

THE BOARD
IS RESPONSIBLE
FOR SUPERVISING
THE RISK MANAGEMENT
PROCESS SO THAT
THE RISKS ASSUMED
IN THE BUSINESS
ARE CONSISTENT
WITH THE STRATEGIES

to the external environment in which the Group operates and the Operating Risks Committee that focuses on preventing and managing the risks specifically related to the organisational structure, the processes and the Group's systems.

The two Risk Management Committees have the following responsibilities (i) to adopt and promote a systematic and structured process to identify and measure the risks; (ii) to examine the information concerning internal and external, existing and future risks to which the Group is exposed; (iii) to propose strategies to respond to the risk in relation to the overall and detailed exposure to the various categories of risks; (iv) to propose the implementation of a risk policy in order to guarantee that the risk is reduced to "acceptable" levels; (v) to monitor the implementation of the strategies adopted in response to the risk defined and compliance with the risk policies adopted.

The Management Committees avail of the Sustainability and Risk Governance function (managed by Filippo Bettini) that includes the Risk Officer (Ms. Alessia Carnevale) who coordinates the assessment process and guarantees the on-going monitoring of the Company's and the Group's exposure to the principal risks, while monitoring the effective implementation of the mitigation plans in the individual company departments and organisational units.

Pirelli's Enterprise Risk Management model forms part of three key phases in the decision-making process:

- strategic planning (medium/long term);
- operational planning (annual and quarterly);
- new investment projects

becoming an integral part of the decision-making process.

14.3.1 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Company has implemented a specific and structured risk management and internal control system supported by a dedicated IT application, in relation to the process to prepare the separate and consolidated half-yearly and annual financial reports.

In general, the internal control system implemented by the Company is designed to assure the protection of the Company's assets, compliance with the laws and regulations, the efficiency and effectiveness of the Company's operations, in addition to the dependability, accuracy and timeliness of the financial reporting.

In particular, the process to prepare the financial reports is based on adequate administrative and accounting procedures, performed in compliance with the criteria established by the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of Tradeway Commission.

The administrative and accounting procedures involved to prepare the Financial Statements and every other financial communication are prepared under the responsibility of the Responsible Officer assigned to prepare the corporate and accounting documents (Francesco Tanzi), who, together with the Chairman of the Board of Directors certifies their adequacy and effective application at the time of the annual and consolidated Financial Statements and the half-yearly financial report.

The significant Companies and Processes which supply and generate economic, equity or financial information have been mapped out to permit certification by the Responsible Officer. The significant Group Companies and Processes are identified annually on the basis of quantitative and qualitative criteria. The quantitative criteria consist in identifying the Group Companies which represent a higher aggregate value at a given materiality threshold in relation to the selected processes.

The qualitative criteria consist in an examination of the processes and companies which may present potential areas of risk, even though they do not meet