

GROUP RISK MANAGEMENT SYSTEM

INTEGRATED MANAGEMENT OF SUSTAINABILITY RISKS

The Prysmian Group adopts a system of internal control and risk 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 financial, environmental and social risks.

The value creation policy pursued by the Prysmian Group is and always has been based on the effective management of risks. Commencing from 2012, on adoption of the recommendations of the "Code of Corporate Governance for companies listed on the Italian Stock Exchange" regarding the management of risks, Prysmian has taken the opportunity to strengthen the Group's governance model and implement an advanced risk management system. This promotes the pro-active management of risks using a structured and systematic tool that supports the principal decision-making processes. **This Enterprise Risk Management (ERM)** model, developed in line with internationally recognised models and best practices, allows the Board of Directors and management to evaluate in an informed manner those risk scenarios that might compromise the achievement of strategic objectives, and to adopt tools that are able to foresee, mitigate or manage significant exposures.

The **Group's Chief Risk Officer (CRO)**, appointed to govern the ERM process, is responsible for guaranteeing together with management that the principal risks faced by Prysmian and its subsidiaries are identified, assessed and monitored in a timely manner. In addition, an Internal Risk Management Committee comprising senior managers ensures, via the CRO, that the ERM process remains dynamic to reflect changes in the business, requirements and events affecting the Group over time. The CRO reports periodically (at least twice each year) to senior management on these changes.

The ERM model adopted, formalised in the Group ERM Policy that incorporates the guidelines for the System of Internal Control and Risk Management approved, in turn, by the Board of Directors back in 2014, follows a top-down approach, i.e. based on direction from senior management and the medium/long-term strategies and objectives of the business. 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.

In compliance with the changes to the Corporate Governance Code published in the July 2015 edition and in line with the constant strengthening of its risk management system, the Group has decided to adopt a more holistic approach to **Corporate Social Responsibility**⁵, planning to define each area of the Group risk model in a so-called **Sustainability Risk Model** able to direct a more precise identification of the Group's economic, environmental and social sustainability risks that could compromise the value creation of its shareholders / stakeholders over time.

The Sustainability Risk Model, shown in the figure below, therefore contains within the same five risk families the internal and external areas which the Group, in line with its business model, may face during the management of sustainability:

- **Strategic risks:** means risks deriving from external or internal factors such as, for example, changes in the national and international regulatory framework in terms of environmental and social sustainability, corporate strategies regarding sustainability

⁵ Risk area already covered by the Group Risk Model within the Strategic Risks family. See the Risk Factors and Uncertainties section of the Annual Report.

that are incorrect and / or implemented in an inadequate manner given the market context and / or the expectations of stakeholders and, furthermore, lack of responsiveness to the development of eco-sustainable innovations that could threaten the Group's competitive position and the achievement of strategic objectives;

- **Financial Risks:** means economic and financial risks connected, for example, to the management of relationships with financial counterparties that comply with the Group's sustainability principles, as well as the management of raw materials and eco-sustainable natural resources, etc.;
- **Operational Risks:** means risks deriving from events or situations that go against the principles of social and environmental sustainability and that limit the effectiveness and efficiency of key processes, affecting the ability of the Group to create value;
- **Legal and Compliance risks:** this refers to the risks connected to violations of national, international and sector regulations and professional conduct that do not comply with the Group's sustainability and ethical policy, exposing it to possible penalties; **Planning and reporting risks:** risks associated with negative effects deriving from incomplete, incorrect and / or non-timely information in the context of planning and reporting on the Group's sustainability, with possible impact on the strategic, operational and financial decisions on the matter.

Sustainability Risk Model adopted by the Prysmian Group

STRATEGIC	FINANCIAL	OPERATIONAL
<ul style="list-style-type: none"> • Macroeconomic changes and Geo-political environment • Industry Trends and competitive environment • Stakeholder expectations (incl. sustainability ratings) • Natural Environment / Human Capital Responsibility • Operative Green CAPEX • Organizational sustainability (framework & governance) • Sustainability M&A, JVs, business partners • Sustainability Strategies (incl. Management Remuneration) and Business integration • Sustainable R&D • Law & regulation evolution • Country Risk & Ethical Culture 	<ul style="list-style-type: none"> • Economic and Financial Integrity • Capital availability / cost risk • Sustainable Financial counterparties • Commodity risk and natural resource security 	<ul style="list-style-type: none"> • Eco-conscious customers and Green Sales • Green Products and Technologies • Product Lifecycle Footprint • Sustainable Supply Chain • Environmental (water, energy, emissions, waste, etc.) • Labor Practices & Human Resources (incl. Health & Safety) • Outsourcing • Sustainable Information Technology • Contract execution / liabilities
LEGAL & COMPLIANCE	PLANNING & REPORTING	
<ul style="list-style-type: none"> • Sustainability Intellectual Property rights • Compliance to environmental and social laws and regulations • Compliance to Code of Ethics, Environmental and Social Policies & Procedures 	<ul style="list-style-type: none"> • Sustainability Budgeting & Strategic planning • Sustainability Tax Planning & Reporting • Management Reporting • Sustainability (Environmental and Social) Reporting 	

As described in the Annual Report in the Risk Factors and Uncertainties section, to which reference should be made, the Group's main business / function managers are involved in the process of identifying and assessing the most significant risk factors, including economic, environmental and social sustainability issues, through the use of a common methodology

clearly defined to measure and evaluate the specific risk events in terms of impact, probability of occurrence and level of adequacy of the control system in place.

During the 2017 financial year, the aforementioned process led to the identification of some pure sustainability risks and others that may also have a sustainability impact (and therefore are also reported in the Consolidated Financial Statements in the section "Risk Factors and Uncertainties") to which the Group is exposed consistently with its business model. The main information is included below, as well as the key strategies adopted to mitigate them.

STRATEGIC RISKS

Risks related to changes in regulations

The Group's production activity is subject to national and international environmental laws and regulations, including those relating to atmospheric emissions and energy efficiency. Through the Environmental Management System, the Group, via the central HSE team, is able to constantly monitor any changes and / or amendments to the regulatory requirements in the energy and HSE areas, including:

- Periodic monitoring of environmental legislation and related changes, at local and Group level;
- Periodic reporting to the Group bodies involved in the management of risks in this area, in order to discuss any actions that must be taken for compliance with the law (the Sustainability Directive Committee and the Internal Risk Management Committee);
- The analysis of identified risk situations, with the aim of estimating their impact, the probability of occurrence and the adequacy of the internal control system to mitigate the risk;
- The definition of improvement actions that may be necessary to reduce exposure to current risk and related follow-up.

OPERATIONAL RISKS

Environmental risks

The Group's manufacturing activities in Italy and abroad are subject to specific environmental regulations. These include those on pollution of the soil and sub-soil and the presence/use of materials and substances considered hazardous to human health. Furthermore, the changes in these regulations tend to impose increasingly stringent requirements on firms, which must therefore incur significant costs associated with the action needed to comply with the various obligations.

Given the large number of plants in the Group, the probability of an accident with environmental consequences, as well as impact on the continuity of production, is certainly to be considered and the economic and reputational effect it may have could be significant. For this reason, Prysmian adopts a series of control procedures that keep the risk at an acceptable level. Environmental matters are managed centrally by the Health, Safety & Environment (HSE) function. By coordinating the local HSE functions, this function organises specific training and adopts systems intended to guarantee strict compliance with the regulations, in accordance with *best practices*, in addition to monitoring the exposures to risk using specific indicators and by performing internal and external audits.

Lastly, 94% of Group sites have ISO 14001 (environmental management) certification, while 78% have OHSAS 18001 (safety management) certification.

Risks related to climate change

The growing attention at international level to the consequences of climate change, with far-reaching repercussions on ecosystems, economy, human health and well-being, requires companies to assess the potential impact on the business that could be faced in the medium to long term.

Prysmian, under the direction of the Group Risk Management and HSE functions, and taking into account the guidelines issued at the COP21 conference held in 2015 in Paris, carried out an analysis of the risk of climate change with the aim of assessing the potential impact on its business activities.

The analysis, in line with the IPCC AR5 Fifth Assessment Report and the related Annex I, looks at the three main climate change layers:

- the increase in sea level (estimated by 2100);
- the change in temperatures (estimated in a 2016-2035 projection period);
- the change in precipitation in summer and winter (estimated in a projection period 2016-2035).

Through the use of the "CatNet" online platform made available to Prysmian by the Swiss RE insurance company, the Risk Management team, in collaboration with the Group HSE team, analysed the geographic position and the altitude of its plants on the global map, in order to identify those which could be exposed to the risk factors of climate change.

The results of the analysis show:

- a low overall exposure to the risks deriving from the change in precipitation in summer and winter;
- a low overall exposure to the risks deriving from the increase in temperatures, with the exception of very few cases of plants in areas with a maximum expected increase in temperatures of + 1.5 ° C;
- an exposure to risks related to the increase in the sea level that is potentially significant (> 0.5 meters) for about 10% of the Group's plants, as they are located near the sea.

This last point was also confirmed by a further analysis taking into consideration the risk of flooding of coasts and rivers, estimated on the basis of the same methodology, through the use of the online platform "CatNet" of Swiss RE.

For all the plants for which a potential risk has been identified, the HSE team in collaboration with the Group Risk Management team will carry out in-depth analyses in 2018 to verify actual exposure, taking into consideration, for each site, the physical data and information necessary to quantify the potential impact on the business operations. At the same time, any risk prevention actions will be evaluated where deemed necessary.

Risks related to the availability of water

In order to carry out its business activities, the Group requires the continuous availability of water, used for the cooling of semi-finished products. The water is recirculated, entirely or partially according to circumstances, to avoid excessive consumption. The possible unavailability of water could therefore compromise the continuity of company processes. In order to better understand and attempt to quantify the potential exposure to risk, Prysmian, under the direction of the Group's Risk Management and HSE functions, carried out a *water risk* analysis on its plants.

The analysis considers water stress in 2030 (defined as the ratio between water demand and available water) and changes in water supply and water demand projected for the year 2030 for all geographic areas of the Earth's surface.

Through the "Aqueduct" tool provided by the World Resources Institute (WRI), the Group's HSE and Risk Management teams analysed the geographic positioning of the Group's plants in order to identify the ones which could be exposed to water risk and, therefore, to the risk associated with reduced availability of water.

The results of the analysis show that about 20% of the Group's plants are located in areas extremely exposed to the risk of water stress, estimated by 2030.

For all the plants for which a potential risk has been highlighted, also taking into account that the company's production processes currently envisage recirculation of water to reduce consumption for most plants, the HSE and Group Risk Management teams will carry out in-depth analyses in 2018 to verify the actual exposure to *water risk* by examining, for each site, the physical data and information necessary to quantify the potential impact on the business operations (such as sources of water supply and the actual percentage of recirculation). At the same time, the adoption of any preventive actions will be evaluated when deemed necessary.

Other HSE-related risks

With particular reference to the risks of:

- Management of water and energy resources;
- Atmospheric emissions of greenhouse gases;
- Waste management;
- Management of hazardous substances,

the Group has adopted a centralised management system based on the evaluation of factors deemed critical at various levels, with respect to the Group, country and operating unit.

This approach allows for a complete picture of the risks associated with individual production activities, both at Group level, in the country and in the operating unit, in order to manage, monitor and, where possible, minimise environmental, health and safety risks.

The adoption and implementation of the approach for each production unit has led to a baseline of the environmental and health and safety aspects and risks periodically updated and revalued, in particular in the case of:

- Regulatory and / or operational changes which could potentially introduce new requirements, risks or risks for the organisation;
- Significant HSE events such as serious injury, illness or environmental emissions / spills;
- New information indicating an aspect previously not detected;
- Recommendations from relevant stakeholders.

Prysmian has defined specific Group standards and operating methods aimed at ensuring continuous control of the issues considered critical through: the collection, evaluation, aggregation and reporting of data at central level, as well as the implementation and verification of preventive and corrective actions, monitoring of the environmental aspects, training of personnel aimed not only at transferring the technical notions, but also at understanding the approach adopted and the risks involved in the failure to comply with HSE rules and procedures.

Risks related to the sustainability of its supply chain

The Group's business model, with a global presence in over 50 countries and a high diversification of product applications, is based on a complex supply chain that requires a continuous interface with numerous suppliers of different sizes and cultural background. In addition to the commitment to the evaluation of counterparties, the Group has established guidelines and policies that suppliers are required to comply with and sign (for example, the Code of Ethics and the Code of Business Conduct).

An immediate reaction is expected in the event of conduct that does not comply with the principles of environmental and social sustainability by third parties involved in the supply chain, which would expose the Group to potentially significant risks in terms of image and reputation. If the problems that emerge are not promptly resolved and eliminated, the Group reserves the right to terminate existing business activities and to the temporary or, in serious cases, permanent exclusion of Group suppliers.

The assessment of risks related to the sustainability of third parties is a fundamental step of the entire supply chain management process that defines clear rules for i) the introduction of new suppliers, ii) the periodic evaluation of the supply chain, iii) the monitoring and the improvement of the supply chain management strategy.

It should be noted that in 2017, Prysmian, under the direction of the Group Purchasing department and in collaboration with the Risk Management team, carried out a risk analysis of its supply chain aimed at identifying suppliers deemed potentially critical with regard to the practices adopted for the management of sustainability, i.e. environmental issues, human rights, labour rights, ethics and integrity, and consequently review relations with them as appropriate.

Please refer to the "A Responsible Value Chain" section of this document for further details on the risk management strategies in question.

Cyber Security risks

The growing spread of Internet-based technologies and business models that allow the transfer and sharing of sensitive information through virtual spaces (i.e. social media, cloud computing, etc.) leads to situations of computer vulnerability to which the Prysmian Group must pay attention in the conduct of its business. Exposure to potential cyber attacks could be due to several factors, such as the necessary global distribution of IT systems, the holding of high value-added information such as patents, technological innovation projects, as well as financial projections and strategic plans not yet disclosed to the market, with consequent economic, patrimonial and image damages. The Group IT Security Department, in collaboration with the Risk Management function, periodically carries out specific assessments aimed at identifying any vulnerability of IT systems at local and central level that could compromise business continuity.

Furthermore, starting in 2016, the Prysmian Group started the implementation of a structured and integrated process for managing risks associated with cyber security, which, guided by the Group's IT Security function and in collaboration with the Risk Management function, has the objective of strengthening IT platforms and systems and introducing solid mechanisms to prevent and control possible cyber attacks. A clear Information Security strategy has been defined which clarifies the relative governance structure adopted by the Group and the guidelines for the management of cyber risk in the field of IT architectures and business processes. A specific committee, the Information Security Committee, made up of the main actors involved in the management of the cyber risk⁶, has been appointed with the task of defining strategic and operational objectives regarding Cyber Security, coordinating the main initiatives undertaken, and examining and approving policies, procedures and operating instructions. The Committee is convened on a periodic basis (twice a year) and in the case of remarkable events or crises. Finally, specific training sessions in e-learning mode have been provided to all the Group's IT staff with the aim of increasing awareness on the topic.

LEGAL AND COMPLIANCE RISKS

Compliance risks concerning the Code of Ethics, Policies and Procedures

The risk of compliance generically represents the possibility of incurring legal or administrative sanctions, significant financial losses or reputational damages as a result of violations of current regulations. The Prysmian Group puts in place a series of organisational tools aimed at defining the principles of legality, transparency, fairness and loyalty used to operate. In particular, since its inception, the Group has adopted the Code of Ethics, a document that contains the guidelines and ethical and behavioural principles that all those carrying out activities on behalf of Prysmian or its subsidiaries (including managers, officials, employees, agents, representatives, external collaborators, suppliers and consultants) are required to observe. The Group, through the Internal Audit & Compliance Department, undertakes to constantly monitor compliance and the concrete application of these rules, not tolerating any type of violation.

However, despite the constant commitment, careful supervision and periodic awareness of staff, it is not possible to rule out that in the future there may be episodes of incorrect behaviour in violation of policies, procedures and the Code of Ethics and therefore of current regulations, by those that carry out activities on behalf of Prysmian, with consequent possible judicial and pecuniary sanctions, or even significant reputational damages.

Risks of non-compliance with the legislation on Data Protection (Privacy)

The entry into force in May 2016 of the new European regulation on the protection of personal data n. 2016/679 (GDPR - General Data Protection Regulation), which in Italy replaces the "Privacy Code" of Legislative Decree no. 196/2003, requires companies operating in the European Union to revise their data protection management model to meet the requirements of the GDPR. The process of adaptation to the new system must be completed by 25 May 2018, after which significant penalties may be incurred.

⁶ Permanent members of the Information Security Committee are: the Chief Operating Officer, the Vice-President HR & Organisation, the Chief Security Officer, the Chief Information Officer, the Chief Risk Officer, the Internal Audit & Compliance Director and the IT Security Manager of the Group.

The high number of employees and the growing trend towards adopting a global data management approach (e.g. cloud storage, use of mobile devices, etc.), could expose the Group to the risk of receiving claims for compensation made by the individuals concerned with the processing of data for damages caused by the violation of the protection rules or incorrect treatment of the data subject to protection, when the process is not properly managed. Potential penalties imposed by the competent authorities as well as reputational damages should also be estimated as a consequence of the risk.

In order to minimise potential risk exposure, although to date the Group has demonstrated compliance with the current Privacy Code and other applicable regulations, the Internal Audit & Compliance Department, with the support of the relevant business functions, started in 2017 the process of adaptation to the new European Directive (GDPR), providing in particular the analysis of the Privacy organisational model, the mapping of data potentially exposed to risk, and the subsequent assessment of any changes to the data processing methods themselves.

Risks of non-compliance with Anti-corruption legislation

In recent years, the legislative and regulatory context has made significant efforts in the fight against corruption, with a growing tendency to extend responsibility to legal entities as well as to natural persons. In relation to the growing internationalisation, organisations are more and more often operating in a context exposed to the risk of corruption and having to comply with many regulations on the subject, such as Legislative Decree no. 231/2001, the Anti-corruption Law (Law 190/2012), the Foreign Corrupt Practices Act, the UK Bribery Act, etc., all with the same objective: to counteract and suppress corruption.

The Group's business model, with a global presence in over 50 countries and a high diversification of product applications, requires a continuous interface with numerous third parties (suppliers, intermediaries, agents, and customers). In particular, in the Energy (submarine and high voltage) and Oil & Gas businesses, the management of large international projects requires the establishment of commercial relations even in countries with a potential risk of corruption (as per the Corruption Perception Index⁷), often through local and commercial agents and public officials.

The Prysmian Group has therefore implemented a series of actions aimed at managing the issues of corruption on a preventive basis; first of these is the adoption of an Anti-Bribery Policy that prohibits both the corruption of public officials and the corruption of private individuals and requires its employees to comply with it, as well as observe and comply with all anti-corruption legislation in force in the countries where they are employed or active, in case those are more restrictive. Furthermore, specific e-learning activities (training and testing) aimed at all Group personnel are periodically carried out in order to raise awareness of compliance with the regulations in question. It should also be noted that in 2017, the Prysmian Group, in continuity with the objectives set in 2016, decided to further strengthen the monitoring and central focus on compliance issues by launching an Anti-Bribery Compliance Programme inspired by the guidelines set in ISO 37001 "Anti-bribery management systems" of 15 October 2016. This program, in addition to giving greater control over the management of the risk of corruption, is also aimed at minimising the risk of being subject to sanctions following the commission of corruptive offenses by employees or third parties. The core of the ISO 37001 standard, as is known, is the control of third parties (suppliers, intermediaries, agents and customers) through a due diligence system aimed at bringing out any critical or negative events that undermine the reputation of third parties with whom the Prysmian Group interacts.

For further details on the actions implemented by the Group to prevent corruption practices, please refer to the specific paragraph of the Sustainability Report for the Current Financial Year.

Risks of non-compliance with Antitrust legislation

⁷ The Corruption Perception Index (CPI) is an indicator published annually by Transparency International, used to measure the perception of corruption in the public sector in various countries around the world

Competition law on restrictive practices and the abuse of dominant positions now plays a central role in governing the activities of firms operating in all sectors of economic life. Prysmian's strong international presence in more than 50 countries subjects the Group to the competition regulations in force in Europe and in all other countries in which we operate. Each of these is more or less demanding in terms of the civil-administrative responsibilities and criminal penalties imposed for violation of the applicable laws. Over the past decade, the various local anti-trust authorities have dedicated increasing attention to the business activities of market players and, furthermore, have showed a greater propensity for international collaboration amongst themselves. Prysmian intends to operate in the marketplace in compliance with the rules in place to protect competition.

Consistent with the priorities defined in the ERM process, the Board of Directors has adopted an Anti-trust Code of Conduct that all directors, executives and employees of the Group are expected to know and comply with in the performance of their duties and in relations with third parties. The Antitrust Code of Conduct is currently being updated and a new version is expected to be published in 2018, which will enunciate the general principles of antitrust law generally reflected in the applicable sector regulations in the various jurisdictions in which the Group operates. Subsequently, more detailed documents will be prepared, each focusing on the antitrust legislation specifically applicable in the main countries in which the Group operates. The Antitrust Code of Conduct, which is an integral part of this training programme, seeks to describe the issues relating to the application of Italian and EU competition policy with regard to cartels and the abuse of dominant positions. The specific situations arising must be assessed against this framework on a case-by-case basis. This action, stimulating knowledge and making individuals more aware of their professional duties and responsibilities, represents a further step in establishing an "anti-trust culture" within the Group. In this context, it should be noted that, during 2017, specific classroom training sessions were held aimed at the Group's sales force, organised in collaboration with external lecturers and legal consultants. At the same time, e-learning sessions are being published on the company intranet.

See paragraph 14 for details of the Antitrust inquiries in progress. Provisions for risks and expenses in the Annual Financial Report. It should be noted that the Group set up a provision for risks and expenses on 31 December 2017 of approximately EUR 163 million. Despite the uncertainty of the outcomes of the investigations in progress and the potential disputes formulated by customers as a consequence of the decision adopted by the European Commission in April 2014, as described in the Explanatory Notes (paragraph 14 Provisions for risks and expenses in the Annual Financial Report), this provision is deemed to represent the best estimate of liabilities based on the information currently available.

Risks of non-compliance with environmental legislation

Prysmian carries out its activities in compliance with the national and international requirements and regulations in force in the environmental field, paying particular attention to the risk of failed or non-timely compliance with regulatory changes that may occur within its business context. In particular, any non-compliance with environmental regulations may cause the Group to incur significant penalties, as well as unplanned costs for the implementation of immediate action plans with subsequent impact on operating and business processes.

In this regard, Prysmian analysed the potential risk of not complying with any changes in local legislation that implements the "Energy Efficiency Directive" 2012/27/EU (EED) on the efficiency of end-use energy. In order to manage such risks, several actions have been taken, including the definition of an Energy Audit Plan at the Group's plants to be completed by 2020, also referring to sites that to date are not required to perform energy diagnoses by law, and the development of energy efficiency projects at local and global level.

The costs for the management of compliance with environmental legislation are now part of the related Environmental Management System, adopted in accordance with the ISO 14001 standard. Any cost additions identified as necessary at Group level are discussed and estimated in agreement with the Group HSE function.

It should also be noted that, in coordination with the local teams, the Group's HSE management makes periodic visits to the plants with the aim of verifying compliance with the

rules and standards defined and organising specific training sessions for all the Prysmian staff involved in the management of activities having an environmental impact, with the intent to raise awareness of compliance with the Group's regulations and ethics.

Specific indicators are also used at central level by the Group's HSE and Risk Management departments to monitor exposure to environmental risks and promptly implement the actions necessary to reduce the risk within the tolerance thresholds.

Risks related to the social sustainability of the organisational structure and business model

The Prysmian Group, present in over 50 countries with over 19,000 employees, faces daily the difficulties arising from the management of relationships related to organisational and business activities between people with different social and cultural backgrounds. Despite the constant commitment, careful supervision and periodic awareness of staff, it is not possible to rule out that in the future there may be episodes of incorrect behaviour in violation of policies, procedures and the Code of Ethics and therefore of current regulations concerning human rights, by those that carry out activities on behalf of Prysmian, with consequent possible judicial sanctions, significant reputational damages, and impact on the business.

To support the mitigation of this risk, at the end of 2017, Prysmian, under the direction of the Group's HR & Organisation function, initiated a due diligence activity aimed at identifying the potential and current impact on human rights deriving from its activities and business relationships.

The due diligence process, in accordance with the so-called Ruggie Framework⁸, develops in the following stages:

- Assessment of current and potential impact on human rights;
- Evaluation of the results and definition of the necessary actions to prevent and / or mitigate the potential impact identified;
- monitoring of performance;
- Resolution of violations;
- Communication of performance;

The Group has also launched an analysis aimed at assessing potential gaps with respect to international human rights principles, Group Human Rights Policy and national legislation in each country in which the Group operates. The ultimate objective of the analysis is to identify the countries most exposed to the risk of violation of human rights.

THE INTERNAL CONTROL SYSTEM

Prysmian adopted an organisational model (the "Model") in compliance with the requirements of Decree 231/2001 on 24 January 2006.

This Model is periodically revised and updated to take account of changes in the list of administrative offences and crimes envisaged by the Decree, as well as the dynamics of the system of corporate governance and the organisational structure of the Group. This activity ensures that the Model is always up to date and applicable over time. In particular, in 2017 the Models adopted by Prysmian and each of the Group's Italian companies were updated with the aim of aligning them with current operating practices and organisational changes that have taken place over time. Prysmian (hereinafter "the company") is and has always been determined to comply with the related legislative requirements, to implement the principles of proper management laid down in the Decree and to improve systematically the system of corporate governance, in order to combine the achievement of excellent results with full compliance with the regulations and the highest ethical standards.

The Model, which is an integral part of the Group's broader system of governance, is designed to establish operational rules of behaviour that are suitable for preventing illicit conduct

⁸ Ruggie Framework or "United Nations Guiding Principles on Business and Human Rights" (UNGPs) is an international framework that defines 31 principles of respect for human rights in multinationals and other companies. Developed by John Ruggie (SRSG), this framework is the first global standard for the prevention and management of the risk of a negative impact on human rights related to economic and business activities

deemed significant by the Company pursuant to the Decree, based on analyses of Prysmian's business activities, decision-making processes and system of internal control.

The Model comprises two sections. The first part, of a general nature, describes the Decree, the rules of governance and the general principles on which the Model is based.

- Code of Ethics, which sets out the key principles of ethical behaviour that must be observed by all those who work on behalf of Prysmian or its affiliates. Translated into 26 languages, the Code of Ethics is displayed at each Group affiliate and periodic training sessions are held for employees and collaborators;
- Guidelines for Conduct that, by analysing the key principles expressed in the Code of Ethics, identify required behaviours in the areas of "what to do" and "what not to do", thus responding to the need to prevent possible offence risk scenarios.

The second section, on the other hand, seeks to identify and govern the specific conduct required in areas that are known to expose the Company to offence risk situations.

The fundamental principles laid down in the Code of Ethics and the Guidelines for Conduct are rendered operational by the definition of specific Decision, management and control protocols that govern, for each process exposed to offence risk: the roles and responsibilities of the parties involved, the decision-making/authorisation procedures, and the management and control methodologies adopted.

Lastly, the governance rules for the Model specify the organisational rules for implementation, ensuring the continuous functioning of the Model.

The Company therefore deemed it appropriate to regulate the processes and strengthen the internal control system with specific reference to the following types of crimes and offenses established by Decree 231: art. 24 and 25 (offenses against the Public Administration), art. 24-bis (informal crimes and illegal data processing), art. 25-bis, c.1 (crimes against industry and trade), art. 25-ter (corporate offenses, including the "Corruption between private individuals"), art. 25-sexies (market abuse), art. 25-septies (culpable homicide and serious or very serious bodily harm committed with violation of the rules on the protection of health and safety at work), art. 25-octies (receiving, laundering and use of money, goods or benefits of illicit origin, as well as self-recycling), art. 25-undecies (environmental crimes) and art. 25-duodecies (employment of third-country nationals with illegal residence).