures and business processes;
- Prysmian Group is promoting the "manufacturing cyber-attacks" programme to segregate the networks of production facilities, starting with the most strategic ones. The Cyber Security Committee oversees the programme that in 2022 focused also on the conflict Russia-Ukraine and its possible consequences;
- The Group maps the applications used to develop integrated solutions and the related proprietary patents, striving to respect the intellectual property rights of third parties when the existence of their pre-existing rights is known.

## PHYSICAL RISKS

Prysmian operates in over 50 countries worldwide, with 108 plants. The geographical coverage increases the exposure to the physical risks of climate change that could impact both infrastructure and production assets, including the whole supply chain, causing damage, loss to assets and business interruption. The analysis was conducted considering the expected lifetime of the assets.

Three key climate risks have been identified and assessed:

- sea water rise;
- water availability;
- increased severity of extreme weather events.

To verify the consequences, Prysmian analyzed the impact of these risks under two temperature scenarios, namely:

1. IPCC RCP 8.5 ("business as usual", society does not make concerted efforts to cut greenhouse gas emissions, and temperature upper 3°C);
2. IPCC RCP 2.6 ("very stringent scenario").

The analysis carried out through dedicated tools (CatNet®, a tool for profiling exposure to geo-specific risks developed by Swiss Re, and "Aqueduct", a web-based platform developed by the World Resources Institute) has allowed to assess a limited exposure to these risks.

In case of new operations, a specific risk assessment on climate change is carried out according to Group ERM policy. In order to understand how its supply chain (upstream or downstream activities and clients) could be impacted by physical risks, the Group verified how its business could be impacted through a specific benchmark on some key customers and suppliers.

Prysmian was able to verify the robustness of its resilience planning and assess the appropriate countermeasures to be taken, for production assets, also considering their expected lifetime, and supply chain, as shown in **Figure C**.

## FIGURE C: PHYSICAL RISKS

| Physical Risk | | Time Horizons | | | |
|---|---|---|---|---|---|
| Climate Factors | Risk | Scenario | Short-Term (within 1 year) | Medium-Term (between 1 and 3 years) | Long-Term (between 3 and 10 years) |
| Water unavailability (chronic) | Risk related to water availability necessary for the Group's production activities due to changes in precipitation patterns | α | | | |
| | | β | | | |
| Sea level (chronic) | Risks of rising sea levels that may impact the Group's activities and key customers/suppliers | α | | | |
| | | β | | | |
| Extreme weather events (acute) | Risks related to increased severity of extreme weather events that may impact Group's activities and key customers/suppliers | α | | | |
| | | β | | | |

Scenarios (2022)

IPPC RCP 8.5

IPPC RCP 2.6

A Very high baseline emission scenario, temperature higher than 3°C

B Keep global mean temperature increase below 2°C

Risk Evaluation/Negative Impacts on financial performance

- Low
- Medium
- High
- Critical

**Business Response**: Prysmian is already implementing several mitigation actions in order to limit the impact of such risks, for instance:

- The Group established and continues to implement a loss prevention programme at all production plants, which seeks to foresee and mitigate material losses and stoppages, not least by monitoring changes in the weather. Local flood protection measures, such as dams, walls etc. also mitigate the risk of coastal flooding. Additionally, agreement has been reached with an international company specialized in "disaster recovery & restoration" services and insurance cover has been arranged for both direct losses and loss of profits due to production stoppages. The assessment of third-party sustainability risks, including risks linked to the rise in sea level and extreme weather events, is a fundamental step in the entire supply chain management process and defines clear rules for i) the introduction of new suppliers, ii) the periodic evaluation of the supply chain, iii) the monitoring and improvement of the supply chain management strategy;
- Prysmian measures regularly the volume of water drawn at its production locations. The cooling process parameters are also analyzed and checked in order to ensure the efficiency of water consumption; in this regard, water supply systems are maintained appropriately in order to avoid significant losses. For the majority of plants for which a potential risk has been evidenced, it must also be borne in mind that current production processes employ water recycling in order to reduce consumption. Lastly, the mitigation plan already envisages further improvements in the percentage of water recycled and/or the installation of new recycling systems for the optimization of water consumption, where necessary or cost effective, thus lowering exposure to the risk.

# OPPORTUNITIES

Prysmian, to give consistency to its medium and long-term growth assessments, evaluated various outlooks relating to global cable market, both for the Energy and Telecommunication sectors.

Once the main growth drivers were identified, thanks to the extensive involvement of Group management, four key opportunities were identified for our business relating to climate change. These opportunities, enabled by the transition to a low carbon economy, were assessed in terms of positive impacts based on the same IEA scenarios used for the transition risk assessment: IEA STEPS, IEA APS, IEA SDS, and IEA NZE.

The evaluation of the opportunities is shown in **Figure D**.

## FIGURE D: CLIMATE-RELATED OPPORTUNITIES

| Opportunities | | Time Horizons | | | |
|---|---|---|---|---|---|
| Climate Factors | Opportunity | Scenario | Short-Term (within 1 year) | Medium-Term (between 1 and 3 years) | Long-Term (between 3 and 10 years) |
| Low Carbon products & services development | Development expansion of low emission solutions, in particular in Energy Cable and Fiber markets | A | | | |
| | | B | | | |
| | | C | | | |
| | | D | | | |
| Low Carbon energy source | Promoting decarbonisation towards Net-Zero emission | A | | | |
| | | B | | | |
| | | C | | | |
| | | D | | | |
| Market evaluation | Incept the expected global cable market growth and access to emerging markets | A | | | |
| | | B | | | |
| | | C | | | |
| | | D | | | |
| Resource efficiency | Greening supply chain by evaluating options to reduce energy use and waste production and increase the use of recyded material | A | | | |
| | | B | | | |
| | | C | | | |
| | | D | | | |

Scenarios (2022)

| | | |
|---|---|---|
| EIA STEPS: States Policies Scenario | A | Temperature higher than 2°Cin 2050 |
| EIA APS: Announced Policy Scenario | B | Temperature limited to 2°C in 2050 |
| EIA SDS: Sustainable Development Scenario | C | Pathway well below 2°C-Paris Agreement |
| EIA NZE: Net-Zero Scenario | D | Pathway Net-Zero in 2050 |

Risk Evaluation/Positive Impacts on financial performance

- Low
- Medium
- High
- Critical

**Business Response**: each opportunity is analyzed through dedicated business case with the aim of estimating the evolution of economic performance.
The business cases are the subject of in-depth analysis by top management for the selection of the most advantageous opportunities, and preparation of specific action plans. Nevertheless, playing Prysmian a pivotal role in the energy transition journey, the Group already embraced climate-related opportunities in terms of new products brought to the market, as well as the development cutting-edge assets, for example:

- 525 kV DC extruded submarine cables: A highly pertinent project to meet the new EU climate objectives through the installation of wind farms very distant from the shore. Prysmian completed qualification of the full submarine 525 kV cable system with extruded insulation technology and related accessories, in this way completing and integrating the work already started with the land solutions developed with the German TSO;
- HVDC solutions for German Corridors: Industrial production of the innovative cable system solutions for German Corridors energy transition projects have been started, for both P-Laser and XLPE versions: P-Laser production started in August 2021 and more than 300 km of cable have been insulated and XLPE industrial production commenced in June 2022. 80 km of cable will be completed by the end of 2022. Meanwhile, the related Type Tests for the German Corridors project have been completed or are in progress. Industrialisation work is in progress for producing very long lengths of cable: more than 6 km in one production run. Transfer of the technology to produce 525 kV HVDC XLPE cable systems in the US has been started, including the pre-qualification test of a cable system prototype. Evaluation of alternative insulation XLPE base materials to move from 70 to 90°C conductor operating temperature are ongoing with full scale cables produced and tested in 2021 and more planned for the end of 2022. This activity makes a substantial contribution for the purposes of reporting and, based on the effect of Prysmian's impact creation model, to energy transition and greater circularity;
- Expressways for Electric Vehicles: Dynamic wireless charging has been validated and officially launched on a BreBeMi test track. Prysmian has developed, supplied, and installed an innovative LVDC P-Laser cable to power the power units of the charging coils. Together with EOSS, Prysmian has also provided the full monitoring system (partial discharges, temperature, vibrations, etc.) to assist with all of the tests to be done on the track, with materials, vehicles and various apparatus;
- Barbarossa I: a smaller barge recently added to the fleet and specifically designed for operations in very shallow waters and areas periodically wet by tidal range. The vessel is located approximately 100 km off the German coast in the North Sea, to the mainland Emden/Ost converter station, and links the generated renewable energy with the German grid.

## STRATEGY RESILIENCE

By analyzing climate-related scenarios, Prysmian has assessed the adequacy of its strategy in terms of resilience both from physical risks - resulting from climate change that can be event-driven (acute) or longer-term shifts (chronic) in climate patterns - and transition risks – related to a transition towards a low-carbon economy.
All scenarios have demonstrated how Prysmian's role is central to the energy transition, being the enabler of the transition towards a low-carbon economy, thanks to the offering of low-carbon solutions and developing networks around the world.

The integration with the Group's Enterprise Risk Management (ERM) also ensures a constant alignment between the Group's risks assessments and strategies in the short, medium, and long term.
Prysmian resilience is also supported by a solid business model founded on diversification, technological excellence, decentralized supply chain, aggregation hub, as anticipated in the paragraph "Prysmian Group's Strategy".

In addition to the physical and transition risks related to climate change, which will be monitored and managed with the aim of reducing their potential impacts, both ex ante and ex post through risk-response and adequate recovery actions, the Group will continue monitoring the interesting climate-related opportunities for the sector thanks, above all, to the strong boost expected from the development of renewable sources, the use of energy-efficient technologies and from strong growth of digitalization. Indeed, the deep analysis conducted in 2022 has confirmed the opportunity outlook that Prysmian has already identified in its previous assessments

**Next steps into Prysmian TCFD journey**

Prysmian has developed a TCFD program with the aim of introducing a robust and systematic methodology, integrated with the Group's ERM, to keep the business strategy aligned with the risks and opportunities related to climate change.

This is substantiated through:

- Rigorous analysis of scenarios related to climate change to verify the evolution of the materiality of risks and opportunities, also identifying new ones;
- A continuous refinement of assessment methodologies, with a strong focus on the quality of data used in scenario analysis;
- The involvement of top management and all functions affected by the transformation process underway;
- Increasingly strong interaction with stakeholders, in particular with suppliers and customers.

Since climate change will be more and more a key strategic element for companies - and Prysmian in particular – TCFD is expected to become an important strategic driver in transition to a low-carbon economy and Prysmian's ambition is to be the TCFD catalyst and promoter for its whole value chain (suppliers, clients, and business partners).

# 5. RISK MANAGEMENT

| TCFD Recommended disclosures | | |
|---|---|---|
| Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process | Describe the organization's processes for managing climate-related risks | Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management |

## THE PROCESS OF RISKS AND OPPORTUNITIES ASSESSMENT

Climate related risks and opportunities identification, assessment and response are fully integrated into Prysmian Group Enterprise Risk Management (ERM). Prysmian adopts a dynamic process of ERM, multi-disciplinary and company-wide, to identify, assess, treat, and monitor all events, risks, and opportunities, including those related to climate change, relevant to the achievement of the strategic business objectives and priorities of the Group. In 2020, in order to further confirm the Group's commitment to managing climate-related risks and opportunities, Prysmian, together with the Control and Risk Committee and the Sustainability Committee, launched the process for fully integrating the framework recommended by the TCFD, completed in 2021 with the publication of the first TCFD Report. Climate-related topics have been also identified as material and strategical in the new Materiality Analysis, disclosed in the 2022 Annual Report and 2022 Sustainability Report. Climate related risks and opportunities identification, assessment and response are applied on direct operations, upstream e downstream.

In terms of identification and assessment of risks and opportunities, Prysmian adopts a system of internal control and risk/opportunity management based on tools and information flows that enable the Board of Directors to take strategic decisions and establish guidelines for the system in an informed manner, considering the context in which the Group operates and the related risks and opportunities, including those related to sustainability and climate change matters, in line with the Group Risk Appetite, defined as type and amount of risk the Group is able and willing to assume in pursuing its strategic objectives .
Prysmian implements an ERM model, developed in line with internationally recognized models and best practices (in particular, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and standard ISO 31000), that allows the Board and management to evaluate in an informed manner those risk scenarios that might compromise the achievement of strategic objectives, and adopt additional tools that are able to foresee, mitigate and manage significant exposures. Evaluation of the context and the expectations of the Group, key activities of the ERM model adopted, also makes it possible to identify and assess potentially favorable circumstances that may increase the value of Prysmian in economic and other terms.
The guidelines for the System of Internal Control and Risk Management approved by the Board back in 2014 are part of the Group ERM Policy, which formalizes the ERM model adopted. This model adopts a top-down approach, being guided by senior management and our medium/long-term business objectives and strategies.

This extends to all types of risk/opportunity that are potentially significant for the Group. These are shown in five families that each include internal and external issues characteristic of Prysmian's business model (so-called Group Risk Model): Strategic Risks, Financial Risks, Operational Risks, Legal and Compliance Risks, and Planning and Reporting Risks.

The Group's Chief Risk Officer (CRO), appointed to govern the ERM process, is responsible for ensuring together with management that the main risks and opportunities faced by Prysmian and its subsidiaries are identified, assessed, managed, and monitored on a timely basis.

Each year, the Group's main business/function managers participate in the process of identifying and evaluating the most significant risk factors and opportunities, including sustainability and climate change. A common and clearly defined methodology is used to measure and evaluate specific risk events in terms of their impact, probability of occurrence and the level of adequacy of the control system in place. More information can be found in the 2022 Annual Report, in the section entitled "Risk Factors and Uncertainties". This describes those risks and opportunities linked to the topic of sustainability that are most important for the business activities of the Group.

## CLIMATE-RELATED SCENARIOS SELECTED AND ANALYZED

Prysmian to explore and assess the resilience of its business to climate change has conducted a scenario analysis, with different climate-related scenarios, including a 2°C or lower scenario, to model how the impact and likelihood of the material risks and opportunities identified might change in each scenario.

Two types of models have been considered:

- IPCC RCP scenarios for the assessment of physical risks;
- IEA scenarios for transition risks and opportunities, as described in the table below.

The analysis risks and opportunity has been performed across three-time horizons and based on external datasets on climate drivers and internal datasets on Group's business activities to build advanced measurement models (time series and cross sectional iterate through Monte Carlo simulations). Below are the time horizons assessed:

- Short-term (within 1 year);
- Medium-term (between 1 and 3 years);
- Long-term (between 3 and 10 years).

| PHYSICAL SCENARIOS | |
|---|---|
| **IPCC 2.6** | **IPCC 8.5** |
| It is a "very stringent" pathway, namely considered by IPCC the best case for limiting anthropogenic climate change. It requires a major shift in climate policies and a start of concerted action in the coming years in all countries. Assumptions are based on high population growth and the global economy. Oil use declines but use of other fossil fuel increases and is offset by capture and storage of CO2. Renewable energy increases albeit modestly. | It represents the highest emissions or "business as usual" scenario: RCP8.5 assumptions are based on high population growth and relatively slow income growth with modest rates of technological change and improvements in energy intensity, leading in the long term to high energy demand based on fossil resources and GHG emissions. It is the result of totally ineffective climate change policies. |
| **Expected to keep global temperature rise below 2 °C by 2100, above pre-industrial temperatures** | **Expected temperature rise between 3.2 and 5.4 °C by 2010, above pre-industrial temperatures** |

The choice of IPPC scenarios (RCP 8.5 and RCP 2.6) as well as being significant for the business made it possible to verify the impact of physical risks on business using applications and solutions that simplify the analysis activity, both in relation to chronic phenomena and acute events. Prysmian specifically used CatNet@ (geo risk tool of Swiss RE) and Aqueduct (World Resource Institute).

| TRANSITION SCENARIOS | | | |
|---|---|---|---|
| **IEA STEPS** | **IEA APS** | **IEA SDS** | **IEA NZE** |
| The STEPS provides a more conservative benchmark for the future because it does not take it for granted that governments will reach all announced goals. Reflects current policy settings based on a sector-by-sector assessment of the specific policies that are in place, as well as those that have been announced by governments around the world. The STEPS explores where the energy system might go without a major additional steer from policy makers. | The APS assumes that all climate commitments made by governments around the world, including Nationally Determined Contributions (NDCs) and longer-term Net-Zero targets, will be met in full and on time. The Announced Pledges Scenario aims to show to what extent the announced ambitions and targets, including the most recent ones, are on the path to deliver emissions reductions required to achieve Net-Zero emissions by 2050. | The APS assumes that all climate commitments made by governments around the world, including Nationally Determined Contributions (NDCs) and longer-term Net-Zero targets, will be met in full and on time. The Announced Pledges Scenario aims to show to what extent the announced ambitions and targets, including the most recent ones, are on the path to deliver emissions reductions required to achieve Net-Zero emissions by 2050. | The NZE sets out a narrow but achievable pathway for the global energy sector to achieve Net-Zero CO2 emissions by 2050, with advanced economies reaching Net-Zero emissions in advance of others. This scenario also meets key energy-related United Nations Sustainable Development Goals (SDGs), in particular by achieving universal energy access by 2030 and major improvements in air quality. |
| **The rise in temperature in 2100 would be around 2.6 °C.** | **The rise in temperature in 2100 would be restricted to around 2.1 °C** | **The temperature rise could be reduced to 1.5 °C in 2100.** | **The rise in temperature reaches a maximum level of just over 1.5 °C around 2050 and then starts to decline slowly and by 2100 the rise in temperature has fallen to around 1.4 °C** |

Prysmian decided to choose the most recent scenarios of the International Energy Agency (IEA) because they capture the latest developments in energy demand and supply, which are key aspects and closely related to the Group's activities. Given the assumptions and perspective sensitivity of these scenarios, Prysmian decided to test the resilience and flexibility of its strategies on four scenarios, as described above.

| Next steps into Prysmian TCFD journey |
|---|
| Prysmian will continuously improve its process of identifying and managing climate-related risks, in terms of assessment methodologies and their inclusion into the organization's overall risk management model and strategy. |

# 6. METRICS AND TARGETS

| TCFD Recommended disclosures | | |
|---|---|---|
| Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process | Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks | Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets |

# TARGETS

We are committed to measuring and reducing our share of global greenhouse gas (GHG) emissions in line with the Paris Agreement, that is why Prysmian has set specific targets aligned with the Science Based Targets initiative (SBTi). The Group commits to reducing absolute Scope 1 and 2 GHG emissions by 46% by 2030, from the 2019 baseline. It also commits to reducing absolute Scope 3 GHG emissions from purchased goods and services and from the use of sold products by 21% within the same timeframe. The Net-Zero emission target has been brought forward to 2035.

Prysmian's Climate Change Ambition aims to make the Group one of the leading technological players in the transition to low-carbon energy. The Group has announced an ambitious new climate strategy adopting science-based targets, in line with the requirements of the Paris Agreement.

## Prysmian Group's commitments to reduce GHG emissions

1. Decarbonisation of 90% of our Scope 1 and 2 carbon footprint by 2035:
   - gradually eliminating the SF6 gas emissions;
   - using 100% renewable energy;
   - neutralising residual emissions

2. Be Net Zero throughout the entire value chain (Scopes 1 + 2 + 3) by 2050.
   In order to honour its pledges, Prysmian has taken the following action:
   1. definition of a short-term emissions-reduction target;
   2. definition of a long-term emissions-reduction target;
   3. launch of projects to neutralise residual emissions.

### 1. Short-term SBTs: targets to reduce emissions over 5-10 years in line with the 1.5°C limitation scenario

Initially, in 2021 – year one of its ambition - the following short-term targets were defined by Prysmian and approved by the SBTi:
- Scope 1 & 2 targets in line with the hypothesis of keeping the rise in average global temperature below 1.5°C: -46% by 2030;
- Scope 3 target in line with the hypothesis of keeping the rise in average global temperature below 2°C: -21% by 2030.

Subsequently, in 2022, Prysmian committed to a further reduction in Scope 3 emissions, aligning the Group with the "Well Below 2°C" trajectory and updating the 2030 target from -21% to -28%.

### 2. Long-term SBTs: targets to reduce emissions to a residual level by 2050

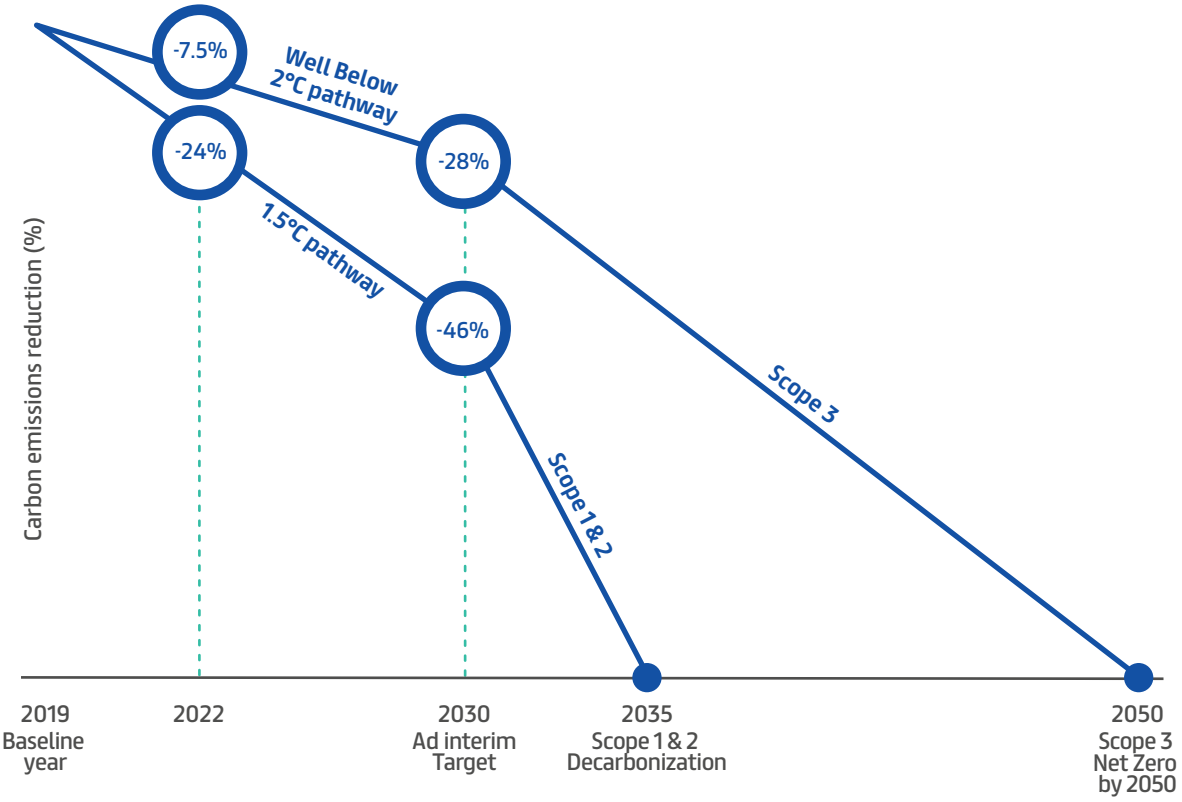
Given that the Corporate Net-Zero Standard calls for businesses to work on the decarbonisation of at least 90% of their Scope 1, 2 and 3 emissions, the Prysmian Group has presented the following targets:
- decarbonisation of 90% of its Scope 1 and 2 emissions by 2035;
- decarbonisation of 90% of its Scope 3 emissions by 2050.

These targets represent a bigger commitment than before, requiring a greater decarbonisation of operations and envisaging a reduction in the permitted offset percentage.

**3.** Neutralisation of residual emissions:

Residual GHG emissions must be offset using methods that remove climate-altering gases from the atmosphere over a long period of time. These methods fall into three broad categories: **biological** (planting of trees, reforestation), **engineered** (CO2-hardened cement, systems for the direct capture of CO2 from the atmosphere) and **hybrid** (Biocarbon, Bioenergy with carbon capture and storage - CCS).
Prysmian Group presented these new and more ambitious targets for validation in November 2022, with approval expected by mid-2023.

## CLIMATE CHANGE AMBITION




[1] The Science Based Targets initiative (SBTi) mobilizes companies to set science-based targets and boost their competitive advantage in the transition to the zero carbon economy. It is a collaboration between CDP, the United Nations Global Compact, the World Resources Institute (WRI) and the Worldwide Fund for Nature (WWF). The SBTi's call-to-action is one of the We Mean Business Coalition commitments. The initiative defines and promotes best practice in science-based target setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets.

# METRICS

Metrics reported in this paragraph are slightly different from what published in 2021 TCFD Report since they include the fleet.

| Total energy consumption (2022-2020) | | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Energy consumed (GJ) | 9,971,915 | 10,020,131 | 9,741,919 |

| Energy consumed per km/ton of product (2022) | | | |
|---|---|---|---|
| Power cables GJ/Ton | Telecom cables GJ/km | Optical Fiber GJ/km | Rod GJ/Ton |
| 3.57 | 0.01 | 0.04 | 2.05 |

| Total GHG emissions (2022-2020) | | | | |
|---|---|---|---|---|
| | | 2022 | 2021 | 2020 |
| Scope 1 | Total Scope 1 | 297,725 | 341,107 | 335,755 |
| Scope 2 | Scope 2 - Location-Based | 501,745 | 512,458 | 519,589 |
| | Scope 2 - Market-Based | 367,379 | 365,862 | 422,675 |
| Total Scope 1 & 2 | Scope 1 + Scope 2 (Location-Based) | 799,470 | 853,565 | 855,344 |
| | Scope 1 + Scope 2 (Market-Based) | 665,104 | 706,969 | 758,430 |
| Scope 3 | Total Scope 3 | 269,684,778 | 284,562,292 | 291,462,668 |

| | | GHG emission per Km/Ton of product (2022) | | | |
|---|---|---|---|---|---|
| | | Power cables tCO2 eq / Ton | Telecom cables tCO2 eq / Km | Optical fibers tCO2 eq / Km | Wire Rod tCO2 eq / Ton |
| Scope 1 | Total Scope 1 | 0.10909 | 0.00014 | 0.00083 | 0.09411 |
| Scope 2 | Location-Based | 0.18327 | 0.00113 | 0.00159 | 0.01361 |
| | Market-Based | 0.13754 | 0.00093 | 0.00086 | 0.01501 |
| Total | Scope 1 + Scope 2 (Location-Based) | 0.29236 | 0.00127 | 0.00242 | 0.10772 |
| | Scope 1 + Scope 2 (Market-Based) | 0.24663 | 0.00108 | 0.00169 | 0.10912 |

2022 figures confirm the commitment of the Group towards the reduction of GHG emissions, even within a context of organic growth, and the journey towards Net-Zero.

## Focus on: Reduction on GHG Emissions Scope 3

Since 2013, Prysmian has published its environment management initiatives, participating in the CDP global environmental reporting system. Prysmian uses CDP to report in GHG emissions throughout the value chain. In particular, the 2022 Scope 3 GHG emissions of the Group will be reported in the 2023 CDP Climate Change questionnaire, which is published and made public every year.

The majority of the GHG emissions generated by Prysmian are classified as Scope 3, representing more than 99% of the total ecological footprint of the Group. In order to contribute even more significantly to the reduction of emissions and analyse in even greater depth the business activities at all levels in the value chain, during 2021 Prysmian decided to extend the monitoring and reporting of Scope 3 emissions by redefining the calculation of all Scope 3 categories. Detailed quantification of the Scope 3 emissions, carried out with reference to the Scope 3 standard of the GHG Protocol, highlighted that these emissions are mainly attributable to the "use of sold products", representing over 97% of the total ecological footprint of the Group and the total emissions generated throughout the value chain.

Despite the difficulties posed by the management of indirect emissions, the definition of Scope 3 targets, submitted to the Science Based Targets initiative (SBTi), enables the Group to increase participation throughout the entire value chain and mitigate risks, as well as to propose innovative solutions and initiate new collaborations, thus responding effectively to the related pressures applied by investors, customers, and civil society.
In 2022 Prysmian identified 170 suppliers (about 60% of the Prysmian Group's total spending) deemed significant according to Group-defined sustainability criteria and invited them, in collaboration with CDP, to report and allocate to Prysmian their emissions, by responding to the CDP Climate Change Questionnaire.

The number of responses slightly increased versus 2021, including some SME suppliers responding for the first time to CDP Climate Change. Prysmian satisfactorily observed that a high percentage of reporting suppliers disclosed active targets also engaging their own suppliers, so cascading climate action along the supply chain.
In addition to the Climate Change questionnaire, in 2022 for the first time, significant suppliers were also invited to participate in the CDP Water Security Questionnaire, so providing useful information on their water management, including associated risks and targets. The 37% response rate is considered a good result for the first year, and Prysmian appreciates the high percentage of disclosing suppliers integrating water-security issues into long term objectives. Prysmian is considering broadening the scope of supply chain enquiries in order to be able to evaluate all types of supply chain risks, and in 2022 plans to analyses water issues as well as climate change.

**Next steps into Prysmian TCFD journey**

Prysmian will continue monitoring climate-change related metrics, therefore verifying the Science Based Targets' achievement.

Prysmian Group

Linking the sustainable future