

Following the entry into force of Italian Legislative Decree no. 39/2010, the Audit and Risk Committee is even more focused on its main task of preparing the relevant issues to be submitted to the Board of Directors in order to enable the latter to make adequate choices and decisions on the internal control and risk management system issues.

The role of the Audit and Risk Committee, as an investigation body and analysis and study center of proposals in preparation for the resolutions of the Board of Directors and aimed at putting the necessary conditions in place for enabling the administrative body to make adequate choices and decisions on internal control and risk management system issues, is in perfect harmony with the new provisions on statutory auditing introduced in the system by the provisions of Italian Legislative Decree no. 39/2010.

During the 2016 Financial Year the Committee met six times (on 21 January, 12 February, 11 May, 20 July, 21 September and 5 December).

The average length of each meeting was approximately one hour. The average participation of members in the Committee meetings was 83%.

During the Financial Year the Audit and Risk Committee:

- assisted the Board in determining the guidelines of the internal control and risk management system, in the regular assessment of its adequacy and its actual operation;
- monitored the progress of the audit plan implemented by the Internal Audit Department pursuant to Italian Law no.262/05 and Italian legislative Decree no. 231/2001, as well as the implementation of the recommendations issued from time to time;
- evaluated the correct use of the accounting principles and their consistency for the purpose of the drafting of Consolidated Financial statements together with the Officer in Charge (plenary meeting of 14 March);
- presented the results of the Enterprise Risk Management project to the Board on 18 February 2016;
- reported to the Board (on 29 July 2016 and on 25 January 2017) on the activities carried out in the first and second semesters of 2016 and on adequacy of the Internal Control and Risk Management System.
- participated in the plenary meeting of the control bodies of 14 March 2016: the plenary meeting involved the Company parties/bodies having a role in making sure that the internal control and risk management system is operating properly (aimed, *inter alia*, at the approval of the assessment of the organisational structure and the internal control and risk management system).

In the 2017 financial year the Control and Risk Committee has met on 25 January and 18 February. On 14 March 2017 a plenary meeting of the control bodies was held, attended by the Committee itself, the Supervisory Body, the Audit Firm, the Board of Statutory Auditors, the Internal Audit Manager, the Director in charge of the Internal Control and Risk Management System, the Director in charge of drawing up the Company's accounting documents pursuant to Italian Legislative Decree no.262/05 and the Legal Department.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In compliance with principle 7.P.1. of the Code, the Internal Control and Risk Management System is defined as the set of rules, procedures and organisational structures aimed at enabling the identification, measurement, management and monitoring of the main risks. An efficient Internal Control and Risk Management System helps to ensure the protection of company assets, the efficiency and effectiveness of corporate transactions, the reliability of financial information and compliance with laws and regulations.

The Internal Control and Risk Management System is operated and monitored by the following parties within the Company, which are involved in various capacities and with different responsibilities in the Internal Control and Risk Management System. Each one has specific duties, as described below:

- Board of Directors;
- Director in charge of the Internal Control and Risk Management System;
- Board of Statutory Auditors;
- Supervisory Body;
- Audit and Risk Committee;
- Internal Audit Department.

In addition to the parties mentioned above, other parties are involved, in various capacities and with different levels of responsibility in the management of the Internal Control and Risk Management System:

- Officer in Charge of the preparation of the Company's accounting documents pursuant to Italian Legislative Decree no. 262/05;
- Audit firm;
- other internal control departments (Quality, Safety, Compliance, etc.);
- other bodies prescribed by different regulations (ISO certification bodies).

The Board of Directors believes that the current division of the parties involved in the Internal Control and Risk Management System and the interrelationship between the control bodies and departments guarantee an adequate level of reliability on the capacity of the system itself to achieve its goals.

The evaluation, insofar as it refers to the Internal Control and Risk Management System in its entirety, reflects the limitations inherent in such a system. Even if it is well-conceived and functional, this System, in fact, can only guarantee with reasonable probability that Company objectives are achieved.

The Board of Directors met on 15 March 2017, and, on the proposal of the Audit and Risk Committee, having consulted and obtained the approval of the Board of Statutory Auditors (which met together the previous day with the Audit Firm, the Director in charge of the internal control and risk management system, the Officer in Charge of the