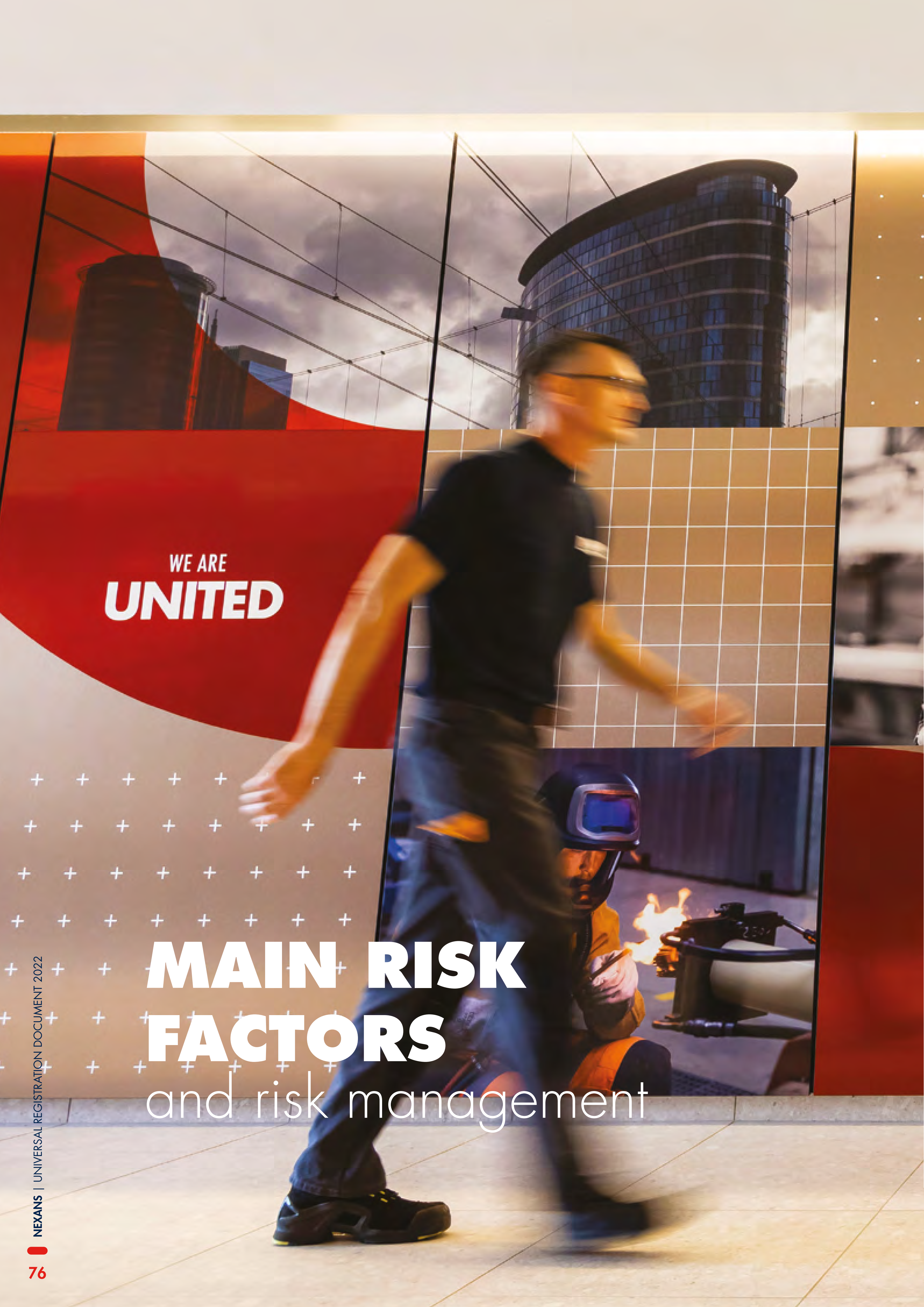

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2.1 Risk factors

In an environment in constant evolution and changes, Nexans is committed to protecting the interests of its shareholders, employees, clients, suppliers, and all of its stakeholders, while achieving its objectives. In this context, Nexans is implementing an active risk management policy to be able to efficiently respond to internal and external threats likely to have a material adverse effect on its financials, its business activities, its reputation or its prospects. Due to Nexans global presence, the competitiveness of the cable industry and the diversity of its business activities, Nexans is exposed to a variety of risks, both endogenous and exogenous. Strategic, Operational, Legal and Compliance, and Financial risks identified by Nexans are constantly managed to mitigate both their occurrence and their impact. For that purpose, the Group has developed and continuously improves, its risk management process and organization.

As part of Nexans' risk management process, the Group has conducted a risk assessment to identify the risk factors to which it is primarily exposed. The 15 risks presented in this chapter are the risks that the Group considers may have a material adverse effect on its financials, its business activities, its reputation or its prospects. These 15 risks are, however, not exhaustive and other risks or uncertainties, whether unknown or not considered herein at the date of this Universal Registration Document, could occur or arise and have a material adverse effect on the Group's financials, its business activities, its reputation or its prospects.

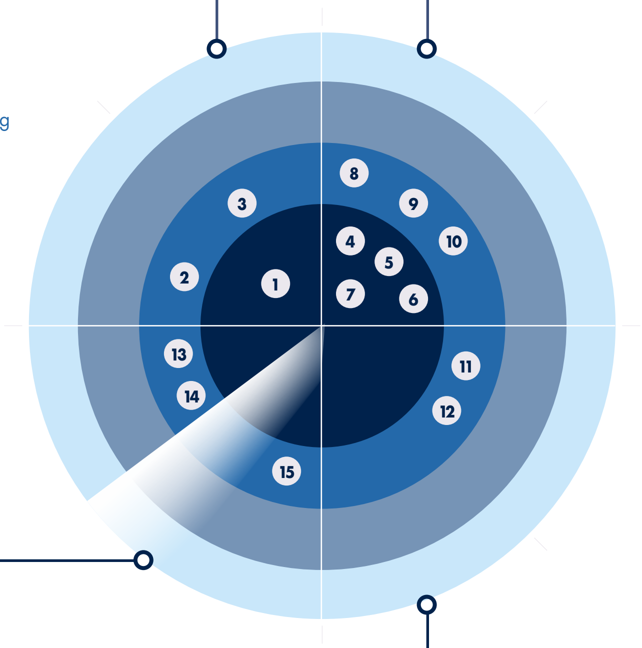
Pursuant to the provisions of Article 16 of Regulation (EU) 2017/1129 of the European Parliament and of the Council, this chapter presents the principal specific risks that could, on the date of this Universal Registration Document, impact the Group's business, financial condition, outlook reputation, operational results or ability to achieve its objectives. The 15 risks are grouped in four categories (Strategic Risks, Operational Risks, Legal and Compliance Risks, and Financial Risks).

As regards the methodology, the 15 identified risks are those which are specific to Nexans and have the greatest net impact. The ranking is based on the assessment: i) of the greatest level of criticality (level of the potential impact on the Group if the risks were to occur multiplied by probability of occurrence) and, ii), for each given risk, of the risk mitigation measures deployed by the Group to prevent their occurrence and/or minimize their impact. Risks are then ranked by order of importance and, within each category, risks with the greatest residual exposure are presented first. The residual exposure of the risks mapped by the Group are ranked on a scale ranging from low, moderate, material to critical.

Only risks assessed as "material" or "critical" are detailed in this chapter.

- Other risks such as health, safety, human resources, and human risks:
  - These risks relate to issues of primary and vital importance for Nexans. Even if they do not qualify risks specific to Nexans, Nexans is constantly deploying and monitoring preventive measures or actions to limit the occurrence of those risks and minimize their impacts.
- The main non-financial risks and the policies in place to prevent or reduce their occurrence are presented in detail in the Non-Financial Performance Statement.
- Other risks such as for market and innovation risks:

  These are risks with medium or long-term trends that may impact Group's strategy and business model.
- Other financial risks such risk of foreign exchange, internal control and tax risks:
  - These risks are considered "moderate risks" in the current context. In addition, measures are deployed to prevent and/or mitigate their potential impact.



STRATEGIC RISKS

1. Geopolitical, political and social instability risk
>> Critical

2. Risk related to the competitive environment of the Group's operating subsidiaries
>> Material

3. Risk related to M&A
>> Material

FINANCIAL RISKS

13. Related to the metal price and the hedging of its volatility
>> Material

14. Related to interest rates
>> Material

15. Related to liquidity
>> Material

OPERATIONAL RISKS

4. Risk related to cyber security, continuity and performance of information systems
>> Critical

5. Risk related to climate change and natural hazards
>> Critical

6. Risk related to Generation & Transmission turnkey projects
>> Critical

7. Risk related to price fluctuations and availability of raw materials
>> Critical

8. Industrial and environmental risk
>> Material

9. Risk related to the volatility of energy prices
>> Material

10. Risk related to contractual liability: product liability
>> Material

LEGAL AND COMPLIANCE RISKS

11. Risk related to non-compliance with antitrust laws
>> Material

12. Risk of non-compliance with anti-bribery legislation
>> Material

● **Critical** ● **Material** ● **Moderate** ● **Low**

2.1.1. Strategic risks

2.1.1.1. Geopolitical, political and social instability risk

Risk ranking

Potential effects for the Group	Main correlated Risks
• Impact in the assets' integrity and safety of employees, loss of human resources to other less affected industries • Impact on the performance of the facilities • Decrease in sales volumes	• Risk related to the safety of Nexans employees • Risk related to the security of Nexans assets • Risk relating to business development • Counterparty risks • Currency risk • Liquidity risk

RISK DESCRIPTION

Certain high-growth regions are important for the Group's development but are exposed to major geopolitical risks. In 2022, some 9% of the Group's sales at current non-ferrous metal prices were generated in the MERA Area (Middle East, Russia, Africa) and around 2% in countries which are classified by the Group's credit insurer as having "a very unsettled economic and political environment" or representing a very high risk. With respect to the war between Russia and Ukraine, Nexans is present in Ukraine through Nexans Autoelectric, which has three plants in Western Ukraine specialized in the manufacture of automotive harnesses. The Group's total assets in Ukraine represent less than 1% of the consolidated balance sheet if the Group.

In addition, it is Nexans Strategy to develop its business activities also in high-growth regions (such as in South America and Africa) which may be subject to geopolitical, political and social instability. In 2022, elections in Colombia, Brazil and destitution of Peruvian President in December 2022 are examples of political tensions and/or instability that might impact business activities.

Relations between China and the United States are also factor of risks and uncertainty for the Group's operations. These include in particular future trade policy that may be introduced affecting generally customs protection and export controls regulations.

Similarly, Gulf crisis still continue to limit export opportunities for the Group's subsidiary in Qatar (consolidated by equity method) to the Gulf states. Conditions remain uncertain. With respect to Lebanon, since 2020, the political and economic instability has led and still lead in particular to a strict foreign exchange control policy by Lebanese banks affecting activities of the subsidiary in Lebanon.

In an environment shaped by chronic budget deficits in emerging countries in the past several years, governments are now tending to introduce stricter tax laws in order to maximize their income from taxes and levies. Consequently, these governments take positions that could lead to legal disputes or double taxation issues. In some countries (in particular in non OCDE countries), the Group may face issues of tax instability and uncertainties which could affect the financial results of Group's operating entities.

Lastly, recession post Covid-19 crisis still active in some countries may lead to economic and social instabilities which effect may materialized in 2023 and potentially in the following years.

RISK MANAGEMENT RESPONSE

The Group closely monitors its industrial and commercial operations and its turnkey projects in countries exposed to geopolitical risks, including but not limited to Ukraine, Brazil, China, Colombia, Ivory Coast, Ghana, Lebanon, Libya, Tunisia, Philippines, Nigeria and Turkey.

The systematic and continuous review of the most current geopolitical situation is embedded in the Group's investment decision-making processes, including for M&A initiatives.

To minimize any potential impacts of geopolitical, political and social instability risk, the Group i) is developing a policy of diversification of suppliers and internal sourcing and ii) is continuously enhancing its Business Continuity Management processes at its industrial sites.

Lastly, since years, the Group has Implemented and improved in 2022 a defined procedure to closely manage export control regulations.

With respect to Ukraine, since the beginning of the war, the Group has been monitoring the risk very closely, focusing first on protecting employees as well as the supply chain and business continuity. Besides to limit its exposure in Russia, end of July 2022, the Group has divested the minority shareholding it held in Impex, a company based in Russia.

Critical Material Moderate Low

2.1.1.2. Risk related to the competitive environment of the Group's operating subsidiaries

Risk ranking

Potential effects for the Group	Main correlated Risks
• Decrease in sales volumes • Pressure on the selling price	• Risks related to M&A operations

RISK DESCRIPTION

The number and size of competitors of the Group's operating companies vary depending on the market, geographical area and product line concerned.

The medium and low voltage cable markets are competitive, local markets, very fragmented both regionally and internationally. For some businesses and in certain regional markets, the main competitors of the Group's operating companies may have a stronger position or have access to greater know-how or resources.

In addition to large-scale global competitors, new market players have more recently emerged, which are drawing on low-cost production equipment and organizational structures and therefore creating additional capacity and an extremely competitive environment (both domestically and internationally). These players have emerged over the last ten years and are growing rapidly, in many regions of the world including in Southern and Eastern Europe, the Middle East, South Korea, China but also in South America and Africa.

In the high voltage cable market an escalation in competition both from existing operators and from new players, not necessarily from the industry but with leaner and more flexible organizational models, and/or significant financial resources, could have a potentially negative impact. Although the existence of certain barriers to entry (such as those relating to ownership of technology, know-how and track record that are difficult to replicate) may limit the number of players able to compete effectively on a global scale in high value-added segments.

RISK MANAGEMENT RESPONSE

The Group is driving competition performance analysis and follow-up of organizational changes and M&A news, and reviewing its competitors peer group and all key players.

In high voltage markets, throughout the years, Nexans has focused on innovative technologies, investment in differentiating assets such as Nexans Aurora cable-laying vessel, building up its EPCI know-how and consolidating its track record to ensure smooth project execution, high quality product delivery and strong customer relationship, while always abiding by this risk-reward mindset. Nexans' risk management starts at the very earliest stage and as early as the tendering phase. In order to abide by Nexans commitment to focus and generate value, the Group is required to ensure strict and comprehensive selectivity. For each project notably for Interconnections and Wind Offshore activity (representing a value above 5 million euros), Nexans systematically applies its risk and reward analysis, combining three fundamental dimensions: i) financial modelling, ii) technological risk and iii) the terms and conditions. Thus, guaranteeing a healthy and risk-balanced backlog.

In medium and low voltage businesses, Nexans relies on its diversified and strong local presence. As part of its SHIFT Prime program, the Group is strengthening its brand and customer relationship, and provides a full portfolio of solutions for customers from product to sub-systems and services.

Nexans also reinforces its offer in selected markets with acquisitions such as Centelsa in Colombia on April 1, 2022 and the signing on November 10, 2022 of a share purchase agreement for the acquisition of Reka Cables in Finland (see further details in section 2.1.1.3.).

2.1.1.3. Risk related to M&A

Risk ranking

Potential effects for the Group	Main correlated Risks
• Difficulty in realizing identified synergies • Difficulty of integration endangering operating performance of the facilities	• Compliance risk • Risk of liquidity

RISK DESCRIPTION

Nexans defines and follows a strategy focused on becoming an electrification pure player, which is reflected by external growth operations in electrification segments and the disposal of non-electrification activities.

Nexans is pursuing a disciplined M&A strategy; strategic fit of targets is closely evaluated with respect to the market attractiveness of the business, the opportunity to create value going forward and potential synergies with Nexans. In this context:

- on April 1, 2022, Nexans finalized the acquisition of Centelsa, a premium cable maker in Latin America active in the production of cables for Building and Utilities application from Xignus;

Critical Material Moderate Low

- on November 10, 2022, Nexans announced that it has entered into a Share Purchase Agreement with Reka Industrial Plc to acquire Reka Cables, active in the manufacturing of low and medium voltages cables for the Usages and Distribution applications. This acquisition will strengthen Nexans' position in the Nordics notably in the segment Distribution and Usages.

The Group is also party to a certain number of joint venture agreements. These agreements can only work if the joint venture partner have the same objectives and the country environment permits the objectives realization, and there is always a risk that these objectives may diverge, leading to operational difficulties for the entities concerned. In that respect, i) end of July 2022, Nexans sold to its local Russian partner its Russian affiliated company Impex in which Nexans was holding a minority shareholding and ii) on December 13, 2022 Nexans sold to its local partner the shares Nexans was holding in two entities in Republic of Senegal named Sirmel Sénégal and Les Câbleries du Sénégal.

Lastly, beyond the necessary work of integrating a new structure into the Group (alignment of certain procedures, integration into the IT environment, etc.), which could run into difficulties, such a structuring acquisition for the Group is accompanied by an ambitious integration plan.

RISK MANAGEMENT RESPONSE

The Group is conducting detailed market studies to identify best opportunities of merger and acquisition to pursue its strategy.

The Group has put in place specific process and governance for each project. In particular, it has set up a Mergers and Acquisitions Committee which is responsible for examining and approving all acquisition and divestment projects as well as potential strategic alliances or partnerships. With the exception of major acquisitions piloted by Mergers & Acquisitions Department, project of acquisition or alliances are under the responsibility of Business managers supported by the Mergers & Acquisitions Department.

Each acquisition is to be subject to robust due diligence with the support of internal specialists and/or external experts or advisors. This enables Nexans to identify risks related to the acquired company and implement mitigation action by obtaining a reduction of the price or contractual provisions such as indemnification clauses.

An integration plan process to be led by an integration project manager is to be implemented under the supervision of a member of the Executive Committee.

With respect to disposals, the Mergers & Acquisitions Department leads such projects with the support of recognized external advisors to prevent any risks.

2.1.2. Operational risks

2.1.2.1. Risk related to cyber security, continuity and performance of information systems

Risk ranking

Potential effects for the Group	Main correlated Risks
• Financial impact • Reputational impact • Operational impact • Competitiveness impact (Loss of sales/contract/customer)	• Risk of business interruption/disruption • Risk of data loss and/or disclosure • Risk of fraud • Risk related to quality and safety of Nexans employees • Risk of third-party claims

Critical Material Moderate Low

RISK DESCRIPTION

Nexans' business fully relies on information technology, systems and infrastructure (datacenters, servers and networks). Like any organization using information technology, the Group is highly exposed to the risk of cyber-attacks. Cyber-attacks could originate from within the Group (system obsolescence, configuration errors, lack of infrastructure maintenance, malicious acts) – or from outside Nexans (criminal organizations acting on their own behalf or that of State organizations).

Technically advanced in the world of information systems as well as in industrial systems, benefiting of important means, these attacks are becoming increasingly sophisticated and can lead to business interruption, theft of know-how or confidential information, fraud attempts or ransomware with financial and reputational impacts which can be potentially extremely high. It is important to highlight that any crisis, such as the Covid-19 pandemic, is capable of exacerbating the risk of cyber-attacks also due to the widespread policies of remote and home working activities. In 2022, the industrial sector was identified as the sector having suffered the most of cyber-attacks.

Due to the global presence of the Group, Nexans' business activity requires multiple and often interconnected information systems, IT applications as well as industrial information systems. In addition, the implementation of more digital initiatives, new services for customers and partners, and potentially disruptive technologies increase Nexans' potential exposure to cyber security threats, including without limitation, denial of service attacks, industrial espionage, and ransomware attacks.

Any disruption or interruption of service could potentially affect multiple regions and businesses, with significant disruption on i) industrial processes (disturbance of production or distribution activities) and ii) the capacity for internal communication. It could also affect Group's image. This risk enroll itself in a context of reinforced regulatory requirements related to protection and confidentiality of data.

RISK MANAGEMENT RESPONSE

The cyber security team, led by the Chief Information Security Officer, is integral part of the Risk Management Department and is fully dedicated to cyber risk. It defines and implements policies and projects specific to the cyber security Program as well as personal data protection. It develops guidelines on the use of information and industrial systems for all employees. The cyber security team is also responsible for conducting regular security audits and security testing on the Group's key business and industrial assets, with the support of external service providers.

The operating teams of the Corporate Information System Department and of the Business Groups Information System Departments as well as the cyber security teams are continuously strengthening Group's cyber security processes and tools along the three fundamental axes (*i.e.* to prevent, to detect and to react against cyber incidents), in close relation with their service providers.

In recent years, cybersecurity governance has been enhanced thanks to the development of a network of correspondents within the Business Groups, who allows the dissemination and application of Nexans General Management Procedure relating to cyber risk management in collaboration with the central cyber team. Cyber securities issues and measures implemented to fight against cyber security are addressed twice a year with Business Groups EVP and presented on a regular basis to the Nexans Executive Committee.

In addition, Cyber security program and realization of the actions plan are presented every year to the Accounts, Audit and Risk Committee.

The cybersecurity team has designed a cyber security program based on 4 pillars:

1) Raise awareness and empower Nexans' people to effectively thwart threats by placing them at the center of its detection and response capabilities:
   - an online training named Cyber & Me is required for employees having access to the Group's IT system. In addition, an e-learning training on cyber security was integrated during the annual Compliance Week and was followed by 100% of managers;
   - cyber security is part of the Group's compliance training during Nexans annual Compliance Week. In addition, a Cyber Week was organized in October and cyber securities roadshows were deployed in 15 industrial sites throughout the year to raise awareness at industrial level;
   - cyber security teams developed communications on cyber security issues (*via* 29 cyber tips communicated to all Nexans employees and 32 yammer post),
   - phishing campaigns are performed several times per year. In 2022, 13 phishing campaigns were performed,
   - Nexans' Information and Cyber Risk policy is regularly updated, to be adapted to emerging threats. In this respect, in 2022 the End-user Security policy has been updated and communicated during Nexans annual Compliance Week. The objective of this End-user Security policy is to advise users on key rules to be applied when using Nexans' information system tools so that to avoid cyber incidents;

2) Protect key technological assets and among others industrial activities by controlling access to information and their treatments:
   - in particular, any industrial project such as the one of Schneider for Industry 4.0 transformation and IT projects are analyzed to assess the level of business impacts in case of a security incident. Based on a risk analysis, security controls – technical, operational as organizational – are defined and their implementation controlled;
   - based on an approach of defense, the teams of the Information System Department have deployed security technologies such as web filtering, email analysis, anti-malware on workstations and servers, network segmentation,
   - the Group is deploying access control solutions of last generation. This deployment is accompanied by a project aimed at supporting the change to cover all the businesses for a better management of access and their control,
   - the Group has started deploying an OT threat detection solution on two critical factories (Autun in France and Grimsas in Sweden) and will continue to be deployed In other industrial sites in the coming years;

3) Respond to any threat and cyber incident as soon as possible to limit the adverse impact on the business and industrial operations:
   - threats are constantly monitored and security incidents detected thanks to a Security Operations Center (SOC) enhanced in 2022, including in the industrial environment,
   - cybersecurity incidents are timely and adequately handled by means of an internal crisis response team integrating internal and external experts in cyber security thanks to specialized probes,
   - to prevent any situation such as a Cyber security attack whereby Nexans would forbid Its employees the access to Nexans IT system, the Group has secured its ability managing a crisis by acquiring a tool to managed crisis which is independent from Nexans IT system,
   - Nexans has subscribed a cyber security insurance whereby insurer is partnering Nexans should the Group was to face cyber incidents or attacks;

4) Control the effectiveness of operated security tool and controls and provide means of continuous improvement:
- cyber penetration tests are performed on a yearly basis on Group's key business and industrial systems to identify the main vulnerabilities and develop mitigation actions,
- specific security acceptance tests are performed in the phase of development of business, industrial and IT projects before going into production.

Group cyber security system and program are continuously improved to adapt to Nexans' business strategy, cyber threat evolution as well as to digital, IT and industrial transformation of the Group.

2.1.2.2. Risk related to climate change and natural hazards

Risk ranking

Potential effects for the Group	Main correlated Risks
• Business impact – Disruption of activity	• Risk related to the safety of Nexans employees
• Financial impact	• Assets physical risk
• Destruction of physical assets	• Business continuity risk

RISK DESCRIPTION

With respect to physical risks, some of the Group's manufacturing sites are located in areas at risk of natural disasters (earthquakes, tornadoes, floods, etc.).

For example, the Charleston plant in the United States is located next to a river and enjoys access to the sea; the area is prone to hurricanes. The site is therefore subject to natural disaster risks that were taken fully into account at the time of its construction. Although the Group draws up a systematic audit plan of its sites in cooperation with its property insurer for the purpose of implementing plant integrity risk management processes, it is impossible to rule out all risks of production stoppages.

Since several years, the Group perform analysis to better assess Nexans risk exposure and implement mitigation measures, if needed. In that frame:
- in 2016, a review was performed with the Group's property & casualty insurer to assess the possible impact of global warming on the Group's exposure to flood and storm risks and make any necessary adjustments to its insurance coverage of these risks;
- in 2018, by a review to assess the possible impact of global warming on the Group's exposure to drought risk.

These studies are particularly important given the current insurance market.

The list below [1] details the sites with a risk of natural catastrophes with high level of exposure plus some sites or countries which have encountered in the past exposures to natural hazard:
- earthquake: Japan, USA, Lebanon, Turkey, Italy, Chile, Peru;
- windstorm: Switzerland, Belgium, Japan, Norway, USA;
- flood: Norway, Australia, USA, France, Turkey, Brazil;
- hail/ice strom: Switzerland, Germany, Belgium, France, Canada, Turkey;
- tornado: USA, Japan;
- coastal flood, tsunami: Japan.

As part of a climate-change risks study conducted in 2021 in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), a physical risk assessment on 11 industrial sites of Nexans was carried out covering the period 2030 to 2100 (see section 3.3.5.: The resilience of the Group's business model to the impact of climate change - Chapter 3, for more details). It showed that under a warming scenario of 3°C:
- there might be an increased intensity damage due to climate change. Peaks are assumed around 2070 to 2080;
- main climate risks would be flood, sea level rise and tropical cyclone;
- even if the risks of flood and sea level rise increase significantly, only one site would be exposed to risk of flood;
- risk of tropical cyclone would remain stable over the period;
- risks of drought, wildfire, convective storm and heatwave would increase with impacts on the sites analyzed remaining limited.

Lastly, like other international organizations, Nexans activities may be exposed to a risk of energy transition (which arise from the transition to a low-carbon economy).

RISK MANAGEMENT RESPONSE

Nexans is continuously assessing risks related to natural disasters with the support of its property insurer reviewing in the meantime the mitigations plan to be implemented to better mitigate the impacts of such risks should a natural disaster occur.

When investing in industrial sites like in Charleston or for sites exposed to high risks of natural hazards, the Group ensures technical solutions are defined to reduce impacts of such natural disaster risks. For example, In Charleston, several measures have been implemented to mitigate the risks:
- in the facility design: several measures have been taken such as all roof members are attached with Hurricane Approved fasteners…;
- in the site design: for illustration, the site was purposely built up to have the Building Elevation at 15 foot (4.5 meters);

(1) Other sites can also be exposed but their level of exposure is not assessed as high.

- with a emergency management plan in particular relate to hurricane where designated plant personnel follow and coordinate with local county and state emergency management departments when a hurricane has formed in the region.

In other sites, the Group is continuously developing natural hazards mitigations plans such as implementation of water closed circuits to fight against risks of drought. Employees are regularly trained to adequately react should natural disaster event take place. Business continuity plans are developed, and crisis management processes are in place to manage exceptional natural events.

With respect to transition risk, the Group has led in 2021 a study (aligned with TCFD guidelines) to assess the risks and opportunities related to climate (see section 3.3.5.: The resilience of the Group's business model to the impact of climate change - Chapter 3, for more details). From the study, it appears that climate change could lead to business opportunities for Nexans.

As regards risks related to climate change, in 2022, it was part of Nexans annual Compliance week training.

2.1.2.3. Risks related to Generation & Transmission turnkey projects

Risk ranking

Potential effects for the Group	Main correlated Risks
• Group reputation • Financial impact (claims for damages, delayed payments, decrease in sales and GM, metal and currency impacts…)	• Risk related to claims and legal proceedings • Risk related to contractual liability: product liability • Risk related to the competitive environment of the Group's operating subsidiaries

RISK DESCRIPTION

Expansion in the United States

The US market for high voltage cables is expected to show strong growth, driven by the development of offshore wind farms to support the energy transition. The United States are targeting 30 GW of installed offshore wind capacities by 2030.

The Group has transformed its high voltage subsea cable plant in Charleston, South Carolina, United States, to supply the rapidly expanding US offshore wind market. The one-of-a-kind subsea, sole high voltage cable plant in the United States of America, contributes to the development of a local supply chain and supports for the offshore wind industry.

Any delay in the ramp up of our high voltage subsea cable plant in Charleston could jeopardize our ability to capture the market growth.

The Group remains exposed to regulations changes at Federal State and/or local states level which could incur a reinforcement of local content regulations and potentially impact Nexans sales in the US market.

Projects award delays

Due to the increasing size and complexity of turnkey projects, the Group might face difficulties in assessing when final award of turnkey projects will take place as turnkey projects calendar will depend inter alia of the customers' ability in finding financing in due time.

Any delays in turnkey projects calendar could impact Nexans forecasts and ability of Nexans to bid for such turnkey projects.

Industrial capacity, installation and production

The majority of contracts for the supply and installation of cables as part of turnkey projects involve subsea and land high-voltage cable operations. The sales generated on such projects vary from one year to another and represent approximately 13% of consolidated sales at constant non-ferrous metal prices. The individual value of these contracts is often high and they contain penalty and liability clauses that could be triggered if a Group company does not comply with the delivery schedule and/or with quality requirements (for example, technical defects requiring major intervention after installation). The two market segments in which Nexans is mainly engaged are, on the one hand, the interconnection and electrification projects (land and subsea), and on the other hand, the offshore wind projects. Trends in these two markets are i) the increase in the size of projects, and ii) increased technical complexity with increased water depths, bigger size cables and dynamic applications. In this regard, it is to be noted that these trends take place in a context where some customers have increased their requirements as to the level of risk-liability that suppliers must be prepared to assume in order to be awarded the project.

Risks related to projects size and complexity

Due to the increase in complexity and/or size of interconnection subsea projects as well as of offshore wind projects, Nexans operating entities have to manage multiple subcategories of risks such as:

- these projects imply high value sub-contract packages (in particular off-shore protection, on-shore civil works) and require from Nexans operating entities a higher level of expertise in such packages and the ability to manage subcontractors for high value works;
- in a context of inflation, price volatility on raw materials and energy costs, the increase in the size of the projects will increase the impacts should the Group fail in its hedging policy or fail to pass costs to customers;
- the complexity and increasing size of the projects require an even more robust costing scheme in its pricing of the turnkey project. Therefore, it could have an impact on the rentability of the said turnkey projects.

Critical Material Moderate Low

Risk related to vessels availability

The award of major turnkey projects will require, in addition to the two vessels owned by Nexans, the subcontracting of vessels raising an issue of availability of appropriate vessels.

Risk of contractual liability

Nexans will therefore be more exposed in terms of warranty knowing that customers are generally looking for tougher contractual terms and conditions that some competitors seem ready to take. This risk is significative due to i) the increase in the size of the projects and ii) the number of projects taken which make the cumulative exposition higher.

Risks related to deterioration of key assets

Should Nexans suffer damage and/or deterioration on key assets for the land and subsea high voltage activities (including Nexans Aurora vessel, Charleston, Futtsu or Halden industrial sites), this could entail in particular delays in major turnkey projects. This could have a material adverse effect on the financial position and earnings of the Group.

Risk of delays in turnkey projects execution

In view of the increases in transmission voltage and customer requirements, the increasing size and complexity of the projects, the important volume of the back log as well as the need to successfully complete certain tests after the contract signature can lead to delays in the manufacturing schedule and/or require certain cables to be remanufactured.

Likewise, successfully carrying out turnkey infrastructure projects can depend on and/or be affected by the occurrence of unforeseen events or the existence of circumstances that were not taken into account during the project preparation phase. When such events or circumstances arise, the Group company concerned sometimes are able to agree with the customer to amend the related contractual provisions, but that company may have to temporarily or permanently carry extra production or installation costs. This was the case with respect to Covid-19. As of the date of this present Document, Nexans operating entities are constantly monitoring restrictions measures taken by countries to adopt mitigation actions to ensure continuity of the activity in particular as regards logistic issues and installation works.

If a Group company is held liable for a problem in connection with a turnkey contract, this could have a material adverse effect on the financial position and earnings of the Group as a whole as (i) heavy penalties may be incurred, (ii) all or some of the cables concerned may have to be replaced (before or after delivery), (iii) damage claims may be filed against the Group company involved, (iv) warranty periods may have to be extended, and/or (v) the liability may result in other more far-reaching consequences such as production delays for other projects.

If the Group or its companies are subject to any such claims, the Group takes their impact into account when calculating the margins recognized on the contracts concerned, as described in Note 1.E.a to the consolidated financial statements.

RISK MANAGEMENT RESPONSE

Regarding the risk related to US expansion, the following measures are in place:

- Nexans has signed a framework agreement with Eversource and Ørsted to supply the first US-made subsea high voltage export cables for the projects and will deliver up to 1,000 km of cables for Ørsted's and Eversource offshore wind farms in North America up until 2027;
- a dedicated team has been appointed to ensure a timely ramp up of our high voltage subsea cable plant in Charleston;
- in addition of the decision to transform its high voltage subsea cable plant in Charleston, South Carolina, United States, Nexans is closely following and monitoring any potential evolution of regulations in relation with local content issues;
- in 2022, Nexans received final order from Equinor/bp joint venture for U.S. offshore wind export cables turnkey contract for Empire Wind 1. The project is part of the larger Empire Wind offshore wind farm that will generate enough renewable energy to energize over one million homes in New York state. Over 500,000 of those homes will be powered by the cables from this contract for Empire Wind 1.

Regarding risk on turnkey projects, the Group has developed detailed risk management system for turnkey projects based on the following:

- all major contracts entered into by the Group's operating subsidiaries are subject to a systematic risk-assessment procedure and all bids representing over 25 million euros for the Business Group Generation & Transmission are submitted to the Group Tender Review Committee. Particular focus is placed on ensuring that the Group's sales and technical teams are able to pinpoint the risks inherent in sales contracts and that they involve the Legal Department in contractual negotiations;
- the execution of the projects are directly managed by a Project Director who relies on specialized teams tasked with delivering the project within budget, with the right quality and on time. In addition, the teams ensure the proper implementation of the Group's risk management policy. In this context, the teams implement a continuous risk assessment and implementation of actions to identify and mitigate risks which may appear during project execution;
- quality policy and control procedures are in place to monitor quality in production;
- production sites are ISO 9001 and ISO 14001 certified;
- the development of technology aimed at guaranteeing customers reliable industrial processes as well as high quality and performance of the products;
- the implementation of new installation capacity such as the Nexans Aurora, the new cable laying vessel commissioned in 2021. This new capacity will enable a substantial improvement in timely execution of the turnkey projects as well as in the respect of protection obligations of the cables which improvements will participate in the competitiveness of offers;
- to face backlog increase, Nexans has entered with VAN OORD a charter contract to ensure vessel availability for 2025 and part of 2026;
- the Group has subscribed a Construction All Risk (CAR) insurance program specifically designed to address turnkey project risks;
- as part of its continuous improvement process, Nexans has entered into a partnership with Bureau Veritas aimed at certifying Nexans' organization and risk management processes for the execution of turnkey projects. In this context, Bureau Veritas has audited the said processes. This audit process lead to a certification issued on January 15, 2022;
- cables – which have to comply with a certain number of specifications and international standards – are tested several times: i) before the start of manufacturing, ii) before delivery subject to factory acceptance tests (FAT) and iii) after installation and before entry into service (Site Acceptance Test);
- experienced staff resources required to manage sub-contractors at tender stage and execution of the project have increased. The Business Group Generation and Transmission also reviewed its processes and organization to better adapt to this change in project size and complexity.

2.1.2.4. Risk related to price fluctuations and availability of raw materials

Risk ranking

Potential effects for the Group	Main correlated Risks
• Financial impact (liquidated damages for delay, claims for damages, etc.) • Business interruption • Sales decline	• Metal price risk and hedges of price volatility

RISK DESCRIPTION

The cable industry is highly dependent on the supply of core raw materials (in particular copper, aluminum, lead and plastics).

Copper, aluminum, lead and plastics (particularly PE and PVC) are the main raw materials used by the Group's operating companies, with copper and aluminum accounting for the vast majority of their raw material purchases. Optical fiber is also an essential raw material for the Group's manufacture of telecommunications and data cables.

Consequently, price fluctuations and product availability have a direct effect on the Group's business. In that respect, the Group is constantly assessing the risks of supply tension on raw materials prices and availability.

Copper consumption in 2022 amounted to around 460,000 tons (*versus* 480,000 tons in 2021), excluding the approximately 79,000 tons processed on behalf of customers. To cover their main requirements, Group companies enter into annual contracts with various copper producers for the purchase of pre-determined amounts. The Group's aluminum consumption in 2022 totaled 108,000 tons (*versus* 95,000 tons in 2021).

The Group does not rule out the possibility that supply and demand tensions on the copper and aluminum markets could lead to supply shortages and thus have an impact on its activities in particular as a consequence of the war between Russia and Ukraine.

Risk of shortages

- Global shortages, supply interruptions or the inability to obtain raw materials at commercially reasonable prices could have an adverse effect on the Group's earnings;
- For some raw materials such as i) silicone or XLPE used in the production of high-voltage DC cables or ii) plastics, in particular of specialty, the number of suppliers is limited. The Group does not rule out that potential market pressures or exposure to industrial risks (such as the risk of fire or explosions), could lead to supply difficulties that could adversely affect the Group activities. If such a risk were to occur, the business of some of the Group's operating subsidiaries could be significantly impacted;

- In addition, operating entities for high voltage activities are facing difficulties to be supplier with specific kind of aluminum required on the US market. The Group also face limited capacity for steel (specific steel grades) and for aluminum rod low carbon.

Risk of price volatility

With respect to price volatility, should the price of its supplies increase, the Group may not be able to fully pass on the increases to its customers and may face pressure on credit line of copper suppliers who will be requiring payments spot. In addition to price risk, due to its multi-country and multi-zone sourcing policy, the Group has an indirect exposure to foreign exchange risk on its purchases of oil by-products (plastics, etc.), natural gas and steel, which together account for a large proportion of total raw materials purchases other than non-ferrous metals.

Additional risks can also be linked to the fact that non-ferrous metal markets (copper, aluminum and lead) work on the basis of take or pay contracts.

Finally, apart from cyclical events, the tensions on the commodities market are also due to structural factors. These elements are linked to an increasing demand for green energy supply, net zero emissions targets and broader climate issues. They are driving a sharp increase in the consumption of certain raw materials, while also impelling a search for substitute raw materials that are more environmentally friendly.

RISK MANAGEMENT RESPONSE

To reduce risks related to raw materials, the Group has developed various mitigation actions including in particular:

- for non-ferrous metal markets (copper, aluminum and lead), the Group entities work on the basis of take or pay contracts and negotiate volume flexibility clauses to avoid the risk of oversupplies.

The Group's policy is to secure its non-ferrous metals requirements under long-term contracts including significant upward and downward flexibility in order to make sure the Group's requirements are always met.

- As a general principle, risks related to the supply of raw materials are specifically monitored by each purchaser for the product family concerned. The purchasing strategy based on close relationships with a number of key suppliers is aimed at reducing the Group's exposure to shortages of supplies that are essential for its business activities, including metals, plastics, equipment and services. The Group assesses the financial vulnerability of its most critical suppliers and ensures that they have robust business continuity plans in place. The Group's policy is to develop, to the extent possible, alternative sources of suppliesfor raw material used in the manufacturing of Nexans products ("multi-source strategy"). Even if progress still remains to be made, recent years' efforts to reduce situations where the Group is dependent on a sole supplier paid off during the Covid-19 crisis when no breaks in the supply chain were experienced. It should be noted that efforts remain to be made to ensure that no Group operating entity is in a situation where it is dependent on a single supplier for certain raw materials ("mono-source").
- The Group has developed alternative sources to Russian sources in particular for aluminum.
- One of the Group's objectives in recent years has been to reduce complexity in its products and supplier portfolios. The aim is also to limit Nexans' dependency on some suppliers, especially through materials substitution across sites and categories (such as for certain plastics).
- As regards copper supply, thanks to its vertical integration in copper production, the Group enjoys a privileged position compared with other players in the sector.
- The financial instruments used by Group subsidiaries to manage exposure to commodities risks for copper and aluminum are described in the notes to the consolidated financial statements (Note 27 "Financial risks", paragraph C, Foreign exchange and metal price risks). The sensitivity of the Group's earnings to copper prices is described in paragraph E, Market risk sensitivity analysis of the same note.

2.1.2.5. Industrial and environmental risk

Risk ranking

Potential effects for the Group	Main correlated Risks
• Stoppage of the industrial activity • Group's reputation • Fines/claims/legal proceedings • Decrease/Loss of sales	• Risk related to health & safety of the employees • Risk related M&A (selection of targets) • Risks related to the competitive environment of the Group's operating subsidiaries

RISK DESCRIPTION

Industrial Risk

As the Group's operating companies carry out manufacturing activities, they are exposed to the risk of damage to their production sites as well as major machinery breakdown incidents, which could lead to production stoppages and significant adverse consequences.

Some sites, particularly in Brazil, can also be subject to operating risks related to potential water and electricity supply shortages.

In view of the importance to the Group of the subsea high- voltage cables market, the Group has implemented significant capital expenditure project to support business growth:

Critical Material Moderate Low

- first, it needs a cable-laying vessel capable of performing installation contracts within the required timeframes. The Group has been operating its own cable-laying vessel, the Skagerrak (owned through one of its Norwegian subsidiaries), one of the few ships in specially designed to transport and lay subsea high-voltage cables over long distances and in deep waters. In 2017, Nexans launched the construction of a new cable laying ship (the "Aurora") which came in operation on May 2021 to support its business growth so that the Group could participate in more relevant and complex projects. These vessels are exposed to marine risks (*e.g.*, storms, icebergs and acts of piracy);
- second, In order to face growing demand in the US market in particular for the wind offshore market, Nexans has made significant capital investments to upgrade the site of Charleston (USA), making it the sole USA based subsea cable manufacturing site. The ramp up of Charleston industrial site will be key for Nexans to develop its subsea cable in the US market;
- third, to meet the demand of the market for subsea high voltage cable worldwide, Nexans Is making significant capital investments to extend its industrial site of Halden (Norway). The ramp of the extension of Halden site is a critical for the development of Nexans Norway activity to meet the high demand of the market.

When implementing capital expenditure projects, the Group is exposed to the risk of failing to achieve its targets in particular should Nexans operating entities fail to fill its increased production and/or installation capacity or lack ability to deliver cables and services under the required technical specificities. This could have a material impact, particularly in the case of new equipment or new plants built with a view to enabling the Group to break into markets where it does not have an operating presence or has a limited presence.

Industrial investments in Charleston or investments in its vessels are examples of such capital expenditures projects which could have a material impact if targets are not achieved.

Environmental Risk

As is the case for any industrial player, the Group is subject to numerous environmental laws and regulations in the countries where it operates. These laws and regulations impose increasingly strict environmental standards, particularly concerning emissions to air, water and land, wastewater disposal, the emission, use and handling of toxic waste and materials, waste disposal methods and site clean-up operations. Consequently, the Group's operating subsidiaries are exposed to the possibility of liability claims being filed against them, and of incurring significant costs (*e.g.*, for liability with respect to current or past activities or related to assets sold).

In the United States, the Group's operating companies are subject to several federal and state environmental laws, under which certain categories of entity (as defined by law) can be held liable for the full amount of environmental clean-up costs, even if no fault against said entity is determined or even if the relevant operations comply with the applicable regulations.

The Group may also be subject to certain clean-up obligations (remediations works and/or monitoring obligations) including when it discontinues operations of a site. In line with this obligation, for example following the closure of sites in Brazil, the local subsidiary has finalized the performance of clean-up operations in compliance with Brazilian regulations (in aggregate approximately 3 million euros).

As of December 31, 2022, consolidated provisions for environmental risks amounted to approximately 5 million euros and mainly included amounts set aside for (i) clean-up costs for several manufacturing sites and (ii) a dispute with the purchasers of a plot of land and the local authorities in Duisburg, Germany concerning soil and groundwater pollution. The Group has also performed surveys at its sites in order to establish whether any environmental clean-up processes may be required. It estimates that any site clean-up costs it may incur that have not already been provisioned should not have a material impact on its earnings in view of the value of the land concerned, which in the past has always exceeded the amount of any required clean-up costs.

The Group cannot guarantee that future events, in particular changes in legislation or the development or discovery of new facts or circumstances, will not lead to additional costs that could have a material adverse effect on its business, earnings or financial position.

For more details, refer to Chapter 3 - section 3.3 "The environment: a responsible and sustainable approach".

Asbestos Risk

The manufacturing processes used by the Group's various operating subsidiaries do not involve any handling of asbestos.

In the past (and particularly to comply with French army specifications), asbestos was used to a limited extent, in full compliance with applicable laws, to improve the insulation of certain kinds of cables designed for military purposes. It was also used in the manufacture of furnaces for enamel wire at two sites in France and in continuous casting at one site in France. The manufacture of furnaces for enamel wire activity was discontinued a long time ago. Several claims and lawsuits have been filed against the Group by current and former employees, in France and abroad, concerning alleged exposure to asbestos.

As of end-2016, approximately 60 people in France had been classified as suffering from an asbestos-related occupational illness. A lawsuit has been filed against the Group. The lawsuit involved some 230 plaintiffs (240 judicial proceedings), who were seeking compensation for anxiety as a result of alleged exposure to asbestos. In March 2015 the site concerned was classified by the French government as a site that could entitle workers to retire early as a result of their exposure to asbestos (known as ACAATA sites). In 2020, the Administrative Court of Appeal confirmed a decision of administrative court to cancel the classification by the French government. Since the Administrative Court of Appeal decision, judicial proceedings restarted. As of the date of this Universal Registration Document, only 5 judicial proceedings remain regarding 4 plaintiffs. Some 235 judicial proceedings regarding some 225 plaintiffs have been closed with limited financial impact.

Similar proceedings are also under way in France for other industrial sites (for three Nexans' employees among which two judicial proceeding concern employees who alleged to have suffered exposition to asbestos in industrial sites which were not at the time under Nexans responsibility.

In addition, for historical reasons, in some buildings built before asbestos bans adopted locally country by country, there can be presence of asbestos.

RISK MANAGEMENT RESPONSE

- As regards Industrial risk, the Group has designed internal procedure to assess risks related to capital expenditure projects and assess return of investment. With the implementation of such capital expenditure projects, the Group defines actions plan to ensure the new assets will be properly used under formalized and detailed industrial processes as well as properly maintained. Prevention plans are defined to mitigate identified risks and vulnerabilities. To mitigate risks of obsolescence regular investments are made in modernization and maintenance of industrial facilities. The Group has also launched in 2022 a business continuity plan program to be implemented by all industrial sites with the aim to develop ability of the industrial sites to Identify risks and define back up/mitigation actions plan should a risk materialize.
- With respect to capital expenditures in Charleston and Halden, a dedicated team has been designed to ensure a smooth ramp up of the industrial sites to meet expected return on investment in due time.
- In relation with the environmental risk, the Group ensures that its manufacturing sites have sufficient resources to identify and track regulatory requirements that concern them, as well as changes in those regulations, and also that they have the financial resources they need to ensure regulatory compliance (see below, section 4.2. Planet, for a description of the Group's environmental management system). Environmental due diligence Phase 1 or initial soil pollution diagnosis have been run in all its Nexans sites. Environmental due diligence Phase are run by international recognized specialized service providers.
- In the meantime with respect to environmental risks, Nexans is leading on an annual basis, a detailed survey to identify and define all potential risks and assess the means of prevention for each. To improve Nexans processes the Group has developed in 2021 a new industrial risks assessment tool. This risk assessment is based on a series of steps, including i) the identification of risks, ii) the assessment of the risks criticality and iii) the definition of potential complementary actions required to reduce the risk. This tool also permits a better follow-up of the implementation of the defined mitigation actions as well as of the assessment of the results. The above will also participate to the spread of risk culture within the operating entities and in particular to a proactive industrial risk management across the Group.
- In relation with asbestos risk, monitoring to check compliance with local regulations is lead under the responsibility of industrial business unit managers. In addition, industrial business unit managers develop and keep up to date elimination plans.

2.1.2.6. Risk related to energy shortage and price volatility

Risk ranking: Material

Potential effects for the Group	Main correlated Risks
• Financial impact • Sales decline • Business interruption	• No correlated risks

RISK DESCRIPTION

The Group is exposed to strong tensions in the energy market (electricity, gas, etc.), which has seen sharp price hikes in 2022. For example, the price of electricity on main European markets (*e.g.* Belgium, France, Germany and Italy) has increased by more than 151% between 2021 and 2022. In this period of Inflation, this trend is confirmed for all types of energy (electricity, gas, etc.) and markets where Nexans Group is present. Further major volatility is expected in 2023 and even 2024. In addition to these significant increases, Nexans faces an additional level of complexity related to the fact that, varying from host country to host country, the energy markets (in particular gas and electricity) may be regulated (*e.g.* as in Turkey and France for part of volume, subject to Arenh mechanism, Canada, certain States in the United States) or deregulated (*e.g.* as in Germany, Belgium, Italy, Norway and Sweden).

As to the reasons for these tensions on prices on the energy market, they can be explained by a strong increase in the demand for energy in the various geographical markets, a decrease in gas reserves linked in part to geopolitical tensions (*e.g.* Ukraine crisis), a decrease in the nuclear power production linked to prolonged maintenance period (especially in France), weather conditions (*e.g.* warm & dry summer which Impact both supply as putting pressure on hydroelectric production in many EU countries and also on the demand as there is more need for air conditioning and cooling across the continent), and a renewable energy production that remains limited.

As regards availability of energy, as a consequence of all these reasons, the Group might suffer in 2023 shortages of energy in some countries in Europe (such as France for instance) which might potentially impact its activity. This will require a close monitoring of the risk with key European suppliers in particular German suppliers.

In addition, the visibility on the future of energy markets remain limited. This does not facilitate anticipation in medium-long term.

Critical / Material / Moderate / Low

RISK MANAGEMENT RESPONSE

To limit the impact of higher energy prices and potential risk of energy cut, the Group has implemented the following measures:

- in the case of countries where the markets are deregulated, in order to avoid significant fluctuations in the price of energy, to meet the energy needs and to be able to anticipate energy costs in commercial offers, Nexans has adapted its energy risk management policy to take into account this new energy markets context. This policy is based on the implementation of long-term contracts with its energy suppliers allowing to lock in electricity and gas prices 1 to 2 years in advance, depending on changes in market prices.

Nexans has constituted an Energy Committee in charge of monitoring the market price evolution & ensuring proper application of the above-mentioned policy. At the same time, Nexans has implemented a continuous improvement program to fight global warming while mitigating energy shortage & volatility price risks with programs such as:

- the installation of solar panels at Group manufacturing sites, such as in Lebanon, and in Morocco. Other projects for the installation of solar panels at Nexans' manufacturing sites, which will allow other Nexans industrial sites to produce their renewable energy, are currently under study in Australia (Lilydale) and Turkey (Denizli and Tuzla);
- a program to install LED light bulbs which helps reduce energy consumption on lighting by more than 60% are currently implemented in 27 plants of the Group.

Furthermore, Nexans is studying other sustainable solutions such as long-term energy contracts (e.g., PPAs or Power Purchase Agreements) to cover Nexans needs in Europe. These solutions will support the development of new renewable power assets in the market while securing energy supply and mitigating risk of future electricity costs increases

2.1.2.7. Risk related to contractual liability: product liability

Risk ranking	
Potential effects for the Group	**Main correlated Risks**
• Financial impacts	• Risks related to Claims and litigations • Risks related to turnkey projects

RISK DESCRIPTION

The manufacturing and commercial activities of the Group's operating companies expose them to potential product quality issues and possible claims for damage to property or third parties allegedly caused by its products. In particular, supplying Group's products to certain sectors such as the automotive or the aerospace industries, could expose the Group's operating companies to possible product recalls or grounding campaigns as a result of serial product defects that can affect a large number of vehicles or aircrafts.

Also, industry and market practices and trends have been evolving over the past years, and customers (such as in the Oil & Gas or nuclear power plant markets) push for longer product warranty periods, and more stringent contract conditions (in particular related to liabilities). In the meantime, the warranties extended to the Group's various companies by their suppliers of materials and components used in these companies' products may remain shorter or be less extensive than the warranties granted by the Group's subsidiaries to their own customers (for example steel tubes in umbilical cables, optical fiber in optical fiber cables, PVC materials and others).

In some countries such as in South America and Europe (like in France and Italy), utilities are imposing their terms and conditions whereby no limitation of liability is accepted for some categories of cables. In the same spirit, in certain industries such as in the automotive business, customers are imposing their terms and conditions with no limitation of liability.

RISK MANAGEMENT RESPONSE

To limit these risks related to product liability, the Group has developed the following control systems:

- all major contracts entered into by the Group's operating subsidiaries are subject to a systematic risk-assessment procedure and bids representing over 5 million euros for businesses other than high-voltage business are submitted to a Group Tender Review Committee. Particular focus is placed on ensuring that the Group's sales and technical teams (i) are able to pinpoint the risks inherent in sales contracts and (ii) involve the Group's Legal Department in contractual negotiations;
- a sales contract policy aiming at limiting the overall liability exposure of the Group's operating companies towards their clients in case of occurrence of a contract execution issue (such as delay, quality problem);
- in order to mitigate product liability risk, the Group has set up stringent product quality control procedures. The majority of its units are ISO 9001-certified. Many of them also hold certifications that are specific to their business (*e.g.* IRIS for rolling stock, ISO 9100 for aerospace…). In addition, each unit tracks a set of indicators on a monthly basis in order to assess progress made in terms of quality and customer satisfaction. The Group currently has third party liability insurance that covers product liability, which it considers to be in line with industry standards and whose coverage amounts largely exceed any past claims. However, the Group cannot guarantee that its insurance policies would provide sufficient coverage for all forms of liability claims (see the section entitled Insurance below) and if several entities suffer claims in the same year as although the coverage amounts are high, they are capped at annual levels and the policies contain standard exclusion clauses, notably concerning the cost of the product itself and late-delivery penalties. The Group currently has third party liability insurance that covers product liability, which it considers to be in line with industry standards and whose coverage amounts largely exceed any past claims. However, the Group cannot guarantee that its insurance policies would provide sufficient coverage for all forms of liability claims (see the section entitled Insurance below) and if several entities suffer claims in the same year as although the coverage amounts are high, they are capped at annual levels and the policies contain standard exclusion clauses, notably concerning the cost of the product itself and late-delivery penalties.

2.1.3. Legal and compliance risks

2.1.3.1. Risk related to non-compliance with antitrust laws

Risk ranking

Potential effects for the Group	Main correlated Risks
• Group's reputation • Ban from Clients & Public tenders • Financial impact (Fines, indemnities…)	• Risk related to M&A • Risks related to the competitive environment of the Group's operating subsidiaries • Risks related to Claims and litigations

RISK DESCRIPTION

In late January 2009, the European Commission launched an antitrust investigation against various cable manufacturers including Group companies in relation to alleged anticompetitive behavior in the subsea and underground high-voltage power cables sector. Several similar investigations were subsequently launched in other jurisdictions.

On April 2, 2014, the European Commission adopted a decision addressed inter alia to Nexans France SAS and the Company (the "**EC Decision**"), which found that Nexans France SAS had participated directly in an infringement of European antitrust legislation in the subsea and underground high-voltage power cable sector. The Company was held jointly liable for the payment of a portion of the fine imposed on Nexans France SAS by the European Commission.

In early July 2014, Nexans France SAS paid the 70.6 million euro fine imposed on it by the European Commission. Nexans France SAS and the Company appealed the EC Decision to the General Court of the European Union. The appeal was dismissed on July 12, 2018. Nexans France SAS and the Company appealed the General Court's judgment before the European Court of Justice, which, in turn, dismissed the appeal on July 16, 2020.

In the period following the decision, several customers alleged they had suffered loss as a result of the conduct subject of the EC Decision. However, only in around 2019, did certain customers issue legal proceedings against Group entities claiming damages for alleged losses. Most of these claims have been filed before the courts in the United Kingdom, Italy and the Netherlands against Nexans and other defendants.

In the UK, Scottish and Southern Energy (SSE) lodged a claim against the Company and Nexans France SAS and certain companies of the Prysmian Group. In September 2019, the claim against the Company and Nexans France SAS was discontinued, with no payment to SSE and each party bearing their own costs of the proceedings.

Prysmian was one of the main defendants in certain antitrust damages claims initiated in the UK by National Grid and Scottish Power in 2015. Contribution claims have been brought by Prysmian against Nexans France SAS and the Company in these cases. Prysmian and the other main defendants have now reached a settlement with National Grid and Scottish Power.

In March 2017, Vattenfall initiated a claim for alleged antitrust damages against Prysmian and NKT before the High Court in England. On June 12, 2020, Nexans France SAS and the Company were notified of a contribution claim brought by Prysmian. Both the main claim and the contribution claim were transferred from the High Court to the UK Competition Tribunal (a specialist competition court).

Italian company Terna S.p.A. launched an antitrust damages claim in the Court of Milan. Nexans Italia filed a defense on October 24, 2019 focusing on Nexans Italia's lack of standing to be sued. Following an initial hearing on November 13, 2019, the judge ruled Terna's claim to be null for lack of clarity on February 3, 2020. Terna supplemented its claim on May 11, 2020. On January 26, 2021, the judge ruled that the decision on jurisdiction and other preliminary issues will be rendered along with that on the merits. A hearing took place on May 4, 2022, at which the parties discussed their evidentiary requests, in which all parties restated the main arguments and evidentiary requests that they had previously raised. A final outcome is expected in 2023.

The claim in the Netherlands was made jointly by Electricity & Water Authority of Bahrain, GCC Interconnection Authority, Kuwait Ministry of Electricity and Water and Oman Electricity Transmission Company, against certain companies of the Prysmian Group and its former shareholders, and companies in the Nexans Group and ABB Groups. This action has been brought before the District Court of Amsterdam. On December 18, 2019, Nexans and other defendants filed a motion contesting jurisdiction. The court issued its judgment on November 25, 2020, declaring itself incompetent with regard to the claims against the non-Dutch defendants, including certain Group entities. The court also ordered the claimants to pay the costs of the proceedings. The claimants appealed this ruling and the case on the merits against the Dutch defendants is stayed pending the appeal judgment. The Dutch courts are considering whether to refer certain questions to the European Court of Justice (ECJ) for a ruling, which would delay the hearing of the substantive issues in the Netherlands by at least two years. The Dutch courts' decision on whether to make a reference to the ECJ is pending and is expected in 2023.

Investigations carried out by the American, Japanese, New Zealand and Canadian authorities in the high-voltage power cable sector were closed without sanctions. During investigations led by the Australian antitrust authority (ACCC), the Australian courts dismissed ACCC's case and refused to sanction Nexans and its Australian subsidiary in the high-voltage power cable sector in a case pertaining to the sale of low- and medium- voltage cables.

An investigation in Brazil by the General Superintendence of the antitrust authority "CADE" in the high-voltage power cable sector was concluded on February 11, 2019. On April 15, 2020 the Administrative Tribunal of CADE condemned the Company, together with other cable manufacturers. Nexans has paid the 1 million euro (BRL equivalent) fine and has appealed the decision. The case is ongoing.

An investigation by the antitrust authority in South Korea ("KFTC") in the high-voltage power cable sector has not been officially closed but Nexans understands that the relevant limitation periods should be considered expired.

Nexans' local Korean subsidiaries have cooperated with the KFTC in investigations initiated between 2013 and 2015 in businesses other than the high-voltage. As a result, full leniency (zero fine) was granted by KFTC in 15 cases, and for two other cases the Nexans Korean subsidiaries were granted a 20% reduction on the fines imposed and were ordered to pay the KFTC a total of approx. 850,000 euros. All such investigations are now closed, and the risks associated with the majority of claims brought by customers in connection with them are now all concluded.

On November 24, 2017 in Spain, Nexans Iberia and the Company (in its capacity as Nexans Iberia's parent company) were notified of a decision by the Spanish competition authority ("CNMC"), which found that Nexans Iberia had participated directly in an infringement of Spanish competition laws in the low- and medium-voltage cable sectors. The Company was held jointly liable for the payment of part of the fine levied on Nexans Iberia by the CNMC. In early January 2018, Nexans Iberia settled the 1.3 million euro fine levied by the CNMC. Nexans Iberia and the Company have appealed the CNMC's decision. Appeal decision is expected in 2023.

On July 27, 2020, Nexans Iberia was served with a claim filed by Iberdrola before the Commerce Court of Barcelona, on the basis on the CNMC's decision (which also sanctioned one of Iberdrola's subsidiaries). Iberdrola is seeking a total of 9.4 million euros in damages from the defendants, including Prysmian and several local Spanish producers. Nexans filed preliminary defense arguments and the case is pending as its receivability will depend of the appeal of the CNMC decision.

On January 20, 2022 the German Federal Cartel Office (FCO) carried out searches at two of Nexans' sites in Germany. The searches are part of an investigation on cable manufacturers concerning alleged coordination of industry-standard metal surcharges in Germany. The FCO also conducted inspections at the premises of other companies in Germany. The investigation is ongoing.

In May 2022, an application for a "collective proceedings order" was made in the UK, seeking approval to bring an opt-out claim on behalf of millions of UK consumers (as well as an opt-in claim for non-UK domiciled customers who paid for electricity in the UK). This case is at a very early stage and a hearing on certification is expected to take place in 2023 which, if granted, will lead to lengthy proceedings over the next few years.

On July 8, 2022, London Array Limited and other participants in the London Array consortium commenced a claim in the UK Competition Appeal Tribunal for antitrust damages in relation to the EC Decision. The Company and Nexans France are the defendants in this claim. The claim is ongoing.

As of December 31, 2022, and following a reassessment of risks in July 2022, the Group has a recorded contingency provision of 66.5 million euros to cover all the investigations mentioned above as well as the direct and indirect consequences of the related rulings that have been or will be handed down and in particular the follow-on damages claims by customers (existing or potential claims). The amount of the provision is based on management's assumptions that take into account the consequences in similar cases and currently available information. There is still considerable uncertainty as to the extent of the risks related to potential claims and/or fines. The final costs related to these risks could therefore be significantly different from the amount of the provision recognized.

The Group's risk prevention systems and compliance program have been strengthened regularly and significantly in recent years and are at the core of the Group continuous improvement efforts. However, the Group cannot guarantee that all risks and problems relating to practices that do not comply with the applicable rules of ethics and business conduct will be fully controlled or eliminated. As consistently communicated by the Company in the past, unfavorable outcomes for antitrust proceedings and/or investigations as well as the associated consequences could have a material adverse effect on the results and thus the financial position of the Group.

RISK MANAGEMENT RESPONSE

Policy

As a complement to the section of the Code of Ethics and Business Conduct dedicated to fair competition, the Group's Antitrust Guidelines provide guidance on the application of basic competition law rules. The Antitrust Guidelines are applicable to all affiliates and subsidiaries everywhere Nexans does business.

Training

All top executives, managers and key personnel throughout the Group must complete the Compliance Week training every year. The training includes an antitrust section with test questions based on realistic business cases.

In addition, more in-depth/spot trainings are conducted to most exposed positions (sales & purchasing managers as well as members of a Trade association) and/or when a specific issue is identified.

Specific mitigation measures subsequent to the risk mapping

The Group has integrated all competition law aspects to the compliance risk mapping carried out pursuant to the "Sapin II" legislation.

These antitrust risks identified are managed through centrally monitored mitigation and remediation measures, including the use of dedicated digital tools which facilitate second and third level control.

Whistleblowing

Employees are encouraged, through internal communication and trainings, to use the Group's incident report system to raise concerns including about any breach of business ethics and anticorruption rules, whether within Nexans or by business partners.

The incident report system is also available to anyone outside the Group, by phone or remotely through the website www.nexans.com. In addition, a simple search "Nexans alert" on any Internet search engine will direct to the incident report system portal.

For further information on the Group's incident alert system, please refer to 3.4.6. "Promoting ethical business practices".

Internal controls and internal audit

The Group Audit Department controls compliance with antitrust rules in the framework of the regular audits of operational entities and also performs missions dedicated to specific antitrust issues.

2.1.3.2. Risk of non-compliance with anti-bribery legislation

Risk ranking

Potential effects for the Group	Main correlated Risks
• Group's reputation • Ban from Clients & Public tenders • Financial impact (Fines, indemnities…)	• Risk related to M&A • Risks related to the competitive environment of the Group's operating subsidiaries • Risks related to Claims and litigations

RISK DESCRIPTION

With a global presence worldwide and activities in a diversity of sectors such as Oil & Gas, energy infrastructure, large international projects for high voltage, employees worldwide might be confronted with corruption practices.

The Group generates approximately 14% of its turnover in countries with a high-risk profile (rated 40 or below as per the Corruption Perception Index by Transparency International). In 2022, the Group had physical presence in Brazil, Colombia, Lebanon, Morocco, Nigeria, Peru, Turkey, Ivory Coast, Ecuador, and Ukraine.

In addition, the Group relies on an ecosystem of commercial partners, including sales intermediaries, resellers, and distributors. This ecosystem may represent a risk for the Group.

RISK MANAGEMENT RESPONSE

Policy

As a complement to the sections of the Code of Ethics and Business Conduct dedicated to anticorruption and conflicts of interests, the Group has issued a number of specific guidelines to support its zero tolerance for any bribery practice:

- the Corruption Prevention Policy sets out the rules and processes to be applied for preventing corruption and/or bribery in daily business with sales representatives and other business partners and keeping justification thereof;
- the Gifts and Hospitality Policy, also governing invitations, charity and donations;
- the Conflicts of Interests Policy explaining how to identify, disclose and manage potential and actual conflict of interest situations;
- the Tender Review and Contract Risk Management Policy ensures that sales offers, bids, quotations submitted or sales contracts signed by all Nexans subsidiaries are compliant with the Group ground rules, notably the Corruption Prevention Policy;
- the Charter for Responsible Public Advocacy issued end of 2021 which lays down the main commitments applicable to all Nexans employees and in particular those in charge of public advocacy activities.

These Guidelines are applicable to all affiliates and subsidiaries, everywhere Nexans does business.

Training

All top executives, managers and key personnel throughout the Group must complete the Compliance Week course every year. This course contains reminders about ethics & human rights rules and robust training on corruption and conflict of interest.

In addition, more in-depth/spot trainings are conducted to most exposed positions and/or when a specific issue is identified.

Specific mitigation measures

As part of its continuous improvement process , the Group is currently further enhancing the Anticorruption risk mapping covering all business activities and corporate functions (finance, purchase, HR, IT, legal, communication). A full exercise has been launched in 2022 and will be pursued in 2023.

As part of the risk mapping exercise conducted by the Group in the past years sales representatives were identified as an inherent corruption risk. On that basis, a risk ranking of all active sales intermediaries was performed. Specific risk mitigation activities including due diligence and monitoring initiatives have been introduced through a dedicated online platform, enabling the Group to have a centralized tool to manage sales intermediaries compliance.

In addition, all relevant employees who find themselves in a potential conflict of interest situation or are politically exposed have an obligation to disclose their situation through a centralized and automated digital tool. The system allows a harmonized management of cases, facilitating second and third level controls. All conflict of interest situations disclosed in 2022 have been managed.

Furthermore, managers, as well as all employees in sales and purchase positions whatever their grade sign, annually, a compliance certificate pursuant to which they commit to comply with Nexans' internal policies.

The Group also performs compliance due diligence in the framework of contemplated Merger and Acquisitions transactions so as to be able to identify compliance issues with potential acquisition targets early on.

Finally, in 2020, the Group defined a three-year Sustainable Purchase Plan which includes strengthening compliance due diligence for the categories of purchasers identified as most at risk. Please report to 3.4.8. Duty of Care Plan for further information with respect to sustainable purchases.

Whistleblowing

Employees are encouraged, through internal communication and trainings, to use the Group's incident report system to raise concerns including about any breach of business ethics and anticorruption rules, whether within Nexans or by business partners.

The incident report system is also available to anyone outside the Group, by phone or remotely through the website www.nexans.com. In addition, a simple search "Nexans alert" on any Internet search engine will direct to the incident report system portal.

For further information on the Group's incident alert system, please refer to 3.4.6. "Fair practices".

Internal controls and internal audit

The implementation of the Group's Compliance Action Plan is audited every year by the Internal Audit Team.

The Group Audit Department also controls compliance with anticorruption rules in the framework of the regular audits of operational entities and performs missions specifically dedicated to anticorruption issues.

Further information with respect to the fight against corruption in the Group can be found in the 3.4.6 "Fair practices".

2.1.4. Financial risks

This section should be read in conjunction with Note 27 "Financial risks" to the consolidated financial statements, which also sets out a sensitivity analysis for 2022.

Please also refer to Note 1.F.c to the consolidated financial statements as well as Note 7 "Net asset impairment", which sets out the assumptions used for the purpose of impairment testing.

Metal price and hedging risk

Risk ranking

Potential effects for the Group	Main correlated Risks
• Financial impact on EBITDA and financial results	• None

RISK DESCRIPTION

The nature of the Group's business activities exposes it to volatility in non-ferrous metal prices (copper and, to a lesser extent, aluminum and lead) as non-ferrous metal represent a significative portion of the cables. For illustration purposes, during the last years 2021 and 2022, the price of copper has been subject to high volatility in a range of 3,000 USD/ton between the lowest and the highest prices.

Besides, at the end of 2021, the low liquidity on the futures markets for metals generated high volatility on forward quotations and on the renewal of hedges. This phenomenon is probably linked to an increase in the demand. It is currently difficult to know whether this level of liquidity is a cyclical or structural phenomenon.

In the recent years, numerous banks exited the metal market as it mobilized too many resources compared to the level of risk. In 2022, new players strengthened their capacity to offer commodity hedges allowing the Nexans Group to secure access to the metal derivatives market.

It is also to be noted that the market is currently subject to tension in demands and prices.

RISK MANAGEMENT RESPONSE

In line with general practice in the cable industry, the policy of the Group's operating subsidiaries concerned is to pass on metal prices in their own selling prices and to hedge the related risk either through a natural hedge or by entering into futures contracts on metal exchange market. In addition, a dedicated team at Group level is fully monitoring the risk of volatility of non-ferrous metal prices.

Despite this general policy, the Group remains exposed to non-ferrous metal price vitality risk due to the nature of activities of the Group (such as long-term contracts…).

In that respect, the Group's strategy for managing non-ferrous metal price risks, the potential impact of fluctuations in copper prices and the hedges put in place are described in Notes 27.C and 27.E to the consolidated financial statements.

Interest rate risk

Risk ranking

Potential effects for the Group	Main correlated Risks
• Financial impact on EBITDA and financial results	• None

Critical Material Moderate Low

RISK DESCRIPTION

Main part external debts (bonds, EIB) approximately 800 million euros are on fix rates. Recent evolution of the economic environment (inflation and interests rates hikes) will have an impact on Group structure financing. A sensitivity analysis concerning changes in interest rates is provided in Note 27.E to the consolidated financial statements.

RISK MANAGEMENT RESPONSE

This risk is monitored closing by the Group Treasury and Metal Direction with a regular update to Group CFO during the monthly Financing Committee.

The renewal of long term debts will be done through fixed debt (bond or loans) in order to have a limited percentage of gross debt with floating interest rates.

Liquidity risks

Risk ranking

Potential effects for the Group	Main correlated Risks
• Financial impact on EBITDA and financial results	• None

RISK DESCRIPTION

The Group's main liquidity risks relate to:

- its obligation to repay or redeem its existing debt, primarily corresponding to (i) two issues of bonds maturing in 2023 and 2024, (ii) a trade receivables securitization program used by one subsidiary, (iii) to a lesser extent, short-term debt taken out by a number of the Group's subsidiaries and (iv) commercial papers programs (NEU CP); and
- the Group's future financing requirements (including working capital fluctuations).

RISK MANAGEMENT RESPONSE

To mitigate the liquidity risk of the Group, the Group has:

- entered into a new syndicated loan on October 26, 2022 with a maturity to 2027 and for an amount of 800 million euros (see Note 27.A to the consolidated financial statements for further details) for which the Group is to comply with financial ratios; and
- signed in January 2019 commercial papers for an amount up to 600 million euros (see Note 27.A to the consolidated financial statements for further details);

Details of the Group's cash requirements and resources (especially cash surpluses and credit facilities), together with its policy for managing and monitoring liquidity are described in Note 27 to the consolidated financial statements.

2.2 Insurance

Nexans Insurance Department is in charge of subscribing, negotiating and deploying insurance programs throughout the Group. It seeks the best coverage available in the insurance market at an optimum price for its specific exposures with highly reputed insurance companies with strong financial ratings, and negotiating insurance programs based on regular risk assessments.

The Group's insurance policies cover current identified risks while taking into account new acquisitions or disposals that may occur during the year. Working closely with international brokers, the Insurance Department always seeks to optimize costs while ensuring adequate coverage based among other criteria on the Group's claims experience, advice from brokers with industry benchmarks as well as specific risks and/or actuarial studies. On a regular basis, the Insurance Department launches regular insurer and broker bids.

The overall cost of insurance policies (excluding life & health and accident insurance) taken out at Group level represents less than 0.5% of consolidated sales at constant non-ferrous metal prices.

For the past 3 years and in a context of a tough insurance market, the negotiation and placement of all the insurance policies taken out by the Group remains extremely challenging and Nexans is still facing offer and coverage reductions, increases in premiums for certain policies coming off a long term agreement even in the absence of claims, higher deductibles, more exclusions and reduced limits.

To contain insurance premiums, the Group is reinforcing the use of its reinsurance captive. In this context, new risks have been added in 2023 with the addition of the transport policy. The Group is permanently studying the opportunity to add new risks. Finally, the Group is permanently reassessing its risk appetite to counter the negative impact of the current insurance market.

Apart from the directors and officers liability policy, the main insurance programs taken out by the Group to cover its manufacturing and operating activities are as follows:

Property damage – business interruption

Covers Nexans assets worldwide and consequential interruption of business in the case of a loss.

In certain geographic areas, insurers will only provide limited coverage for natural catastrophe risks, much less than the insurance values, making it increasingly difficult to obtain sufficient coverage for a reasonable price.

As part of its risk management process, the Group set up in 2021 a loss prevention governance procedure aimed at helping to prevent industrial losses and based to a large extent on the recommendations of its insurers.

Third-party liability (including Product liability)

Covers the Group for third-party liability claims due to either its operations or products manufactured, or services rendered to clients.

The policy also provides some coverage for removal & reinstallation, product recall and accidental pollution.

Transport

Covers the *ad valorem* values of supplies and deliveries according to incoterms for any transport by any means of conveyance including transfers between sites.

Comprehensive construction insurance for laying land and subsea cables

Site work relating to the laying of both land and subsea cables is covered by two specific insurance programs tailored to the operations concerned. Coverage depends on the specific nature and characteristics of each project and it is sometimes necessary to set up separate installation -specific policies, notably for very large contracts which exceed the coverage limits in these framework insurance programs.

Coverage for the Group's cable-laying ship Nexans Skagerrak & Nexans Aurora

The Group's cable-laying ships, Nexans Skagerrak and the Nexans Aurora operating since May 2021 are covered by hull & machinery/ loss of hire, war risks and protection & indemnity insurance.

Short-term credit risk insurance covering receivables owed by certain domestic and export customers

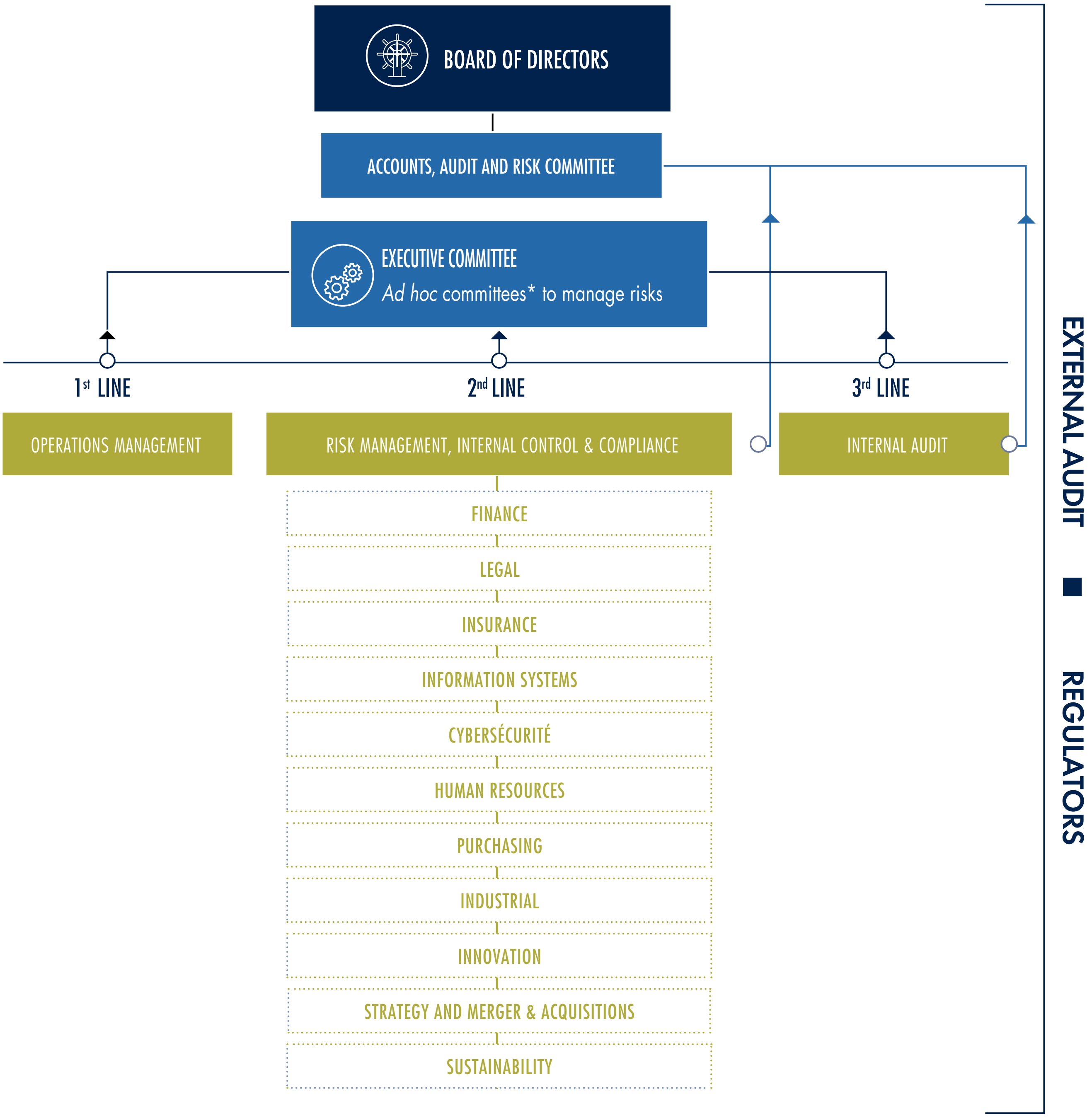
A short-term credit insurance policy is deployed throughout the Group covering most of its subsidiaries Specific insurance is taken out if necessary for long term credit contracts.

Captive reinsurance entity

The Group has a captive reinsurance entity – Nexans Re – aimed at optimizing and managing the Group's risk retention strategy. It currently includes the Property Damage and, Third Party Liability policies with the addition of the transport policy in 2023.

2.3 Risk management within the Group

The main items of Nexans' risks management and internal control system are described in the chart below and are based on three risk control lines.



*Ad hoc Committees:

- Disclosure committee
- Tender Review Committee
- Purchase Contracts Review Committees
- Mergers & Acquisitions Committees
- Corporate Social Responsibility (CSR) supported by two expert committees, The Governance Social Committee and the Environment and Products Committee

2.3.1. Three lines of defense

Risk management organization in Nexans is structured around three main lines of defense.

First Line of defense – Business Groups and operating entities	The Business Groups and operating entities play a front-line role in managing risks in their respective geographic and business areas. Their departments are responsible for applying all of the Group Management Procedures in their areas of responsibility, covering compliance with applicable laws and regulations and with the Group's Code of Ethics and Business Conduct and Management of Incident Reports.
Second Line of Defense – Risk Management, Internal Control and Compliance	Coordinated by the Departments of Risk Management, Internal Control and Compliance together with the functional departments in their fields of expertise, the second line of defense aims at designing and piloting a system of control of the Group activities, in particular by: • assisting operating units in the identification and assessment of the main risks within their scope of expertise; • designing Group policies and procedures by area of activity; • contributing, with operating units, in designing adapted controls systems or mechanisms; • raising awareness on risk management, internal control and compliance by communicating on best practices and training operating employees.
Third Line of defense – Internal Audit	Internal Audit Department is to provide Nexans' Board of Directors and Executive Committee with reasonable assurance on the robustness of the system of risk management, internal control and compliance management of the Group in realizing audits of functions and business units on the deployment of risk management, internal control system and compliance management as well as related procedures.

2.3.2. Coordinated risk management system

Main responsibilities	Reference framework and/or mechanisms
• Design and deploy risk Management tools & procedures (*i.e.* For Risk mapping, Business Continuity Plan, Crisis Management…) • Map the main risks of the Group • Follow up of the implementation of action plans as defined during risk mappings • Raise awareness & train employees on risk management	• Group policies and procedures • Annual assessment of Group risk (impact and level of control of risks)

Objectives

Risk management is a dynamic system for the purpose of:

- enabling managers to identify and analyze the main risks in their operating scope and toward the Group's strategic objectives; and
- adopting mitigation actions to keep the risks at an acceptable level.

Nexans is committed to develop and disseminate a risk management culture within the Group, through a decentralized model, around key principles:

- Responsibility & Risk ownership: Risk management is everyone's responsibility;
- Regular risks assessments and follow up of defined mitigation plans: Risks that could affect the ability of Nexans to achieve its objectives are to be identified, analyzed and evaluated, and action plans controlled;
- Communication and escalation: Risks are to be communicated within the organization and escalated to the appropriate management level.

Global Nexans Risk management system is designed to meet, in particular, the following objectives:

- to ensure the health and safety of Nexans' employees;
- to guarantee the compliance with Nexans Code of Ethics and Business Conduct and the other Group processes and procedures;
- to ensure that Nexans meets its strategic objectives;
- to preserve Nexans values as well as business activities, assets and reputation of the Group.

Organization

The Group has put in place risk management procedures to identify and manage the risks related to its activities. These procedures enable the Group to identify the risks to which it is exposed and to better control these risks so that it can deploy its strategy properly. They are a key part of its governance structure. In accordance with the law, the Accounts, Audit and Risk Committee monitors the effectiveness of risk management procedures.

The Risk Management Department initiates, develop and manages the risk management system and checks its effectiveness in ensuring that the Group meets its objectives, working in partnership with the Internal Control Department and the Internal Audit Department. Risk Management Department, reporting to Nexans Accounts, Audit and Risk Committee, participates actively i) to the design and implementing an overall risk management process for the organization, which includes an analysis of the financial impact on Nexans when risks occur and ii) the building of risk awareness amongst staff by providing support and training within Nexans.

In particular, it participates in identifying and monitoring strategic risks alongside the Business Groups and functional departments including the Strategy Department.

It is responsible for managing the insurance programs and ensuring that they are consistent with the Group's risk exposures and appetite.

In 2020, the decision to have the Cyber Security team reporting to the Nexans Group Risk Manager was taken. Cyber risk, related to all information systems of the Group and connected industrial machines/assets, is identified as a critical risk for the Group.

2.3.3. Coordinated internal control system

Main responsibilities	Reference framework and/or mechanisms
• Define and maintain Group internal control standards • Provide internal control training	• Group policies and procedures (*e.g.* Nexans Basic Internal Controls manual) • Internal control training material

Objectives

Nexans Basic Internal Controls manual (based on the AMF "Risk management and Internal Control systems" issued in 2010 to adapt the 2007 AMF Reference Framework) states that internal control is a company's system aiming at ensuring that:

- laws and regulations are complied with;
- the instructions and directional guidelines set by Executive Management or the Board of Directors are applied;
- the Group's internal processes are functioning correctly;
- financial information is reliable; and generally, contributes to the control over its activities, to the efficiency of its operations and to the efficient use of its resources.

Organization

The Internal Control Department – which is combined with the Internal Audit Department and works closely with the Compliance Department and Risk Department – contributes to the drafting of rules and compulsory controls to limit *ex ante* their occurrence, particularly transaction-related risks. These controls help *inter alia* to limit the risk of errors and fraud.

Nexans operational departments and support functional departments are committed to implement internal control systems as defined in Nexans procedures.

In that perspective, Nexans' internal control manual defines internal controls to be implemented in a variety of processes (Segregation of Duties, Purchases to Cash, Inventories Management, Sales to Cash, Reporting, Cash and Foreign Exchange Risk Management, Metal Risk Management, Accounting, etc.).

The Internal Control Department supports their implementation in the entities.

The internal control manual is supplemented by regular "Flash Reports" issued by the Internal Control Department on significant internal control issues identified in the Group or made public by other companies.

2.3.4. Coordinated Compliance management system

Nexans pays particular attention to compliance issues. For that purpose, Nexans has appointed a Group Compliance Officer in charge of the Compliance Department and a Group Data Protection Officer. The Compliance Department works very closely with the Risk Department as well as with the Internal Control and Internal Audit Department. They all report to the Group's General Counsel, member of the Executive Committee, and meet at least once a year with the Accounts, Audit and Risk Committee.

Under the management of the Group Compliance Officer, Nexans has put in place a whistleblowing system to raise concerns about any breach of business ethics and anticorruption rules, whether within Nexans or by business partners. The system, accessible anywhere, enables the strict confidentiality and protection of the exchange with the whistleblower. The incident report system is also available to anyone outside the Group, by phone or remotely through the website www.nexans.com.

The Compliance Department performs second-level controls on:

- third-party pre-qualification through a global due diligence tool of the said third-parties;
- amount, beneficiary, motive and authorization chain of gifts, entertainment, hospitality, sponsoring and charity donations given out by the Group;
- management of conflicts of interest by the business managers and Human Resources Community;
- membership to trade associations;
- monitoring of sanctioned designated parties and politically exposed persons.

Support functions	Main responsibilities
Compliance Officer	• Designs strategic compliance policies for the Group and defines the Compliance Program • Supports Business Groups in designing their compliance plan for the year • Develop procedures and controls to prevent and detect deviations from Group policies • Facilitates controls of compliance principles and procedures • Raises understanding and awareness on compliance concepts • Updates and strengthens the anticorruption risk mapping for the Group • Coordinate internal investigations • Receives and processes, through the whistleblowing system in place at Nexans, alerts of potential violations of the Group's Code of Ethics and Business Conduct • Reports compliance activities to the Audit, Accounts and Risk Committee • Reports directly to the General Secretary
Compliance team	• Support the implementation of the Compliance Program and procedures in Business Groups and units • Facilitate controls of compliance principles and procedures • Support the anticorruption risk mapping for the Group
Group Data Protection Officer	• Establishes rules and procedures to ensure that processing of personal data within the Group complies with the applicable legislation by protecting personal data • Animates a network of local data protection correspondents • Controls application of personal date protection regulations with the support of the Information Systems Security Officer • Reports directly to the General Secretary

2.3.5. Functional departments

Each functional department of the Group is responsible for its area of expertise. The functions contribute to mitigating risks and controlling their activities and notably:

Defining standards and setting rules and principles applicable in its sector, in conjunction with the other departments concerned:

- assisting their networks with complex issues or issues common to several Business Units;
- encouraging the sharing of best practices and developing appropriate training programs where necessary;
- analyzing failings and the results of audits to improve existing processes.

Functional departments	Main responsibilities on risk management and internal control
Finance Department	• Implement a financial control framework for transactions and financial operations • Steer the Group's financial performance (implement tools to continuously monitor its performance) • Ensure compliance with prevailing tax regulations and legislation • Oversee financial performance at all operating levels of the organization • Analyze and approve capital expenditure requests made by business areas or other similar investment projects • Define the policy for funding, market risk control and banking relationship for the entire Group • Ensure that reporting of financial information are compliant with regulated obligations
Legal Department	• Provide legal advice (i) safeguard the rights of the Group and its business areas and comply with legal obligations and (ii) contribute to achieving their objectives with appropriate legal solutions • Identify and assess the main legal risks facing the Group and each of its business areas • Control contractual and compliance risks on transactions • Participate to the protection of Group's employees and assets
Insurance Department	• Negotiate and subscribe Global insurance policies to protect against insurance risks (aligned with Group's identified risks) • Deploy the global insurance policies throughout all the entities of the Group as appropriate • Monitor the loss prevention measures including consideration of the Insurers recommendations to avoid and mitigate risks • Manage insurance claim
Human Resources Department	• Accompany the Group's by guaranteeing constant improvement in prevention, health and safety • Develop policies to ensure employees have the required skill level for their responsibilities • Put in place checks to ensure the integrity of salary setting and payment processes and supervise the implementation of employment benefits • Monitor compliance with applicable labor laws, regulations and agreements • Develop policies for international mobility and employees travel
Innovation, Services & Growth Department	• Ensure the technological development and scale-up of innovations • Provide operational support to entities and monitor Group performance • Ensure protection of Nexans' industrial and intellectual property rights
Purchasing Department	• Define and deploy purchasing strategies to reduce the Group's costs base • Select suppliers, negotiate contracts • Minimize supplier's dependency • Participate to CSR compliance in Nexans supply chain
Industrial Department	• Support, review and approve material industrial projects • Lead and coordinate the implementation of Nexans industrial program in all operating plants • Lead and coordinate Group standards relating health, safety, environment, and product stewardship • Develop and deploy state of the art quality processes and programs • Identify and assess the main industrial risks within the Group by regularly carrying out risk mapping • Design & follow up KPIs to ensure continuous improvement
Strategy and Merger & Acquisitions	• Identify and evaluate Group-wide strategic, industrial and commercial risks • Identify and assess –with support from relevant internal or external experts – the main potential risks or liabilities associated with acquisitions or disposals of assets or businesses, and factor them into the value and terms and conditions of the proposed transactions • Assist the potential geographic expansion of the Group, with a specific focus on monitoring and controlling risks when opportunities are identified in emerging markets
Information Systems Department	• Define Group policies and best practice for IT systems including security guidelines • Manage Group-wide IT projects, monitor and check IT networks and infrastructure (servers, telecoms, etc.) • Use IT systems to develop standardization, automation and efficiency of certain shared internal control processes in the Group • Accompany digital transformation, while rationalizing IT structures and operations to improve service quality and operating performance and security level within the Group

Functional departments	Main responsibilities on risk management and internal control
Cyber Security Department	• Define and implement policies and projects specific to the business cyber security plan • Develop guidelines on the use of information and industrial systems for all employees • Conducting regular security audits and security testing on the Group's key business and industrial assets, with the support of external service providers • Continuously strengthen Group's cyber security processes and tools to meet 3 axes: to prevent, to detect, to react against cyber incidents
Sustainable Development Department	• Define and facilitate the roll-out of Nexans' sustainable development commitments • Report and capitalize on the Group's CSR actions and performance • Contribute to multi-actor dialogue on environmental and societal issues • Coordinate the Group Corporate Social Responsibility program in liaison with the other departments concerned and ensure the Group's overall compliance with its CSR commitments and regulatory reporting requirements related to the program

2.3.6. Internal audit

Main responsibilities	Reference framework and/or mechanisms
• Ensure operating entities comply with the principles and rules defined by the Group • Perform IT system audits • Identify and share best practice in the Group • Investigate incidents of fraud • Monitor the implementation of action plans following audits	• Audit cycle of four to five years • Annual audit plan approved by the Audit, Accounts and Risk Committee • 11 internal audits conducted in 2022 • Structured audit methodology • Fraud investigation reports • Anti-fraud training awareness-raising • Dashboard for quarterly follow-up of internal audit recommendations

The Internal Audit Department contributes to overseeing the risk management and internal control system. Its role and responsibilities are described in the Group's Internal Audit Charter. It reports to Executive Management and meets with the Accounts, Audit and Risk Committee at least twice a year to discuss the audits carried out by the team and their findings. An internal audit plan is drawn up each year based in particular on the Group risk mapping. The aim is for all Group entities to be audited at least once every four to five years.

The plan is submitted to Executive Management for approval and the approved plan is presented to the Accounts, Audit and Risk Committee. The audits cover not only financial and operational processes but also compliance and corporate governance issues. Following each audit, a report is issued describing main weaknesses or failures in applying and meeting the Group's procedures. The report also contains recommendations for improvements; the most critical being monitored on a quarterly basis by Executive Management.

2.3.7. Procedures relating to the preparation and processing of financial and accounting information

Control activities are based on a financial and accounting reporting system and a set of internal control procedures.

2.3.7.1. Process for the preparation of financial and accounting information

Financial and accounting information is generated in consolidated form as follows.

All amounts reported on the face of the financial statements are obtained from the accounting systems of the legal entities, whose accounts are kept according to local accounting principles and then restated in accordance with the accounting principles and methods applied by Nexans to prepare the consolidated financial statements, which are drawn up in accordance with IFRS pursuant to EC Regulation 1606/2002.

The Group's entire financial and accounting reporting process is structured around the Hyperion System.

Reporting packages are based on the information from each unit's management accounts. These accounts are prepared according to standard accounting principles defined in numerous procedures. In particular, to ensure the consistency of the information produced, Nexans has an accounting manual which is used by all Group units and defines each line in their income statement by function and statement of financial position.

Based on the Group's Equity Story, which sets out the main strategic and financial directional guidelines, each unit establishes an annual budget by business unit in the last quarter of every year. The budget is discussed by both local management and the management of the Business Group and is submitted to the Executive Committee for final approval. The Group's budget is presented each year to the Board of Directors. It is then broken down into monthly figures.

The business units produce monthly reports that are analyzed by management. The consolidated results by Business Group are analyzed with the Group's management at dedicated Business Group meetings.

A consolidated accounts closing procedure is carried out on a half-yearly basis. The procedure includes a specific review and analysis of the financial statements during meetings which are attended by the Group Finance Department, the Finance Departments of the Group's main operating subsidiaries and the VP Finance controllers for the Business Group concerned. These meetings also provide an opportunity to review the various main points to be considered for the upcoming close.

Any off-balance sheet commitments are reviewed by the Consolidation Department based on information provided by the business units, the Treasury and Non-Ferrous Metals Management Departments, and the Group General Secretary's Department. This information is set out in the notes to the Group's consolidated financial statements.

Lastly, the Group has set up a half-yearly procedure whereby the Chief Executive Officers and Chief Financial Officers of all Nexans' subsidiaries sign internal representation letters giving – for the scope for which they are responsible – a written commitment concerning the quality and completeness of the financial information reported to the Group departments and concerning the existence of adequate internal control procedures that are effectively implemented.

2.3.7.2. Main internal control procedures for financial and accounting information

The Group's Finance Department keeps the above-mentioned procedures up to date. It has also drawn up procedures for the main areas that fall within its purview, particularly procedures for reporting, treasury management, non-ferrous metals management, credit risk management and physical inventories.

The Group's Finance Department also seeks to ensure at all times that there are clear procedures to deal with sensitive issues or identified financial risk factors (described in the Management Report) that are specific to the Nexans Group's business and could have an impact on its assets or earnings.

This is the case, for example, with the management of risks associated with exchange rates, interest rates, and the fluctuation of non-ferrous metal prices, for which specific reporting procedures are in place at business unit level. These risks are controlled and analyzed by both the Treasury, Financing and Non-Ferrous Metals Management Department.

The Internal Audit Department performs controls to ensure that adequate internal controls are in place and function effectively and that Group procedures are complied with.