



Pirelli & C. S.p.A.

**Report on responsible management of the value
chain - consolidated non-financial disclosure
pursuant to legislative decree of December 30,
2016, n. 254**

REPORT ON RESPONSIBLE MANAGEMENT OF THE VALUE CHAIN

***Consolidated non-financial disclosure pursuant to Legislative Decree of December 30, 2016,
no. 254***

METHODOLOGICAL NOTE

This section of the Annual Report 2021, entitled “Report on Responsible Management of the Value Chain” (hereinafter “the Report”), constitutes the “Consolidated Non-Financial Statement” of the Company pursuant to Legislative Decree no. 254/2016 and explores the Sustainable Management Model adopted by Pirelli, the governance tools to support maintenance and creation of values, relationships with Stakeholders and related connection with the development of financial, productive, intellectual, human, natural, social and relational capital, which was mentioned in the “Presentation of 2021 Pirelli Integrated Annual Report”.

The Report reflects the integrated Business model adopted by the Group, inspired by the United Nations Global Compact, the principles of Stakeholder Engagement set forth by the AA1000, and the Guidelines of ISO 26000. Reported information is prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards, *Comprehensive* option, SASB Auto Parts Sustainability Accounting Standard, following the process suggested by the APS1000 APS principles (*materiality, inclusivity and responsiveness*), and considering the *integrated reporting* principles contained in the International Integrated Reporting Council (IIRC). In addition, this report considers the priorities reported by the European Securities and Markets Authority (ESMA) through the ESMA circular 32-63-1186 and includes the considerations required by the European Taxonomy Regulation in its fields of application (EU Regulation 2020/852 dated 18 June 2020 and the Delegated Regulations (EU) 2021/2178 and (EU) 2021/2139 connected to it). It should be noted that the assurance activities by the Independent Auditors linked to the latter involved verifying the preparation and publication of the information required by Reg. 852/20, in compliance with the indications given by Assirevi to the Independent Auditors through the Document of Research No. 243 of February 2022, entitled “Auditor’s activity on the disclosure pursuant to art. 8 of Regulation 2020/852 - Taxonomy Regulation”.

The set of GRI indicators covered by the Report is wider than the list of specific material issues indicated in the materiality matrix, and this in order to provide a more complete and transversal view on the Company’s performance, for the benefit of all Stakeholders.

The Report shows the sustainability performance of the Group in 2021 compared to 2020 and 2019, with respect to the targets set in the 2021-2022 Industrial Plan, 2025 Vision.

The Report, published annually, (the previous Pirelli Annual Report was published in April 2021 with reference to the year 2020), is approved by the Group’s Board of Directors and covers the same scope of consolidation of the Group.

The main information systems that contribute to the collection of the data contained in the Report are: CSR-DM (Corporate Social Responsibility Data Management), HSE-DM (Health, Safety and Environment Data Management), SAP HR (SAP Human Resources) and HFM (Hyperion Financial Management).

In terms of internal control of the contents of the Report, the Company, through the *Group Compliance* function, has set up a structured system that includes:

- a dedicated Operating Procedure, in which the roles, responsibilities and procedures to be followed by the Group companies in order to ensure adequate management and reporting of non-financial information are defined;
- an internal control system aimed at providing an assurance about the correct collection and reporting of non-financial information, to which an additional assurance is added for that information considered to be of particular relevance since, for example, it falls within the Group Sustainability Plan targets;
- a third party verification through a circling activity, of all the quantitative non-financial data reported in the Report with the aim to conduct an independent verification of the NFD data and the related source;
- the signing of a letter of certification by the Top Management concerning the data that are collected through the CSR-DM information system and the paragraphs of the financial statements of competence.

As regards external audits, the sustainability performance accounted in the Report is subject to limited audit by an independent firm (PricewaterhouseCoopers S.p.A.) in accordance with the criteria indicated in the *International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)*, issued by the *International Auditing and Assurance Standards Board*. For further information, reference is made to the related Auditor's Report provided at the end of the Annual Report. As part of this limited audit activity, the data relating to GHG (Greenhouse Gas) emissions were also specifically analysed, including for the purposes of the disclosure process to the CDP (formerly the Carbon Disclosure Project).

The Report is structured into four macro areas:

- an introductory section related to the sustainable management model adopted by the Company, Materiality Matrix, Governance and Compliance policies and activities, Stakeholder Engagement, long-term planning;
- an "Economic Dimension", in which the distribution of added value is detailed along with the management and performance relating to investors, customers and suppliers;
- an "Environmental Dimension", which describes the management of environmental aspects and impacts throughout the entire product cycle;
- a "Social Dimension", which brings together the paragraphs dedicated to: governance of human rights, the internal community and the external community.

At the end of the Annual Report 2021, before the Independent Auditor's Report mentioned above, the following summary Tables are available:

- the GRI Content Index, which shows the full list of indicators accounted based on the GRI Standards, indicating the relative page in the Annual Report 2021;
- a table of correlation between indicators accounted based on the GRI Standards and the United Nations Global Compact Principles;
- the SASB Content Index showing the complete list of indicators reported according to the SASB Auto Parts Sustainability Accounting Standard, indicating the relevant page within the 2021 Annual Report;
- a table of correlation between the performance/targets of the Group and the Sustainable Development Goals of the United Nations on which the aforementioned performance and targets have an impact;
- a correlation table between the information contained in the Annual Report and the topics indicated by Legislative Decree no. 254/2016.

For any clarifications and further information on the content of the Report, reference is made to the "Contacts" page of the "Sustainability" section of the website www.pirelli.com.

Management Model

Pirelli Sustainability Model is inspired by the United Nations Global Compact, the principles of Stakeholder Engagement set forth by the AA1000 and the Guidelines of ISO 26000.

Responsible management by Pirelli runs through the entire value chain. Every operating unit integrates economic, social and environmental responsibility in its own activity, while cooperating constantly with the other units, implementing the Group strategic guidelines.

The main management systems adopted by Pirelli include ISO 9001, IATF 16949, ISO/IEC 17025 in the area of Quality Management, SA8000® for the management of Social Responsibility at its subsidiaries and along the supply chain, ISO 45001 for the management of Health and Safety in the workplace, ISO 14001 for environmental management and ISO 37001 on anti-corruption measures. The Company is also inspired by the ISO 14064 for the quantification and reporting of greenhouse gas emissions (GHG), the ISO 14040 family rules for the methodology for calculating the environmental footprint of the product and the Organisation and, specifically, ISO 14067 and ISO 14046 for the determination of the Carbon Footprint and Water Footprint. In December 2021, the Company also renewed its independent certification (from SGS Italia S.p.A.) regarding the compliance of its Sustainable Purchasing Management model based on the ISO 20400 Standard (obtained during 2018).

Details on the coverage of these certifications and methodological reference tools have been given in the paragraphs “Programmes of Compliance 231, Anti-corruption, Privacy, Trade Compliance and Antitrust”, “Our Customers”, “Our Suppliers”, “Environmental Dimension”, “Industrial Relations” and “Occupational Health, Safety and Hygiene” of this Report.

With reference to the Group’s Sustainability Governance, the Board of Directors of Pirelli & C. S.p.A., supported in its activities by the Audit, Risks, Sustainability and Corporate Governance Committee, approves the objectives and targets for sustainable management integrated in the Group Plan. The Board of Directors also approves Pirelli’s Annual Report, including the Consolidated Non-Financial Statement, which is in turn subject to the supervision of the Board of Statutory Auditors in accordance with Legislative Decree no. 254 of 30 December 2016. Within the Board of Directors, the CEO is responsible for sustainability matters.

The strategic evolution of Group Sustainability is entrusted to the *Sustainability Strategic Committee*, a body appointed in 2004, chaired by the CEO and composed of the Company’s Top Management representing all the organisational and functional responsibilities. The Committee has strategic responsibility and holds ordinary meetings at least twice a year. As of 2021, the *Sustainability Strategic Committee* is being supported by a *Sustainability Operational Committee* chaired by the Deputy CEO and consisting of the Company’s Top Management, which will be responsible for the strategic and operational management of the Group’s Sustainability matters, including, among others, Climate Change and Diversity, Equity and Inclusion.

The organisational structure is thus made up of a Sustainability and Future Mobility Department reporting directly to the Deputy CEO of the company, which has oversight of the management at a Group level and proposes plans for sustainable development to the Sustainability Strategic Committee. The Group Sustainability & Diversity Officer works in the Sustainability and Future Mobility Department.

The Department receives support from:

- a *Sustainability Working Group* made up of sustainability referents within the different company departments in order to guarantee constant monitoring and coordination of strategic programmes with an impact on the competence of specific departments;
- *Country Sustainability Managers & Diversity Managers* to oversee activities covering all Group affiliates. The role of Country Sustainability Manager is held by the Country CEOs, who report directly to them for the operational management of Country plans.

Sustainability Planning and the United Nations Sustainable Development Goals (SDGs)

Pirelli’s sustainable development planning aims to make a tangible contribution to the global effort to achieve the 2030 Sustainable Development Goals (SDGs) presented by the United Nations in September 2015.

In methodological terms, the process of sustainable planning is characterised by specific operational steps aimed at continuous improvement in performance: evaluation of the context through benchmarks, dialogue with stakeholders, needs raised by internal functions, identification of risks and opportunities for growth, definition of projects and targets, implementation, monitoring and reporting.

In March 2021, Pirelli has published the Sustainability Plan 2021-2022 with 2025 and 2030 Vision, fully complementary with the Company's Industrial Plan. The Plan's targets have been defined in alignment with the materiality of the Company's socio-environmental impacts and in support of the United Nations 2030 Sustainable Development Goals, as further discussed below.

The targets and related performance of the Plan (for details see the related sections in this Report) foresee in summary the below figures.

At raw material level, for new product lines:

- by year 2025: renewable materials > 40%, recycled materials > 3%, fossil-based materials < 40%;
- by year 2030: renewable materials > 60%, recycled materials > 7%, fossil-based materials < 30%.

With reference to the evolution of the total product range, by 2025:

- more than 70% of new products will be in Rolling Resistance Class A/B¹¹;
- more than 90% of new products will be in WetGrip Class A/B;
- growth in *Eco & Safety Performance* revenues with a target of > 66% of total car sales and > 71% of High Value products only¹².

In terms of environmental efficiency of production processes:

- with reference to CO₂ emissions, by 2025 it is planned that 100% of renewable electrical energy purchased at Group level should be renewable, as well as a 25% reduction in absolute CO₂ emissions compared to 2015 (Science Based Target approved by SBTi in 2020); by 2030 it is planned to achieve Carbon Neutrality (considering emissions from electrical and thermal energy);
- with regard to natural resource efficiency, the following are also planned by 2025: reductions of 10% in specific energy consumption (compared to 2019) and 43% in specific water

¹¹ on all new ipcodes with Label, converting the non-European scales to the European classification.

¹² High Value products are determined by rim sizes equal to or greater than 18 inches and, in addition, include all "Specialties" products (RUN FLAT™, SEAL INSIDE™, PNCS™).

withdrawal (compared to 2015), as well as achieving 98% of waste sent for recovery (zero waste to landfill vision);

Regarding the sustainability of the supply chain:

- reduction of absolute CO₂ emissions from raw material suppliers by 9% by 2025 compared to 2018 (Science Based Target approved by SBTi);
- adoption of increasingly advanced models of management of the economic, social and environmental responsibility of the supply chain with particular attention to the upstream supply chain;
- implementation of the Pirelli Roadmap relating to the sustainable management of the natural rubber supply chain, in line with the dictates of Pirelli Policy and the Global Platform for Sustainable Natural Rubber (GPSNR), of which Pirelli is a founding member.

In the Plan, a central role is dedicated to human capital, the heart of the Company and of its ability to achieve the set objectives. The culture of safety in the workplace will continue to support the Zero Accidents objective, with an expected accident frequency index of ≤ 0.1 by 2025. The plan focuses on increasingly innovative human capital management. New marketing recruitment solutions for STEM (Science, Technology, Engineering, Mathematics) talents will be accompanied by experimentation with increasingly smart working methods and training in new digital skills, in an inclusive working environment capable of meeting the challenges of the future in an agile manner. ESG objectives, which are an integral part of the short- and long-term incentive plans (with a weight of 20% of the LTI bonus), will act as an enabler of positive tension towards achieving the Group's sustainability objectives.

To support the achievement of Group targets, all Pirelli commercial and industrial subsidiaries around the world have a Country Sustainability Plan.

As noted above, the Plan targets defined in alignment with the materiality of the Company's socio-environmental impacts affect the following SDGs in particular:

- 3 - Good Health and Well-being;
- 4 - Quality Education;
- 5 - Gender Equality;
- 6 - Clean Water and Sanitation;
- 7 - Affordable and Clean Energy;
- 8 – Decent Work and Economic Growth;
- 9 - Industry, Innovation and Infrastructure;

- 10 - Reduced Inequalities;
- 11 - Sustainable Cities and Communities;
- 12 - Responsible Consumption and Production;
- 13 - Climate Action;
- 15 - Life on Land
- 16 – Peace, Justice and Strong Institutions
- 17 – Partnerships for the Goals

For more information on the distribution and weight of the contribution for each SDG, please refer to the graphic representation of the materiality matrix proposed in the paragraph “Materiality Analysis and Mapping” of this Report.

Please be aware that:

- the Pirelli Sustainability Plan 2025 with 2030 vision is published in the “Sustainability” section of the Company’s website (www.pirelli.com);
- at the end of the 2021 Annual Report, prior to the Independent Auditors’ Report, are located the Summary Tables including a correlation table between the Group’s performance/targets and the United Nations Sustainable Development Goals, on which the aforementioned performance and targets have an impact.

Stakeholder Engagement

The role of Pirelli in an economic and social context is tied to its capacity to create value through a multi-stakeholder approach, i.e. through a sustainable and lasting growth that can reconcile the interests and expectations of all those with whom the Company interacts and especially:

- customers, since Pirelli way of doing business is based on customer satisfaction;
- employees, who make up the wealth of knowledge and driving force of the Group;
- shareholders, investors and the financial community;
- suppliers, with which it shares a responsible approach to business;
- competitors, because improved customer service and market position depend on fair competition;

- the environment, institutions, government and non-government bodies;
- the communities of the various Countries where the Group operates on a stable basis, while being aware of its responsibilities as a Corporate Global Citizen.

To the stakeholders mentioned, dedicated paragraph are within this Report, to which reference is made for further qualitative and quantitative study.

The interactions that take place between Stakeholders are analysed in detail in order to manage relations with them effectively in accordance with the AA1000 Model adopted by the Company and with a view to creating lasting, shared value.

Dialogue, interaction and involvement are calibrated to meet the needs for consultation with the various types of stakeholder and include meetings, interviews, surveys, joint analyses, roadshows and focus groups. Local feedback received from Stakeholders contributed to the corporate evaluation of the priorities for action, influencing the materiality matrix and the development strategy set out in the Sustainability Plan.

During 2021, due to the state of health emergency from Covid-19, engagement and dialogue activities with stakeholders continued through digital channels, while engagement activities that were supposed to have taken place on-site and in person to be most effective were postponed.

Materiality Analysis and Mapping

Pirelli's materiality mapping was updated with consolidated results in January 2022, was then submitted to the Sustainability Strategic Committee, the Board of Directors Committee and the Board of Statutory Auditors and then to the Board of Directors for publication in this Report. The matrix was updated and published in 2022, replacing the previous materiality mapping prepared in 2019.

The thorough Stakeholder Engagement activities allowed the observation of the priorities assigned by the key Stakeholders relating to a panel of sustainability topics critical for the Auto parts sector, and therefore to compare these expectations with the importance of the same issues for the success of the business according to the experience and expectations of the Top Management.

Stakeholders have been involved through a request for prioritisation of action on a selection of ESG issues relevant for the development of the Company.

The topics considered relevant were pre-selected considering their relevance to the automotive components sector according to leading research and sustainable finance bodies, their presence in the materiality mapping of car manufacturers and car parts, the risks and opportunities arising from regulatory developments with reference to the UN Sustainable Development Goals to 2030 (SDGs). To this end, the Sustainable Development Goals on which the Company can contribute most through strategies and actions developed considering the material issues assessed have been represented in the matrix below.

For this reason we would like to emphasise that all the ESG elements pre-identified through the aforementioned analysis and present in the materiality mapping are material and relevant to Pirelli's development, albeit with greater or lesser priority, as evidenced by the position of the different elements within the matrix defined according to the results of the interview process with stakeholders and management.

Given the complexity, the international extent of corporate Stakeholders and the variety of their expectations, the panel of Stakeholders of the Company from which feedback was requested covered all the Regions in the world and included:

- the major Original Equipment Customers;
- more than 650 End Customers belonging to the most representative markets;
- the most important Dealers;
- numerous Employees in the various countries where the Group is present;
- several Pirelli Suppliers;
- the leading Financial Analysts;
- national and supranational institutions and public administrations;
- Media specialists;
- international and local NGOs present in the various Countries in which Pirelli has production activities;
- Universities that have collaborations with the Group.

The main topics submitted for evaluation by Stakeholders are as follows:

- Climate Change and Greenhouse Gas Emissions Reduction;
- Responsible Management of Natural Resources;
- Biodiversity Protection;
- Circular Economy;
- Future Mobility;
- Product Quality and Safety;
- Product Environmental Sustainability;

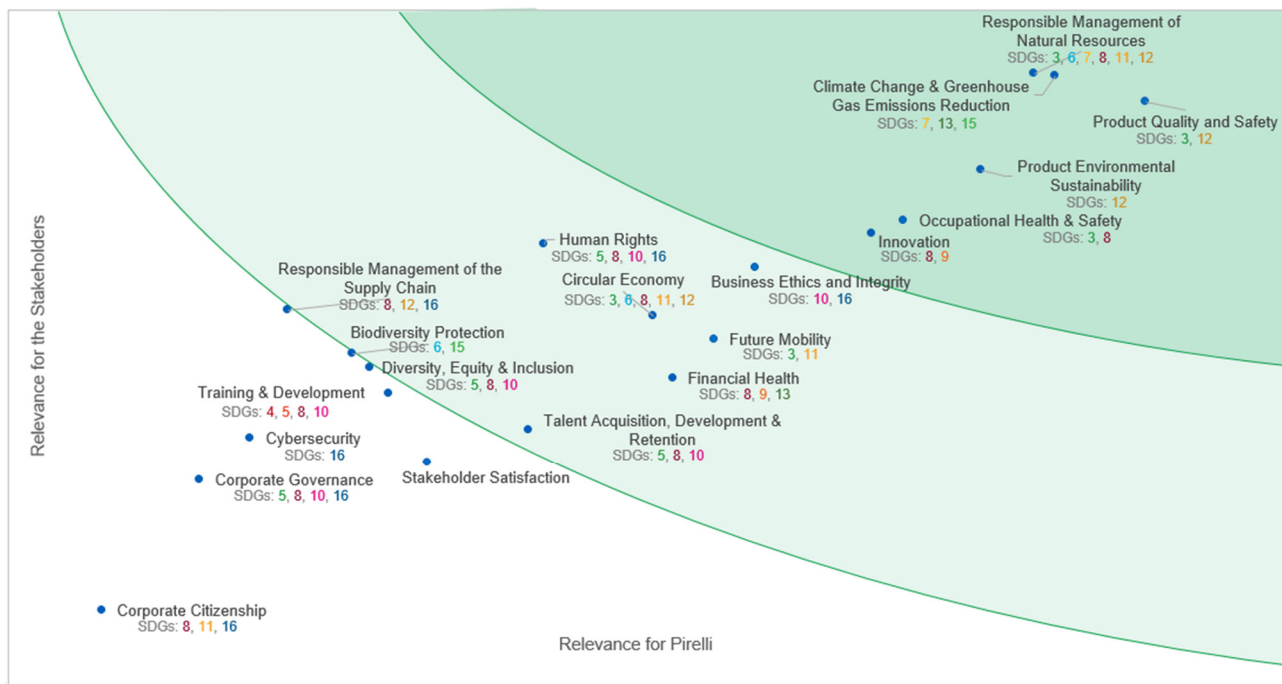
- Corporate Citizenship;
- Human Rights;
- Diversity, Equity and Inclusion;
- Training and Development;
- Occupational Health and Safety;
- Stakeholder Satisfaction;
- Talent Acquisition, Development and Retention;
- Responsible Management of the Supply Chain;
- Innovation;
- Cybersecurity;
- Business Ethics and Integrity;
- Corporate Governance;
- Financial Health.

The priorities among the significant issues expressed by Pirelli and its stakeholders on the above issues have been represented in a materiality matrix showing, on the vertical axis, the expectations of several external and internal stakeholders, while on the horizontal one, the importance that the Management attributes to individual business success factors. The result of such consolidation is outlined below.

It should be noted that the consolidation of the materiality matrix at Group level tends, by its very nature, to deviate significantly from the materiality matrix consolidated by the Group's Subsidiaries at country level. Elements of sustainability located in an area of minor materiality in the matrix at a Group level may be found to have major materiality for a number of Countries and specific stakeholders who are more directly involved.

The reporting of material issues, related risks and opportunities to these topics and the methods for managing them are reported in this Report, in the paragraph "Operational Risks" (of the Directors' Report on Operations), as well as in the paragraphs dedicated below to the various issues and Stakeholders.

Materiality mapping is a key element in the definition of the Group's sustainable development strategies and as such is considered in the definition of the Company's multi-year strategic sustainability objectives.



Main Policies

The Sustainable Management Model throughout the value chain is reflected in the main Group Policies, published on Pirelli’s website in multiple languages and communicated to all employees in their local language.

In particular, the following Policies are recalled:

- the “Group Values and Code of Ethics”;
- the “Code of Conduct”;
- the “Anti-Corruption” Programme;
- the “Global Antitrust and Fair Competition” Policy;
- the Group “Equal Opportunities Statement”;
- the “Health, Safety and Environment” Policy;
- the “Global Human Rights” Policy;
- the “Product Stewardship” Policy;
- the “Global Quality” Policy;

- the “Green Sourcing” Policy;
- the “Social Responsibility Policy on Occupational Health, Safety and Rights and Environment”;
- the “Global Tax” Policy;
- the “Institutional Relations - Corporate Lobbying” Policy;
- the “Global Personal Data Protection” Privacy Policy;
- the “Group Whistleblowing - Group Reporting Procedure”;
- the “Sustainable Natural Rubber” Policy, including the dedicated Grievance Procedure;
- “Pirelli Intellectual Property” (or IPR) Policy;
- “Pirelli Social Media” Policy.

The contents of the aforementioned Policies and the related methods for implementation are addressed in the sections of this Report that deal with the related issues.

Next, a focus on the Compliance programmes “231”, “Anti-corruption”, “Privacy”, “Trade Compliance”, “Antitrust” and on the “Whistleblowing” policy.

Programmes of Compliance 231, Anti-corruption, Privacy, Trade Compliance and Antitrust

With regard to the administrative liability of companies and bodies provided for by Legislative Decree no. 231/2001 (hereinafter also the “Decree”), Pirelli has adopted an Organization and Management Model (hereinafter also Model 231) structured in a General Section, which includes a review of the regulations contained in the Decree, of the crimes relevant to the Italian companies of the Group and the procedures for adopting and implementing the Model, and in a Special Section, which indicates the corporate processes and the corresponding sensitive activities for the Group’s Italian companies pursuant to the Decree, as well as the principles and internal control plans to supervise these activities.

In 2021, Given the continuation of the public health emergency situation declared in 2020 and continued in 2021, the specific periodic monitoring information flows to the Supervisory Board relating to the company’s management of the Coronavirus emergency were maintained.

During the year, training and communication activities on the current Organisational Model were completed for the entire population of the Group’s Italian companies.

In addition, the process of communicating and implementing the Group Anti-Corruption Programme continued in the main Countries in which Pirelli operates. The Programme, available in twenty-two

different languages on Pirelli website, is the corporate benchmark for the prevention of corruptive practices and represents a collection of principles and rules aimed at preventing or reducing the risk of corruption. In the document, Pirelli principles already set out in the Ethical Code and the Code of Conduct, including zero tolerance of *“corruption of public officials, or any other party, in any guise or form, or in any jurisdiction even in places where such activity is admissible in practice, tolerated, or not challenged in the courts”* are restated. Among the provisions of the Group Anti-Corruption programme are a prohibition in respect of recipients of the Code of Ethics from offering gifts and other utilities that might meet conditions of a breach of rules, or which are in conflict with the Code of Ethics, or may, if made public, constitute detriment even only to the image of Pirelli. Additionally, *“Pirelli defends and protects its corporate assets, and shall procure the means for preventing acts of embezzlement, theft, and fraud against the Group”* and *“condemns the pursuit of personal interest and/or that of third parties to the detriment of social interests”*.

As part of the anti-corruption programme implementation process, mandatory country-specific training courses have been made available through an e-learning platform. In addition, a Group-wide anti-corruption training course was prepared for the Purchasing Department to raise awareness of the issue so as to make it easier for employees to identify potential critical situations and activate the procedures set out in the internal rules.

The activity aimed at analysing the profiles of corruption risk and continued through the assessment of conformity with local regulations in force in the Countries where the Company is present, the verification of the adequacy of the corporate oversight and the updating of the risk analysis.

Finally, specific procedures have been formalised on the third party due diligence process through the analysis of the activities, conducted in the main Countries, of gathering and verifying information of an ethical, legal and reputational nature relating to counterparties and aimed at identifying potential compliance risks in advance.

During the year the certifying body performed audits of the ISO 37001 Anti-Corruption Management System of Pirelli & C. S.p.A. and Pirelli Tyre S.p.A., and of the Affiliates in Russia, Brazil and Spain, renewing the certification previously obtained.

Referring to the contributions made to the External Community, Pirelli has for many years adopted internal procedures defining the roles and responsibilities of the involved functions, and the operational process of planning, achieving monitoring and control of results of the initiatives supported. Pirelli procedure specifies that it may not promote initiatives for the benefit of beneficiaries in respect of whom there is direct or indirect evidence of failure to abide by the human rights, workers, the environment, or business ethics. “Pirelli Values and Ethical Code” set forth in their turn that the Company *“does not provide contributions, advantages, or other benefits to political parties or trade union organizations, or to their representatives or candidates, this without prejudice to its compliance with any relevant legislation”*.

Concerning institutional relations of the Group, and especially activities of corporate lobbying, Pirelli has adopted a Corporate Lobbying Policy for ensuring this is done in abidance with principles ratified by the Ethical Code and the Group Anti-Corruption Programme and in line with International

Corporate Governance Network principles and in all cases in compliance with laws and regulations current in countries where Pirelli operates.

In terms of prevention and control, the audits carried out by Internal Audit Department at Group subsidiaries include monitoring of crime risks, among which corruption and fraud figure. In this regard, it should be noted that, with reference to 2021, on the basis of the reports received through the whistleblowing reporting channel, no cases of fraud were ascertained to the detriment of the Company.

There were no cases of public legal action against the company regarding corruption practices.

Additionally, during the course of 2021 the implementation of the Functional Segregation model continued (so-called *Segregation of Duties*), aimed at strengthening the system of internal controls and preventing the committing of fraud.

Also in 2021, Pirelli supported the activities of Transparency International, to which it subscribes as supporter in educational area projects aimed at promoting an active role of civic and moral education in strengthening civil society against crime and corruption, believing that it is only through proactive and firm actions of value promotion that a general improvement in the quality of life can be achieved.

With reference to Privacy - personal data protection, in 2021, the processing activities carried out by Group companies based in the European Union, the Russian Federation, Turkey, South Africa and Brazil were monitored in order to verify their compliance with the applicable data protection regulations. At the same time, a project was launched to implement a personal data protection management model in all the countries of the APAC region, due to the different legislative changes. One of the main focuses of this project was Chinese legislation.

Finally, during 2021, Pirelli was not involved in any proceedings, investigations or inspections by data protection authorities, either within the European Union or within elsewhere.

In relation to trade compliance issues, in 2021 Pirelli adopted a management system to ensure compliance with the relevant regulations in the performance of its business activities. This management system was formalised with the updating of the Global Sanctions Compliance Policy and the definition of an operating manual (Global Sanctions Compliance Handbook). In addition to this documentation, Pirelli has also developed and implemented a risk-based system for the automated monitoring of commercial counterparties (customers and suppliers) using dedicated tools and platforms.

On the subject of Antitrust and in line with the provisions of its *Global Antitrust and Fair Competition Policy*, Pirelli operates in accordance with fair and proper competition for the purpose of Company and at the same time, market development. In this context, Pirelli constantly updates the Group's Antitrust Programme in line with international best practices.

Throughout 2021 Pirelli continued to implement the Antitrust Programme in the various Countries in which it operates: online training activities were carried out, as well as continuous business

assistance to facilitate the management of antitrust issues in the daily conduct of business activities or relationships with other operators.

During 2021 Pirelli was not involved in any antitrust proceedings or significant investigations as participant in anti-competitive conduct.

Focus: Reporting Procedure - Whistleblowing Policy

The Group Reporting Procedure, or Whistleblowing Policy supports the Group' internal compliance and control systems. It is aimed at both employees and external stakeholders; it is internally accessible through intranet and company bulletin boards in the local language and externally through Pirelli website.

The Policy governs the manner of reporting breaches, suspected breaches and inducement to breaches in the matter of law and regulations, principles ratified by the Code of Ethics, including reports relating to equal opportunities, discrimination and mobbing, in addition to all that is dealt with in the aforementioned Group Policies, internal auditing principles, corporate policies, rules and procedures, and any other behaviour involving commission or omission of acts that might directly or indirectly lead to economic-equity detriment, or even one of image, for the Group and/or its companies.

The reporting channel is also expressly referred to by the Sustainability Clauses included in each supply order/contract as well as being reiterated in the text of the different Group policies published on the Company's website.

Reports may be made also in an anonymous form and protection of utmost confidentiality is at all times restated, as too is zero tolerance in respect of acts of reprisal of any kind against whoever makes a report or is the subject of the report.

Reports may concern directors, auditors, management, employees of the Company and, in general, anyone operating in Italy or abroad for Pirelli or engaging in business relations with the Group, including partners, customers, suppliers, consultants, collaborators, auditing companies, institutions and public entities.

The e-mail box ethics@pirelli.com is made available to anyone wishing to proceed with an alert, which is valid for all Group subsidiaries, as well as for the External Community, and is centrally managed by the Group Internal Audit function which, in the Pirelli organisation, has a functional reporting to the Audit, Risks, Sustainability and Corporate Governance Committee, made up of only independent directors, and to the Board of Statutory Auditors of Pirelli & C. S.p.A.

Internal Audit Department has the task of analysing all reports received, even involving corporate functions felt to be concerned for the activities necessary of verification, in addition to scheduling specific action plans. In the event of a report being found to be grounded, adopting fitting disciplinary and/or legal actions is foreseen for the protection of the Company.

In respect of reports received in the years 2021, 2020 and 2019, below is a summary table, followed by an in-depth analysis of those pertaining to 2021¹³.

	2021	2020	2019
Total reports	59	50	77
Of which anonymous	35	17	29
Of which filed closed for being absolutely generic	12	3	7
Of which founded	12	20	25
Countries of origin of the reports ascertained	Argentina, Brazil and Romania	Argentina, Brazil, and UK	Brazil, Bulgaria, Dubai, Greece, Italy, Romania, and Russia
Matter alleged in the reports ascertained	Violation of the Code of Ethics and/or company procedures.	Violation of the Code of Ethics and/or company procedures, fraud against the Company or third parties, employee claims, discrimination.	Violation of the Code of Ethics and/or company procedures, fraud against the Company or third parties, product quality anomalies, discrimination.
Outcome of cases investigated	Review and integration of processes where deemed fitting, decisions by the functions concerned and the Human Resources Department.	Review and integration of processes where deemed fitting, decisions by the functions concerned and the Human Resources Department.	Review and integration of processes where deemed fitting, decisions by the functions concerned and the Human Resources Department.

During the course of 2021 the Whistleblowing procedure was activated 59 times. In particular:

- the 59 reports were received from 6 different Countries (Argentina, Brazil, Italy, Romania, Turkey and the UK);
- 92% of the reports (54 cases) were forwarded using the email address ethics@pirelli.com provided, while 8% (5 cases) by sending a letter to management which dealt with informing Internal Audit Department as per corporate rules;
- 41% of the reports (24 cases) were signed whereas the remaining 59% (35 cases) were received in anonymous form;

¹³ The data reported are related only to the consolidated scope of the Consumer business. Furthermore, with regard to the 6 reports that were still in progress at the reporting date of the 2020 Annual Report, following the conclusion of the verification activities in 8 cases no objective evidence was found to consider the facts alleged to be true, while in 3 cases the partial veracity of the reports was confirmed and the company intervened with specific plans aimed at removing the causes and/or improving the internal control system.

- among the signed notifications, 5 were activated by external Stakeholders, all the 5 cases were related to breaches of the Code of Ethics and/or company procedures. It is objectively impossible to confirm that there were, in absolute terms, no further reports from external Stakeholders received as a number of reports were, as specified, anonymous.

Of the 59 reports received during the 2021 year, at the beginning of 2022, 7 were found to be at the verification and in-depth investigation stage, whereas 52 were found to have been concluded.

With regard to the 52 reports for which the audits were concluded, specific activities of verification involving, where necessary, the corporate functions concerned were conducted, and based on the analyses carried out and the documentation made available during the assessment, it emerged that:

- in 40 cases objective corroborating evidence was detected such as to hold the facts contended in the reports received to be true;
- in the remaining 12 cases, the substantial truthfulness of the facts attributed was found, in particular, all 12 cases concerned violations of the Code of Ethics and/or company procedures. The Company has activated for all cases, intervening with disciplinary sanctions (reprimands) and with actions aimed at removing the causes of complaints and/or aimed at improving the internal control system.

In 2021 there was a slight fall in reports compared to 2020, although remaining at an even lower level than in 2019, likely to be linked to, and thus before, the Covid-19 health emergency period.

The Internal Audit Department periodically reported the reports received and the progress of the analyses carried out to the competent corporate bodies of Pirelli & C. S.p.A.

Grievance Mechanism Natural Rubber

In 2021 the Pirelli Group made available to its Stakeholders a grievance mechanism for reporting violations of the policy on the sustainable management of natural rubber throughout the supply chain. Reports, including anonymous ones, are sent to the email address grievance.naturalrubber@pirelli.com and are treated confidentially.

ECONOMIC DIMENSION**SHARING OF ADDED VALUE**

The Values and Ethical Code of Pirelli ratify the commitment of the Company to operate to ensure responsible development over the long term, while being aware of the connections and interactions between economic, social and environmental dimensions. This is to wed the creation of value, the progress of the company, the attention given to Stakeholders and the raising standards of living and quality of the environment.

“Added value” means the wealth created over a given reporting period, calculated as the difference between the revenues generated and the external costs sustained in the period. Distribution of added value among Stakeholders allows the relations there are between Pirelli and its main Stakeholders to be expressed by focusing attention on the socio-economic system in which the Group operates.

DISTRIBUTION OF ADDED VALUE (in thousands €)						
	2021		2020		2019	
Gross Global Added Value	2,194,760		1,674,788		2,315,148	
Remuneration of personnel	(1,101,913)	50.3%	(949,678)	56.7%	(1,072,167)	46.3%
Remuneration of Public Administration	(115,158)	5.2%	(14,693)	0.9%	(164,562)	7.2%
Remuneration of borrowed capital	(144,281)	6.5%	(156,502)	9.3%	(109,480)	4.7%
Remuneration of risk capital	-	0.0%		0.0%	(177,000)	7.6%
Remuneration of the company	(830,269)	37.5%	(548,726)	32.8%	(788,044)	34.0%
Contributions to the external community	(3,138)	0.1%	(5,189)	0.3%	(3,895)	0.2%

The added value created in 2021 is 31% higher than in 2020. Trends in the items determining gross global added value, as shown above, are set out in the Directors' Report and Consolidated Financial Statements section of this Report, to which reference is made for further in-depth study.

Contributions to the external community

The impact of expenses for corporate initiatives in 2021 for the external community on the net result of the Group amounted to 1% (12.2% in 2020). The decrease in this ratio compared to the previous year is due to lower contributions made during the year to the external community (in 2020, Covid-19 donations amounted to €2,745,000, whereas in 2021 they were absent), which in turn were weighed on a higher Group net result compared to the previous year.

The table below shows the expenses incurred in the last three years:

CONTRIBUTIONS TO THE EXTERNAL COMMUNITY (in thousands €)			
	2021	2020	2019
Training and research	755	738	691
Social-cultural initiatives	1,918	1,441	2,136
Sports and solidarity	465	3,010	1,068
Total contributions to the external community	3,138	5,189	3,895

For further study of the main initiatives supported by the contributions indicated above and related model of governance, please refer to the paragraphs in this report devoted to corporate contributions and initiatives for the external community. It should also be noted that the amounts allocated to trade associations amount to a total of €865,000. Trade associations, among their activities, interact with policy makers, but it is not possible for us to estimate the share dedicated exclusively to lobbying activities. For more details on lobbying activities with European institutions, see the paragraph “ETRMA - European Tyre and Rubber Manufacturers Association”.

Trade associations (in migliaia di €)	2021
Assolombarda (Italia)	299
USMTMA - U.S. Tyre Manufacturing Association (Stati Uniti)	169
ETRMA - European Tyre Rubber Manufacturers Association (Europa)	73
wdk - Wirtschaftsverband der deutschen Kautschukindustrie e.V. (Germania)	70
ANIP - National Association of Tires Manufacturers (Brasile)	68
British Tyre Manufacturers' Association (Regno Unito)	35
Altro	151
Totale Trade associations	865

Lastly, in line with what is set forth in the Code of Ethics, Pirelli “*does not provide contributions, advantages, or other benefits to political parties or trade union organizations, or to their representatives or candidates, this without prejudice to its compliance with any relevant legislation*”. For this reason, contributions in these areas are absent (zero). It should be noted that Pirelli’s institutional relations are permeated by criteria of maximum transparency, legitimacy, and responsibility, both with respect to information disseminated in public venues and to relations managed with institutional interlocutors in accordance with the Ethical Code and the Institutional Relations - Corporate Lobbying Policy.

LOANS AND CONTRIBUTIONS RECEIVED FROM THE PUBLIC ADMINISTRATION

The main contributions received by the Public Administration in 2021 are shown below.

Romania

The Company S.C. Pirelli Tyres Romania S.r.l. received a non-repayable grant of €28.5 million from the Romanian state as an incentive for local investments, of which €3.0 million in 2021 (the incentives were paid from 2018 onwards).

Italy

The Company Pirelli Tyre S.p.A. obtained incentives from the Lombardy Region in the form of non-repayable grants of €1.695 million and €2.462 million for the implementation of two Research and Development projects on Safety and Smart Manufacturing. The first project has been completed, while for the second one €558,000 were received in the current year as the balance.

With reference to the agreement signed with the MiSE (Ministry of Economic Development) in the 2019 financial year for the facilitation of three Research and Development projects up to a maximum of €6.3 million in the aggregate, in the current year the Company obtained the three respective decrees granting the subsidies from MiSE.

RELATIONS WITH INVESTORS AND THE FINANCIAL MARKET

Pirelli engages in constant dialogue with shareholders, bondholders, institutional and individual investors, and analysts at the major investment banks via the Investor Relations function and the Group's Top Management, promote communication that is equal, transparent, timely and accurate, in line with the provisions of the Group's Values and Code of Ethics.

During 2021, communication activities with the financial market continued with meetings and virtual roadshows due to the Covid-19 pandemic. Particularly noteworthy was the presentation of the 2021-22 | 2025 Business Plan, which was widely attended by the main Italian and foreign analysts and investors connected via video-streaming.

In line with international Best Practices, the "Investors" section of the Pirelli website is constantly updated with information on strategy, business model, market performance and positioning with respect to competitors.

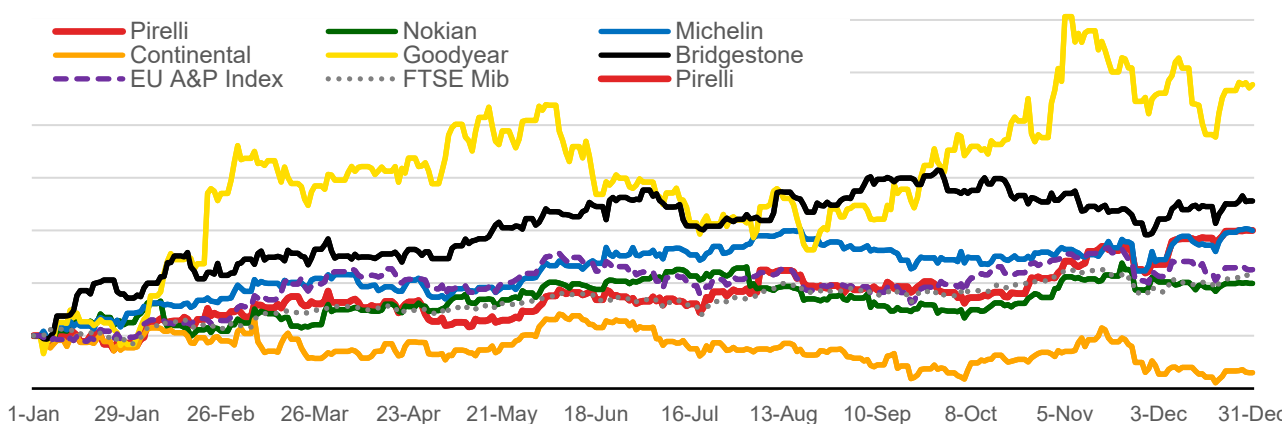
The interest of the financial community towards Pirelli is proved by the broad coverage of the stock by 20 of the main national and international business banks and brokers and by the inclusion of the

company in the main indices, including FTSE ALL World, FTSE MIB, MSCI Small Cap and Listed Italian Brands.

The evaluation (Target Price) and the analysts' estimates (Consensus) are published in the "Investors" section on the company's website and periodically updated, based on publications and model updates by analysts covering the stock.

After a 2020 characterised by the health crisis and the consequent impacts of COVID on the real economy (due to the lockdowns implemented in the main countries), in 2021 equity markets were characterised by a general upturn, in a context of recovery of economic activity supported by the progressive diffusion of vaccines, and in particular by the support of expansionary fiscal and monetary policies by governments and central banks. Pirelli ended 2021 with a market capitalisation of €5.93 billion (average December capitalisation), up +40%¹⁴. This compares with -14%⁹ for Continental, +20%⁹ for Nokian, +40%⁹ for Michelin, +51%⁹ for Bridgestone, +95%^{9, 15} for Goodyear, and +25%⁹ for the EU Stoxx 600 A&P index.

Below is a summary of stock market performance since the beginning of the year:



In 2021 Pirelli confirmed its commitment and contribution to a sustainable economy with a €400 million 3-year loan, parameterised on the Group's environmental sustainability objectives (CO₂ emissions and sustainable management of natural resources). The loan - which follows the debut on the ESG loans market in March 2020 - demonstrates the financial community's appreciation of Pirelli's financial strength and the environmental commitments undertaken by the Group.

Pirelli's commitment to the creation of sustainable value that characterizes the Company's responsible management and its economic, social and environmental performance allows it to be included with top industry ratings in some of the world's most prestigious sustainability stock market indices, including Dow Jones Sustainability Index World and Europe and FTSE4Good,

¹⁴ Stock market trend 1 January - 31 December; the value is net of dividend distribution and/or other extraordinary transactions.

¹⁵ Goodyear's stock market trend also benefited from the acquisition of Cooper (announced on 22 February and completed on 7 June).

demonstrating in both their leadership in sustainability in their segments, MIBESG, Ethibel Sustainability Index (ESI) Excellence Europe, ECPI, ISS ESG Rating and MSCI ESG Rating.

With specific reference to the Dow Jones Sustainability indices, in 2021 as well as in February 2022 Pirelli was recognised as S&P Global Gold Class in the S&P Sustainability Yearbook, with a score of 77 compared to a sector average of 31. S&P Global's awards are based on S&P Global's Annual Corporate Sustainability Assessment for S&P Dow Jones Sustainability Indexes World and Europe, which in 2021 analysed the ESG performance of more than 7,500 companies in different sectors.

In December 2021, Pirelli was reconfirmed in the Climate A list of the CDP (formerly the Carbon Disclosure Project), making it one of the global leaders in the fight against climate change, as was also the case in 2020 and 2019. The "A" rating is the highest score that can be awarded and was assigned to only 200 companies out of the 13,000 that reported their greenhouse gas emissions in 2021 through the CDP (a non-profit organisation supported by over 590 institutional investors, who manage assets worth over US\$110 trillion) and by more than 200 large buyers with a purchasing power of US\$5.5 trillion).

OUR CUSTOMERS

Pirelli is the only global tyre manufacturer entirely dedicated to the Consumer market, which includes tyres for cars, motorcycles and bicycles.

The company is focused on the High Value market and is committed to developing innovative tyres and Specialties and Superspecialties for a broad product portfolio. Sales channels include:

- Original Equipment, addressed directly to the world's leading car manufacturers;
- Replacement, for the replacement of tyres on vehicles already in circulation.

In the Original Equipment Vehicles, Sport Utility Vehicles (SUVs) and light commercial vehicles segment, Pirelli can count on a Premium customer market share of around 20% globally and more than 25% in Europe; in the Prestige segment, which ranks at the top of the range, Pirelli sits at around 50%.

In the Replacement segment, there are two broad types of customers: Specialised Resellers and Distributors. Specialised Resellers are tyre specialists operating on the market in the role of independent businesses, specialised dealers constitute a fundamental point of contact between the Group and the end consumer. Particular attention is devoted to specialised dealers in terms of shared development to enhance the product offering integrated with a high-quality level of service, in compliance with Pirelli values and consumer expectations. In 2021, Pirelli can count on around 18,000 Loyal Resellers globally, with a particular concentration in Europe, Asia-Pacific and South America (over 75% of the total points of sale). The degree of affiliation varies according to the market and the very presence of Pirelli, ranging from a softer loyalty (Fidelity Club), whose main objective for Pirelli is territorial coverage and for the dealer sales support; to franchise programmes, in which

through the exclusivity of the partnership there is strong focus on business development point of sale overall; up to the maximum degree of affiliation, represented by the presence of points of sale owned by Pirelli (301 points of sale worldwide).

Starting in 2016, and in line with Pirelli's "Prestige" strategy, a new retail concept called P ZERO WORLD™ was born, with the aim of offering the best services to satisfy the most demanding consumers. P ZERO WORLD™ offers its customers the entire range of Pirelli products (Car, P ZERO™ Trofeo®, Pirelli Collection, Moto and Velo) and a series of customer-oriented services such as car valets and courtesy cars, all immersed in an environment that allows you to fully experience the Pirelli World, being able to touch the most important assets such as F1®, the Calendar and the partnerships of Pirelli Design. By 2021, the P ZERO WORLD™ Network will identify over 100 stores in 2022 among Pirelli's best customers, located in the main countries of the world. Among these, 5 are already active Flagship Stores (Los Angeles, Munich, Monte Carlo, Dubai and Melbourne), while the remaining are authorised dealers, with about 30 new openings planned for 2022.

"Distributors" are partners who are fundamental to guaranteeing continuity in the supply of tyres to other specialised and non-specialised resellers. They do so by offering local delivery and distribution services throughout the entire territory. With this in mind, Pirelli is activating several programmes of close cooperation with the most important market distributors worldwide.

Customer focus

Customer focus is a central element of the Group "Values" and "Ethical Code" and the "Quality Policy" and "Product Stewardship Policy" of Pirelli. These documents outline the company positioning and are therefore communicated to all employees in the local language and are available in many languages on the Pirelli website.

Among the essential elements of the Pirelli approach, the following are highlighted:

- consideration of the impact of its actions and behaviour on the customer;
- exploitation of every opportunity offered by doing business to satisfy the customer's needs;
- anticipation of customer needs;
- safety, reliability, high performance of products and services offered, in accordance with local regulations and more developed national and international standards applicable, as well as excellence of production systems and processes;
- information to customers and end users to guarantee an adequate understanding of the environmental impacts and safety features of Pirelli products, as well as of the safest ways of using the product.

Pirelli also adopted a clear procedure to grant a feedback to any customer claim, which involves immediate intervention with respect to the interlocutor.

Transparency, information and customer training

In the context of advertising communication, Pirelli has defined a traceable and transparent process for decisions relating to advertising campaigns and related media planning, both in the case of promotional activities managed centrally and locally with central supervision.

In terms of production of advertising campaigns and media planning, Pirelli uses specific auditing and certification structures that place the Company at the highest levels in terms of transparency and traceability in its advertising investment strategies.

The Pirelli Group endorses the IAB (Interactive Advertising Bureau) and is associated with the UPA (Associated Advertising Users), among other things dedicating ongoing commitment to support the Advertising Code of Corporate Governance of the association. Through the UPA, Pirelli is a member of the WFA (World Federation of Advertisers), which commits participating firms to pursue honest, truthful and fair competition and communication in compliance with the code of conduct and self-regulation which they adopt. Consumer protection is also guaranteed by the choice of suppliers in the communication sector (creative agencies, media centres, production companies) that in turn belong to business and professional associations governed by ethical codes regarding communication.

Pirelli provides information to customer-distributors and end customers on a continual basis. This information concerns both the product and related initiatives, and is disseminated in a variety of ways, including digital channels, and this is complemented by information distributed in hard copy format, as well as the range of offline and online training activities.

With 58 Car websites (in 31 languages) and 20 Motorcycle websites (in 14 languages), online represents for Pirelli a fundamental point of contact with the customer in the tyre purchase process. These product websites, located not only by language, but also for content, offer and promotional activities, have the objective of informing and guiding the consumer, in all countries where Pirelli markets its products, to the points of sale where to buy the tyres. In 2021, these websites attracted 12.8 million unique users, for a total of 17.4 million sessions and around 41.4 million page views.

A further digital touchpoint that brings the consumer to the point of sale is represented by the Retail sites: present in 10 countries, it has intercepted 1.8 million users in 2021 (for a total of 7.8 million page views) and generated about 158,000 appointment bookings, more than 97,000 calls to the dealer, more than 24,500 contact requests via e-mail.

Also in 2020 Pirelli continued to inform its customers through a Direct E-mail Marketing (DEM) programme whose main objective is to provide an additional tool for communication, training and ongoing contact with the trade. The DEMs aim to inform trade customers of the main new products, the Company and the courses available to become Pirelli Product Experts.

In addition, during 2021, information about the introduction of new products was carried out through digital channels: the new Cinturato family in Europe, the Scorpion AS+3 in North America and the Seal Inside technology in Latin America were presented to customers with digital events that involved about 4,000 dealers and allowed Pirelli to convey its innovation and technology in a new, fast and effective way.

During 2021, due to the instability linked to the COVID health emergency, several of the major events (such as Autoshow, Concorso d'Elegance, rallies, etc.) that usually populate the automotive world and that have always been the main focus of Pirelli's business plan were held "behind closed doors" or under the aegis of restrictive anti-Covid protocols, limiting the possibilities of activation, both in B2B and B2C terms. Nevertheless, Pirelli was able to participate as a partner of prestigious Car Manufacturers such as Pagani Automobili in the 2021 edition of the prestigious "Rolex Monterey Motorsport Reunion", one of the main events of the "Monterey Car Week", as well as create five appointments of the P Zero™ Experience, respectively at Silverstone, Mugello, Red Bull Ring, Hockenheim and Thermal Club, which hosted a total of 616 participants.

Pirelli continues its commitment alongside the sports most in line with the prestige and high performance positioning that characterise the Company and its products: this is the case of the partnership launched in 2018 with Luna Rossa, challenger of record in the America's Cup 2021, to which are added the sponsorship relations with FC Internazionale Milano, which in 2021 achieved its 19th national title and of which Pirelli will become Global Tyre Partner from the 2021-2022 season after 26 years on the nerazzurra jersey; as well as consolidated partnerships with the Italian Winter Sports Federation, the Ice Hockey World Championships and the Alpine Skiing World Championships held in Cortina d'Ampezzo in February 2021.

Customer training on the product was also intense in 2021 in all markets, through virtual delivery due to the persistence of the Covid-19 pandemic. During the year, almost 5,000 participations of dealers, belonging to the 30 main markets, in online training courses on the Pirelli product, technology and tyre sales were recorded.

In order to support the product trainers, Pirelli continues to develop a library of technical content developed for classroom courses and the "TYRE CAMPUS™ Case" instrument, which aims to concretely demonstrate the characteristics of Pirelli tyres, the raw materials used for their manufacturing and the benefits of the different treads. With these tools, Pirelli trainers around the world can have concrete and innovative support that allows customers to personally understand and verify the key characteristics and advanced technology of Pirelli products.

During 2021 there was an increase in the use of the online training site TYRE-CAMPUS™, which now covers 30 markets in 17 different languages. To date, over 18,500 active users on the training platform. Training on the product is provided in an engaging and customisable way on the various types of distribution channel, with more paths linked to the individual product families. In addition to being involved in a modern and intuitive environment, users are also involved in the obtaining of the

“Product Expert” certification which can be obtained and downloaded from the site once all the training courses assigned during the year have been completed.

Listening and exchanging ideas with Customers as sources of continuous improvement

Customer relationships are managed by Pirelli principally through two channels:

- The local sales organization, which has direct contact with the customer network and which, thanks to advanced information management systems, is able to process and respond to all information requirements of the interlocutor on-site;
- the Pirelli Contact Centres, nearly 30 worldwide with more than 160 employees, performing business operations in IT support and order management (inbound), telemarketing and teleselling (outbound).

In 2021, the major social media channels of Pirelli have seen an increase in the fan base. Pirelli’s presence on Facebook has stabilised at over 2.6 million followers. On Twitter, the Pirelli accounts have seen an increase in followers, reaching around 444,000 people, over 29% more than in 2020. An important step forward was on Instagram, where the Pirelli channels reach nearly 960,000 followers, an increase, year-on-year, of more than 11%. Finally, there are more than 26,000 followers of Pirelli on the main online video platform, YouTube, and over 570,000 followers on LinkedIn.

As for www.pirelli.com, Pirelli’s *digital magazine*, more than 320 articles were published in 2021 - 70% of which related to product and motorsport issues and 30% to the dimensions of the brand and company - attracting over 5.5 million visits (55% of which were attracted through social networks) and more than 4.8 million unique users. There is no shortage of sustainability-related content in the publications, including the ‘Thinking Ahead’ column or the article on the first FSC-certified car tyre (“FSC™, on the green side of the world since 1993”).

As for the Motorcycle world, Pirelli and Metzeler brands boast a structured and widespread presence on the main social networks: Pirelli brand, as well as on the Facebook channel (with more than 988,000 fans connected to the Global Page which includes 18 local pages) is on Instagram with over 165,000 followers and has dedicated profiles on Twitter and YouTube. Significant for the business is the mobile application DIABLO™ Super Biker, which has been completely renewed and improved from the point of view of the usability and functionality offered to the motorcyclist. The Metzeler brand, in addition to its international website and geo-localised in 24 countries worldwide, which in 2021 intercepted 1.1 million unique users, with a total of 1.5 million sessions and 4.6 million page views, is present on Facebook with a Global Page that has more than 437,000 fans and includes 16 local pages in as many Countries. As with Pirelli brand, Metzeler has had active Instagram, Twitter and YouTube profiles for years. The CRM (Customer Relationship Management) project, in turn, has a priority position given the passion for Pirelli products by the registered community of motorcyclists: more than 473,000 for PIRELLI Moto and around 81,000 for Metzeler.

Pirelli Cycling, in turn, speaks with its consumers also through a dedicated website. Immediately active in Instagram, Pirelli Cycling bases its communication on digital activation in line with the propensities of its target consumer.

Also in 2021 direct customer listening activities were carried out both through the Brand Tracking survey in Pirelli's Top Market (Italy, Germany, United Kingdom, China and United States) and through surveys to consumers with whom Pirelli has a direct and constant dialogue thanks to structured CRM activities. The ongoing changes made to this study over the years have made it possible to refine and improve the precision of business insights into the brand role, image profile and characteristics of the different touchpoints that influence the end customer's purchase decision.

In terms of performance indicators, Pirelli considers *Top of Mind*, *Brand Awareness* and *Brand Consideration*. With reference to the *Target Premium 18" Up* represented by Premium car owners which can mount tyres with rims equal or higher than 18 inches, the analysis carried out in 2021 saw Pirelli positioned among the main tyre brands: in second place for *Top of Mind*, *Brand Awareness* and *Brand Consideration* in the United Kingdom, in first place for *Top of Mind* and *Brand Awareness* and second place for *Brand Consideration* in Italy, third place for *Top of Mind* and *Brand Awareness*, and fourth place for *Brand Consideration* in Germany. Outside Europe, Pirelli is in fourth place for *Top of Mind* and in fifth place for *Brand Awareness* and *Brand Consideration* in the USA; while in China it was in third place for *Brand Consideration*, and fifth place for *Top of Mind* and *Brand Awareness*.

Quality and product certification

ISO 9001: since 1970, the Group has had its own Quality Management System introduced gradually at all its plants and, since 1993, Pirelli has obtained certification of its quality system under the ISO 9001 standard. The transition process of its plants and the Headquarters to certification according to the new ISO 9001: 2015 ended in September 2018. In 2019, all the certifications obtained were verified by third-party bodies and kept active. In 2020, following the pandemic situation related to Covid-19, the IAF (International Association Forum) admitted the possibility of implementing remote audits and extending the validity of expiring certificates. Pirelli has guaranteed the implementation of remote and field recertification and surveillance audits, where possible, in accordance with IAF rules and in compliance with the rules for the preservation of personnel health, established by the country and the company itself. Also in 2021, due to the continuation of the pandemic situation, the Company has continued to carry out surveillance audits in accordance with the procedures laid down by the relevant third-party bodies, ensuring the continuity of the certifications obtained.

IATF 16949:2016: since 1999 the Group has obtained the certification of its Quality Management System according to the automotive scheme and subsequent evolutions. Following the evolution of ISO 9001: 2015 and the new IATF 16949:2016 (Automotive Scheme became private), Pirelli achieved the Quality Management System certification in 100% of its eligible plants as at 31 December 2018. In 2020, due to the pandemic situation, the International Automotive Task Force allowed remote audits starting on October 30, 2020. In this case as well, Pirelli guaranteed the

implementation of surveillance and recertification audits in the field, and then remotely, in accordance with IATF rules and in compliance with the rules for the preservation of personnel health, established by the country of origin and by the Company itself.

Also in 2021, due to the continuation of the pandemic situation, the Company has continued to carry out surveillance audits in accordance with the procedures laid down by the relevant third-party bodies, ensuring the continuity of the certifications obtained.

ISO/IEC 17025: since 1993 the Materials and Experimentation Laboratory of Pirelli Tyre S.p.A. and since 1996 the Experimentation Laboratory of Pirelli Pneus (Latin America) hold the Quality Management System and have been accredited under the ISO/IEC 17025 standard. This system is maintained in accordance with the standard in force and the ability of the laboratories to perform accredited tests is evaluated annually. In accordance with the rules for transition to ISO/IEC 17025:2017, in 2019 Pirelli Tyre S.p.A. Laboratory successfully obtained accreditation for the new version. In 2020, the laboratory carried out its annual remote surveillance audit as required by the Accreditation Body Accredia and in 2021 in hybrid form.

The labs participate in proficiency tests organised by the International Standard Organisation, by European Tyre and Rim Technical Organisation (ETRTO) or by international circuits organised by auto manufacturers. Specifically with regard to car tyres, the focus on quality is confirmed by Pirelli's supremacy in numerous product tests. It is also guaranteed by its collaboration on product development and experimentation with the most prestigious partners (auto manufacturers, specialised magazines, driving schools, etc.).

The Product Certifications, which allow the marketing of the same in the various markets in accordance with the regulations laid down by the different Countries and, for some markets, are managed directly by the Quality Function. The prevailing certifications, obtained in Pirelli Group, concern the markets of Europe, North America, South America, China, Gulf Countries, India, Taiwan, Indonesia, South Korea, Argentina and Australia (the latter only "on demand", as it considers both the DOT - Department of Transportation - marking and the UNECE certificate valid), and involve all Pirelli factories. These Certifications periodically require factory audits by ministerial bodies of the countries concerned or bodies delegated by them, with the aim of verifying product compliance at Pirelli production sites.

In 2021 a number of Government and/or Type Approval Authorities (e.g. for the China, Brazil, Uruguay, India and Indonesia markets) carried out remote audits to verify production compliance.

Due to the continuation of the pandemic situation, some certifications were issued by third-party certification bodies with delays (e.g. India, Argentina) without any impact on business activities.

Compliance

Also in 2021:

- no significant final penalties were levied and/or paid relating to infringement of laws or regulations, including those relating to the supply and use of the Group's products and/or services;
- no cases emerged of non-compliance with regulations or voluntary codes concerning information and labelling of products/services which have led to the imposition of sanctions and/or injunctions by the applicable authorities;
- no cases of non-compliance with regulations or voluntary codes concerning health and safety impacts of products/services during their life cycle;
- there were no documented complaints concerning both violation of privacy and/or the loss of consumers' data;
- no recall campaigns have been implemented;
- there were no bans or disputes on the sales of any Pirelli product;
- no non-compliance with regulations or voluntary codes concerning advertising and sponsorship activities was recorded. With regard to marketing-promotional activities, and in particular prize competitions, a fine was imposed for failure to comply in advance when an influencer offered on two tickets his social channels (worth a total of €149) provided by Pirelli for an event held at a motorbike circuit in Italy. The case was settled with a payment of €1,291, the legal minimum, with no further consequences.

Product safety, performance and eco-sustainability

Pirelli's Eco&Safety strategy places Safety for people and technological solutions in support of the environment among the essential values of its product offering and commitment. In 2021 the Company confirmed its continued focus on the development and marketing of tyres and technologies that aim to increase safety and enhance the potential of cars in tandem with attention to the environment.

In 2021 Pirelli marketed several product lines. Several replacement products were introduced for the European market: CINTURATO ALL SEASON SF2, WINTER CINTURATO 2 and POWERGY. This concludes the renewal of the cinturato family after the introduction of the new CINTURATO P7 in 2020.

The CINTURATO ALL SEASON SF2 is the new generation All Season 3PMSF product, developed to offer maximum safety levels in all weather conditions, as well as high mileage. The product's

qualities have also been recognised in numerous tests by specialist magazines, such as the British magazine Tyre Reviews, which placed the product on the podium, describing it as an excellent and balanced product. The magazine also highlighted the product's excellent Rolling Resistance values, which confirm the company's focus on sustainability. In fact, the CINTURATO ALL SEASON SF2 has some of the highest label values in its category: over 75% of the range is in class B for rolling resistance, while the entire product range is in class B for braking on wet surfaces.

Pirelli's European offer has also been renewed for the Winter segment, with the introduction of the new Cinturato Winter 2, the latest product in the CINTURATO family introduced, intended for modern CAR and CUV vehicles. The product offers high performance on snow, excellent mileage as well as reliable and safe performance in winter conditions guaranteed by TÜV certification. The product is also equipped with Seal Inside and ELECT technologies; and labelled class B-C for rolling resistance values and B for wet grip values.

The POWERGY is the new Pirelli product line for urban cars and SUVs for summer applications: the smart choice for consumers looking for the quality of a premium brand, the safety of a Wet Grip class A product and at the same time attention to the environment (Rolling Resistance class B). In fact, the product offers excellent levels of safety and sustainability, providing the consumer with reduced fuel consumption in total safety on wet roads.

With the renewal of the range, Pirelli has strongly focused its efforts on products with the best rolling resistance values; in Europe the Pirelli portfolio in class A/B is represented by 23% of the range, up from the previous year (2020 - 16%). Specifically, the new labelled codes introduced by Pirelli worldwide in 2021 have a very strong low rolling resistance imprinting: 49% have A/B labels.

This large investment in products with excellent environmental performance did not come at the expense of safety (wet Grip); in Europe Pirelli's A/B portfolio is represented by 85% of the range, an improvement over the previous year (2020- 82%). The new codes introduced by Pirelli worldwide in 2021 strongly demonstrated the focus on safety: 87% have A/B labels.

In addition, the strong focus on renewing the product range also led to the introduction of the third generation of PLUS lines for the North American market focused on safety and high mileage: SCORPION ALL SEASON PLUS 3 for the SUV segment and P7 ALL SEASON PLUS 3 for the CAR segment.

SCORPION ALL SEASON PLUS 3 is the new All Season Touring product for crossovers, SUVs and Pick-ups. The product is developed to meet the needs of the North American consumer, offering high levels of safety in dry, wet and winter conditions. In addition, the product has also been tested by TIRE RACK magazine, which confirmed its safety and reliability features, underlining its precision and excellent road handling. The product has also been reviewed as best in class by TIRE RACK users (Tire Rack Consumer reviews at 21 January 2022), with outstanding performance recognised in all key performance areas, including Treadwear, wet and dry performance.

Also recently introduced to the North American market from Q4 2021 is the P7 ALL SEASON PLUS 3, the new touring tyre for sedans and coupes. The new tread pattern and innovative compound offer

excellent levels of safety in all weather conditions, best-in-class mileage and driving comfort. The product was also tested in August 2021 by TIRE RACK magazine and received first place; the magazine described the product as balanced with excellent performance.

The renewal of the lines also influenced the LATAM region, where Pirelli introduced the new SCORPION HT for the SUV/Pick-up on/off road segment. The product guarantees excellent levels of safety, driveability, and efficiency. In addition to the renewal of the product range, Pirelli was awarded excellent results by the most prestigious magazines in the sector (European, Nordic and Russian). In particular, Pirelli products achieved 9 podiums and 3 victories in 2021, including the victory of the flagship product P-Zero PZ4 in one of the most prestigious magazines: EVO. For the P-Zero PZ4, this is the third victory since its introduction on the market and even the 10th podium. Other top 2021 winners were the ICE ZERO 2 and the CINTURATO P1 VERDE. In North America, Pirelli products also achieved outstanding results in tests conducted by TIRE RACK magazine: P7 ALL SEASON PLUS 3, PZERO ALL SEASON PLUS and PZERO PZ4 took first place in tests conducted in 2021.

Attention to the evolution of mobility and the environment is also expressed in the ELECT tyre range, which distinguishes all tyres developed specifically, together with car manufacturers, for electric vehicles. The marking represents the clear identification of a tyre built through technological solutions and material packages capable of enhancing the technical features of electric cars, in particular in terms of:

- low rolling resistance, to increase the life of the car battery;
- low acoustic emissions, for greater driving comfort, in line with the silence of electric traction;
- greater resistance of the carcass to better support the weight increase of the car given by the batteries and, at the same time, guaranteeing better handling;
- greater resistance of the tread compound to support the higher torque generated by the electric motor, ensuring the necessary road grip.

Pirelli's growing role in the electric segment and strategic development partner is also made even clearer by the achievement of 191 (BEV) homologations from 17 different carmakers. Pirelli's strong OE investment was reflected in a strong increase in OE sales with ELECT technology: in 2021 Elect sales in the OE channel accounted for 5% of the channel total (vs. 1% in 2020). In the replacement channel, thanks to Pirelli's pull through strategy, Elect sales grew eight times over 2020 sales.

Particularly suitable for electric vehicles, but not only, is the PNCS™ technology, a crucial innovation for reducing noise inside the passenger compartment generated by tyre rolling as a result of stress between the road surface and the tread pattern. The benefits have been recognised by car manufacturers such as Volkswagen, Jeep, Alpina, Karma, Great Wall, Enovate, Jaguar-Land Rover, Bmw, Audi, Volvo, Polestar, Mercedes, Ford, Tesla, Lucid, Porsche, Bentley, McLaren, Aston Martin e Rolls Royce, with over 320 homologations. PNCS™ technology not only increased its impact on overall sales but also demonstrated its potential and interest on the part of OEMs and end users

during 2021, even during a year strongly characterised by the global macroeconomic context, marking a growth in sales of (quantity) both in the replacement channel (+81% vs 2020) and in the original equipment channel and marking a growth in the replacement channel (+13% vs 2020).

High Value approach to future mobility

Pirelli carefully monitors the evolution of mobility and its main trends such as digitalisation, electrification, shared mobility and driving automation, elements that were already present before the health emergency and that are expected to evolve strongly in the coming years. The health emergency has indeed highlighted the importance of personal health and safety, and a recovery is expected to be oriented towards greater sustainability for people and the planet, in which technologies can play a fundamental role in making the mobility of the future safer, more accessible, more efficient and with less environmental impact.

The mobility of the future cannot ignore digitalisation, and in this area Pirelli is present with the Cyber™ project. The tyre sensor-fitting, an integral part of the Group's strategy that makes technological innovation a distinctive and key element in responding to the major issues that will transform the concept of mobility: self-driving cars, electric cars, shared cars and cars with 5G connectivity.

In fact, experimentation activities related to 5G connectivity and the enabling of V2V and V2X communication continue, where the tyre plays a fundamental role in recognising and communicating potentially dangerous situations related to road surface conditions. This trial, promoted by the Italian Ministry of Economic Development and led by Vodafone, sees Pirelli as the project's industrial partner with its Cyber Tyre technology, a key player in important use cases of future 5G connected mobility, with significant spin-offs in terms of transport safety, efficiency and sustainability.

In 2021, the development of Cyber Tyre technology saw the market launch of the first car with tyres natively integrated with the vehicle's electronic systems. This integration project, which has taken several years and involved the R&D teams of Pirelli and McLaren, opens the way to new developments and innovations. The new McLaren Artura with Cyber Tyre technology as standard, is equipped with an advanced tyre monitoring system that can check tyre conditions in real time and provide timely indications to increase safety and performance, both on the road and on the track.

The mobility of the future, in fact, will be characterised by an increasingly marked polarisation: on the one hand its service dimension, on the other the passion of those who, on the road or on the track, will continue to drive a car for the sheer pleasure of being behind the wheel. With these people in mind, Pirelli Track Adrenaline™ was created, an advanced telemetry and sensor-fitted tyre monitoring system for amateur drivers. Introduced in Italy in the summer of 2019, in 2020 Pirelli Track Adrenaline™ was introduced in Belgium, Germany, the UK, Austria and the United Arab Emirates. In Belgium, a partnership has also been launched with an international organiser of track events, with the aim of shifting the focus from pure speed, to the acquisition of increasingly refined driving skills.

In terms of fleets and reducing their management costs, Pirelli is pursuing the Cyber Fleet project, a system based on tyre sensors and constant monitoring of pressure and temperature parameters. Through a tyre management portal, Cyber Fleet makes it possible to predict and schedule maintenance operations, reducing the risk of breakdowns, as well as providing important KPIs on fuel consumption and CO₂ emissions. In 2021, Cyber Fleet technology was fully integrated into the Geotab platform, which is among the global leaders in the supply of telematic services for fleets, who wanted to enrich their offerings with the tyre management system developed by Pirelli.

The mobility of the future also partly consists of a return to the past, where bicycles, now electrified, play an important role, especially in urban mobility. This is why, since 2017, Pirelli has returned to the world of bicycle tyres (consider that the first Pirelli tyre at the end of the 1800s was a bicycle tyre) where it is present with several product lines: P ZERO™ for high-performance racing bikes and a user devoted to maximum performance, CINTURATO™ for Endurance and Gravel bikes, where the more playful component of exploration and sporting activity understood as wellness and lifestyle becomes preponderant over pure performance, the line dedicated to the off-road world of Mountain Bike SCORPION™ with all its variants, from Cross Country to E-MTB, and finally the Urban CYCL-e™ tyre line, ideal for all city and non-pedal commuting situations.

Pirelli has also dedicated itself to micro-mobility projects such as CYCL-e around™ which, through pedal-assisted bicycles, promotes a comfortable and sustainable mobility style on holiday and in daily life. It is a turnkey e-bike rental service for private communities, mainly hotels and companies. In 2020, activities in hotels were consolidated and experimentation in the corporate sector began with two tests involving the Fatebenefratelli Sacco hospital (pro bono) and Pirelli's headquarters. In the field of micro-mobility, Pirelli, with the CYCL-e around™ project, aims to bring innovation to urban mobility to provide a concrete response to the needs of increasingly smart citizens and workers. A turnkey service that includes a fleet of top-of-the-range e-bikes, an app to manage bookings, routine maintenance of the bicycles and marketing and communication support to promote their use in partner companies and hotels. The year 2021 saw the consolidation of activities on the hotel channel and the introduction of the first partner companies in Italy, such as Open Fiber, Accenture and NTT Data. Last but not least was the renewal of the collaboration with a school with a strong technological vocation, I.I.S. Volta in Pescara, as part of the Future Class project.

Tyre as a Service – Progetto Pirelli Care™

Consumer-oriented services play and will continue to play a central role in Future Mobility.

The year 2021 saw the birth of the first initiative within the Tyre as a Service platform: Pirelli Care™, a new type of offering that combines the purchase of tyres with a wide range of mobility services in a single digital solution: simple to manage, independently or through dedicated customer care, and customised according to the needs of the end customer (type of user, driving style, number of kilometers travelled).

Through the [pirellicare.com](https://www.pirellicare.com) portal or by downloading the dedicated Pirelli Care™ app free of charge, it is possible to purchase packages of tyres and services related to tyre replacement and maintenance, car care and sustainable individual mobility, all through quick online registration, monthly payment based on the package selected and by conveniently booking a first service appointment with the dealer selected from the countrywide Driver network. The range of services being offered is set to grow and vary, with the intention of responding nimbly to market demands, particularly those related to sustainable mobility and servitisation.

Pirelli Care™ launched a first pilot phase in September 2021 on a geographical area limited to the city of Milan and some surrounding areas, engaging more than 50 selected Driver Centres.

The initiative was also designed to support Pirelli's commitment to a sustainable business strategy. For example, by supporting the transition to e-mobility through strategic industry partnerships and alliances and dedicated offers; by guaranteeing the end customer a 'Perfect Fit' in tyre and vehicle combinations, or by actively supporting performance and safety throughout the product lifecycle, from fitting to replacement; by monitoring driving styles and sending messages and push notifications to encourage the adoption of more eco-sustainable behaviour. By monitoring the driving style of its customers, Pirelli Care™ supports technological and product innovation that can draw on unique usage and performance data.

The pilot phase will be followed by gradual expansion throughout Italy, with the official presentation of the project to the market scheduled for April 2022.

MOTORSPORT AND SUSTAINABILITY

Pirelli's sustainable approach to motorsport reflects the Sustainability Model adopted by the Company and is developed along the entire product life cycle, from production to logistics to the supply chain to the end of product life.

As far as the supply chain is concerned, a common vision and responsible management of the business form the basis on which commercial relations are based and can develop. Material suppliers must adhere to strict rules of quality, social and environmental sustainability. As early as the supplier qualification and homologation phase, Pirelli initiates a third-party sustainability audit at the supplier's site to track any nonconformities and initiate recovery plans (a mandatory condition for proceeding with homologation). There are also dedicated policies, as in the case of natural rubber, in respect of which the company has been committed for years both with its suppliers and with non-governmental organisations, and at the international level (Global Platform for Sustainable Natural Rubber) so that the rubber business can grow without deforestation and in a way that is prosperous for communities and the ecosystem.

Technological innovation and research and development are at the heart of Pirelli Motorsport, as evidenced by the new GT tyre, the P Zero DHF, which has benefited from the extensive use of virtual models that have allowed the production of physical prototypes to be reduced. The latest range of DHF tyres also includes new types of renewable materials.

Pirelli's commitment to reducing CO₂ emissions is a priority, both through energy efficiency measures and through the purchase of electricity from renewable sources: by 2021, all Pirelli's European plants, including the Motorsport factories in Slatina, Romania, and Izmit, Turkey, will purchase 100% of their electricity from renewable sources alone. In the future, Pirelli's environmental strategy will enable the Group, including the Motorsport department, to achieve Carbon Neutrality by 2030 through aggressive plans to replace fossil energy with 100% renewable energy.

In addition, since 2019, Pirelli has eliminated single-use plastic from its activities and consumption on the track, in compliance with the Group Policy Guidelines.

In terms of logistics, Pirelli uses the latest EURO 6 standard truck fleet, while for extra-European shipments it chooses as much as possible solutions by sea, which are proportionally less polluting than by air.

The cycle closes with the end of product life, an area in which Pirelli is involved in research projects for the recovery of high-quality material from end-of-life motorsport tyres and in the evaluation of innovative ideas for obtaining secondary raw materials from disposal processes. In order to increase the share of tyres involved in this virtuous process, the company has launched a programme to raise awareness among the Motorsport world and teams and to recover tyres used in all Motorsport competitions on an international scale.

Pirelli is also the first and only tyre manufacturer in the world to have obtained the three stars of the Environmental Accreditation Programme promoted by the FIA, a prestigious recognition for its commitment to sustainability in motorsport.

Supporting Young Talents

Supporting the growth of young talent is another important aspect that has always characterised Pirelli's presence in motorsport and which boasts various programmes, both in the championships reserved for single-seaters and in World Rally and many other national series, both on the track and in the off-road world.

In 2022, Pirelli's commitment to young drivers will be renewed and intensified with its involvement not only in the ERC Junior and WRC Junior, which this year will experience its own revolution by switching to 4-wheel drive, but also in the FIA RALLY STAR programme, the new format devised and managed by the FIA to find new talent in rally driving, aimed at youngsters aged between 17 and 26, an evolution of what was previously Pirelli Star Driver at the start of 2009, later to become the WRC Academy, which launched talents such as Ott Tänak, Elfyn Evans and Craig Breen.

Young drivers are identified through a multi-phase selection process based on digital motorsport and real driving sessions in production vehicles. There is also no shortage of similar initiatives in the world of Formula 1 support racing. For example, for years now, Pirelli has been awarding a substantial cash prize to the winning driver in Formula 3 to support him on his way to the top series.

Another important project that Pirelli supports is the FIA Girls on Track, in this case aimed at young female drivers with the aim of promoting the growth and inclusion of women in motorsport with a view to inclusion and equality, themes that have always been close to Pirelli.

Finally, Pirelli collaborates extensively with national motorsport federations and clubs to provide support for young drivers, offering them the chance to grow and reach the peaks of international competition.

OUR SUPPLIERS

Supply Chain Sustainable Management System

The supply chain management model adopted by Pirelli fully complies with the provisions of the international guidelines for sustainable procurement ISO 20400 - “Sustainable Procurement Guidance”, as certified at the beginning of 2018 and reconfirmed at the end of 2021 by a third party (SGS Italia S.p.A.) following an in-depth evaluation. The analysis confirmed that the requirements of the ISO 20400 standard are fully met by Pirelli’s procurement model, both in terms of corporate policies and strategies and in terms of managing the internal processes needed to implement sustainability requirements in purchasing dynamics, and at a more operational level in the direct management of supplier ethical performance. The certification of full compliance with ISO 20400 is in addition to the certification of compliance obtained by the Company with the guidelines on social responsibility dictated by ISO 26000, issued by the auditor of this Report.

The Group’s relations with suppliers are based on loyalty, impartiality and respect for equal opportunities for all the subjects involved in the purchasing processes, as required by the Group Values and Code of Ethics and in line with the OECD Guidelines on the duty of vigilance.

The sustainable management of the supply chain is handled in the “Green Sourcing Policy”, the “Social Responsibility Policy on Occupational Health, Safety and Labour Rights, Environment”, the “Global Health, Safety and Environment Policy”, the “Global Human Rights Policy”, the “Global Quality Policy”, the “Product Stewardship Policy”, and in the Group’s “Sustainable Natural Rubber Policy” published in several languages on the Company’s website, so that they can be fully understood by the public at large. In all the documents cited, with reference to the specific social and environmental issues discussed from the individual Policies, Pirelli undertakes to establish and maintain the procedures necessary to evaluate and select its suppliers on the basis of their level of social and environmental responsibility, as well as to request their suppliers implement a similar management model, in order to extend its responsible management in the supply chain as far as possible back to the origin of the chain. The Policies mentioned are available to suppliers in their local languages.

The social, environmental and business ethics responsibilities of a Pirelli supplier are assessed together with the economic and product or service quality to be supplied, right from the selection as potential supplier stage.

Analysis of ESG performance (Environment, Social, Governance) continues through the qualification stage of the potential supplier pre-analysed (and audited on-site by a third party for all cases of potential raw material suppliers) at the assessment phase, and then is “contract bound” through the Sustainability and business ethics clauses included in every contract/purchasing order.

ESG compliance of those who join the Pirelli panel of suppliers is therefore verified through periodic on-site third-party audits.

The aforementioned Management Model and the related documentation are available on the institutional Pirelli website, in the “Suppliers Area” (Pirelli.com/suppliers), section devoted to the world of supply and accessible to current and potential Pirelli suppliers, as well as anyone with an interest in knowing the approach and procedures adopted by the Company in the areas of purchases of good and service around the world.

The detailed process follows.

ESG elements in the purchasing process

Pirelli uses the same approach to assessing ESG performance throughout the entire process of interactions with a supplier, although in different ways among them, consistently with the intensity of the interactions characterising the specific procedural stages.

During a first phase of **scouting**, and thus assessment of potential suppliers of goods or services, a buyer who has been adequately trained is able to gain a first impression of the abidance by the ESG and product or service requirements by the potential supplier. This makes it possible to eliminate potential future suppliers that are clearly in possible violation of Pirelli expectations.

Pirelli asks suppliers who gain access to the **on-boarding** (pre-qualification and qualification) phase to fill in the questionnaire through which the supplier can view and simultaneously accept Pirelli’s requests in terms of economic, social, environment and business ethics responsibilities. Among the questions asked to the potential supplier, for example, the request to certify that its company checks workers’ ages before hiring them, and it ascertains that all of its employees satisfy the minimum legal working age; uses workers provided with a written labour contract and who work on a voluntary basis exclusively; abides by workers’ rights of freedom of association and participation in trade-union activities; pays wages that meet the minimum legal standards; manages disciplinary practices, if any, abiding by the law; abides by and applies legislative/contract provisions in the matter of work schedules, overtime and rest periods.

The process then continues with further questions aimed at identifying potential integrity and corruption risks in advance.

For all potential new suppliers and/or facilities of raw material and high value added parts, which by their nature can become development/long-term partners for the Company, and which are also granted much of the spending of purchases, Pirelli conducts a **third-party preliminary on-site audit**

during the qualification phase to verify the level of compliance of the potential supplier with respect to the principal national and international regulations on Work, Environment and Business Ethics. Loss prevention information is also analysed, a key element not only to prevent future business interruptions. The non-acceptance of the audit and/or not signing the corrective action plan shall block the qualification of the supplier.

The preventive assessment of new raw materials and process aids is particularly important, with a view to safeguarding the health of workers and the environment. These assessments of potential materials and auxiliaries are obviously conducted before the materials in question can be used extensively by the Group's operating units, and are carried out taking into account not only the requirements of the more restrictive European regulations on the management of hazardous substances (see, for example, the 'REACH' and 'CLP' Regulations), but also by virtue of the standards and knowledge acquired at international level (specific United Nations databases, etc.).

In recent months, the activities described above have also been supplemented by a specific request sent to all Suppliers of raw materials and process aids used by the Group in relation to an increasing commitment to quantifying the residual impurities contained in the above-mentioned commercial products, regardless of the legal requirements.

Finally, the consolidated activities of monitoring the producers and suppliers of the raw materials with regard to compliance with the requirements of Regulation (EU) 2017/821 (as modified by Regulation (EU) 2020/1588) on so-called "conflict minerals" (to which a paragraph is dedicated below).

With regard to the **contractual stage**, for more than a decade, Pirelli systematically includes the Sustainability and Business Ethics Clauses (including anti-corruption) in contracts and orders for the purchase of goods and/or services and/or works, both with private suppliers and with the Public Administration (or institutes/enterprises under public control) and also in agreements with NGOs, worldwide.

In particular, the clauses:

- require suppliers to be aware of the principles, commitments and values contained in Pirelli's sustainability documents, namely "The Values and Code of Ethics", the "Code of Conduct", the "Global Human Rights Policy", the "Health, Safety and Environment Policy", the "Anti-Corruption Programme" and the "Product Stewardship Policy", published and accessible on the web, which set out Pirelli's principles for managing its activities and its relations with third parties, contractual and otherwise;
- require that Suppliers confirm their commitment to:
 - not using or supporting the use of child labour and forced labour or any other form of exploitation;
 - ensuring equal opportunity, freedom of association and promotion of the development of each individual;

- opposing the use of corporal punishment, mental or physical coercion, or verbal abuse;
 - complying with the laws and industry standards concerning working hours and ensuring that wages are sufficient to cover the basic needs of personnel;
 - not tolerating any type of bribery in any form or manner and in any legal jurisdiction, even where such practices are effectively permitted, tolerated, or not subject to prosecution;
 - assess and reduce the environmental impact of its own products and services throughout their entire life cycle;
 - using resources responsibly with the aim of achieving sustainable development in compliance with the principles of respect for the environment and the rights of future generations;
 - establishing and maintaining the necessary procedures to evaluate and select suppliers and sub-suppliers on the basis of their commitments to social and environmental responsibility, regular overseeing compliance with this obligation on the part of the same;
- specify that Pirelli reserves the right to verify at any time through activities of audit, either directly or through third parties, that fulfilment of the duties taken on by a supplier has been achieved (see further details in the next paragraph).
 - include an invitation to use Pirelli's **Whistleblowing** Procedure (e-mail address ethics@pirelli.com) to report in complete confidentiality any violation or suspected violation that suppliers identify in their relations with Pirelli, both with respect to the law and to the principles, commitments, and values contained in: "The Values and Ethical Code", the "Code of Conduct", the Group policies "Global Human Rights", "Health, Safety and Environment", "Anti-Corruption Programme", and "Product Stewardship".

During 2021, among the reports signed, one was sent by a Supplier. It is objectively not possible to confirm that the total number of reports from suppliers corresponds only to three as some reports were anonymous, as specified in the paragraph "Focus: Group Whistleblowing Procedure", to which reference should be made for further details.

For some categories of suppliers, the clauses are also supplemented by additional requirements aimed at regulating specific areas such as the existence of an adequate management model for conflict minerals and cobalt, and compliance with Pirelli's Policy on the sustainable management of natural rubber.

The Sustainability Clauses have been translated into 21 languages so as to ensure maximum clarity and transparency vis-à-vis a supplier in the matter of the contract duties that they assume, not only in respect of the Firm itself, but also at their own site in relations with their own suppliers.

Focus: ESG on-site audit

Pirelli management model has been characterised by third-party on-site audits since 2009. Compared to self-assessment or remote assessments, this approach allows for a very high level of reliability of the audit results, as they are carried out on-site and in person by a specialised third party. In addition, the on-site audit is also a valuable opportunity for the supplier to train and analyse the compliance of its activities with local and international regulations on the environment, human and labour rights, and business ethics. The on-site audit is carried out during the pre-qualification phase for all potential new suppliers and/or plants of raw materials and high value-added goods, which by their very nature may become development/long-term partners for the Company, and to which a large part of procurement spending is destined.

In addition, every year Pirelli conducts an on-site third-party ESG audit campaign at active suppliers' sites to cover all product and geographic areas of purchase.

The annual Audit Campaign covers suppliers considered critical based on the results of economic materiality and ESG risk criteria. In particular, the Group's Purchasing and Sustainability Departments define and annually renew the parameters for the Risk Assessment which, carried out by the Purchasing Managers and Sustainability Managers of the Group's subsidiaries, will lead to the selection of suppliers to be audited on site. In the risk assessment and definition of the shortlist of Suppliers to be Audited, the following basic parameters must be considered:

- the supplier is bound to Pirelli by multi-year contracts;
- the replacement of the supplier and/or related product may be complex (the supplier holds more than 50% of the purchase for the specific product category);
- the economic burden of the purchase is significant;
- the supplier operates in a Country considered to be at risk under environmental, human rights and/or employment terms;
- the supplier has not yet undergone an ESG audit by Pirelli or special criticalities have been detected in previous audits;
- there is information, a perception or doubt concerning possible violations by the supplier in the matter of social, environmental and/or business ethics responsibilities.

Each audit lasts an average of two days in the field and includes factory visits, interviews with workers, management and trade union representatives. The external auditors carry out the audits

following a checklist of sustainability parameters deriving from the SA8000® standard (a benchmark tool officially adopted by the Group for managing social responsibility since 2004), the Pirelli Ethical Code, the Pirelli Group’s “Social Responsibility Policy for Health, Safety and Rights at Work, Environment” (in its turn consistently with the areas of social, environmental and governance sustainability dictated by the Global Compact of the United Nations and underlying OECD and ILO regulations), the Global Health, Safety and Environment Policy, the Equal Opportunities Policy and the Global Human Rights Policy. From 2019, KPIs relating to loss prevention issues have been added. For natural rubber suppliers, the on-site Audit checklist is enriched with additional and specific parameters, deriving from Pirelli’s Policy for the Sustainable Management of Natural Rubber and in line with the expectations of the Global Platform for Sustainable Natural Rubber (a specific paragraph is dedicated to the topic of Natural Rubber Sustainability below).

On the basis of audit findings, and where non-conformities are found, the supplier signs off a corrective action plan suggested by the independent auditor, to be implemented within specific deadlines. The implementation of the recovery plan is verified by a follow-up activity directly followed by the Auditor, who report to Pirelli.

The results of the on-site ESG Audit, together with additional assessments made during the supplier on-boarding phase, are integrated into the annual Vendor Rating process, on the basis of which a rating is assigned to the supplier that sums up ESG performance, the qualitative level of supplies, the quality of the commercial relationship and technical-scientific collaboration.

From 2020, following the evolution of the Covid-19 scenario, the third-party auditors used by Pirelli have developed and introduced a new methodology, in accordance with ISO/IEC 17021-1: 2015 (and related guidance), IAF MD4: 2018, IAF MD 5: 2019 and IAF ID 12: 2015 standards, which has made it possible to guarantee the continuity of auditing activities also through a hybrid approach (combination of remote and on-site audits).

Below is the number of third-party ESG audits carried out in the last three years:

Year	Audit Number
2019	90 ¹⁶
2020	71 ¹⁷
2021	93 ¹⁸

In the year 2021, the audits involved Pirelli suppliers of all product categories operating in Argentina, Brazil, China, Germany, Indonesia, Italy, Mexico, United Kingdom, Romania, Russia, United States, Turkey, Malaysia, Thailand, the Czech Republic, India, Japan and Portugal.

¹⁶ Of which 26 on potential new suppliers of raw materials.

¹⁷ Of which 6 on potential new suppliers of raw materials.

¹⁸ Of which 18 on potential new suppliers of raw materials.

The results of the audits carried out during the 2021 annual campaign:

- 32% of suppliers without any non-compliance;
- an incidence of non-conformities found at supplier sites down by 2% compared to 2020.

The non-conformities recorded in 2021 are essentially linked to the health and safety management processes, the use of overtime and the correct implementation of environmental management systems. The Suppliers with which non-conformities were found have signed a remedy plan to be implemented within precise time frames, which, as per the Procedure, will see follow-up by the third-party Auditor to evidence and confirm the return.

The results of the on-site ESG Audit together with the further assessments carried out during the supplier's on-boarding phase, are integrated into the annual Vendor Rating process based on which a rating is assigned to the supplier that adds up the ESG performances, the quality level of supplies, the quality of the commercial relationship and the technical-scientific collaboration.

The Group Internal Audit Department verifies the adequacy of the management and oversight of the ESG Audit on suppliers by the local responsible Functions (Sustainability and Purchasing).

Materiality of ESG impacts on the supply chain

Health and safety at work, human rights and labour rights are material issues and therefore subject to monitoring (see previous section on operating procedures) in all categories of purchases, with a greater risk of negative impact in the case of suppliers operating in countries considered to be more at risk than others from the point of view of compliance with national and international labour legislation.

Considering the life cycle of the Pirelli product (which is specified in the "Environmental Dimension" chapter of this report), the environmental impacts of the supply chain are found prevalently in the category of raw materials, in terms of direct emissions by the supplier but also of indirect emissions by Pirelli. With reference to the water footprint along the life cycle of Pirelli products, impacts are prevalent again in the area of raw materials and specifically in the processing of natural rubber, a material on which particular attention is also paid in terms of preventing the risk of deforestation and protecting biodiversity.

Pirelli mitigates the risks mentioned through the Management Model adopted above described, which is completed with the engagement activities of the suppliers referred to below.

Sustainability of the natural rubber supply chain

With global demand for natural rubber expected to increase, sustainable management of the related supply chain is essential to preserve forests, biodiversity and to enable sustainable development for

local communities and economies. The economic, social and environmental sustainability of the natural rubber supply chain is among the priorities of Pirelli, with the full awareness that the origins of its rubber supply chain impact in forestry terms.

The natural rubber supply chain - from upstream to downstream - includes producers/farmers, traders, processors, distribution companies and manufacturing facilities. Pirelli is at the end of the chain, as a tyre manufacturer that does not own its own plantations or natural rubber processing plants. Pirelli intends to play an active role in the aforementioned context, contributing to the efforts that are globally dedicated to the sustainable management of natural rubber.

In October 2017, Pirelli issued its “Sustainable Natural Rubber Policy”, after a long process based on consultation with key Stakeholders and companies that have longstanding experience in terms of sustainable procurement of materials. During 2021 the policy was revised to align it with the Policy Framework of the Global Platform for Sustainable Natural Rubber, of which Pirelli is also a founding member.

As stated in the Policy, Pirelli continues to undertake to promote, develop and implement the sustainable and responsible procurement and use of natural rubber throughout its entire value chain. In particular, the Policy breaks down the positioning of the Company in terms of:

- defence of Human Rights and promotion of decent working conditions;
- promotion of the development of local communities and prevention of conflicts related to land ownership;
- protection of ecosystems, flora and fauna;
- no to deforestation, no to the exploitation of the peat land, no to the use of the fire, and adoption of the “High Conservation Value (HCV)” and “High Carbon Stock (HCS)” methodologies;
- efficient use of resources;
- ethics and anti-corruption;
- traceability and mapping of socio-environmental risks along the supply chain (so-called *risk-based* approach);
- clear indication of the governance model envisaged by the policy, and consideration of the risks identified in the definition of the purchasing strategies;
- encouragement of its suppliers and sub-suppliers to the adoption of solid certification systems, internationally recognised and verified by third parties, at all levels of the supply chain;

- promotion, support for the Company's active participation in cooperation initiatives at sector level and among Stakeholders that play a significant role in the value chain, in the belief that, in addition to the individual commitment of companies, a shared effort can accelerate and strengthen the path towards a sustainable development of the global natural rubber supply chain;
- activities aimed at the implementation of the policy;
- commitment to reporting on the results achieved;
- providing a dedicated grievance mechanism for natural rubber that allows stakeholders to address grievances and initiate remedial action.

In December 2018 the Company published the *Implementation Manual* for Pirelli Policy on Sustainable Natural Rubber. The aim of the manual is to facilitate the understanding of the principles, commitments and values expressed in the Policy, as well as provide guidance for its implementation to the supply chain. As already happened for the preparation of the Policy in 2017, also the process of preparation of the Manual has foreseen the involvement and the consultation of the main Stakeholders concerned, both locally, with the main actors of the supply chain (processors, retailers, small plantation owners), and globally.

At the same time, Pirelli defined its Action Plan, updating it periodically.

The Policy, the Implementation Manual and the 2019-2021 Action Plan and are published on the Group website, in the Policy area within the Sustainability section. The Plan up to 2025 will be published on the company website in early 2022.

In particular, since 2019 Pirelli has started through the support of central and local specialists of Earthworm Foundation, activities concerning the organisation of meetings with the management of supplier companies; the identification of the geographical areas from which rubber is purchased; the analysis of potential socio-environmental risks for the mapped geographical areas; training of suppliers on the contents of the Policy and its Implementation Manual; distribution of infographics on various sensitive issues in the natural rubber chain; definition of a roadmap by suppliers detailing activities to be implemented to fill identified gaps; on-site ESG audits covering around 100 % of our purchased volumes.

In 2020 and 2021 the evolution of the pandemic led to the temporary suspension of those activities planned for the period that, in order to achieve the expected level of effectiveness, would have had to be held on site with the actors in the supply chain (processors, traders, farmers).

Also during 2021:

- The Group and its supplier Kirana Megatara confirmed the continued awarding of scholarships to the children of local producers, in the belief that the future sustainability of the natural rubber business absolutely cannot ignore the adequate training and development of the new generations, and their right to study. A total of 65 scholarships were awarded.

- Pirelli is the first company to launch and produce the first Forest Stewardship Council (FSC) certified tyre line for natural rubber and rayon; FSC forest management certification confirms that plantations are managed in a way that preserves biological diversity and benefits the lives of local communities and workers, while ensuring economic sustainability. The complex FSC chain of custody certification process verifies that, along the processing chain from plantation to tyre manufacturer, FSC-certified material has been identified and separated from non-certified material.
- Pirelli, in partnership with BMW, is supporting Birdlife International in a three-year project that aims to encourage the long-term production of sustainable, deforestation-free natural rubber in Indonesia. The initiative involves part of the rainforest area of Hutan Harapan (Sumatra Island) and will be developed through a series of initiatives aimed at protecting the indigenous community, preserving a deforestation-free area of 2,700 hectares and protecting endangered animal species. The various activities will be carried out in line with the objectives of the Global Platform of Sustainable Natural Rubber (GPSNR).
- Pirelli continued to work with its suppliers to identify their supply chains. More than 95 per cent of natural rubber volumes purchased in 2021 will come from suppliers who have a roadmap in place and have monitored implementation progress in line with restrictions due to the health situation.

In 2022 Pirelli will continue on the path of engagement and partnership activities with its suppliers, supporting them in the implementation of their roadmap with ad hoc interventions and will continue to map the socio-environmental risks of the entire chain, strengthened by an increasingly close relationship with the various players involved.

Together for the Sustainability of Natural Rubber - the GPSNR platform

Pirelli Policy on the sustainable management of natural rubber, in point VIII, states: *“Pirelli believes that the global challenge of natural rubber sustainability requires engagement, cooperation, dialogue and partnership among all involved actors. In addition to engaging with its suppliers, Pirelli fosters and supports active cooperation at industry level and among stakeholders playing a material role in the natural rubber value chain, with the conviction that in addition to corporations’ individual engagement, a shared effort can result in stronger and faster progress towards sustainable development of the global natural rubber supply chain. Pirelli cooperates with national and international governmental, non-governmental, industry-wide and academic initiatives to develop global sustainable natural rubber policies and principles.”*

In line with the stated approach, in 2017 Pirelli played a proactive role in the creation of the Global Platform for Sustainable Natural Rubber - GPSNR, together with tyre manufacturers which are also part of the Tyre Industry Project Group, within the World Business Council for Sustainable Development. The development of the Platform benefited from the contribution, ideas and suggestions of the main categories of Stakeholders involved in the value chain, such as rubber

producers, processors, automobile manufacturers, and of the fundamental contribution deriving from the experience of important international NGOs.

The Platform, launched in Singapore in October 2018 with the participation of the first “founding members”, including Pirelli, is independent, based on multi-stakeholder dialogue and aims to support the sustainable development of the natural rubber business globally, for the benefit of the entire value chain through shared tools and initiatives based on respect for human and labour rights, prevention of land grabbing, respect for biodiversity and increased plant productivity, especially those of small owners. The first General Assembly of GPSNR was held in March 2019.

During 2021 Pirelli actively participated in four working groups launched by the platform, specifically:

- The “Smallholder Representation Working Group”, which Pirelli co-chairs, has identified a geographically diverse group of farmers capable of effectively representing the interests of smallholders within the platform and identified three representatives to sit on the Executive Committee. Work continues to support the smallholder community on the platform, with the aim of extending the geographical presence covered and achieving the new targets set;
- The “Capacity Building Working Group”, which Pirelli co-chairs, in 2021 has continued its activities aimed at developing a capacity building strategy in favour of smallholders and industrial plantations, identifying potential sources of financing;
- The “Traceability and Transparency Working Group” which aims to identify an appropriate tool to improve the large-scale traceability, and therefore transparency, of the complex natural rubber supply chain. During 2021, the group focused on mapping the traceability systems offered by the market, with a specific focus on those already used in the world of natural rubber. The work will continue in 2022, with the aim of defining the general characteristics that the traceability tool must have in order to meet the level of transparency required by the GPSNR platform.
- Pirelli also participates in the Shared Responsibility Working Group, which aims to define the principles and framework for implementing shared responsibility within the platform. The Pirelli representative was appointed as the platform’s most participating Co-Chair, demonstrating the company’s strong commitment to the project.

The “Green Sourcing” Policy

Since 2012 Pirelli has had a “Green Sourcing Policy”, with the aim of stimulating and encouraging environmental awareness throughout the supply chain, as well as encouraging choices that could reduce the impact on the environment of Pirelli’s procurement of goods and services. The system

for implementing the Green Sourcing Policy, both within Pirelli and in relations with suppliers, is organised as follows:

- Pirelli Green Sourcing Manual, an internal document containing operating guidelines, intended to guide the activities of the Pirelli functions involved in the Green Sourcing process;
- Pirelli Green Purchasing Guidelines, a document intended for Pirelli suppliers as part of the Contract for supply and based on the Green Sourcing Manual containing the KPIs (Key Performance Indicators) for assessing the Green Performance of these suppliers.

Pirelli Green Sourcing Manual defines four areas of Green Sourcing: Materials, Capex, Opex and Logistics. Interdepartmental working groups, comprised of Purchasing, R&D, HSE and Sustainability analysed the Green Sourcing process associated with the purchasing categories falling within the four areas mentioned above. Green Engineering Guidelines were also defined for the Materials and Capex areas, where the design component (what is conceived in-house) is material to Pirelli core business.

For the Opex and Logistic areas characterised by goods categories in respect of which the design component is not equally significant, Green Operating Guidelines have in any event been defined by referring to internationally recognised best practices.

The Green Sourcing Manual is a unique document that contains:

- a general part on Green Sourcing topics;
- the Green Engineering Guidelines (Materials, Capex);
- the Green Operating Guidelines (Opex, Logistics).

On the basis of the Guidelines of the Green Sourcing Manual, Pirelli Green Purchasing Guidelines were published on the website www.pirelli.com, so making them available both to Pirelli suppliers and to other Stakeholders. In China, Mexico, the United States, Russia and Italy, by-invitation seminars have been held at Pirelli offices on the Green Sourcing Guidelines for local suppliers so as to inform and receive direct feedback on the way they work.

In addition to the “Green Sourcing Policy”, in 2019 the Group adopted a Single Use Plastic Free Policy, aiming at the elimination at Group level by 2021 of all single-use plastic used for offices and factory services. The company expects to reach the target by the first half of 2022, with a delay of about six months by virtue of the precautions that were adopted during the pandemic period, including in certain cases and for health and safety reasons it was not possible to replace single-use plastic in light of its insulating properties.

Policy on Conflict Minerals

The concept of Conflict Minerals was introduced by Section 1502 of the Dodd-Frank Act, a United States federal law, in 2010. By “conflict minerals” is meant gold, columbite-tantalite (coltan) cassiterite, wolframite and their derivatives like tantalum, tin and tungsten that come from (or are extracted in) the Democratic Republic of Congo and/or bordering Countries.

The objective of the rules in respect of Conflict Minerals (Conflict Mineral Rules) is to discourage the use of minerals whose sale might finance violent conflicts in Central Africa where grave violations of human rights have been recorded for many years. Under Conflict Mineral Rules, listed companies in the United States are required to perform reasonable due diligence in tracing the provenance of these materials and reporting the findings to the SEC and publishing them on their website, with the first report to be published by 31 May 2014 (relating to 2013) and subsequently updated each year.

In turn, the European Institutions in May 2017 approved the 2017/821 Regulation (subsequently amended by Regulation (EU) 2020/1588) which “establishes duties in terms of due diligence in the supply chain for EU importers of tin, tantalum and tungsten, their minerals, and gold, originating in conflict zones or at high risk”. The new provisions came into force from January 2021.

Pirelli expresses its position on the management of the issue in a paragraph dedicated to it in its Global Human Rights Policy, where it is stated that the Company *“requires that its suppliers conduct proper due diligence within their supply chain in order to certify that the products and materials supplied to Pirelli are “conflict free” throughout the whole supply chain. Pirelli reserves the right to terminate relations with suppliers in cases where there is clear evidence of supplying conflict minerals and however in case of any violation of Human Rights.”*

The Policy is published in multiple foreign languages in the Sustainability section of pirelli.com website.

In 2017 Pirelli also strengthened its management model, introducing the request for the following documentation among the qualification requirements of suppliers that can be associated with the possible use of conflict minerals:

- Conflict Minerals Reporting Template (CMRT);
- Conflict Minerals policy if present;
- description of the “Due Diligence” system to identify and trace the presence of 3TG minerals (Tantalum, Tungsten, Tin, Gold).

The management model then extends to the contractual phase, through the inclusion of a Conflict Minerals clause that recalls the supplier’s commitment to providing the Conflict Minerals Reporting Template on an annual basis and to maintain the results achieved in terms of chain transparency, in addition to reporting the further progress pursued and expected.

To give an idea of the scale of the phenomenon for Pirelli, it is worthwhile stating that the impact is very limited: the volume of minerals (3TG) used by Pirelli Tyre in one year in fact weighs less than a tonne, a quantity which is less than one millionth of the volume of raw materials used annually by the Company and which is equally distributed among most of the tyres produced. To give an example, a tyre weighing 10 kg contains about 10 mg (milligrams) equivalent of tin, in the extremely low concentration of 1ppm (one part per million).

With a view to procurement covering only minerals that are “conflict free”, Pirelli has conducted a comprehensive investigation on its supply chain, in order to have full visibility up to the mines or foundries in order to identify the existence of any “conflict minerals”. The company asked its suppliers to fill in the CMRT (Conflict Minerals Reporting Template) form developed by the Responsible Minerals Initiative (RMI) as developed in the past by the Electronic Industry Citizenship Coalition (EICC) and the GeSI (Global e-Sustainability Initiative).

The suppliers polled cover 100% of the “conflict minerals” risk tied to Group products. 100% of suppliers polled have already given precise indications concerning the source of the materials in question and listing foundries as required by the procedure and there was no evidence of the presence of conflict minerals.

Due diligence on new metals: Cobalt

As is known, the Democratic Republic of the Congo (DRC) is the world’s largest producer of cobalt and holds more than 50% of the world’s reserves of this metal. Among the various uses of Cobalt is its use in Lithium batteries that are an integral part of electric vehicles, mobile phones and laptops. The demand for Cobalt is growing very rapidly and its extraction occurs both in a highly mechanised way and in a traditional way. Concerning this latter type of extraction, concerns have recently been raised about unsafe working conditions and child labour. In 2017, RMI (Responsible Minerals Initiative) launched a working group on the sustainable supply of cobalt, with particular regard to the risk of child labour in the DRC, with a supply chain monitoring approach similar to the one already in place for 3TG metals. The update of the Cobalt Reporting Template (CRT) was recently published (28 October 2020) by RMI. Pirelli uses some Cobalt salts, a type of raw material commonly used in the production of tyres. In 2019, Pirelli therefore decided to join the “Cobalt Initiative” launched by RMI and to ask its suppliers to fill in the CRT. The suppliers surveyed cover 100% of the “conflict minerals” risk associated with the use of raw materials using cobalt in tyres. 100% of suppliers surveyed responded: 72% of these suppliers excluded that foundries identified in their supply chain source their cobalt from conflict areas or, if in a conflict area, ensure due diligence in accordance with OECD guidelines.; the remaining 28% gave insufficiently precise indications of the source of cobalt, as required by the procedure defined in the “Cobalt Initiative”, Since adherence to the Cobalt Initiative is voluntary, Pirelli has undertaken a plan to raise awareness and provide support to improve monitoring by these Suppliers.

Engagement of suppliers

Pirelli believes that activities involving suppliers are essential from the viewpoint of creating environmental and social value and that are inseparably tied to the creation of shared economic value. There are many activities operated by the Company to that effect.

R&D Partnerships

Pirelli has established several partnerships with strategic suppliers and universities for the development of innovative materials with low environmental impact (materials described in the paragraphs dedicated to environmental management of products of this Report). As part of the development of new nanofillers, for example, pursued since the early 2000s through research contracts with universities and collaborations with suppliers, Pirelli has begun to industrially introduce materials of mineral origin in partial replacement of precipitated silica and carbon black. Compared to the production processes of the replaced raw materials, the innovations mentioned have guaranteed a water saving, as well as a reduction of CO₂ emissions by more than 75%, saving respectively about 35,000 m³ of water and about 580 tonnes of CO₂.

These innovations provide economic benefits related directly to the material for about €199,000 a year, although the real sustainable business driver is the performance that the product acquires, thus becoming more competitive.

CDP Supply Chain

For years, Pirelli has participated in Climate Change and Water programmes promoted by CDP (ex Carbon Disclosure Project). Implementing its Green Sourcing Policy since 2014 Pirelli has in its turn decided to extend the request for CDP assessment to its own key suppliers at a Group level, identified in accordance with criteria of environmental and economic materiality. In 2021, the selection concerned the suppliers with the most impact on the Carbon Footprint of the Group in the Raw Materials, Logistics and Energy categories.

The CDP Supply Chain supports Pirelli in monitoring Scope 3 emissions from its supply chain and ensures adequate awareness of suppliers in matters relating to climate change so as to identify and activate all possible opportunities for reducing emissions of climate-altering gases. In 2021, the set of emission reduction actions implemented by Pirelli suppliers made it possible to avoid overall the emission of more than 59 million tonnes of CO₂ equivalent into the atmosphere, combined with estimated economic savings of US\$1.77 billion.

The first company among tyre manufacturers to have globally introduced the CDP Supply Chain in its own supply chain, Pirelli aims to achieve a response rate for suppliers of Raw Materials of 90% in 2022. The response rate recorded in 2021 was 88%, an upward trend compared to previous years (84% in 2020, 81% in 2019, 74% in 2018).

In addition, it should be noted that the Company is included in the Supplier Engagement Rating Leaderboard 2021 published by CDP, having obtained a score of A on an assessment of the management of climate issues along its supply chain.

Training of suppliers on sustainability matters

Since 2012, Pirelli has been providing training on environmental, social and business ethics issues to its suppliers, identifying each year the applicable pool of participants based on strategic issues, spending value and operations by suppliers in Countries considered at risk.

In 2021, given the continuation of the Covid-19 scenario, the Group had to put on standby the activities planned in the 2019-2021 Roadmap on the implementation of the Policy on Sustainable Natural Rubber Management. However, to support training actions, a programme of distribution of infographics was initiated to facilitate the continuous cascading throughout the supply chain of our sustainable natural rubber management policy. In 2021, the programme covered about 80% of our suppliers, with the remainder to be covered in early 2022.

Supplier Award

Pirelli Supplier Award, which is assigned each year to suppliers of excellence, aims to constantly improve relations with parties from the standpoint of shared development.

The 2021 edition of the Supplier Award, after a pause in 2020 due to the evolution of the Covid-19 scenario, was held virtually at the Pirelli Bicocca headquarters, in the presence of Pirelli's Vice Chairman and CEO and the Company's Chief Procurement Officer, who awarded prizes to nine suppliers operating internationally, particularly in China, Italy, Japan, Poland and Mexico, who distinguished themselves for quality, innovation, service level, performance and sustainability.

The presence of the prestigious 'Sustainability' award confirmed the importance of 'responsibility' strategies and the resulting tangible benefits along the entire value chain. In 2021, the award was given to a natural rubber supplier that in recent years has demonstrated a strong and growing commitment to and contribution to social and environmental sustainability along the entire supply chain, collaborating in the production of the first tyre with Forest Stewardship Council (FSC) certified natural rubber and rayon.

Trend of purchases

The following tables show the value of purchases made by Pirelli Tyre and the percentage of the relative suppliers divided by geographical area. These figures show that the value of purchases, as well as the number of suppliers, is slightly higher in OECD area¹⁹ with respect to non-OECD areas.

63% of suppliers (down from 79% in 2020) operate locally with respect to the Pirelli Tyre subsidiaries supplied, according to a local for local supply logic and excluding raw material suppliers as they generally operate where Pirelli does not have its own facilities.

VALUE OF PURCHASES BY GEOGRAPHIC AREA				
		2021	2020	2019
OECD COUNTRIES	Europe	49.8%	49.1%	54.9%
	North America	6.8%	8.0%	6.7%
	Others	5.6%	4.6%	5.0%
NON-OECD COUNTRIES	Latin America	11.4%	12.1%	12.1%
	Asia	17.5%	17.3%	11.9%
	Africa	0.5%	0.5%	0.4%
	Others	8.4%	8.4%	9.0%

NUMBER OF SUPPLIERS BY GEOGRAPHIC AREA				
		2021	2020	2019
OECD COUNTRIES	Europe	53.9%	55.2%	47.2%
	North America	4.5%	4.8%	5.5%
	Others	4.8%	4.5%	5.4%
NON-OECD COUNTRIES	Latin America	18.9%	19.7%	22.8%
	Asia	9.1%	6.9%	8.4%
	Africa	0.2%	0.2%	0.4%
	Others	8.6%	8.7%	10.3%

The following table shows the breakdown in percentage of the value of Pirelli Tyre’s purchases by type. With a weight equal to 45% of the total, the purchasing category which is decidedly more relevant and significant, as in previous years, is that of raw materials.

¹⁹ For the complete list of OECD Countries please refer to the official website <http://www.oecd.org/about/membersandpartners/>.

VALUE OF PURCHASES BY CATEGORY			
	2021	2020	2019
Raw Materials	45%	49%	47%
Consumable Materials²⁰	11%	8%	7%
Services²¹	39%	40%	37%
Capital goods²²	5%	3%	9%

With reference to the percentage of Pirelli Tyre’s suppliers by type presented in the table below, it is noted that suppliers of consumables and services weigh about 95% of total number of suppliers, despite the weight on the total value of purchases is lower compared, for example, to that of raw material purchases which, on the other hand, show a substantial concentration on a few operators.

NUMBER OF SUPPLIERS BY CATEGORY			
	2021	2020	2019
Raw Materials	2%	2%	2%
Consumable Materials	37%	36%	35%
Services	58%	59%	58%
Capital goods	3%	3%	5%

The following table represents the percentage composition in the value of the mix of raw materials purchased by Pirelli Tyre in the three-year period 2019-2021. The volume of raw materials utilised for the production of tyres in 2021 amounted to approximately 898,000 tonnes, of which approximately 4% derives from recycled materials (in line with the previous year) and 22% of renewable materials²³.

²⁰ Indirect materials, auxiliary materials.

²¹ Energy, logistics services, shared services, ICT, R&D, marketing, trademarks and patents.

²² Machinery, civil works, moulds.

²³ Pirelli aligns itself with the OECD, which defines “Renewable Natural Resources” as natural resources, which, after their exploitation, can return to their original stock levels through natural growth or regeneration processes.

MIX OF RAW MATERIALS PURCHASED (VALUE)			
	2021	2020	2019
Natural Rubber	14%	13%	13%
Synthetic Rubber	25%	26%	26%
Carbon black	11%	10%	12%
Chemicals	23%	23%	22%
Textile	16%	18%	17%
Steel	11%	10%	10%

Targets

- CDP Supply Chain: increase in raw material suppliers’ response rate from 88% in 2021 to 90% in 2022;
- Natural Rubber supply chain sustainability: implementation of the 2022-2025 roadmap published in the Sustainability section of the website www.pirelli.com. In 2022 Pirelli will continue on the path of engagement and partnership with its suppliers, focusing training on specific issues that meet the needs of the supply chain and dedicating it to players increasingly close to the origin of the chain. Pirelli will support suppliers in the implementation of their roadmap of activities to implement Pirelli Policy and will continue to map the socio-environmental risks of the supply chain, with increasingly precise traceability and an increasingly close relationship with the various players involved;
- reduction of CO₂ emissions from raw material suppliers by 8.6% by 2025 compared to 2018 (Science Based Target approved by SBTi);
- as per the Single Used Plastic Policy, the Company plans to eliminate all single-use plastic used for offices and factory services by the first half of 2022.

ENVIRONMENTAL DIMENSION

Pirelli Group considers environmental protection as a fundamental value in the exercise and development of its activities.

Pirelli approach to environmental management is set forth in accordance with the United Nations Global Compact, of which Pirelli has been an active member since 2004, and pursuant to the “Rio Declaration on Environment and Development”.

Pirelli Values and Ethical Code states that *“key consideration in investment and business decisions is environmental sustainability, with the Group supporting eco-compatible growth, not least through the adoption of special technologies and production methods (where this is operationally feasible and economically viable) that allow for the reduction of the environmental impact of Group operations, in some cases even below statutory limits”*.

The environmental management model adopted is detailed in the Group Policies “Health, Safety and Environment”, “Product Stewardship”, “Quality”, “Social Responsibility for Occupational Health, Safety and Rights, and Environment”, “Green Sourcing”, based on which Pirelli undertakes to:

- assess and reduce the environmental impact of its own products and services throughout their entire life cycle, as of products and services purchased;
- develop products and production processes that are safe and designed to minimize polluting emissions, waste generation, consumption of natural resources available and the causes of Climate Change, in order to preserve the environment, biodiversity and ecosystems;
- manage its environmental activities in full compliance with applicable laws and in compliance with the highest international standards;
- monitor and communicate to its Stakeholders the environmental performance associated with processes, products and services throughout the entire life cycle, promoting its culture of environmental protection;
- monitor the environmental impacts of its suppliers by requesting them to adopt the same business model along the supply chain;
- support customers and end consumers in understanding the environmental impacts of its products, informing them of the safest use and disposal methods, facilitating recycling or re-use where possible;
- empower and train its workers in order to extend adequate culture of environmental capital conservation.

All the documents mentioned above are communicated to the Group's employees in the local language and published in multiple languages in the Sustainability section of pirelli.com website, available to the external community.

Joining the Task Force on Climate-Related Financial Disclosures (TCFD)

In September 2018, Pirelli formally joined the Task Force on Climate-Related Financial Disclosures (TCFD) set up by the Financial Stability Board²⁴.

In supporting the initiative, Pirelli is committed to the voluntary disclosure of transparent reporting and the disclosure of all relevant information on risks and opportunities related to Climate Change as indicated in the TCFD recommendations. To this end, Pirelli publishes this information publicly both in this report and through the CDP Climate Change programme, where, once again in 2021, it has been confirmed as one of the leaders included in the A-List.

Since Pirelli publishes an integrated annual report, the four topics and the eleven recommendations identified by the TCFD are reported as follows.

GOVERNANCE: (concerning climate-related risks and opportunities).

The matters relating to Climate Change fall within the activities whose Governance is described in the paragraph "Management Model" of this report, and in the paragraph "Director responsible of sustainability topics" and "Audit, Risks, Sustainability and Corporate Governance Committee" of the "Report on the Corporate Governance and Share Ownership of Pirelli & C. S.p.A.", included in this report and to which reference should be made for further information.

a) Board of Directors' oversight

Pirelli Board of Directors, supported in its activities by the Control, Risk, Sustainability and Corporate Governance Committee, approves both the sustainable management objectives and targets integrated into the Industrial Plan and Pirelli Annual Report, including the Consolidated Non-Financial Statement. The Executive Vice Chairman and Chief Executive Officer is also appointed as Director in charge of Sustainability with the task of overseeing sustainability topics related to the Company's operations and its interaction with all Stakeholders, and implementing the guidelines defined by the Board of Directors.

²⁴ The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB) - a body that monitors the global financial system - with the goal of developing a set of recommendations on the reporting of Climate Change risks. The aim is to guide and encourage companies to align the information disclosed with investors' expectations and needs. In June 2017, the Task Force published 11 recommendations in the areas of governance, strategy, risk management, metrics and targets.

b) Management's role

The strategic development of Group Sustainability is entrusted to the Sustainability Strategic Committee, a body chaired by the CEO and composed of the Company's Top Management representing all organisational and functional responsibilities, which meets on an ordinary basis at least twice a year. In addition, an Operational Sustainability Committee was established in 2021, chaired by the Deputy CEO and consisting of the company's top management, with responsibility for the strategic and operational management of the Group's sustainability matters, including, among other things, climate change issues.

The organisational structure thus consists of a Sustainability and Future Mobility Department, reporting directly to the company's Deputy CEO, which oversees management at Group level and proposes sustainable development plans to the Sustainability Strategic Committee. The Group Sustainability & Diversity Officer works in the Sustainability and Future Mobility Department.

The Sustainability Department is supported by:

- a Sustainability Working Group made up of sustainability representatives within the various company departments to guarantee constant monitoring and coordination of strategic programmes with an impact on the competence of the specific departments;
- Country Sustainability & Diversity Managers in the oversight of activities covering all Group subsidiaries. The role of Country Sustainability Manager is covered by the Country CEOs, who report directly to them for the operational management of sustainability country plans.

STRATEGY (actual and potential impacts of climate-related risks and opportunities on business, strategy and financial planning).

With a view towards long-term management, Pirelli monitors the Carbon Footprint and Water Footprint of its entire organisation and is committed to the progressive reduction of the related impacts on resources, climate and ecosystems. As broadly described in the paragraph "Pirelli Group Environmental Strategy and Footprint" of this report, the Group has adopted a control and monitoring system that allows the qualitative and quantitative identification of the materiality of environmental impacts along the life cycle of the product on the basis of which the company defines the response strategy.

In addition, Pirelli periodically performs sensitivity analyses and risk assessments with respect to transition scenarios towards a low-carbon economy and climate scenarios²⁵, in order to have a constantly updated picture of potential risks and opportunities linked to Climate Change which are of interest to the business and the related quantification of any potential financial impacts. For further

²⁵ The latest Group Climate Change Risk Assessment considered the analysis of IPCC climate scenarios (RCP 4.5 and RCP 8.5) and IEA energy transition scenario (IEA 450).

details, see the section “Risks linked to Climate Change” in the “Directors’ Report on Operations” of this report, and Pirelli’s public responses to the CDP Climate Change questionnaire²⁶.

a) Climate-related risks and opportunities (over the short, medium and long term)

In line with the results of the last Group Climate Change Risk Assessment, in the short-medium term (up to 5 years) there are no significant risks relating to production processes or to the markets in which Pirelli operates. On the other hand, regarding a medium-long term scenario (up to 30 years), the tyre sector could be subject to a series of risks, both physical (extreme weather events with potential impacts on plant production continuity) and regulatory (possible effects on operational costs). On the other hand, there are opportunities for growth in sales of Pirelli Eco & Safety Performance²⁷ products, which identify car tyres characterised by rolling resistance and wet grip belonging to the A, B, C values of the European labelling, which is used as an internal metric to classify all the products Pirelli produces not only in Europe but throughout the world.

b) Impacts of climate-related risks and opportunities

As discussed in the section “Risks linked to Climate Change” in the “Directors’ Report on Operations” of this report, to which reference should be made, in relation to internal metrics of potential financial impact, no risks with a significant impact in the short to medium term were identified in relation to production processes or the markets in which Pirelli operates.

c) Resilience of the strategy

The results of the scenario analyses carried out as part of the Climate Change Risk Assessment, were assessed for the definition of ambitious climate-related targets within the sustainable development strategy to 2022, 2025 and 2030, published in the current Industrial Plan. At process level, the targets for reducing energy consumption and absolute CO₂ emissions, the sourcing of 100% electricity from renewable sources by 2025 and Group carbon neutrality by 2030 are highlighted. In particular, the targets for reducing absolute CO₂ emissions were developed in accordance with the guidelines of the Science Based Targets initiative (SBTi), which validated them in June 2020, judging them to be consistent with the actions needed to keep global warming “well below 2°C”, as recommended by the Paris Agreement, and cover both the production process (Scope 1 and 2 emissions) and the reduction of emissions in the supply chain (Scope 3). At product level, among the several Eco & Safety performance targets, in terms of impact on the climate, it has to be mentioned the objective of having, by 2025, over 70% of new car products, i.e. new labelled IP codes considered at group level, classified as A or B for rolling resistance, according to the highest European labelling standards, and over 90% classified as A or B for “wet grip”. The business strategy based on development of the Eco & Safety Performance product line is designed to give Pirelli a competitive advantage over its competitors in the face of growing market demand for low-emission goods and services. Following the positive trend that has seen revenues from Eco & Safety

²⁶ <https://www.cdp.net/en/responses>

²⁷ Eco & Safety Performance products identify car tyres that Pirelli produces not only in Europe but throughout the world and whose rolling resistance and wet grip performance fall within the A, B and C values of the European labelling.

Performance tyres over total Group revenues grow from 5% in 2009 to 63% in 2021, Pirelli has set the target to achieve 66% by 2025.

RISK MANAGEMENT: (identification, assessment and management of the climate-related risks).

a) Identification and assessment processes

The process adopted by Pirelli to identify and assess the possible financial impacts, in terms of risks and opportunities, related to Climate Change is based on the Group Climate Change Risk Assessment, which is updated at least once a year by the Sustainability and Future Mobility Department in collaboration with Enterprise Risk Management and other relevant corporate functions (Operations, Procurement, Environmental Governance, Compliance among others). The analysis assesses the evolution of any physical, regulatory, technological, reputational and market risks that may affect the company, with respect to transition scenarios towards a low-carbon economy and climate scenarios with short, medium and long-term time horizons. For the conclusions of the analysis, see the section “Risks linked to Climate Change” in the “Directors’ Report on Operations” of this report, and Pirelli’s public responses to the CDP Climate Change questionnaire²⁸.

b) Management processes

The most relevant risks identified through the Climate Change Risk Assessment are assessed and classified against internal metrics of potential financial impact: for each risk or opportunity that has been recognised as material, a risk mitigation plan is prepared or an internal discussion is opened to capture the maximum benefit from the opportunity.

c) Integration into overall risk management

The process for identifying, assessing and managing risks related to Climate Change is fully integrated into Pirelli’s risk management model, as described in detail in the “Risk factors and Uncertainty” section included in the “Directors’ Report on Operations” of this report.

METRICS AND TARGETS: (metrics and targets used to assess and manage risks and opportunities related to Climate Change, where the information is material).

a) Metrics used

Pirelli reports the impacts and performance linked to Climate Change according to the metrics defined by the GRI Sustainability Reporting Standards and by the Sustainability Accounting Standard Board (SASB). In particular, see the “GRI Content Index” (GRI Standard 305 Disclosures: Emissions) and the “SASB Content Index” at the end of this Annual Report.

²⁸ <https://www.cdp.net/en/responses>.

b) GHG emissions

Pirelli monitors and reports its direct (Scope 1) and indirect (Scope 2 and Scope 3) greenhouse gas emissions as described in the paragraph “GHG emissions management and carbon action plan” in this report, and the related values are subject to specific limited audit activity, by an independent company, according to ISAE 3000.

c) Targets

Pirelli reports its environmental and product targets that are most closely linked to Climate Change, in the present chapter “Environmental Dimension” and in the “Sustainability Planning and the United Nations Sustainable Development Goals (SDGs)” and “Our Suppliers” (“Target” section) paragraphs of this report.

Pirelli Group Environmental Strategy and Footprint

Monitoring and management of environmental issues have always played a key role in the business strategy at Pirelli. With a view to long-term management, Pirelli each year monitors the Carbon Footprint and Water Footprint of its entire organisation and is committed to the progressive reduction of the related impacts on resources, climate and ecosystems.

The Group has adopted a control and monitoring system that allows the identification of the materiality of environmental impacts throughout the product life cycle. The infographic on the following pages shows Pirelli approach to environmental management and the specific long-term sustainability targets defined by the Industrial Plan, whose performance is reported in the present report.

The Pirelli Group’s Carbon and Water Footprint are updated to 2021. With regard to the carbon footprint, in 2021 there was an increase in absolute terms of about 15% over 2020 (a year that saw a significant reduction in production volumes, and consequently in all emissions associated with the various phases of the tyre life cycle, due to the effects of the health emergency linked to the Covid-19 pandemic), but a significant decrease of 7% compared to 2019 (a year not affected by the Covid-19 emergency). Similarly, with regard to the water footprint, growth in absolute terms is around 17% compared to 2020, but down 6% compared to 2019.

As immediately clear, the materiality of environmental impacts is concentrated in the use phase of the tyre. In terms of the Carbon Footprint, the use phase has a weight of about 91.3% of total impacts throughout the entire life cycle of the product, compared to a production phase that has a weight of only 2.4% of total impacts. As regards the impact of the Water Footprint, the use phase of the product is the most significant (53.1% of the total impacts), followed by the production phase of raw materials (34.2% of impacts).

The graph can be read either horizontally, following the stages of life of a tyre one by one, or vertically, thus being able to appreciate the targets of reducing the impacts that the Company has defined for each of the different stages of life, which will be explored later in this chapter.

At the methodological level, the phases of the life cycle have been analysed following the Life Cycle Assessment methodology as defined by the ISO 14040 family of standards. This approach is capable of validating the results and the strategic decisions related to it, as objectively as possible, integrated with the indications of the “Product Category Rule²⁹” for tyres developed by the Tyre Industry Project Group of the World Business Council for Sustainable Development. This approach is based on the identification and quantification of all input and output flows of the various life cycle phases (resources, raw materials, emissions, waste), which are subsequently translated into environmental impact potentials by means of dedicated models. This approach makes it possible to consolidate the effects of a very large number of factors into a few synthetic quantitative parameters (for example, of all the types of emissions or waste that are generated in the production processes of the raw materials used). The reporting of the emission impacts also complies with the provisions of the GHG Protocol (Corporate Accounting and Reporting Standard) and the GRI Sustainability Reporting Standards. To determine the Carbon Footprint and the Water Footprint, Pirelli’s calculation model is respectively inspired by the ISO 14067 and ISO 14046 standards. The values are shown as a percentage, as the objective of this infographic is to show the difference in materiality between the various life stages.

The main environmental impacts are generated by various activities related to the different stages of the Life Cycle. In the case of raw materials procurement, the main impact derives from the related production and distribution. In the case of tyre production, the main impact is related to the consumption of electricity and natural gas: in particular the main pressure in terms of emissions into the atmosphere and water consumption is attributed to the production of the latter. In the case of the distribution of new tyres and their use by customers, the impact is indirect and derives from the fuel consumption of vehicles (only the fuel consumption related to the power absorbed by the rolling resistance of the tyres is allocated to the customers). Finally, in the last phase of life considered, the impact derives from the processing of end-of-life products for recovery thereof as energy or recycled raw material. With reference to the Carbon Footprint, the infographic (see the “Driver” part) also includes a breakdown of emissions in the three Scope categories provided by the GHG Protocol.

If the product life phases are considered according to what is indicated in the GHG Protocol standard (Corporate Value Chain - Scope 3) and as taken up by the Science Based targets initiative, emissions from the use phase of the tyre are evaluated as “indirect” since already included in the use phase of the vehicle, of which the tyre is a component (with indirect responsibility for the energy consumption of the vehicle during use). Therefore, these emissions do not fall within the boundary to be considered by tyre makers for value chain emissions reduction targets, which instead consider: Scope 1 and 2 emissions, generated by the group’s production activities, and Scope 3 emissions mainly related to the supply chain, logistics and end of life of the product. The Tyre Use Phase, as

²⁹ Product Category Rule: Set of rules, requirements and specific guidelines for the development of environmental declarations, for one or more product categories, defined according to ISO 14025.

mentioned above, is part of the vehicle use phase and therefore of Scope 3 emissions in charge of Vehicle Manufacturer Customers.

As reported below, Pirelli has both emission reduction targets approved by the Science Based Targets initiative, covering its own Scope 1, 2 and 3 emissions, and indirect Scope 3 emissions reduction targets in the use phase, the benefit of which goes towards reducing Scope 3 emissions in the use phase of vehicle manufacturers.

The central part of the infographic shows the actual quantification, in percentage terms, of the Carbon Footprint and Water Footprint. These two aspects are summarised by four principal indicators: Primary Energy Demand (PED), Global Warming Potential (GWP), Water Depletion (WD) and Eutrophication Potential (EP). The values are calculated in GJ of energy, tonnes of CO₂ equivalent, cubic metres of water and kilograms of phosphate equivalents.

Primary Energy Demand refers to the quantity of renewable or non-renewable energy that is taken directly from the hydrosphere, the atmosphere or the geosphere.

The Global Warming Potential concerns the effect on the climate of anthropic activities and is calculated, as mentioned, in tons of CO₂ equivalent (the greenhouse effect potential of the gas considered is assessed in relation to CO₂, considering a residence time in the atmosphere of 100 years).

The Water Depletion, based on the Swiss model for ecological scarcity, represents the volume of water used, compared to the availability of water resources locally, with the aim of giving greater weight to the volumes of water taken from areas characterised by a greater scarcity of this resource.

Eutrophication Potential is the enrichment of nutrients in a given ecosystem, whether aquatic or terrestrial: air pollution, emissions into water and agricultural fertilisers all contribute to eutrophication. The result in aquatic systems is accelerated growth of algae, which does not allow sunlight to penetrate the surface of the water basins. This reduces photosynthesis and thus reduces the production of oxygen. Low concentrations of oxygen may cause the alteration of the aquatic ecosystem with potential effects in terms of biodiversity.

In terms of environmental materiality, the use phase of the tyre is overall the most prevalent. In terms of economic materiality, instead, the amount of company spending in the process phase is the most relevant, which results in the opportunity to reduce impacts through investments in energy efficiency.

In the lower part of the infographic, the actions and targets adopted by Pirelli are indicated in order to reduce the environmental impacts in the various phases of the life cycle according to the current Industrial Plan.

STAGES OF LIFE CYCLE																																																						
RAW MATERIALS	MANUFACTURING	DISTRIBUTION	USE	END-OF-LIFE																																																		
DRIVERS																																																						
Suppliers	Pirelli	Suppliers	Customers	Waste Recovery Players																																																		
Raw Materials production and transport: the impact is due to the resources use by suppliers' plants.	Tyre manufacturing: at Pirelli's factories the impact mainly derives from the consumption of electricity and natural gas.	Consumption and related production of fuel used by trucks and ships of logistics providers, which deliver Pirelli tyres worldwide.	Production and consumption of the fuel of customers' vehicles due to rolling resistance.	End-of-life tyre management: old tyres are prepared by specialised companies to be reused either as energy or as regenerated raw material.																																																		
--> Scope 3	--> Scope 1+2+3	--> Scope 3	--> Scope 3	--> Scope 3																																																		
IMPACT: CARBON & WATER FOOTPRINT*																																																						
<p>Raw Materials</p> <table border="1"> <tr><th>Metric</th><th>Value</th></tr> <tr><td>PED</td><td>10.6%</td></tr> <tr><td>GWP</td><td>6.1%</td></tr> <tr><td>WD</td><td>34.2%</td></tr> <tr><td>EP</td><td>24.4%</td></tr> </table>	Metric	Value	PED	10.6%	GWP	6.1%	WD	34.2%	EP	24.4%	<p>Manufacturing</p> <table border="1"> <tr><th>Metric</th><th>Value</th></tr> <tr><td>PED</td><td>3.7%</td></tr> <tr><td>GWP</td><td>2.4%</td></tr> <tr><td>WD</td><td>12.6%</td></tr> <tr><td>EP</td><td>0.9%</td></tr> </table>	Metric	Value	PED	3.7%	GWP	2.4%	WD	12.6%	EP	0.9%	<p>Distribution</p> <table border="1"> <tr><th>Metric</th><th>Value</th></tr> <tr><td>PED</td><td>0.2%</td></tr> <tr><td>GWP</td><td>0.2%</td></tr> <tr><td>WD</td><td>0.0%</td></tr> <tr><td>EP</td><td>0.0%</td></tr> </table>	Metric	Value	PED	0.2%	GWP	0.2%	WD	0.0%	EP	0.0%	<p>Use</p> <table border="1"> <tr><th>Metric</th><th>Value</th></tr> <tr><td>PED</td><td>85.5%</td></tr> <tr><td>GWP</td><td>91.3%</td></tr> <tr><td>WD</td><td>53.1%</td></tr> <tr><td>EP</td><td>74.7%</td></tr> </table>	Metric	Value	PED	85.5%	GWP	91.3%	WD	53.1%	EP	74.7%	<p>End-of-life</p> <table border="1"> <tr><th>Metric</th><th>Value</th></tr> <tr><td>PED</td><td>0.0%</td></tr> <tr><td>GWP</td><td>0.0%</td></tr> <tr><td>WD</td><td>0.0%</td></tr> <tr><td>EP</td><td>0.0%</td></tr> </table>	Metric	Value	PED	0.0%	GWP	0.0%	WD	0.0%	EP	0.0%
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Environmental: MEDIA	Environmental: MEDIUM	Environmental: LOW	Environmental: HIGH	Environmental: LOW																																																		

RESPONSE STRATEGY				
<input type="checkbox"/> RAW MATERIAL INNOVATION <ul style="list-style-type: none"> • Research and development of raw materials with low environmental impact • Gradual introduction of new materials from renewable and/or recycled sources • Biomaterials such as high-performance silica from renewable sources, biofillers such as lignin and plant-based plasticisers/resins • Natural rubber: search for sustainable alternative sources • Functionalised polymers: research into innovative polymers that guarantee reduced environmental impact, better driving safety and improved production efficiency <p><u>Target</u></p> <ul style="list-style-type: none"> • Reduction of CO₂ emissions from raw material suppliers by 8.6% by 2025 compared to 2018 (target validated by SBTi**) <p><u>for new product lines:</u></p> <ul style="list-style-type: none"> • by 2025: > 40% renewable materials, > 3% recycled materials and < 40% fossil-derived materials • by 2030: > 60% renewable materials, > 7% recycled materials and < 30% fossil-derived materials <input type="checkbox"/> GREEN PURCHASING GUIDELINES/GREEN SOURCING POLICY <input type="checkbox"/> CDP SUPPLY CHAIN <input type="checkbox"/> THIRD-PARTY AUDITS OF CRITICAL SUPPLIERS	<input type="checkbox"/> PROCESS EFFICIENCY <p><u>Target 2025:</u></p> <ul style="list-style-type: none"> • 100% renewable electricity sourcing • Absolute CO₂ emissions -25% vs 2015 (target validated by SBTi**) • Specific water withdrawal -43% vs. 2015 • Specific energy consumption -10% vs. 2019 • Waste sent for recovery 98% <p><u>Target 2030:</u></p> <ul style="list-style-type: none"> • Group Carbon Neutrality (emissions from electric and thermal energy); <input type="checkbox"/> ISO 14001 IN ALL FACTORIES <input type="checkbox"/> SCRAP REDUCTION PROGRAMME	<input type="checkbox"/> GREEN SOURCING POLICY <ul style="list-style-type: none"> • Green Logistics Procedure • Engagement to reduce Supply chain Carbon & Water Footprint 	<input type="checkbox"/> PRODUCT INNOVATION <p><u>Target 2025</u></p> <ul style="list-style-type: none"> • Rolling Resistance A/B ≥ 70% of new car products (new labelled IP Codes) • Wet Grip A/B ≥ 90% of new car products (new labelled IP Codes) <input type="checkbox"/> ECO & SAFETY PERFORMANCE REVENUES <p><u>Target 2025</u></p> <ul style="list-style-type: none"> • ≥ 66% of Group car tyre sales and ≥ 71% of High Value products*** <input type="checkbox"/> CYBER™ TECHNOLOGIES	<input type="checkbox"/> PRESENCE ON MAIN INTERNATIONAL WORKING GROUPS (WBCSD, ETRMA) to spread the culture of recovery <input type="checkbox"/> REGENERATED RAW MATERIALS <p>Research projects in order to improve the quality of regenerated materials, with the aim of increasing their percentage portion of the new compounds</p>
<p>* Value expressed as % of impact at different stages of the life cycle</p> <p>** Science Based Targets initiative</p> <p>*** High Value products are determined by rims equal to or greater than 18 inches and, in addition, include all "Specialties" products (RUN FLAT™, SEAL INSIDE™, PNCS™).</p>				

Pirelli's approach to the Circular Economy: the 5Rs

As part of Pirelli's "Eco & Safety Design" Strategy, a decisive role is played by the continuous focus on the definition and implementation of increasingly circular solutions.

It is in this context that Pirelli has developed its own approach to the Circular Economy, which is based on rethinking (Rethink) the way products, processes and services are developed, with the goal of achieving ever-higher performance, continuously reducing environmental impacts, and protecting the health and safety of people.

Rethink is supported by the other four commitments in Pirelli's 5R approach:

Refuse: avoiding processes, products, services and materials that are redundant, while promoting an increase in the safety of the products used, through the replacement of those not considered suitable, in a preventive manner and even going beyond legislative requirements. The progressive elimination of single-use plastics is also part of this commitment.

Reduce: reducing the use of resources, especially non-renewable resources, both in terms of energy carriers and natural resources, and of raw materials, with the aim of reducing the Group's Environmental Footprint, also with a view to Carbon Neutrality. Reducing also means developing tyres with increasingly less rolling resistance that can help reduce vehicle consumption, as well as production processes that use fewer resources and generate less and more easily recyclable waste. Pirelli has expressed numerous public objectives in support of its reduction commitment, which include all 2025 targets for process efficiency in factories (-43% on specific water withdrawal compared to 2015; -10% on specific energy consumption compared to 2019 and -25% of absolute CO₂ emissions compared to 2015, as approved by the SBTi), the performance of new car products in terms of Rolling Resistance ($\geq 70\%$ A/B labelling classification by 2025) and the SBTi validated target to reduce CO₂ emissions (-8.6% by 2025 compared to 2018) of its raw material suppliers.

Reuse: maximising the reuse of resources and products, consistent with the quality and safety levels required for tyres, with the aim of preventing waste generation and unnecessary consumption of resources, especially non-renewable resources. This commitment is reflected, for example, in the design of tyres with an increasing content of renewable or recycled raw materials, with public targets that envisage on some product lines to use over 40% renewable materials by 2025 (over 60% by 2030), over 3% recycled materials (over 7% by 2030) and to reduce the use of fossil-derived raw materials to less than 40% (less than 30% by 2030).

Recycle: recycling the waste derived from production processes, promoting, as far as possible and compatibly with the contexts in which it operates, the recovery of materials and favouring the recovery of end-of-life tyres, also through research and development actions aimed at maximising the quality of materials deriving from the recovery of end-of-life tyres (ELTs) both for "closed loop" applications and for use in other phases of the value chain through the promotion of industrial ecosystems. This commitment is reflected, for example, in the group's 2025 target to send at least 98% of the waste produced for recovery.

The main examples of the application of these commitments along all stages of the tyre life cycle and the relative performance in 2021 are reported in the following paragraphs.

Product: Research and Development of Raw Materials

The Research and Development of innovative materials is essential in order to design and manufacture “Eco & Safety” tyres which are increasingly sustainable and which guarantee lower environmental impacts throughout their life cycle while ensuring greater driving safety.

In terms of raw materials, for the selected product lines, the current Industrial Plan envisages an increasing use of materials from renewable and recycled sources, with the aim of using more than 40% renewable materials by 2025 (more than 60% by 2030), more than 3% recycled materials (more than 7% by 2030) and reducing the use of fossil-derived raw materials to less than 40% (less than 30% by 2030).

In 2021, a significant R&D effort was made on innovative renewable and recycled materials, which led Pirelli to equip the Volvo Recharging Concept with a tyre containing 94% materials of non-fossil origin, such as silica from rice husks, carbon black from recycling and bio-resins. This concept paves the way for the introduction of such materials in normal production, as in the case of rice husk silica, which has been introduced in several production plants, making it possible to reach up to 28% of renewable materials in some IP codes by 2021 (up from 23% in 2020), together with 5% (about 1%, excluding metals) of recycled materials (a value in line with the 2020 figure).

In this context, Pirelli’s Research & Development focuses, for example, on:

- high-dispersion silica for wet grip, rolling resistance and mileage;
- new technologies applied to the development of polymers, fillers and plasticisers to improve the wear rate of tyres;
- biomaterials, such as silica from renewable sources, biofillers such as lignin and sepiolite, and plasticisers/resins of plant origin;
- textile reinforcements with fibres from renewable and/or recycled sources;
- nanofillers for more stable compounds, lighter structures and highly impermeable liners;
- new silica surfactants to guarantee performance stability and processability.

Pirelli has activated several Joint Development Agreements with leading suppliers for the study of new polymers, silicas, plasticisers and resins that are able to further improve the characteristics of tyres for rolling resistance, low temperature performance, mileage and road grip.

The Joint Labs agreement (2021-2024) between Pirelli and the Politecnico of Milan, aimed at research and training in the tyre industry, covers nanotechnology, the development of new synthetic

polymers, new biopolymers and new bifunctional chemicals (e.g. serinol-pyrrole for improving polymer-charge interaction with reduced emission of volatile organic compounds - VOCs).

In the field of biomaterials, in addition to the introduction of resins and plasticisers from natural origin, Pirelli has focused on silica deriving from the rice husk, namely the outer shell of rice grain. The husk is by weight 20% of the raw rice grain and it is the main waste of this crop, because, in many areas of the world, it is not used but burned in the open air. Thanks to a partnership with various producers, Pirelli is evaluating the diversified supply of high-performance silica from processes that start from rice husks used as feedstocks, contributing to the industrial application of a circular economy model concerning waste materials. The combustion of the carbon part of the husk also allows a reduction of more than 90% of the amount of CO₂ emitted per kilogram of silica, compared to the conventional process that instead exploits fossil energy sources. During 2021, the use in normal production of silica from rice husks was increased achieving a volume scale-up to 1% of total silica consumption involving plants in China and Europe, with the aim of reaching 7% during 2022.

Specific projects for the development of new materials from renewable sources, mainly focused on the use of waste feedstocks, are the subject of the framework agreement between Pirelli, CORIMAV (Consortium for Materials Research Advanced) and Bicocca University. In the context of the new nano-fillers, in production Pirelli has started to introduce process materials of mineral origin in a partial substitution of precipitated silica and carbon black, such as sepiolite. These innovations save water and reduce CO₂ emissions by more than 75% compared to the production processes of the raw materials being replaced.

With a view to the circular economy, in 2021 Pirelli filed patent applications for the use of recycled PET in the manufacture of tyres, resins from renewable sources, lignin and, in collaboration with the Milan Polytechnic, the synthesis of pyrroles from materials derived from renewable lignocellulosic biomass. Lignin, a low environmental impact additive of natural origin derived from waste from the cellulose production process, is already being used in a compound for Velo products.

Pirelli Research and Development constantly monitors the growing opportunities for the use (in increasing proportions) of materials from recycling. The development of innovative technologies for the production of materials from recycled end-of-life tyres (ELTs), such as powder obtained by fine grinding the tyre or carbon black obtained from tyre pyrolysis, allows them to be used in increasing quantities without compromising performance or safety, unlike the technologies of the past.

Some materials used in compound formulations (such as synthetic polymers, carbon-black and synthetic oils) can in turn be produced by feeding the synthesis process with certain quotas of feedstock from recycling (recycled polystyrene, oil from pyrolysis of ELTs): during 2021, Pirelli expanded the collaboration with partners aimed at developing, validating and applying these technologies in new materials.

There is constant research into the efficiency of materials, which makes it possible to reduce the volumes purchased, as well as the weight of the finished product, with a significant positive environmental impact throughout the entire life cycle of the material and product.

Research is also continuing aimed at diversifying the potential supply sources of natural rubber, to reduce pressure on biodiversity in producer Countries and allow the Company to manage the potential scarcity of raw materials with greater flexibility. At the same time, partnerships are being strengthened with suppliers of FSC-certified (Forest Stewardship Council) natural rubber. The sustainable management of the natural rubber supply chain, the so-called conflict minerals and the cobalt chain are specifically discussed in the “Our Suppliers” section of this report.

Further information on Pirelli’s Research & Development activities can be found in the paragraph “Our Suppliers” (R&D Partnership section) of this report and in the Directors’ Report on Operations (“Research and Development Activities” section).

Product: the objectives of Eco & Safety Performance

In line with its position in the *Premium* and *Prestige* segments, Pirelli develops and introduces increasingly sophisticated products on the market, responding to a macroeconomic scenario in constant and rapid evolution. The significant corporate investment in research and development on materials, compounds, structures and tread patterns allows Pirelli products to achieve extremely high performance in terms of braking in dry and wet conditions and, at the same time, improved environmental performance such as:

- less rolling resistance – lower CO₂ emissions;
- less noise – reduced noise pollution;
- increased mileage – lengthening of tyre life and reduced exploitation of resources;

The targets to improve the environmental performances adopted by Pirelli for its products are objective, measurable and they consider the level of materiality of the impacts along the life cycle of the product with a perspective of the maximum effectiveness of the action. In this regard, Pirelli is constantly committed to reducing the rolling resistance of its car products, which, at the end of 2021, is 10.3% lower than the 2015 value (and down more than one percentage point from the 2020 figure), calculated as the weighted average of all car tyres. In addition, Pirelli has set the goal for 2025 of having over 70% of new car products, i.e. new labelled IP codes considered at group level, classified A or B for rolling resistance (according to the highest European labelling standards) and over 90% classified A or B for wet grip. In 2021, the new labelled IP code tyres placed on the market by Pirelli worldwide have 49% (up from 39% in 2020) A or B Rolling Resistance labels and 87% (in line with the 2020 figure) A or B Wet Grip labels, according to the European classification.

For an overview of product performance targets, please refer to the “Sustainability planning and the UN Sustainable Development Goals (SDGs)” section of this report.

Eco & Safety Performance³⁰ products include the CINTURATO™ P7™ Blue, with which solution Pirelli was the first manufacturer in the world present on the market with a tyre that, in some measurements, boasts the double A in the Eurolabel scale. This product is available, depending on the measurements, both in double A class and in B class of rolling resistance while always maintaining A class for wet grip. On average, the CINTURATO™ P7™ Blue guarantees 23% less rolling resistance than the Pirelli reference (rolling resistance class C), combined with lower fuel consumption and a reduction in the atmospheric emissions associated with it. A vehicle with CINTURATO™ P7™ Blue tyres that runs 15,000 km a year consumes 5.1% less fuel (equivalent to 52 litres), and reduces greenhouse gas emissions by 123.5 kilograms of CO₂ and has a braking distance on wet 9% lower than the Pirelli benchmark (class B of wet grip) in the same segment. Comparative TÜV SÜD tests showed that, at a speed of 80 km/h on a wet surface, the CINTURATO™ P7™ Blue reduces braking by 2.6 metres compared to a tyre classified B.

In 2021, Pirelli launched the new Pirelli Powergy, a summer tyre for crossovers, SUVs, sedans and MPVs, which is characterised by class A labelling for wet grip, class B for rolling resistance and low noise emission (minimum value on the label). To achieve the performance offered by the Pirelli Powergy, the latest virtual simulation technologies have been used to develop the tread pattern and the profile of the tyre with a view to optimising the footprint, with the benefit of limiting braking distances and maximising controllability and driving precision. These elements, combined with the use of compounds with balanced polymers, serve to improve performance on wet surfaces and mileage. The results were also achieved thanks to the analysis of the parameters obtained from the use of the static simulator at Pirelli's R&D centre in Milan and the final validation tests on the track, which made it possible to optimise the development times and processes of this tyre, designed in 18 months despite the difficulties of the global health context, with reduced production of physical tyre prototypes and consequent benefits in environmental terms.

In May 2021, Pirelli became the first company in the world to produce a range of FSC-certified tyres designed for the new BMW X5 xDrive45e Plug-In Hybrid. These tyres contain FSC-certified natural rubber and rayon and represent a new horizon for increasingly sustainable tyre production. FSC forest management certification confirms that plantations are managed in a way that preserves biological diversity and benefits the lives of local communities and workers, while ensuring economic sustainability. Also contributing to the environmental sustainability of this tyre, which is produced exclusively at the Pirelli factory in Rome (Georgia, USA), is its low rolling resistance (A value on the European label), which limits the vehicle's fuel consumption and related atmospheric emissions.

In 2021, Pirelli presented its first tyre with an HL (High Load) index dedicated to electric or hybrid cars and SUVs. Designed to support the increased weight of vehicles equipped with batteries, the new product is capable of supporting a ground weight more than 20% greater than a standard tyre. The new US luxury electric sedan Lucid Air is the first car to use Pirelli's new HL tyres, which also feature Pirelli Elect and PNCS technologies. The Elect marking identifies Pirelli tyres dedicated to electric and hybrid vehicles, whose performance is closely influenced by the tyres. Thanks to specific technical characteristics of the compound and structure, Pirelli tyres marked Elect offer several

³⁰ Eco & Safety Performance products identify the car tyres that Pirelli produces throughout the world that fall exclusively into classes A, B, C of rolling resistance and wet grip according to the labelling parameters set by European regulations.

advantages: low rolling resistance to increase autonomy, low rolling noise to ensure excellent driving comfort, immediate grip for transmission stress during start-up and a structure suitable for supporting the weight of the battery-powered vehicle. To further increase interior comfort, PNCS technology, consisting of a special sound-absorbing material placed in the tyre cavity, dampens air vibrations that would otherwise be transmitted inside the vehicle with a consequent reduction in the noise generated by tyre rolling, with an additional benefit for the driver and passengers.

Attention to environmental sustainability is also fully integrated into the company's motorsport business model. In fact, Pirelli is the first and only tyre manufacturer in the world to have obtained three stars of the Environmental Accreditation Programme promoted by the FIA (International Automobile Federation), in recognition of its commitment to sustainability in motorsport and achieved them as a result of a supply chain that is fully managed according to environmental and social sustainability criteria. Among the measures Pirelli has taken to achieve this result in Formula 1™ are an increase in the use of renewable materials, the elimination of single-use plastic from track activities and a supply chain fully managed according to environmental and social sustainability criteria. In addition, Pirelli's motorsport activities have passed a series of rigorous audits that take into account various elements to reduce environmental impact, starting with carbon dioxide emissions. An issue that was also central to the development of the new GT tyre, the P Zero DHF, thanks to the extensive use of virtual models that made it possible to reduce the production of physical prototypes. Examples of Pirelli's sustainability objectives, in both business and manufacturing, include reducing absolute CO₂ emissions by 25% by 2025 (compared to 2015 levels) and sourcing 100% of electricity from renewable sources, a goal already achieved by all Pirelli European plants including the motorsport factories in Slatina, Romania, and Izmit, Turkey. As far as logistics are concerned, Pirelli uses the latest EURO 6D truck fleet and for extra-European shipments chooses sea solutions as far as possible, which are less polluting than air transport.

For further information on Motorsport, please refer to the paragraph "Motorsport and sustainability" of this report and the paragraph "Engagement in motorsport" in the Directors' Report on Operations.

With reference to the cycling, also in 2021 Pirelli launched new product lines (P ZERO Race, P ZERO Road, P7 Sport, SmartUBE) renewing and expanding the range of products dedicated to sportspeople and cycling enthusiasts.

In 2021, Pirelli launched CYCL-e around™ for companies; a fleet of e-bikes that companies will be able to make available to their employees to ride to work and in their free time, fitting in as a complement to the ecosystem of urban transport and private vehicles to make mobility in the city more fluid, sustainable and accessible.

Pirelli's high-tech products include the development of technologies based on the introduction of sensors inside the tyre. In February 2021, for the first time in the world, a production car fitted as original equipment a sensor-fitted tyre that talks to the car: the Pirelli Cyber Tyre system, consisting of a sensor in each of the tyres that collects fundamental information for driving safety and software integrated into the car's electronics. This is the McLaren Artura, a hybrid supercar equipped with the latest technology aimed at making the driving experience as engaging and safe as possible. The Pirelli Cyber Tyre system will represent the future of tyres, providing cars with a "sense of touch",

able to detect or anticipate potentially dangerous situations such as loss of grip and aquaplaning, thus enabling the car's electronics to intervene promptly. The next step will see tyres networked, both with other vehicles and with the road infrastructure. Already by late 2019, Pirelli was the first company in the world in the tyre sector to share information on the 5G network about the road surface detected by smart tyres equipped with sensors, presenting in Turin the use-case "World-first 5G enhanced ADAS (Advanced Driver Assistance Systems) services". This is a continuously evolving system that will become essential as the level of autonomy of cars increases. In fact, the driver's current ability to perceive the grip conditions provided by the type of road surface and weather conditions will have to be fulfilled by the tyres, and the car will be able to slow down if the asphalt is found to be slippery, adapt the electronic controls to increase safety and, with inter-vehicle connectivity, warn other self-driving cars of a potential imminent danger. This is a true tactile sense offered by the only point of contact between the car and the road, the tyres.

In 2021, Pirelli and Geotab, a global leader in IoT and connected transport, announced an international collaboration to support the commercial transport sector in improving operational efficiency and sustainability, while also promoting greater safety for people and goods. Reducing tyre management costs, fuel consumption and emissions are the objectives to be achieved through the forthcoming use of Pirelli CYBER Fleet within Geotab's Marketplace application offering: a sensor placed inside the tyres detects their pressure and temperature, data that are collected by an app on tablets or smartphones and sent to Geotab's digital platform (MyGeotab), simplifying daily vehicle inspection and tyre control. This integrated solution allows the efficiency of the vehicle to be monitored remotely and any anomalies to be seen so that maintenance work can be scheduled efficiently.

For further information on Cyber™ technologies, please refer to the paragraph "High Value Approach to Future Mobility" in the "Our Customers" chapter of this report and to the paragraph "Product, material and production process innovation" in the Directors' Report on Operations.

Among the Open Innovation initiatives, the Joint Labs agreement between Pirelli and the Milan Polytechnic and the Milan Polytechnic Foundation should be highlighted. In 2021, ten years after the first signing, the continuation of the initiative focused on research projects for the continuous technological innovation of tyres was signed. The collaboration has been extended for a further 3 years, with new challenging objectives and innovative tools, including the static simulator, installed at Pirelli's R&D centre in Milan, and the dynamic simulator at the Milan Polytechnic. In addition to exploring the potential of virtual environments, this new phase of the agreement (2021-2023), which envisages a total investment of more than €2 million, focuses on two research macro-strands: the area of materials, with the development of innovative solutions and the modelling of mixing processes, and the area of Product Development and Cyber, with integrated static-dynamic simulation and innovative modelling. During the ten years of the collaboration agreement between the Milan Polytechnic, Milan Polytechnic Foundation and Pirelli, 14 patent families have been deposited and about thirty articles published in international scientific journals, as well as dozens of presentations at international congresses. Many topics have been addressed and results achieved in the area of tyre performance, safety and sustainability, thanks to the use of advanced materials identified within the framework of this collaboration. In particular, 15 research grants have been awarded to young graduates in the field of materials chemistry. In the last three years, for example,

research has focused mainly on the production and functionalisation of carbon allotropes; the preparation of modified silicate fibres; the study of alternative sources of natural rubber; and the synthesis of innovative polymers and self-repairing materials. Attention was also paid to the tyre mechanics sector where, since 2011, 12 research contracts have been activated in the Cyber Tyre™ and F1® fields, with the study of tyre-asphalt interaction. One area of particular interest was the study of low-noise tyres, especially for new hybrid and electric vehicles, where this component is important for driver comfort. In fact, innovative test methodologies have been applied for the indoor measurement of the acoustic field generated by the rolling tyre. The Tread Modeling Automation project, on the other hand, has studied tyre modelling and the characteristics of different summer, winter and all-season treads. In support of professional training, the second level university Master's degree "R&D Excellence Next" was also recently inaugurated, created in collaboration with the Milan Polytechnic, which involves 34 young engineers who have just been hired by the company, with the aim of training specialised technicians.

Tyre and Road Wear Particles

For many years, Pirelli has paid great attention to the theme of "Tyre and Road Wear Particles" (TRWP), the micrometric particles produced by the combined wear and tear of the road and tyre during vehicle circulation. The phenomenon of TRWP is complex, since the generation of these particles is not only linked to the combined wear of the road and tyre, but also substantially to the characteristics and conditions of use of the vehicle (weight, mass distribution, correct tyre pressure, etc.), the characteristics of the roads (material and roughness of the roads, being straight or winding, uphill or downhill, etc.), environmental conditions (dry or humid climate, hot or cold) and driving style (aggressive or relaxed, at high or moderate speeds, with sharp or progressive braking, etc.). Scientific studies (see "WBCSD" in this report) conducted so far have not shown significant risks to human health and the environment: however, the definition and implementation of effective actions for the mitigation of TRWP generation is strongly linked to the variety and number of causal factors mentioned above: it should be noted that some of them, such as driving style, road and vehicle characteristics, have more influence than the tyre considered individually.

The various causal factors extrinsic to the tyre and belonging to the sphere of influence of multiple stakeholders require combined action by all actors in order to define and implement the most effective mitigation actions. The need for multi-stakeholder engagement led to the creation of the "European TRWP Platform" launched by ETRMA (see more in the "ETRMA" section of this report), which saw, in addition to the Tyre Industry, the participation of Road Authorities, Automobile Manufacturers Association, Automobile Clubs, the waste water treatment industry, Universities and Research Centres, NGOs, European Institutions and national authorities. The platform will continue its work in 2022 and, as in the previous editions 2018-21 will be supported by CSR Europe.

In terms of tyre-specific actions, Pirelli's commitment to TRWPs is expressed both through active participation in the Tyre Industry's most important collaborative projects on TRWPs (see the "ETRMA" and "WBCSD" sections of this report) and through its R&D activities on materials and tyre design, aimed at continually improving tyre wear and, consequently, minimising its contribution to

the issue of TRWPs. Demonstrating this commitment, the new product lines launched in 2021 boast a wear rate improvement of up to 30% less than the previous generation of tyres. This is accompanied by collaboration with Public Authorities and the Tyre Industry to support the development of standardised methodologies for measuring tyre wear, for example within the European Union where a dedicated activity has begun.

Management of End-Of-Life Tyres

In terms of materiality, the end-of-life phase of the product has a low proportion of the total impact of the tyre on the environment, as already highlighted in the infographic related to the Group's Carbon and Water Footprint.

End-of-life tyres, however, represent a valuable source of resources (secondary raw materials), which are already successfully used in several sectors of the value chain (e.g. in construction, infrastructure, asphalt, manufacturing of rubber products) and with a considerable potential for developing further applications in different industrial ecosystems, aimed at increasingly exploiting their properties,

In the world, it is estimated that one billion tyres reach the end-of-life each year. On a global scale, 60% of end-of-life tyres (ELTs) are recovered (Source: WBCSD 2019 - Global ELT Management – A global state of knowledge on regulation, management systems, impacts of recovery and technologies), while in Europe and the United States the recovery stands at 95% (Source: ETRMA 2021, data from 2019) and 76% (source: USTMA - 2019 US Scrap Tyre Management Summary).

For years, Pirelli has been engaged in the management of ELTs. The Company actively collaborates with the main reference entities at national and international level, promoting the identification and development of solutions to enhance and promote the sustainable recovery of ELTs, shared with the various Stakeholders and based on the Circular Economy model. In particular, Pirelli is active in the Tyre Industry Project (TIPG) of the World Business Council for Sustainable Development (WBCSD), in the ELT working groups of ETRMA (European Tyres and Rubber Manufacturers' Association) and, at national and local level, it interacts directly with leading organisations active in the recovery and recycling of ELTs, such as the consortia established to comply with regulations on Extended Producer Responsibility.

As a member of TIPG, Pirelli has collaborated on the publication of guidelines on the management of ELTs (WBCSD "A framework for effective management systems" in 2008 and "Managing End-of-Life Tires" in 2010), taking a proactive approach to raising the awareness both within Emerging Countries and those that do not yet have a system for ELTs recovery, in order to promote their recovery according to "best practices", i.e. defined management models which have already been launched successfully.

Potentially all tyres produced and sold by Pirelli can be destined for recovery activities, both in terms of material (recycling) and energy. The actual recovery/recycling rate varies depending on the markets and ELT management models in the various countries.

With regard to “closed-loop” Circular Economy applications, as already mentioned, tyres are a mixture of many valuable materials that at end-of-life allow two paths of recovery: recovery of material (such as “secondary raw materials”) or energy. In the recovery of material, the reclaimed rubber is already reused by Pirelli in the compounds for new tyres, thus contributing to the reduction of the related environmental impact. In order to increase this recovery rate, research activities following our Open Innovation model are continuing, aimed at improving the quality of recovered secondary raw materials in terms of affinity with the other raw materials and the other ingredients present in our ultra-high performance compounds, as well as in the search for innovative recovery solutions.

ENVIRONMENTAL IMPACT OF PIRELLI’S PRODUCTION SYSTEM

Environmental Management System and Factory Performance Monitoring

All the production facilities of Pirelli and the tyre testing field in Vizzola Ticino have Environmental Management Systems certified under International Standard ISO 14001. The International Standard ISO 14001 was adopted by Pirelli as a reference in 1997 and, since 2014, all the certificates have been issued with international accreditation ANAB (ANSI-ASQ National Accreditation Board: accrediting entity of the United States).

The certification of the environmental management system according to the ISO 14001 Standard is part of Pirelli’s Environmental Policy and, as such, is extended to new settlements that become part of the Group. The certification activity, together with control and maintenance of previously implemented and certified systems, is coordinated on a centralised basis by the Health, Safety and Environment Department.

Also thanks to the environmental certification of its motorsport tyre factory management systems, Pirelli is the first and only tyre manufacturer in the world to have been awarded three stars by the Environmental Accreditation Programme promoted by the FIA (International Automobile Federation). The three stars represent the maximum score level awarded by the programme, whose aim is to propose a series of measures that participants must implement to achieve the highest environmental standards.

The environmental, health and safety performance of every tyre manufacturing site is monitored with the web-based Health, Safety and Environment Data Management (HSE-DM) system, which is processed and managed centrally by the Health, Safety and Environment Department. Pirelli has also developed the CSR-DM (Corporate Social Responsibility Data Management), an IT system for managing Group Sustainability information, which is used to consolidate the environmental and social performance of all Group subsidiaries worldwide. Both systems support consolidation of the environmental performance accounted for in this report.

Scope of Reporting

The performances reported in the following paragraphs concern the three-year period 2019-2020-2021 and cover the same scope of the Group's consolidation, including the impacts of all the units under operational control: from industrial realities to commercial and administrative sites.

The amount of finished product used in the calculation of the specific indices indicated below, in 2021 was over 772,000 tonnes.

Environmental Performance Indices trend

In terms of materiality of environmental impacts (Carbon and Water Footprint) of the tyre along the entire life cycle, the production phase accounts for 2.4% of total greenhouse gas emissions impacts and for 12.6% of total water-related impacts.

Despite the continuing health emergency linked to the Covid-19 pandemic, the Group's production activity in 2021 was marked by an increase in tonnes of finished product of around 25% compared to the previous year (value calculated on a like-for-like basis).

As a result of the significant growth in volumes, together with the geographical redistribution of production, the indices calculated in absolute terms of energy consumption, water withdrawal and waste production increased compared to the 2020 figure (a year that saw a significant reduction in all absolute consumption due to the effects of the health emergency linked to the Covid-19 pandemic). On the other hand, the increase in the share of electricity from renewable sources used by Pirelli grew significantly in 2021, supporting the improvement in the index relating to absolute greenhouse gas emissions. The percentage of waste sent for recovery is stable with respect to 2020 at 97%. The return to a more stable production continuity favoured the reduction compared to 2020 of all specific indices (calculated on tonnes of finished product) relating to energy consumption, greenhouse gas emissions, water withdrawal and waste production. All the equivalent specific indicators weighted on the operating result (related to the EBIT Adjusted) also improved.

The trend reported rewards the intense effort dedicated to reducing environmental impacts, also considering the special features of Pirelli production, focused on Premium and Prestige tyres whose production processes are characterised by greater energy complexity, more restrictive quality specifications, more complex processing and smaller production batches than standard tyre production processes.

Energy Management

Pirelli monitors, manages and reports its energy consumption through three main indicators:

- absolute consumption, measured in GJ, which includes the total consumption of electrical energy, thermal energy, natural gas and petroleum derivatives (fuel oil, gasoline, diesel, and LPG);
- specific consumption, as measured in GJ per tonne of finished product;
- specific consumption, as measured in GJ per euro of Operating Income.

The current Industrial Plan provides for a 10% reduction in specific energy consumption by 2025 compared to 2019 values.

In the course of 2021, the energy efficiency plan continued at all Group plants, already initiated in recent years and characterised by actions aimed at:

- improving energy management systems, through measurement consumption, a daily focus on technical indicators and continuous improvement of processes;
- optimising the procurement of energy resources, direct or indirect;
- improving the quality of energy transformation;
- improving the efficiency of distribution plants;
- improving the efficiency of production plants;
- recovering energy for secondary uses;
- applying targeted maintenance plans in order to reduce energy waste.

With regard to Life Cycle Assessment, the specific consumption of each plants is mapped, whether dedicated to production or dedicated to the generation of energy carriers in order to: increase the standard reference indicators, compare similar families of machinery, evaluate in detail the energy content of the plants' different families of products and sub-products and implement actions to improve their energy performance.

In terms of compliance, every industrial facility completely fulfils the indications of law regarding energy consumption and management. The legislative situation affecting the Company includes the introduction of periodic audit mechanisms on energy management and use, as well as possible tariff incentives. In this regard, there were no critical elements or non-conformities.

The Energy Management System, certified according to the ISO 50001 standard is under development and has already been adopted at the Breuberg (Germany) and Izmit (Turkey) plants.

Actions and investments for energy efficiency are alongside the assessment of environmental impacts to economic sustainability criteria normally applied to all Pirelli projects. The areas for technical action both concern the traditional themes applied to each industrial area, such as modernisation of thermal insulation, maintenance of distribution plants, use of technologies using inverters, the implementation of optimised control systems and special projects assessed according to the needs of each manufacturing site.

During the course of 2021, the installation of LED lighting systems continued at production sites to replace less efficient traditional systems, achieving coverage of the majority of the Group's plants. To speed up this replacement plan, Pirelli also uses "Light Service" contracts, which define guaranteed levels of both energy savings and the quality of light achieved. Great attention was paid to the efficiency in the transformation of thermal energy and the recovery of thermal waste for heating of premises and improved steam generation performance through flue gas recovery and combustion air pre-heating systems. There were also activities to improve the efficiency of both compressed air generation, using high-performance compressors, and energy flows, with a particular focus on cold management, starting with pilot initiatives in individual plants that will then be extended to all production units.

The activities to reduce compressed air and steam losses continued with excellent results, whether on machinery (generators and users) or on distribution lines, through monitoring and regular maintenance of the elements at greatest risk of malfunctioning (leak management). Moreover, the electrical absorption measurements performed on individual plants are on-going, in order to correlate specific consumption to production in greater detail, so as to optimise their operating conditions.

As regards the digitalisation of energy management, the production plants have been equipped with smart systems (Green Button), which modulating the energy consumption based on the state of operation of the machinery, provide to disable the auxiliaries up to a stand-by regime with the energy consumption at the minimum, but able to guarantee an immediate restart where necessary (Shut-down Management). In addition, the expansion of the real-time energy carrier measurement network and its interconnection with Building Energy Management Systems (BEMS) continues.

Despite the continuing health emergency linked to the Covid-19 pandemic, energy efficiency in 2021 benefited from a return to more stable production continuity compared to 2020, although, in response to an increasingly dynamic automotive market, the internal complexity of factories has increased in order to cope with a greater demand for flexibility and a production mix increasingly oriented towards High-Value products, characterised by higher energy intensity during production compared to standard tyres.

Compared to the previous year, 2021 recorded a reduction in the Group's specific energy index of 8.3%, returning in line with the 2019 figure (the year on which the 2025 reduction target is based).

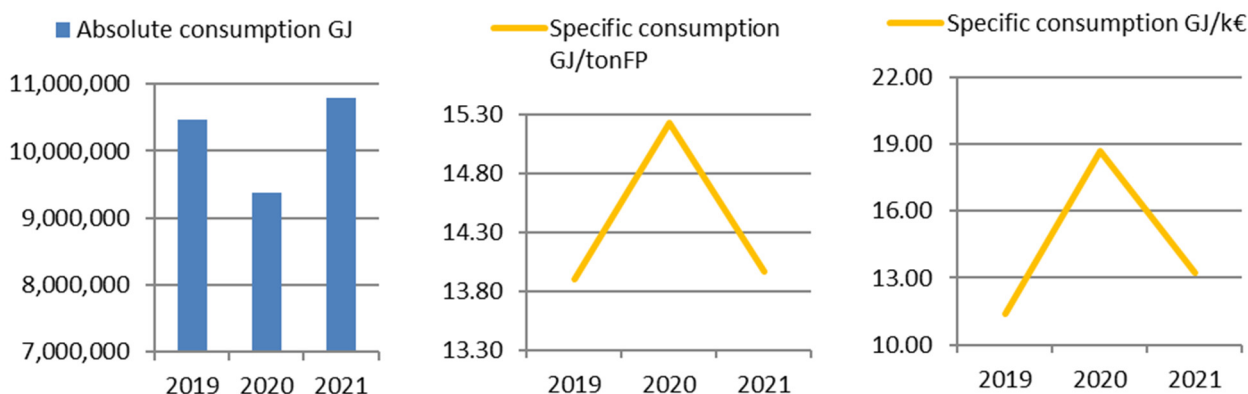
In absolute terms, energy consumption increased by 15% compared to 2020 (a year that saw a significant reduction in production volumes, and consequently in energy consumption associated with tyre manufacturing processes, due to the effects of the health emergency linked to the Covid-

19 pandemic) and by around 3% when compared to 2019. This had no impact on total CO₂ emissions, which fell significantly due to the strong increase in the use of renewable electricity.

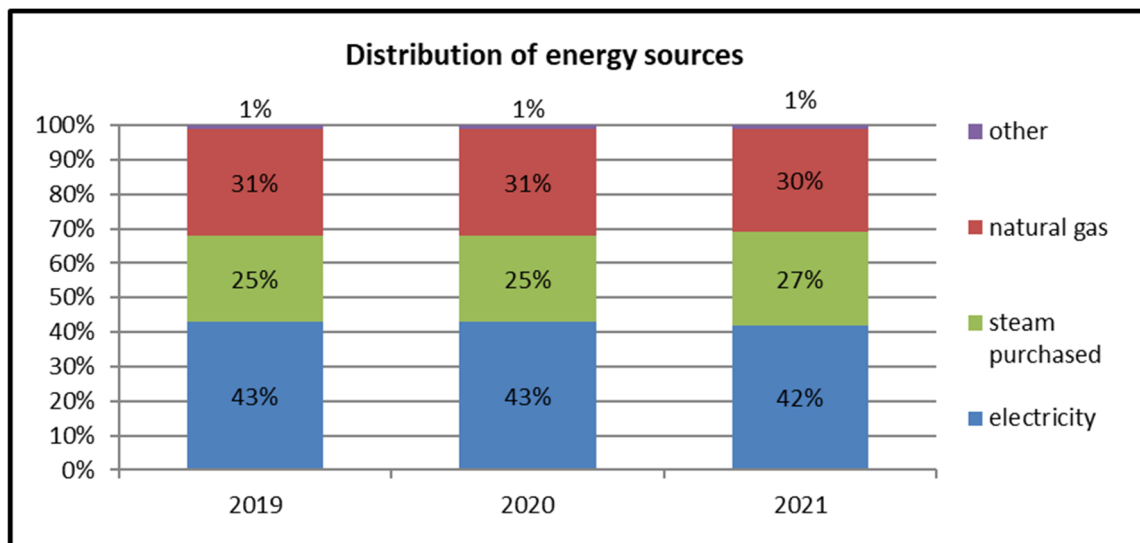
The application of energy management with a view to maximising industrial efficiency, implementing continuous improvement logics, has resulted in savings of approximately 871,434 GJ in absolute terms. This value was estimated for each factory on the basis of production volumes in the reporting year and the change in efficiencies achieved in 2021 compared to the previous year.

The absolute and specific energy consumption data reported in the following table were calculated by using direct measurements and were subsequently converted into GJ by using heating values from official IPCC sources.

		2019	2020	2021
Absolute consumption	GJ	10,467,443	9,373,179	10,789,138
	GJ/tonFP	13.90	15.22	13.97
Specific consumption	GJ/k€	11.41	18.70	13.23



The graph below highlights the “Distribution of energy sources” used in Pirelli production process: among the direct sources, all from non-renewable sources, which account for 31% of the total, are natural gas and, to a lesser extent, other liquid fuels such as oil, LPG and diesel (classified as “other”); indirect sources cover the remaining 69%, with 42% electricity (37.5% electricity taken from national distribution networks) and 27% steam purchased by the Group.



Of the total electricity used by the Group, more than 62%³¹ derives from renewable sources (up from 52% in 2020 and 41% in 2019), while for purchased steam, the share generated from renewable sources is around 17%³² of the total. Overall, compared to the total energy consumed, the renewable share calculated as above is around 31% (19% excluding the portion of the electricity mix from grids outside the Group’s control - i.e. purchased from national distribution networks).

The current Industrial Plan envisages sourcing 100% of electricity from renewable sources used on a group-wide basis by 2025.

With regard to all production sites in Europe and Turkey, 100% of the electricity supply from the grid in 2021 came from certified renewable sources.

Management of Greenhouse Gas Emissions and Carbon Action Plan

Pirelli monitors and reports its³³ emissions of greenhouse gases through the calculation of CO₂-equivalent (CO₂e) – unit of measurement used for the emissions reported here below –, which takes into account the contribution of carbon dioxide, methane (CH₄) and nitrous oxide (N₂O). To quantify emissions, the energy consumption of all local units under operational control included in the scope of reporting are collected annually through the CSR-DM IT system.

Greenhouse gases are generated by the combustion of hydrocarbons at production sites, mainly used to operate heat generators that power Group plants, and particularly those that produce steam for vulcanisers, or by the consumption of electrical or thermal energy. The former are defined as

³¹ Figure including both share from direct procurement (such as the purchase of energy from the grid certified with Energy Attribute Certificates withdrawn and cancelled in favour of Pirelli or production in on-site wind or photovoltaic plants) and national electric grid mix based on IEA data (International Energy Agency).

³² It includes the supply of steam generated by biomass plants.

³³ GHG inventory perimeter as indicated in paragraph “Scope of Reporting”.

“direct emissions”, or Scope 1 emissions, as produced within the Company’s production sites, while the latter compose the so-called “indirect emissions”, or Scope 2 emissions, as they are generated in the plants that produce the energy and steam purchased and consumed by Pirelli. The Scope 2 emissions are reported in two separate ways: *location-based* and *market-based* (methodology introduced in 2015 with the guideline “GHG Protocol Scope 2 Guidance” and current reference for Pirelli’s targets).

With regard to “other indirect emissions” attributable to Pirelli Value Chain activities, or Scope 3 emissions, in addition to the information reported in this section, please refer to the paragraph “Our Suppliers” (“CDP Supply Chain” section) for further information about the specific activities of Pirelli Suppliers. Instead, reference is made to the Group Footprint infographics in the paragraph “Pirelli Group Environmental Strategy and Footprint” for the representation of the impacts of Scope 3 of the various phases of the life cycle.

Performance as measured by energy and greenhouse gas emissions is calculated on the basis of emission factors obtained from the following sources:

- IPCC: Guidelines for National Greenhouse Gas Inventories (2006)³⁴;
- Within Scope 2 *location-based*:
 - National emission factors³⁵ taken from IEA Emission factors 2021³⁶;
- Within Scope 2 *market-based*:
 - Specific emission factors of suppliers where available;
 - Residual-mix emission factors³⁷ taken from AIB European Residual Mixes (EU)³⁸ and Green-e Residual Mix Emissions Rates (US)³⁹;
 - Emission factors used in the context of location-based if other sources of data are not available;

and are reported according to the models proposed by:

- GHG Protocol: Corporate Accounting and Reporting Standard;
- GHG Protocol Scope 2 Guidance.

³⁴ Emission factors expressed in CO₂ equivalent, obtained by considering the GWP (Global Warming Potential) coefficients based on 100 years of the IPCC Fifth Assessment Report, 2014 (AR5).

³⁵ Emission factors expressed in CO₂/kWh.

³⁶ 2021 Publication with update to the 2020 figure.

³⁷ Emission factors expressed in CO₂/kWh.

³⁸ 2021 Publication with update to the 2020 figure.

³⁹ 2021 Publication with update to the 2019 figure.

Regarding Scope 2 emissions, the national average coefficients are defined with respect to the last year available on the above reports. It should be noted that the tyre production industry is not a carbon-intensive industry; in fact, it falls within the European Emission Trading Scheme only with reference to thermal power plants above 20 MW of installed capacity. The Company is not subject to other specific regulations at the global level.

As in the case of energy, Pirelli monitors and accounts for its direct CO₂e (Scope 1) and indirect (Scope 2) by using three principal indicators:

- absolute emissions, as measured in tonnes;
- specific emissions, as measured in tonnes per tonne of finished product;
- specific emissions, as measured in tons per euro of Operating Income.

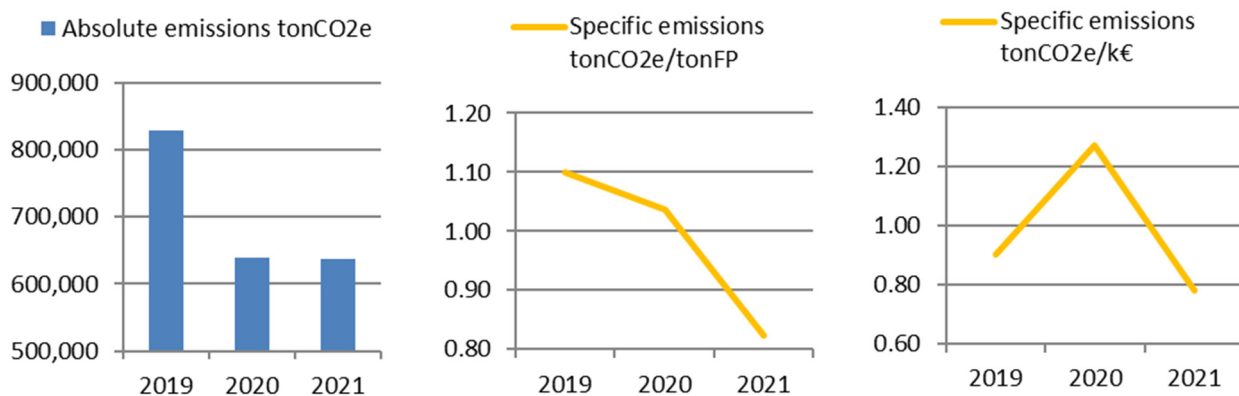
The management, calculation and reporting model of Pirelli’s greenhouse gas emissions has been defined according to the ISO 14064 standard and the related data have been subjected to specific limited audit activity by an independent third party company according to ISAE 3000.

According to the Guidelines of the GHG Protocol Guide, the level of inventory uncertainty was evaluated as “Good”.

The current Industrial Plan, in line with the decarbonisation strategy adopted by the company, envisages a 25% reduction in the group’s absolute CO₂ emissions (scope 1 and scope 2 market based) by 2025 compared to 2015 values and an 8.6% reduction in absolute CO₂ emissions related to the purchase of raw materials (scope 3) by 2025 compared to 2018 values. Both targets were validated in June 2020 by the Science Based Targets initiative (SBTi), which judged them to be consistent with the actions needed to keep global warming “well below 2°C”, as recommended by the Paris Agreement.

In addition, Pirelli expects to source 100% of electricity from renewable sources by 2025 and achieve Group carbon neutrality by 2030.

The following charts show the performance of the last three-year period:



In 2021, the Group’s absolute emissions were in line (-0.4%) with the figure for 2020, (a year that saw a significant reduction in production volumes, and consequently in emissions associated with tyre manufacturing processes due to the effects of the health emergency linked to the Covid-19 pandemic), and 23% lower than in 2019 and 31% lower than in 2015, the year in which the target (approved by SBTi) to reduce absolute emissions to 2025 is based. Having achieved in advance the target, validated by the Science Based Targets initiative in line with the “well below 2°C” scenario, Pirelli asked SBTi to upgrade it in line with the 1.5°C scenario.

Specific CO₂ emissions (weighted on tonnes of finished product) decreased by more than 20% in 2021 compared to the 2020 figure (25% compared to 2019), thanks to the implementation of new initiatives in the field of renewables, which allowed the share of electricity from renewable sources used by the group to increase to more than 62%⁴⁰ of the total (compared to 52% the previous year and 41% in 2019).

With regard to all production sites in Europe and Turkey, 100% of the electricity supply from the grid in 2021 came from certified renewable sources.

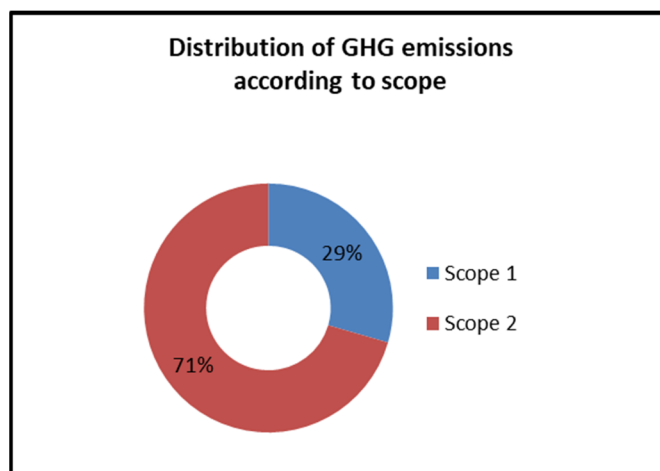
The portion of indirect emissions generated by the low-carbon projects (described below), was reported as prescribed by the Guidelines of the GHG Protocol, respectively for the procurement of electrical energy from renewable sources and steam from biomass.

The following table reports absolute and specific emissions distinguishing between market-based (target reference) and location-based methodology for Scope 2.

GHG EMISSIONS ACCORDING TO SCOPE		2019	2020	2021
Absolute emissions (Scope 1 and Scope 2 market-based)	tonCO ₂ e	828,388	638,730	636,190
Scope 1	tonCO ₂ e	192,149	168,158	187,510
Scope 2 (market-based)	tonCO ₂ e	636,239	470,572	448,680
Scope 2 (location-based)	tonCO ₂ e	574,349	508,390	528,332
Specific emissions (Scope 1 and Scope 2 market-based)	tonCO ₂ e/tonFP	1.100	1.037	0.824
	tonCO ₂ e/k€	0.90	1.27	0.78

⁴⁰ This figure includes both the share from direct procurement initiatives (such as the purchase of energy from the grid certified with Energy Attribute Certificates or the production in on-site wind or photovoltaic plants) and the contribution from national electricity distribution networks assessed on the basis of IEA (International Energy Agency) data.

The following infographic highlights the weight of direct emissions (Scope 1) and indirect emissions (Scope 2 market-based) of the total absolute emissions of Pirelli.



To support the aim of reducing climate-altering gas emissions, Pirelli has defined a “Carbon Action Plan” with the aim of making increasing use of renewable energy sources through specific projects, facilitating the company’s transition to low-carbon energy sources. These include:

- the cogeneration plant for the production of electricity, steam and hot water, present at the plant in Settimo Torinese (Italy). One of the two existing modules is a 1 MW internal combustion engine powered by vegetable oil, which ensures supply of thermal energy from renewable sources;
- the supply of steam generated by biomass plant, fuelled with waste wood from local supply chains, activated in Brazil for the plants in Campinas and in Feria de Santana. Thanks to this initiative, in the year 2021, the savings in terms of avoided CO₂e emissions exceeded 26,000 tonnes (Scope 2);
- the procurement of electrical energy from renewable sources at the plant in Silao (Mexico). In 2021 the agreement continued for the dedicated supply of electricity generated from wind sources, which in the year allowed the replacement of 17 GWh of energy from fossil fuels, for a saving in terms of avoided CO₂e emissions of around 6,000 tonnes (Scope 2);
- the supply of electricity from renewable sources at the plant in Slatina (Romania). In 2021, the share of electricity certified from renewable sources was 240 GWh, for a saving in terms of avoided CO₂e emissions of more than 63,000 tonnes (Scope 2)
- the procurement of electrical energy from renewable sources at the plants in Burton and Carlisle (UK). In 2021 the share of electricity certified from renewable sources exceeded 56 GWh, for a saving in terms of avoided CO₂e emissions of nearly 18,000 tonnes (Scope 2).
- the supply of electricity from renewable sources at the plant in Breuberg (Germany). In 2021, the share of electricity certified from renewable sources was 39 GWh, for a saving in terms of avoided CO₂e emissions of almost 23,000 tonnes (Scope 2).

- the supply of electricity from renewable sources at the plant in Izmit (Turkey). In 2021, the share of electricity certified from renewable sources was 12 GWh, for a saving in terms of avoided CO₂e emissions of around 5,000 tonnes (Scope 2).
- the supply of electricity from renewable sources at the headquarters in Milan and plants in Bollate and in Settimo Torinese (Italy). In 2021, the share of electricity certified from renewable sources exceeded 70 GWh, for a saving in terms of avoided CO₂e emissions of around 33,000 tonnes (Scope 2).

The table below shows the emissions relating to Pirelli’s Carbon Footprint (Scope 1, 2 and 3) distributed along the different phases of the value chain.

GHG EMISSIONS GROUP FOOTPRINT		2019 ⁴¹	2020	2021
Raw Materials (Scope 3)	10 ³ tonCO ₂ e	2,563.9	2,077.1	2,500.7
Manufacturing (Scope 1 + 2 + 3)	10 ³ tonCO ₂ e	1,198.8	940.0	996.2
Distribution (Scope 3)	10 ³ tonCO ₂ e	84.4	71.5	90.1
Customers (Scope 3)	10 ³ tonCO ₂ e	40,220.9	32,576.8	37,527.8
End-of-Life (Scope 3)	10 ³ tonCO ₂ e	2.2	1.9	2.2
Total	10 ³ tonCO ₂ e	44,070.2	35,667.3	41,117.0

With regard to absolute CO₂ emissions related to the purchase of raw materials, for which the Scope 3 target approved by the Science Based Targets initiative is set, which envisages a reduction of 8.6% by 2025 compared to 2018, in 2021 there was an increase of 20% compared to 2020 (a year that saw a significant reduction in production volumes and therefore in raw materials purchased due to the effects of the health emergency linked to the Covid-19 pandemic), but also a decrease of 2.5% compared to 2019 and 6% compared to the 2018 (base year of the SBTi target).

In 2021, and as for several years now, Pirelli continued in the compensation project of CO₂ emissions produced the previous year by its fleet of company cars, through the purchase and retiring of carbon credits certified according to the VCS standard (Verified Carbon Standard). Direct issuance of Pirelli auto policy, which introduces an *Internal Carbon Price model* for the economic quantification of the impacts associated with car emissions, this initiative aims to promote the choice of vehicles with less impact on the environment and support environmental protection projects. The cars in the Italian corporate fleet emitted 785 tonnes of CO₂ in 2020. In order to offset this impact on the climate, Pirelli supported two sustainable forest management projects: an international one, carried out in Brazil, for the financing of activities under the REDD programme (Reducing emissions from deforestation and forest degradation) in an area very rich in biodiversity and recognised as an important ecological corridor and an Italian one, carried out in the forest areas of Ziano di Fiemme (TN), as part of the

⁴¹ As from 2019, the value includes emissions generated by the Group’s business air travel and commuting by employees at the Milan headquarters. The value also includes some primary data collected directly from suppliers.

initiative “Restoring Forests Destroyed by Storm VAIA”. The activities financed with Pirelli’s contribution were carried out in 2021.

Water Management

Pirelli monitors the Water Footprint along the life cycle of the product (as extensively explained earlier in this chapter), and in terms of materiality, the production phase of the tyres is the third most influential, after the phases of use of the product and production of raw materials.

In the aforementioned environmental strategy of Pirelli, the efficient and responsible use of water in production processes and at workplaces is addressed comprehensively, with actions to improve water efficiency in production processes, from design of the machinery to Facility Management activities. Particular attention is paid to the local context of the use of this precious resource, with the use of specific analysis tools (such as the Global Water Tool of the World Business Council for Sustainable Development and the Aqueduct Water Risks Atlas of the World Resources Institute) and dedicated action plans.

In addition, the management of water resources, of relations with relevant stakeholders (local communities, authorities, etc.) and the related potential impacts of the local context in which the production plants are located, is ensured by the environmental management systems implemented and certified in each production unit. Environmental management and its continuous improvement are also driven by the mapping of the main stakeholders, their interests and expectations. These management systems also aim to ensure that the qualitative and quantitative characteristics of emissions are in line with the context and the regulations in force.

The current Industrial Plan envisages a target to reduce specific water withdrawal by 43% by 2025 compared to the 2015 value.

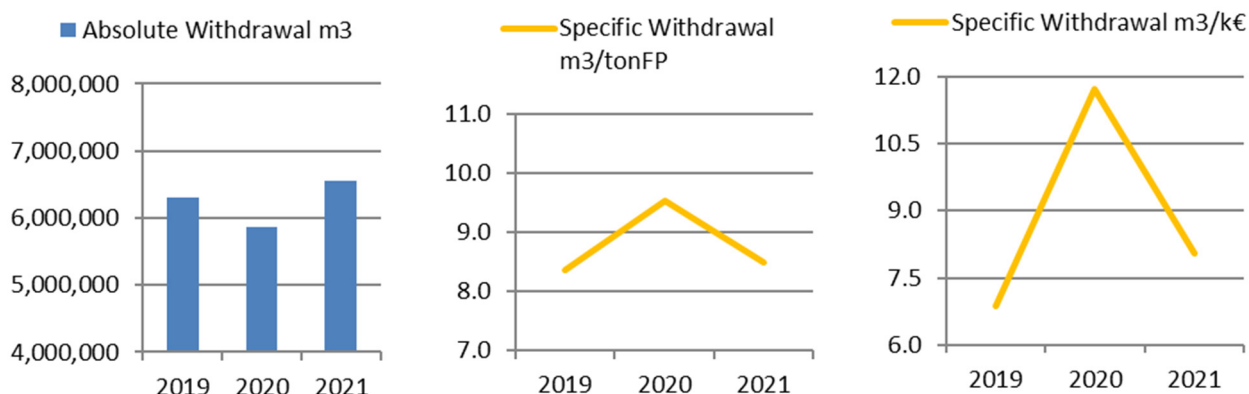
Compared to the previous year, 2021 showed a reduction in the Group’s specific withdrawal index of more than 11%, equal to approximately 8.5 cubic metres per tonne of finished product, returning in line with the 2019 figure. Compared to 2015, the base year for the 2025 reduction target, the specific water withdrawal index shows a reduction of 34%.

In absolute terms, water withdrawal was 6.6 million cubic metres, up 12% compared to 2020 (a year that saw a significant reduction in production volumes, and consequently in the water used by factories, due to the effects of the health emergency linked to the Covid-19 pandemic) but down 4% compared to 2019. Thanks to the actions implemented, since 2015 Pirelli has saved a total of more than 14 million cubic metres of water: an amount equivalent to the absolute withdrawal of about two and a half years by the entire Group.

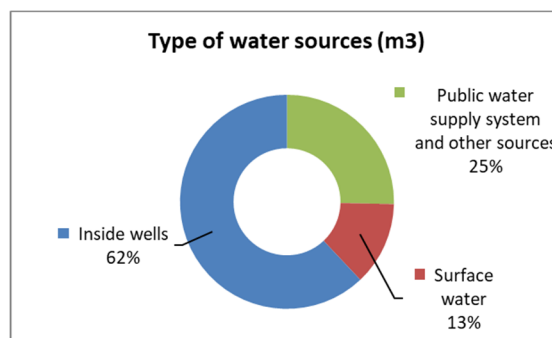
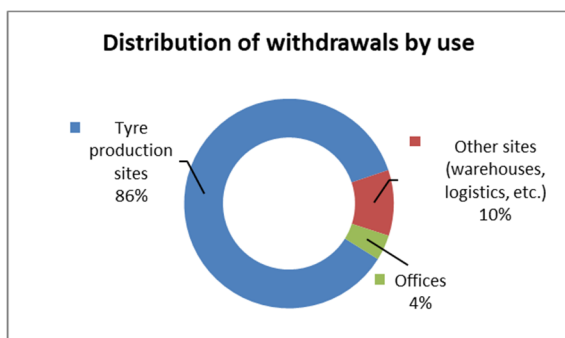
To give an overall view of performance in terms of water withdrawal over the last three years, the following tables report the indicators:

- absolute withdrawal, measured in cubic metres, which indicates the total withdrawal of water by the Group;
- specific withdrawal, measured in cubic metres per tonne of finished product, which indicates the withdrawal of water used to make one tonne of finished product;
- specific withdrawal, as measured in cubic metres per euro of Operating Income.

		2019	2020	2021
Absolute Withdrawal	m ³	6,299,468	5,871,790	6,552,628
Specific Withdrawal	m ³ /tonFP	8.4	9.5	8.5
	m ³ /k€	6.9	11.7	8.0



All the figures reported in this paragraph have been collected by taking direct or indirect measurements and are communicated by the local units. The following two graphs show the distribution of absolute withdrawals by type of use and the weight of water supply by type of source.



62% of the water withdrawn is pumped from wells inside the plants and authorised by the competent authorities. In addition, Pirelli obtains 13% of its needs from surface water and storm-water. As for

water from aqueducts or third-party sources, around 60% is drawn from groundwater, while the remainder comes from surface water. The volume of water withdrawn from water stress areas⁴² is equal to 46% of the total. In addition, about 176,000 cubic metres of water used, equivalent to about 2.5% of the total withdrawal, are obtained from the treatment of waste water from its production processes.

A total of about 4.6 million cubic metres of domestic and industrial waste water were discharged, with 57% of this into surface water bodies. The remaining amount was discharged into sewer networks.

Before being discharged into the final recipient, industrial waste water – adequately treated as necessary – is periodically subjected to analytical tests that certify substantial compliance with locally applicable statutory limits.

In particular, as regards the quality of industrial effluents of the production facilities, indicative average values are: 13.5 mg/l of BOD₅ (Biochemical Oxygen Demand), 45 mg/l of COD (Chemical Oxygen Demand) and 30 mg/l of Total Suspended Solids. It should also be noted that Pirelli does not use substances classified as “Substances of Very High Concern” as defined by EU Regulation no. 1907/2006, the so-called “REACH Regulation”.

SUMMARY	Water Type	Total		Water stress areas	
		Overall volume (m3)	Freshwater volume (m3)	Overall volume (m3)	Freshwater volume (m3)
WITHDRAWAL from	Surface water	828,100	828,100	775,300	775,300
	Wells	4,063,600	4,063,600	1,368,800	1,368,800
	Third parties	1,660,900	1,660,900	873,300	873,300
	Total	6,552,600	6,552,600	3,017,400	3,017,400
DISCHARGE to	Surface water	2,603,000	1,427,000	0	0
	Third parties	1,978,600	1,570,900	1,363,400	1,306,700
	Total	4,581,600	2,997,900	1,363,400	1,306,700
CONSUMPTION	Total	1,971,000	3,554,700	1,654,000	1,710,700

Waste Management

Circularity of resource management is one of the tyre industry’s most pressing challenges, both in the design of its products and in the management of waste to minimise its generation, maximise its recovery and thus limit its impact on the environment.

⁴² Water stress areas: this includes all areas with a water stress level equal to or greater than high according to the WRI Aqueduct classification (Aqueduct Water Risk Atlas wri.org), as of 24 January 2022.

The improvement of environmental performance connected with the management of waste is achieved through:

- innovation of production processes, with the aim of preventing the production of waste at the source, progressively reducing the processing of rejects and replacing current raw materials with new materials that have a lower environmental impact;
- operating management of generated waste, an integral part of the management systems of environmental certificates according to ISO 14001, aimed at identifying and ensuring the selection of waste treatment channels, in line with current local regulations, that can maximise recovery and recycling, gradually eliminating the amount sent to the landfill with the *Zero Waste to Landfill* vision;
- streamlining packaging management, both for the packaging of purchased products and the packaging for products made by the Group. Within this context, also fall the initiatives guided by the Pirelli's Single Use Plastic Free Policy.

Compared to the previous year, the 2021 recorded a 5% of reduction of the waste specific production index weighted on tonnes of finished product.

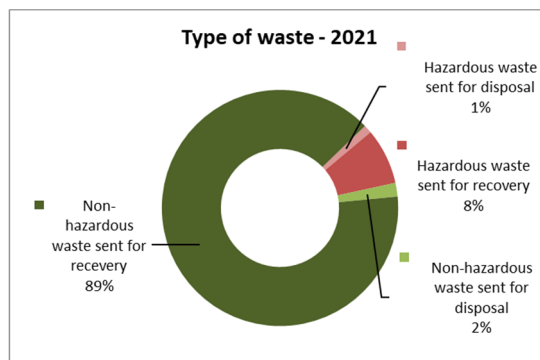
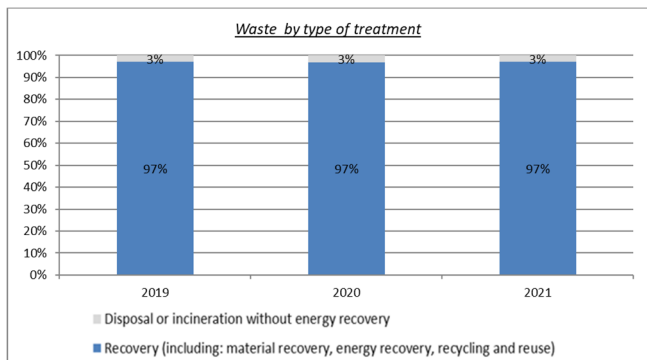
In absolute terms, the production of waste in 2021 grew by about 19% compared to 2020 (a year that saw a significant reduction in production volumes, and consequently in the waste produced, due to the effects of the health emergency linked to the Covid-19 pandemic) and about 7% when compared to 2019.

Of the total waste produced in 2021, 97% is sent for recovery at third party plants (for material recovery for about 2/3 of the quantity), in line with the current Sustainability Plan, which envisages sending 98% of the waste produced for recovery by 2025, with a "Zero Waste to Landfill" vision.

Hazardous waste⁴³ accounts for 9% (compared to 8% of 2020 and 10% of 2019) of total waste produced and is totally sent for treatment in third party facilities authorized in accordance with local regulations.

As regards the waste generated by the production sites, equal to 107,900 tons, approximately 9% is represented by hazardous waste, and 69% is sent for material recovery (recycling).

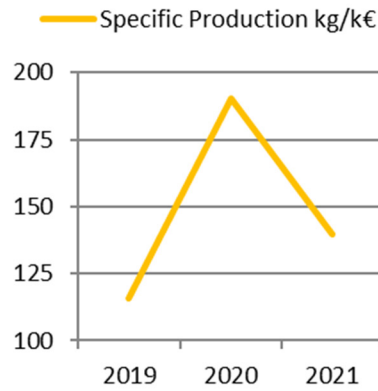
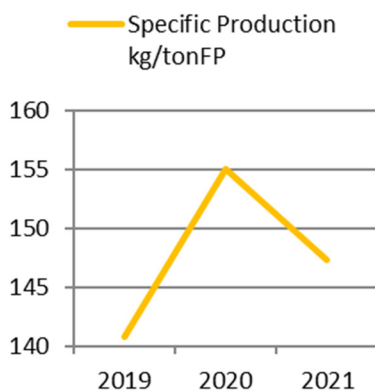
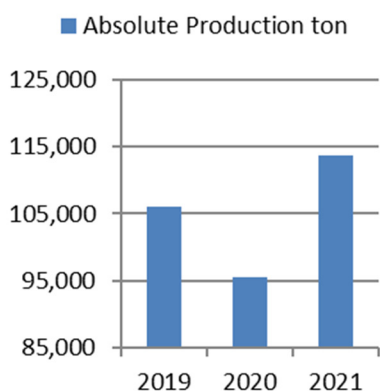
⁴³ The hazardousness of waste is generally defined according to the applicable local regulations (for example in Europe it is made in accordance with the Waste Framework Directive 2008 / 9EC)



The graphs below detail waste production through three main indicators:

- absolute production, as measured in tonnes;
- specific production, as measured in kilograms per tonne of finished product;
- specific production, as measured in kilograms per euro of Operating Income.

		2019	2020	2021
Absolute production	ton	105,977	95,470	113,769
Specific production	kg/tonFP	141	155	147
	kg/k€	116	190	139



The following table summarizes the main data on the management of waste produced in 2021 which are entirely managed by external treatment plants.

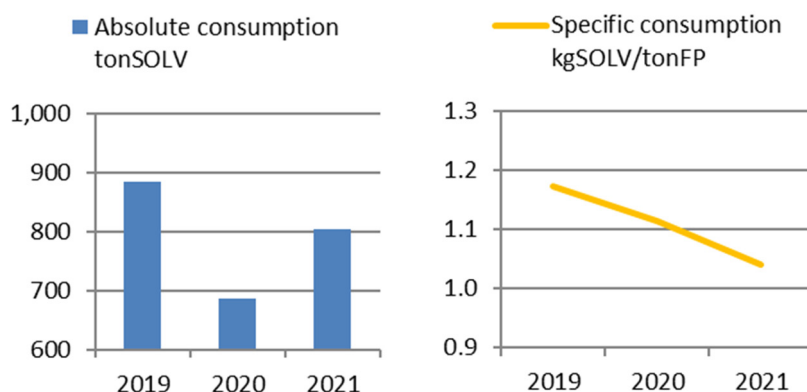
Type of treatment at external sites	Non-hazardous waste	Hazardous waste	Total
Preparation for reuse	325,978	84,609	410,587
Recycle	57,416,391	1,148,727	58,565,118
Other recovery operations	14,652,221	1,894,643	16,546,864
Waste not for disposal	72,394,590	3,127,979	75,522,569
Incineration (without energy recovery)	557,566	871,567	1,429,133
Incineration (with energy recovery)	29,228,920	5,610,056	34,838,976
Landfill Disposal	1,565,980	55,419	1,621,399
Other disposal operations	6,348	350,116	356,464
Waste destined for disposal	31,358,814	6,887,157	38,245,971
Waste sent to recovery (of material & energy)	101,623,510	8,738,035	110,361,544
TOTAL	103,753,404	10,015,136	113,768,540

Other Environmental Aspects

Solvents

Solvents are used as ingredients in processing, mainly to reactivate vulcanised rubber, during the fabrication and finishing of tyres. Pirelli is committed to the progressive reduction of these substances, both by optimising their use, and by spreading solvent-free technologies for operations that may be performed even without their use. In 2021, the value of specific solvent consumption stabilised at 1.1 kg per tonne of tyres produced, a reduction of 7% compared to 2020, with emission of related VOCs slightly lower than total consumption.

		2019	2020	2021
Absolute consumption	tonSOLV	883	686	804
Specific consumption	kgSOLV/tonFP	1.2	1.1	1.0



Biodiversity

Pirelli pays the utmost attention to ensuring that corporate activities do not interfere with the biodiversity characteristic of the contexts in which the Company operates. Currently, there are two Pirelli sites located within protected areas of high biological diversity: the site of Vizzola Ticino (Italy) and that of Elias Fausto (Brazil). Both are not production sites but test fields for testing tyres.

The Vizzola site hosting the tyre test track has an area of 0.37 square kilometres and is part of the Lombard area of the Parco del Ticino, MAB area⁴⁴ of UNESCO, characterised by the presence of 23 species included in the IUCN Red List (International Union for the Conservation of Nature) of which: 17 are classified as “of least concern (LC)”, 1 as “near threatened (NT)”, 3 as “vulnerable (V)”, 1 as “endangered (EN)” and one as “Critically Endangered (CR)”.

To ensure the utmost protection of the natural environment in which the Vizzola test track is located, Pirelli has implemented an ISO 14001 certified Environmental Management System in accordance with the “Parco del Ticino”. Environmental impact on biodiversity in the area are not significant; however, several interventions were carried out, both directly by the Company and by the Park Authority, to mitigate and improve the interactions of Pirelli’s activities with the natural environment, as stipulated in the agreement signed in 2001. In 2016, a campaign to monitor air quality was also carried out, which highlighted the substantial negligence of the impacts of the activity compared to the context in which the test field is inserted.

The site of Elias Fausto (Brazil) is the new Brazilian test track, with an area of 1,59 square kilometres, and is located in an area with a prevalent cultivation of sugar cane where there are two streams (Itapocu and Tietê rivers) that provide permanent protection areas. There are 162 species on the IUCN Red List, of which 1 is classified as ‘vulnerable’ (V), 2 as ‘near-threatened’ (NT), 158 as ‘of minor concern’ (LC) and 1 as ‘missing data’ (DD). In order to maximise environmental protection in the area, Pirelli manages environmental issues, monitors and implements measures to conserve

⁴⁴ Man and Biosphere is a group of biosphere reserves in many countries in the world protected by UNESCO with the aim of promoting socio-economic development and conservation of ecosystems and biological diversity.

fauna and water resources, including the planting of native species and the control of noise levels in accordance with the environmental impact study carried out prior to the project, according to which the environmental impact of the activities on the region’s biodiversity is not significant.

Pirelli’s focus on biodiversity is also very high with regard to the supply chain, as in the case of sustainable management of the natural rubber supply chain based on a no deforestation policy. As evidence of this commitment, Pirelli presented in 2021 the first tire in the world with natural rubber and rayon certified by the Forest Stewardship Council (FSC). FSC forest management certification confirms that plantations are managed in a way that preserves biological diversity and benefits the lives of local communities and workers, while ensuring economic sustainability. For an extensive description of the sustainable management of the natural rubber supply chain, please refer to the paragraph “Sustainability of the natural rubber supply chain” in the “Our suppliers” chapter within this report.

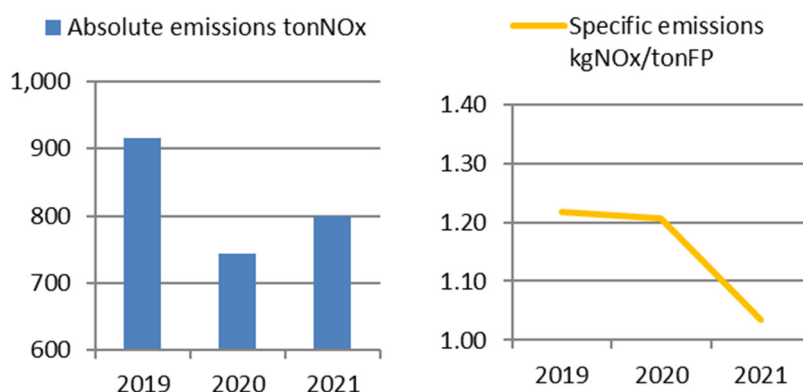
In 2021, Pirelli also announced the launch of a three-year project in the Indonesian forest of Hutan Harapan, in collaboration with BMW Group and BirdLife International, which includes activities to support local communities, forest conservation and the protection of animal species at risk.

NO_x Emissions

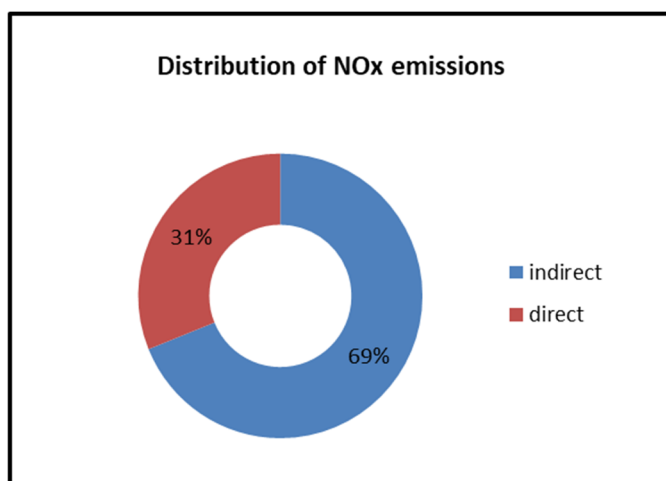
NO_x emissions derive directly from the energy-generating processes used. In 2021, the index based on the tons of finished product fell by 14% compared to the 2020 figure, mainly due to a change of the mix of the energy consumed, which in particular saw an increase in the share of renewables, as described above. The emissions were calculated by applying the emission factors indicated by the EEA (European Environment Agency) to the energy consumption data.

In absolute terms, NO_x emissions in 2021 grew by nearly 8% compared to 2020 (year that saw a significant reduction in production volumes, and consequently in energy consumption, due to the effects of the health emergency linked to the Covid-19 pandemic) but decreased by more than 12% when compared to 2019.

		2019	2020	2021
Absolute emissions	tonNO _x	917	743	800
Specific emissions	kgNO _x /tonFP	1.22	1.21	1.04



The following graph shows the 2021 weight of direct and indirect NO_x emissions out of total NO_x emissions.



Other emissions and environmental aspects

The production process does not directly use substances that are harmful to the ozone layer. These are instead contained in certain closed circuits of the cooling and air conditioning plants. Therefore, except for accidental and unforeseeable losses, there are no free emissions into the atmosphere that can be correlated with Pirelli manufacturing activities.

In 2021, direct emissions of SO_x, caused by the combustion of diesel and fuel oil, came to 10.1 tonnes (respectively 10.7 tonnes in 2020 and 13.7 tonnes in 2019); the value is estimated based on EEA - European Environment Agency - emissions standards.

In terms of packaging management, the car tyre is a product generally sold without packaging.

The environmental management systems implemented at the production units and the implementation of procedures dedicated to the prevention and response to emergencies, assured constant and prompt monitoring and intervention regarding potential emergency situations that may

arise, as well as the reports received from Stakeholders. During 2021, no incidents, complaints or significant sanctions related to environmental issues were recorded.

Expenses and Investments

In the three-year period 2019-2021, environmental expenditure related to the production process was around € 60 million, of which about 33% was allocated in 2021. About 84% of this amount concerned normal management and administration of factories, while the remaining 16% was dedicated to preventive measures and improvement in environmental management.

Lastly, it should be noted that, consistent with the materiality analysis at the beginning of this section of the report, the most significant expenses that Pirelli dedicates to the environment are those relating to Product Research & Development: in 2021, the Company invested € 240.4 million in research and innovation of its products, with a constant focus on safety performance and reduction of environmental impacts and, simultaneously, production efficiency.

In the Operations area, for the assessment of some new investments, the potential impacts associated with GHG emissions are highlighted, evaluating internally a Carbon Price. However, the environmental efficiency associated with projects is one of the guiding criteria to be considered in the context of investment management, as regulated by the relevant internal Group operating rule.

THE EUROPEAN REGULATION ON THE TAXONOMY OF SUSTAINABLE ECONOMIC ACTIVITIES

EU Regulation 2020/852: purpose and regulatory context

The European Union some time ago defined a strategic framework for the implementation of actions and policy initiatives consistent with the objectives of the UN 2030 Agenda and, in this context, in March 2018 the European Commission formalised for the first time an *Action Plan for Financing Sustainable Growth*, with the stated aim of redirecting capital flows towards sustainable investments, integrating sustainability into risk management and promoting transparency and long-term vision, in awareness of the important role that the financial sector can play in channelling private investment in support of sustainable development. Subsequently, in December 2019, the European Union issued the *European Green Deal*, a roadmap with the aim of meeting the challenges posed by climate change to drive the EU's green transition with the ultimate goal of achieving climate neutrality by 2050. In addition, during 2020, the European Union further increased its climate commitments by setting itself an interim target of reducing emissions by 55% by 2030 compared to 1990 levels.

In 2021, in the light of the climate change targets set, the negative impacts generated by the Covid-19 pandemic and the growing international focus on sustainability, the European Commission published a new "Strategy for financing the transition to a sustainable economy" which, in line with

the previous Action Plan, identifies four areas of action needed for the financial system to fully support the economy's transition to sustainability:

- financing the transition to sustainability;
- ensuring an inclusive financial system for all;
- improving the resilience of the financial sector and its contribution to sustainability;
- promoting international cooperation on sustainable finance.

The European Union's commitment to sustainable finance also includes EU Regulation 2020/852 (the so-called "Taxonomy"), which aims to provide investors and the market with a common language of sustainability metrics that can ensure comparability between operators, reduce the risk of greenwashing and increase the quantity and quality of information on the environmental and social impacts of business, thereby encouraging more responsible investment decisions.

Currently, the Taxonomy is focused on the identification of economic activities considered to be eco-sustainable, defined as those economic activities that contribute substantially to the achievement of at least one of the following environmental objectives, provided that they do not cause significant harm to any of the other environmental objectives and are carried out with minimum safeguards:

- climate change mitigation;
- climate change adaptation;
- the sustainable use and protection of water and marine resources;
- the transition to a circular economy;
- pollution prevention and control;
- the protection and restoration of biodiversity and ecosystems.

In June 2021, the European Commission formally adopted the Technical Delegated Acts (hereinafter referred to as the "Climate Delegated Acts") that define the list of economic sectors and activities currently included in the Taxonomy and the related technical screening criteria to verify whether they contribute substantially to the achievement of the environmental objectives of climate change mitigation and adaptation; further delegated acts are expected to be published during 2022 with reference to the remaining four environmental objectives.

The process of verifying the eco-sustainability of an economic activity (so-called "alignment" to the Taxonomy) involves the following steps of analysis:

- verification of the Technical Screening Criteria to assess the actual contribution of the economic activity to a given environmental objective, respecting the principle of

technology neutrality and taking into account the long- and short-term impact of the economic activity; and

- verification of the “DNSH” (Do No Significant Harm) criteria to ensure that the economic activity does not cause significant harm to any of the other environmental objectives.

In addition, there is also the verification of compliance with Social Minimum Safeguards, aimed at ensuring that economic activities are conducted in accordance with the main international human rights guidelines and treaties.

As mentioned above, the regulation on taxonomy is not yet complete as we are waiting for the publication of the delegated acts on the environmental objectives of sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution and protection of biodiversity and ecosystems.

In addition, the European Commission is working on the inclusion in the Taxonomy of additional sectors to those currently foreseen (which are mainly energy, transport, forestry, water and waste management, some types of manufacturing and construction) as well as on the drawing up of a Social Taxonomy, which would allow us to broaden the assessment of sustainability of economic activities by considering additional aspects such as health and safety of workers, human rights, inclusion policies and attention to opportunities for growth and training of staff.

Reporting obligations and general principles for defining KPIs

Article 8 of EU Regulation 2020/852 defines the reporting obligations under the taxonomy and, in particular, clarifies that these obligations fall on any company subject to the obligation to publish non-financial information pursuant to Article 19-bis or Article 29-bis of Directive 2013/34/EU. From 1 January 2022, therefore, these companies will have to include information in their non-financial reporting (or in their consolidated non-financial reporting) on how and to what extent their activities are associated with economic activities considered environmentally sustainable within the meaning of the Regulation.

With regard to non-financial corporations, the disclosure focuses on the following metrics (so-called Key Performance Indicators or KPIs):

- a) the share of turnover coming from products or services associated with economic activities considered to be environmentally sustainable;
- b) the share of capital expenditure and the share of operational expenditure related to assets or processes associated with economic activities considered to be environmentally sustainable.

In July 2021, EU Regulation 2021/2178 was published, supplementing Article 8 of EU Regulation 2020/852 in order to further specify the content and presentation of these “KPIs” as well as the methodology to be followed for their measurement and the qualitative information that needs to accompany their reporting⁴⁵.

Non-financial undertakings⁴⁶ are required to determine KPIs by ensuring general consistency with financial reporting and by using the same currency as for the annual or consolidated financial statements, with the additional requirement to include references to the relevant balance sheet items for turnover and capital expenditure indicators in their non-financial statements.

Finally, EU Regulation 2178/2021 establishes reduced disclosure for the first year of full application of the regulation, which is focused exclusively on the indication of the share of turnover, capital expenditure and operating expenditure which are “eligible” for the taxonomy, i.e. those falling within one of the descriptions of economic activities contained in Annexes I and II of the Climate Delegated Act, with respect to the total value of turnover, capital expenditure and operating expenditure.

The additional considerations outlined above regarding compliance with the screening criteria for determining (a) the substantial contribution of an economic activity to the achievement of one or more environmental objectives (b) without causing significant harm to any of the other environmental objectives and the minimum safeguards will have to be made for the purpose of reporting on the share of turnover, capital expenditure and operating expenditure which is “aligned” with the taxonomy as at 1 January 2023.

Taxonomy for the Pirelli Group

Methodological note

The Pirelli Group, understanding the relevance and innovative scope of the Taxonomy, immediately began a dedicated worksite to understand the new regulatory obligations and plan the preparatory activities for the reporting process as part of its consolidated non-financial statement in a timely and effective manner.

These activities were mainly concentrated in the second half of 2021 and involved the organisation as a whole, requiring the active participation of the company’s business structures for the identification of activities which are “eligible” for the taxonomy and for the management of the data collection process at all the companies included in the scope of consolidation.

⁴⁵ See in particular Annex 1 “Key Performance Indicators (KPIs) of non-financial corporations” and Annex 2 “Templates for Key Performance Indicators (KPIs) of non-financial corporations” to EU Regulation 2021/2178.

⁴⁶ Pursuant to the legislation, a “non-financial undertaking” means an undertaking subject to the disclosure requirements set out in Articles 19-bis and 29-bis of Directive 2013/34/EU which is not a financial asset manager, credit institution, investment firm, insurance undertaking or reinsurance undertaking (see EU Regulation 2021/2178 Article 1(9)).

The methodological approach focused first on the regulatory analysis and contextualisation of the tyre sector for the purpose of its application. This preliminary activity immediately brought to light some unclear application and interpretation aspects both with reference to the general discipline⁴⁷ and above all with regard to the tyre sector, whose framework in the Climate Delegated Act on Taxonomy appears difficult to read.

In particular, within the scope of the transport-related manufacturing activities included in these delegated acts, there is only economic activity *3.3 Manufacture of low carbon technologies for transport*, the description and technical screening criteria of which, however, specifically refer to the production of transport equipment in its entirety, including vehicles and personal mobility devices, but not to the production of parts and/or components of the same⁴⁸. Recent interpretations published by the European Commission have confirmed that the manufacture of automotive components is an economic activity automatically “eligible” and that therefore these companies, including tyre manufacturers, “*can qualify*” under the economic activity⁴⁹ *3.6 - Manufacture of other low carbon technologies* if their products meet the characteristics set out in the Climate Delegated Act. The same document published by the European Commission in February 2022 clarifies that the “eligibility” for the taxonomy under the aforementioned economic activity 3.6 is to be assessed exclusively in relation to the fact that the activity or product has the objective of enabling a substantial reduction of GHG emissions in another sector of the economy⁵⁰, a circumstance that makes the interpretation questionable with reference to the tyre product, being the tyre a product conceived with the essential objective of serving mobility while taking multiple dimensions into account, starting with safety (e.g. wet grip, braking distances). Moreover, this economic activity includes a methodology for determining the substantial contribution to climate change mitigation that does not reflect processes, products and technologies commonly found and applicable in the tyre sector.

Given the complexity of the legislation and the fact that this is the first year of implementation, there is currently no official position from the industry associations, nor are there any emerging market practices that would allow a shared interpretation of how the Taxonomy should be applied to the tyre sector.

The Pirelli Group, albeit with the difficulties and limitations deriving from the regulatory context described, has evaluated its positioning with respect to the economic activity *3.6 Manufacture of other low carbon technologies*, by determining the Key Performance Indicators relating to turnover, capital expenditure and operating expenditure required by the regulations. However, the Pirelli Group reserves the right to reconsider its evaluations and interpretations in future reports in order to take

⁴⁷ In the Assonime Circular no. 1/2022 “The European Regulation on the taxonomy of eco-sustainable activities: advertising obligations for companies” a series of aspects are explained for which clarification is requested from the European Commission.

⁴⁸ The NACE codes associated with this economic activity include C29.1 “Manufacture of motor vehicles” but not C29.3 “Manufacture of parts and accessories for motor vehicles” which, by its nature, could also include the manufacture of tyres.

⁴⁹ the FAQ published by the European Commission on 2 February 2022 clarified that “manufacturing specific car and vehicle components is not automatically eligible under the section ‘manufacture of low carbon technologies for transport’” (ref. FAQ 8).

⁵⁰ The above-mentioned FAQ clarified that “the activity or product needs to have the objective of enabling a substantial reduction of GHG emissions in another sector of the economy” (ref. FAQ 9).

into account any changes in the regulatory framework or further clarifications that may be made in the meantime by national and European authorities or trade associations.

Finally, it is highlighted that the assessments currently carried out on economic activities “not eligible” for the taxonomy could change as a result of the publication of the technical delegated acts relating to the remaining four environmental objectives envisaged by the Regulation (sustainable use and protection of water and marine resources, the transition towards a circular economy, pollution prevention and control, the protection of biodiversity and ecosystems) as well as the effect of the inclusion in the Climate Delegated Act of additional sectors and economic activities.

Eligible economic activities of the Pirelli Group

Turnover indicator

Pirelli is one of the world’s leading tyre manufacturers, the only one to be entirely focused on the consumer market, which includes car, motorbike and bicycle tyres, from which it derives its total turnover.

The lack of a shared interpretative model with respect to the concrete method of applying the Taxonomy to the tyre sector, in the terms widely described in the previous paragraph, Pirelli has identified the share of “eligible” economic activities with the turnover from tyres for vehicles with low environmental impact and from tyres with high energy efficiency in terms of rolling resistance, considering the European labelling values as a reference.

The European tyre labeling⁵¹ provides a clear and common classification of their performance for i) rolling resistance, ii) wet grip and iii) external noise. Since the taxonomy is focusing on the environmental impact, the labeling parameter deemed consistent is therefore only that relating to rolling resistance. Rolling resistance has an impact on vehicle fuel consumption and therefore indirectly on the fuel consumption and related greenhouse gas emissions, which is why high performance in terms of rolling resistance has a positive impact on the environmental objective of mitigating climate change.

In particular, the rolling resistance classes indicate the energy efficiency level of the tyre and they range from A (maximum energy efficiency) to E (minimum energy efficiency).

In this respect, the following turnover was considered, with the aim of giving a view as complete and transparent as possible:

- the view of the turnover from the sale of car and van tyres produced by the Group with European labelling in A, B and C classes of rolling resistance, thus focusing on very high, high and medium efficiency levels (excluding the lower efficiency levels D and E).

⁵¹ Regulation (EU) 2020/740.

of which

- the view of the turnover from the sale of car and van tires produced by the Group with European labeling considering only the rolling resistance classes A and B, therefore very high and high energy efficiency.

The turnover from the sale of bicycle tyres was added and consolidated in both values (A + B + C and only A + B).

The denominator of the KPI is made up of the consolidated revenues for the year 2021 as indicated in the explanatory note no. 29 “Revenues from sales and services” within the consolidated financial statements.

Capital Expenditure indicator

The share of “eligible” economic activities with reference to capital expenditure refers mainly to productive investments directly related to the above-mentioned “eligible” revenues, which have been determined using an allocation driver in the case of investments in manufacturing that are common to several types of products.

In addition, investments in energy efficiency at the Group’s factories related to the environmental objective of mitigating climate change have also been taken into account; these are therefore economic activities included in sector 7. *Construction and real estate activities of the Climate Delegated Act* that refer to the construction and rehabilitation of buildings or the installation of energy efficiency devices, instruments and devices for measuring, regulating and controlling the energy performance of buildings and renewable energy technologies.

The denominator of the KPI is the sum of the gross additions recognised in 2021 in respect of property, plant and equipment owned, rights of use and intangible assets, as disclosed in Explanatory Note no. 9 “Property, plant and equipment” and Explanatory Note no. 10 “Intangible assets” within the consolidated financial statements.

Operational Expenditure indicator

The share of “eligible” economic activities with regard to operating expenses refers mainly to production costs directly related to “eligible” revenues, which have been determined using an allocation driver in the case of manufacturing expenses common to several product types.

The costs incurred for research and development projects with the environmental objective of mitigating climate change by reducing CO₂ emissions and the operating costs related to investments in energy efficiency described above, which also relate to the environmental objective of mitigating climate change, were also considered.

The denominator of the KPI, as required by regulation, is non-capitalised direct costs related to research and development, building renovation, rent, maintenance, repairs and other direct expenses related to the day-to-day operation of assets incurred in 2021.

CAR and Van tyres sales (with label in classes A-B-C of rolling resistance)

(very high, high and medium efficiency levels of rolling resistance)

Indicators for EU Label products with Rolling Resistance A-B-C	Taxonomy eligible	Taxonomy not eligible
Share of turnover	49%	51%
Share of capital expenditure	22%	78%
Share of operational expenditure	22%	78%

CAR and Van tyres sales (with label in classes A-B of rolling resistance)

(very high and high efficiency levels of rolling resistance)

Indicators for EU Label products with Rolling Resistance A-B	Taxonomy eligible	Taxonomy not eligible
Share of turnover	16%	84%
Share of capital expenditure	12%	88%
Share of operational expenditure	10%	90%

It should also be noted that, also considering the turnover deriving from the sale of car and van tires produced by the Group with rolling resistance values consistent with the European labeling parameters by re-parameterizing the non-European labeling to the values of the European labeling, the share of turnover “eligible” would be respectively 59% (A-B-C classes) and 18% (A-B classes).

Social Minimun Safeguards

The Company promotes respect for Human Rights and adherence to international standards applicable to its Partners and Stakeholders. Pirelli aligns its governance with the United Nations Global Compact, the ISO 26000 Guidelines, the dictates of the SA8000® Standard and underlying ILO international regulations, the OECD Guidelines on the duty of supervision and the recommendations contained in the Business and Human Rights Guiding Principles of the United Nations, implementing the Protect, Respect and Remedy Framework.

For in-depth information on the Policies adopted, the Management model, risks, projects and performance in the field of Human and Labor Rights, please refer to the sections dedicated to this in this Report, in particular: “Respecting human rights”, “ ESG elements in the purchasing process”, “

Compliance with statutory and contractual obligations governing overtime, leave, association and negotiation, equal opportunities and non-discrimination, bans on child and forced labour”, “ Focus: Training on Sustainability and Corporate Governance” and “ Focus: Reporting Procedure - Whistleblowing Policy”.

Future developments

As of 1 January 2023, it will be necessary to report on the shares of turnover, capital expenditure and operating expenditure “aligned” with the taxonomy. This requires verification, for each economic activity identified as “eligible”, of compliance with the criteria for technical screening which make it possible to determine a) the substantial contribution of an economic activity to the achievement of one or more environmental objectives b) without causing significant damage to any of the other environmental objectives and compliance with the minimum safeguards.

This is a particularly challenging process in light of both the difficulties and limitations deriving from the regulatory context described above and the complexities of applying the aforementioned criteria; pending further regulatory developments and in particular the publication of the delegated acts referring to the remaining four environmental objectives, the Pirelli Group has begun the preparatory activities necessary to ensure complete and accurate reporting for the 2022 financial year in accordance with the requirements of the regulations.

SOCIAL DIMENSION

Respecting Human Rights

Pirelli bases its activities on compliance with the universally established Human Rights, as fundamental and indispensable values of its culture and business strategy, working to manage and reduce potential risks of violations and in order to avoid causing – or contributing to causing – adverse impacts to these rights in the international, multicultural, socially and economically diverse context in which it operates.

The Company promotes respect for Human Rights and adherence to international standards applicable at its Partners and Stakeholders and aligns its governance to the Global Compact of the United Nations, to the ISO 26000 Guidelines, to the dictates of the SA8000® Standard and underlying ILO international standards, the OECD Due Diligence Guidelines, and the recommendations contained in the Guiding Principles Business and Human Rights of the United Nations, implementing the Protect, Respect and Remedy Framework.

The human rights management processes are handled by Pirelli Sustainability Department, which acts in concert with the affected and responsible functions, at central level and in the various Countries, with reference to both the Internal and External Community.

Pirelli's commitment on human rights is dealt with extensively in the Group "Global Human Rights" Policy, which describes the management model adopted by the Company in respect of core Rights and Values such as occupational health and safety, non-discrimination, freedom of association, refusal of child and forced labour (firmly condemning the trafficking in and exploitation of human beings in any form), guarantee of decent work conditions in economic and sustainable terms and in terms of working hours, protection of rights and values of local communities, refusal of any form of corruption and protection of privacy. Further references to respect for human rights are also found in other company documents: "*Values and the Code of Ethics*", the "*Social Responsibility Policy on Occupational Health, Safety and Rights and Environment*", the "*Global Health, Safety and Environment*" Policy, the "*Privacy*" Policy, the "*Equal Opportunities Statement*" and the "*Policy on the Sustainable Management of Natural Rubber*". All the documents were communicated to employees in the local language and published on Pirelli website in multiple languages, as well as to Group Suppliers for whom sustainability and business ethics clauses are included in every contract and purchase order.

To identify, assess, prevent and mitigate the risks of violation of Human Rights, the Company:

- ensures awareness among its employees through information and training starting from the course for new hires (in this regard, reference is made to the paragraph "Focus: Training on Sustainability and Corporate Governance");
- verifies the application of regulations on respect for human and labour rights at its affiliates through periodic audits carried out by the Internal Audit Department, in accordance with a three-year audit plan covering all Company sites. For further details, please refer to the section of this report entitled "*Compliance with statutory and contractual obligations*"

governing overtime, leave, association and negotiation, equal opportunities and non-discrimination, bans on child and forced labour”.

- manages its supply chain responsibly and specifically includes respect for human rights in the selection parameters of its suppliers, the contractual clauses and carries out due diligence by third-party audits. Pirelli also contractually requires its suppliers to implement a similar business model that is active on their supply chain, including adequate due diligence aimed at certifying that the products and materials provided to Pirelli are “conflict-free” throughout the supply chain. From 2019, Pirelli has also subscribed to the “Cobalt Initiative” launched by RMI. With specific reference to the natural rubber context, Pirelli promotes decent working conditions, development of local communities and prevention of conflicts related to land ownership, in line with its Policy for Sustainable Natural Rubber Management, and at the same time with the dictates of the Global Platform for Sustainable Natural Rubber (GPSNR) of which Pirelli is a founding member. Please refer to the section “Our Suppliers” in this Report for an in-depth look at the supply chain management model, audits performed and initiatives, including details on Natural Rubber;
- cooperates and sustains the importance of cooperation with government and non-government, sectoral and academic entities in relation to the development of global policies and principles aimed at protecting human rights; This is the context which sees the inserting, as an example, of the Group CEO signing the “*CEO Guide on Human Rights*” promoted by the WBCSD in 2019, the activity under the UN Global Compact Working Group “Decent Work in Global Supply Chains” and Pirelli’s active contribution to the creation of the Global Platform for Sustainable Natural Rubber (GPSNR);
- before investing in a specific market, conducts ad hoc assessments of any political, financial, environmental and social risks, including those related to the respect of human and labour rights. The internal and external context is monitored in those Countries where the Company does operate, in view of preventing negative impacts on human rights, and if so, remedying them;
- makes available to its Stakeholders a channel dedicated to the reporting, even anonymous, of any situations that constitute or may constitute a risk of violation of Human Rights as well as any Group Policy, law or regulation in dealing with the Group (in this regard and with reference to the reports received in the last three years, please refer to the paragraph “Focus: reporting procedure - Whistleblowing Policy” in this report).

In terms of materiality in the Company value chain, the respect for human rights and labour rights assumes particular importance in human resources and supply chain management.

Pirelli updated its analysis of the risk of violation of human rights on its own premises, in the related value chain (suppliers and customers) and in the local context external to Pirelli, asking the main Stakeholders to fill out a dedicated survey. With regard to the perception of internal risk at Pirelli’s sites and in the relative value chain, the survey was submitted to the function managers and to the Sustainability Managers of the Group’s sites, while regarding the perception of risk in the external

context the survey was submitted to both the aforementioned Pirelli functions and to local Non-Governmental Organisations of reference.

The survey asked for an indication of the current and potential (referring to the next 5-10 years) perceived risk value on a scale from 1 to 4 (1 = low risk, 2 = medium-low risk, 3 = medium-high risk and 4 = high risk) for each of the 20 indicated human rights, deriving from the Universal Convention of the Human Rights of the United Nations and the ILO Declaration on the Fundamental Principles and Rights of Labour. Among the rights covered: equality and non-discrimination; equal pay for equal work; freedom of thought, religion, opinion and expression; freedom of association and collective bargaining; not being subject to slavery, servitude or forced labour. We also mention the categories of stakeholders mapped: workers (employees, agency workers, and contractors); suppliers; and local communities in which Pirelli operates.

With reference to the internal situation at Pirelli's sites, the consolidation of the feedback received revealed not significant risks; the average values recorded are, in fact, less than 1.12 for current risks and less than 1.15 for medium-long-term risks. A similar situation is recorded with reference to the Group's value chain, whose average values recorded do not exceed 1.18 for current risks and 1.29 for potential risks.

The consolidation of the feedback received from Non-Governmental Organisations, with reference to the risk perceived in the local context external to Pirelli, showed, on average, low or medium-low risks; the average values recorded are, in fact, less than 1.74 for current risks, while they reach 1.98 for medium-long-term risks. The value of 1.98 corresponds to the risk of violation of the right to fair justice, which coincides, moreover, with the risk perceived as increasing the most in the coming years.

INTERNAL COMMUNITY

Pirelli Employees Around The World

The total Pirelli workforce as at 31 December 2021 - expressed in Full Time Equivalent and including agency workers - stood at 30,690 employees (vs. 30,510 in 2020 and 31,575 in 2019), recording a net increase of 180 employees compared to the previous year.

The following tables⁵², with reference to the last three years⁵³, detail the composition of the workforce by category, geographical area, gender, type of contract, and the flow of employees by geographical area⁵³, gender and age bracket.

To complete the information on the trend of the workforce during the year, please refer to the paragraph “Industrial Relations” in this Report.

Additional quantitative information with specific reference to the issue of diversity is provided in the “Diversity, Equity and Inclusion” section of this Report.

BREAKDOWN OF WORKFORCE⁵⁴ BY CATEGORY					
	EXECUTIVES	CADRE	WHITE COLLARS	BLUE COLLARS	TOTAL
2021	247	1,754	4,052	24,636	30,690
2020	257	1,752	4,060	24,441	30,510
2019	271	1,893	4,617	24,794	31,575

⁵² Staff numbers are expressed in Full Time Equivalent; while respecting the totals, partial values entered in the table may be subject to rounding and the sums thereof may not coincide with the total.

⁵³ Europe: Austria, Belgium, France, Germany, Greece, Italy, Netherlands, Poland, Czech Republic, United Kingdom, Romania, Slovakia, Spain, Switzerland, Turkey, Hungary. North America: Canada, Mexico, United States. South America: Argentina, Brazil, Chile, Colombia. Asia Pacific: Australia, China, Korea, Japan, Singapore, Taiwan. Russia, Nordics & MEA: Saudi Arabia, Egypt, India, Russia, South Africa, Sweden, UAE.

⁵⁴ These data include agency workers, corresponding to 0.2% of total workforce in 2019, 0.6% in 2020 and 0.8% in 2021.

BREAKDOWN OF WORKFORCE⁵⁵ BY GEOGRAPHICAL AREA⁵⁶ AND GENDER

	2021			2020			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
EUROPE	11,022	1,816	12,838	10,951	1,774	12,725	11,295	1,803	13,098
NORTH AMERICA	2,746	451	3,197	2,752	480	3,232	2,758	507	3,265
SOUTH AMERICA	7,321	653	7,975	7,293	647	7,940	7,288	677	7,964
APAC	2,999	899	3,898	3,093	834	3,927	3,280	854	4,134
RUSSIA, NORDICS & MEAI	2,190	593	2,783	2,110	576	2,686	2,431	684	3,115
TOTAL	26,278	4,412	30,690	26,199	4,311	30,510	27,051	4,524	31,575

⁵⁵ These data include agency workers, corresponding to 0.2% of total workforce in 2019, 0.6% in 2020 and 0.8% in 2021.

⁵⁶ Europe: Austria, Belgium, France, Germany, Greece, Italy, Netherlands, Poland, Czech Rep, United Kingdom, Romania, Slovakia, Spain, Switzerland, Turkey, Hungary. North America: Canada, Mexico, United States. South America: Argentina, Brazil, Chile, Colombia. Asia Pacific: Australia, China, Japan, Singapore, South Korea, Taiwan. Russia. Nordics & MEAI: Saudi Arabia, Egypt, India, Russia, South Africa, Sweden, UAE.

BREAKDOWN OF WORKFORCE⁵⁷ BY GEOGRAPHICAL AREA⁵⁸ AND CONTRACT

2021				
	Permanent	Temporary	Agency	Total
EUROPE	11,636	1,192	10	12,838
NORTH AMERICA	3,166	0	31	3,197
SOUTH AMERICA	7,666	112	197	7,975
APAC	3,898	0	0	3,898
RUSSIA, NORDICS & MEAI	2,658	125	0	2,783
TOTAL	29,023	1,429	238	30,690
2020				
	Permanent	Temporary	Agency	Total
EUROPE	11,923	795	7	12,725
NORTH AMERICA	3,024	1	27	3,232
SOUTH AMERICA	7,750	54	136	7,940
APAC	3,923	4	0	3,927
RUSSIA, NORDICS & MEAI	2,562	124	0	2,686
TOTAL	29,362	978	170	30,510
2019				
	Permanent	Temporary	Agency	Total
EUROPE	12,513	565	20	13,098
NORTH AMERICA	3,237	0	28	3,265
SOUTH AMERICA	7,779	185	0	7,964
APAC	4,131	3	0	4,134
RUSSIA, NORDICS & MEAI	3,014	98	2	3,115
TOTAL	30,674	851	50	31,575

⁵⁷ These data include agency workers, corresponding to 0.1% of total workforce in 2018, 0.2% in 2019 and 0.6% in 2020.

⁵⁸ Europe: Austria, Belgium, France, Germany, Greece, Italy, Netherlands, Poland, Czech Republic, United Kingdom, Romania, Slovakia, Spain, Switzerland, Turkey, Hungary. North America: Canada, Mexico, United States. South America: Argentina, Brazil, Chile, Colombia. Asia Pacific: Australia, China, Korea, Japan, Singapore, Taiwan. Russia, Nordics & MEAI: Saudi Arabia, Egypt, India, Russia, South Africa, Sweden, UAE. South America: Argentina, Brazil, Chile, Colombia. Asia Pacific: Australia, China, Korea, Japan, India, Singapore, Taiwan. Russia, Nordics & MEAI: Saudi Arabia, Egypt, India, Russia, South Africa, Sweden, UAE..

PERCENTAGE OF EMPLOYEES BY CATEGORY, GENDER AND AGE

2021															
	Executives			Cadre			White collars			Blue collars			Total		
	M	F	tot	M	F	tot	M	F	tot	M	F	tot	M	F	tot
<30	0%	0%	0%	3%	4%	3%	20%	27%	23%	24%	16%	23%	22%	18%	22%
30 - 50	55%	61%	56%	67%	76%	69%	65%	60%	63%	64%	76%	65%	64%	71%	65%
>50	45%	39%	44%	30%	20%	28%	15%	13%	14%	12%	8%	12%	14%	11%	13%
2020															
	Executives			Cadre			White collars			Blue collars			Total		
	M	F	tot	M	F	tot	M	F	tot	M	F	tot	M	F	tot
<30	0%	0%	0%	2%	2%	2%	20%	29%	23%	23%	19%	23%	21%	20%	21%
30 - 50	50%	59%	51%	63%	73%	66%	63%	56%	61%	63%	73%	64%	63%	68%	63%
>50	50%	41%	49%	35%	25%	32%	17%	15%	16%	14%	8%	13%	16%	12%	15%
2019															
	Executives			Cadre			White collars			Blue collars			Total		
	M	F	tot	M	F	tot	M	F	tot	M	F	tot	M	F	tot
<30	0%	0%	0%	3%	4%	3%	22%	30%	25%	26%	24%	26%	24%	24%	24%
30 - 50	55%	69%	57%	66%	75%	68%	64%	56%	61%	62%	70%	63%	63%	66%	63%
>50	45%	31%	43%	31%	21%	29%	14%	14%	14%	12%	6%	11%	13%	11%	13%

EMPLOYEES WITH PART TIME CONTRACT BY GENDER

2021			2020			2019		
Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
137	142	279	120	154	274	157	205	362

Employee flows by geographic area⁵⁹, gender and age

The following data refer to incoming/outgoing employees. The entry and exit rates are calculated by comparing the number of entries and exits of each category to the total number of employees belonging to that category as of 31 December. The disposals and acquisitions of companies or business units, and changes in work schedules from full-time to part-time are not considered.

⁵⁹ Europe: Austria, Belgium, France, Germany, Greece, Italy, Netherlands, Poland, Czech Rep United Kingdom, Romania, Slovakia, Spain, Switzerland, Turkey, Hungary. North America: Canada, Mexico, United States. South America: Argentina, Brazil, Chile, Colombia. Asia Pacific: Australia, China, India, Japan, Singapore, South Korea, Taiwan. Russia, Nordics & MEAL: Saudi Arabia, Egypt, India, Russia, South Africa, Sweden, UAE.

2021 FLOWS: ABSOLUTE VALUES AND RATES

	INCOMING						OUTGOING					
	<30	30 - 50	>50	M	F	Total	<30	30 - 50	>50	M	F	Total
EUROPE	918	575	50	1,341	202	1,542	562	522	360	1,290	154	1,444
	39%	7%	2%	12%	11%	12%	24%	7%	13%	12%	8%	11%
NORTH AMERICA	525	245	10	726	54	781	458	330	24	730	82	812
	36%	16%	7%	27%	12%	25%	32%	21%	16%	27%	19%	26%
SOUTH AMERICA	846	578	19	1,321	123	1,443	287	1,042	199	1,413	114	1,527
	52%	11%	3%	19%	19%	19%	18%	19%	27%	20%	18%	20%
APAC	98	182	3	179	104	283	81	207	2	244	46	290
	17%	6%	4%	6%	12%	7%	14%	6%	2%	8%	5%	7%
RUSSIA, NORDICS & MEAI	272	259	26	434	123	557	156	256	54	354	112	466
	49%	15%	6%	21%	21%	21%	28%	15%	13%	17%	19%	17%
TOTAL	2,659	1,840	107	4,000	606	4,606	1,544	2,357	639	4,032	508	4,539
	40%	9%	3%	15%	14%	15%	24%	12%	16%	16%	12%	15%

2020 FLOWS: ABSOLUTE VALUES AND RATES

	INCOMING						OUTGOING					
	<30	30 - 50	>50	M	F	Total	<30	30 - 50	>50	M	F	Total
EUROPE	678	437	42	1,018	139	1,157	471	430	289	1,067	123	1,190
	29%	6%	1%	9%	8%	9%	20%	6%	10%	10%	7%	9%
NORTH AMERICA	548	324	36	838	70	908	542	360	20	824	98	922
	36%	22%	21%	31%	15%	28%	35%	24%	12%	30%	21%	29%
SOUTH AMERICA	392	291	7	603	87	690	348	427	109	759	125	884
	30%	5%	1%	8%	13%	9%	27%	8%	12%	11%	19%	11%
APAC	45	43	2	59	31	90	109	142	11	221	41	262
	6%	1%	2%	2%	4%	2%	15%	5%	13%	7%	5%	7%
RUSSIA, NORDICS & MEAI	79	87	6	122	50	172	141	290	168	446	153	599
	15%	5%	1%	6%	9%	7%	26%	18%	38%	22%	27%	23%
TOTAL	1,742	1,182	93	2,640	376	3,017	1,611	1,649	597	3,317	540	3,858
	27%	6%	2%	10%	9%	10%	25%	9%	13%	13%	13%	13%

2019 FLOWS: ABSOLUTE VALUES AND RATES												
	INCOMING						OUTGOING					
	<30	30 - 50	>50	M	F	Total	<30	30 - 50	>50	M	F	Total
EUROPE	904	656	78	1,460	178	1,638	698	553	254	1,328	177	1,505
	35%	8%	3%	13%	10%	13%	27%	7%	10%	12%	10%	12%
NORTH AMERICA	982	406	26	1,252	162	1,414	750	377	27	1,001	153	1,154
	57%	29%	25%	46%	32%	44%	44%	27%	26%	37%	30%	36%
SOUTH AMERICA	199	212	12	349	74	423	271	425	91	715	72	787
	14%	4%	2%	5%	11%	5%	19%	7%	12%	10%	11%	10%
APAC	294	303	4	522	79	601	235	268	12	433	82	515
	26%	10%	5%	16%	9%	15%	21%	9%	16%	13%	10%	12%
RUSSIA, NORDICS & MEAI	159	117	7	221	62	283	150	161	70	288	93	381
	22%	6%	1%	9%	9%	9%	21%	9%	14%	12%	14%	13%
TOTAL	2,538	1,694	127	3,804	555	4,359	2,104	1,784	454	3,765	577	4,342
	33%	9%	3%	14%	12%	14%	28%	9%	11%	14%	13%	14%

At Pirelli there are 28 young people older than 15 and under 18 - before birthday - years old (15 in Germany, 9 in Switzerland and 4 in the UK), each for training and integration plans, in harmony with local laws.

Diversity, Equity and Inclusion

Pirelli is characterised by a multinational context where individuals manifest a great diversity, whose conscious management simultaneously creates a competitive advantage for the Company and a shared social value. Pirelli's commitment to compliance with equal opportunities and the enhancement of diversity in the workplace is expressed in the main Group Sustainability documents: the "Ethical Code" approved by the Board of Directors, the "Social Responsibility Policy for Occupational Health, Safety and Rights, Environment", the "Equal Opportunities Statement" and the "Global Human Rights" Policy.

Pirelli has also actively participated in the "B20 - G20 Dialogue on Women Empowerment" Working Group and signed the related Manifesto; in addition, the Company will participate in the B20 "Women in Business Action Council" to be held in Indonesia in 2022.

The aforementioned Policies are the subject of training on Pirelli's Sustainable Management Model through the "Plunga" international onboarding programme, so that all new hires enter the Company aware of the value attributed to the issue of Diversity, Inclusion and Equity, as well as the related rules.

In the course of 2022 Pirelli will publish the update of the Equal Opportunities Statement, which flows into the new “Diversity, Equity and Inclusion” (DE&I) Policy, and will launch a global awareness and training campaign on the issues of diversity management and good inclusion practices, aimed at all Company employees and managers.

In past years including 2021, various awareness-raising campaigns on DE&I issues have been implemented in the various countries in which Pirelli operates, both with specific subject matter on Diversity and as part of Human Rights Training.

Internationality and multiculturalism are the distinguishing features of the Group: Pirelli operates in 160 countries on five continents and 90% of its employees (as of 31 December 2021) work outside of Italy. Awareness of the cultural differences that create the identity of the Company entails displaying the utmost confidence in management of local origin: most of the Senior Managers work in their country of origin, where Senior Managers are those reporting directly to the Executive Vice Chairman and CEO, and Region CEOs and Executives with strategic responsibilities as at 31 December 2021. In order to develop the innovative and managerial potential inherent in multiculturalism and in dealings with different professional environments, the Company promotes the growth of its managers through international mobility: more than half of active Senior Managers in 2020 have in fact experienced at least one experience as expat during their professional experience within the Pirelli Group.

Compared to the total number of employees, there were 23 new expatriates in 2021, compared to 15 in 2020 and 57 in 2019. Since Pirelli sees expatriation as a means of cultural inclusion and dissemination of different management cultures, despite the health emergency that all global economies have had to face, Pirelli has not stopped expatriating, but has simply reduced the number. About a third of new departures went to the main countries where Pirelli has an industrial presence, such as Germany and China, Russia and Romania. The total expatriate population at the end of 2021 is 85 people (vs. 114 in 2020 and 170 in 2019), belonging to 13 nationalities and moving to 24 different countries on five continents, of which 15% (vs. 11% in 2020) are women. 42% of the total expatriate population is made up of employees working in different premises compared to the central one (HQ).

Pirelli monitors the level of acceptance and appreciation of diversity perceived by employees within their own reality, as well as the priority given to the issue of Diversity and Equal Opportunities by employees. In this regard, the issue, as part of the materiality analysis conducted at the end of 2021, ranked in the top half of the 20 issues considered by employees. During 2022 Pirelli will launch the “My Voice for Wellbeing” Survey, which will include specific questions to monitor the level of inclusion and awareness of diversity elements among Pirelli employees. The results will be published in the 2022 Annual Report.

A very important tool for the management of equal opportunities and the prevention of risk of breach thereof is the Group Whistleblowing Reporting Procedure, through which employees and the external stakeholders can anonymously report any cases of equal opportunity violations within the Company or in relations with it. In 2021, no reports were received relating to cases of discrimination. For more

details on the reports received, see the paragraph “Focus: Reporting Procedure - Whistleblowing Policy”.

Regarding the composition of the corporate bodies by gender and Diversity Policies, reference is made to the “Report on the Corporate Governance and Share Ownership of Pirelli & C. S.p.A.”, within the present Annual Report, paragraphs “Diversity Policies”, “Board of Directors - *Composition*”, “Board of Statutory Auditors - *Composition*”.

With regard to the subdivision of the workforce by gender, with reference to the three-year period 2019-2021, the data show a substantial stability, with a percentage of women in the total population, which stands at 14.4%. The percentage of women continued to grow in relation to managerial positions (executives + cadres), standing at 24.8% in 2021 compared to 24% in 2019 and 22.4% in 2019.

WOMEN'S INCIDENCE ON THE TOTAL WORKFORCE⁶⁰ BY CATEGORY						
YEAR	EXECUTIVES	CADRES	EXEC + CADRES (= Tot Manager)	WHITE COLLARS	BLUE COLLARS	TOTAL
2021	11.3%	26.6%	24.8%	33.2%	10.4%	14.4%
2020	10.5%	26.0%	24.0%	33.0%	10.2%	14.1%
2019	10.7%	24.1%	22.4%	33.8%	10.0%	14.3%

Analysing the breakdown by gender in terms of employment contract, the table below shows that also in 2021, and a substantial balance was maintained between men and women.

WORKFORCE⁴³ BY GENDER AND BY TYPE OF CONTRACT									
	2021			2020			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
PERMANENT	94.4%	95.6%	94.5%	96.1%	97.0%	96.2%	97.3%	96.6%	97.1%
TEMPORARY	4.7%	4.1%	4.7%	3.3%	2.8%	3.2%	2.6%	3.1%	2.7%
AGENCY	0.9%	0.3%	0.8%	0.6%	0.2%	0.6%	0.1%	0.3%	0.2%

In 2021 the number of parental leaves used by Pirelli employees corresponds to 176 for women and 659 for men. With reference to the post-maternity/paternity return rate, Pirelli figure for the total workforce in all the countries where the company is present shows that, in 2021, out of the total number of workers who have ended parental leave, 88% of women and 96% of men have returned to the Company. Also, during 2021, one year after the maternity and paternity event (begun in 2020), 76% of women and 86% of men are still employed at the Company. It should be noted that the

⁶⁰ These data include agency workers, corresponding to 0.2% of total workforce in 2019, 0.6% in 2020 and 0.8% in 2021.

difference in the data between genders should be considered natural in light of the different socio-cultural contexts in which female workers are inserted. In 2021, in the Italian perimeter, as a pilot initiative, an agreement has been signed that provides for a supplement to the provisions of local legislation on parental leave, which allows for a 100% pay adjustment which covers a period of 3 months.

In the context of gender diversity, Pirelli is particularly attentive to remuneration equality, constantly monitoring this issue and publishing the figures transparently for 11 years now. The countries considered in the analysis at the end of 2021 were Brazil, China, Germany, Italy, Romania, Mexico, Argentina, USA, Russia, France, Spain, UK, Turkey and Sweden, representing in terms of materiality over 3/4 of the total workforce subject to the remuneration policy (executives, cadres and employees). The pay gaps between men and women are calculated for each country and for the same roles, taking into account the “grade” assigned to each (i.e. the weight given to each organisational position on the basis of different factors) and the statistical significance of each cluster. This method of data collection allows for an objective investigation and evaluation, taking into account the structural differences of the various local markets and their specific remuneration logic.

The average of pay gaps between men and women white collars recorded in these countries is equivalent to 4% in favour of women, compared with 3% in 2020 and 2019 also in favour of women; for the cadre category there is an average pay gap of 3% in favour of men, compared with substantial pay parity in 2020 and 2% in favour of men in 2019. A few examples:

- Italy, which has a difference between average remuneration for men and average remuneration for women of around 3% in favour of women for the category of employees (in line with 2020 and 2019); and 3% in favour of men for the category of cadres (compared to 1% in 2020 and 4% in 2019 in favour of men);
- Romania, where for the category of white-collar employees there is 1% in favour of men (compared to 4% in 2020 and 2019, also in favour of men) and for the category of cadre there is 7% in favour of men (compared to 8% in favour of men in 2020 and 9% in 2019, also in favour of men);
- Brazil, where there is a pay gap of 1% in favour of women in the category of white-collar employees (compared to substantial parity in 2020 and 3% in favour of men in 2019) and 2% in favour of men in the cadre category (compared to 3% in favour of men in 2020 and 4% in favour of men in 2019);
- Germany, which shows a difference between average male and average female remuneration of 2% in favour of men for the category of white-collar employees (in line with 2020 and compared to 1% in 2019 in favour of men) and 2% in favour of men for the category of managers (compared to 2% in 2020 and 9% in 2019, both in favour of men).

With reference to the population of managers, of which women represent 11.3%, there is an average pay gap of 6% in favour of women (In line with 2020 and compared to 5% in 2019, again in favour of women).

With regard to the workers' population, all countries in which Pirelli is industrially present were analysed. For each country the pay gap between men and women has been calculated. The average, weighted by the number of employees, showed a 1% difference in favour of men. Here are a few examples:

- China presents a difference between average men's salary and average women's salary of 12% in favour of men, compared to 10% in 2020 and 7% in 2019, always in favour of men;
- Brazil has a pay gap of 4% in favour of women compared to 2% in favour of women in 2020 and 2% in favour of men in 2019;
- in Italy there is a gap of 2% in favour of men, in line with 2020 and 2019;
- in Romania there is substantial pay equity, compared with 2% in favour of women in 2020 and 2019.

With regard to the standard salary of new hires during their first year of work, this is shown to be greater than the minimum levels prescribed by different local legislation and there are no differences between men and women or related to other diversity factors.

Pirelli's inclusive culture towards different skills, as explained in the Pirelli policy on equal opportunities, is implemented by all the Group's affiliates. Under applicable local laws, approximately 1.7% of total employees in 2021 (a reduction of 0.2 pp from the figure for 2020 and unchanged from the figure for 2019) have some form of disability, net of the following considerations: the percentage measurement of disabled employees in the multinational context of the company clashes with the objective difficulty of measuring their number, both because in many countries where the Group is present, there are no specific laws or regulations promoting their employment and therefore disabilities are not automatically detected, and because in many countries this information is deemed confidential and protected by privacy laws; it is therefore likely that the actual percentage of disabled persons working at Pirelli could be higher than the above figure.

With reference to the “age” factor of the company population, subdivided by professional category, it is homogeneous between genders, as can be seen from the table below.

AVERAGE EMPLOYEE AGE BY CATEGORY AND GENDER					
2021					
	Executives	Cadres	White collars	Blue collars	Group Average
Female	50	44	38	38	39
Male	50	45	39	38	39
Total	50	45	39	38	39
2020					
	Executives	Cadres	White collars	Blue collars	Group Average
Female	50	44	38	37	38
Male	51	46	39	38	39
Total	50	45	39	38	39
2019					
	Executives	Cadres	White collars	Blue collars	Group Average
Female	48	43	37	36	37
Male	50	45	38	37	38
Total	49	45	38	37	38

The following table represents the average seniority of service per professional category and gender: also in 2021, there were no significant differences between men and women.

AVERAGE EMPLOYEE SENIORITY OF SERVICE BY CATEGORY AND GENDER					
2021					
	Executives	Cadres	White collars	Blue collars	Group Average
Female	18	14	9	8	9
Male	17	15	10	10	10
Total	17	14	10	10	10
2020					
	Executives	Cadres	White collars	Blue collars	Group Average
Female	16	14	9	7	9
Male	17	15	10	10	10
Total	17	15	10	10	10
2019					
	Executives	Cadres	White collars	Blue collars	Group Average
Female	14	14	9	7	8
Male	16	15	9	9	10
Total	16	15	9	9	9

The following procedures and activities to promote equal opportunities have been well-established for years:

- the use, as far as possible, of candidate lists with a significant presence of women in recruitment processes;
- introduction of initiatives aimed at respecting cultural and religious diversity (e.g. different and clearly marked diets in canteens, typical cuisine from cultures other than that of the host country etc.);
- “multilingual” bookshops at the factories;
- welfare and work-life balance initiatives (in regard, refer to the paragraph “Welfare and initiatives in favour of the Internal Community” in this report).

In 2021, among other initiatives, Pirelli set up a fund with Bocconi University called “Pirelli Women Awards” to support the university careers of deserving female students. Training initiatives aimed at

improving the management of cross-cultural communication provided during the “Plunga” international onboarding programme for new hires in the Group.

Remuneration and Sustainability

The General Remuneration Policy, approved by the Board of Directors of Pirelli, establishes the principles and guidelines to which the Group adheres in order to determine and monitor the application of the remuneration guidelines relating to the Directors vested with particular delegations/offices, to the Managing Directors, to Executives with strategic responsibilities, to Senior Managers and to other Group Executives.

Specifically, the Guidelines of the remuneration for the abovementioned management figures will also cover:

- fixed and variable remuneration, both short and medium-long term;
- compensation in case of termination of employment;
- clawback clauses for Top Management.

The remuneration policies adopted by Pirelli aim to ensure fair remuneration in line with the individual’s contribution to the success of the Company, recognising the performance and quality of the individual’s professional input.

The purpose is twofold: on the one hand to attract, retain and motivate employees, while on the other to reward and promote conduct that is consistent with the corporate culture and values. Compensation policies and processes for Group management (intended as the overall executives) are managed by the Human Resources department, while for non-executive personnel they are handled on an individual Country basis, although supervised from central level.

The Management is covered by the Annual Incentive Plan (Short Time Incentive – STI), linked to the achievement of annual economic-financial or functional objectives, to which a sustainability objective is added, identified “Eco & Safety Performance Revenues”) with a weight of 10% of the total. In line with market best practices, the incidence of the variable component (short- and medium-term) on the total remuneration of each Group Manager is very high, signifying a close correlation between remuneration and performance.

The Annual Incentive Plan (STI) provides, with a view to retention, that for General Managers, Executives with Strategic Responsibilities (KM) and selected Senior Managers, a portion of the incentive accrued equal to a minimum of 25% and a maximum of 50% is deferred for three years. The relative payment, together with a company matching component, is subject to remaining in the company at the end of this period.

For the rest of the Management, the Plan provides for a deferred payment to the following year of a part (25%) of the annual incentive accrued, subject to the achievement of the following year's STI targets. The portion to be repaid is equal to the amount set aside, if the following year's objectives are achieved between entry level and target, or double the amount set aside, if these objectives are achieved at target level or above.

All Group Executives whose grade, as determined by the Korn Ferry method, is equal to or greater than 20, in line with the variable compensation mechanisms adopted at international level, are also beneficiaries of a Long-Term Incentive (LTI) Plan, which is totally self-financed as the related charges are included in the Industrial Plan economic data. In 2021, as well as in 2020, a Long-Term Incentive (LTI) cash plan was launched in line with market best practices, based on a rolling mechanism (a new three-year Incentive Plan will therefore be proposed each year), which does not provide for an ON/OFF access condition and with the following targets:

- Group Net Cash Flow (before dividends) with weighting 40%;
- Total Shareholder Return (TSR) relative to a panel of competitors (TIER1) with a weight of 40%;
- Positioning in the Dow Jones Sustainability Index World with a weight of 10%;
- Positioning in the CDP Climate Change Index with a weight of 10%.

For updates and details on the Remuneration Policy and related sustainability indicators, refer to the Governance section of Pirelli website, "Remuneration" sub-section.

Employer Branding

In addition to disseminating the company principles, Employer Branding is also a valuable tool to give visibility to job opportunities aimed at recent graduates and profiles with experience, not only in the Italian market but globally. Considering the countries where Pirelli has a presence with one or more production plants, numerous events, projects and meetings were organised in 2021, where the Company promoted its own Employer Branding initiatives. These activities are carried out also thanks to the network of contacts and partnerships with important universities in the various countries.

In Italy, Pirelli actively collaborates with Polytechnic University of Milan, Polytechnic University of Turin, Bocconi University, UCSC Catholic University, University of Turin and the University of Milan-Bicocca. The latter Universities are located close to Pirelli offices and the Company has always considered them to be a benchmark for economic and engineering education of young people. With these institutions, Pirelli organises Careers Days, round tables, Job Fairs and company presentations, whether in-person or virtually.

In 2021, among other initiatives, Pirelli:

- set up a fund with Bocconi University called “Pirelli Women Awards” dedicated to supporting the university career of deserving female students;
- entered into collaboration with MIP to organise the “Master in Sustainable Industrial Management” and the “Master in Sustainability Management & Corporate Social Responsibility”.

Among the channels of Employer Branding used by Pirelli, the internet plays an important role: on *pirelli.com* website, the Company provides a channel dedicated to those wishing to propose their candidacy for specific open positions, as well as giving ample information on the company history, management models adopted, objectives and results achieved; targeted channels - including the best-known social media channels and the University portals - are also chosen by Pirelli to publish their job offers.

Development

Performance Management

With the Performance Management process Pirelli defines and evaluates the contribution of each employee to the achievement of company objectives in terms of results obtained and behaviours applied. The process supports the definition and sharing of key indicators for the achievement of the corporate strategy and represents an important opportunity for the professional development and orientation of each individual.

A key element of the process is the transparent and open dialogue between the manager and the employee, from the phase of sharing individual objectives to that of evaluating the results achieved and the behaviours expressed for their attainment.

The main features in the process are:

- the entire process is managed within a platform accessible from all company devices;
- the process and the platform are active all year, so as to better support the continuity of dialogue between boss and employee and alignment of the priorities;
- the assessment is based on two dimensions: the “what” (results) and the “how” (key behaviours);
- the key behaviours are the same for the entire company population and are considered essential to the achievement of the company’s strategic objectives, namely: *Accountability, Teamwork and collaboration, Forward thinking, Agility, Cross-functional approach, and Initiative and drive.*

As usual, in 2021, the process was accompanied by digital training resources focused on the evaluation and feedback process.

The Performance Management process involves all staff worldwide (executives, cadres and white collar employees) and in 2021 saw a redemption rate (i.e., completed assessments compared to the total eligible people) of 100% for female and male executives, cadres and white-collars.

The percentages of completion by level are shown below:

Executives	Cadres	White collars
100%	100%	100%

In support of the quality of the Performance assessments, Pirelli process includes the so-called *Calibration Meetings*, i.e. meetings with the involvement of the managers of the individual functions, Business Unit and Country, with their first reporting and with the Human Resources managers of reference. During these meetings the evaluations of the people belonging to a specific organisational unit are put into common use with the aim of ensuring a balanced distribution and a process that is as coherent, homogeneous and objective as possible.

Talent Development

The Talent Development process aims to ensure business continuity by supporting the identification and development of people with the potential to cover the positions of greater complexity, those who already hold strategic positions and so-called *critical know-how* (that is, people with key skills that are difficult to replace).

The current population of talent and *critical know-how* is around 580 people. As far as talent is concerned, the average seniority within the company is 8 years. The strong international character, represented by 22 nationalities, is confirmed.

In 2021, the assessment of the managerial skills of the talent population also continued. This activity enabled the activation of specific action plans dedicated to supporting the development path of the people involved.

In 2021, a mentoring programme was launched dedicated to the youngest members of the talent pool. Each of the participants in the initiative was associated with a senior leader in the role of mentor. Mentors and mentees were supported with several training sessions aimed at sharing methodologies and tools to support the effectiveness of the programme. The main objectives of the programme were to transfer experience and vision between current leaders and the next generation of leaders,

to support the professional development goals of young talents and to develop a greater awareness of the corporate culture and context.

Training

All Pirelli affiliates have adopted the Learning@Pirelli training model, organised, structured and equipped system to respond to “Group” needs as well as any needs that may emerge locally at any time from the various affiliates.

Pirelli training offering is based on one hand on the strategic priorities of the organisation and the different functions, and on the other on the needs that arise each year from the Performance Management process as well as the training needs arising from the socio-economic context.

After a slowdown in 2020 due to the Covid health emergency, training activities resumed in 2021, confirming the prevalence of virtual participation by the staff population (employees, middle managers and executives). In addition to Health and Safety issues, the training focus was on professional “Upskilling” and improving digital knowledge in line with the advances in the company’s digitalisation processes.

Continuing the important digital transformation of the training offering already begun in previous years, the Pirelli training model is based on four main pillars: the Professional Academy, the School of Management, Global Activities and Local Education. The first three are designed centrally and delivered centrally and/or locally, while Local Education is entirely managed and implemented in individual countries to meet specific local needs. The above is also accompanied by training programmes organised by the Headquarters in English to support all colleagues in the foreign offices.

Professional Academies

Pirelli Professional Academies cater to the entire corporate population with the aim of providing continuous technical-professional training, encourage cross-functional collaboration, ensure the exchange of expertise and know-how among countries and support the implementation of tools and procedures within the organisation.

There are ten Pirelli Academies: Product Academy, Manufacturing Academy, Commercial Academy, Quality Academy, Supply Chain Academy, Purchasing Academy, Finance and Administration Academy, Planning & Control Academy, Human Resources Academy and Digital Academy.

Sustainable Management elements are throughout the Academies, with focus for example on environmental efficiency of the process, diversity, health and safety, sustainable management of the supply chain, risk management and diversity management. The new digitalisation processes are also recurring and transversal to the Academy training model.

The faculty of the Academy is mainly composed of internal trainers, experts from the specific functions who, based on the training needs and logistical needs, provide training at central, regional and local level. The Academy model involves a significant figure from the function guiding each Academy, supported by one or more professionals from the same function and from the Group Training function, which ensures consistency in the methods of approach, delivery and evaluation of learning in addition to ensuring collaboration with the local training teams. Pirelli Professional Academy trainers are also certified through a standard process in all countries and are periodically updated on their effectiveness in transmitting know-how and skills.

Each year the Professional Academies meet with both Top Management and local training contacts, with the objectives of strategic alignment, sharing of results achieved and determining of training priorities to be focused on in the following months.

During the 2021 the training digitalization process has continued (already started the pre-Covid era), leading all the Professional Academies to expand their training offerings, supplementing the traditional training delivered with a portfolio of online courses to be used in “asynchronous” mode and at the times chosen by the end user.

The expansion of the digital training offering was possible thanks to what had already been defined and launched in 2019, the year in which the central Learning team defined a strategy for the gradual digitalisation of training by following two main paths. The first involves the acquisition of already available digital content, typically on cross-cutting and generalist topics, from specialist providers; the second consists of the in-house creation of e-learning courses on highly specialised Pirelli content, which is often less well covered at peripheral level. This two-pronged strategy has made it possible to create a digital library in a short period of time, the content of which can be accessed at any time by all colleagues with access to the Learning Lab platform, which has been redesigned and updated to accommodate the new online content: “Customer Specific Requirements”, “Procurement Process: Standards & Rules”, which add to the list of online courses designed specifically for Pirelli content.

During 2021 the Professional Academies continued to organise “live” courses in virtual mode, thus ensuring the possibility of interacting with participants, guiding their understanding and learning, and managing to reach a higher number of colleagues globally more quickly. In this regard, mention should be made of the significant effort made by the Quality Academy, which, out of the approximately 70 training sessions organised, held more than half in English for the benefit of all colleagues in the foreign offices; the Digital Academy, which trained more than 440 colleagues in sessions dedicated to exploring the new functions of the Teams work and collaboration platform; and the HR Academy which, in continuation of what was started the previous year, trained more than 160 Internal Trainers on how to conduct effective and engaging online training sessions.

Among the new training initiatives conducted in 2021 is the *Ready to Develop* training programme, designed and implemented to support Research & Development professionals in acquiring and/or reinforcing skills considered strategic for the innovation challenges facing Pirelli’s researchers and developers. The programme is aimed both at researchers who have been with the company for years and at young engineers newly hired into the function. For the latter, the Ready to Develop programme

takes the form of a specialised second-level master's degree designed and co-taught by Pirelli and the Politecnico di Milano. For colleagues who have already been with the company for a few years, on the other hand, there is a wealth of Upskilling training available to reinforce the most critical and sought-after skills to meet future research trends at Pirelli, such as Industrial Internet of Things, Statistics, Data Analysis and Machine Learning.

Finally, special mention should be made of the major “reskilling” project launched in 2021 at the Bollate plant in Italy, due to the new destination of this production site for the production of bicycle tyres. The entire population of the plant will be involved in 2021 and 2022 in a massive training programme on the new business, new products and processes and the new work organisation that the new production envisages.

Pirelli School of Management

The School of Management (SoM) is the training structure dedicated to the development of the management culture within Pirelli and its target audience covers the populations of Executives, Talents, Middle Management/Senior Professionals and Recent Graduates/Juniors.

The focus of management training is calibrated and outlined every year based on the business challenges that the Company is required to face. The training model provides for a training offering consistent with the six *Key Behaviours* identified in the global performance management system, to which a paragraph is dedicated in this report.

In addition to the classroom training activities, the School of Management also offers constantly updated online tools through the section “Insights & Updates”, a collection of articles and videos published in the bi-monthly newsletter of the same name aimed at all managers on the LearningLab international platform and the “Warming Up learning platform” dedicated to all recent graduates.

In 2021, Pirelli School of Management courses accounted for 7% of total staff training.

In 2021 the School of Management's training offering was further enhanced, offering carefully selected online digital content for each of the six *Key Behaviours*, with the aim of providing Pirelli colleagues with opportunities to increase their awareness of how they can apply the key behaviours in the work context. In parallel with the expanded online training offer, as with the Professional Academies, we continued to organise virtual classes on managerial and employee management topics.

All School of Management courses are in English, with the aim of involving more and more foreign colleagues in training programmes dedicated to key behaviour and managerial skills. In 2021 there were 90 course participants from the 12 countries in which Pirelli operates, so as to allow value to be captured from the heterogeneity of managerial cultures typical of the Company's multinational context.

In 2021, the traditional annual “Developing Managerial Excellence” course for all new Group executives was again conducted in virtual mode.

As part of the School of Management’s offering, the traditional ‘Plunga’ onboarding programme was held in digital format for all new recruits to the Pirelli Group, involving 284 colleagues from 21 different countries.

In 2021 the WarmingUp@Pirelli course was also held in digital form, dedicated to new graduates from across the Group and lasting two years, involving 183 people from 11 countries.

Global Activities

Global Activities includes all the training campaigns launched globally and designed to promote awareness of corporate guidelines while respecting local diversity. Topics such as Privacy and Information Security are the primary focus of these training activities.

In continuity with what was started in the last months of 2020, the international awareness campaign on Information Security issues continued in 2021. The initiative covered over 1,000 hours of training for employees in Italy and abroad through online mini-training pills. In continuity and in line with the corporate strategy of offering more and more training programmes in English delivered directly by HQ, an English language skills training programme was launched for the first time in 2021. The programme involved about 140 colleagues from 19 Pirelli countries who, distributed in subgroups that were heterogeneous in terms of starting language level, country of origin and time zone, participated in language training sessions, each sharing different points of view, perspectives and local specificities.

Local Education

The training provided at the local level responds to the specific training needs of the Pirelli affiliates operating in the different Countries and is addressed to the entire company population. The seminars cover areas of expertise ranging from the improvement of interpersonal skills to stress management, from the development of IT, language and regulatory skills at seminars on issues of welfare and diversity at the Company.

Local training is also an important tool for covering content related to the implementation of new regulations or agreements.

During 2021, following the continuation of the health emergency, particular attention was paid to training on Covid-19 prevention issues, with specific courses for headquarters and travelling

personnel, periodically updated in relation to the evolution of the pandemic and related government regulations.

Focus: Training on Sustainability and Corporate Governance

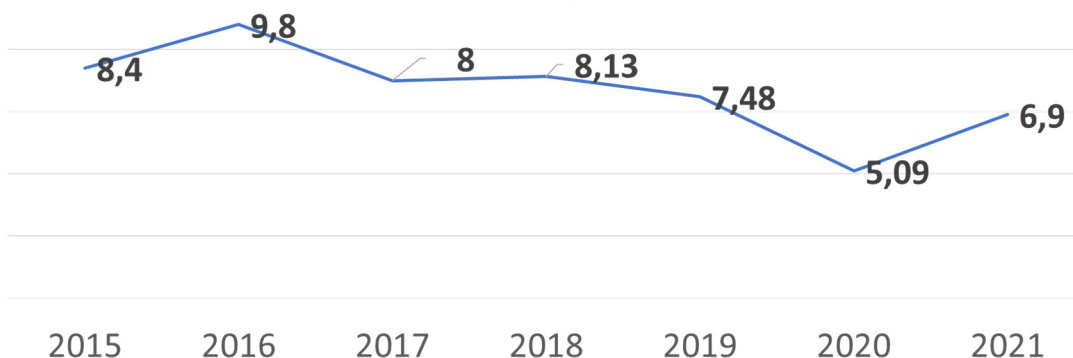
Also in 2021, training continued on Pirelli Sustainable Management Model, with update on the state of the Company's Sustainability Plan. In addition, there is institutional training in the International programme "Plunga", which presents the Group's Sustainable Management strategy (including in the new virtual version) to all new employees, starting from the multi-stakeholder approach contextualized in the integrated economic, environmental and social management. Training on the Pirelli Model also draws the attention of new recruits to Group Sustainability Policies and related commitments, expressed through the "Code of Ethics", the "Code of Conduct", the "Equal Opportunities Statement", the "Social Responsibility Policy for Occupational Health, Safety and Rights and Environment", the "Health, Safety and Environment" Policy, "Global Human Rights" Policy, in addition to the requirements of the SA8000® Standard, relating to human and labour rights both within the company and in the supply chain. As part of the Plunga recruits' course, a contribution on Compliance & Audit topics was included in addition to the Sustainability course in 2021.

In addition, during 2021, to complement the previous training campaign with the online course Procurement Anticorruption: Principles & Behaviours, all colleagues in the Procurement function were invited to attend the course Procurement Process: Standards & Rules, of which sustainable supply chain management is an integral part.

Pirelli training performance

Total training provided in 2021 was 6.9 average training days per capita. This figure reflects the centrality of training in Pirelli's culture, as well as its commitment to continuous investment even in emergency and difficult situations. In fact, at the same time as the gradual resumption of all activities at full capacity, in 2021 the numbers of training activities also returned to levels comparable with the year before the Covid emergency. Among the countries with the highest training investment are Mexico, Russia and Romania, which are particularly driven by production needs or the introduction of new resources.

Average Training Days Group Employees



Following is the subdivision of average training days by gender and by professional category⁶¹:

GROUP	WOMEN		MEN
6.9	4.7		7.3
	EXECUTIVES	CADRES & WHITE COLLARS	BLUE COLLARS
	1.45	3.47	7.82

The high investment in training involved both men and women, with about 2.6 days more for men due to the clear prevalence of the male gender in the workforce, which is subject to more technical training.

Moreover, 98% of employees (considering the average workforce for the year) participated in at least one training activity in the year lasting more than one hour.

The investments made for the various categories of the company population (blue-collar workers, middle management and white-collar workers, and executives) are in line with those of previous years and balanced in proportion to the overall training strategies: the strong focus on manufacturing improvement processes (Manufacturing and Quality) in addition to the usual attention to health and safety issues, which are also particularly relevant in 2021, determine the largest investments on the blue-collar worker population.

On a global level, net of the specific training needs of each country, the *Professional Academies* cover the most significant portion (48.8%) of the training activities on the total non-worker population; this is because the Professional Academies are aimed at training and the continuous updating of technical skills linked to innovation processes, which are strategic for the company. In particular, with

⁶¹ Data at Group level and by category calculated with average headcount for 2020; data by gender calculated with actual headcount as at 31/12/2020.

regard to employee training, again in 2021 reskilling campaigns in the areas of Quality, Manufacturing and Sales were particularly important.

Health, Safety and Environment topics accounted for 14% of the total training.

In line with the major digital transformation processes underway in the company, training processes have also been progressively involved in digitalising content relating to both basic skills and innovation, so as to allow it to be used more widely, quickly and in a more engaging way. In 2021, 62% (49% in 2020) of staff training hours were carried out in virtual mode, both synchronously and asynchronously, confirming the progressive importance assumed by the digital format in training activities.

Listening: Group Opinion Survey

Pirelli has used the climate survey tool (internally called “My Voice”) for years as a tool for actively listening to its employees around the world, on the basis of which to set up group and local improvement plans.

During the years 2020 and 2021, characterized by the Covid-19 health emergency at a global level, the main effort of the company was to keep its employees engaged through the direct and more massive use of corporate welfare proposals both of collective type and with new services to support the person, to respond to the specific needs that emerged in this difficult period. In fact, new welfare services have been introduced, also offered in virtual mode, such as online edutainment programs for employees’ children, counseling “counters” to support care givers, training sessions, virtual and face-to-face, both on themes of mental and physical wellbeing and digital wellbeing, mindfulness and physical activity courses for wellbeing (yoga, stretching, ...).

In some countries, such as Brazil in the latter months of 2020, specific listening programs were also activated to collect perceptions of how people were experiencing the particular moment of the pandemic and what support actions could be implemented. A new survey was made after a few months, reporting important improvements on various satisfaction indicators (the factors increased

The trend already started in recent years of offering a broad and customisable corporate welfare, suitable for finding the best solutions to cover all people’s new needs, has therefore been further consolidated in 2021, characterising this area as a predominant lever of engagement with workers and a tool to help them adapt constructively and effectively to a constantly changing scenario.

The engagement activities for 2022 will still be focused on the wellbeing of people, also through targeted listening initiatives, on the basis of which specific actions will then be implemented. Other engagement programs, aimed at supporting motivation, passion and energy in people, may be gradually activated in relation to the challenges that the company will face.

Welfare and Initiatives for the Internal Community

For years, Pirelli has had the organisational figure of the “Group Welfare Manager”, who is entrusted with the supervision of welfare activities, jointly with the many central and local functions concerned, including Health and Safety at Work, Industrial Relations, Sustainability, Human Resources and Organisation.

The welfare initiatives that Pirelli offers to its employees vary from country to country, in accordance with the specific regulatory, social and cultural environments in which the affiliates operate. In any case, they implement the shared guidelines at Group level since 2016, so that all the offices of the world are progressively committed to locally adopting activities, tools and welfare processes aimed at creating collaborative environments and ensuring adequate support for the needs of a personal life.

Welfare activities activated at Pirelli affiliates around the world are attributable to four macro areas of action:

- health and wellbeing (e.g. health care, information and awareness-raising campaigns, specific initiatives to improve the wellbeing of employees);
- family support (e.g. scholarships, summer camps for employees’ children, inter-company crèche and specific activities to support parenting);
- free time (e.g. open days, sporting and cultural activities, online portals of products and services with significant employee deals and discounts);
- working life and working environments (e.g. flexible working hours, individual development training, cultural growth and group celebrations).

All Group affiliates have the opportunity to share local best practices through a special section dedicated to welfare on the corporate Intranet.

Periodic surveys verify employee satisfaction with the services offered, and particular appreciation is expressed for health care. Pirelli has always provided infirmaries at all production units, where health workers and specialist doctors are available to all employees for visits and examinations during working hours. In addition to first aid and periodic health surveillance, these facilities also provide advice on non-work-related health problems.

A great deal of attention has been paid to preventive measures against Covid-19 at work sites worldwide. At production sites, where permitted by law, testing and/or vaccinations against COVID-19 were carried out at in-house medical facilities.

In addition, the pandemic period further confirmed the centrality of people’s wellbeing, which is a qualifying constituent element of the relationship between people and the company, as well as a generator, like other factors, of motivation and engagement, in addition to being a strategic lever for attracting and retaining people. In this regard, in 2021 the company will once again implement

specific strategies to provide psycho-physical support to people. These include online yoga, pilates and stretching courses, periodic conferences to raise awareness of health, wellbeing and prevention issues, and projects dedicated to parents, who are under particular pressure during periods of remote working and distance learning. New projects launched in 2021 in Italy and being proposed to the other countries in the Group include:

- “Parents in Action”: a parenting support course dedicated to parents/workers interested in enhancing, in the professional and personal spheres, the skills acquired through their experience and to all those interested in highlighting the key skills of the parent and how to make the most of them in their daily work;
- “Smart Living”: a course available to all employees based on Positive Psychology to regain confidence, personal and social energy and train to deal with changes and uncertainties with a mind-set capable of transforming critical situations into opportunities for growth.

Industrial Relations

The Industrial Relations policy adopted by the Group is based on respect for constructive dialogue, fairness and roles. Relations and negotiations with trade unions are managed locally by each affiliate in accordance with the laws, national and/or company-level collective bargaining agreements, and the prevailing customs and practices in each country.

At this local level, these activities are supported by the central departments, which coordinate the activities and ensure that the aforementioned principles are observed throughout the Group.

Industrial Relations also have an active role in the Group’s commitment in terms of health and safety, with an equally active participation on the part of the unions and workers. In fact, 79% of the Group’s employees are covered by representative bodies that periodically, with the Company, monitor and address current topics as well as and awareness and intervention plans/programmes aimed the improvement of the activities carried out to safeguard the health and safety of employees.

In compliance with the principle of constructive and timely dialogue with employees, with the aim of a reduction of social impacts, in all cases of corporate reorganisation and restructuring, workers and their representatives are informed in advance, with deadlines that vary from Country to Country in full compliance with local legislation, current collective agreements and trade union agreements.

During the year, the Company worked at an international level to rebalance the level of employment, aligning it to the volume requirements resulting from the drop in the market relating to the Covid-19 pandemic. This organisational rationalisation action was managed in agreement with the trade unions, using natural turnover and the use of tools to minimise social impact, in full compliance with local legislation, collective contracts in force and trade union agreements.

During 2021, the Company proceeded to renew the collective agreements expiring in Romania, Argentina and Mexico, without any conflict.

European Works Council (EWC)

Pirelli European Works Council (EWC), formed in 1998, holds its ordinary meeting once a year after presentation of the Group Annual Financial Report, where it is informed about the operating performance, operating and financial forecasts, investments made and planned, research progress and other matters concerning the Group.

The agreement establishing the EWC provides for the possibility of holding other extraordinary meetings to fulfil the information requirements of delegates, in light of transnational events concerning significant changes to the corporate structure: opening, restructuring or closing of premises, important and widespread changes in work organisation. EWC delegates are provided with the IT tools they need to perform their duties and a connection to the corporate Intranet system, for the real-time communication of official Company press releases.

Compliance with statutory and contractual obligations governing overtime, leave, association and negotiation, equal opportunities and non-discrimination, bans on child and forced labour

Governance to protect Human Rights and Labour is the subject of Pirelli's Code of Ethics and specific Policies adopted by the Company, in particular the "Social Responsibility Policy for Health, Safety and Rights at Work, Environment", the "Global Human Rights" Policy, the "Equal Opportunities Statement" and the "Health, Safety and Environment" Policy. All the aforementioned Policies are public and have been communicated in the local language to employees. Moreover, from 2004 Pirelli has adopted the requirements of Standard SA8000® as a reference tool for managing Social Responsibility at its Affiliates and along the supply chain.

The Management of Diversity and Equal Opportunities, and responsible management of the supply chain in the field of human rights and labour are addressed in the sections "Diversity, Equity and Inclusion" and "Our Suppliers" in this Report, to which reference should be made for further details.

Pirelli approach has always promoted compliance with all legal and/or contractual requirements concerning working hours, the use of overtime and the right to regular days of rest. These requirements are often the subject of agreements with trade unions, in line with the regulatory situation in each country. The use of all holiday days, as a right of every worker, does not have any restrictions and the period is generally agreed between employee and company.

In addition to the trade union dialogue and coordination between the Headquarters and local functions, Pirelli verifies the application of the provisions on the respect of human and labour rights to its affiliates through periodic audits performed by the Internal Audit Department, in compliance

with a three-year auditing plan to cover all the Company’s sites. Normally every audit is carried out by two auditors and takes around three weeks on-site. The Internal Audit Team received training on the environmental, social, labour and business ethics elements of an audit from central function directors to enable them to carry out an effective, clear and structured audit, granting Pirelli effective control over all aspects of sustainability. Based on the results of these audits, an action plan is agreed between the local managers and central management, with precise implementation dates and responsibilities and follow-up verification. The auditors carry out verifications on the basis of a checklist of sustainability parameters deriving from the SA8000® Standard and the Pirelli Policies mentioned above. All managers from the affiliates involved in the audits are adequately trained and informed on the audit purpose and procedures by the applicable central functions, in particular Sustainability; Purchasing; Health, Safety and Environment; Industrial Relations, and Compliance.

Focus: Internal audits

Year	Countries
2014	Italy, United Kingdom and China
2015	Mexico, Russia (Voronezh plant) and United Kingdom
2016	Germany, Russia (Kirov plant) and United Kingdom (follow-up)
2017	Argentina, Brazil (Campinas and Feira de Santana plants), Mexico, Romania and USA
2018	France, China (Yanzhou plant)
2019	China (Jiaozuo plant), Russia (Voronezh plant) and Singapore
2020	Remote monitoring of action plans agreed in the preceding audits
2021	Germany, Russia (Voronezh plant)

Non-conformities identified as a result of audits carried out during 2021 are the subject of action plans agreed between local managers and central management and are followed up by the Internal Audit Function. It should be noted that in 2021 - as in the audits carried out in previous years - no violations of the ILO Core Labour Standards were found, with specific reference to forced labour, child labour, freedom of association and bargaining, and non-discrimination. Consequently, no remedial plan and related corrective actions were required.

Labour and social security lawsuits

In 2021, as in previous years, the level of work and social security litigation at Group level remained low. The level of litigation remains high in Brazil, as in previous years, to the point of representing more than 80% of all the labour lawsuits currently pending against the entire Group. Labour lawsuits

are extremely common in this country and depend on the peculiarities of the local culture. As such, they affect not only Pirelli but also other multinational companies operating there. Labour lawsuits are generally initiated when an employment contract is terminated, and they usually involve the interpretation of regulatory and contractual issues that have long been controversial. The Company has made a major commitment to prevent and resolve these conflicts – to the extent possible – including through settlement procedures.

Unionisation levels and industrial action

It is impossible to measure the precise percentage of union membership at Group companies, since this information is not legitimately available in all countries where Pirelli has a presence.

However, it is estimated that more than 50% of Pirelli employees are members of a trade union. As to the percentage of workers covered by collective agreement, in 2021, as in 2020 it stood at 79% (vs. 78% in 2019). This figure is associated with the historical, regulatory and cultural differences between each country. Collective agreements to be renewed in 2020 were renewed without any conflict and strikes.

Supplementary pension plans, supplementary health plans and other social benefits

The Group has defined contribution and defined benefit funds, with a substantial prevalence of the former kind over the latter. To date, the only defined benefit plans are:

- in the United Kingdom, where the fund relating to the tyre business has been closed to new employees since 2001 for the introduction of a defined contribution scheme (and closed to future accumulations for all active employees as at 1 April 2010), while the funds related to the cable business sold in 2005 were closed to future accumulations in the same year;
- in the United States, where the fund was closed in 2001 (since 2003, it has not been tied to salary increases) for the introduction of a contribution scheme (and only applies to retired employees);
- in Germany, where the fund was closed to new hires from 1982.

Other defined benefit plans exist in Holland and Sweden, but they represent a relatively insignificant liability for the Group.

The Group also maintains various supplemental Company medical benefit plans at its affiliates according to local requirements. These healthcare schemes vary from country to country in terms of allocation levels and the types of coverage provided. The plans are managed by insurance companies or funds created ad hoc, in which the Company participates by paying a fixed amount as is done in Italy, or an insurance premium as is done in Brazil and the United States. For the

economic-equity measurement of the above benefits, reference is made to the Consolidated Financial Statements, notes “Employee funds” and “Personnel Costs” within this Annual Report.

The social benefits recognised by Pirelli in favour of employees (including life insurance, invalidity/disability insurance and additional parental leave) are generally granted to all employees, regardless of the type of permanent, fixed-time or part-time contract, in compliance with company policies and local union agreements.

Occupational Health, Safety and Hygiene

Management model and system

Pirelli’s approach to responsible management of occupational health, safety and hygiene is based on the principles and commitments expressed in “The Values and Ethical Code” of the Group, in the “Health, Safety and Environment Policy” in the “Global Human Rights Policy” and in the “Quality Policy”, in accordance with the Sustainability Model envisaged by the Global Compact of the United Nations, with the “Declaration of the International Labour Organization on fundamental Principles and rights at Work” and with the “Universal Declaration of Human Rights” of the United Nations. The reference tool since 2004 is also the SA8000[®] standard. In particular, the “Health, Safety and Environment Policy” makes Pirelli’s commitment to:

- manage its activities regarding health and safety protection at work in compliance with the laws and all the commitments entered into, as well as according to the most qualified management international standards;
- pursue objectives of “no harm to people”, by implementing actions for early identification, assessment and prevention of risks for health and safety at work aimed at a continuous reduction in the number and severity of injuries and occupational illnesses, activating health surveillance plans in order to protect workers from specific risks associated with their business duties;
- develop and implement emergency management programmes to prevent and avoid harm to persons;
- define, monitor and communicate to its Stakeholders specific objectives of continuous improvement of health and safety at work;
- empower, train and motivate its employees to work safely involving all levels of the organisation in an ongoing programme of training and information, aimed at promoting a culture of safety at work;
- promote information and awareness-raising on health and safety issues;

- provide its employees with ongoing and concrete support aimed at facilitating the work-life balance;
- manage its supply chain responsibly by including issues of health and safety at work in the supplier selection criteria, the contractual clauses and the audit criteria, also requiring suppliers to implement a similar management model in their supply chain (for an outline on responsible management of the supply chain, reference is made to the paragraph “Our Suppliers”);
- make available to all its Stakeholders a channel (the “Whistleblowing Policy” published on Pirelli’s website) dedicated to reporting, even anonymously, of any situations that constitute or may constitute a risk for the protection of the health, safety and well-being of people (reference is made to the Paragraph “Focus: Reporting Procedure - Whistleblowing Policy” of this Report for an outline of reports received in the last three years, none of which regarding health and safety).

All the Documents mentioned above are communicated to Group employees in their local languages and are published in the Sustainability section of Pirelli website, which should be consulted for full display of the content.

At all of its production sites, Pirelli voluntarily adopts an occupational health and safety management system structured and certified according to Standard ISO 45001/:2018. All certificates are issued with ANAB international accreditation (ANSI-ASQ National Accreditation Board - US accrediting body). The occupational safety management system, applied without exclusion to all processes and activities at each production site, was developed in compliance with procedures and guidelines elaborated centrally in order to consolidate a “common language” that guarantees sharing, alignment and effective management in the Group. The development and continuous improvement of the management system is carried out both centrally and locally by the internal Health & Safety functions with the involvement of all relevant functions. Improvement is based on the continuous application of cycles of action planning, programme implementation, verification of results and, based on these, implementation of improvement.

In 2021, the migration of health and safety management systems from the OHSAS 18001:2007 standard to ISO 45001:2018 was completed, meaning that all production sites are now certified according to ISO 45001:2018.

In 2021, the coverage of the safety management system (certified according to ISO 45001/:2018) and subject to internal and third-party audits is as follows:

COVERAGE OF THE MANAGEMENT SYSTEM	Employees	Agency workers	Contractors
Number of workers covered by the management system	24,995	200	n.d. ⁶²
Percentage of workers covered by the management system out of total number of workers	82%	97%	100% ⁶³

Safety Culture and Governance

The “Zero Accidents Objective” represents a precise and firm corporate position. From an industrial point of view, this objective is pursued through investments aimed at technical improvement of work conditions, while constantly insisting on the cultural and behavioural aspect of all Company players. This approach, together with the involvement and continuous internal dialogue between management and workers, has led over time to a sharp decline in injury rates.

In pursuit of this goal of zero accidents, through a process of continuous improvement and constant prevention, all leaders are involved and given responsibility, and are given a trend to improve the accident frequency index to pursue through action plans within their sites.

Business review meetings are held fortnightly at local, regional and global level, where health and safety issues, performance trends and improvement programmes are discussed - at the top of the agenda - to ensure continuous comparison and monitoring. These meetings allow information to be shared across the board and involve Human Resources, Health and Safety and Top Management at several levels (local, regional and global), including members of the Executive Board.

At local level, in each individual production unit, with a view to involvement and participation, periodic meetings are held with workers’ representatives (Health & Safety Committee), with the aim of illustrating, on the basis of the Health & Safety Management System, the activities carried out and those planned and to provide the results of risk assessments in the workplace.

To support this model, in 2013 the Company signed an agreement with DuPont Sustainable Solutions for the global implementation of the “Excellence in Safety” Programme. The Programme began in 2014 and has gradually been extended to all the Group’s production sites.

The most important areas of intervention of the “Excellence in Safety” Programme, relate to the improvement of the governance of safety, the clarity of the tasks and roles, empowering of all workers, improving communication within the organisation, the sharing of objectives, motivation with respect to a common strategy: all substantial issues for a work environment that is appropriate and

⁶² Figure not available.

⁶³ This value is possible because the hours worked by employees of contractors at Pirelli sites refer exclusively to sites with a certified safety management system. Contractors working in offices are excluded from the calculation because their number is negligible compared to contractors working at production sites.

stimulating, in which workers feel involved and valued in safety management. Thanks to information, communication and training actions, everyone is encouraged to report any anomaly and/or unsafe condition in order to promote participation in continuous improvement and the removal of any potential cause of an accident. All reports, as well as real or potential accidents, are managed according to specific procedures aimed at analysing the causes and defining corrective and risk mitigation actions, involving all functions.

Each site sets up a *Central Safety Committee* made up of the heads of functions including Human Resources and Organisation, Health, Safety and Environment, and of which the Plant Manager is the coordinator. This Committee, which meets at least quarterly, analyses health and safety issues, directs the actions of the local Excellence in Safety programme and governs its progress. In a co-ordinated manner, various thematic sub-committees are also set up, which carry out continuous work in relation to the characteristic themes of the site.

The dissemination and sharing of the Safety Culture is also supported by the regular newsletters like the *Safety Bulletin*, and the sharing of significant events through the traditional channels of internal communication.

Risk prevention, protection and management

Specific procedures for managing all risk issues are developed in accordance with international standards and reference norms that are applied and translated at each site, integrating compliance with local regulations. The procedures, also developed with the collaboration of the relevant functions, systematically define the requirements for risk analysis, risk management methods and design requirements to ensure that hazards are reduced at source. The risk analysis activity leads to the definition of risk reduction programmes and actions pursued at each site and kept under control by specific site committees. In addition, processes of preventive analysis and release on new projects are applied in order to ensure risk management in all phases of development and implementation of new machines and plants. These approaches make it possible to implement risk elimination and reduction logics in priority to the mitigation and containment strategies implemented. The procedures are reviewed and updated in the event of regulatory changes, technological or process changes and following the analysis of incidents.

Risk management related to commercial supplies of raw materials, services and equipment is governed by safety and acceptability requirements included in the general conditions of supply. All chemical substances and products used are subject to prior HSE assessment (see section “ESG elements in the purchasing process” of this Report) and all equipment is subject to conformity analysis and risk assessment before being put into production. Safety management in supplier activities on sites is regulated by procedures specifying coordination requirements, prior risk analysis and work authorisation.

The year 2021, like 2020, was characterised by the Covid-19 pandemic, which saw a particular focus of Health & Safety activities on managing prevention measures, protecting the health of personnel

and ensuring safety conditions at all Pirelli sites. To manage the risk of Covid-19 infection, risk analysis procedures and action plans were developed and applied to ensure the health of workers and safe and secure work environments.

All Pirelli production sites are served by occupational medicine facilities that employees can access freely and which are managed by specialised medical and/or paramedical personnel with independent management (guaranteeing privacy) of the doctor-patient relationship. These services operate in coordination with the safety management functions and with company management to provide the necessary support for general risk prevention actions and guarantee the necessary health surveillance to protect workers. These services do not only focus on occupational medicine but also offer health care to all staff in compliance with local regulations. As for 2021, they focused on supporting employees in the particular pandemic context due to Covid-19, providing medical support and assistance (also outside the workplace) in health cases that occurred and with particular attention to employees with particular physical frailties.

Safety training

Around 14% of the total training provided by Pirelli in 2021 concerned occupational health and safety issues. Each site designs, plans and delivers safety training on the specific risks present, the particular need to update and comply with regulatory obligations, trends in accident indicators and the evolution of site activities and processes. The characteristic themes of this training concern general safety concepts including obligations, responsibilities and protection concepts, the treatment of all work-related risks present at the site, safety operating procedures, golden rules, emergency procedures, the Excellence in Safety programme mentioned above and the application of its operating tools, accident notification and management procedures, and safety procedures and standards for managing emergencies from Covid-19.

In addition to safety training offered locally at every Pirelli location (illustrated previously in the paragraph dedicated to Training), there are Group activities and projects, which simultaneously target several countries and which allow an alignment of culture and vision, fully benefiting pursuit of the Company's own improvement targets. The Manufacturing Academy merits a special mention. This is Pirelli Professional Academy dedicated to the sphere of factories, where health, safety and environment issues are discussed in detail.

Monitoring of health and safety performance and main indicators

Alongside establishing specific guidelines and procedures for implementing management systems, Pirelli uses the web-based Health, Safety and Environment Data Management (HSE-DM) system, prepared and managed centrally by the Health, Safety and Environment Department. This system makes it possible to monitor HSE performance and prepare numerous types of reports as necessary for management or operating purposes.

The HSE-DM system collects all information on accidents and special situations that occurred in factories, fitting units, sales centres, and warehouses managed directly by Pirelli, including the various categories of workers (agency workers and contractors operating at Pirelli sites). All sites have access to information on the most significant accidents or near misses through the receipt of Safety Alerts by the HSE-DM system, so that an internal analysis can be conducted to verify whether similar conditions exist and, if necessary, to implement appropriate corrective action.

The performances reported below are for the three-year period 2019-2021 and cover the same scope of the Group's consolidation.

In March 2021 Pirelli presented its 2021-2022 Industrial Plan with Vision 2025 indicating, for 2022, an accident frequency index $IF \leq 0.15$ for 100,000 worked hours (or $IF \leq 1.50$ for 1,000,000 worked hours⁶⁴) and for 2025 an accident frequency index ≤ 0.10 for 100,000 hours worked (or $IF \leq 1.00$ for 1,000,000 worked hours).

The frequency index is calculated as "Lost Time Index Frequency Rate - LTIFR" or considering the sum of injuries with at least one day of work lost⁶⁵.

In 2021, Pirelli registered an LFITR of 0.21, when referring to 100,000 worked hours, or 2.07 if referred to 1,000,000 worked hours, with a decrease of 4.5% compared to 2020. The most representative accidents are those involving contusions, cuts, fractures and sprains.

The accident frequency index for accidents involving an absence from work of more than 6 months in 2021 is 0.28 for Pirelli employees (based on 1,000,000 worked hours) and zero for temporary workers.

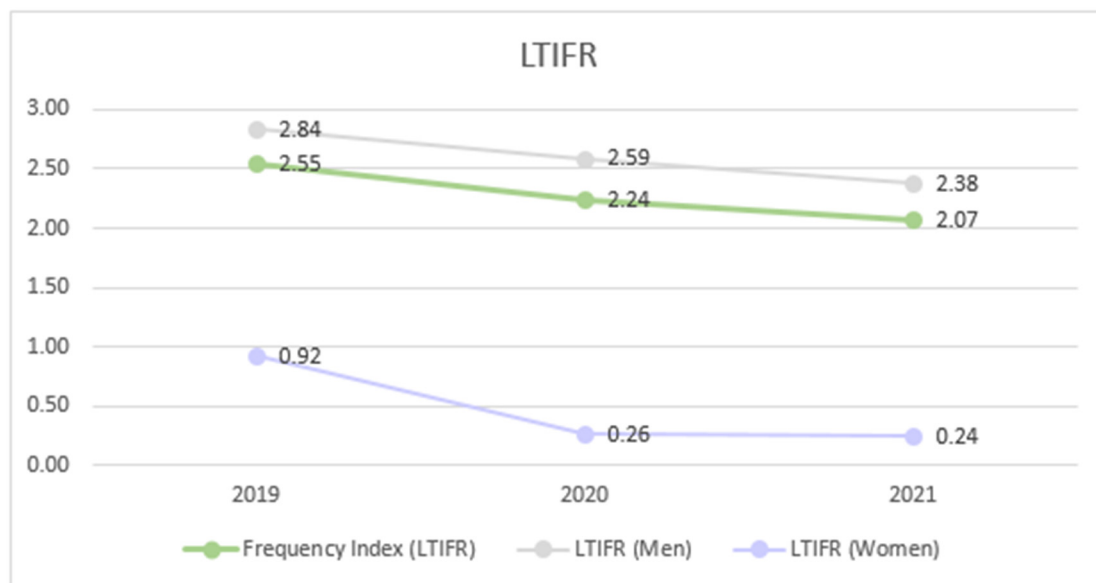
In the mapping of all hazards and on the basis of the accident trend, the main hazard identified as potentially at risk of accidents with serious consequences relates to the mechanical risk, which was the main contributor to the accidents that occurred in 2021. Actions are constantly underway to reduce the mechanical risk at source, through investment in machinery safety, and to manage residual risks by defining safety operating procedures and continuous staff training.

For 2021, in line with the previous financial years, the LTIFR index for women was decidedly lower than the value relating to men, also in relation to the fact that the female population is generally

⁶⁴ In accordance with the GRI reporting standards, the frequency index and the resulting target value is reported with reference to 1,000,000 hours worked.

⁶⁵ Accidents without lost days are not considered in the calculation of the LTIFR.

engaged in activities with a lower risk than those of the male population. The graph below shows the trend of LTIFR values by gender over the last three years:



LTIFR = number of injuries with at least one person/number of hours effectively worked x 1,000,000

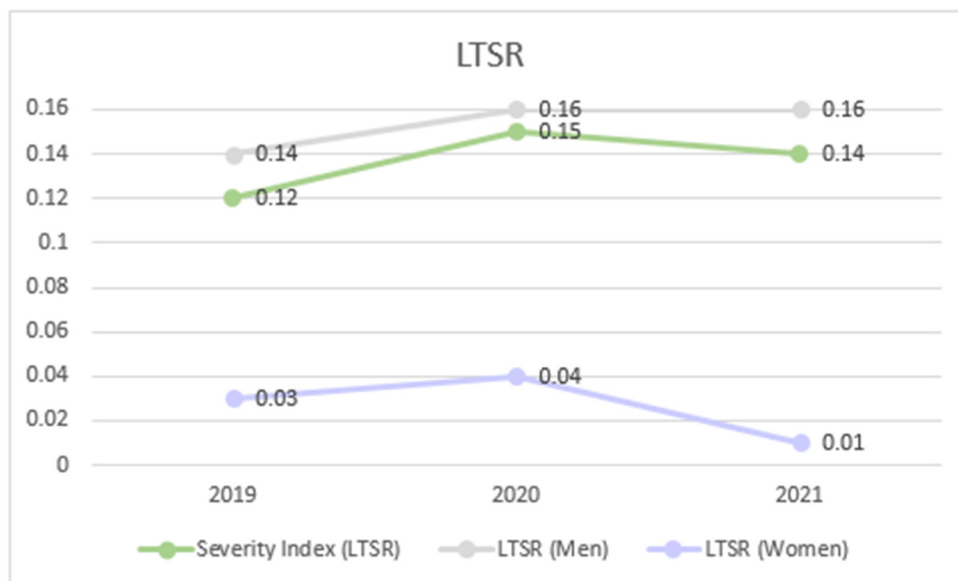
The following table summarises the distribution of the Frequency Index by geographical area:

FREQUENCY INDEX	Europe	North America	South America	Russia, Nordics & MEAI	Asia Pacific
2019	3.34	1.65	3.46	1.47	0.22
2020	3.18	2.04	2.69	1.31	0.11
2021	2.27	2.63	2.84	1.58	0.11

LTIFR = number of injuries with at least one person /number of hours effectively worked x 1,000,000

The injury **Severity Index**, or The Lost Time Severity Rate (**LTSR**) is calculated as the number of days of absence, starting from the first day after the accident / number of hours actually worked x 1,000.

The LTSR in the Group in 2021 was 0.14, decreasing of 6.7% from the previous year.



LTSR = number of days of absence, starting from the first day after the accident/number of hours effectively worked x 1,000

The following table summarises the distribution of the LTSR Severity Index by geographical area:

LTSR INDEX	Europe	North America	South America	Russia, Nordics & MEAI	Asia Pacific
2019	0.13	0.07	0.19	0.11	0.01
2020	0.20	0.11	0.20	0.09	0.00
2021	0.11	0.14	0.28	0.11	0.001

LTSR = number of days of absence, starting from the first day after the accident/number of hours effectively worked x 1,000

With reference to commuting accidents (not included in the calculation of the LTIFR and LTSR indices mentioned above), the following tables show the total number registered by the Group in the last three years and the distribution by geographical area of the cases.

COMMUTING ACCIDENTS	2019	2020	2021
	117	52	59

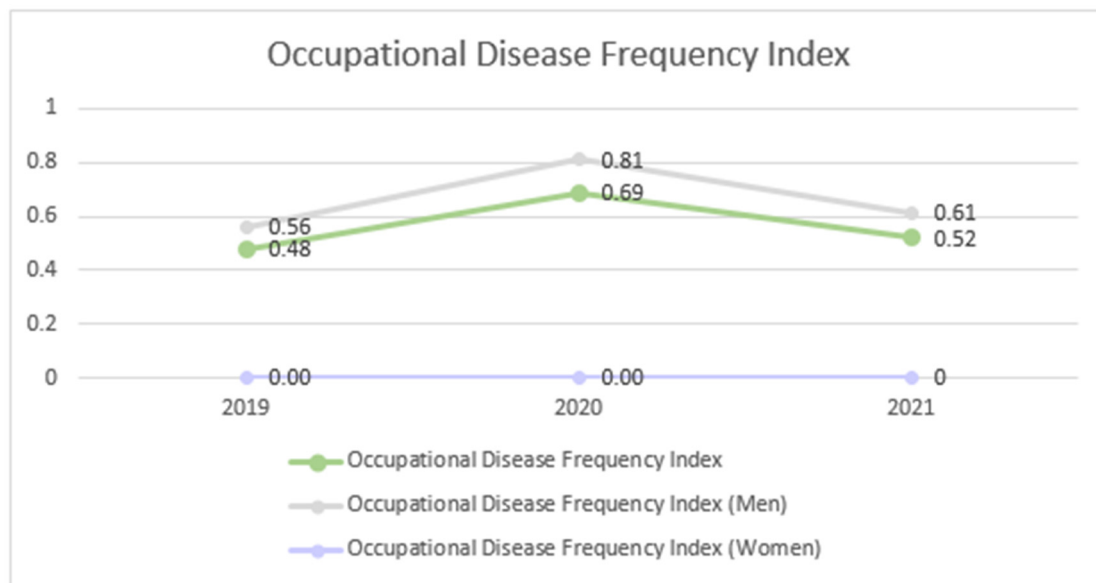
COMMUTING ACCIDENTS	Europe	North America	South America	Russia, Nordics & MEAI	Asia Pacific
2019	35	43	39	0	0
2020	15	3	34	0	0
2021	21	28	10	0	0

There are no activities with a high incidence of occupational diseases. The hazards identified as a potential source of occupational disease determined on the basis of risk assessments conducted concern the manual handling of loads, exposure to noise and the handling of chemicals. The main

types of occupational diseases recorded in Pirelli employees relate to musculoskeletal disorders and hearing loss. There are no known cases of death due to occupational diseases in the last three years, nor are there any cases of occupational diseases recorded in contractors.

With regard to the Occupational Diseases Frequency Index, it is calculated as the number of occupational diseases / number of hours actually worked x 1,000,000.

The Frequency Index for occupational diseases in 2021 stands at 0.52.



Occupational Disease Frequency Index = number of occupational illnesses/number of hours effectively worked x 100,000,000

The following table summarises the distribution by geographical area of the Frequency Index for occupational diseases:

OCCUPATIONAL DISEASES FI	Europe	North America	South America	Russia, Nordics & MEAI	Asia Pacific
2019	0.22	0	1.45	0	0
2020	0.26	0	2.23	0	0.11
2021	0.04	0	1.85	0.20	0

Occupational disease frequency index = number of occupational diseases / number of hours actually worked x 1,000,000

Continuous improvement programmes are aimed, with reference to the sources of occupational disease, at increasing the ability to identify ergonomic risk and consequent technological improvement, favouring where possible automation and design integrated with the ergonomic requirements of machines. These actions aimed at reducing the risk at source are in any case complemented by training and organisational measures to encourage safety and prevention behaviour.

With regard to accidents involving agency workers, the Frequency Index (FI) is calculated as the “Lost Time Index Frequency Rate - LTIFR”, i.e. considering the sum of accidents with at least one

lost working day. The tables below show the number of accidents⁶⁶ recorded in the last three years and the distribution of the index by gender and then by geographical area.

ACCIDENTS OF AGENCY WORKERS	2019	2020	2021
Number	5	3	5
LTIFR agency workers - Men	5.46	2.96	7.75
LTIFR agency workers - Women	4.38	0.00	0.00

LTIFR = number of accidents with at least one person/number of hours effectively worked x 100,000,000

ACCIDENTS OF AGENCY WORKERS	Europe	North America	South America	Russia, Nordics & MEAI	Asia Pacific
2019	3	2	0	0	0
2020	0	2	1	0	0
2021	0	0	5	0	0
LTIFR agency workers 2019	59.98	48.00	0.00	0.00	0.00
LTIFR agency workers 2020	0.00	46.70	1.11	0.00	0.00
LTIFR agency workers 2021	0	0	13.50	0.00	0.00

LTIFR = number of accidents with at least one person/number of hours effectively worked x 100,000,000

The LTIFR index of injuries relating to employees of suppliers operating at the Group's production sites stood at 0.97 in 2021. The data for the last three years and the distribution of cases by geographical area are shown below.

LTIFR CONTRACTORS	2019	2020	2021
	1.28	1.30	0.97

LTIFR = number of accidents with at least one person/number of hours effectively worked x 100,000,000

LTIFR CONTRACTORS	Europe	North America	South America	Russia, Nordics & MEAI	Asia Pacific
2019	1.95	0.93	0.82	1.04	0.00
2020	1.77	1.58	1.67	0.00	0.00
2021	1.40	1.03	0.33	1.11	0.00

LTIFR = number of accidents with at least one person/number of hours effectively worked x 100,000,000

⁶⁶ Calculated on 1,000,000 hours worked; The frequency index "Lost Time Index Frequency Rate - LTIFR" is calculated using the sum of accidents with at least one day of work lost.

Below are the figures relating to fatal accidents recorded in the last three years with reference to Pirelli employees, agency workers and employees of suppliers operating at Group production sites.

FATAL ACCIDENTS (AND FATALITY RATE⁶⁷)	2019	2020	2021
Pirelli employees	1 (0.017)	0 (0)	0 (0.017)
Agency workers	0 (0)	0 (0)	0 (1.420)
Contractors	0 (0)	0 (0)	0 (0.088)

The whole organisation is committed to ensuring that fatal accidents do not occur and reaction and improvement plans are constantly implemented and pursued.

Focus: towards the “Zero Accident Objective”

19 Pirelli manufacturing plants were named “sites of excellence” in 2021, since no employees were injured there during the year:

Unit	Industrial sites
Plants	Jiaozuo, Bollate, Bicocca Next Mirs, CMP
Fitting unit	Camacari, Sorocaba, Hurlingham, Goiana, Ibirite, Sao Jose dos Pinhais
Logistics - TLM	TLM Barueri, TLM Santo Andre, TLM Cabreuva, TLM Feira de Santana, TLM Gravatai, TLM Campinas
Other	St. Andrè HQ, Elias Fausto HQ, AGOM

Health and safety investments

In the three-year period 2019-2021, investments in health and safety by the Group exceeded €35 million, of which over €15 million was invested in 2021.

The investments made targeted improvements on machines and plants and, more in general, the workplace environment as a whole (including improvement of microclimate and lighting conditions, changes in layout for ergonomic improvement of activities, measures to protect the healthiness of the infrastructure).

⁶⁷ Fatality rate = number of deaths / total hours worked * 1,000,000.

EXTERNAL COMMUNITY

Institutional Relations of the Pirelli Group

Pirelli's institutional relations are underpinned by criteria of maximum transparency, legitimisation and responsibility, both with regard to information disseminated in public offices, and to relationships managed with institutional interlocutors in line with the Code of Ethics, the *Institutional Relations - Corporate Lobbying Policy* and the *Group Anti-Corruption Compliance Programme* (documents published on Pirelli website) as well as in line with the principles of the *International Corporate Governance Network (ICGN)* and in compliance with the laws and regulations in force in the countries where Pirelli operates.

The goal of the Institutional Affairs Department is to create corporate value through the management of structured relations with reference stakeholders in all countries where Pirelli operates.

In the area of institutional relations, Pirelli acts above all via active monitoring and in-depth analysis of the institutional and legislative context, as well as identifying the applicable Stakeholders. The activity of Institutional Affairs also includes an in-depth analysis of the global political and economic dynamics, linked to the development of the main topics of corporate interest, and benefits from collaborations with selected think tanks of international prestige. Among these are the collaborations with the Institute for International Policy Studies, the Institute for International Affairs, the Trilateral Commission and the Aspen Institute.

At an international level, Pirelli interacts with the main interlocutors present in the countries in which it operates with its own production sites. When necessary, the Group promotes initiatives directed towards mutual understanding and with the purpose of promoting representation of its own values and interests through a strategy based on a clear perception of the industrial targets and the development of the business. Among the various instruments of "economic diplomacy", in addition to the promotion of bilateral initiatives, Pirelli is active in certain Business Forums, including the Italo-Russian Business Committee (CIIR), of which it has held the Co-Chairmanship since 2020, the China Business Forum (BFIC), the Council for Relations between Italy and the United States, the Italy Mexico Business Forum and the Italy Thailand Business Forum.

As proof of the Group's continued commitment to strengthening relations with the countries in which it operates, Pirelli took part in official visits in 2021 with institutional representatives in Italy and abroad. In a context marked by the Covid-19 health emergency, a series of bilateral meetings were held, both virtual and in-person where possible, aimed at deepening the Group's industrial and commercial issues with significant institutional impacts. These included meetings with several representatives of the EU, USMCA, APAC and CSI blocs.

In China, the Group is committed to enhancing relations with local institutional interlocutors, particularly in areas where it is present with industrial sites, such as the Shandong Province and the Henan Province. During 2021 Pirelli maintained a dialogue with the main local institutions on multiple areas of interest, especially with a view to improving the quality and efficiency of the tyre industry in Shandong, with particular regard to safety and environmental dynamics. In the wake of the Covid-

19 health emergency, the Group committed itself immediately and in liaison with local institutions, with the primary objective of protecting the health of its employees and the community in which it operates. During 2021, Pirelli also strengthened its dialogue with key local institutions on multiple areas of interest and participated in the China International Import Expo (CIIE) in Shanghai.

In the United States, Pirelli is present with industrial and commercial activities, and carries out institutional relations by monitoring legislative and regulatory developments with impacts on the production, import and distribution of tyres in the territory. Pirelli is a member of the following trade associations: United States Tire Manufacturers Association (USTMA), Original Equipment Suppliers Association (OESA), American Sustainable Business Network (ASBN), Public Affairs Council, and Automotive Industry Action Group (AIAG). Within these associations Pirelli is active in promoting strategies consistent with Group sustainability policies, particularly commitments against climate change and in favour of social responsibility in the supply chain. In particular, Pirelli sits on the USTMA Sustainability Task Force, the AIAG Corporate Responsibility Steering Committee, the CSR Network of the Public Affairs Council and the SASB Standards Advisory Group. Consistent with Group policies, it does not participate in any political action committees in the United States and more generally does not contribute to election campaigns. Pirelli undertakes to check from time to time that the sustainability positions of the associations of which it is a member are consistent with Group positions.

Also in Brazil, Pirelli continued to celebrate the country's strong links with Italy, promoting, among others, meetings with institutional representatives at federal and central level. Pirelli also maintains relations with local institutions and associations to protect its industrial sites, distributed among the states of Sao Paulo, Bahia and Rio Grande do Sul. In these states, a series of initiatives are also developed to raise awareness on issues such as urban mobility, road safety, the protection of the territory and social and cultural promotion. In May, the Pan-American Circuit was inaugurated in the presence of the Governor of the State of São Paulo, João Doria, and local authorities. In Brazil, Pirelli is associated with and holds the chairmanship of the Board of ANIP (National Association of the Tyre Industry) with the objective of developing its identity and promoting the interests of the sector in institutional dealings with local governments. The Group is also associated with Reciclanip, which is active in the management of end-of-life tyres. Pirelli has recently taken up the vice-presidency of the Italian-Brazilian Chamber of Commerce, Industry and Agriculture (ITALCAM).

In the European context, one significant activity concerns Romania, where Pirelli maintains a constant dialogue with the main institutional interlocutors in order to accompany the phases of industrial development at the Slatina plant. Of particular relevance in 2021 is the relationship with the UK, including at the Preparatory Event for the United Nations World Climate Conference (pre-COP26).

As part of its relations with Turkey, the Group promotes a constant dialogue with the country's institutional representatives to accompany industrial activities and keep the monitoring of the country's economic and political environment alive.

In Russia, Pirelli promotes dialogue with institutional interlocutors in order to support the Group's industrial and commercial activities in the country. In May 2021, Pirelli co-chaired the first plenary

meeting of the renewed Italo-Russian Business Committee (CIIR). In July, Pirelli participated in the Innoprom International Trade Fair held in Yekaterinburg and inaugurated by Prime Minister Mishustin with the participation of Minister of Economic Development Giorgetti and Minister of Industry Manturov. Finally, Pirelli co-chaired the second plenary meeting of the Italo-Russian Business Committee (CIIR), held in Rome at the Ministry of Foreign Affairs and International Cooperation on the occasion of the Italo-Russian Council for Economic, Financial and Industrial Cooperation (CIRCEIF).

Relations with European institutions are focused on consolidating relations with institutional counterparts and stakeholders of reference, monitoring legislation and constantly representing the Group in associations. The ongoing dialogue and discussion with representatives of the European Commission, the Council and the European Parliament covers a wide range of topics of interest to the company. In 2021, the activity focused on regulatory and policy developments relating to the subjects of industrial policy, research and innovation, energy, climate and environmental transition, circular economy, transport and sustainable and intelligent mobility, technical regulations, internal market and consumers, digital international trade and bilateral agreements. Of particular interest was the implementation of policies linked to the Green Deal, the strategy for sustainable growth launched by the European Commission at the end of 2019, with specific reference to the 'Fit for 55' package proposed by the Commission in July 2021 to achieve the 2030 climate targets. The monitoring activity also concerned the initiatives undertaken at European level to combat the pandemic crisis and, in particular, the implementation of Next Generation EU, the temporary instrument to stimulate recovery, and the definition by the Member States of national recovery and resilience plans, functional to accessing funding under the plan. In the various stages of drafting and defining European legislation, Pirelli represents Group interests to European stakeholders. Pirelli is listed in the European Transparency Register, established by an inter-institutional agreement between the European Parliament and the European Commission.

In **Italy**, the Group continues to interact with a system of relations that involve the main institutional bodies, both at central and local level. The relations with the Ministry of Foreign Affairs and International Cooperation are particularly important in both central and peripheral areas, with which the information activity is constant with respect to Pirelli's global presence to support the enhancement of the interests of the Country system abroad. The Group's relations with the Italian Presidency, the Presidency of the Council, the Ministry of Economic Development, the Ministry of Economics and Finance and the Regions of Lombardy and Piedmont.

In December, on the eve of the 150th anniversary of the company's foundation, a Pirelli delegation was received by the President of the Republic, Sergio Mattarella, to commemorate the company's anniversary. In Italy, the Group is also always engaged in customary in-depth analysis of institutional importance concerning, in particular, issues relating to the Group's industrial presence; the promotion and strengthening of international relations in the countries where the Group operates with industrial sites; the analysis and in-depth study of the impacts related to the regulatory discipline of tyres and their entire life cycle; and other issues of road safety and environmental sustainability related to both production processes and the product.

Finally, in line with what is stated in the Code of Ethics, Pirelli “does not make contributions, advantages or other benefits to political parties and workers’ trade unions, or to their representatives or candidates, without prejudice to compliance with any applicable legislation”. For this reason, there are no contributions in these areas (zero).

For further details on the Financing received from the Public Administration and the amounts disbursed in 2021 to Trade Associations, please refer to the Economic Dimension Chapter, where this information is provided.

MAIN INTERNATIONAL COMMITMENTS FOR SUSTAINABILITY

The attention of Pirelli to sustainability is also expressed through participation in numerous projects and programmes promoted by international organisations and institutions in the area of social responsibility. A number of the principal commitments made by Pirelli worldwide are illustrated as follows.

UN Global Compact

Pirelli has been an active member of the Global Compact since 2004 and since 2011 has been part of the Global Compact Lead Companies. The Group endorses the “*Blueprint for Corporate Sustainability Leadership*”, which offers leadership guidelines envisaged in the Global Compact to inspire advanced and innovative sustainability performance in terms of management capacity for the creation of sustainable value. Since December 2019 Pirelli has also been on the Board of the Global Compact Network Italia.

In 2021, the Global Compact proposed a series of initiatives to provide support in the definition of strategies and partnerships for the pursuit of Sustainable Development Goals (SDGs) launched in September 2015 in New York with the aim of accompanying the activities of sustainable companies until 2030.

In this context, Pirelli participates to two action platforms:

- “*Decent Work in Global Supply Chain*”⁴: in December 2018 Pirelli and the other participating companies signed the “*Commitment to Action*”, publicly committing themselves to the sustainable management of their supply chains; as a result of the activities carried out by the working group in 2019, in February 2020 the digital platform “*Decent Work Toolkit for Sustainable Procurement*” was published, a tool aimed at supporting companies in integrating sustainability into the procurement process; during 2020 the group worked on several publications including the “*Leadership Brief Navigating Multi-tiered Supply Chains*” and “*Family-Friendly Workplaces*”; during 2021, the commitment continued and saw the publication of the report “*Nine Business Practices for Improving Safety and Health Through Supply Chains and Building a Culture of Prevention and Protection*”.

- “Sustainable Finance”: in September 2018 the working group presented its first publication “SDGs Bonds & Corporate Finance - A Roadmap to Mainstream Investments”; to this, several other publications on the subject were added during 2019. In December 2019 the platform launched the “CFO Taskforce for the SDGs”, which Pirelli joined as a Founding Member. The Taskforce is a collaborative platform that brings together leaders from different sectors and aims to develop innovative strategies for mobilizing finance towards sustainable development. In September 2020, the taskforce published the “CFO Principles on Integrated SDG investments and finance”, which aim to support the alignment of finance and investment practices with the SDGs through the implementation of best practices. In 2021, the “CFO Taskforce for the SDGs” was officially presented during the UN General Assembly.

Since 2014, Pirelli has been a Founding Participant of the SSE Corporate Working Group, the group of companies that provide their own evaluations and indications as part of the Sustainable Stock Exchanges (SSE) initiative promoted by UNPRI, United Nations Conference on Trade and Development, United Nations Environment Programme Finance initiative and the UN Global Compact. The initiative aims to increase the attention of world stock markets, investors, regulators and companies to the sustainable performance of companies.

Once again in 2021 Pirelli was recognised - the only one in the tyre sector worldwide - as part of the United Nations Global Compact Lead, which brings together the companies which have been identified as most committed at the global level to implementing the Ten Principles of the United Nations Global Compact as well as advancing global sustainability goals.

During 2021 Pirelli, with UNGCN Italy and other major Italian companies, worked on the drafting of the position paper “Italian Business and Decarbonization: a just and inclusive transition”, published in January 2022. The aim of the paper is to highlight the commitment of Italian companies adhering to the UN Global Compact on the issue of decarbonisation. Moreover, through an analysis of the governance and legislation on the matter at national and international level, the document also allows to focus on the challenges and opportunities for companies related to an action against climate change, as well as to formulate some guidelines for companies for the success of their Climate Action.

ETRMA – European Tyre and Rubber Manufacturers Association

ETRMA is the main partner of the EU institutions for the sustainable development of new European policies for the sector and for their proper implementation. With the institutional support of the Pirelli Group, during 2021 ETRMA carried out intensive advocacy activities, presenting to the European Commission the contribution of the sector in pursuing the Green Deal objectives, highlighting the role of the sector in creating a more environmentally friendly, safe, and efficient mobility, specifically on the contribution to CO₂ reduction through improved rolling resistance of tyres, improved road safety through new wet grip performance limits also for worn tyres, which also leads to a positive impact on the Circular Economy. The industry is also strongly committed to the development of a

robust tyre abrasion test methodology to support the European Commission's objectives of mitigating the emission of particulate matter into the environment.

The association continued to raise awareness of the European Commission and European Union Member Countries on the implementation of market surveillance for monitoring compliance with regulations on the general safety of vehicles and tyres and on energy efficiency, as well as the labelling of tyres in European Countries, labelling, which has been totally renewed since May 2021; also continuing was the strengthening of the partnership with the national associations of the sector of which Pirelli is an active member.

In 2021, the *Connected & Autonomous Driving* (CAD) group continued its intense work to respond to the new technological challenges affecting the mobility sector (connectivity, autonomous driving, cyber security, etc.) and their impact on tyres, with a particular focus on the methods for managing and exchanging data between the various players in the system, which led to high-level meetings with the European Commission in preparation for the enactment of related legislation.

To monitor and respond to the European Commission's sustainable finance legislation, the Taxonomy working group was activated with Pirelli's support.

The association ETRMA continues to work alongside the European Commission in defining policies on the Circular Economy with an impact on the sector and continues successfully to promote sustainable practices of producer responsibility for the management of tyres at the end of their life, thanks to which Europe maintains a recovery rate of over 90%, through strong collaboration with the various management consortia present in European countries. ETRMA's (and European) best practices in fact continue to be an international benchmark.

ETRMA maintains a proactive role in the development of cognitive studies regarding environmental issues, e.g. Tyre Road Wear Particles (TRWPs), micrometric particles produced by combined road and tyre wear during vehicle circulation, and health issues, e.g. granulated filler material obtained from end-of-life tyres for sports fields. With regard to TRWPs, ETRMA launched in 2018, with the support of CSR Europe, the *"European TRWP Platform"*, a multi-stakeholder initiative aimed at sharing scientific knowledge and engaging relevant Sectors and Organisations to define possible actions to mitigate the impacts of TRWPs. In 2019, the *"European TRWP Platform"* published the State of Knowledge (*"Scientific Report on Tyre and Road Wear Particles, TRWP, in the aquatic environment"*) and possible mitigation actions that can be taken by the various stakeholders about TRWPs (*"The Way Forward Report"*). A micro-site was also created⁶⁸ to provide information on TRWPs to the general public from root causes to the definition/implementation of mitigation actions, highlighting the multi-stakeholder nature of the phenomenon. The Platform's activities continued in 2021, with a series of three stakeholder meetings, which continued to share topics related to the scientific and policy aspects associated with TRWPs. In particular, the Platform hosted the theme of "lessons learned" from other sectors involved (e.g. textiles) on the issue of microplastics, a theme with which TRWPs have been associated, and of local authorities' initiatives on these issues, in order to exchange "best management practices" and identify possible synergies. Finally, the Platform's

⁶⁸ <https://www.tyreandroadwear.com/>.

activities were presented by ETRMA at the European SDG Summit 2021, through its contribution to the “European SDG Roundtable” Session with the presentation “Multistakeholder Actions to Address the Tyre Sector Sustainability Challenges”.

A section in the Environmental Dimension chapter of this Report is also dedicated to TRWP, to which reference should be made for further details.

WBCSD – World Business Council for Sustainable Development

Pirelli for years has been a member of the WBCSD (World Business Council for Sustainable Development). This is a Geneva-based association of about 200 multinational companies based in 8 regions of the world that have made a voluntary commitment to link economic growth to sustainable development. In particular, Pirelli endorses three projects: Tire Industry Project, Transforming Urban Mobility and Future of Work.

The Tire Industry Project (TIP), whose members account for approximately 65% of global production capacity of tyres, was founded in 2005 with the aim of meeting and anticipating the challenges related to the potential impacts on health and the environment of tyres throughout their life cycle. The project extends its evaluation activities to raw materials, TRWP (with research activities that have seen the completion of monitoring the impact of TRWP on air quality in the city of New Delhi, India) and nanomaterials. On the subject of TRWPs, in 2021 TIP continued its activity on the TRWPs characterisation methodologies to support their identification and quantification in environmental compartments (air, water, soil), whose results have been shared, as traditionally happens for TIP studies, with the scientific community through various publications in scientific journals with peer-reviewed editorial board. In 2021, TIP also supported the scientific community by defining a method for the preparation of rubber particles from tyre treads, in order to produce standard reference materials, very similar to TRWPs, to be used for further scientific studies: this initiative, which also saw the involvement of the United States Tire Manufacturers Association (USTMA) for the preparation of samples with this method, was presented at the 42nd International Conference of the Society of Environmental Toxicology and Chemistry (SETAC, US, 14-18 November 2021), with excellent reception from the research community.

On the issue of nanomaterials, in collaboration with the OECD (Organisation for Economic Cooperation and Development), TIP has developed a sector-specific guide⁶⁹ containing best practices of reference for the research, development and industrialisation of new nano-materials so as to ensure that the use of any nano-material is safe for people and the environment.

TIP supported the OECD by actively supporting the preparation of the guide “Moving Towards a Safe(r) Innovation Approach (SIA) for More Sustainable Nanomaterials and Nano-enabled Products” (published on 22 December 2020) which includes extremely topical elements, also related to the

⁶⁹ <http://www.oecd.org/chemicalsafety/nanosafety/nanotechnology-and-tyres-9789264209152-en.htm>.

emerging Safe and Sustainable-by Design (SSbD) theme, of certain importance for the debate launched in 2021 at the European Commission level.

TIP's collaboration with the OECD on the topic of nanomaterials has therefore continued through active support of the preparation of the guide "*Moving Towards a Safe(r) Innovation Approach (SIA) for More Sustainable Nanomaterials and Nano-enabled Products*"⁷⁰ (published on 22 December 2020). The new guide has, among other aims, that of helping the industry - not only the tyre industry - to implement a "*Safe(r) Innovation Approach for nanomaterials and nano-enabled products*", as well as including issues related to regulatory and "governance" strategies. TIP contributed with a specific annex (Annex 1) describing the case-study of the Tyre Industry, approaching the topic in line with the previous OECD sector specification on tyres and nanotechnologies, and sharing the experience of TIP research according to a whole life cycle approach.

During 2021, TIP also worked on the updating, to be released in 2022, of the "*product category rules*" (PCR) published in 2018, necessary to carry out the *life cycle assessments (LCAs)* of the product, as well as to develop the "*environmental product declarations (EPDs)*" for tyres, so that the results are comparable between the various manufacturers. With reference to the aggregated sector environmental reports, TIP has published the "*Environmental Key Performance Indicators for Tire Manufacturing 2009-2019*" which presents the environmental performance related to CO₂ emissions, energy consumption, water withdrawal and ISO 14001 certification of the environmental management systems of the factories where the members of TIP produce the tyres.

During 2021, TIP also continued its activities aimed at the international promotion of best practices on end-of-life tyre management, in terms of valorisation of recovery and reuse as a second raw material, in line with the principles of the Circular Economy. In particular, TIP has organised three stakeholder dialogues in the United States, Europe and China, in collaboration with local trade associations, with the aim of contributing to the promotion of ELT management at regional and local level by promoting and strengthening communication between the multiple stakeholders involved. This ongoing commitment has resulted in the publication of an "End-of-life tyre (ELT) management Toolkit" in 2021 with the specific objective of supporting the development and improvement of end-of-life tyre management systems. These activities represent the natural consequence of the analysis presented in the report "*Global ELT Management - A global state of knowledge on regulation, management systems, impacts of recovery and technologies*" was published, a document that presents the current state of end-of-life tyre management in 45 countries, together with an analysis of regulations, management systems and recovery methods.

An important goal achieved by the TIP was the publication in May 2021 of the Sustainability Driven - Accelerating Impact with the Tire Sector SDG Roadmap, which is Sustainable Roadmap for the sector, developed with the consultation of international stakeholders, publication that was presented through a dedicated webinar. The Roadmap identifies how the value chain interacts with the UN Sustainable Development Goals (SDGs), the areas where the sector can contribute most and the key activities that can lead to an acceleration of this contribution.

⁷⁰ [www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=env/jm/mono\(2020\)36/REV1&doclanguage=en](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=env/jm/mono(2020)36/REV1&doclanguage=en).

Important international stakeholders and TIP launched in October 2018 the “*Global Platform for Sustainable Natural Rubber*” (GPSNR), a voluntary multi-stakeholder platform aimed at promoting a more sustainable management of the natural rubber value chain, both in socioeconomic and environmental aspects. The first general meeting of the platform was held in March 2019. Pirelli is a founding member and actively contributes to the platform’s activities by co-chairing two of the working groups: the first dedicated to the representation of small landowners within the platform and the second dedicated to capacity building activities at plantation level. Platform members include manufacturers, processors and traders, tyre manufacturers/buyers, car manufacturers, financial institutions and civil society.

The Transforming Urban Mobility project, which brings together international companies from the automotive, auto parts, transportation, oil & gas, and information and communication technology sectors, aims to promote and accelerate the transition to safe, universally accessible and environmentally friendly urban mobility. The project is divided into workstreams to analyse in detail the new trends of future mobility such as electrification and data sharing, to which a new workstream has been added in 2021 focusing on commuting as a key element of urban mobility on which companies can make a strong sustainability contribution. Project members will also interface with cities to discuss the most suitable and concrete solutions for each context. Finally, during 2021, the project was finalised in collaboration with the ITF (International Transport Forum), with the publication of the document “*The Innovative Mobility Landscape: the case of mobility as a service*” which analyses the main challenges and indicates the direction for the development of sustainable mobility with a particular focus on the opportunities opened up by mobility as a service (Maas).

The Future of Work Project brings together leading companies from different sectors to combine their respective insights, innovations and influences to create strategies, business models and develop scalable business solutions to address the challenges that characterise the future of work, i.e. rapid technological change, socio-economic polarisation, changing workforce expectations. The aim is to pursue an equitable, diverse, inclusive and empowering future of work, with the interests of people at its core. For more information on the project and to access the documentation developed to date, please visit the “*Future of Work*” section of the WBCSD website.

Among the WBCSD initiatives supported in recent years is the signing by the Group CEO of the “*CEO Guide on Human Rights*”, published in 2019 with the aim of promoting respect for human rights by companies and their suppliers and business partners.

IRSG – International Rubber Study Group

Pirelli, in representation of the European Commission, is a member of the Industry Advisory Panel of the International Rubber Study Group (IRSG) based in Singapore, an intergovernmental organisation that brings together producers and consumers of rubber (both natural and synthetic), acting as a valuable platform for discussion on issues regarding the supply and demand for natural and synthetic rubber. It is the principal source of information and analysis on all aspects related to the rubber industry. Within IRSG, Pirelli participated in the Sustainable Natural Rubber Project, which

resulted in the management guidelines for the Sustainable Natural Rubber Initiative (SNRi) launched in 2014, during the World Rubber Summit.

During 2019 IRSG signed a Memorandum of Understanding with the Global Platform for Sustainable Natural Rubber (GPSNR), whose aim is to develop and consolidate cooperation between the two organisations. The MoU is fundamental in ensuring effectiveness in achieving the common objectives of the two organisations with regard to the sustainable production and consumption of natural rubber. In 2020, in cooperation with leading research institutes, IRSG organised the three-day workshop *“Climate Change and Rubber Economy”*, which discussed the impacts of climate change on the world of natural rubber. The workshop highlighted a number of climate change mitigation and adaptation initiatives to protect the communities operating in the sector, as well as the importance of dialogue between countries to achieve them.

EU-OSHA – European Occupational Safety and Health Agency

In 2021, for the thirteenth consecutive year, Pirelli continued its activity as an official partner of the European Agency for Safety and Health at Work (EU-OSHA), which tackles a different issue every two years. In particular, in 2020 Pirelli adhered to the 2020-2022 campaign *“Healthy Workplaces Lighten the Load”* dedicated to raising awareness of ergonomic risks in the workplace and the prevention of related musculoskeletal disorders.

The campaigns in which the Company has participated in recent years include the 2018-2019 *“Healthy Workplaces Manage Dangerous Substances”* campaign aimed at raising awareness of the risks posed by hazardous substances in the workplace, the 2016-2017 *“Healthy Workplaces for all Ages”* campaign dedicated to the importance of a sustainable working environment that ensures the health and safety of employees throughout their lives, and the 2014-2015 *“Healthy Workplaces Manage Stress”* campaign, focused on the issue of stress and psycho-social risks in the workplace, the main aim of which was to encourage employers, managers and workers and their representatives to work together to manage these risks.

CSR Europe

Since 2010, Pirelli has been a member of the Board of CSR Europe, a network of companies in Europe that are leaders in the area of corporate social responsibility. Its members include more than 27 multinational companies and 38 national partner organisations from several European countries.

Since 2016 Pirelli has been supported by CSR Europe in the organization and moderation of its Stakeholder Dialogue Stakeholders, which the Company holds at the local Affiliate level or internationally at Headquarters.

In this regard, reference should be made to the Stakeholder consultations held in Romania, Mexico, Germany, Turkey, Russia, Argentina, the United Kingdom and the United States. CSR Europe

moderated the two multi-stakeholder consultations held by Pirelli for the definition of the Company's Sustainable Natural Rubber Management Policy, the related Implementation Manual and the 2019-2021 Activity Roadmap, published on Pirelli website. For more information on Pirelli's sustainable management of natural rubber, please refer to the dedicated section in the "Our Suppliers" chapter of this Report.

International commitments against Climate Change

For years Pirelli has shown its commitment to the fight against climate change, promoting the adoption of adequate energy policies aimed at the reduction of CO₂ emissions.

In 2021 the Company, together with UNGCN Italy and other major Italian companies, worked on the drafting and launch of the position paper "Italian Business and Decarbonization: a just and inclusive transition" with the aim of enhancing the commitment of Italian companies adhering to the UN Global Compact on the issue of decarbonisation.

In 2021, Pirelli expressed its commitment to the Science Based Targets initiative (SBTi) for the definition of targets on the reduction of absolute CO₂ emissions that are in line with the level that science is demanding to keep climate warming well below 2°C, as recommended by the Paris Agreement. In June 2020, the new targets for reducing absolute CO₂ emissions set by Pirelli for its production processes and supply chain were validated by SBTi, which judged them to be consistent with the actions needed to keep the increase in the planet's temperature well below 2 degrees.

In September 2018, the Company joined the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB), committing to voluntarily disclose information on risks and opportunities related to Climate Change as outlined in the TCFD recommendations.

Over the years, Pirelli has also participated in numerous events and projects such as the Climate Conferences "COP24" in Katowice (2018), "COP23" in Bonn (2017) and "COP22" in Marrakech (2016), the "Business for COP 21 Initiative" (2015) and participated in several side events organised during the "COP21" Climate Conference in Paris (2015).

Throughout 2014, the Group joined the "Road to Paris 2015" project and signed three initiatives consistent with its sustainable development strategy: Responsible Corporate Engagement in Climate Policy, Put a Price on Carbon, Climate Change Information in Mainstream Filings of Companies Communication.

Also in 2014, the Company signed the "*Trillion Tonne Communiqué*", the document that requires global emissions over the next 30 years to remain below the trillion tonnes of greenhouse gases in order to avoid a rise in average global temperature higher than 2°C.

Pirelli has also signed numerous international agreements such as "*The Carbon Pricing Communiqué*" (2012), the "*2° Challenge Communiqué*" (2011), the "*Cancún Communiqué*" (2010),

the “Copenhagen Communiqué” as well as the “Bali Communiqué” (2007), the first document for the development of concrete strategies for a global climate agreement to be implemented through a joint government intervention.

COMPANY INITIATIVES FOR THE EXTERNAL COMMUNITY

As specified in the Group “Code of Ethics”, Pirelli provides support to educational, cultural, and social initiatives for promoting personal development and improving living standards. The Company does not provide contributions or other benefits to political parties or trade union organisations, or to their representatives or candidates, this without prejudice to its compliance with any relevant legislation. Since the founding in 1872, Pirelli has been aware that an important role in the promotion of civil progress in all the communities where it operates and, capitalising on the Company’s natural strengths, it has identified three focus areas: road safety, technical training and solidarity through sporting activities for young people. Pirelli for some years has adopted an internal procedure to regulate the distribution of gifts and contributions to the External Community by Group companies, in relation to the roles and responsibilities of the functions involved, the operational process of planning, realising and monitoring the initiatives and the disclosures regarding the same. Essential support in the identifying of the actions that best satisfy local requirements comes from the dialogue with locally operating NGOs. Priority is given to those initiatives whose positive effects on the External Community are tangible and measurable according to objective criteria. The internal procedure also specifies that no initiatives may be taken in favour of beneficiaries for whom there is direct or indirect evidence of violation of human rights, worker rights, environmental protection or business ethics.

The contributions to the External Community by Group companies are part of a broader strategy to support the achievement of the Sustainable Development Goals of the United Nations (SDGs), in the paragraphs “Sustainability Planning and the United Nations Sustainable Development Goals” and “UN Global Compact”.

The amount of the disbursements in support of the External Community incurred by Pirelli in 2021 is shown in the section “Contributions to the External Community”, of this report.

Road safety

Pirelli is synonymous worldwide not only with high performance, but also safety. Together with environmental protection, road safety is the key element of the Eco & Safety Performance strategy that inspires the Group’s industrial and commercial choices. Pirelli’s commitment to road safety takes the form of numerous training and awareness-raising activities, but above all it translates into research and the ongoing application of innovative technological solutions for sustainable transport.

Pirelli’s commitment to road safety passes first and foremost through the product: the tyre is in fact the only part of the vehicle that interfaces directly with the road and as such is a fundamental element

of road safety. Road safety has always been a cornerstone of the Pirelli brand. “*POWER IS NOTHING WITHOUT CONTROL™*” is Pirelli vision of mobility, which combines performance and safety. Structural and material improvements to improve traditional safety performance such as road grip, wet and dry braking, are combined with the most advanced technologies such as RUN FLAT™ and SEAL INSIDE™, which bring road safety to a higher level, allowing you to maintain control even in the most critical moments, such as a puncture.

Pirelli’s commitment to road safety does not stop with product innovations, but also extends to the promotion of the principles of road safety and safe driving through participation in dedicated projects and campaigns.

Bearing witness to this commitment, Pirelli in 2018 joined the United Nations “*Road Safety Fund*” which aims to support States to reduce the number of deaths and injuries caused by road accidents. The Fund supports the implementation of national plans, as well as concrete actions and projects aimed at improving the safety of infrastructure and vehicles, promoting the correct behaviour of road users and managing the post-accident period efficiently.

Also at Group level, as part of its collaboration with the WBCSD (World Business Council for Sustainable Development), Pirelli participated in the “*Transforming Urban Mobility*” project, which explores the major trends in mobility (electrification, data sharing and shared services) to promote solutions that are more sustainable and thus safer, cleaner and more efficient. For further details on Pirelli’s involvement in this project, please refer to the “WBCSD” section of this Report.

There are numerous road safety initiatives implemented in the countries where the Group operates.

In Italy, in 2021 the partnership with the University of Milan Bicocca was strengthened and the circle of contacts with neighbouring companies was widened, with whom an informal round table was set up on the subject of mobility management and road safety in the area, issues on which representatives of the city administration are constantly involved. This is also the background to the collaboration with the traffic police, which, together with the Red Cross, the Fire Brigade and a number of local NGOs, organised an online event on the subject of road safety on the occasion of the Day of Remembrance for Road Victims in November.

In the United States and Canada, “*Tire Safety Week*” was organised, a series of initiatives on safe driving that also involved other tyre manufacturers. In the United Kingdom Pirelli made a donation to TyreSafe, an organisation dedicated to spreading education about proper tyre maintenance and the danger posed by defective or illegal tyres.

Also in 2021, despite the limitations on events caused by the health situation, Pirelli continued with various initiatives to promote road safety education on two wheels. In particular, the commitment focused on collaboration with driving schools to develop practical and safe experience on the road, tracks and off-road. The various initiatives include partnerships with the Enduro Republic, Motorace People, *Tutti Pazzi per la Pista*, *Scuola Motociclismo* and Honda True Adventure Off-Road Academy, as well as the days of free practice on the track organised directly by Pirelli: the Pirelli Trackdays. Lastly, as in previous years, a section of the website was dedicated to driving tips, for

summer and winter, highlighting the important role played by the tyres in the active safety of vehicles and its occupants.

Training

The promotion of technical education at all levels and training are very old values that are well-established in the history of Pirelli. The Group continues to benefit from technical and research cooperation with various Universities in the world including the Polytechnic University of Milan, the Polytechnic University of Turin, Bocconi University and the SDA Bocconi Business School and the Bicocca University of Milan in Italy, the University of Craiova, the University of Pitesti and the Polytechnic University of Bucharest in Romania, the University of Qingdao in China, and the Technical University of Darmstadt, the University of Applied Sciences of Würzburg, Aschaffenburg and Darmstadt, the DHBW of Mannheim and the Vocational School of Michelstadt, Germany, to name a few.

The company supports educational and didactic initiatives that can give disadvantaged young people the tools to improve their condition; it contributes to scholarships and research projects, firmly believing in education as the key to individual growth and to the economic growth of a country.

In China, Pirelli sponsored 40 scholarships for science and technology students at the University of Qingdao. In Turkey, the Company supported an institute that helps children in difficulty, the Turkish Education Foundation (TEV), through a full scholarship and a donation, as well as celebrating Mother's Day with dedicated greeting cards. In addition, the company donated tyres to university engineering students participating in international competitions. In Russia, in Kirov, Pirelli offered two internships to students at Vyatka State University.

In Romania, partnerships with the Universities of Craiova, Pitesti and the Polytechnic University of Bucharest concerned the awarding of scholarships and continued during the pandemic period. 2021 was the fourth year of a project at Pirelli Slatina (Romania) involving dual studies in which 27 mechanics and 28 electronics students received a monthly scholarship and did practice sessions at the factory. Four scholarships, the "Pirelli Excellence Scholarship," were dedicated to four high school graduates from Slatina who later went on to technical university. Pirelli makes monthly disbursements and the scholarships are renewed annually based on results. In the summer the students work in internships at Pirelli, and after graduation they can be hired at Pirelli. Also in Romania, Pirelli supported online classes for 100 children at the Coteana primary school in the Olt region, providing them with tablets and the necessary tools to participate in online classes during the health emergency.

In Spain Pirelli offered space to host a student workshop, where students made a design to build a single-seater racing car, and a motorcycle, to compete in the international race "Formula Student" which saw the participation of nearly 500 teams from all over the world. In addition, Pirelli Spain donated a robot (Staubli RX130) and related accessories to the Escola Diocesana de Navas school to be dedicated to the degree course in automation and industrial robotics. The robot was originally

dedicated to the manufacture of photovoltaic cells. Pirelli also organised a visit for high school students to the former factory and energy plant.

In the United States, Pirelli contributed to the Rise & Thrive project of the local Chamber of Commerce in Rome, Georgia, which aims to develop skills applicable in the local industrial fabric. In addition, Pirelli became a partner of the College & Career Academy at Rome Georgia High School, supporting the programme and offering collaboration on manufacturing courses.

In Italy, the *Percorsi per le Competenze Trasversali e per l'Orientamento* (PCTO) project, launched in 2017 and governed by the 2015 'Buona Scuola' law, came to an end during 2021. The project, designed on a three-year basis, involves three classes from chemical and technological high schools in the area and aims to accompany the children belonging to the classes involved throughout the three-year period, in order to guide them to discover what a company is, to support them in understanding the main dynamics of company management and to help them in the delicate phase of professional choice and orientation. Adhering to the project, Pirelli therefore facilitates schools in the regulatory compliance of the provisions of the Decree, supports the territory in the promotion of school excellence and internally promotes the management of generational diversity thanks to the involvement, within the project, of senior Pirelli colleagues in the role of mentors and guides for the young students involved. In 2021, through the "Fondazione Pirelli Educational" project, the Pirelli Foundation also allowed secondary schools that requested it to enter into an agreement for the recognition of useful training credits under the PCTO.

Sport and social responsibility

There is a close link between solidarity and sport, in a virtuous circle where commitment to sports becomes synonymous with the commitment to promoting solidarity and ethics, especially amongst young people. Getting young people involved in sport is a way to teach the notion of integration to children from different social groups and helps prevent negative situations like isolation and solitude. Pirelli's agreement as a partner in the global social project Inter Campus, promoted by the football club FC Internazionale Milano ("Inter") continued until June 2021.

Since 1997, Inter Campus has developed social, flexible cooperation and long-term actions, in 30 countries around the world with the support of nearly 300 local operators, using football as an educational tool to offer needy boys and girls aged between 6 and 13 the right to play.

Since 2008, Inter and Pirelli, along with a local partner, have been running the Inter Campus social project in Slatina, Romania. The sports and recreational activities are organised for the entire year, involving over 100 children from different social contexts who have been learning team spirit, social integration and the values of friendship through football for years.

Since 2012, Pirelli and Inter have replicated the experience of Inter Campus in Mexico: Inter Campus Silao, near the Pirelli factory, inaugurated by President Felipe Calderon, normally involves about 130 children in the area (number reduced to about 100 in the year 2021). Also in 2021, the coaches carried out the programme remotely due to the pandemic. In 2014, Pirelli and Inter launched an Inter

Campus project together in Voronezh, Russia, involving three local orphanages with about 100 children.

In Brazil Pirelli supports football and judo programmes, and also sponsors an F4 driver. The Seci Social football programme in Santo André involves about 400 children in after-school activities. Music and dance activities are also available, while judo classes were held online due to the pandemic involving more than 600 children.

In the United States, Pirelli sponsors a football programme at the YMCA in Rome, Georgia, while in Germany Pirelli has supported the “Pump for Peace” initiative to develop mountain bike trails, thus making the discipline more accessible to all. The Company in Germany also donated uniforms to a youth tennis team. In France, a donation was made to ‘Special Olympics France’ through participation in a running and walking activity lasting more than a month.

Solidarity

Pirelli’s responsible approach of involvement and inclusion is reflected in social solidarity activities around the world. The pandemic has severely affected not only the health of millions of people around the world, but also the economy. Pirelli, like many other companies, has tried to help, not only by providing personal protective equipment and fans, but also by distributing food and other basic necessities.

In Spain, the Company supports the Santa Clara Convent Foundation, which manages programmes that provide food to needy families. Pirelli has made a warehouse available for the storage of food for the needy.

In Moscow, Pirelli contributed to the “Chance” project, which provides private lessons to about 600 orphans from various orphanages. In Kirov, Pirelli donated tyres to the Nadezhda orphanage, the “Druzhba” organisation for the rehabilitation of disabled children, and the Gorodec hospital (Nizhny Novgorod region). In addition, in Kirov Pirelli participated in the “Christmas Tree Wishes” project, buying bicycles and hockey equipment for children with disabilities.

In Romania, Pirelli participated in two projects during the Christmas season: ShoeBox, wrapping gifts for children in need, and Christmas is in Your Heart, donating presents to more than 50 families. In the school sector, Pirelli Romania provided school supplies to fill 60 backpacks; on Mother’s Day it supported 15 mothers in need by donating personal care items.

In China, the Company supported 32 orphaned and needy children in Yanzhou. In Turkey, Pirelli employees raised funds for a foundation working against cerebral palsy. Meanwhile in France, the Company made a donation to the UN refugee agency, UNHCR.

In the UK, Pirelli supported a number of social solidarity initiatives, including Miles for Meals, a non-profit organisation that provides food to people in need, hospitals and hospices, working in

Alzheimer's and cancer research. Pirelli also sponsored the Covid-19 Community Champion of the Year Award, honouring people regarded as local heroes in the Cumbria community.

In Brazil, Pirelli supported several social solidarity activities: "Aprender Brincando", an after-school project with activities for 260 children (run online during the pandemic); "Servico de Convivencia Meninos e Meninas", also an after-school activity involving 55 children; and "Projeto Guri", an important musical activity involving more than 130 children and young people.

In Mexico and the United States, donations were made to the non-profit organisation United Way.

Pirelli also contributed to disaster recovery activities by donating funds for flood victims in Henan Province in China, to the Jiaozuo Charity Federation and to Fucheng Sub District Office, Zhongzhan District, Jiaozuo City. In Germany, the Company also supported "Aktion Deutschland Hilft", an organisation that provided emergency assistance to flood victims, and the "Forderverein der Feuerwehr Swisttal-Heimerzheim", an organisation that supported the reconstruction of impacted areas. In Turkey, Pirelli responded to fire damage in the southwest of the country with a donation campaign. Meanwhile in Spain it donated materials for the victims of the volcanic eruption in the Canary Islands.

Health

During 2021, the global emergency due to Covid-19 caused Pirelli to devote a portion of its contributions to the external community to initiatives supporting health, both aimed at the families of Group employees and at the local communities where the Company operates.

Many initiatives have been undertaken in the countries where the Company is present. Activities aimed at improving the health situation include, where permitted by law, administering vaccines at company sites, making Covid-test is available, and distributing personal safety devices. More specifically, we mention the following: in Milan, Italy, the opportunity to participate in the vaccination campaign for Pirelli employees and their families at the Hangar Bicocca Pirelli facility; the provision of shuttles at the Mexican plant to allow employees to travel more easily to the vaccination hubs; informative talks with specialised health personnel at the Russian plants; in Romania, the Company set up a Covid-19 prevention centre supported by medical personnel.

It should also be mentioned that in Brazil Pirelli supported the Pequeno Principe paediatric hospital. In Argentina, it donated personal protection and hygiene equipment and other supplies to the hospitals of Merlo, Hospital Heroes de Malvinas Argentinas and Hospital Eva Peron, as well as safety equipment to various school institutions to deal with the second wave of Covid-19.

Environmental initiatives

In keeping with the company's vision of sustainability, Pirelli supports various environmental projects around the world.

In Mexico, even in times of pandemic Pirelli has coordinated a *"llantaton"* (or "tyreathon"), i.e. the collection of nearly 13,000 end-of-life tyres in the municipality of Leon, to promote local hygiene. The collected tyres were valorised as fuel for cement factories.

In Argentina, the company has also dedicated itself to a recycling project with the 'Reciclando Suenos' cooperative, including a project to collect recycled material for a fundraiser for the Garrahan hospital.

Reforestation is a core value for Pirelli, which led in 2021 to participation in reforestation projects in Romania, Turkey and Mexico. In Romania, Pirelli worked with an NGO to plant 200 trees around the factory, and another 500 trees in deforested areas of Romania. In Mexico, Pirelli renewed the agreement with the Institute of Ecology of the State of Guanajuato to care for 40 hectares in the "Cuenca de la Esperanza," a protected area. Over the years Pirelli has been responsible for planting 28,000 trees in the area.

In addition, in 2021, Pirelli in partnership with BMW will join Birdlife International in a three-year project that aims to encourage long-term sustainable and deforestation-free natural rubber production in Indonesia. The initiative involves part of the rainforest area of Hutan Harapan (Sumatra Island) and will be developed through a series of initiatives aimed at protecting the indigenous community, preserving a deforestation-free area of 2,700 hectares and protecting endangered animal species. The various activities will be carried out in line with the objectives of the Global Platform of Sustainable Natural Rubber (GPSNR).

Culture and social value

The internationality of Pirelli also emerges from the love for culture, with initiatives in certain countries around the world also in 2020. The attention to culture, and even more the commitment to preserve it, spread it and enhance it, are part of the DNA of the creation of social value.

In Italy, the company's commitment to activities that generate value for the territory is demonstrated by its numerous and consolidated partnerships with prestigious national and international bodies and institutions: in particular, in the world of art, culture and history with FAI (Fondo Ambiente Italiano), Premio Campiello and Fondazione Isec - Istituto per la Storia dell'Età Contemporanea; in the world of theatre with Piccolo Teatro di Milano, Teatro Franco Parenti and Teatro No'hma Teresa Pomodoro; in the world of music, with Fondazione del Teatro alla Scala, Orchestra da Camera Italiana, Orchestra Sinfonica G. Verdi Symphony Orchestra, the Portofino International Opera Competition, the Ravenna Festival and the MITO SettembreMusica Festival.

In the field of music, Pirelli sponsors the Mozarteum project in Brazil, in which major international classical music orchestras participate. In 2021 the concerts were also broadcast online. Also in São Paulo, Pirelli sponsored in 2021 the Museum of Modern Art, one of the most important museums in Latin America, and the Pinacoteca de Sao Paulo, where Pirelli sponsored the exhibition “A Maquina do Mondo”, a demonstration of how industry has impacted art in the last century. Also in São Paulo, Pirelli will be involved in 2022 in the restoration of the organ of the Catedral da Sè, the largest musical instrument in the State of São Paulo. The sponsorship of the Italian Film Festival in São Paulo is also mentioned.

In Germany, Pirelli supported an initiative to preserve the Obrunnschlucht, a significant natural park.

Moving to Russia, the Company sponsored two exhibitions: in Yekaterinburg “Concept Cars: Nuccio Bertone One Hundred Years of Italian Cars Style, The Coupe” at the Museum of Architecture and Design, in St. Petersburg, the exhibition “The Two Avant-gardes: The Mattioli Collection in Dialogue With the Russian Avant-garde”.

FONDAZIONE PIRELLI (PIRELLI FOUNDATION)

The Pirelli Foundation, established in 2008, counts among its objectives the safeguarding of the Group's historical and cultural heritage and the enhancement of its corporate culture, through projects with a strong social and cultural impact, also in collaboration with other institutions. During 2021, as the health emergency situation continued, the alternation of digital and in-person activities continued, with short periods of closure of exhibition and archive spaces. The last quarter of the year was also dedicated to planning the initiatives for the celebrations of the company's 150th anniversary, which will fall in 2022, and in particular: a new publishing project on the themes of research and innovation, the setting up of an exhibition in the Foundation's spaces, a website dedicated to the anniversary, the creation of commemorative coins minted by the Istituto Poligrafico e Zecca dello Stato and the issue of a postage stamp for the anniversary in collaboration with the Italian Post Office. The main initiatives in 2021 include:

Digital projects to enhance the historical heritage and corporate culture: in line with 2020, the enhancement of digital tools and the schedule of communication activities continued, in order to reach an increasing number of users in Italy and abroad. In particular, the fondazionepirelli.org website with the virtual tour [fondazionepirelliexperience](https://fondazionepirelliexperience.com), which has been restyled, was visited a total of approximately 97,900 times (+ 1.6% vs. 2020). The new hub www.storie-di-corse.fondazionepirelli.org was published in Italian and English, dedicated to Pirelli's history in the world of racing, tracing the company's participation in car, motorbike and veal competitions, highlighting the function of the track as a research laboratory for tyre development. An online editorial project with in-depth features on the great drivers and the most legendary races, accompanied by a chronology that, starting with the production of the first bicycle tubular in 1890, arrives at today's records. The monthly issues of the Pirelli Foundation e-news newsletter reached an average of 3,000 contacts. In addition, new podcasts were produced on the topics of work and sustainable mobility, and the "La Fondazione consiglia" section of the website was implemented with the publication of 89 book reviews. As part of the digital projects dedicated to promoting reading, the reviews and video-interviews published on social channels and Vimeo for the "**Premio Campiello 2021**", an initiative sponsored by Pirelli (post coverage: 36,295) are worthy of note. The social accounts of the Pirelli Foundation (Facebook, Instagram, Twitter, Pinterest) reached 14,145 followers (+8.1% vs 2020) with total coverage of 4,686,125 (+94.8% vs 2020). About 1,080 pieces of content were produced, including 77 videos, also distributed through the Vimeo channel, which had a total of 4,200 views. The Foundation also joined the project "**Nel tempo di una storia**", promoted by Assolombarda and Museimpresa: a "digital story" of Italian museums and business archives through the shots and videos of photographer Simone Bramante, known as Brahmino. Also in 2021 the Pirelli Foundation contributed to the implementation of editorial plans for the **Pirelli Corporate channels dedicated to heritage**.

The exhibition "Stories from the Skyscraper. I 60 anni del Pirellone tra cultura industriale e attività istituzionali di Regione Lombardia", promoted by the Pirelli Foundation and the Lombardy Region and set up in the Pirelli Tower, was open to the public from 30 June to 30 November 2021 and visited by about 1,000 people, including students, the general public and specialists. The inauguration on 29 June was attended by Marco Tronchetti Provera, Lombardy's governor Attilio Fontana and the president of the Regional Council Alessandro Fermi. The project set up, together with the dedicated

website 60grattacielopirelli.org and its catalogue published by Marsilio, was included in the ADI Design Index 2021, a publication that brings together the best Italian design projects selected by the ADI Permanent Design Observatory.

Initiatives for the promotion of reading:

- **Campiello Junior Prize:** as part of the sponsorship of the Campiello Prize, the first edition of the Campiello Junior Prize was inaugurated, an award for Italian works of fiction and poetry for children between the ages of 10 and 14. To promote the prize, which will be awarded in 2022, meetings dedicated to Pirelli employees and school teachers from all over Italy were organised, and on 10 December 2021 the Selection Ceremony for the three finalists of the Prize was held live via streaming from the Pirelli HQ Auditorium. The 2021 events related to Campiello Junior saw the participation of 290 people, in presence and online.
- **Pirelli's corporate libraries:** the number of books in the catalogue reached 8,500; more than 1,150 loans, over 1,600 movements and about 600 users were recorded. The Biblionews newsletter, with reviews and periodic updates on books and libraries, reaches around 400 subscribers;

Pirelli Educational Foundation: educational and training projects for students and teachers

- Educational workshops for primary and secondary schools: the online courses for the second quarter of the 2020/2021 school year and for the period October-December 2021 involved 3,236 students and 198 teachers from secondary schools. For the latter, where requested, and after the stipulation of an agreement, the training credits envisaged by the PCTO, formerly known as Alternanza Scuola-lavoro, were recognised. On 20 September, 60 teachers from all over Italy took part in the **online presentation of the 2021/2022 teaching programme**. In addition, more than 200 teachers attended the 9th edition of the **training course for Cinema & History teachers**, entitled "L'Europa siamo noi", organised in collaboration with Fondazione Isec and Fondazione Cinema Beltrade. For the first time this edition was also open to Pirelli employees.
- Projects aimed at **universities** and **postgraduate schools**: guided tours in person and online, involving students from various educational institutions such as the Milan Polytechnic (Faculty of Architecture) and the International School of Comics in Milan.
- Other educational projects: in January, in collaboration with **Pirelli Micromobility Solutions**, two online meetings were held with the students of the **Future Class** of the Istituto Volta in Pescara, the first school in Italy to choose Pirelli's e-bike rental solution **CYCL-e around**; in November, participation in the **#ioleggoperché** project with initiatives dedicated to reading aimed at students.

Loans of materials to the external community, historical and iconographic research and production of editorial content in support of the brand: there were 134 requests relating to: set-ups of plants,

trade fairs, events, Pirelli offices in Italy and abroad, loans of materials for exhibitions and publications curated by other institutions, historical videos and documentaries, interviews, theses by scholars and researchers. Among the main ones: the launch of the new Pirelli Collezione tyres for Mini brand cars, the creation of the “Meisterstück Great Masters Pirelli Limited Edition 1872” pen as part of the collaboration between Pirelli Design and Montblanc; Pirelli’s return to the WRC, Casa Pirelli, F1 Paddock Club in Monaco and Monza, the relationship between Pirelli and Vespa for the 75th anniversary of the Piaggio scooter. In addition: exhibition on Pirelli and Bertone in Ekaterinburg (Russia); documentary on the life of Enzo Ferrari for Zenit Arte Audiovisive; exhibition dedicated to Pirelli toys at the recently opened ADI Design Museum in Milan; exhibition on Italian emigration to Argentina at the Italian Cultural Institute in Buenos Aires (Argentina). Also in 2021, participation in seminars and conventions dedicated to Pirelli’s corporate culture.

Initiatives to promote business culture: in total, more than 1,000 people took part in Fondazione Pirelli initiatives to promote business culture, including: - Museocity, virtual tours focusing on the relationship between Pirelli and Milan; - Una Rete in viaggio and Archivi Aperti, digital and in-person events as part of the programme promoted by Rete Fotografia; - 20th Corporate Culture Week, with the initiatives “Pirelli in movimento”, guided tours with readings at the exhibition “Storie del Grattacielo” and tours of Fondazione Pirelli, focusing on the theme of travel. The Foundation’s guests included the visit of the United States Consul and the Governor of the State of Guanajuato (Mexico). Also in 2021 the Foundation supported the P Lunga training course, organised by the HR Department.

Processing and relocation of materials from the Historical Archive, digital heritage management:

- **Historical Archive**: about 1,600 documents catalogued and published online, almost 58,000 digitised, 5,500 restored (photographic, iconographic and audiovisual fonds, with a focus on rallies, product fairs, factory interiors, welfare; product data sheets relating to the Research and Development section). In 2021, a worksite-school was set up in collaboration with the Brera Academy for the restoration of part of the company’s photographic fund.
- Development, within the Historical Archive database, of a **thematic thesaurus** with about 800 entries to index documents by subject, starting from 6 macro entries (products, sports, vehicles and brands, headquarters and plants, exhibitions and fairs, welfare) and with the possibility of searching by subcategories.
- Uploading of more than 6,500 digital assets (photographs, videos, documents), for a total of 36,583 assets uploaded to the **Digital Asset Management** platform for long-term preservation of digital material.

PIRELLI HANGARBICOCCA™

Pirelli HangarBicocca™, which with its 15,000 square metres is one of the largest exhibition venues in Europe, is a space dedicated to the production, exhibition and promotion of contemporary art, created in 2004 from the conversion of a vast industrial plant into an art centre.

The aim of Pirelli HangarBicocca™ is to be a place open to the city and the territory, an institution that combines its exhibition activities with a series of initiatives aimed at bringing contemporary art closer to an Italian and international public made up of art experts, representatives of the most important museum institutions, journalists from the sector and the general press, as well as an equally vast audience of enthusiasts, students, families and non-specialist users.

Pirelli HangarBicocca™'s exhibition and cultural activities underwent changes in 2021 due to the emergency situation caused by Covid-19, which required closure in the early months of the year. In addition, since 26 April the exhibition space housing Anselm Kiefer's *The Seven Heavenly Palaces* has been granted to the Lombardy Region and transformed into the Vaccinal Hub under the guidance of Asst Milano Nord, until the end of October. In the six months it has been open, the Vaccine Hub has administered around 346,000 vaccinations.

In line with its mission, Pirelli HangarBicocca™ nevertheless guaranteed the realisation of solo exhibitions by leading international artists and a programme that stood out for its research and experimentation character and for the particular attention paid to site-specific projects capable of dialoguing with the unique characteristics of the space. The artistic programme for 2021, curated by Artistic Director Vicente Todolí, presented artists with a high international profile, alternating solo exhibitions by established names with exhibitions by emerging artists.

During 2021, a total of about 75,500 visitors (in attendance) visited 4 large temporary exhibition projects, in addition to the permanent installations *I Sette Palazzi Celesti 2004-2015* by Anselm Kiefer, *La Sequenza* by Fausto Melotti and the *Efêmero mural* by OSGEMEOS:

- Trisha Baga, *“the eye, the eye and the ear”* (from 20 February 2020, closure extended to 10 January 2021). This is the artist's first exhibition in an Italian institution and covers her entire output. Pirelli HangarBicocca™ also co-produced the work *1620 (2020)*, part of the exhibition itinerary. In addition to five video installations, the exhibition presents a rich selection of ceramics and the *Seed Paintings (2017)*, paintings composed using sesame seeds;
- Chen Zhen, *“Short-circuits”* (from 15 October 2020, closing date extended to 6 June 2021): the exhibition is conceived as an immersive exploration of Chen Zhen's complex artistic research and brings together for the first time more than twenty large-scale installations created between 1991 and 2000, the year of the artist's untimely death;
- Neïl Beloufa, *“Digital Mourning”* (from 17 February 2021, closure extended to 9 January 2022): this is the first major solo exhibition dedicated to Beloufa in Italy and stems from a reflection on the concept of life in the digital world. Presenting a wide selection of works, the exhibition is configured as a new complex multimedia installation that includes the work

Screen Talk (2020), also accessible through an interactive site, and the new production Hosts (2021);

- - Maurizio Cattelan, “Breath Ghosts Blind” (from 15 July 2021, closing date 20 February 2022): the artist has conceived a specific exhibition project for the spaces of Pirelli HangarBicocca™, offering a vision of collective and personal history through a symbolic representation of the cycle of life. Combining a new sculpture with the reconfiguration of a historical work and the monumental installation Blind (2021) produced for the occasion, the exhibition develops in a sequence of distinct acts that address existential concepts.

Throughout the year, the presentation of exhibitions was accompanied by the publication of catalogues and specific texts. On the occasion of Trisha Baga’s exhibition, her first monograph (Skira Editore), *the eye, the eye and the ear* (2020), was published. It was conceived as a science fiction tale in the artist’s universe, bringing together literary, scientific and artistic references by Trisha Baga alternating with critical contributions.

For the exhibition “Short-circuits”, the homonymous catalogue (Skira Editore) focuses on Chen Zhen’s (1955-2000) research and installation practice in the period between 1991 and 2000. Together with an extensive documentation of the exhibition, the book is enriched by critical and in-depth texts, as well as a selection of preparatory sketches by the artist.

The Neil Beloufa exhibition is accompanied by the first monograph on the artist, *People Love War Data & Travels* (2021), produced by After8 Books with the support of Pirelli HangarBicocca™. The book, which opens with a chapter devoted to the “Digital Mourning” exhibition, is arranged thematically and illustrates the peculiarities of Beloufa’s production methods, outlining the artist’s ten-year career in over 500 pages.

Finally, in conjunction with Maurizio Cattelan’s solo exhibition, two volumes have been published (Marsilio Editori): the exhibition catalogue, *Breath Ghosts Blind* (2021), which explores the themes of the exhibition, including memory, the sense of individual and collective loss and the cycle of life, and *INDEX* (2021), an anthology of all the conversations Maurizio Cattelan has held for the last twenty years, Maurizio Cattelan has been conducting conversations for the past twenty years in the guise of an interviewer, together with other artists and creatives, including Alighiero Boetti, Massimo Bottura, Paola Pivi, Tino Sehgal, Chloë Sevigny, Dana Schutz and Frank Lloyd Wright.

In 2021 Pirelli HangarBicocca™ produced the second edition of the Annual Journal, which contains a report, through text and images, of the institution’s activities in relation to the communities it serves. The new edition underlined the institution’s digital turnaround: initially due to the pandemic situation, this turnaround later took on a value of openness to new communities, audiences and possible forms of content.

The Public Program 2021 was inaugurated with two events dedicated to the Chen Zhen exhibition: a cycle of five digital encounters in April on the relationship between Chinese art and Europe, involving international scholars and curators from China, Canada, the United States and Germany; a conversation on the exhibition between MAXXI director Hou Hanru and critic Marco Scotini on 26

May. For Neïl Beloufa's exhibition, an open-air screening of the artist's films was organised on the occasion of Miart, Milan's contemporary art fair (17 September) and a site-specific performance by the Ballet de Marseille-(LA)HORDE (21 October) in direct dialogue with the works on show.

The events produced to accompany the Maurizio Cattelan exhibition also proved to be highly attractive: a concert with the Orchestra Sinfonica Giuseppe Verdi of Milan and the Ensemble Strumentale e Vocale laBarocca, conducted by Ruben Jais (27 October), which gave rise to a co-production with Sky channel of an unreleased film; an evening in collaboration with Bookcity Milano (18 November) with the presence of philosophers Felice Cimatti and Federico Campagna and the preview screening of the video SPY by Yuri Ancarani. The year ended on 2 December with a meeting between the artist Maurizio Cattelan and the public for the signing of copies of his latest publication INDEX.

In the early months of 2021, during the lockdown period and when the schools were closed, the Education Department proposed a series of new remote digital activities for children between the ages of 6 and 10, involving movement, dance, sound and music in collaboration with the duo Luci su Marte and the musician Davide Tedesco; at the same time the offer of live digital learning pathways continued with the involvement of the Arts Tutors of Pirelli HangarBicocca™.

In June the Education Department presented "Edu Summer 2021 - Chronicles of Summer", a month-long project in collaboration with dancers Umberto Gesi and Roberta Piazza, writer Francesco Gungui, the directing duo Kinonauts, artist Rachele Maistrello, musician Davide Tedesco and illustrator Marco Zambelli, which consisted of workshops and summer camps involving more than 270 participants between the ages of 6 and 12.

In October, the in-person creative courses with Arts Tutors resumed with more than 25 activities and the involvement of more than 230 participants aged 5 to 12. In December, the special programme "Winter is coming!" was presented: three in-person workshops designed to explore Cattelan's exhibition through creative processes linked to storytelling with the writer Francesco Gungui, sound with the musician Davide Tedesco, and movement and dance with the Luci su Marte duo, which involved around 80 children aged between 6 and 10.

A new feature in 2021 was the creation of a new editorial product: the Kids Guide, a guide with text and images designed to accompany families in their exploration of the Museum.

In the autumn the School routes were enhanced with new formats, with workshop activities taking place within the exhibitions themselves, accompanied by new teaching tools that teachers can use before, during and after their visit to the Museum.

For adults there are live digital tours of the exhibition space enriched by audio-visual contributions with the involvement of Pirelli HangarBicocca™'s cultural mediators.

In addition to the usual communication activities - through social planning, WEB content, ADV, SEO, SEA - and press activities (through the training of international journalists, the creation of press strategies and press conferences) in support of the promotion and dissemination of the exhibitions and cultural events, during the course of 2021 Pirelli HangarBicocca™ intensified its digital

storytelling by strengthening its online activity of user involvement: the “Bubbles” project, online since 9 March 2021, saw the pirellihangarbicocca.org website transform itself into a digital environment conceived to explore the universe of contemporary art and to rediscover, through a fluid navigation experience, the extensive production of content created by Pirelli HangarBicocca™. The website’s navigation is structured to encounter different types of “Bubbles”, veritable “bubbles” of textual, video and audio material offering different categories of experience. The new website aims to facilitate the use and retrieval of information and to make it easier to consult archive material, access in-depth topics and participate in digital initiatives, including live events. Part of the “Bubbles” project are the short films produced by Pirelli HangarBicocca™ and dedicated respectively to Chen Zhen’s artistic work, directed by Kinonauts, and to Maurizio Cattelan’s exhibition, directed by Yuri Ancarani. Also the podcast project, realised with Radio Rai Uno, which brought together personalities, critics, thinkers, collectors on the radio to describe the figure of Maurizio Cattelan, has become part of the website, within the “Bubbles”.

On 9 November 2021, Pirelli HangarBicocca™’s 2022-2023 programme was also presented inside Anselm Kiefer’s permanent installation by Chairman Marco Tronchetti Provera and Artistic Director Vicente Todolí: eight monographic exhibitions dedicated to international artists.

With the aim of automating and integrating communication and marketing actions aimed at visitors and a wider target of connoisseurs of Pirelli HangarBicocca™, the CRM (Customer Relationship Management) project was also launched, which will see its concrete development and implementation in 2022.

In 2021 the Pirelli HangarBicocca™ Membership programme continued its online activities during the period when the spaces were closed and froze the expiry dates of the cards for the entire first half of the year, thus keeping the community of Members on board. Since the reopening of the spaces, activities resumed in presence and from September 2021 the programme took the form of an annual or biennial subscription, thus unifying the expiry dates of all the cards. In 2021 the Membership reached over 290 active Members. There were 5 activities dedicated to Members in 2021: a digital preview tour of Chen Zhen’s exhibition, a preview visit to Maurizio Cattelan’s exhibition, two curatorial visits to Chen Zhen and Neïl Beloufa’s exhibitions and an online activity dedicated to children aged 6 to 10 focusing on Chen Zhen’s exhibition. There were 17 dedicated newsletters.

During the year Pirelli HangarBicocca™ also hosted a number of major events, including the presentation of the new Pirelli Calendar, the HR Trends and Salary Research Convention by Randstad Professionals, the Dinner for the 20 years of the Fondazione Pupi Solidale Onlus and the Charity Dinner of Progetto Itaca.

In 2021 the Pirelli HangarBicocca™ Bookshop was enlarged, with the creation of a direct entrance to the point of sale from the courtyard; the selection of editorial and exhibition merchandise was expanded. Finally, starting in September, the Pirelli HangarBicocca™ e-shop went online, with a large section devoted to exhibition catalogues, limited artist editions and merchandising.