

REPORT ON RESPONSIBLE MANAGEMENT OF THE VALUE CHAIN

Consolidated non-financial disclosure pursuant to legislative decree of December 30, 2016, n.254

METHODOLOGICAL NOTE

This section of the Annual Report 2019, 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 2019 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, published in 2016, *Comprehensive* option, 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).

The set of indicators covered by the Report covers 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 2019 compared to 2018 and 2017, with respect to the targets set for 2019 from the 2017-2020 Industrial Plan. In this regard, please note that in February 2020 the Company will be presenting the new Industrial Plan and the related long-term strategic sustainability targets. The Plan will be published at the same time on the institutional website www.pirelli.com.

The Report is published annually (the previous Pirelli Annual Report was published in April 2019 with reference to the year 2018), 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 collect the data accounted 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 verification, following a circulating activity, of all the non-financial data reported in the Report on Responsible Management of the Value Chain;
- 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 emissions were also specifically analysed, including for the purposes of the disclosure process to the Carbon Disclosure Project (CDP).

The Report is structured into four main areas:

- an introductory section related to the sustainable management model adopted by the Company, 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 2019, 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 2019;
- a table of correlation between indicators accounted based on the GRI Standards and the United Nations Global Compact Principles;
- 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

The 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/OHSAS 18001 for the management of Health and Safety in the workplace, ISO 14001 for environmental management. 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-TS 14067 and ISO 14046 for the determination of the Carbon Footprint and Water Footprint. In February 2018, the Company also obtained independent certification (from SGS Italia S.p.A.) regarding the compliance of its Sustainable Purchasing Management model based on the ISO 20400 Standard, as well as the independent certification (by RINA Services S.p.A.) of its system of rules and controls aimed at preventing corruption according to ISO 37001.

Details on the coverage of these certifications and methodological reference tools have been given in the paragraphs “231 Compliance, Anti-Corruption, Privacy and Antitrust Programmes”, “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.

The strategic evolution of Group Sustainability is entrusted to the *Sustainability Steering 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 ordinarily meets at least once a year.

The organisational structure is thus made up of Institutional Affairs and Sustainability Department reporting directly to the CEO of the company, which has oversight of the management at a Group level and proposes plans for sustainable development to the Sustainability Steering Committee. The Institutional Affairs and Sustainability Department receives support from the Country Sustainability Managers for overseeing activities covering all subsidiaries of the Group. The role of the Country Sustainability Manager is currently held by Country CEOs, who are supported by their direct subordinates in the operational management of Country plans.

SUSTAINABILITY PLANNING AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

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.

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 February 2020, the Company will present the new Industrial Plan and the related long-term strategic sustainability targets. The Plan will be published at the same time on the institutional website www.pirelli.com.

During 2019 Pirelli continued to implement the Sustainability Plan 2017-2020 with selected targets for 2025, published in 2017, fully complementary with the Company's "High Value" development strategy. The Plan has been developed in accordance with the "Value Driver" model drawn up by the UN PRI (United Nations Principles for Responsible Investment) and UN Global Compact and sets targets that combine growth, productivity, governance and risk management.

The targets and related performance of the Sustainability Plan 2017-2020 with selected targets for 2025 (for extensive discussion of which reference is made to the related sections in this Report) foresee, among other things:

- growth in *Green Performance* tyres revenues with a 2020 target of >50% of total turnover and >65% of High Value products only;
- improvement of product performance by 2020:
 - car products (compared to 2009): average reduction in rolling resistance of 20%, and 14% for High Value products; 15% improvement in performance on wet surfaces and 15% improvement in noise reduction;

- motorcycle products (compared to 2009): average reduction in rolling resistance of 10%, improvement of 40% in performance on wet surfaces and 30% in durability;
- Velo products (compared to 2017 - the launch year of Pirelli Velo): braking performance +5% and performance on wet surfaces +10%;
- digital innovation of process and product;
- research and development of raw materials with low environmental impact: for specific product segments, by 2025 and compared to 2017, the doubling by weight of the used renewable materials and a 30% reduction of fossil-derived raw materials is expected;
- reduction by 2020 in the injury frequency index of 87% compared to 2009;
- reduction of 17% in CO₂, specific emissions of 19% in specific energy consumption and 66% in specific water withdrawal by 2020 compared to the 2009 figure;
- zero waste to landfill;
- investment in employee training of at least an average of 7 man days;
- strengthening digital and cross-functional culture within the company;
- 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 new Pirelli Roadmap 2019-2021 relating to the sustainable management of the natural rubber supply chain.

The Countries where the Group is present with commercial and industrial subsidiaries also have a Country Sustainability Plan with specific targets identified to align to the Group's sustainability targets.

The above mentioned targets are intended to contribute to the achievement of the following SDGs:

- 3 - Health and Well-being;
- 4 - Quality Education;
- 6 - Clean Water and Sanitation;
- 7 - Affordable and Clean Energy;
- 9 - Industry, Innovation and Infrastructure;
- 12 - Responsible Consumption and Production;

- 13 - Climate Action

The Sustainable Objectives listed above are not the only ones in which the Company is engaged; in addition to the above, this Report describes initiatives and activities that refer to other SDGs:

- 1 - Zero Poverty, in the paragraph “Company Initiatives for the External Community”.
- 8 - Decent Work and Economic Growth, in the paragraphs dedicated to the Internal Community and in the paragraph “Our Suppliers”;
- 10 - Reduced Inequalities, in the paragraph “Diversity Management”;
- 11 - Sustainable Cities and Communities, in the paragraph “WBCSD” with reference to the project “Transforming Urban Mobility”;
- 17 - Partnerships for the Goals, in the paragraphs “Road Safety”, with reference to the partnerships with FIA and the UN, “Sustainability of the natural rubber supply chain”, with reference to the partnership with our suppliers in the implementation of the Roadmap of Activities at 2021, and “WBCSD”, with reference to the project “Transforming Urban Mobility” and the Global Platform for Sustainable Natural Rubber.

It is noted that all the sub-paragraphs relating to “Company Initiatives for the External Community” indicate the main SDGs that the projects and initiatives described impact directly.

Please be aware that:

- the Pirelli Sustainability Plan 2017-2020 with selected targets for 2025 is published in the “Sustainability” section of the Company’s website (www.pirelli.com), where the new Industrial Plan and related long-term strategic sustainability targets that the Company will present in February 2020 will also be published;
- at the end of the 2019 Annual Report, prior to the Independent Auditors’ Report, 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. by sustainable and lasting growth that can reconcile the interests and expectations of all those with whom the Company interacts and especially:

- customers, since the 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 global responsibilities as a Corporate Global Citizen.

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

The interactions that take place between Stakeholders are informed by the AA1000 Model adopted by the Company and are analysed in detail in order to manage relations with them effectively and create sustainable and 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.

During 2019, particular relevance was given to the engagement and training of the Group's natural rubber suppliers, in the implementation of the 2019-2021 roadmap of activities defined by the Company following the consultation with the relevant local and global Stakeholders for the implementation of the Pirelli Policy on the Sustainable Management of Natural Rubber (for further information on the sustainable management of natural rubber, see the dedicated paragraph to this Report).

In the preceding years, several consultation meetings were held for the relevant national and regional Stakeholders, in order to share the results and targets of the sustainability plans of the subsidiaries and to listen to the expectations of the Stakeholders on the management of issues deemed relevant for the development of the subsidiary in the medium to long term. In 2018 meetings were held in the United States and the United Kingdom, in 2017 in Russia and Argentina, and in 2016 in Romania, Mexico, Germany and Turkey. Among the issues discussed in the various countries are energy management, technical training and the availability of adequate skills in the population, road safety, the circular economy, human capital engagement, the environmental sustainability of cities, and water and waste management.

Local feedback received from Stakeholders contributed to the corporate evaluation of the priorities for action by influencing the development strategy set out in the Sustainability Plan.

MATERIALITY ANALYSIS AND MAPPING

The Pirelli materiality matrix was published in 2019, updating the materiality matrix prepared in 2016.

The thorough Stakeholder Engagement activities allowed the observation of the priorities assigned by the key Stakeholders relating to a panel of sustainability issues critical for the Autoparts 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 (Environmental, Social, Governance) relevant for the development of the Company. The issues have been pre-selected considering the relative presence in the materiality matrix of Automobiles and Auto parts producers, the relevance of the same for the Auto Components sector according to primary research and sustainable finance entities, risks and opportunities arising from regulatory developments, from the expectations of communities, governmental and non-governmental institutions, and financial markets.

For this reason it is specified that all the ESG elements pre-identified through the aforementioned analysis are material and relevant for the development of Pirelli, with greater or lesser priority as evidenced by the position of the different elements within the matrix defined according to the results of the Stakeholder and Management interview process.

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

- the biggest original equipment customers;
- more than 700 end customers belonging to the most representative markets;
- the most important dealers;
- numerous employees in the various countries where the Group is present;
- several Group suppliers;
- the leading financial analysts;
- national and supranational institutions and public administrations;
- international and local NGOs present in the various Countries in which Pirelli has production activities;
- universities that have collaborations with the Group.

The topics submitted for evaluation by Stakeholders are the following:

- Occupational Health and Safety;
- Employees Well-being & Work-life Balance;
- Training and Development;
- Diversity and Equal Opportunities;
- Labour Relations Management;
- Community Engagement;
- Responsible Procurement;
- Human Rights;
- Customer Satisfaction;
- Product Quality and Safety;
- Product Environmental Sustainability (*Impacts of the product on the environment: energy efficiency, mileage, weight reduction etc.*);
- Renewable Materials⁸;
- Responsible Use of Natural Resources (energy and water efficiency, waste for recovery);
- Climate Change and Greenhouse Gas Emissions Management;
- End of Life Tyre Recovery and Recycling;
- Legal & Regulatory Compliance;
- Business Ethics and Integrity;
- Corporate Governance;
- Financial Health;
- Road Safety Initiatives.

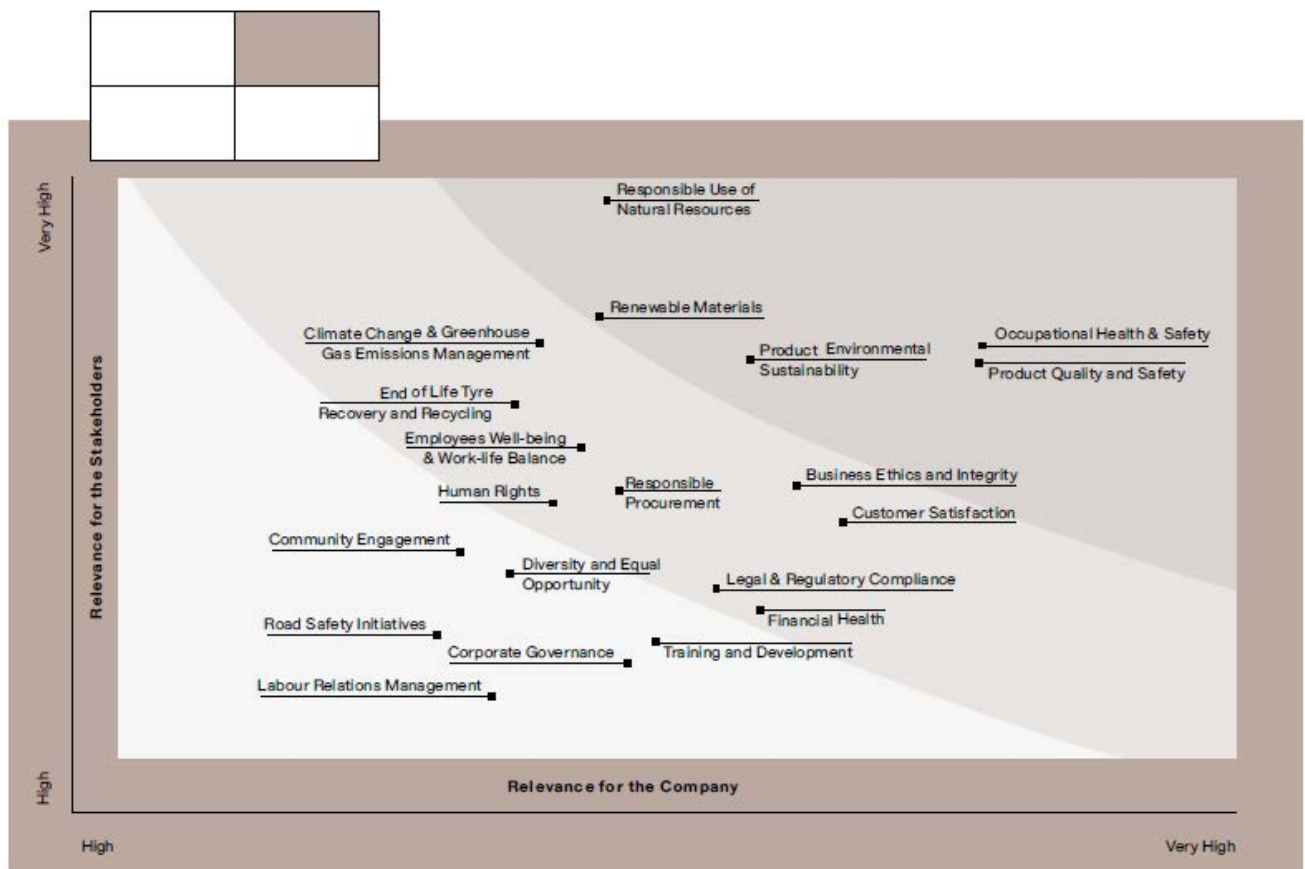
⁸ OECD defines “Renewable Natural Resources” as natural resources that, after exploitation, can return to their previous stock levels by natural processes of growth or replenishment.

The priorities expressed by Pirelli and 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 was presented and approved at the Sustainability Steering Committee held in February 2019 and 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” (Directors’ Report on Operations), as well as in the dedicated paragraphs below.

The materiality matrix is a key element for the definition of a sustainable development strategy in the Group and as such is considered in the definition of the new Industrial Plan and related long-term strategic targets that the Company will be presenting in February 2020.



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 “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”;
- the “Pirelli Intellectual Property” (or IPR) 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”, “Antitrust” and on the “Whistleblowing” policy.

Programs of Compliance 231, Anti-corruption, Privacy 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.

During 2019, the Board of Directors of the Company approved the new version of the Model, updated taking into account the legislative and jurisprudential innovations and, in particular, in compliance with Article 2 of Law no. 179/2017, concerning whistleblowing, the management methods of the internal reporting system and the disciplinary system were modified. In addition, the changes introduced by Legislative Decree no. 107 of 10 August 2018 and the provisions of Law no. 3 of 9 January 2019, which expanded the catalogue of offences and tightened the penalties applicable to entities, were also implemented.

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

The process of communicating and implementing the Group Anti-Corruption Programme continued in 2019 in the main Countries in which Pirelli operates. The Programme, available in twenty-two different languages on the 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, the 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, country-specific training courses have been implemented through e-learning platforms or classroom courses. In addition, during the

year, a worldwide 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 verification 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 certification body performed periodic audits on the ISO 37001 Anti-Corruption Management System of Pirelli & C., Pirelli Tyre S.p.A and the Russian and Brazilian entities, reconfirming the validity of the certifications previously obtained. In 2019, the process of certification of the Spanish company began and will be completed in early 2020.

Referring to the contributions made to the External Community, Pirelli has for many years adopted internal procedures defining the roles and responsibilities of the function involved, and the operational process of planning, achieving monitoring and control of results of the initiatives supported. The Pirelli procedure specifies that initiatives may not be promoted 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. The “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 2019, on the basis of the reports received through the whistleblowing reporting channel, 2 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 2019 the Functional Segregation model was also implemented (so-called *Segregation of Duties*), aimed at strengthening the system of internal controls and preventing the committing of fraud.

Also in 2019, Pirelli supported the activities of Transparency International, to which it subscribes as a supporter in the areas of projects in the matter of education 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 the subject of personal data protection, during 2019 the processing activities carried out by the Group companies based within the European Union and the Russian Federation were monitored in order to verify their compliance with the EU Regulation 2016/679 and the Russian Data Protection Act respectively, taking the most appropriate corrective actions where necessary. At the same time, a project was launched and completed to bring the US companies of the Group into compliance with the new regulations on the protection of personal data introduced by the California Consumer Privacy Act. Work also continued on compliance with Brazilian legislation on the protection of personal data in anticipation of its entry into force. 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 development of the company and at the same time, the market. In this context, Pirelli constantly updates the Group's Antitrust Programme in line with international *best practices*.

Throughout 2019 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 activities to facilitate the management of antitrust issues in the daily conduct of business activities or relationships with other operators.

In 2019 Pirelli was not involved in any antitrust proceedings or investigations as participant in anti-competitive conduct.

Focus: Reporting Procedure - Whistleblowing Policy

The Group Reporting Procedure, or Whistleblowing Policy, which supports the Group' internal compliance and control systems, was updated in 2017. Published on the Company website and internally accessible through intranet and company bulletin boards in the local language, the Policy is aimed at both employees and external Stakeholders.

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 Ethical Code, including, obviously, equal opportunities, 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 Whistleblowing reporting channel is also expressly referred to by the Sustainability Clauses included in each supply order/contract as well as by the numerous 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 2019, 2018 and 2017, below is a summary table and then a further study of reports from 2019⁹.

	2019	2018	2017
Total reports	77	70	34
Of which anonymous	29	22	7
Of which filed closed for being absolutely generic.	6	2	1
Of which founded	24	25	9
Countries of origin of the reports ascertained	Brazil, Bulgaria, Dubai, Greece, Italy, Romania, and Russia	Brazil, China, Italy, Romania, Russia, United States and UK	Brazil, Chile, Spain, United States and UK
Matter alleged in the reports ascertained	Violation of the Code of Ethics and/or company procedures, fraud against the Company or third parties, product quality anomalies, discrimination.	Violation of the Code of Ethics and/or company procedures, fraud against the Company or third parties, claims by employees, discrimination.	Violation of the Code of Ethics and/or Company procedures, fraud against the Company, claims by employees, discrimination.
Outcome of cases investigated	Review and integration of processes where deemed fitting, decisions by the functions concerned and the <i>Human Resources</i> Department.	Review and integration of processes where deemed fitting, decisions by the functions concerned and the Human Resources Department.	Review and process integration where deemed fitting, orders by the functions concerned and Human Resources Department.

During the course of 2019 the Whistleblowing procedure was activated 77 times. In particular:

- the 77 reports were received from 14 different Countries (Argentina, Brazil, Bulgaria, China, Dubai, Egypt, Germany, Greece, Italy, Romania, Russia, the United States, South Africa and the UK);
- 82% of the reports (63 cases) were forwarded using the email address ethics@pirelli.com provided, while 18% (14 cases) by sending a letter to management which dealt with informing Internal Audit Department as per corporate rules;
- 62% of the reports (48 cases) were signed whereas the remaining 38% (29 cases) were received in anonymous form;

⁹ 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 2018 Annual Report, following the conclusion of the verification activities in 4 cases no objective evidence was found to consider the facts alleged to be true, while in 2 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, 19 were activated by external Stakeholders, of which 13 were related to breaches of the Code of Ethics and/or company procedures, 4 cases attributable to fraud to the detriment of the Company or third parties and 2 cases relating to reports regarding the quality of the product. 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 77 reports received during the 2019 year, at the beginning of 2020, 6 were found to be at the verification and in-depth investigation stage, whereas 71 were found to have been concluded. In respect of these latter, 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 47 cases objective corroborating evidence was detected such as to hold the facts contended in the reports received to be true;
- in the remaining 24 cases the substantial truthfulness of the facts attributed was found, in particular, 2 cases concerned fraud against the Company or third parties, 1 case connected to discriminatory attitudes, 1 case relating to product quality anomalies and 20 cases concerning violations of the Code of Ethics and/or company procedures. The Company has activated for all cases, intervening with disciplinary sanctions (calls and/or dismissals) and with actions aimed at removing the causes of complaints and/or aimed at improving the internal control system.

In terms of trends over the last three years, in 2019 there was a slight increase in reports compared to 2018, a year that showed significant growth compared to 2017. The leap observed between 2017 and 2018 is likely to be linked to the focus placed by the company on strengthening the knowledge of the Policy by Group employees, particularly during Internal Sustainability Audits. The trend also confirms the substantial confidence placed in the Company in the management of reports.

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.

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 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 €)						
	2019		2018		2017	
Gross Global Added Value	2,315,148		2,177,745		2,079,628	
Remuneration of personnel	(1,072,167)	46.3%	(1,067,579)	49.0%	(1,034,647)	49.8%
Remuneration of Public Administration	(164,562)	7.2%	(52,964)	2.4%	(40,848)	2.0%
Remuneration of borrowed capital	(109,480)	4.7%	(196,311)	9.0%	(362,610)	17.4%
Remuneration of risk capital	(177,000)	7.6%	-	0.0%	-	0.0%
Remuneration of the company	(788,044)	34.0%	(857,079)	39.4%	(634,727)	30.5%
Contributions to the external community	(3,895)	0.2%	(3,811)	0.2%	(6,796)	0.3%

The added value created in 2019 recorded an increase of 6.3% compared to 2018. This change is mainly due to the increase in the remuneration of the Public Administration and risk capital, partially offset by the reduction in the remuneration of borrowed capital. Trends in the items determining gross global added value as shown above, are set out in the Consolidated Financial Statements 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 2019 for the external community on the net result of the Group amounted to 0.9% (0.9% in 2018). The table below shows the expenses incurred in the last three years, which grew slightly in 2019 compared to 2018 and contracted compared to 2017 due to cost containment activities at Headquarters.

CONTRIBUTION TO THE EXTERNAL COMMUNITY (in thousands €)			
	2019	2018	2017
Training and research	691	823	877
Social-cultural initiatives	2,136	2,181	4,877
Sports and solidarity	1,068	807	1,042
Total contributions to the external community	3,895	3,811	6,796

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.

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*”.

LOANS AND CONTRIBUTIONS RECEIVED FROM THE PUBLIC ADMINISTRATION

The main contributions received by the public administration in 2019 are shown below.

Romania

The fourth and last tranche, amounting to €10 million, of the loan granted in 2009 by the European Investment Bank (EIB) to Pirelli Tyres Romania S.r.l. for a total of €50 million was repaid in March 2019. The loan was granted for the expansion of the Slatina plant for the production of tyres for cars and light commercial vehicles. For the sake of completeness, it should be noted that the first tranche, amounting to €20 million, was repaid in May 2017 and that the second and third tranches, amounting to €10 million each, were repaid in March and July 2018, respectively. This loan was in addition to a similar one, received to support the construction of the same production site, disbursed in 2007 and fully repaid at the end of 2013. It should also be noted that 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 €7.6 million in 2019 (the incentives were paid from 2018 onwards).

Italy

No receipts for national or regional contributions were recorded during the 2019 financial year. For the sake of completeness, Pirelli Tyre S.p.A. obtained incentives from the Lombardy Region in the form of non-repayable grants of €1.7 million and €2.4 million for the implementation of two R&D projects on Safety and Smart Manufacturing, of which €0.8 million was collected. During the year, the company also signed an agreement with MiSE (Ministry of Economic Development) for the facilitation of three R&D projects up to a total of €6.3 million.

Mexico

In 2019 Pirelli Neumaticos S.A. de C.V. (Mexico) received a new grant contribution from the Government of the State of Guanajuato (Mexico) for investments and generation of employment for a total of €2.4 million entirely collected during the year. The company also received grant contributions from the Mexican Federal Government for investments and generation of employment for the ProMéxico project, for a total of €10 million. No further government grants were received during 2019 (the incentives were paid from 2012).

RELATIONS WITH INVESTORS

In accordance with what is set out in the Values and Ethical Code of the Group, 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 to promote communication that is equal, transparent, timely and accurate.

Financial Communication activities continued during 2019 with the promotion of meetings with Italian and foreign analysts and investors. 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.

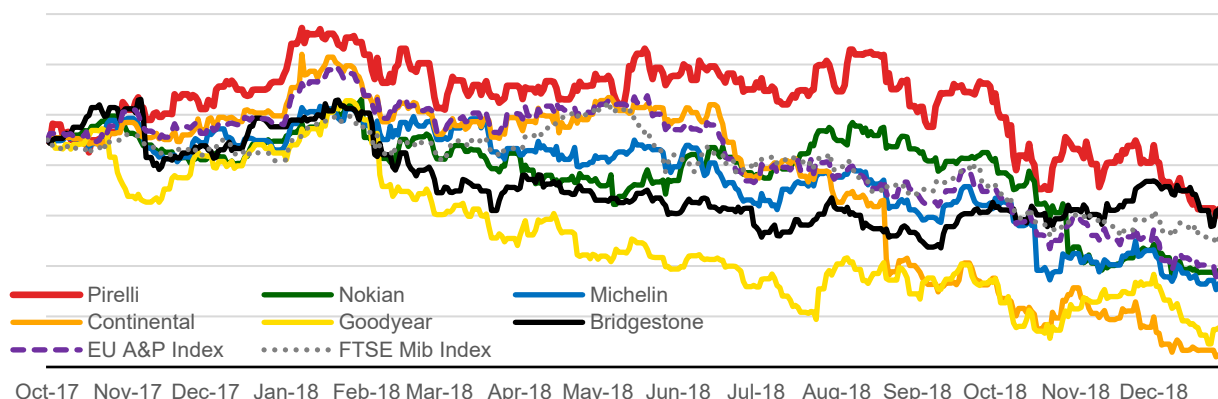
The interest of the financial community towards Pirelli is proved by the broad coverage of the stock by 20 of the main national and international business banks and brokers and by the inclusion of the company in the FTSE MIB, Dow Jones 600 A&P indexes and in the FTSE Italian Brands index.

The evaluation (Target Price) and the analysts' estimates (Consensus) are published in the "Investors" section on the company's website and periodically updated.

2019 was a year of high volatility in the main equity markets. Uncertainty over economic growth, international trade tensions, as well as the progressive decline in global Auto production, impacted the Auto & Parts sector for much of the year. Pirelli closed 2019 with a market capitalisation of €5.2 billion (average capitalisation in December), down 5%¹⁰. This compares with -21%¹⁰ for Goodyear, -1%¹⁰ for Continental, +1%¹⁰ for Nokian, 0%¹⁰ for Bridgestone, +30%¹⁰ for Michelin, +15%¹⁰ for the EU Stoxx 600 A&P index.

¹⁰ Stock market trend 1 January - 31 December; the value is net of dividend distribution and/or other extraordinary transactions.

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



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 in some of the world’s most prestigious sustainability stock market indices, including Dow Jones Sustainability Index World and Europe and FTSE4Good, both of which have top industry ratings globally, Euronext Vigeo World 120 and Europe 120, Ethibel Sustainability Index (ESI) Excellence Europe, ECPI, ISS ESG Rating and MSCI ESG Rating.

With particular reference to the Dow Jones Sustainability indices, in September 2019 Pirelli was recognised, as in 2018, as world leader in the Auto & Components sector in the Dow Jones Sustainability Indexes World and Europe, with a score of 85 compared to a sector average of 36. In addition, in January 2020, Pirelli was the only company in the Auto Components sector worldwide to be awarded “Gold Class Distinction” in the SAM Sustainability Yearbook 2020 published by S&P Global; both the Dow Jones Sustainability Index and the Sustainability Yearbook are based on RobecoSAM’s Corporate Sustainability Assessment, which analyses the ESG performance of over 4,700 listed companies in 61 different sectors.

It should also be noted that, in January 2020, Pirelli was reconfirmed on the Climate A List of the CDP (Carbon Disclosure Project) and became one of the global leaders in the fight against climate change. In 2019, more than 8,400 companies reported their greenhouse gas emissions through the CDP, a non-profit organisation supported by 525 institutional investors, managing assets worth more than US\$3.6 trillion.

For more information reference is made to the Investors section of the Pirelli website, which offers a comprehensive and constantly updated source of information on matters of interest to shareholders and the financial community.

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 20% in Europe; in the Prestige segment, which represents the top of the range, Pirelli exceeds 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 2019, Pirelli can count on more than 16,500 Loyal Resellers globally, with a particular concentration in Europe, Asia-Pacific and South America (about 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), which has as main objective for Pirelli territorial coverage and for the dealer sales support; to franchise programmes, in which through the exclusive 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 (318 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 2020, the P ZERO WORLD™ Network will identify approximately 135 stores 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 90 new openings planned for 2020.

"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.

High Value approach to future mobility

Pirelli carefully monitors the evolution of the automotive market and more generally the evolution of mobility. Future mobility trends such as digitalisation, electrification, management of sharing vehicles and driving automation, will lead to an evolution of mobility with a speed that is unprecedented in the field.

The centrality of the Customer, historically fundamental value for Pirelli, follows the future trends and sees the Company enrich its product offer in line with its High Value development strategy.

This is the context in which the Cyber™ project and tyres sensorization, an integral part of Pirelli's strategy that makes technological innovation a distinctive and key element in responding to the major issues that will transform the concept of mobility, which sees a future of independently-driven electric cars that are shared and connected, through 5G, to the entire road infrastructure.

Pirelli is present in the world of bicycle tyres with several product lines: the line dedicated to road racing bikes: P ZERO™ Velo and CINTURATO™ Velo, the line dedicated to the off road world of mountain bikes SCORPION™ MTB and the Urban CYCL-e™ line.

The centrality of the mobility of the future in the High Value strategy saw the introduction in 2017 of a specific figure in this sense in the company organisation, the Future Mobility Manager, which has the task, within the Sustainability Department, to monitor these trends in the sector and to coordinate their business activities accordingly.

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 55 Car websites (in 29 languages) and 20 Motorcycle websites (in 14 languages), Pirelli online represents 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 2019, these websites attracted 7.5 million unique users, for a total of 9.7 million sessions and 31.8 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 2.1 million users in 2019 (for a total of 7.1 million page views) and generated about 106,000 appointment bookings, over 50,000 calls to the dealer, about 7,000 contact requests via e-mail.

In 2019, Pirelli also continued to inform its customers with a digital newsletter, *Paddock News*, whose main objective is to provide an additional means of communication and contact with the trade, and which consists of an international edition, coordinated centrally from headquarters, and local-language edition adapted to each market in which Pirelli operates. *Paddock News* features a gallery of new products and news from the Company and its Business Units: Car, Motorcycle, Motorsport and Velo.

Of particular relevance in terms of communication on product developments is participation in the main *Autoshow events*. At the Geneva Motor Show 2019 Pirelli presented the P ZERO™ product family, unveiling the brand new P ZERO WINTER™. Also in 2019 Pirelli took part in the most important *Consumer Prestige* events, such as the *Salon Privé* (England) and the *Villa d'Este Elegance Competition* and conducted three driving events called the P ZERO™ Experience in Italy, Germany and Abu Dhabi.

Pirelli continues its commitment alongside the sports more in line with the prestige and high performance positioning that characterise the company and its products: this is the case of the partnership started with Luna Rossa, *challenger of record* in the upcoming America's Cup 2021, in addition to the close sponsorship relations with FC Internazionale Milano, the Italian Winter Sports Federation and the Alpine Ski World Championships, IIHF World Ice Hockey Championship and the very successful sponsorships in the world of engines: from WorldSBK to the most prestigious motorsport championships like the GT World Challenge Europe, America and Asia and in particular Formula 1®, of which Pirelli is the Global Tyre Partner until 2023.

In 2019 Pirelli took part in *Eurobike*, the main international cycle fair, where it presented the entry into the Gravel segment with the CINTURATO™ Gravel line.

The training of customers on the product even in 2019 was intense in all markets, both at the points of sale and at the Pirelli sites with visits to the factory, Research & Development laboratories, and simulations of tyre performance. During the year there were about 15,000 participations by dealers, belonging to the 24 main markets, in classroom training courses on the Pirelli product, technology and sale of tyres; some of the courses included visits to the Settimo Torinese (Italy) and Izmit (Turkey) plants as well as to the Vizzola circuit (Italy) and the Milan Research and Development Centre.

In order to support the product trainers, Pirelli has developed 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 differences between the different tread. 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 2019 the use of the new online training site TYRE-CAMPUS™ was consolidated, now covering 24 markets in 16 different languages. To date, more than 14,000 points of sale are registered on the new site, with a total of over 18,200 active users. 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 “Product Expert” certification which can be obtained and downloaded from the site once all the training courses assigned during the year have been completed.

Pirelli also continues to certify all its dealers who complete the product training successfully. The certificate is indicated by a “Product Expert” plaque to be displayed at the point of sale. This way, consumers can recognise which dealers are the most specialised and qualified on the technical features and benefits of all the products of the Pirelli range.

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 150 employees, performing business operations in IT support and order management (inbound), telemarketing and teleselling (outbound).

In 2019, all the major social media channels of Pirelli have seen a significant increase in the fan base. Pirelli’s presence on Facebook has reached over 2.6 million followers, with a growth of 3% over the previous year. Also on Twitter, the Pirelli accounts have seen an increase in followers, reaching more than 302,000 people, over 12% more than in 2018. A very important step forward was on Instagram, where Pirelli channels reach more than 790,000 followers, an increase, year-on-year, of 40%. Finally, there are about 22,200 followers of Pirelli on the main online video platform, YouTube, and over 450,000 followers on LinkedIn.

The success of the website www.pirelli.com, a Pirelli *digital magazine* launched at the end of 2015, has also been confirmed. In 2019, on the new digital communication platform, Pirelli published 350 articles - on product, motorsport, culture and sustainability - gathering over 6.6 million visits, of which almost half were attracted through social networks and more than 5 million unique users, an increase of 17% compared to 2018.

As for the Motorcycle world, the Pirelli and Metzeler brands boast a structured and widespread presence on the main social networks: the Pirelli brand, as well as on the Facebook channel (with more than 979,000 fans connected to the Global Page which includes 19 local pages) is on Instagram with over 145,000 followers and has dedicated profiles on Twitter and YouTube. Worthy of note is the mobile application DIABLO™ Super Biker, which has been downloaded by more than 615,000 people around the world and that will be completely renewed and improved in 2019 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, is present on

Facebook with a Global Page that has more than 434,000 fans and includes 17 local pages in as many Countries. As with the 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 the Pirelli product by the registered community of motorcyclists: over 400,000 for Pirelli Moto and over 61,000 for Metzeler.

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

Also in 2019 direct customer listening activities were carried out both through the Brand Tracking survey in Pirelli's Top Market (Italy, Germany, France, United Kingdom, Brazil, China, United States, and Russia) 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 2019 saw Pirelli positioned in the *Top Three* of the main tyre brands: in first place for *Top of Mind*, and second place for *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*, *Brand Awareness* and *Brand Consideration* in Germany and in second place for *Brand Awareness* and third for *Top of Mind* in France. Outside Europe, Pirelli is in first place for all KPIs (*Top of Mind*, *Brand Awareness* and *Brand Consideration*) in Brazil, second place for all KPIs in Russia, and third place for *Top of Mind* and *Brand Awareness* and second place for *Brand Consideration* in China.

Product safety, performance and eco-sustainability

Safety and technological solutions to support the environment are essential values of Pirelli's product offering and commitment. In 2019, the company once again distinguished itself on the market in the development of tyres and technologies that are aimed at raising the limits of safety, performance and environmental protection.

During 2019, Pirelli presented its first tyres with the ELECT marking that distinguishes all Pirelli tyres developed together with original equipment on electric vehicles. The marking represents the clear identification of a tyre built through technological solutions and material packages able to enhance the technical peculiarities of electric vehicles, 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.

In addition to the above, the continuous renewal of the range has made it possible to offer the market products with lower rolling resistance values, which as a result are more eco-sustainable. Among the price lists (Pricat Germany) of January 2018 and September 2019, the number of items in class A and B rolling resistance increased from 150 to 230, showing a growth of over 50%.

In 2019 the commercial offering in North America saw the introduction of two products with an improvement in both performance and safety: SCORPION All Season Plus II and CINTURATO P7 All Season Plus II. The product has seen significant improvements in performance on wet surfaces, braking in particular.

Among the products in Pirelli's portfolio, ICE ZERO 2™ and SCORPION ICE ZERO 2™ are new generation studded tyres developed for a wide range of cars and SUVs, designed to ensure excellent performance in extreme winter conditions on snowy and icy roads. Higher levels of safety and driving control are guaranteed by specific innovations related to tread design and studded technology.

The company's strength is highlighted even in the most extreme winter conditions. In 2019, two podium finishes were taken by Pirelli ICE ZERO™ FR, the non-studded product developed for harsh winters that offers excellent levels of grip and safety even on snowy and icy surfaces. Excellent positioning also for the WINTER CINTURATO™, a winter product for the European market that obtained a place on the podium thanks to its high performance in all conditions of use.

Volumes are continually growing of Pirelli PNCS™ tyres, whose innovation is crucial to reducing the noise inside the passenger compartment generated by tyre rolling as a result of the stress between the road surface and the tread pattern. The benefits have been recognised not only by car manufacturers such as Jaguar-Land Rover, Audi, Volvo, Mercedes, Ford, Tesla, Porsche, Bentley, McLaren, Aston Martin and BMW, but also by end customers who choose to fit Pirelli PNCS™ tyres in replacement, with a 75% higher volume increase in 2019 than the previous year.

The safety and performance of Pirelli products are finally certified by tests conducted by leading automotive magazines. In 2019 Pirelli came first in 2 tests with PZERO™, a product for high performance cars, thanks to its high driving characteristics in dry and wet asphalt conditions.

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.

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 2019, all the certifications obtained were verified by third-party bodies and kept active.

ISO/IEC 17025: Since 1993 the Materials and Experimentation Laboratory of the 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 the Pirelli Tyre S.p.A. Laboratory successfully obtained accreditation for the new version. The labs participate in proficiency tests organised by the International Standard Organisation, by 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 the Pirelli Group, concern the markets of Europe, NAFTA, South America, China, Gulf Countries, India, Taiwan, Indonesia, South Korea, Japan and Australia, 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 the Pirelli production sites.

Compliance

Also in 2019:

- no cases emerged of non-compliance with regulations or voluntary codes concerning marketing activities, including advertising, promotion and sponsorship;
- 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;
- there were no bans or disputes on the sales of any Pirelli product.

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 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 ISO20400 is in addition to the certification of compliance obtained by the Company with the guidelines on social responsibility dictated by ISO 26000.

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 Code of Ethics.

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". 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; for the full text in several languages please see the Sustainability Section on the Pirelli website.

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 future supplier pre-analysed at the assessment phase, and then is “contract bound” through the Sustainability and business ethics clauses included in every contract/purchasing order.

After the supply agreement has been made, the sustainability performance of the supplier is audited by an independent third party.

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.

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 and with the request to attach any certificates such as ISO 9001. For specific product categories (raw materials), information on loss prevention is also requested, key elements not only to prevent future cases of “business interruption”, but also closely related to the safety of workers employed at the supplier’s site.

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 attributed 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.

The non-acceptance of the audit and/or not signing the corrective action plan shall block the qualification of the supplier.

This is also the context of more than ten years of preventive assessment of new raw materials and new auxiliary products from the perspective of workers' health and the environment. This assessment - conducted centrally - is carried out before the materials in question are used extensively by the Group's operating units. The assessments are carried out taking into account not only the requirements of the more restrictive European regulations on the management of hazardous substances (for example, the so-called "REACH" and "CLP" Regulations), but also by virtue of the standards and knowledge available at international level (specific databases, etc.). Also worthy of mention are the activities of monitoring the producers and suppliers of the raw materials used by the entire Group (in accordance with the above Regulations), as well as those carried out with regard to compliance with the requirements of Regulation (EU) 2017/821 on so-called "conflict minerals" (to which a paragraph is dedicated below).

With regard to the **contractual stage**, for the past decade the Sustainability and Business Ethics Clauses (including anti-corruption) have been included systematically 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) or 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;
- specifying 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).

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.

In terms of maximum guarantee, the Group suppliers have access to the **Whistleblowing** Reporting Procedure (ethics@pirelli.com), expressly indicated in the clauses, with which to report in full confidentiality any violation or suspected violation they perceive in relations with Pirelli and with reference to the contents concerning: “Values and Code of Ethics”, “Code of Conduct”, Group policies on “Global Human Rights”, “Health, Safety and Environment”, “Anti-Corruption Programme” and “Product Stewardship”.

In 2019, among the signed reports, two were sent by Suppliers. It remains objectively impossible to confirm that the total number of reports from suppliers corresponds only to two because some complaints were anonymous, as specified in the paragraph “Focus: Group Reporting Procedure - Whistleblowing”, to which reference should be made for further information.

Focus: ESG on-site audit

The Pirelli management model has been characterised by third-party on-site audits since 2009. The on-site audit is already carried out in the pre-qualification phase for all potential new suppliers and/or plants of raw materials and high value-added goods that, by their nature, can become development partners/long-term partners for the Company, to which a large part of the purchase spending is allocated.

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 results of the on-site ESG Audit, together with further assessments made during the supplier's on-boarding phase, are integrated into the annual Vendor Rating process, according to which the supplier is given a rating that sums up their ESG performance, the quality of the supplies, the quality of the business relationship and the technical-scientific collaboration.

The annual Audit Campaign determines the list of suppliers to be audited based on an approach that integrates materiality and risk. The Group's Purchasing and Sustainability Departments define the Guidelines for Risk Assessment which, carried out by local Purchasing Managers and Sustainability Managers, will lead to the selection of suppliers to be audited on site. The following basic parameters are considered in the assessment:

- the supplier is bound to Pirelli by multi-year contracts;
- the replacement of the supplier and/or related product may be complex;
- the economic burden of the purchase is significant and for this reason it is considered necessary to verify in loco, via third party audit commissioned by Pirelli, the compliance of the supplier with Pirelli ESG expectations, signed by the supplier in the contract stage;
- the supplier operates in a Country at ESG risk;
- 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 has an average duration of two days in the field and includes a factory visit, interviews with workers, management and trade union representatives. The external auditors carry out verification on the basis of a checklist of parameters of sustainability deriving from the Pirelli Ethical Code, the SA8000® standard (a benchmark tool officially adopted by the Group for managing social responsibility since 2004) and the "Social Responsibility Policy for Occupational Health, Safety and Rights, and Environment" of the Pirelli Group (in its turn consistently with the areas of social, environmental and governance sustainability dictated by Global Compact of the United Nations), the "Social Responsibility for Health, Safety and Rights at Work, Environment" Policy, the Global Health, Safety and Environment Policy and the Global Human Rights Policy to which loss prevention KPIs have been added since 2019. For natural rubber suppliers, the checklist of verified parameters is derived from Pirelli's Policy for the sustainable management of natural rubber, on which a paragraph is dedicated below.

Here below, the number of ESG on-site third-party audits performed in the last three years:

Year	Audit Number
2017	83 ¹¹
2018	85 ¹²
2019	90 ¹³

In most cases the 2019 audits involved suppliers of Pirelli operating in Countries where the company is present at an industrial level, i.e. Argentina, Brazil, China, Germany, Indonesia, Italy, Mexico, United Kingdom, Romania, Russia, United States, and Turkey. Or suppliers in Countries from which Pirelli buys raw materials, such as China, France, Belgium, Netherlands, Germany, Malaysia, Indonesia and Brazil.

The results of the audits carried out during the 2019 annual campaign show:

- 44% of suppliers without non-compliance;
- a total number of non-conformities found on-site decreased by 4% compared to 2018.

The non-conformities registered in 2019 are substantially linked to the processes of health and safety management, the use of overtime and the correct implementation of environmental management systems.

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 (documentary or a new on-site audit) directly followed by the Auditor, who report to Pirelli. The Group Internal Audit Department verifies the adequacy of supply chain management by the local responsible Functions (Sustainability and Purchasing).

Materiality of ESG impacts on the supply chain

Social impact (human and labour rights in particular) is evidenced in all categories of purchases, in respect of suppliers operating in Countries considered to be more greatly at risk as compared to others from the standpoint of compliance with domestic 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

¹¹ of which 14 on potential new suppliers of raw materials.

¹² of which 16 on potential new suppliers of raw materials.

¹³ of which 26 on potential new suppliers of raw materials.

category of raw materials, in terms of direct emissions and impact on Pirelli's indirect emissions, as well as on the capacity of the material to affect the emission impact of the production process and on the energy efficiency of the Pirelli product. With reference to the Water Footprint along the life cycle of the Pirelli product, the impacts are prevalent in the natural rubber processing business. Upstream of the natural rubber supply chain is also the risk of deforestation and damage to 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. The draft of the Policy was presented and discussed with key Stakeholders in a consultation session held in September 2017, attended by international NGOs, Pirelli's main natural rubber suppliers, traders and farmers from the supply chain, automotive customers and multilateral international organisations

As stated in the Policy, Pirelli undertakes 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;
- making available the Reporting Procedure for any violations of the Policy.

In December 2018 the Company released the *Implementation Manual* for the 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 through a global Stakeholder dialogue event held at the Group Headquarters and attended by international NGOs, the main suppliers of natural rubber of Pirelli, traders and farmers from the supply chain, automotive customers and international multilateral organisations.

At the same time, Pirelli defined its Action Plan for the three-year period 2019-2021 and detailed its Action Plan for 2019.

The Policy, the Implementation Manual and the 2019-2021 Action Plan and detailed Action Plan for 2019 are published on the Group website, in the Policy area within the Sustainability section.

During the course of 2019, Pirelli implemented the activities planned for the Action Plan 2019, with the support of central and local specialists from Earthworm Foundation.

The first activity envisaged in the 2019 plan concerned the engagement of suppliers on the sustainable development strategy envisaged in the Pirelli Policy, the Implementation Manual and the 2019-2021 Activity Roadmap, with a view to partnership and collaboration for a common goal. To this end, Pirelli organised interviews with the management of all suppliers, including a number of dialogue sessions at the factories. At the end of 2019, the engagement activities carried out covered 100% of the volumes purchased by Pirelli during the year.

A further objective of the 2019 roadmap was the identification, together with suppliers, of the geographical areas of purchase of the natural rubber supplied. The ability to identify the origin of natural rubber is in fact crucial for mapping potential risks within the supply chain, both deforestation and social, and to enable further efforts in terms of traceability. Thanks to the relationship of collaboration, trust and the necessary respect for confidentiality on competitive details for suppliers, at the end of the year Pirelli was able to have a map of supply chain areas with information that in many cases identifies the village of origin of natural rubber. At the same time, together with the Earthworm Foundation, Pirelli conducted an analysis of potential socio-environmental risks by geographic area mapped, sharing it with its suppliers so that it could serve as a basis for defining roadmaps for appropriately targeted activities.

With regard to mapping deforestation risk, the desk activity was supported by an innovative tool that uses satellite images to identify areas of deforestation in selected areas. At the end of 2019 and beginning of 2020 the test is underway and the results will be integrated into the risk maps to allow updates of risk mitigation plans where appropriate.

The main objective of the 2019 plan was also training on the contents of the Pirelli Policy and the related Implementation Manual for all employees of Pirelli suppliers directly involved in “field” activities, in the local language and in all countries from which Pirelli sources its supplies. 100% of natural rubber suppliers participated in six seminars organised by Pirelli in five countries (Indonesia, Thailand, Malaysia, China and Brazil), which were also attended on various occasions by national authorities active in the sector. The three-day training sessions were supported by local specialists, who lowered the topics covered in the Policy on local realities, making the training particularly effective and appreciated by participants.

In support of what was broadcast during the training days, Pirelli has created a set of infographics reporting key concepts in the policy, in order to support suppliers in transmitting the knowledge learned during the training along the supply chain in a simple and effective way.

After the training sessions, the suppliers began to define their own roadmap for implementing the Pirelli Policy, describing in detail the activities that will make it possible to fill the gaps identified to date. At the end of 2019, Pirelli received roadmaps covering about 97% of the volumes of natural rubber purchased in 2019.

In 2019 Pirelli participated as usual in the “tapping competition” event held in Indonesia by Kirana Megatara, one of its main suppliers. The event saw the best local “tappers” compete amicably on the best methods of tapping, an important moment of training and spreading awareness among the farmers present about the best cultivation and tapping techniques, necessary to obtain a product that is increasingly pure, free from contamination and therefore distinguished by its high level of quality, which is necessary to increase productivity and therefore household earnings, and at the same time to reduce the impact of deforestation. During the event Pirelli held an in-depth dialogue with those present on natural rubber tree diseases, which have recently begun to have an important impact on the livelihoods of smallholders (an estimated loss of productivity of around 15%), so that together we could identify causes and possible solutions. The result is a study that Pirelli will be publishing in early 2020 on the Pirelli website, in the section dedicated to natural rubber, for anyone interested.

Also held in 2019 was the scholarship delivery ceremony organised by Pirelli and Kirana Megatara for the children of local producers. The ceremony was held in Muara Enim Regency in the south of the island of Sumatra and 65 scholarships were awarded, with the aim of trying to ensure an adequate education, in the belief that the future sustainability of the natural rubber business cannot ignore the adequate training and development of the coming generations and their right to study.

In 2020 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 the Pirelli Policy and will continue to map the socio-environmental risks of the supply chain, strengthened by increasingly precise traceability and an increasingly close relationship with the various players involved.

Together for the Sustainability of Natural Rubber - the GPSNR platform

The 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 and 2018 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 is scheduled for March 2019.

During 2019 Pirelli actively participated in three working groups launched by the platform, co-chairing two of them: the “Smallholder Representation Working group” and the “Capacity Building Working Group”.

- The “Smallholder Representation Working Group” aims to identify a geographically diverse group of farmers capable of effectively representing the interests of smallholders within the platform and to identify three representatives to sit on the Executive Committee;
- The “Capacity Building Working Group” aims to develop a capacity building strategy in favour of smallholders and industrial plantations, identifying potential sources of financing.

Pirelli also participates in 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.

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
- integration of Green Performance in the traditional process of measuring supplier performance (vendor rating).

The Pirelli Green Sourcing Manual defines four areas of Green Sourcing: Materials, Capex, Opex and Logistics. Interdepartmental working groups, comprised of Purchasing, R&D, Quality, 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 the 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).

The Green Sourcing Manual will also be adopted by the Pirelli Training Academy for training purposes by the functions involved in the process of Green Sourcing.

On the basis of the Guidelines of the Green Sourcing Manual, the 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.

Pirelli has also been equipped with an IT platform to support the launch of a campaign to measure the Green Performance of Pirelli Suppliers through an electronic questionnaire to be filled out online.

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 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 will apply 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 the 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. More than 90% 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. Cobalt is used 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 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 (30 October 2019) 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. All suppliers surveyed responded: 80% of these suppliers excluded that foundries in their supply chain source their cobalt from conflict areas; the remaining 20% gave precise indications of the source of cobalt, listing foundries as required by the procedure, and no evidence of conflict minerals emerged.

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 10,000 m³ of water and about 560 tonnes of CO₂.

This innovation provides economic benefits related directly to the material for about €280,000 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 2019, 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 2019, the set of emission reduction actions implemented by Pirelli suppliers made it possible to avoid overall the emission of approximately 71 million tonnes of CO₂ equivalent into the atmosphere, combined with estimated economic savings of US\$462 million.

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 2020. The response rate recorded in 2019 was 81%, an upward trend compared to previous years (74% in 2018, 71% in 2017).

Training of suppliers on sustainability issues

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.

During 2019, in line with what was stated in the 2019-2021 Roadmap on the implementation of the Policy on the sustainable management of natural rubber, Pirelli organized several training sessions dedicated to the issues covered by the Group Policy. The three-day workshops were held in local languages and were attended by all the natural rubber suppliers, as well as various national authorities active in the sector.

Supplier Award

The 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 2019 Supplier Award was held at Pirelli’s headquarters in Bicocca, in the presence of Pirelli’s General Manager Operations and Chief Procurement Officer, who awarded prizes to nine suppliers operating internationally, particularly in Brazil, China, Turkey, Sweden, Italy and France, which had distinguished themselves for quality, innovation, speed, sustainable performance, global presence and level of service.

A specific award is dedicated to sustainable performance, recognizing the importance of “responsibility” strategies that make a real difference by bringing benefits to the entire value chain. In 2019 the Sustainability award was given to a natural rubber supplier that in recent years has demonstrated a strong and growing commitment to social and environmental sustainability along the entire supply chain, through technological innovation and commitment to traceability starting from the origin of the material.

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 area¹⁴ with respect to non-OECD areas.

76% of suppliers (unchanged from 76% in 2018) 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				
		2019	2018	2017
OECD COUNTRIES	Europe	54.9%	49.9%	49.3%
	North America	6.7%	5.9%	4.2%
	Others	5.0%	4.1%	4.7%
NON-OECD COUNTRIES	Latin America	12.1%	14.8%	15.7%
	Asia	11.9%	14.9%	14.7%
	Africa	0.4%	0.4%	0.4%
	Others	9.0%	10.0%	11.0%

¹⁴ For the complete list of OECD Countries please refer to the official website <http://www.oecd.org/about/membersandpartners/>.

NUMBER OF SUPPLIERS BY GEOGRAPHIC AREA				
		2019	2018	2017
OECD COUNTRIES	Europe	47.2%	54.2%	55.7%
	North America	5.5%	4.8%	4.9%
	Others	5.4%	5.2%	4.4%
NON-OECD COUNTRIES	Latin America	22.8%	21.7%	25.7%
	Asia	8.4%	6.3%	4.9%
	Africa	0.4%	0.2%	0.1%
	Others	10.3%	7.6%	4.3%

The following table shows the breakdown in percentage of the value of Pirelli Tyre's purchases by type. With a weight equal to 47% of the total, the purchasing category which is decidedly more relevant and significant, as in previous years, is that of raw materials.

VALUE OF PURCHASES BY CATEGORY			
	2019	2018	2017
Raw Materials	47%	46%	46%
Consumable Materials¹⁵	7%	5%	5%
Services¹⁶	37%	36%	36%
Capital goods¹⁷	9%	13%	13%

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 93% 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.

¹⁵ Indirect materials, auxiliary materials.

¹⁶ Energy, logistics services, shared services, ICT, R&D, marketing, trademarks and patents.

¹⁷ Machinery, civil works, moulds.

NUMBER OF SUPPLIERS BY CATEGORY			
	2019	2018	2017
Raw Materials	2%	2%	3%
Consumable Materials	35%	29%	23%
Services	58%	61%	64%
Capital goods	5%	8%	10%

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 2017-2019. The volume of raw materials utilised for the production of tyres in 2019 amounted to approximately 840,000 tonnes, of which approximately 4% derives from recycled materials (in line with the previous year) and 18.3% of renewable materials¹⁸.

MIX OF RAW MATERIALS PURCHASED (VALUE)			
	2019	2018	2017
Natural Rubber	13%	13%	15%
Synthetic Rubber	26%	27%	29%
Carbon black	12%	10%	9%
Chemicals	22%	23%	21%
Textile	17%	17%	16%
Steel	10%	10%	10%

Targets

2020:

- CDP Supply chain: increase in raw material suppliers' response rate from 81% in 2019 to 90% in 2020;
- Natural Rubber supply chain sustainability: implementation of the 2020 plan in line with the 2019-2021 roadmap published in the Sustainability section of the website www.pirelli.com. In 2020 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 the Pirelli Policy and will continue

¹⁸ 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.

to map the socio-environmental risks of the supply chain, with increasingly precise traceability and an increasingly close relationship with the various players involved.

In February 2020, the Company will present the new Industrial Plan and related long-term strategic sustainability targets, including those impacting the supply chain. The Plan will be published at the same time on the institutional website www.pirelli.com, to which reference should be made for details of future targets.

ENVIRONMENTAL DIMENSION

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

The 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”.

The 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 following Group Policies and specifically: “Health, Safety and Environment” Policy, “Product Stewardship” Policy, “Quality” Policy, “Social Responsibility Policy for Occupational Health, Safety and Rights, and Environment”, “Green Sourcing” Policy, 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 the 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 Board¹⁹.

In supporting the initiative, Pirelli is committed to the voluntary disclosure of transparent reporting on risks and opportunities related to climate change as indicated in the TCFD recommendations. Pirelli publishes this information publicly both in this report and through the CDP Climate Change programme.

In particular, since Pirelli publishes an integrated annual report, the discussion of the four thematic areas identified by the TCFD recommendations is as follows:

- **Governance:** the issues 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 for sustainability matters" 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.
- **Strategy:** 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 described in detail in the paragraph "The Pirelli Group Environmental Strategy and Footprint" of this Report, the Group has adopted a control and monitoring system that allows the 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 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 potential financial impacts.
- **Risk management:** the Group's latest Climate Change Risk Assessment examined the possible financial impacts linked to Climate Change, in terms of medium/long-term risks and opportunities

¹⁹ 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.

according to the IPCC²⁰ climate scenarios (RCP 4.5 and RCP 8.5) and the energy transition (IEA 450). For its conclusions, please refer to the paragraph “Risks Related to Climate Change” in the “Directors’ Report on Operations” in this document, and to what was published in the CDP Climate Change questionnaire.

- **Metrics and Objectives:** Pirelli reports the impacts and performance linked to climate change according to the metrics defined by the GRI Sustainability Reporting Standards (in particular, see the “GRI Content Index” table at the end of this Annual Report for the requests of the GRI Standard 305 Disclosures: Emissions) and reports its environmental and product targets that are most closely linked to climate change, in the present chapter “Environmental Dimension”.

THE 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 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 the Pirelli approach to environmental management and the specific multi-year targets defined by the Sustainability Plan, whose performance is reported in the present report. The Pirelli Group’s Carbon and Water Footprint are updated to 2019.

As is readily apparent, 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 2.7% of total impacts. As regards the impact of the Water Footprint, the use phase of the product is the most significant (52.5% of the total impacts), followed by the production phase of raw materials (34.7% 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 objectives 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 Rule²¹” for tyres developed by the Tyre Industry Project Group of the World Business Council for Sustainable Development. The reporting of the emission

²⁰ Intergovernmental Panel on Climate Change.

²¹ 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.

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-TS 14067 technical specification and the ISO 14046 standard. All the impacts listed by the standards that are not mentioned, both *upstream* and *downstream* of Pirelli's industrial activity are either not applicable or not significant. 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 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.

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 2017-2020 Industrial Plan with selected targets to 2025. In this regard, it should be noted that in February 2020 the Company will present the new Industrial Plan and the related strategic long-term sustainability targets that will see a further evolution of the environmental objectives compared to those indicated in the infographic. The Plan will be published at the same time on the institutional website www.pirelli.com.

STAGES OF LIFE CYCLE



DRIVERS

Suppliers

Raw materials production and transport: the impact is due to resources use by suppliers' plants

Pirelli

Tyre manufacturing: at Pirelli factories the impact mainly derives from the consumption of electricity and natural gas

IMPACT: CARBON & WATER FOOTPRINT**

Scope 3



Scope 1+2+3



MATERIALITY



RESPONSE STRATEGY

IT SHOULD BE NOTED THAT IN FEBRUARY 2020 THE COMPANY WILL PRESENT THE NEW INDUSTRIAL PLAN AND THE RELATED STRATEGIC LONG-TERM SUSTAINABILITY TARGETS THAT WILL SEE A FURTHER EVOLUTION OF THE ENVIRONMENTAL OBJECTIVES COMPARED TO THOSE INDICATED IN THE INFOGRAPHIC. THE PLAN WILL BE PUBLISHED AT THE SAME TIME ON THE INSTITUTIONAL WEBSITE WWW.PIRELLI.COM

RAW MATERIAL INNOVATION

- Progressive introduction of new materials from renewable sources
- Biomaterials, such as high performance silica from renewable sources, biofillers such as lignin and plasticisers/resins of plant origin
- Natural rubber: search for sustainable alternative sources
- Functionalised Polymers: research on innovative polymers that guarantee reduced environmental impact, improved driving safety and improved production efficiency

Target 2025 vs 2017:

for specific product segments, the doubling in weight of renewable materials used and a 30% reduction in fossil-derived raw materials

GREEN PURCHASING GUIDELINES/GREEN SOURCING POLICY

CDP SUPPLY CHAIN

(2020 target: 90% response rate suppliers of Raw Materials)

THIRD PARTY AUDITS ON CRITICAL SUPPLIERS

PROCESS EFFICIENCY

Targets 2020 vs 2009:

- 66% Specific water withdrawal
- 19% Specific energy consumption
- 17% Specific emissions of CO₂
- >95% Waste recovery

ISO 14001 AT ALL PRODUCTION PLANTS

SCRAP REDUCTION PROGRAMME

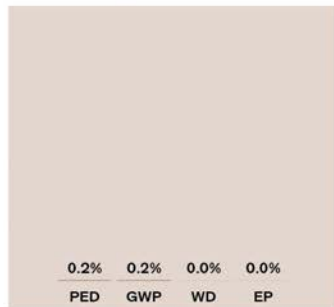


DISTRIBUTION

Suppliers

Consumption and related production of fuel used by trucks and ships of logistics providers, which deliver Pirelli tyres worldwide

Scope 3

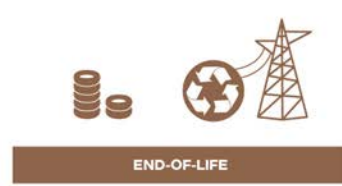
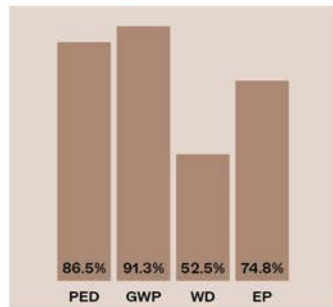


USE

Customers

Production and consumption of the fuel of customers' vehicles due to rolling resistance

Scope 3

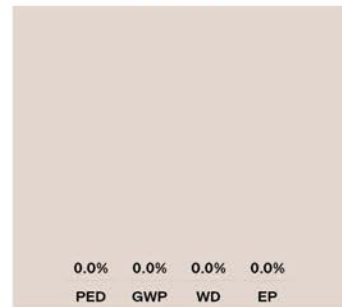


END-OF-LIFE

Waste Recovery Players

End of Life tyre management: old tyres are prepared by specialized companies to be reused as energy or as regenerated raw material

Scope 3



GREEN SOURCING POLICY

- Green Logistic Procedure
- Engagement to reduce Supply chain Carbon & Water Footprint

PRODUCT INNOVATION
Targets 2020 vs 2009:

- Rolling Resistance CAR -20% (-14% High Value Products*)
- Rolling Resistance MOTORCYCLE -10%

GREEN PERFORMANCE REVENUES

- Car Products >50% of total revenues by 2020 (>65% High Value Products*)

CYBER TECHNOLOGIES DEVELOPMENT

- OE Platforms: thanks to the interaction with the car, the information that the tyre provides can influence its behaviour, improving safety and performance.
- Cyber Fleet: modular solutions dedicated to fleet management.

PRESENCE ON THE MAIN INTERNATIONAL WORKING TABLES

(WBCSD, ETRMA) to spread the culture of recovery

REGENERATED RAW MATERIALS

Research projects in order to improve the quality of regenerated materials, with the aim of increasing their percentage portion of the new compounds

PED: Primary Energy Demand
GWP: Global Warming Potential
WD: Water Depletion
EP: Eutrophication Potential (Freshwater - Peq)

** High Value products are determined by rims equal or greater than 18 inches and, in addition, include all "Specialties" products (Run Flat, Self-Sealing, Noise Cancellation System).*

*** Values expressed as % of the impacts in the stages of the life cycle*

RESEARCH AND DEVELOPMENT OF RAW MATERIALS

The Research and development of innovative materials is essential in order to design and manufacture increasingly sustainable tyres that guarantee lower environmental impacts throughout their life cycle while ensuring greater driving safety.

The Pirelli Sustainability Plan 2017-2020 with selected targets for 2025 includes, for specific product segments, the doubling in weight of the renewable materials used and a 30% reduction in fossil-derived raw materials by 2025 compared to 2017 values.

It should be noted that in February 2020 the Company will present the new Industrial Plan and the related strategic long-term sustainability targets that will see a further evolution of the material objectives. The Plan will be published at the same time on the institutional website www.pirelli.com for the benefit of all Stakeholders.

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

- high-dispersion silica for wet grip, rolling resistance and durability;
- 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 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 and plasticisers/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 (2017-2020) 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 precisely from rice husks used as feedstocks. 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.

Specific projects for the development of new materials from renewable sources, mainly focused on the use of waste feedstocks (for example new oils from waste biomass), 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, Pirelli has started to introduce in production process materials of mineral origin in a partial substitution of precipitated silica and carbon black, such as sepiolite. The innovations mentioned provide a water saving and more than 75% of CO₂ emissions reduction compared to the production processes of raw materials replaced

Pirelli Research and Development is also committed to the recovery and use of recycled material, i.e. secondary raw materials that can be used in the production of new tyres. This activity always takes place in compliance with the safety of the high-end product that characterises Pirelli's production, for which the use of recycled material has limits of substitution in terms of quality and safety of the final product.

Among the recycled materials, mention should be made of the use of rubber powder and pyrolysis material recycled from end-of-life tyres (ELTs) in combination with fillers of natural origin that are ideal for maintaining tyre pressure over time, an element strongly linked to safety.

There is constant research into material efficiency, 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. 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 "Directors' Report on Operations" of this Annual Report.

ENVIRONMENTAL IMPACT OF PIRELLI'S PRODUCTION SYSTEM

ENVIRONMENTAL MANAGEMENT SYSTEM AND FACTORY'S 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.

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 2017-2018-2019 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 2019 was approximately 753,000 tonnes.

TREND IN ENVIRONMENTAL PERFORMANCE INDICES

In terms of materiality of environmental impacts (Carbon and Water Footprint) of the tyre along the entire life cycle, the production phase accounts for 2.7% of total greenhouse gas emissions impacts and for 12.7% of total water-related impacts.

The year 2019 saw a significant decrease of production volumes: the number of tonnes of finished products fell by around -5% compared to the previous year (value calculated on a like-for-like basis), mainly due to exogenous factors related to a strong slowdown in the automotive market. This change in volumes, together with the geographical redistribution of production, had a particular impact on the specific indices (calculated on tonnes of finished product) relating to energy consumption and greenhouse gas emissions. On the other hand, the indices relating to specific water withdrawal, specific waste production and the percentage of waste recovery have improved.

Similar trends in the indicators are also observed with respect to the specific indices weighted on operating profit (compared to the Adjusted EBIT value).

It should be noted that the trend of all the above indices is significantly impacted by the production focus adopted. Pirelli production is focused on *Premium* and *Prestige* tyres and its production processes are characterised by higher energy intensity, more stringent quality specifications, more complex processing and smaller production batches compared to the production processes of medium-low end tyres.

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 Sustainability Plan provides for a reduction of -19% of specific energy consumption by 2020 compared to 2009 values. It should be noted that in February 2020 the Company will present the new Industrial Plan and the related strategic long-term sustainability targets that will see a further evolution of the objectives on energy efficiency and use of renewable energy. The Plan will be published at the same time on the institutional website www.pirelli.com for the benefit of all Stakeholders.

In the course of 2019, 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, smart grid and a daily focus on technical indicators;
- 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 also 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 has been adopted at the Breuberg plant (Germany).

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, and special projects assessed according to the needs of each manufacturing site.

During the course of 2019, the installation of LED (Light Emitting Diode) lighting systems continued at production sites to replace less efficient systems. To speed up the 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. There were also activities on site to increase the efficiency of compressed air generation, through high efficiency compressors.

Excellent results were recorded for the reduction of compressed air and steam losses whether on machinery or on the distribution lines also thanks to the energy audit activities already started, and progressively extended to all the Group factories, with the help of a single external partner. The advantage of this choice is the possibility to have similar electric and thermal consumption models for each plant, to accelerate and optimise benchmarking activities between factories, and to map accurately the efficiency actions of the various plants. Moreover, the electrical absorption measurements performed on individual plants are continuing in order to correlate the specific consumption to production in detail and then optimise the operating conditions.

As regards the digitalisation of energy management, the production plants have been and will be 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 a minimum energy consumption at the minimum, but able to guarantee an immediate restart.

For systems dedicated to the generation of energy carriers, following connection under Smart Grid systems, which allow monitoring and management in automatic and in real time, a more rapid modulation of loads with excellent results in terms of efficiency has become feasible.

Energy efficiency in 2019 was significantly affected by the strong slowdown in the automotive market: the impact on production volumes fell by about -5% compared to the previous year. Another factor that conditioned energy performance was the installation of new energy-efficient systems dedicated

to the abatement of Volatile Organic Compounds (VOCs), which increased electricity and gas consumption with the same amount of finished product.

These exogenous factors are joined by the optimisation of the production mix towards *Premium* and *Prestige* products, characterised by very high technological and performance content and smaller production batches compared to medium-low-range tyre production processes. It follows that such tyres, during production, require a higher specific energy consumption than that of a standard tyre.

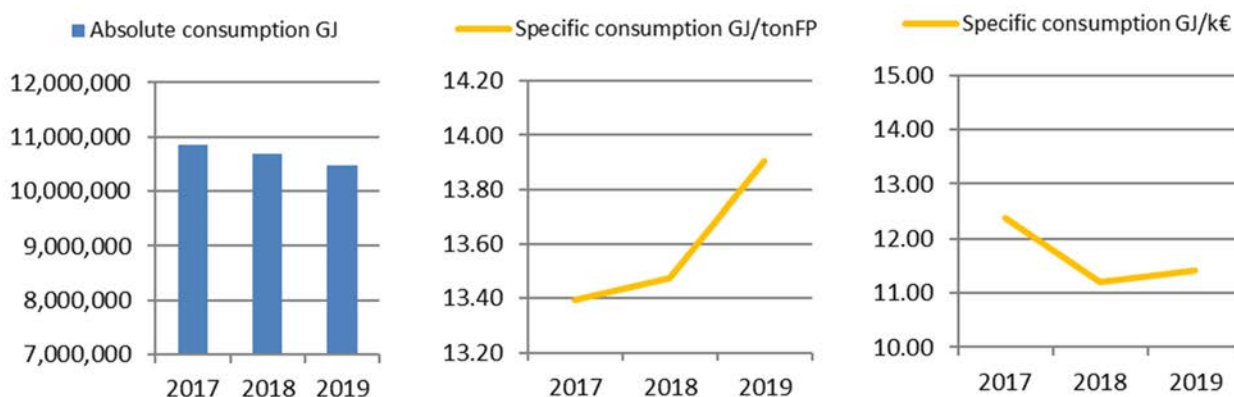
Management with a view to maximise the industrial efficiency, despite the extremely penalising factors previously described, allowed a slight increase in consumption in the industrial sector, of approximately 313,101 GJ. This value was calculated for each factory on the basis of the production volumes of the reporting year and the change in efficiencies achieved in 2019 from the previous year. In terms of absolute consumption (also expressed in GJ), there was a reduction of over -2% compared to 2018.

The Group's specific energy index 2019, which includes both the industrial and commercial and administrative sectors, thus increased by 3.2% compared to 2018. The reduction compared to 2009 is -13.1%.

The absolute and specific 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.

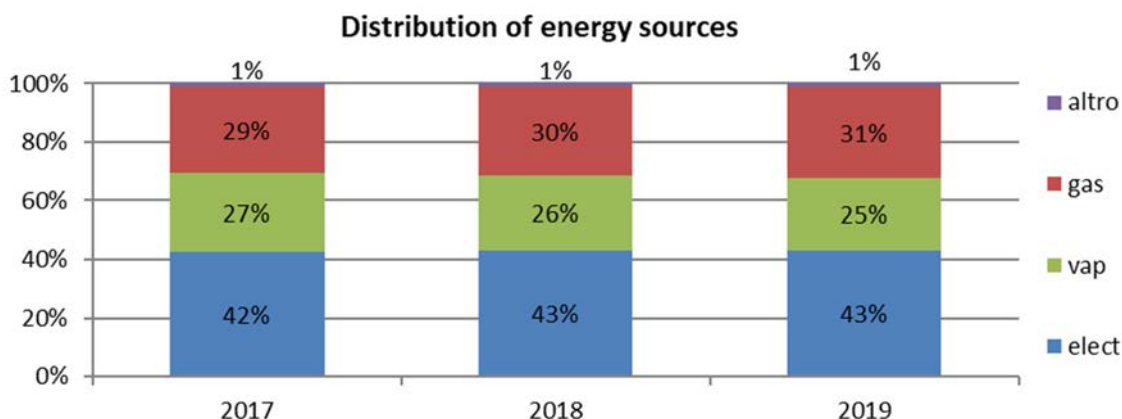
		2017	2018	2019
Absolute consumption	GJ	10,860,266	10,688,588	10,467,443
Specific consumption	GJ/tonFP	13.40	13.48	13.90
	GJ/k€	12.39	11.19	11.41

The same 2019 data, weighted in economic terms, show a slight improvement compared to the previous year.



The graph below highlights the “Distribution of energy sources” used in Pirelli production process: among the direct sources, all non-renewable, which account for 32% of the total, are natural gas and, to a lesser extent, other liquid fuels such as oil, LPG and diesel (classified as “other”); the remaining 68% is formed from indirect sources such as electrical energy and steam purchased.

Of the total electricity used by the Group, more than 41% derives from renewable sources (calculation on the IEA²² database) while for steam, the share generated by renewable sources corresponds to around 15% of the total.



Management of Greenhouse Gas Emissions and Carbon Action Plan

Pirelli monitors and reports its²³ 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 “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”).

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

²² International Energy Agency.

²³ GHG inventory perimeter as indicated in paragraph “Scope of Reporting”.

Suppliers”/“CDP Supply Chain” for further information about the specific activities of the Pirelli Suppliers. Instead, reference is made to the Group Footprint infographics in the paragraph “The 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)²⁴;
- Within Scope 2 *location-based*:
 - National emission factors²⁵ taken from IEA: CO₂ Emissions from Fuel Combustion²⁶;
- Within Scope 2 *market-based*:
 - Specific emission factors of suppliers where available;
 - Residual-mix emission factors²⁷ taken from RE-DISS AIB (EU)²⁸ and Green-e (US)²⁹;
 - 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.

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.

²⁴ 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).

²⁵ Emission factors expressed in CO₂/kWh.

²⁶ 2019 Publication with update to the 2017 figure.

²⁷ Emission factors expressed in CO₂/kWh.

²⁸ 2019 Publication with update to the 2018 figure.

²⁹ 2019 Publication with update to the 2017 figure.

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:

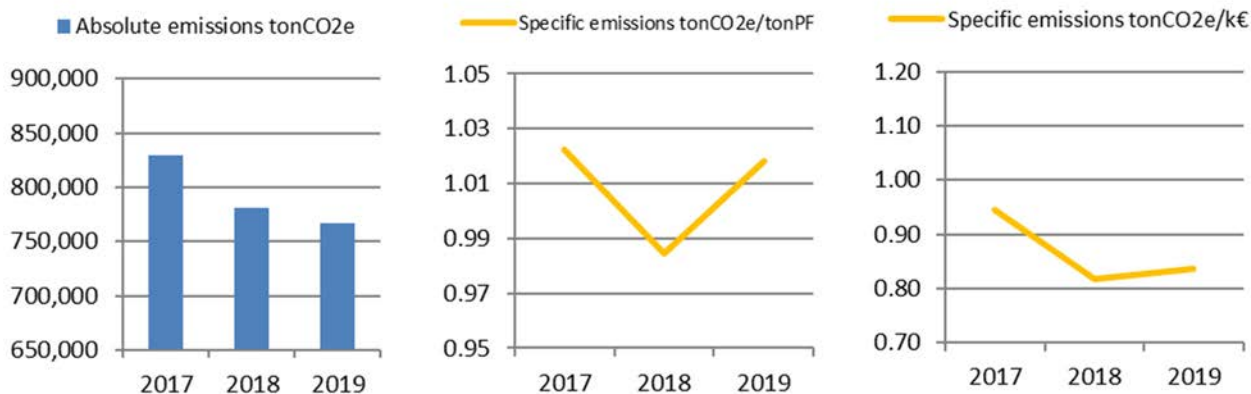
- absolute emissions, as measured in tonnes;
- specific emissions, as measured in tonnes per tonne of finished product;
- specific emissions, as measured in tons per euro of Operating Income.

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 Sustainability Plan envisages a reduction in specific emissions (on tonnes of finished product) of CO₂ equal to -17% by 2020 compared to 2009 values. At the time, the target was developed according to the methodology in force, i.e. Scope 1 and Scope 2 *location-based*. In this regard, it should be noted that in February 2020 the Company will present the new Industrial Plan and the related strategic long-term sustainability targets that will see a further evolution of the objectives on the reduction of CO₂ emissions. The Plan will be published at the same time on the institutional website www.pirelli.com for the benefit of all Stakeholders.

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



The Group’s absolute emissions in 2019 were almost -2% lower than in 2018. The 2019 trend in the specific energy index and the reduction in volumes produced, on the other hand, caused an increase in specific emissions (weighed on the tonnes of finished product) of 3.4% compared to 2018. The performance towards 2009, the year on which the 2020 specific emissions reduction target is based, remains positive with a reduction of about -11%.

The portion of indirect emissions generated by the projects implemented in Silao (Mexico), Carlisle and Burton (UK), Settimo Torinese (Italy), Campinas and Gravatai (Brazil) - described below - was

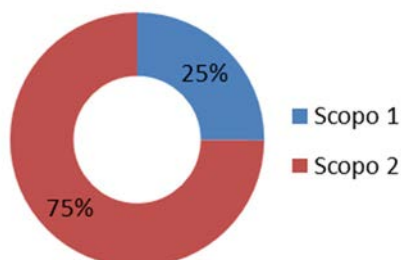
reported as prescribed by the Guidelines of the GHG Protocol, respectively for the procurement of electrical energy from renewable sources and steam from biomass.

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

GHG EMISSIONS ACCORDING TO SCOPE		2017	2018	2019
Absolute emissions (Scope 1 and Scope 2 location-based)	tonCO ₂ e	829,035	780,998	766,498
Scope 1	tonCO ₂ e	188,777	190,037	192,149
Scope 2 (location-based)	tonCO ₂ e	640,258	590,961	574,349
Scope 2 (market-based)	tonCO ₂ e	659,501	666,886	636,239
Specific emissions (Scope 1 and Scope 2 location-based)	tonCO ₂ e/tonFP	1.023	0.985	1.018
	tonCO ₂ e/k€	0.95	0.82	0.84

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

Distribution of GHG emissions according to scope



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. These include:

- the cogeneration plant for the production of electricity, steam and hot water, present at the plant in Settimo Torinese (Italy). There are two cogeneration modules, for a total of nearly 6 MW of electricity: a 4.8 MW turbine unit powered by natural gas and 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 Campinas and Gravataí plants. Thanks to this initiative, in the year 2019, the savings in terms of avoided CO₂e emissions exceeded 20,000 tonnes (Scope 2);

- the procurement of electrical energy from renewable sources at the plant in Silao (Mexico). In 2019 the agreement continued for the dedicated supply of electricity generated from wind sources, which in the year allowed the replacement of over 13 GWh of energy from fossil fuels, for a saving in terms of CO₂e emissions of around 6,300 tonnes (Scope 2);
- the procurement of electrical energy from renewable sources at the plants in Burton and Carlisle (UK). In the year 2019 the share of electricity certified from renewable sources exceeded 63 GWh, for an annual savings in terms of CO₂e emissions of more than 24,000 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		2017	2018	2019 ³⁰
Raw Materials (Scope 3)	10 ³ tonCO ₂ e	2,674.2	2,659.6	2,563.9
Manufacturing (Scope 1 + 2 + 3)	10 ³ tonCO ₂ e	1,261.7	1,231.1	1,198.8
Distribution (Scope 3)	10 ³ tonCO ₂ e	91.9	90.0	84.4
Customers (Scope 3)	10 ³ tonCO ₂ e	41,863.6	40,187.2	40,220.9
End-of-Life (Scope 3)	10 ³ tonCO ₂ e	2.6	2.5	2.2
Total	10 ³ tonCO ₂ e	45,894.0	44,170.4	44,070.2

In 2019, Pirelli continued in the compensation project of CO₂ emissions produced the previous year by its fleet of company cars, through the purchase of carbon credits. Direct issuance of the 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 company's fleet in 2018 emitted 900 tonnes of CO₂. In order to offset this impact on the climate, Pirelli purchased carbon credits through two sustainable forest management projects: an international one, implemented in Indonesia, to finance a project for wind energy production and an Italian agroforestry protection project implemented in collaboration with the Forestry Consortium of Pavia.

The activities financed with Pirelli's contribution were carried out in 2019. The combination of the two projects has allowed the reduction of a share of about 127% of the emissions generated by company cars in 2018, thus going well beyond what is required by the policy in view of increasing environmental responsibility.

³⁰ The 2019 figure includes the emissions generated by the Group's business air travel and the commuting of employees at the Milan Headquarters. The value also includes some primary data collected directly from suppliers.

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 dedicated action plans.

The current Sustainability Plan provides for a reduction target of specific withdrawal of water of -66% by 2020 compared to the 2009 value. In this regard, it should be noted that in February 2020 the Company will present the new Industrial Plan and related strategic long-term sustainability targets that will see a further evolution of the objectives on water withdrawal reduction. The Plan will be published at the same time on the institutional website www.pirelli.com for the benefit of all Stakeholders.

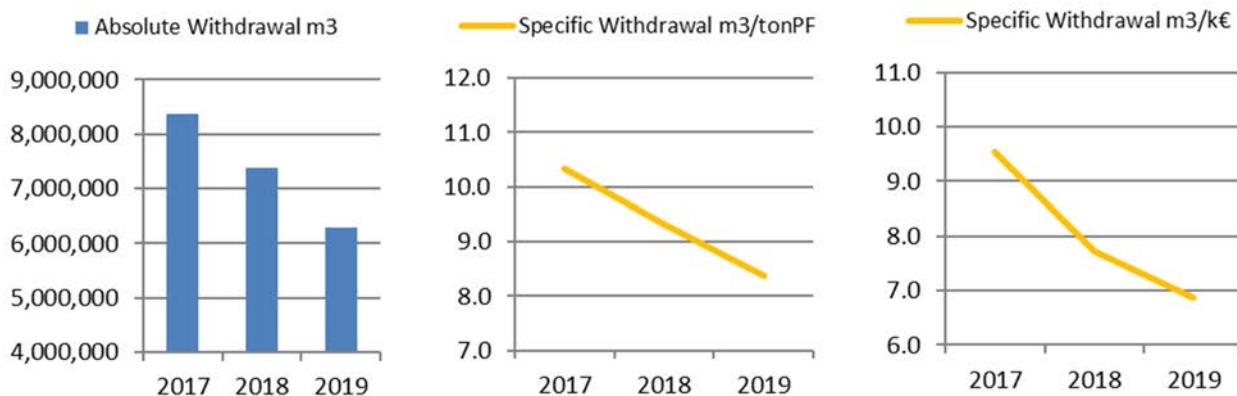
In 2019, an absolute water withdrawal of about 6.3 million cubic metres was recorded, with a reduction of around -14.7% compared to 2018. The specific water withdrawal per tonne of finished product is approximately -10% lower than in 2018 and -70% lower than in 2009, compared with a target of -66% for 2020.

Thanks to the actions implemented, since 2009 Pirelli has saved around 90 million cubic metres of water: an amount almost equivalent to the absolute withdrawal of about fifteen years of the entire Group.

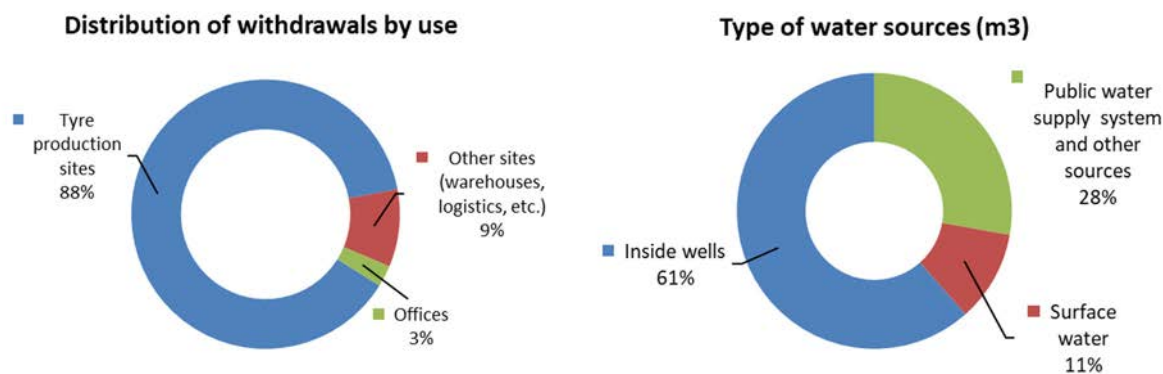
To provide an overall view of the performance in terms of water withdrawal year on year, the following tables report the indicators:

- 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.

		2017	2018	2019
Absolute Withdrawal	m ³	8,371,000	7,382,000	6,299,000
Specific Withdrawal	m ³ /tonFP	10.3	9.3	8.4
	m ³ /k€	9.6	7.7	6.9



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.



TYPE OF WATER SOURCES (m3)	
Public water supply system and other sources	1,750,000
Surface water	673,000
Internal wells	3,876,000
Total	6,299,000

61% of the water withdrawn is pumped from wells inside the facilities and authorized by the competent authorities. Furthermore, Pirelli obtains 11% of its requirements from surface water, while dedicating special care to guaranteeing that this withdrawal is marginal in relation to the volume of the affected water bodies (always less than 5%). The volume of water emitted from water bodies located in protected areas is completely marginal, being equal to 730 cubic metres. Lastly, about 184,000 cubic metres of water used, equivalent to approximately 2.9% of total withdrawal, are obtained from the waste water treatment of its production processes.

A total of about 4.6 million cubic metres of domestic and industrial waste water were discharged, with 53% of this into surface water bodies, but always in quantities that are marginal in relation to

the volume of the receiving bodies (always less than 5%) and without significantly impacting biodiversity. 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: 19 mg/l of BOD₅ (Biochemical Oxygen Demand), 41 mg/l of COD (Chemical Oxygen Demand) and 20 mg/l of Total Suspended Solids.

Waste Management

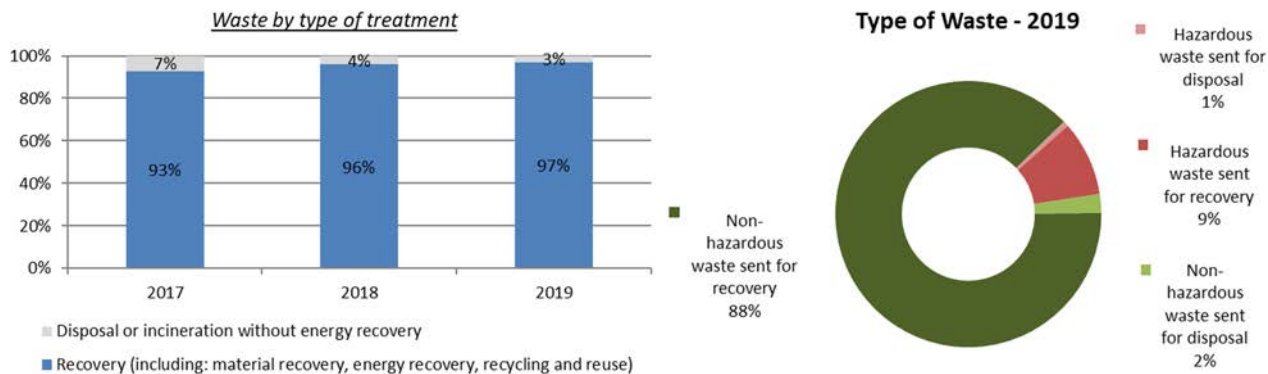
The improvement of environmental performance connected with the management of waste is achieved through:

- 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, aimed at identifying and ensuring the selection of waste treatment channels 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.

In 2019, 97% of waste sent for recovery was achieved, up by 1% compared to the previous year and with an increase of 28% compared to 2009, base year of reference. This result made it possible to confirm the achievement of the target set in the Sustainability Plan, which envisages by 2020 that more than 95% of the waste produced will be sent for recovery, with the *Zero Waste to Landfill* vision.

There was a significant reduction in specific waste production in 2019, equal to 141 kg per tonne of finished product and therefore down -7% compared to 2018, and a significant reduction in waste production in absolute terms, which in 2019 was down more than -11% compared to the previous year.

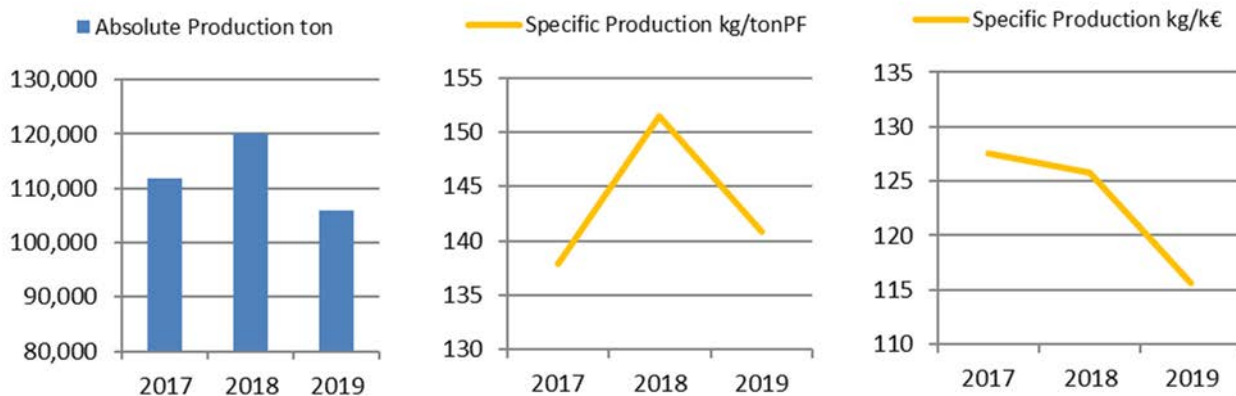
Hazardous waste, which fell in absolute terms by -10% compared to the previous year, represents 10% of total production and is sent in its entirety to plants located in the same Country where it is produced.



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.

		2017	2018	2019
Absolute production	ton	111,800	120,100	106,000
Specific production	kg/tonFP	138	151	141
	kg/k€	128	126	116



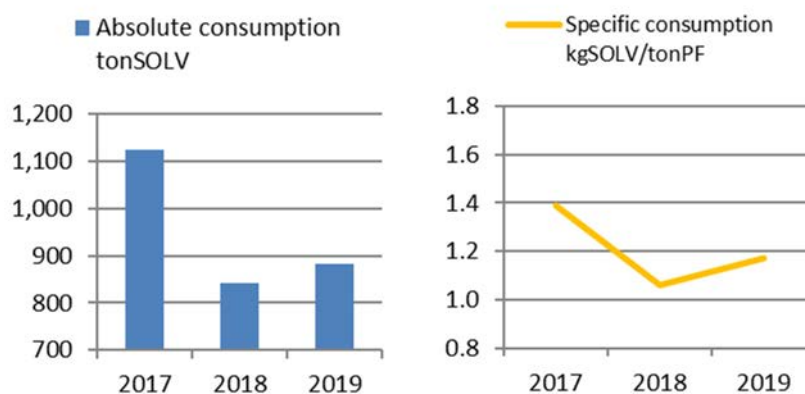
Other Environmental Aspects

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. This resulted in a further reduction in the specific consumption of solvents of more than -15% at the end of 2019 compared to 2017 and of -64% compared to 2009, with emissions of related VOCs slightly lower than total consumption.

		2017	2018	2019
Absolute consumption	tonSOLV	1,125	841	883
Specific consumption	kgSOLV/tonFP	1.4	1.1	1.2



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 sites are the locations of tyre test tracks.

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 area³¹ 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,

³¹ 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.

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 1,588 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 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.

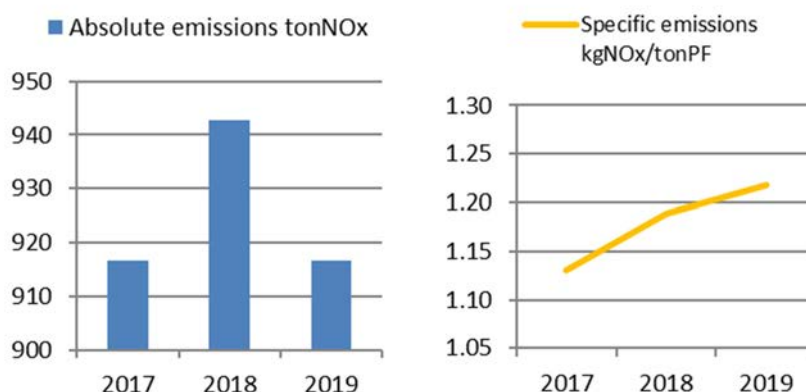
Pirelli’s focus on biodiversity is also very high with regard to the supply chain, as in the case of sustainable management of the natural rubber supply chain based on a no deforestation policy. For an extensive description of the sustainable management of the natural rubber supply chain, please refer to “Our suppliers” in this report.

NO_x Emissions

NO_x emissions derive directly from the energy-generating processes used. In 2019, the index based on the tons of finished product increased by 2.5% compared to the 2018 figure, mainly due to a slight change of the mix of the energy consumed as described above. The emissions were calculated by applying the emission factors indicated by the EEA (European Environment Agency) to the energy consumption data.

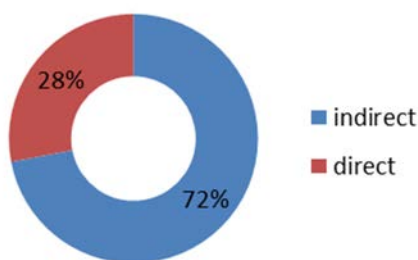
In absolute terms, NO_x emissions in 2019 fell by -2.8% compared to the previous year.

		2017	2018	2019
Absolute emissions	tonNO _x	917	943	917
Specific emissions	kgNO _x /tonFP	1.13	1.29	1.22



The following graph shows the 2019 weight of direct and indirect NO_x emissions out of total NO_x emissions.

Distribution of 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 2019, direct emissions of SO_x, caused by the combustion of diesel and fuel oil, came to 13.7 tonnes (respectively 10.8 tonnes in 2018 and 19.1 tonnes in 2017); 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 have assured constant and prompt monitoring and intervention regarding potential emergency situations that may

arise, as well as the reports received from Stakeholders. During 2019, no incidents, complaints or significant sanctions related to environmental issues were recorded.

Expenses and Investments

In the three-year period 2017-2019, environmental expenditure related to the production process exceeded Euro 55 million, of which about 34% was allocated in 2019. About 74% of this amount concerned normal management and administration of factories, while the remaining 26% 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 2019, the Company invested Euro 232.5 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.

PRODUCT AND USE PHASE: GREEN PERFORMANCE TARGETS

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:

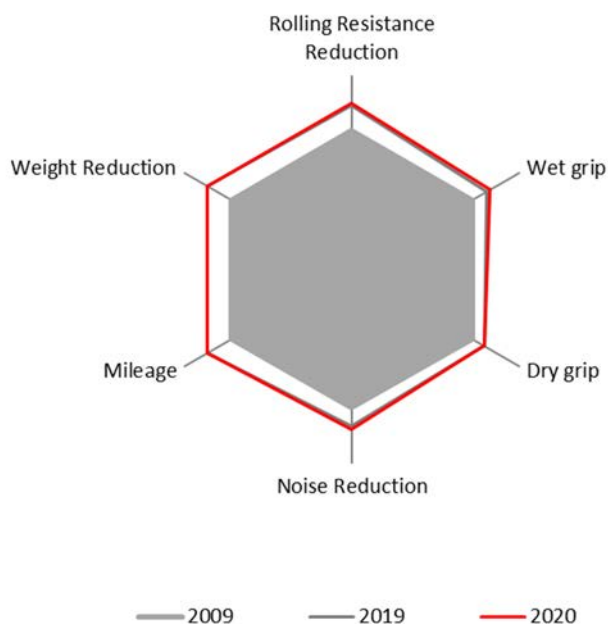
- less rolling resistance – lower CO₂ emissions;
- less noise – reduced noise pollution;
- increased mileage – lengthening of tyre life and reduced exploitation of resources;
- reduced weight – reduction in use of raw materials and lower impact on natural resources.

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 particular, it was seen that the rolling resistance related to the use phase of the tyre constitutes the factor with most impact by far in environmental terms. In this regard, Pirelli has committed to reduce by 2020, compared to

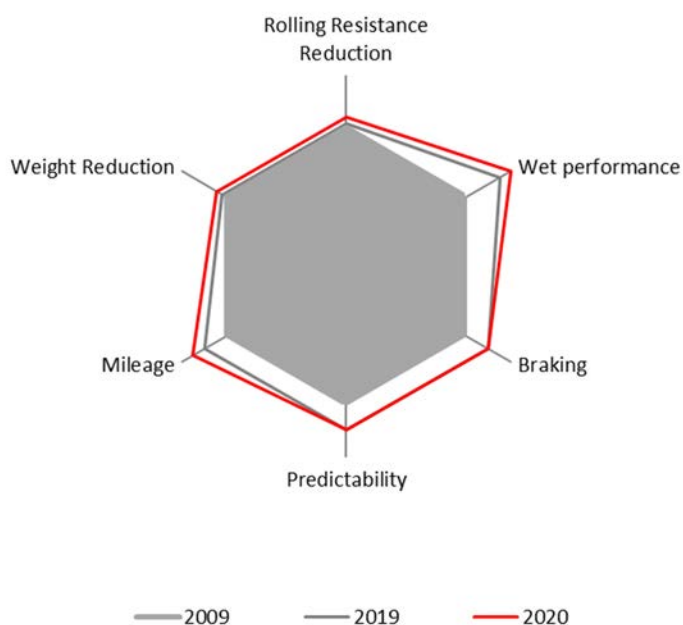
the 2009 average, the average weighted rolling resistance of its products by 20% with regard to CAR tyres and 10% for Motorcycle products, as shown in the graphs below.

At the end of 2019, the weighted average rolling resistance of CAR products decreased by -18% compared to the average for 2009.

CAR



MOTORCYCLE



Green Performance³² 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. The CINTURATO™ P7™ Blue was developed for medium-high cylinder cars, as a further evolution of the CINTURATO™ P7™, the renowned Pirelli Green Performance tyre released in 2009.

In 2017 Pirelli presented a new generation of the CINTURATO™ P7™ Blue characterised by a rolling resistance even lower than the previous one. As a result of this evolution, the CINTURATO™ P7™ Blue is the tyre with the world's largest number of sizes which boast double A labelling in Europe. At the origin of this improvement is the "Low Rolling Technology Package": a solution that combines new construction processes, innovative materials and product design in order to achieve lower rolling resistance without compromising wet grip performance.

The attention to the environmental impact demonstrated in the development of the "Low Rolling Technology Package", allowed Pirelli to receive from the Italian Industrial Research Association (AIRI) the "Oscar Masi" award for industrial innovation 2018, in the field of "Enabling technologies and innovative solutions for the sustainable city".

Also in the field of high performance cars, attention to the environment has become a discriminating element with the challenge of reducing rolling resistance while maintaining performance at the level expected for this segment. At the 2019 Geneva Motor Show, Pirelli presented the Elect marking that distinguishes tyres specifically created for the needs of plug-in electric and hybrid cars. Among the fastest and most powerful fully electric hypercars equipped by Pirelli is the Rimac C, the most powerful hypercar ever produced in the world. Already a champion in power (1914 hp and a maximum torque of 2300 Nm) and acceleration (from 0 to 100 km/h in 1.85 seconds and from 0 to 300 in 11.8), the Rimac C also offers an exceptional range (650 km), thanks to the work of the 4 electrically powered engines, and should debut on the world's roads by 2020.

³² Green Performance products identify the car tyres that Pirelli produces throughout the world and that fall under rolling resistance and wet skid resistance classes A, B, C according to the labelling parameters set by European regulations.

Evija, the first fully electric Lotus hypercar (target power of 2000 hp), will also be equipped with the following tyres:

- Pirelli P ZERO™, specially developed to ensure low rolling resistance and improve performance on the road: fundamental requirements to offer maximum range with a recharge as well as high precision in the wet;
- Pirelli PZero Trofeo R, to guarantee better performance on the track with optimal management of the torque supplied by electric motors.

The choice of two possible fitments enhances opposing driving experiences: the first, for use on the road with respect for the environment; the second, for the track thanks to the ideal characteristics of electric technology. Evija's fully electric powertrain was developed by Williams Advanced Engineering and takes advantage of the experience not only of Formula 1, but also of Formula E.

As far as motorcycle tyres are concerned, for the Sport Touring segment, 2019 saw the introduction on the market of PIRELLI ANGEL™ GTII, a product line that represents a further evolution in terms of safety on wet surfaces compared to its predecessor ANGEL™ GT (already recognised as the best in its category by the specialist press). Internal tests have shown that PIRELLI ANGEL™ GTII is capable of improving braking distances on wet asphalt by up to 5%, compared to the best competitor in the segment, as well as guaranteeing excellent handling qualities in favour of a feeling of safety and controllability.

As far as bicycle tyres are concerned, Pirelli recently expanded its product lines, adding the CINTURATO™ Velo and the Cycl-e™ range to the P ZERO™ Velo.

CINTURATO™ Velo is a reinforced clincher tyre, which can be used with and without inner tube, offering extreme reliability in all road conditions, even the most adverse. It is a product intended for very wide use: from road racing, to training, to cross-cycling, to short journeys.

Pirelli has also recently launched the Cycl-e™ range dedicated to traditional electric bicycles, in urban areas, trekking and tourism.

The range of Pirelli tyres for electric bicycles boasts many models that, thanks to the synergy between the compound, the tread and tyre structure, offer safety and driving pleasure in any commuting or cycle touring situation. The tyres of the Cycl-e™ line have been developed and manufactured using a mixture that contains the powder recovered from end-of-life tyres. Particular attention was then paid to maximising the use of natural rubber compounds, raw material from renewable sources.

Pirelli products of the highest technology do not stop at tyres. Pirelli continues, in fact, the development of CYBER™ technologies, based on the introduction of sensors inside the tyre, in order to obtain from the single point of contact with the road, useful information to increase the safety, sustainability and performance of vehicles.

CYBER™ technologies are divided into products dedicated to original equipment (Cyber™ Tyre), end consumer (Track Adrenaline) and fleet (Cyber™ Fleet). The common denominator of the three projects, which differ in technology, purpose and market segment, is the constant monitoring of tyre usage conditions (pressure and temperature) and the dynamic forces acting on them. All this in order to improve safety and optimise fuel consumption, thereby reducing CO₂ emissions attributable to road transport. In 2017, in fact, 27% of greenhouse gas emissions in Europe came from the transport sector, an increase of 2.2% compared to 2016 (Source: European Environment Agency <https://www.eea.europa.eu/data-and-maps/indicators/transport-emissions-of-greenhouse-gases/transport-emissions-of-greenhouse-gases-12>).

With Cyber Tyre, Pirelli will provide the car with information about the tyre model, mileage, dynamic load and, for the first time, potentially dangerous situations on the road surface. On the basis of this information, the car will be able to adapt its driver assistance systems to significantly improve safety, comfort and performance levels.

Pirelli is thus projected towards a future in which the tyre communicates with the consumer, with the vehicle and tomorrow, thanks to the potential of 5G, with the entire road infrastructure, helping to increase the safety, sustainability and efficiency of public and private transport.

On November 14, 2019 this vision was taken onto the track in Turin at the Lingotto test track where Pirelli, in partnership with Ericsson, Audi, Tim, Italdesign and KTH, demonstrated the “World-first 5G enhanced ADAS services” use case. During this demonstration, a vehicle equipped with Cyber Tyre tyres and connected to the 5G network, was able to transmit the risk of aquaplaning to the incoming vehicle. In such a reality, therefore, the communication paradigm changes further and the information, until now transmitted from the tyre to the vehicle, will be transmitted to the entire ecosystem by activating a “Vehicle to Vehicle” and “Vehicle to Infrastructure” communication.

2019 was also the year of the market debut of Track Adrenaline, a product for track day enthusiasts that includes a line of P Zero Trofeo R sensor-fitted tyres. Presented at the Geneva Motor Show in March 2019, Track Adrenaline monitors tyre pressure and temperature in real time and combines this information with telemetry data to provide the driver with information and tips on how to improve performance on the track while using tyres more consciously and efficiently to extend tyre life and save fuel.

In 2019, developments continued on CYBER FLEET™, the fleet tyre monitoring and management system designed to optimise running costs and increase safety and efficiency in public and private transport.

The sensor-fitting of tyres is an integral part of Pirelli’s strategy, which makes technological innovation a distinctive and key element in responding to the major issues that will transform the concept of mobility, leading us towards a future of self-driven, electric cars, shared and connected, through 5G, to the entire road infrastructure.

Among the Open Innovation initiatives, it should be highlighted the Joint Labs agreement between Pirelli and the Politecnico of Milan, established in 2011, aimed at research and training in the tyre

sector, in particular through the development of innovative materials and technologies for sustainable and increasingly safe mobility. The new phase of the three-year agreement (2017-2020) focuses on two research macro-areas: the innovative materials area and the product technology and CYBER™ development area.

Throughout the years of partnership, the agreement has made it possible to achieve important results in terms of tyre performance, the relative level of safety and sustainability, thanks to the use of advanced materials. Research has focused mainly on the production and functionalisation of carbonaceous fillers (from graphene, to nanotubes to carbon black); on the preparation of modified silicate fibres; on the study of alternative natural rubber sources up to the synthesis of innovative polymers and self-repairing materials. Attention has also been paid to the regulatory area of the mechanics, where, since 2011, 12 research contracts have been activated in the CYBER TYRE™ and in the F1®, with the study of tyre-asphalt interaction. One area of particular interest was the study of low-noise tyres (Silent Tyre project). In fact, innovative test methodologies have been applied for the indoor measurement of the acoustic field generated by the rolling tyre. Recently, experimental tyre aerodynamic modelling studies have also been launched in the bicycle and automotive sectors.

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 multiple causal factors extrinsic to the tyre and belonging to the sphere of influence of multiple Stakeholders require a combined action by all actors in order to define and implement the most effective mitigation actions. The need for a multi-stakeholder commitment led to the creation of the “European TRWP Platform” launched by ETRMA (see details in the “ETRMA” section of this report), which saw the participation, in addition to the Tyre Industry, of Road Authorities, Automobile Manufacturers Association, Automobile Clubs, Waste Water Treatment Sector, Universities and Research Centres, NGOs, European Institutions and national authorities. The platform will continue its work in 2020 and, as in 2018 and 2019, will be supported by CSR Europe.

As far as specific actions on tyres are concerned, Pirelli's commitment to TRWP is expressed both through active participation in the most important collaborative projects of the tyre industry on TRWP (see the "ETRMA" and "WBCSD" sections of this report) and through its own Research and Development activities on tyre materials and design, aimed at continuously improving tyre wear and, consequently, minimising the contribution to TRWP. In addition to this, it collaborates with public authorities and the tyre industry to support the development of standardised methods 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.

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 - 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 92% (Source: ETRMA 2017) and 81% (source: USTMA - 2017 US Scrap Tyre Management).

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 group 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.

As a member of TIPG, Pirelli Tyre has collaborated on the publication of guidelines on the management of ELTs, 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.

The tyre is a mixture of many valuable materials that at end-of-life allow two paths of recovery: recovery of material or energy. In the recovery of material (secondary raw materials), 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 the compounds.

SOCIAL DIMENSION

HUMAN RIGHTS GOVERNANCE

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, multi-racial, 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 international standards, 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 the 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 forced labour, 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 the Pirelli website in multiple languages.

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");
- manages its supply chain responsibly and specifically includes respect for human rights in the selection parameters of its suppliers, the contractual clauses and verifications carried out by third-party audits. Pirelli also requires its suppliers to implement a similar business model 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 (for an in-depth study

on the sustainable management of Natural Rubber, and other materials, please refer to the paragraph “Our Suppliers” in this Report);

- is open to 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;
- 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 in the ambit of the sphere of corporate influence, 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 (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.

In late 2019, 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 the 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.

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 2019 - expressed in *Full Time Equivalent* and including agency workers - stood at 31,575 resources (vs. 31,489 in 2018 and 30,189 in 2017), recording a net growth of 86 employees compared to the previous year.

BREAKDOWN OF WORKFORCE³³ BY CATEGORY

	EXECUTIVES	CADRE	WHITE COLLARS	BLUE COLLARS	TOTAL
2019	271	1,893	4,617	24,794	31,575
2018	288	1,945	4,643	24,612	31,489
2017	283	1,856	4,630	23,420	30,189

BREAKDOWN OF WORKFORCE³³ BY GEOGRAPHICAL AREA³⁴ AND GENDER

	2019			2018			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
EMEA	11,345	1,813	13,158	11,225	1,783	13,008	10,554	1,608	12,162
NORTH AMERICA	2,758	507	3,265	2,497	503	3,000	2,120	499	2,619
SOUTH AMERICA	7,288	677	7,964	7,577	693	8,270	7,168	671	7,839
APAC	3,288	855	4,143	3,254	870	4,124	3,347	823	4,170
RUSSIA & NORDICS	2,373	673	3,046	2,384	703	3,088	2,626	774	3,399
TOTAL	27,051	4,524	31,575	26,937	4,552	31,489	25,814	4,375	30,189

³³ These data include agency workers, corresponding to 0.1% of total workforce in 2017 and 2018 and to 0.2% in 2019.

³⁴ EMEA: Austria, Belgium, Czech Rep., France, Germany, Greece, Hungary, Italy, Netherlands, Poland, Romania, Saudi Arabia, Slovakia, South Africa, Spain, Switzerland, Turkey, UAE, United Kingdom. North America: Canada, Mexico, United States. South America: Argentina, Brazil, Chile, Colombia. Asia Pacific: Australia, China, India, Japan, Singapore, South Korea, Taiwan. Russia & Nordics: Russia, Sweden.

BREAKDOWN OF WORKFORCE³⁵ BY GEOGRAPHICAL AREA³⁶ AND CONTRACT

2019				
	Permanent	Temporary	Agency	Total
EMEA	12,571	565	22	13,158
NORTH AMERICA	3,237	0	28	3,265
SOUTH AMERICA	7,779	185	0	7,964
APAC	4,140	3	0	4,143
RUSSIA & NORDICS	2,947	98	0	3,045
TOTAL	30,674	851	50	31,575
2018				
	Permanent	Temporary	Agency	Total
EMEA	12,410	572	26	13,008
NORTH AMERICA	2,987	0	13	3,000
SOUTH AMERICA	8,099	171	0	8,270
APAC	4,118	6	0	4,124
RUSSIA & NORDICS	3,028	56	3	3,088
TOTAL	30,642	805	42	31,489
2017				
	Permanent	Temporary	Agency	Total
EMEA	11,298	848	16	12,162
NORTH AMERICA	2,599	0	20	2,619
SOUTH AMERICA	7,469	370	1	7,839
APAC	4,146	24	0	4,170
RUSSIA & NORDICS	3,253	142	4	3,399
TOTAL	28,764	1,384	41	30,189

³⁵ These data include agency workers, corresponding to 0.1% of total workforce in 2017 and 2018 and to 0.2% in 2019.

³⁶ EMEA: Austria, Belgium, Czech Rep., France, Germany, Greece, Hungary, Italy, Netherlands, Poland, Romania, Saudi Arabia, Slovakia, South Africa, Spain, Switzerland, Turkey, UAE, United Kingdom. North America: Canada, Mexico, United States. South America: Argentina, Brazil, Chile, Colombia. Asia Pacific: Australia, China, India, Japan, Singapore, South Korea, Taiwan. Russia & Nordics: Russia, Sweden.

PERCENTAGE OF EMPLOYEES BY CATEGORY, GENDER AND AGE

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%
2018															
	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%	3%	3%	24%	33%	27%	29%	27%	28%	26%	27%	26%
30 - 50	48%	66%	50%	64%	74%	67%	60%	53%	58%	59%	66%	60%	60%	62%	60%
>50	52%	34%	50%	33%	23%	30%	16%	14%	15%	12%	7%	12%	14%	11%	14%
2017															
	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%	3%	3%	24%	32%	27%	31%	31%	31%	28%	29%	28%
30 - 50	50%	66%	51%	66%	77%	68%	61%	54%	58%	57%	61%	57%	58%	60%	58%
>50	50%	34%	49%	31%	20%	29%	15%	14%	15%	12%	8%	12%	14%	11%	14%

EMPLOYEES WITH PART TIME CONTRACT BY GENDER

2019			2018			2017		
Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
157	205	362	137	183	320	174	186	360

Employee flows by geographic area³⁷, 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

³⁷ EMEA: Austria, Belgium, Czech Rep., France, Germany, Greece, Hungary, Italy, Netherlands, Poland, Romania, Saudi Arabia, Slovakia, South Africa, Spain, Switzerland, Turkey, UAE, United Kingdom. North America: Canada, Mexico, United States. South America: Argentina, Brazil, Chile, Colombia. Asia Pacific: Australia, China, India, Japan, Singapore, South Korea, Taiwan. Russia & Nordics: Russia, Sweden.

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.

2019 FLOWS: ABSOLUTE VALUES AND RATES												
	INCOMING						OUTGOING					
	<30	30 - 50	>50	M	F	Total	<30	30 - 50	>50	M	F	Total
EMEA	906	659	79	1,466	178	1,644	699	557	256	1,332	180	1,512
	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	157	114	6	215	62	277	149	157	68	284	90	374
	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%

2018 FLOWS: ABSOLUTE VALUES AND RATES												
	INCOMING						OUTGOING					
	<30	30 - 50	>50	M	F	Total	<30	30 - 50	>50	M	F	Total
EMEA	1,366	992	112	2,109	361	2,470	701	661	264	1,455	171	1,626
	51%	13%	4%	19%	20%	19%	26%	9%	9%	13%	10%	13%
NORTH AMERICA	1,221	598	29	1,684	200	1,848	969	473	20	1,255	207	1,462
	76%	47%	27%	66%	40%	62%	60%	37%	19%	50%	42%	49%
SOUTH AMERICA	565	1,249	196	1,810	200	2,010	414	900	231	1,360	185	1,545
	32%	22%	24%	24%	29%	24%	24%	16%	28%	18%	27%	19%
APAC	339	297	8	478	166	644	328	318	6	550	102	652
	24%	11%	9%	15%	19%	16%	23%	12%	7%	17%	12%	16%
RUSSIA & NORDICS	219	112	27	300	59	359	233	256	193	551	132	683
	27%	7%	5%	13%	8%	12%	29%	15%	35%	23%	19%	22%
TOTAL	3,710	3,248	372	6,345	986	7,331	2,645	2,608	714	5,171	797	5,968
	45%	17%	9%	24%	22%	23%	32%	14%	16%	19%	18%	19%

2017 FLOWS: ABSOLUTE VALUES AND RATES

	INCOMING						OUTGOING					
	<30	30 - 50	>50	M	F	Total	<30	30 - 50	>50	M	F	Total
EMEA	1,010	661	88	1,520	239	1,759	444	506	222	994	178	1,172
	43%	9%	3%	14%	15%	14%	19%	7%	8%	9%	11%	10%
NORTH AMERICA	934	420	17	1,044	327	1,371	555	243	11	655	154	809
	63%	41%	20%	50%	65%	53%	37%	23%	13%	31%	31%	31%
SOUTH AMERICA	702	836	28	1,369	197	1,566	397	680	122	1,053	146	1,199
	38%	16%	4%	19%	29%	20%	21%	13%	17%	15%	22%	15%
APAC	296	164	5	391	74	465	497	628	11	931	205	1,136
	17%	7%	7%	12%	9%	11%	28%	27%	15%	28%	25%	27%
RUSSIA & NORDICS	266	187	38	356	135	491	197	348	209	531	223	754
	28%	10%	6%	13%	17%	14%	20%	19%	32%	20%	29%	22%
TOTAL	3,208	2,268	176	4,680	972	5,652	2,090	2,405	575	4,164	906	5,070
	38%	13%	4%	18%	22%	19%	25%	14%	14%	16%	20%	17%

During the year, the Company operated internationally to rebalance the employment level aligning it to the needs of volume related to high market volatility, obtaining a slightly positive occupational balance compared to 2018.

At Pirelli there are 45 young people older than 14 and under 18 years old (20 in Germany, 12 in Switzerland, 10 in Brazil, 2 in Sweden and 1 in the UK), each for training and integration plans, in harmony with local laws.

DIVERSITY MANAGEMENT

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.

The training course on Diversity has been part of the Group's training offering for years.

Internationality and multiculturalism are the characteristic elements of the Group: Pirelli operates in over 160 countries on five continents and 89.6% of employees (as at 31 December 2019) worked 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: 78% of 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 2018. 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: 56% of active Senior Managers in 2019 have in fact experienced at least one inter-company assignment during their professional experience within the Pirelli Group.

Compared to the total number of employees, in 2019 57 new inter-group expatriates were recorded, compared with 66 postings in 2018 and 54 in 2017. Approximately one third of the new postings were destined for the main industrial countries, such as Germany, Mexico and Romania. At year-end 2019, the expatriate population totalled 170 persons (vs. 190 in 2018 and 195 in 2017), belonging to 16 nationalities and who moved to 25 different Countries on five continents, of which 12% women. 46% of the total expatriate population is made up of employees of foreign nationality.

Pirelli monitors the level of acceptance and appreciation of diversity perceived by employees within their own reality. The survey is conducted as part of the “My Voice” climate survey, conducted in the local language at Group level (see the dedicated paragraph “Listening: Group opinion survey”). The results of the survey, conducted in June 2018, were particularly positive with regard to the perception of respect and management of Diversity, which confirms a distinctive feature of Pirelli’s corporate culture, which is also dealt with within the educational offer addressed to employees throughout the Group.

A functional tool for the management of equal opportunities and the prevention of risk of breach thereof is the Group Whistleblowing Procedure, through which employees, suppliers and the External Community can anonymously report any suspected violation. In 2019, 1 report was ascertained relating to a case that could be linked to discriminatory attitudes, on which the Company took action with specific actions aimed at removing the causes of the complaints and improving the internal control system. For further information on the reports received, please refer to the paragraph “Focus: Reporting procedure – Whistleblowing Policy”.

For 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 2017-2019, the data show a substantial stability, with a percentage of women in the total population, which stands at 14.3%. The percentage of women in relation to managerial positions (executives + cadres) rose from 22% in 2018 to 22.4% in 2019, with growth recorded within the population of

cadres, an important element since the category constitutes a growth area and a landing place for future executive positions.

WOMEN'S INCIDENCE ON THE TOTAL WORKFORCE³⁸ BY CATEGORY						
YEAR	EXECUTIVES	CADRES	EXEC + CADRES (= Tot Manager)	WHITE COLLARS	BLUE COLLARS	TOTAL
2019	10.7%	24.1%	22.4%	33.8%	10.0%	14.3%
2018	10.1%	23.8%	22.0%	34.2%	10.0%	14.5%
2017	10.3%	23.3%	21.6%	33.6%	10.1%	14.5%

Analysing the breakdown by gender in terms of employment contract, the table below shows that also in 2019, a substantial balance was maintained between men and women.

WORKFORCE³⁸ BY GENDER AND BY TYPE OF CONTRACT									
	2019			2018			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
PERMANENT	97.3%	96.6%	97.1%	97.5%	96.4%	97.3%	95.2%	95.7%	95.3%
TEMPORARY	2.6%	3.1%	2.7%	2.4%	3.5%	2.6%	4.7%	4.1%	4.6%
AGENCY	0.1%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

In 2019 the number of parental leaves used by Pirelli employees corresponds to 311 for women and 792 for men.

With reference to the post-maternity/paternity return rate, the Pirelli figure for the total workforce in all the countries where the company is present shows that, in 2019, out of the total number of workers who have ended parental leave, 67% of women and 95% of men have returned to the Company. Also, during 2019, one year after the maternity and paternity event (which occurred in 2018), 75% of women and 84% of men are still employed at the Company. It should be noted that the 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 the context of gender diversity, Pirelli pays special attention to remuneration equality, constantly monitoring this issue. The countries considered in the analysis at the end of 2019 were Brazil, China, Germany, Italy, Romania, Mexico, Argentina, USA, Russia, France, Spain, UK and Turkey, representing over 3/4 of the total workforce subject to the remuneration policy (executives, cadres and employees). At a methodological level, it should be noted that the pay gaps between men and women were calculated for each Country and at the same weight of positions held, on the base of

³⁸ These data include agency workers, corresponding to 0.1% of total workforce in 2017 and 2018 and to 0.2% in 2019.

the “grade” (i.e. the weight attributed to each position on the basis of various factors) and the significance of each cluster. This valuation method allows objectivity and accuracy of the survey and evaluation: in fact, it should be noted that data calculated and/or reported only at Group level would be unable to pay due attention to the structural differences of the local markets and the logic of remuneration markets with special features not comparable with each other.

The average of pay gaps between men and women white collars recorded in these countries is equivalent to 3% in favour of women, compared with 8% in 2018 and 3% in 2017 also in favour of women; for the cadre category it is equal to 2% in favour of men, compared with 3% in 2018 and 1% in 2017 also in favour of men. A few examples:

- Italy, which has an difference between average remuneration for men and average remuneration for women of around 3% in favour of women for the category of employees (compared to 2% in 2018 and 3% in 2017 in favour of women); and 4% in favour of men for the category of cadres (compared to 2% in 2018 in favour of men and 1% in 2017 in favour of women);
- Romania, where for the category of employees there is 4% in favour of men (consistent with 2018 and to the equal pay of 2017) and for the category of cadre there is 9% in favour of men as against 4% in favour of women in 2018;
- Brazil, where for the category of employees there is a 3% in favour of men (compared to 1% in favour of women in 2018 and 1% in favour of men in 2017) and for the category of cadres there is 4% in favour of men (compared to equal pay in 2018 and 1% in favour of men in 2017);
- Germany, which showed an average pay gap between men and women of around 1% in favour of men for the category of employees (2% in 2018 and 1% in 2017 in favour of men) and 9% also in favour of men for the category of cadres (compared to 7% in 2018 and 6% in 2017).

With reference to the population of managers, of which women represent 10.7%, there is an average pay gap of 5% in favour of women (in 2018 it was 3% and in 2017 it was 11% again in favour of women).

With regard to the workers’ population, all industrial countries with a significant number of observations were analysed: Brazil, China, Germany, Italy, Mexico, Romania, Russia, Spain, Switzerland, Sweden, Turkey, Argentina and UK. For each country the pay gap between men and women has been calculated. The average, weighted by the number of employees, showed a 2% difference in favour of men. Some examples:

- China presents a difference between average men’s salary and average women’s salary around 7% in favour of men, compared to 9% in 2018 and 2017 and due to the organisational roles currently in favour of the male population;
- Brazil has a pay gap of 2% in favour of men compared to 6% in favour of women in 2018;

- in Italy there is a gap of 2% in favour of men, compared to 4% in 2018 and 2017, both in favour of men;
- in Romania there is a gap of 2% in favour of women, compared to substantial pay equity in 2018 and a gap of 2% in 2017 in favour of women.

With regard to the standard salary of new hires during their first year of work at Pirelli, this is greater than the minimum levels prescribed by 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 2019 (an increase of 0.3 pp from the figure for 2018 and 2017) 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					
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
2018					
	Executives	Cadres	White collars	Blue collars	Group Average
Female	49	44	37	36	37
Male	50	45	38	37	38
Total	50	45	38	37	38
2017					
	Executives	Cadres	White collars	Blue collars	Group Average
Female	48	43	37	36	37
Male	50	45	38	37	37
Total	50	44	38	37	37

The following table represents the average seniority of service per professional category and gender: also in 2019, there were no significant differences between men and women.

AVERAGE EMPLOYEE SENIORITY OF SERVICE BY CATEGORY AND GENDER					
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
2018					
	Executives	Cadres	White collars	Blue collars	Group Average
Female	13	13	8	6	8
Male	16	15	9	9	9
Total	15	14	9	9	9
2017					
	Executives	Cadres	White collars	Blue collars	Group Average
Female	13	13	9	7	8
Male	15	15	9	9	9
Total	15	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” book stores 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);
- the presence of the course “Integrating Perspectives” within the School of Management training offering, aimed at providing participants with tools to train their ability to successfully

interact in a global and heterogeneous environment, understanding and integrating diversity and maximising collective results.

REMUNERATION AND SUSTAINABILITY

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 as far as possible consistent with the corporate culture and values. Compensation policies and processes for Group management (intended as the overall executives) are managed by the central Human Resources and Organisation department, while for non-executive personnel they are handled on an individual Country basis, supervised from central level. Once again in 2019, and in accordance with market best practices, the impact of the (short-term and medium-term) variable component on the total remuneration for each Group manager remained very high, which means that there is a strict correlation between remuneration and performance.

Management in general is the owner of the Annual Incentive Plan (STI/MBO) linked to the achievement of annual economic and financial objectives of the Group and/or Business Unit and/or Region and/or function. In 2019, in addition to the objectives already present in the MBO, a new sustainability objective was introduced, linked to the value of the Group's "Green Performance Revenues³⁹".

In 2014, some changes and improvements were made to the annual incentive system (STI/MBO) which is no longer related to the Triennial Incentive Plan (LTI) but includes a form of deferred payment to the following year of a part (25%) of the annual incentive accrued subject to accrual of the MBO of the following year. Payment of an additional amount equal to a variable percentage of the entire MBO accrued during the previous year will be paid in line with the degree that the MBO is achieved in the following year.

For 2020, an amendment is proposed regarding the rules for the disbursement of the additional amount, which will see continuity in the 25% deferral of the accrued annual incentive, with the possibility of repayment/doubling the deferred portion, depending on the level of achievement of the MBO in the following year.

In early 2018, following the return to the stock exchange in October 2017, a new three-year incentive plan (LTI 2018-2020) was launched and extended to the majority of Executives of the Group, in line with the variable remuneration mechanisms adopted at international level, totally self-financed as the related expenses are included in the economic data of the Industrial Plan. The Plan, in line with

³⁹ Green Performance products identify the car tyres that Pirelli produces throughout the world and that fall under rolling resistance and wet grip classes A, B, C according to the labelling parameters set by European legislation.

international best practices, includes a Sustainability objective common to all Group Management. At the end of 2019, its early closure is being considered, in light of the presentation of the new multi-year Strategic Plan that will be presented by the Company in February 2020 and which will include new objectives for the Management; it is planned to launch a long-term cash incentive plan in line with market best practices, based on a rolling mechanism (a new three-year incentive plan is proposed every year), without an ON/OFF condition of access and with some objectives of which, in general, at least one market-based, one business-based and one of sustainability.

The General Remuneration Policy, approved by the Board of Directors of Pirelli, establishes the principles and guidelines to which Pirelli adheres in order to determine and monitor the application of the remuneration practices 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 (it is noted in this regard that Pirelli currently has no existing forms of remuneration through equity);
- compensation in case of termination of employment;
- clawback clauses for Top Management.

For updates and details on the Remuneration Policy and related sustainability indicators, refer to the Governance section of the 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 in Europe, the United States, South America, the Middle East, Africa, Russia and Asia-Pacific, numerous events, projects and meetings were organised in 2019, where the Company promoted its own Employer Branding initiatives. These activities are carried out also thanks to the network of contacts and partnerships with some 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 and University of Turin. The latter Universities are located close to the 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.

Among the channels of Employer Branding used by Pirelli, the web plays an important role: on the 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 LinkedIn and the University portals - are also chosen by Pirelli to publish their job offers.

DEVELOPMENT

Performance Management

Through the Performance Management (PM) process, Pirelli defines, observes and evaluates the contribution of each employee in terms of results and behaviours. This is a fundamental opportunity for the development and orientation of each one in compliance with a set of predefined and critical indicators for the success of people and therefore of the Company.

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

In 2018 Pirelli introduced a new Performance Management process supported by a completely renewed and *user-friendly* IT platform accessible from all company devices. These are the main features:

- the process and the platform are open all year, so as to better support the continuity of dialogue between boss and employee and alignment on priorities and focus of the performance;
- the assessment model is based on two dimensions: the “what” (results) and the “how” (key behaviours);
- *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, Initiative and drives.*

The first performance assessment under this new model was carried out in 2019. As with the launch of the new process in 2018, training sessions for managers focused on the evaluation and feedback process.

The Performance Management process involves all staff worldwide (executives, cadres and white collar employees) and in 2019 saw a redemption rate (i.e., completed 2018 assessments compared to the total of planned assessments) of 99.9%; in particular, the redemption rate for women was 99.88%, compared to 99.95% for men.

The percentages of completion by level are shown below:

Executives	Cadres	White collars
99.3%	100%	99.9%

In support of the quality of the Performance assessments, the Pirelli process includes the so-called *Calibration Meetings*, i.e. meetings organised by the managers of the individual functions, Business Unit and Country, with their first reporting and with the Human Resources managers of reference, during which the evaluations of the persons belonging to a specific organisational unit are put into common use with the aim of ensuring a shared and balanced distribution of the assessments, to guarantee 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).

During 2018, an analysis and redesign of the entire Global Talent Development process was carried out. 2019 saw the implementation of the new process through a mapping of the talent population and a first wave of assessment of the managerial skills of this population. It was then possible to activate specific and dedicated action plans to support the development path of the talents involved in the assessments.

The first mapping performed in 2019 allowed to identify a talent population of about 400 people (about 6% of the white collar population) with an average company seniority of 7 years and a strong international and multicultural connotation, with talent from as many as 25 nationalities. The 2019 assessment program covered about 25% of this population, other waves are expected in the coming years to involve the rest of the population.

TRAINING

All Pirelli affiliates have adopted the Training@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.

The 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.

Also in 2019, Pirelli was called in various international locations to illustrate its Training Model, recognized as benchmark of quality and robustness, already awarded in 2015/16 with the *Silver Award* by the *Global Council of Corporate Universities*, in the category “*Best Corporate University embodying the identity, the culture and the brand of the Organisation in its stakeholders*”, award dedicated to the most important *Corporate Universities* worldwide.

The four “pillars” on which Training@Pirelli is based are the *Professional Academy*, the *School of Management*, *Global Activities* and *Local Education*. The first three are designed centrally and provided centrally and/or locally, while Local Education is managed and implemented in the individual Countries to meet the specific local needs.

Professional Academies

The 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, health and safety, sustainable management of the supply chain, risk management and diversity management. The new digitalisation processes are also increasingly 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, or through webinar sessions. 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 ability to transmit know-how and skills effectively.

Every year, the Professional Academies meet both the Top Management and the local training representatives, with the objective of strategic alignment and sharing of the results achieved. In 2019, globally, the Professional Academies offered 205 courses; the training offer was delivered not only through traditional classrooms but also, and increasingly, through digital methods such as webinars, online courses and virtual classrooms.

Among the programmes provided in 2019 was the Value Based Management training programme, which involved, both in the presence and in virtual and remote mode, about 150 managers

representing different company functions, with the aim of strengthening their economic-financial skills with a focus on long-term value creation. In support of the gradual transformation of work processes in factories, of particular importance is the High Value Competencies programme launched in 2019 with the aim of measuring the level of basic and more analytical-digital skills possessed by factory staff. To support increasingly aware and compliant management of business processes and market requirements, two fundamental training campaigns were conducted in 2019: for all colleagues involved in accounting processes, the “Internal Control Principles” training campaign was provided, while the “Product Liability” training campaign was organised for the functions involved in the processes of product development, production and marketing. Finally, in 2019, a work project was launched with the aim of increasingly enriching the digital offering of the Professional Academies’ training content over the three-year period 2020-2022.

School of Management

The School of Management (SoM) is the training structure dedicated to the development of the management culture within Pirelli. Its target are 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 managerial skills training model was revisited in 2018 in order to make the training offer 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 “Train your Brain” section, available to all managers on the LearningLab international platform and the “Warming Up learning platform” dedicated to all recent graduates.

Among the programmes conducted in 2019, the following are of particular note:

- the programme to support the performance evaluation and feedback phase, which involved more than 800 managers in the various countries where Pirelli is present;
- the Developing Managerial Excellence programme which, as occurs every year, involved new managers and underwent a major redesign to reflect the company’s business model and strategic priorities.

More than 6,800 training days were provided within the School of Management during 2019.

The participation in the Warming Up@Pirelli training course, dedicated to the new graduates in the entire group and lasting two years, involved about 250 young colleagues in training activities at various Pirelli offices.

Global Activities

Within Global Activities are available all training campaigns launched globally and designed to promote awareness of corporate guidelines while respecting local diversity. Topics such as GDPR, Security and Diversity are the primary focus of these training activities.

In 2019, an important awareness-raising programme on Cyber Security issues was launched worldwide, aimed at preventing phishing risks and introducing the company's Digital Signature. The course provided, which can be used entirely online, was made available in 10 languages to reach the largest number of colleagues in the corporate email user world.

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

Focus: Training on Sustainability and Corporate Governance

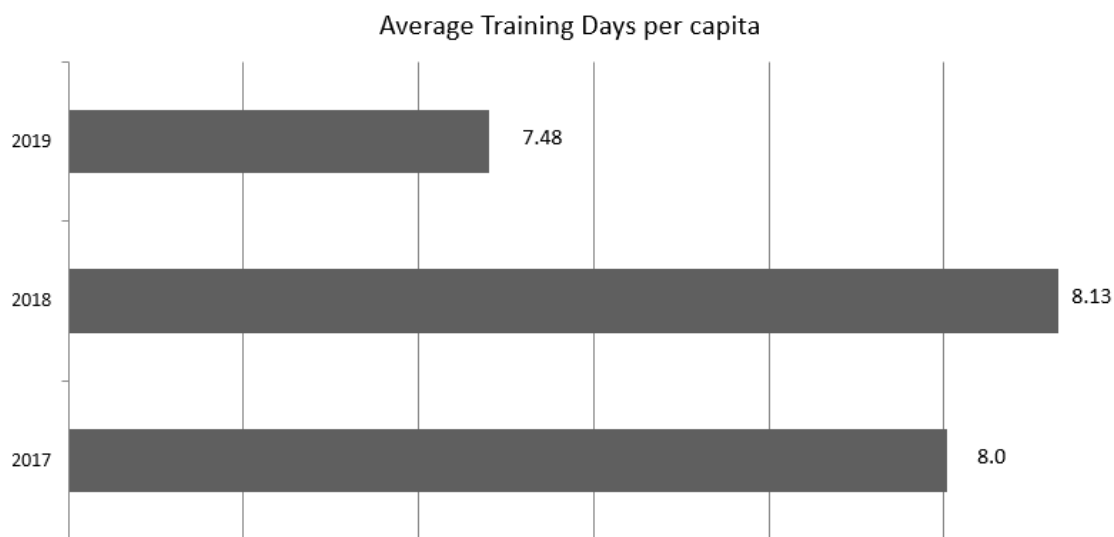
Also in 2019, training continued on the Pirelli Sustainable Management Model, with update on the state of the Company's Sustainability Plan. In addition, there is institutional training in the International Course "PLunga", which presents the Group's Sustainable Management strategy to all new employees, 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. The foregoing is also the subject of continuous training for all Group Sustainability Managers and Purchasing Managers.

In 2019 Pirelli also dedicated a professional training session to the Group's Sustainability Managers and the colleagues who support them locally in data collection activities for the preparation of the Annual Report; aimed at deepening on all activities (local and central) related to the preparation of

the Group’s Non-Financial Statement, the training covered the reporting standards used, the data collection systems and the control systems implemented.

Pirelli training performance

In 2019 the total training provided was approximately 7.5 days of average training per capita. This number reflects, on the one hand, Pirelli’s continuing desire to invest in training and, on the other hand, the consolidation of training in newly established plants (such as Mexico and Romania), which until the previous year had seen massive inflows and consequent incoming role training activities.



Following is the subdivision of average training days by gender and by professional category⁴⁰:

GROUP	WOMEN	MEN	
7.48	6.49	7.67	
	EXECUTIVES	CADRES & WHITE COLLARS	BLUE COLLARS
	2.49	3.84	8.51

The high level of training is confirmed for both genders, with 1 day more for men to be correlated with the clear prevalence of the male gender in the working population which has thus affected the gender distribution.

87% of employees (taking into account the average workforce for the year) participated in at least one training activity during the year.

⁴⁰ Data at Group level and by category calculated with average headcount for 2019; data by gender calculated with actual headcount as at 31/12/2019.

The investments made for the different categories of the company population (blue-collar workers, cadres and white-collar workers, executives) are in line with those of the past years and balanced in proportion to the overall training strategies: the strong focus on quality, efficiency and on digitalisation in factories, in addition to the usual attention to health and safety issues, in fact determine large investments in the working population.

On a global level, the Professional Academies cover the most significant portion (56%) of the training activities on the total, and this relates to, among other things, the training and continuous updating of technical skills related to innovation processes which are strategic for the company. In particular, with regard to the training of white collars, Quality, Manufacturing, R&D and Digital Academy represent over 70% of the total training.

The issues of Health, Safety and Environment maintained a significant share also in 2019, confirming their relative weight equal to 9% of the total training provided at Group level.

Consistent with the great *digital transformation* processes undertaken by the company, the training processes are also progressively involved in the digitalisation of content related to both basic and innovation skills, so as to allow a more widespread, fast and engaging use.

LISTENING: GROUP OPINION SURVEY

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

The management of the global “My Voice” questionnaire is entrusted to a third party and the results are provided to Pirelli in aggregate form in order to fully guarantee the anonymity of the respondents. The 2018 edition of My Voice used the Sustainable Engagement Model, showing how challenging the work environment is for workers, and whether people’s engagement is sustainable over time. More specifically, the Sustainable Engagement model is based on three dimensions such as energy, engagement and qualification, and is based on the thesis that a work environment that enables individual performance, providing the resources necessary for people to do your job well, which promotes individual well-being and the ability to “go further” in your work, which strengthens the alignment of people with the objectives of the Company, and therefore is an environment that creates the conditions for an engagement sustainable over time. The higher the Sustainable Engagement, the more likely it is that people’s engagement will be lasting.

The frequency of the global survey is every two years in order to ensure adequate time to define, implement and consolidate comprehensive action plans by Country/Function/Business Unit, responding to the needs arising from the survey results.

During 2019 Pirelli worked on defining and implementing the action plans resulting from the global survey conducted in the second half of 2018, the results of which were consolidated and released internally to employees between late 2018 and early 2019. Implementation of the action plans will continue to be completed in 2020, while the next My Voice survey is scheduled for 2021.

With reference to the results of the latest My Voice survey, which was administered to all Pirelli employees worldwide online, the global participation rate was over 80% (81% global rate, 82% for management and office workers and 80% for blue-collar workers). The overall result for Pirelli employees globally was 75% “Sustainable Engagement”: on a scale of 1 to 5, responses to the 6 Sustainable Engagement questions were therefore positive for 3 out of 4 colleagues worldwide.

The survey also confirmed Pirelli as a company attentive to the inclusion of diversity, with a result that is well above the market benchmarks. In addition, the sense of belonging and the pride of working for Pirelli are confirmed among the highest indices, together with the sense of responsibility (accountability) of their results. Pirelli is above the benchmark average (manufacturing companies) as well as the relative satisfaction in the area of professional development.

The areas to be monitored to ensure lasting engagement over time related to the level of information regarding company results, to “how much” the working environment allows expression of their ideas on innovation, to a sense of actualisation among personnel and their “energy level”.

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 and Sustainability Managers.

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, 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);
- family support (e.g. scholarships, summer camps for employees’ children, inter-company crèche);
- 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, facility, 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.

As an example, some of the welfare activities activated at the various local affiliates will be presented below.

Historically, Pirelli provides infirmaries at all the production units, where health workers and specialist doctors are available to all employees during working hours. These facilities provide advice on extra-work health problems, as well as first aid and periodic health surveillance activities. The specialised services performed in Pirelli's outpatient and nursing facilities around the world amounted to around 299,000 in 2019.

Many Pirelli offices have activated Smart Working projects, taking advantage of the opportunity offered by the company to manage their work activities with greater autonomy, responsibility and flexibility, saving time and commuting costs, and simultaneously balancing company needs with personal needs. Smart Working is in fact active in the Headquarters in Milan Bicocca, which represents the Group's largest headquarters in terms of Staff employees, in the USA (New York, Rome, Southfield, Los Angeles and the sales force in the field), in the Sao Paulo headquarters in Brazil and in Paris and Craiova (Romania). In 2019, the feasibility analysis of the project for the Moscow and German sites was also conducted. In Milan Bicocca alone, 14,858 smart working days were carried out by workers in 2019.

To support work-life balance, and in particular family support, the large population of Bicocca counts on the support of the company concierge service (which includes services such as laundry, tailoring, shoemaking, postal and administrative services), on the Project "Bambini in Bicocca", which guarantees a care and entertainment service for the children of employees of school age (6-10 years) during school closures, and from 2019 also on the "Family Care" listening and orientation desk, designed to support those who are engaged in caring for a dependent relative or those who are facing moments of family transition.

Moments of inclusiveness and sharing characterise the "Open Days", which take place at numerous affiliates in the world: these are days dedicated to employees' families, with educational workshops, visits to departments, games and music and are also open to the local community; consider the initiative in Brazil "Fantastica Fábrica de Pneu", "Una aventura en familia" in Argentina, the "Social Leisure Internal Event" in Mexico or the now traditional Diversity day in Germany.

There were many prevention and awareness campaigns 2019 for a healthy lifestyle, including the "Nutrition workshop" conducted in Romania, the innovative "Snack car" in Brazil and the "Snack Saludable" in Argentina, all aimed at promoting a healthy diet, including in the office.

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, 78% 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, 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.

In 2019, the Industrial Relations activities achieved significant negotiating results. Collective agreements were renewed, without any conflict, in Argentina and Mexico.

In May 2019 the Company announced the reorganisation of its production structure in Brazil, which will accelerate the focus on High Value products and improve the competitiveness of its manufacturing sites in the country, taking into account the difficult economic scenario. The reorganisation includes, in particular, the expansion of the Campinas factory, which is currently only active in the production of Car tyres, through the transfer of Motorcycle tyre production from the Gravataí plant, which will be completed by mid-2021. This reorganisation will allow the creation of an industrial hub serving the Latin American markets, which will be dedicated to the production of Car, Motorcycle and Motorsport tyres, with a growing focus on High Value and the hiring of 300 people. At the same time, an agreement was reached with the trade unions in Gravataí, with a shared plan to reduce the social impacts for the approximately 900 people employed there.

In June 2019, the company announced the reorganisation of production in Italy and specifically assigned the new mission to the Bollate plant, which will focus from 2021 on Bicycle production to replace Car production. An agreement was discussed and signed with the trade unions on the tools to manage the change of mission of the plant and the organic structure.

European Works Council (EWC)

The 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 by 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 the subject of specific paragraphs in this Report, to which reference should be made for further details.

The 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 and Safety and Industrial Relations.

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

The non-conformities emerged as a result of the audits performed in 2019 were subject of the action plans agreed between the local managers and central management, and will be subject to follow-ups in 2020 by the Internal Audit Department. None of the audits revealed any breach of ILO Core Labour Standards, with specific reference to forced labour or child labour, freedom of association and collective bargaining, and non-discrimination.

Labour and social security lawsuits

In 2019, 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 40% of Pirelli employees are members of a trade union. As to the percentage of workers covered by collective agreement, in 2019 it stood at 78% (vs. 77% in

2018). This figure is associated with the historical, regulatory and cultural differences between each country. Collective agreements to be renewed in 2019 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”.

The social benefits recognised by Pirelli in favour of employees (including life insurance, invalidity/disability insurance and additional parental leave) are generally recognised for 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 the Pirelli website, which should be consulted for full display of the content.

At all of its production sites, Pirelli adopts an occupational health and safety management system structured and certified according to Standard ISO45001/OHSAS 18001:2007. All certificates are issued with ANAB international accreditation (ANSI-ASQ National Accreditation Board - US accrediting body). The occupational safety management system 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. In 2019, four production sites migrated to ISO 45001 certification. During 2020, all other production units are expected to migrate to ISO 45001.

In 2019, the 11th edition of the *Pirelli Health, Safety and Environment Global Meeting* was held. The annual meeting took place at the Pirelli production site in Kirov, Russia. The purpose of this meeting, which brings together all managers responsible for Health and Safety in the Group, is to pool the best practices applied by the various Pirelli sites in the world, with a view to promoting continuous improvement and discussing the future vision and the roles and responsibilities of health and safety professionals.

At local level, in each individual production unit, periodic meetings are held with workers' representatives (Health & Safety Committee), with the aim of illustrating, on the basis of the Management System, the activities carried out and those planned and to provide the results of workplace risk assessments.

Safety culture

In this context, 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 to a sharp decline in injury rates.

In support of the management model outlined above, 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, extending gradually in 2016-2019 to all production sites of the Group. A specific Steering Committee, chaired by the Operations General Manager, monitors the progress of the programme. Pirelli has also implemented internal tools to support the Excellence in Safety Programme, aimed at supporting the processes implemented and the results obtained.

The most important areas of intervention of the “*Excellence in Safety*” Programme are in fact related 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 stimulating, in which workers feel valued and all the risks are effectively prevented and countered.

The sharing of the Safety Culture was also supported by the regular newsletters like the *Safety Bulletin*, and the sharing of significant events through the traditional channels of internal communication.

Safety training

Around 9% of the total training provided by Pirelli in 2019 addressed occupational health and safety issues. In addition to safety training offered locally at every Pirelli location (illustrated previously in the paragraph dedicated to Training), special mention should be made of 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 the 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 the information related to accidents and to the particular situations that occurred in factories, fitting units, sales centres and warehouses directly managed by Pirelli. All factories have access to information on the most significant accident or near-injury cases through a system called *Safety Alert*; in turn, the plants conduct an internal analysis of the verification of the existence of conditions similar to those that caused the accident or the near-accident and identify any corrective actions. By using this system, every site is able to analyse the solutions adopted by other plants in order to identify and apply the most effective corrective actions.

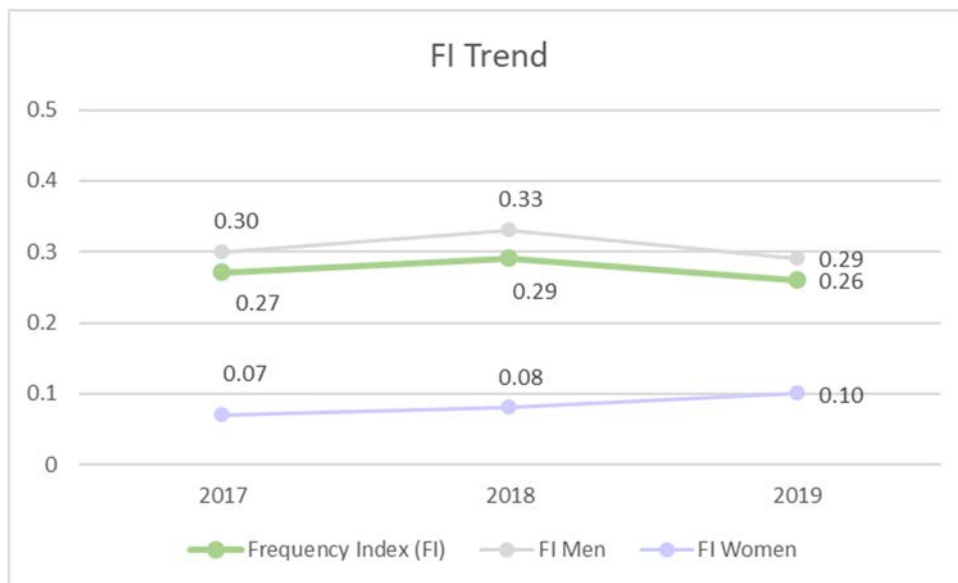
The focus on *Leading Indicators* was also further developed, namely measuring what preventive measures should be implemented and how this should be done, without prejudice to the monitoring of the *Lagging Indicators*, namely reactive indicators such as the number of accidents and their frequency index.

The performances reported below are for the three-year period 2017-2019 and cover the same scope of the Group's consolidation.

The 2020 target in the Sustainability Plan 2017-2020 is for a reduction in the Frequency Index of 87% compared to 2009. Please note that in February 2020 the Company will be presenting the new long-term Industrial Plan and related strategic sustainability targets. The updated targets will be published on Pirelli's website for the benefit of all stakeholders.

In 2019, Pirelli registered an accident **Frequency Index (FI)** of 0.26, in line with the figure from 2018, with a reduction of 83% compared to 2009. The most representative injuries concern events involving contusions, cuts and fractures of the upper limbs.

For 2019, in continuity with the previous financial years, the injury rate index for women was decidedly lower than the value relating to men, also in relation to the fact that the female population is generally engaged in activities with a lower risk than those of the male population. The graph below shows the trend of FI values by gender over the last three years:

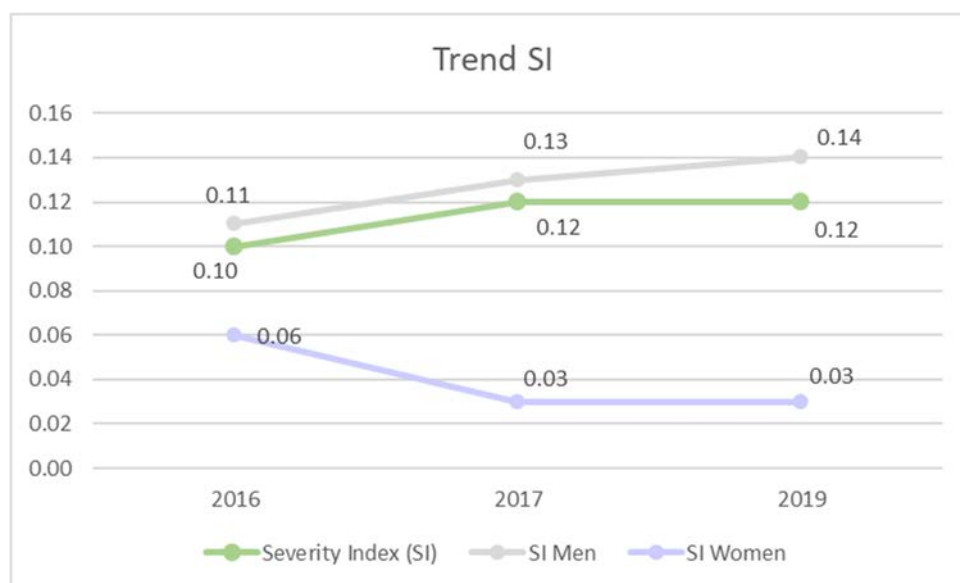


FI = number of injuries/number of hours effectively worked x 100,000

The following table summarises the distribution of the 2018 Frequency Index by geographical area:

FREQUENCY INDEX	EMEA	North America	South America	Russia & Nordics	Asia Pacific
2018	0.28	0.20	0.31	0.03	0.02
2019	0.35	0.16	0.35	0.15	0.02

The injury **Severity Index (SI)** in the Group in 2019 was 0.12, in line with the 2018 figure.



SI = 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 2019 Severity Index by geographical area:

SEVERITY INDEX	EMEA	North America	South America	Russia & Nordics	Asia Pacific
2018	0.09	0.17	0.11	0.03	0.01
2019	0.14	0.07	0.19	0.12	0.01

In the case of both the Frequency Index and the Severity Index, the Asia Pacific area performed better than the other geographical areas in which Pirelli operates, characterised in any case by years of constantly decreasing rates.

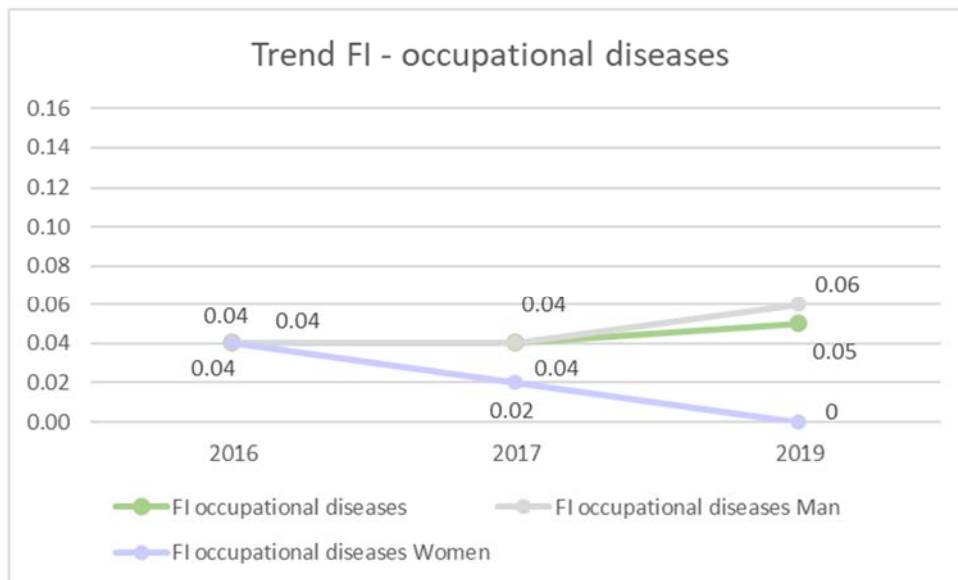
With reference to commuting accidents (not included in the calculation of the FI and SI indices mentioned above), the following tables show the total number registered by the Group in the last three years and the distribution by geographical area of the cases in 2019.

COMMUTING ACCIDENTS	2017	2018	2019
	108	121	119

COMMUTING ACCIDENTS	EMEA	North America	South America	Russia & Nordics	Asia Pacific
2018	17	42	49	0	0
2019	37	43	39	0	0

Within the production process there were no activities with a high risk or high incidence of occupational diseases.

The Frequency Index for occupational diseases in 2019 stands at 0.05.



FI = number of occupational illnesses/number of hours effectively worked x 100,000

The following table summarises the distribution by geographical area of the Frequency Index for occupational diseases in 2019:

FI OCCUPATIONAL DISEASES	EMEA	North America	South America	Russia & Nordics	Asia Pacific
2018	0.03	0.00	0.10	0.00	0.00
2019	0.02	0.00	0.14	0.00	0.00

With regard to accidents of agency workers, the following tables show the number of accidents recorded in the last three years and the distribution of the accident frequency index of 2019 by gender and, subsequently, by geographical area:

ACCIDENTS OF AGENCY WORKERS	2017	2018	2019
Number	3	8	5
FI agency workers - Men	1.19	1.02	0.55
FI agency workers - Women	0.00	0.00	0.44

ACCIDENTS OF AGENCY WORKERS	EMEA	North America	South America	Russia & Nordics	Asia Pacific
2018	8	0	0	0	0
2019	3	2	0	0	0
FI agency workers 2018	16.38	0.00	0.00	0.00	0.00
FI agency workers 2019	6.00	4.80	0.00	0.00	0.00

The Accident Frequency Index for employees of suppliers operating at the Group's production sites⁴¹ shows a declining trend over the three-year period, standing at 0.13 in 2019. Below are the data for the last three years and the distribution by geographical area of the cases in 2019.

IF CONTRACTORS	2017	2018	2019
	0.19	0.18	0.13

IF CONTRACTORS	EMEA	North America	South America	Russia & Nordics	Asia Pacific
2018	0.04	0.11	0.28	0.35	0.00
2019	0.19	0.09	0.08	0.10	0.00

Below are the figures relating to fatal accidents recorded in the last three years with reference to Pirelli employees and employees of suppliers operating at Group production sites.

FATAL ACCIDENTS	2017	2018	2019
Pirelli employees	1	0	1
Contractors	0	0	0

In the last three years, no fatalities have been recorded among the contractors working at Pirelli's production sites. As far as Pirelli's employees are concerned, 2 events have been recorded, one in 2017, of an employee of the Brazilian equity of Campneus and one in 2019 of an employee working in the Russian plant of Kirov.

⁴¹ The figure covers all the Group's production sites, with the exception of the Izmit site for the relative non-significant dimensions.

Focus: towards the “Zero Accident Objective”

15 Pirelli manufacturing plants were named “sites of excellence” in 2019, since no employees were injured there during the year:

Unit	Industrial sites
Plants	Jiaozuo, Breuberg MIRS, CMP, Burton MIRS
Fitting unit	Camacari, Sorocaba, Hurlingham, Goiana, Didcot, Ibirite
Logistics - TLM	TLM Campinas, TLM Barueri, TLM St André
Other	St André HQ, Elias Fausto

Health and safety investments

In the three-year period 2017-2019, investments in health and safety by the Group exceeded €42 million, of which over €15 million was invested in 2019.

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, etc.).

EXTERNAL COMMUNITY

INSTITUTIONAL RELATIONS OF THE PIRELLI GROUP

The objective of the Institutional Relations Department is to create corporate value through the management of structured relationships with the Stakeholders of reference in all the Countries in which Pirelli is present.

Pirelli's activities 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 the 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.

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 Relations 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 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 Councils, including the China Business Forum (BFIC), in which it held the chairmanship from December 2015 to December 2018 and of which it continues to be a member, 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 2019 with institutional representatives in Italy and abroad. In this context, a series of bilateral meetings were held, aimed at deepening the Group's industrial and commercial issues with significant institutional impacts. These included meetings with several representatives of the EU, ex-NAFTA, 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 2019 Pirelli maintained a dialogue with the main local institutions on multiple areas of interest, especially research and development projects 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 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, Original Equipment Suppliers Association, Organization for International Investment and participates in the main working groups.

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, with which a series of initiatives are also developed to raise awareness on issues such as urban mobility, road safety, the protection of the territory and the promotion of culture.

In the European context, one significant activity concerns Romania, in which Pirelli maintains a constant dialogue with the main institutional interlocutors in order to accompany the phases of industrial development at the Slatina plant. Relations with the United Kingdom were particularly important in 2019; on the occasion of the 50th anniversary of the Carlisle plant, in April HRH the Prince of Wales visited the Carlisle plant - one of the two Pirelli plants in the United Kingdom - in the presence of top management.

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 2018, the Italian Business Council was established in Russia, the chair of which was entrusted to Pirelli, including throughout 2019. The Group also participated in the 23rd edition of the St. Petersburg International Economic Forum and supported the 12th Euro-Asian Forum held in Verona. Finally, Pirelli participated in the Russian-Italian Civil Society Dialogue Forum in Rome, organised in the margins of the visit of the President of the Russian Federation to Italy.

Relations with the European Institutions are focused on consolidating relations with the Stakeholders of reference, also considering the start of the new European institutional cycle in 2019, on monitoring of legislation and on the constant activity of 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 corporate interest including industrial policy, research and innovation, energy and environmental policies, transport and mobility, technical regulations, the domestic market and international trade. Of particular interest is the Green Deal, the European plan on the new sustainable growth strategy launched by the European Commission in December. In 2019, in the legislative field, activity focused specifically on regulatory developments relating to mobility and road safety issues as well as technical regulations with particular reference

to the revision of the Regulation on tyre labelling and general motor vehicle safety. In the various stages of drafting and defining European legislation, Pirelli represents the Group's interests among its European Stakeholders. Pirelli is enrolled in the European Transparency Register, which was 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 central and local. 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 Directorate General for internationalisation policies and the promotion of exchanges of the Ministry of Economic Development.

Of particular note during the year was the visit by the Chairman of the Board who visited the company's Research & Development Centre and Headquarters. During the visit, a memorandum of understanding was also signed between the Ministry of Justice's Department of Penitentiary Administration and Pirelli aimed at promoting work for inmates through a training programme to create skills that can be utilised in the world of work.

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. During the year, Pirelli also supported various initiatives to raise awareness of road safety issues and to promote culture.

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 2019, 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 Chains”*: in December 2018 Pirelli and the other participating companies signed the *“Commitment to Action”*, publicly committing themselves to the sustainable management of their supply chain; during 2019, the working table worked on the *“Decent Work Toolkit for Sustainable Procurement”*, a tool whose objective is to train the company’s representatives working in the Purchasing area to support them in integrating sustainability into their daily decision-making processes.
- *“Financial Innovation for the SDGs”*: 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.

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.

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, in 2019, 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, and through the strengthening of the partnership with the national associations of the sector of which Pirelli is an active member.

During 2019 ETRMA, in order to present and guide the work of the new European Commission and European Parliament, developed the Policy Paper 2020-2030 Keep Moving, which reiterates the need for a balanced regulatory approach on tyre performance, an assessment of the interaction

between tyre and vehicle to avoid conflicting regulations, and legislative initiatives guided by robust science-based evidence and proven technological feasibility.

Since 2018, Pirelli has been part of the Connected & Autonomous Driving (CAD) working group, set up by ETRMA to respond to new technological challenges concerning the mobility sector (connectivity, autonomous driving, cyber security, etc.) and their impact on the tyre, with a particular focus on how data is managed and exchanged between the various players in the system.

Moreover, ETRMA continued its heavy involvement in the implementation of the European Innovation Partnership on Raw Materials, with the aim of ensuring fair and unrestricted access to key raw materials for the sector.

The association continues to work alongside the European Commission in defining policies on the Circular Economy for 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 continue to be an international benchmark.

ETRMA maintains a proactive role in the development of cognitive studies regarding environmental issues such as Tyre Road Wear Particles (TRWP), micrometric particles produced by the combined road and tyre wear during vehicle circulation, and health, e.g. granulated filler material obtained from end-of-life tyres for sports fields. With regard to TRWP, ETRMA in 2018, with the support of CSR Europe, launched the "European TRWP Platform", a multi-stakeholder initiative aimed at sharing scientific knowledge and involving relevant Sectors and Organisations, in order to identify a holistic and balanced approach for the definition of possible actions for the mitigation of TRWP impacts. In 2019, the "European TRWP Platform" concluded its work with the publication of the State of Knowledge ("Scientific Report on Tyre and Road Wear Particles, TRWP, in the aquatic environment") and the possible mitigation actions that can be taken by the various stakeholders regarding TRWP ("The Way Forward Report"). The activities of the platform will continue in 2020 in order to continue the dialogue between the various stakeholders and to support the implementation of pilot mitigation projects. In 2019, ETRMA also set up a micro-site (<https://www.tyreandroadwear.com/>) aimed at providing information on TRWPs to the general public and the need for a holistic multi-stakeholder approach to understanding root causes and defining/implementing mitigation actions for TRWP.

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 over 30 countries that have made a voluntary commitment to link economic growth to sustainable

development. In particular, Pirelli endorses two projects: Tire Industry Project and Transforming Urban Mobility).

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 latter issue, in collaboration with the OECD (Organisation for Economic Cooperation and Development), TIP has developed a sector-specific guide 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; the document is available at the website: <http://www.oecd.org/chemicalsafety/nanosafety/nanotechnology-and-tyres-9789264209152-en.htm>.

The TIP has also finalised the development of “*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 2009-2018*” which presents the environmental performance related to CO₂ emissions, consumption energy, water withdrawal and ISO 14001 certification of the environmental management systems of the factories where the tyres are produced.

Also in 2019, TIP has worked on 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 December 2019, 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.

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. At the end of 2019 more than 50 stakeholders joined the platform. Platform members include manufacturers, processors and traders, tyre manufacturers/buyers, car manufacturers, financial institutions and civil society.

As part of the WBCSD Projects, Pirelli also participates in the “Transforming Urban Mobility” (TUM) and “Future of Work” projects.

TUM aims to promote and accelerate the transition to safe, universally accessible and environmentally friendly urban mobility. Thanks to the analysis of new trends and available technological evolutions, the project proposes to the cities with which it interfaces, the most suitable solutions for each specific context among the best practices available worldwide. International companies from the automotive, autoparts, transportation, oil & gas, information and communication technology sectors will participate in the working table.

The Future of Work project brings together a group of companies from different sectors and has as its objectives the analysis of macro-trends that will affect the world of work in the medium-long term, and the development of scalable business solutions to address the challenges that will arise.

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.

EU-OSHA – European Occupational Safety and Health Agency

In 2019, for the eleventh consecutive year, Pirelli continued to be an official partner of the European Occupational Safety and Health Agency (EU-OSHA), which addresses a different problem every two years. The 2018-2019 “*Healthy Workplaces Manage Dangerous Substances*” campaign aims to raise awareness about the risks posed by hazardous substances in the work environment and to promote a culture of preventing these risks. By joining the Campaign, Pirelli confirms its commitment to promoting a healthy work environment, in which chemicals are correctly and carefully managed in order to minimise risks to workers’ health and the environment. Among the campaigns the Company has joined during the last few years, it’s worth mentioning the 2016-2017 campaign “*Healthy Workplaces for all Ages*”, dedicated to the importance of a sustainable workplace, which is able to guarantee employees’ lifelong health and safety, and the 2014-2015 campaign “*Healthy Workplaces Manage Stress*”, focused on the topic of stress and psycho-social risks on the

workplace, and whose main objective was to encourage employers, managers, employees and their representatives to collaborate 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 39 multinational companies and 41 national partner organisations from 33 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 the 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.

This commitment was also confirmed by joining the Task Force on Climate-related Financial Disclosures (TCFD), set up by the Financial Stability Board (FSB), with which Pirelli undertook to disclose information voluntarily on risks and opportunities related to climate change as indicated 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 “2nd 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 “Ethical Code”, 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”. At the end of each of the following paragraphs, the SDGs are indicated which are most directly impacted by the activities of the Company described therein.

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 Green 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 the 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 Trust 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.

In 2019 Pirelli also continued to support FIA in the *"Action for Road Safety"* campaign, created to support the ten actions for road safety organised by the United Nations at the end of 2011. The FIA campaign promotes initiatives and training and information campaigns aimed at encouraging more responsible automotive behaviour and the dissemination of the culture of road safety. As the Global Partner of this campaign, Pirelli has signed *"The Golden Rules"* of road safety, committing itself to disseminate them during events on the topic and through its distribution network.

Also at Group level, as part of its collaboration with the WBCSD (World Business Council for Sustainable Development), Pirelli participated in the new Transforming Urban Mobility project, which explores the major trends in mobility (electric, shared and autonomous) to offer cities that interface with more sustainable, safer, cleaner and more efficient solutions. 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 2019, the partnership with the Traffic Police was strengthened, both through joint training activities aimed at raising awareness of road safety issues, aimed primarily at young people in schools, whether through local events dedicated to road safety, or through specific courses on tyres provided to the Traffic Police or directly by Pirelli, as in the case of the Piedmont Traffic Police at the Turin Police Headquarters, or, within Assogomma, as part of the Safe Summer (*"Estate in Sicurezza"*) activities.

Knowledge of the tyre and its role in road safety is also the theme of the training programme that Pirelli holds annually at the Don Orione technical high school in Fano.

In the United States and Canada, a “Tire Safety Week” was organised, a series of initiatives on safe driving that also involved other tyre manufacturers. In the United States, Pirelli also made a donation to the “Together for Safer Roads” consortium. In the United Kingdom the “Tyre Safety Month” was organised, contributing to road safety education. In Argentina, through the “STC2000 va a la Escuela” project, Pirelli sponsored several workshops on road safety, participating in more than 50 events at the country’s schools. In Mexico, in collaboration with a local television channel, road safety messages have been developed and broadcast in Guanajuato State since 2018. Also in Mexico, Pirelli sponsored an automobile museum, lending different types of tyres for the exhibition.

Multiple initiatives in favour of road safety education on two wheels. Pirelli Moto in 2019 increased its collaboration with driving schools for the development of practical and safe on-road and off-road experience. The various initiatives include Metzeler Off-road Park, Old School Racing by Alex Gramigni, Enduro Republic, Motorace People, Ducati Racing Experience in collaboration with Ducati and True Adventure Academy in collaboration with Honda.

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.

SDGs - Reference Targets:

- **3.6**, dedicated to reducing the number of deaths and injuries due to road accidents;
- **11.2**, in support of safer, more accessible and sustainable transport systems, with particular attention to the needs of the most vulnerable groups.

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 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.

In China, Pirelli sponsored 36 scholarships for Science and Technology students of the University of Qingdao. In Greece, Pirelli donated computer monitors to a school. In several countries, the company opened its doors to groups of students to introduce them to manufacturing for educational purposes. In the UK, Pirelli invited automotive students to the factory during the month dedicated to tyre safety.

In Romania the partnerships with the Universities of Craiova and Pitesti and the Polytechnic University of Bucharest concern the recognition of scholarships and the support to an IT Academy and a Master's degree in Automotive for the faculties of electrotechnics, industrial automation, electronics, mechanics and physics. Also in Romania with the technical colleges Alexe Marin and Metallurgical Technical College, Pirelli organised the training programme "*Train Yourself for Success*" which reached 50 students with courses and workshops on electronics and mechanics, road safety and information on tyres. In 2019 Pirelli also hosted 28 students from a dual school in a pilot project of mechanics and electronics and supported the participation of a Slatina high school team at an international robotics competition in Thailand.

In Turkey, Pirelli shared its expertise with the universities of Kocaeli and Bogazici and hosted 36 short-term interns and 14 long-term interns who had come from several universities in the country. In addition, the company continued the "*Chasing Innovation*" project launched in 2016 and dedicated to high school students interested in the topic of innovation and the acquisition of tools and skills needed for the 21st century. Pirelli worked with Impact Hub Istanbul on this important challenge, involving 567 high school students in 19 cities in Turkey this year. The students, who joined 97 teams, tackled problems identified by them and applied creative solutions. They received dedicated online training over a six-week period, and 33 teams then sent projects for the competition. Eight teams from eight different schools were selected by the jury as finalists. Subsequently, a mobile innovation lab called "Mobile Maker" dedicated one week to each school. With the help of the lab, students built prototypes, submitting their models to the jury for the final competition. The prize for the winning team is a trip to Italy to get to know the Pirelli factory. Among the problems identified by the students in 2019: waste water, posture problems, urban pollution, street animal feed and polluting waste in the ocean.

In Spain Pirelli donated space to host a student workshop, where students designed to build a single-seater racing car, and a motorcycle, to compete in the international race "Formula Student" against almost 500 teams from all over the world. The Spanish team found a formidable competitor: also in Turkey, Pirelli sponsored a team, in this case the Technical University of Istanbul, the first Turkish team to compete in the Formula Student with a self-guided electric car.

In Italy, during 2019, saw the continuation of the *Alternanza Scuola Lavoro* project, launched in 2017 and governed by the 2015 "Good School" law. The project, designed on a three-year basis, involves three classes of chemical and technological institutes 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.

Technical training has a fundamental role in the creation of a skilled labour pool needed to maximise plant productivity. In the United States, Pirelli supported the local Chamber of Commerce in developing the skills required by the industrial fabric in the local area.

Training does not only concern the production process at the factory; for Pirelli, the entire life cycle of the tyre is important. In fact, the Group is focused on disseminating sustainable agriculture practices for raw materials such as natural rubber. In Indonesia, in collaboration with the supplier Kirana Megatara, Pirelli continued the “*Rubber Productivity Enhancement Project*” with two main objectives:

- educating natural rubber farmers by teaching the correct procedures for rubber extraction enabling the protection of natural resources (maximising productivity and maintaining and extending the life of trees).
- giving scholarships to the children of natural rubber growers, to allow them to go to school and buy school books.

165 families participated in the programme in 2019.

SDGs - Reference Targets:

- **4.4**, dedicated to increased technical training to youth and adults, aimed at increasing manual skills and entrepreneurship;
- **9.5**, referring to support for scientific research and increased technological capabilities of the industrial sectors.

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 signed a global agreement not only for the sponsorship of the professional football club FC Internazionale Milano (“Inter”), but also as a partner of the global social project Inter Campus.

Since 1997, Inter Campus has developed social, flexible cooperation and long-term actions, in 29 countries around the world with the support of 200 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. In 2019, 400 boys from the southwest of Romania were hosted in the Inter Campus Tour.

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, involves about 120 children

from the area. In 2014, Pirelli and Inter launched an Inter Campus project together in Voronezh, Russia, involving three local orphanages with about 100 children.

In the United States, Pirelli sponsored the local Rome Braves team in Georgia. In the United Kingdom, Pirelli sponsored various charity fundraising events.

In Kirov, Russia, Pirelli sponsored the “Pirelli Cup” in ice hockey, involving several teams of boys (120 participants).

In Brazil, Pirelli supported football, volleyball, judo and karting programmes and a football league in Romania.

SDGs - Reference Targets:

- **3**, dedicated to guaranteeing a healthy lifestyle and promoting well-being for everyone, at all ages.

Solidarity

The responsible approach taken by Pirelli to involvement and inclusion takes the form of social solidarity activities worldwide. The Company supports educational and didactic programmes that are able to give less fortunate children the tools to improve their condition; it contributes scholarships and research projects, firmly believing in training as vital to individual growth and the economic growth of a Country.

In Spain, the Company supports the Santa Clara Convent Foundation, which manages programmes that provide food for needy families, and a warehouse for the storage of food for the poor.

In Moscow, Pirelli contributed to the “Chance” project that provides private lessons to orphans, and an important activity undertaken by Pirelli for the Kirov community is the support of the Verkhovondanka orphanage with 124 children, with visits by Pirelli staff and collections of food, shoes and toys.

In Voronezh, also in Russia, Pirelli helped to build a children’s playground in Rostovkiy park. The construction of the park began in 2018 with a multifunctional sports area, again with the support of Pirelli. Pirelli employees in Voronezh also helped the shelter for local animals by assisting dogs and cats with hygiene, medicines and food.

In China, Pirelli supported 90 orphaned and/or impoverished children in Yanzhou. In Turkey, Pirelli participated in a conference on volunteering with donations to two associations. In Australia, Pirelli has partnered with Variety Child, a non-profit organisation, through volunteer work and financial support. In Japan Pirelli made a donation to a charity auction for “Runway for Hope” for orphans and refugees.

In Mexico, Pirelli is contributing to the creation of a community centre that offers sporting and cultural activities, as well as technical training, and will contribute in 2019 to the creation of a community centre in Leon, called the Booster Centre. Pirelli Mexico, together with the Centro de Innovacion Aplicada en Tecnologias Competitivas, has created a prosthesis for Ivan Davila, Inter Campus instructor. Ivan had lost a leg and an arm in an electrical accident at the age of nine. Now Ivan is also a semi-professional football player in Mexico.

In the UK, Pirelli supported a philanthropic trip to Ghana and various charitable initiatives. In Romania, Pirelli supported a centre for abused children with a financial donation.

In Germany, Pirelli has sponsored an association for the training of service dogs for the disabled, and has provided donations for a school, the outdoor sports area, and support for the local community. Pirelli also supported the expansion of a shelter for women and children who are victims of domestic violence. Also in Germany, employees raised funds to support four other initiatives for children.

In Brazil Pirelli supported various social solidarity activities: Associacao Imaculada Coracao de Maria Educandario, an educational activity for children run by Italian nuns; Aprender Brincando, an after-school project with activities for children; Servico de Convivencia Meninos and Meninas, also an important after-school activity; Creche Escadinha do Tempo, a nursery school, and Projeto Guri, an important musical activity for children and young people.

At the end of June 2019 in the Irkutsk region of Russia, near Lake Baikal, there was a very severe flood, with more than 1,000 people in need of medical assistance. A natural emergency was declared and Pirelli participated in the fundraising for the victims.

At the beginning of the year 2020 while a significant part of Australia was burning, Pirelli wanted to do its part with donations to the Red Cross also in collaboration with some customers.

SDGs – Reference Targets:

- **1**, on the eradication of poverty in all its forms;
- **2**, related to the elimination of hunger in the world;
- **11**, dedicated to the development of cities and social environments that are inclusive, safe and sustainable.

Health

Pirelli considers contributing to improving the health services of the communities where it operates to be important. Since 2008, Pirelli Tyres Romania, in collaboration with the Niguarda Hospital in Milan, has supported the professional training of medical and nursing professionals and the donation of medical equipment and devices to Slatina Hospital. Over 290 professionals were trained in this programme, and specifically in oncology, paediatric care and emergency care. Pirelli Tyres Romania

has also provided dental treatment to around 400 children in Slatina through the project Overland for Smile. In addition, Pirelli employees in Romania made a collection of books to supply to the hospital.

In many countries Pirelli promotes a healthy and active lifestyle with various projects, both among its employees and in the local community.

In several countries, Pirelli makes donations to scientific research and supports voluntary projects by employees to raise funds for research. In the Netherlands, Pirelli sponsored the “*Friends of Sophia*”, projects for children at the Rotterdam hospital and in Belgium, the company held a fundraising event in favour of activities for sick children. In the UK donations were made for brain cancer research. Employees of Pirelli Turkey ran a marathon run by raising funds for Down’s syndrome, and a group of volunteers raised funds for cerebral palsy.

In Spain, Pirelli participated in the “*Somos Uno*” Solidarity Day, raising funds for biomedical research into childhood diseases and Alzheimer’s. In Brazil Pirelli is a supporter of the Pequeno Principe Children’s Hospital.

SDGs - Reference Targets:

- **3**, dedicated to guaranteeing a healthy lifestyle and promoting well-being for everyone, at all ages.

Environmental initiatives

Many Pirelli employees around the world enthusiastically participate every year in environmental projects. The Rome, Georgia office in the USA obtained the “Green Seal Green Office Partner” certification.

In Romania, more than 250 Pirelli employees participated in “World Cleanup Day”, while in Voronezh, Russia, employees collected batteries for recycling and cleaned the park near the Pirelli factory during “City Cleaning Day”. In September 2019 in Kirov, with Pirelli’s participation, the “Clean Games” were held, competitions to collect and sort rubbish. In collaboration with the University of Vyatka, 270 garbage bags weighing more than a tonne were collected.

In Mexico, Pirelli continued to sponsor a reforestation project with the State of Guanajuato on 40 hectares of land, with benefits from the project also for groundwater, involving employees. Pirelli also coordinated a “llantaton” (or “tyreathon”), i.e., the collection of at least 15,000 end-of-life tyres, which were then used as fuel for cement factories.

In Turkey, in order to award 19 “champions” (employees recognised for excellent projects), a donation was made to the World Wildlife Fund for the adoption of tigers.

A major project to preserve the forest areas was Kirana Megatara in Indonesia, already described in this chapter in the section on training, aimed at maximising productivity and maintaining and extending the useful life of natural rubber trees.

SDGs - Reference Targets:

- **12.5**, aimed at reducing the generation of waste through reduction, recycling and reuse;
- **15.2**, related to the promotion of sustainable forest management, to reduce deforestation and increase reforestation.

Culture and social value

The internationality of Pirelli also emerges from the love for culture, with initiatives in many countries worldwide also in 2019. 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.

Pirelli in Brazil continued, after the restoration of the Cristo Redentor in Rio de Janeiro, to perform maintenance on the famous statue. In the field of music, Pirelli sponsors the Mozarteum project in Brazil, which presents major international classical music orchestras. Also in Sao Paulo, in 2019 Pirelli sponsored the Museum of Modern Art, one of the most important museums in Latin America, and an immersive exhibition on the life and works of Leonardo Da Vinci. Pirelli also sponsored the Instituto Inhotim in Brumadinho, also in Brazil, an important collection of contemporary art along with a collection of rare plants from all continents. Finally, Pirelli sponsored the Festival de Inverno de Capos do Jordao, an important seasonal festival in Brazil.

In Romania, Pirelli sponsors theatre days for the community, and employees have donated more than 500 books to create a library for patients at the Slatina Hospital.

In Voronezh in Russia, Pirelli sponsored the Governor's Ball, a fund-raising dance to promote young music and artistic talents. Also in 2018, an exhibition of the Pirelli Calendar was presented at the Multimedia Art Museum in Moscow, and in other Russian cities. Also at the Multimedia Art Museum, Pirelli supported the exhibition "Orizzonti d'Italia" by Massimo Sestini. Pirelli has also contributed to the support of the solidarity project "Chance" by sponsoring an exhibition with holographic images that trace two scenarios of life for an orphan boy: one positive, in which the boy is supported and manages to build a dignified life, the other negative, showing the public the difference that an action of solidarity can make. The motto is: "Give a chance by taking a step".

In Turkey, Pirelli took an interest in the topic of women, speaking at a conference on women in Turkey, and making a donation to the Foundation for the Support of Women's Work, with a recognition of Pirelli's women employees.

In Italy, the commitment to activities that generate value for the territory is evidenced by the numerous and consolidated collaborations with prestigious national and international entities and

institutions: in particular, in the art world, with the FAI (Italian Environment Fund), in the world of the theatre with the Piccolo Teatro di Milano and the No'hma Teresa Pomodoro Theatre, and in music with the Villa Arconati Festival and the Teatro alla Scala Foundation.

SDGs - Reference Targets:

- 4, aimed at promoting quality education and all forms of equitable and inclusive learning.

FONDAZIONE PIRELLI (PIRELLI FOUNDATION)

One of the missions of the Fondazione Pirelli, or Pirelli Foundation, established in 2008, is the preservation of the Group's historic and cultural heritage and the promotion of its corporate culture through initiatives with a strong social and cultural impact, as well as in collaboration with other cultural institutions.

Among the numerous activities launched again in 2019 aimed at enhancing the company's assets and consequently its brand, we would like to highlight:

Editorial project: "Industrial Humanism. An anthology of thoughts, words, images and innovations" (Mondadori, June 2019, Italian and English edition), dedicated to the experience of the Pirelli Magazine, published between 1948 and 1972, one of the main meeting places between scientific and humanistic culture, a venue for innovative and inclusive debate. The project has also developed in the digital field with the implementation of the dedicated site rivistapirelli.org. In June 2019 the book was previewed in the Auditorium of Pirelli Headquarters to the employees' community (150 people), and then at the Franco Parenti Theatre in Milan to about 500 people. The evening was attended by guests such as singer Ornella Vanoni, writer Gian Arturo Ferrari and actress Anna Ammirati, who interpreted readings from the magazine. The event in the theatre was characterised by an exhibition of materials from the Historical Archives, including blow-ups of the 131 covers of the Pirelli Magazine. Communication of the project and the event reached over 330,000 users through the Foundation's social media channels; about 20 press releases were made. The book was also presented at the "Il Libro Possibile" Festival in Polignano a Mare, at Bookcity Milano at the Bocconi University and the Corriere della Sera Foundation, and at the Technology Festival at the Politecnico di Torino.

Educational and training projects for students and teachers:

- Educational workshops for schools (Pirelli Educational Foundation): about 2,250 primary and secondary school students and about 240 teachers involved in education and training. The Pirelli Foundation also participated in: the National Geographic Festival of Science at the Auditorium Parco della Musica in Rome, with an exhibition on the evolution and technology of tyres; the "Viaggiare...ma sul sicuro" project, in collaboration with the Italian State Police, at the Wow-Spazio del Fumetto. These latter training activities have seen the overall participation of about 4,900 young people;

- Reading promotion event “Let’s team up with books” within #ioleggoperchè 2019. The meeting, organised in collaboration with FC Internazionale Milano, was held inside the Pirelli Headquarters and was attended by about 250 students and teachers as well as journalists and Pirelli employees. The students were able to discuss the theme of “teamwork” and the importance of reading with personalities from the world of sport and culture such as the footballers Javier Zanetti and Regina Baresi, the journalist Luigi Garlando, the Milanese councillor Laura Galimberti and Mario Isola, Pirelli’s Head of Formula 1 and Car Racing;
- Event on art and technology “Our Bach. La fabbrica tra musica e scienza” promoted during the 18th Corporate Culture Week, with the participation of Pirelli engineers and maestro Salvatore Accardo, accompanied by the Italian Chamber Orchestra. The event involved 290 students and teachers;
- University: lessons and guided visits to about 270 students coming from the main Italian and foreign universities (particularly UCSC Catholic University of the Sacred Heart, University of Milan-Bicocca, LIUC University, IUAD, IULM, NABA, Salesian Paul VI University College of Milan, Linköping University, Delft University Institute of Technology in Carlow - Ireland).

Digital communication: activation of the new Fondazione Pirelli website with the launch of the virtual tour “Fondazione Pirelli Experience” and a chatbot, a software with artificial intelligence for direct site-user interaction. The site was visited a total of about 66,500 times (+23% vs. 2018). The social accounts of Fondazione Facebook, Instagram and Twitter reached 10,708 followers (+14% vs 2018) and about 600 items of social content were produced (including about 90 videos).

Brand enhancement projects to support the Business Units:

- Archive researches, Pirelli plants and offices settings in Italy and abroad, loans of materials for fairs and events, product brochures: about 50 requests (e.g. Blancpain GT Series Europe; Concorso di Eleganza Villa D’Este, Como; P Zero Experience Italy, Mugello; Salon Privé, UK; Luftgekühlt 6, Los Angeles; setting of Carlisle plant, UK; Circuito Panamericano, Brazil);
- guided tours and events in the Pirelli Foundation (about 1,850 guests, including the institutional visit of Prime Minister Giuseppe Conte).

Projects to enhance the historical heritage in the eyes of the external community:

- Research and loans of materials: 84 requests divided between exhibitions in collaboration with other cultural institutions (e.g. Fondazione Matera-Basilicata 2019 and Fondazione De Vecchi, Milan), documentaries and interviews (e.g. for Discovery Channel and Sky), publications (e.g. “Prendersi cura dell’Italia bene comune”, for the 125th anniversary celebrations of the Italian Touring Club);
- initiatives to promote corporate culture at the Pirelli Foundation and Pirelli Headquarters (600 visitors): Museocity (focus on sustainability - 250 participants); Milano Digital Week (focus on

Pirelli's Digital Transformation with biketour of the Bicocca area - 90 participants); Milano Photo Week (focus on the claim "Power is nothing without control" - 85 participants); Archivi Aperti Fotografici (photo-biketour with focus on the transformation of the Bicocca area - 40 participants); 17th Corporate Culture Week promoted by Museimpresa, with the creation of an exhibition in collaboration with Kartell Museo.

Works on the Historical Archive and heritage digital management:

- Corporate In-House Organ: 5,228 articles catalogued and 6,177 pages digitalised and published online from the magazine "Noticias Pirelli" and processing of other collections in the Historical Archives (photographic, iconographic and audiovisual collections; Corporate section and Research and Development section);
- preparation and development of the Digital Asset Management platform on OpentText software for the document management of images, videos and documents and for the long-term preservation of digital materials.

Initiatives for the internal community:

- Management of Pirelli's corporate libraries in Milan Bicocca and Bollate: in 2019, the library holdings reached about 8,000 catalogue titles; more than 3,300 loans, over 4,100 movements (loans and extensions) and over 600 users were registered. The Biblionews newsletter with periodical updates on books and libraries reaches about 400 subscribers;
- "Words Together" ("Parole insieme"): a programme of meetings with guests linked to the publishing world, such as the writers Gianni Biondillo, Marco Malvaldi and Giuseppe Lupo and the publisher Eugenia Dubini of NN Editore (over 130 participants);
- "Christmas at the Pirelli Foundation" ("Natale in Fondazione Pirelli"): decoration of the Foundation's spaces with historical advertising and documents on winter products and festivities (about 250 participants)

During 2019, a total of more than 12,250 people took part in the Foundation's activities, projects, guided tours and exhibitions - both at the Foundation's headquarters and at the institutions with which the Foundation collaborated.

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 reconversion of a vast industrial facility that belonged to Ansaldo-Breda.

The programming of solo exhibitions by the most important international artists is distinguished by a character of research and experimentation and special attention to site-specific projects which are

capable of maintaining a dialogue with the unique features of the space. The 2019 artistic programme, curated by Artistic Director Vicente Todolí, curator Roberta Tenconi and the Assistant Curators Lucia Aspesi and Fiammeta Griccioli, presented artists of great international profile, alternating exhibitions of very successful names with exhibitions of emerging artists. The programme managed to attract an Italian and international audience composed of art experts, representatives of the most important museums, trade journalists and the general press, as well as an equally large number of enthusiasts, families and students. During the year there was a total attendance of about 177,000 visitors who visited the 6 major exhibition projects dedicated to Italian and international artists, and the permanent installations *I Sette Palazzi Celesti 2004-2015* by Anselm Kiefer and *La Sequenza* by Fausto Melotti, in addition to the mural *Efêmero* by OSGEMEOS:

- Leonor Antunes, “the Last Days in Galliate” (until 13 January 2019);
- Mario Merz, “Igloos” (until 24 February 2019);
- Giorgio Andreotta Calò, “CITTÀDIMILANO” (14 February - 21 July 2019);
- Sheela Gowda, “Remains” (4 April-15 September 2019);
- Daniel Steegmann Mangrané, “A Leaf-Shaped Animal Draws The Hand” (from 12 September 2019);
- Cerith Wyn Evans, “...the Illuminating Gas” (from 31 October 2019).

The vocation of Pirelli HangarBicocca™ is that of a space which is open to the city and its surroundings, of an institution that accompanies the normal exhibition activity with a range of programmes intended to attract even the general public to contemporary art.

On 13 March 2019 Pirelli HangarBicocca™ won the 2018 Global Fine Art Award in the “Best Impressionist and Modern” category for personal exhibitions. The award - which is part of the Global Fine Art Awards programme established to map the best curated art, culture and design exhibitions in museums, galleries, fairs, biennials and public installations worldwide - was given to Pirelli HangarBicocca™ for the exhibition “Lucio Fontana: Ambienti/Environments”, presented in Milan from 21 September 2017 to 25 February 2018.

On 29 May 2019, Dr. Marco Tronchetti Provera was awarded the Rosa Camuna Award of the Lombardy Region as President of Pirelli HangarBicocca™.

In 2019, the Public Programme accompanied the exhibitions with a full calendar of events, guided tours to the exhibitions and the district, projections and meetings with the key players in art and culture.

During the year there were 12 cultural events (daytime and/or evening) that involved about 3,300 participants in activities related to current exhibitions, including the summer event *Against Method* by Mark Fell at the “Remains” exhibition, which was attended by around 1,100 visitors.

In 2016 Pirelli HangarBicocca™ launched the Membership programme with the aim of creating a community that shares a passion for contemporary art. In 2019, Membership reached approximately 407 active members. In 2019 specific agreements were signed for Members, for the cultural events hosted by Milano Musica and Terraforma.

In 2019 there were 10 activities dedicated to Members, of which: 4 preview visits to exhibitions, 3 curatorial visits, 2 Family Labs reserved for Member Families and 1 in the specific Palazzo Grassi-Punta della Dogana, Venice). 11 dedicated newsletters. Among the benefits, it was always possible to book in advance the activities of the Public Programme and to take advantage of special discounts on the purchase of exhibition catalogues and the institutional line at the Bookshop and at IUTA Bistrot.

Kids activities, dedicated to children between 4 and 14 years old, saw the participation of about 1,820 children and teenagers, in line with the figures from preceding years. The number of participants who took part in the School activities was over 8,100 pupils, while visits by Italian and foreign students and university teachers (including Master's courses) involved 1,545 people.

The Educational Department continued the activity of guided tours proposing activities in both Italian and foreign languages in addition to the "Art on Sunday" format, which involves cultural mediators in Sunday lessons on art history related to exhibitions and Bike Tours to discover the Bicocca area. The guided tours were attended by about 3,400 visitors. The Educational Department also collaborated with the Italian artist Alice Ronchi for the 2019 Summer Campus.

With a view to enhancing Anselm Kiefer's *I Sette Palazzi Celesti* 2004-2015, the collaboration with the Milano Musica Festival continued with a weekend of concerts in October 2019. In the same month, the permanent installation was the setting for the musical event *Positive Feedback* in collaboration with Threes Productions (Festival Terraforma).

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Areas of the Global Compact	Global Compact Principles	Directly Relevant GRI Indicators	Indirectly Relevant GRI Indicators
<p>Human Rights</p>	<p>Principle 1 – Business should promote and respect internationally proclaimed human rights in their respective spheres of influence.</p>	<p>Disclosure 407: Freedom of Association and Collective Bargaining Disclosure 408: Child Labor Disclosure 409: Forced or Compulsory Labor Disclosure 410: Security Practices Disclosure 411: Rights of Indigenous Peoples Disclosure 412: Human Rights Assessment Disclosure 414: Supplier Social Assessment Disclosure 103-2: Grievance Mechanism</p>	<p>Disclosure 413: Local Communities</p>
	<p>Principle 2 – Business should ensure that they are not, albeit indirectly, complicit in human rights abuses.</p>	<p>Disclosure 410: Security Practices Disclosure 412: Human Rights Assessment Disclosure 414: Supplier Social Assessment</p>	
<p>Labour Standards</p>	<p>Principle 3 – Businesses should uphold the freedom of association of workers and recognise the right to collective bargaining.</p>	<p>Disclosure 402: Labour/Management Relations Disclosure 403: Occupational Health and Safety Disclosure 407: Freedom of Association and Collective Bargaining Disclosure 410: Security Practices Disclosure 102-11: Precautionary Principle or Approach Disclosure 102-41: Collective Bargaining Agreements</p>	
	<p>Principle 4 – Business should uphold the elimination of all forms of forced and compulsory labour.</p>	<p>Disclosure 409: Forced or Compulsory Labor Disclosure 410: Security Practices</p>	<p>Disclosure 412: Human Rights Assessment</p>

Areas of the Global Compact	Global Compact Principles	Directly Relevant GRI Indicators	Indirectly Relevant GRI Indicators
	<p>Principle 5 – Business should uphold the effective elimination of child labour.</p>	<p>Disclosure 408: Child Labor Disclosure 410: Security Practices</p>	<p>Disclosure 412: Human Rights Assessment</p>
	<p>Principle 6 – Business should uphold the elimination of discrimination in respect of employment and occupation.</p>	<p>Disclosure 401: Employment Disclosure 404: Training and Education Disclosure 405: Diversity and Equal Opportunity Disclosure 406: Non-Discrimination Disclosure 410: Security Practices Disclosure 102-8: Information on Employees and other Workers</p>	<p>Disclosure 202: Market Presence Disclosure 401: Employment Disclosure 412: Human Rights Assessment Disclosure 414: Supplier Social Assessment Disclosure 102-41: Collective Bargaining Agreements</p>
<p>Environment</p>	<p>Principle 7 – Businesses should support a precautionary approach to environmental challenges.</p>	<p>Disclosure 102-11: Precautionary Principle or Approach Disclosure 201: Economic Performance</p>	<p>Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water Disclosure 304: Biodiversity Disclosure 305: Emissions Disclosure 306: Effluents and Waste Disclosure 307: Environmental Compliance</p>
	<p>Principle 8 – Business should undertake initiatives to promote greater environmental responsibility.</p>	<p>Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water Disclosure 304: Biodiversity Disclosure 305: Emissions Disclosure 306: Effluents and Waste Disclosure 307: Environmental Compliance Disclosure 308: Supplier Environmental Assessment Disclosure 103-2: Grievance Mechanism</p>	<p>Disclosure 201: Economic Performance</p>

Areas of the Global Compact	Global Compact Principles	Directly Relevant GRI Indicators	Indirectly Relevant GRI Indicators
	<p>Principle 9 – Businesses should encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water Disclosure 305: Emissions</p>	
<p>Anti-Corruption</p>	<p>Principle 10 – Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>Disclosure 205: Anti-Corruption Disclosure 419: Socioeconomic Compliance Disclosure 102-16: Values, Principles, Standards, and Norms of Behavior Disclosure 102-17: Mechanism for Advice and Concerned about Ethics</p>	<p>Disclosure 205: Anti-Corruption Disclosure 419: Socioeconomic Compliance Disclosure 102-16: Values, Principles, Standards, and Norms of Behavior Disclosure 102-17: Mechanism for Advice and Concerned about Ethics</p>

SDGS SUMMARY TABLE

Sustainable Development Goals (SDGs)	Paragraphs describing the Group’s activities in support of the SDGs and relevant targets (from Sustainability Plan 2017-2020 with selected target to 2025)
1 - No Poverty	Company Initiatives for the External Community (Solidarity pp. 194-195)
2 - Zero Hunger	Company Initiatives for the External Community (Solidarity pp. 194-195)
3 - Good Health and Well-being	Welfare and Initiatives for the Internal Community (pp. 167-168) Occupational Health, Safety and Hygiene (pp. 172-180) Company Initiatives for the External Community (Road Safety pp. 189-191, Sport and Social Responsibility pp. 193-194, Health pp. 195-196) <u>Target:</u> • Accident Frequency Index: -87% by 2020 compared to 2009
4 - Quality Education	Training (pp. 161-166) Company Initiatives for the External Community (Training pp. 191-193, Culture and Social Value pp. 197-198) <u>Target:</u> • Training: investment in employee training of at least an average of 7 man days
5 - Gender Equality	Diversity Management (pp. 151-158)
6 - Clean Water and Sanitation	Water Management (pp.129-131) <u>Target:</u> • Specific withdrawal of water -66% by 2020 compared to 2009
7 - Affordable and Clean Energy	Joining the Task Force on Climate-Related Financial Disclosures (TCFD) (pp. 112-113) Energy Management (pp. 121-124) Management of Greenhouse Gas Emissions and Carbon Action Plan (pp. 124-128) <u>Targets:</u> • Specific Energy Consumption: -19% by 2020 compared to 2009
8 - Decent Work and Economic Growth	Our Suppliers (pp. 92-110) Internal Community (pp. 147-180)

9 - Industry, Innovation and Infrastructure	<p>Company Initiatives for the External Community (Training pp. 191-193)</p> <p><u>Target:</u></p> <ul style="list-style-type: none"> • For specific product segments it is foreseen, by 2025 and compared with 2017, the doubling of the weight of renewable materials used and the reduction by 30% of raw materials derived from fossils
10 - Reduced Inequalities	<p>Diversity Management (pp. 151-158)</p>
11 - Sustainable Cities and Communities	<p>Main International Commitments for Sustainability (WBCSD pp. 185-187)</p> <p>Company Initiatives for the External Community (Road Safety pp. 189-191, Solidarity pp. 194-195)</p> <p><u>Target:</u></p> <ul style="list-style-type: none"> • Improvement of product performances in 2020: <ul style="list-style-type: none"> ○ Car products: -20% average rolling resistance, +15% on wet surfaces, -15% noise (vs 2009) ○ Moto products: -10% average rolling resistance, +40% performance on wet surfaces, +30% for mileage (vs 2009) ○ Velo: +5% braking performance, +10% wet surfaces (vs 2017)
12 - Responsible Consumption and Production	<p>Joining the Task Force on Climate-Related Financial Disclosures (TCFD) (pp. 112-113)</p> <p>Energy Management (pp. 121-124)</p> <p>Management of Greenhouse Gas Emissions and Carbon Action Plan (pp. 124-128)</p> <p>Water Management (pp. 129-131)</p> <p>Waste Management (pp. 131-132)</p> <p>Company Initiatives for the External Community (Environmental Initiatives pp. 196-197)</p> <p><u>Targets:</u></p> <ul style="list-style-type: none"> • Specific Energy Consumption: -19% by 2020 compared to 2009 • Specific CO₂ Emissions: -17% in 2020 compared to 2009 • Water Specific Withdrawal: -66% by 2020 compared to 2009 • Waste Recovery: >95% by 2020

<p>13 - Climate Action</p>	<p>CDP Supply Chain (p. 106)</p> <p>Joining the Task Force on Climate-Related Financial Disclosures (TCFD) (pp. 112-113)</p> <p>Management of Greenhouse Gas Emissions and Carbon Action Plan (pp. 124-128)</p> <p>Main International Commitments for Sustainability (International Commitments against Climate Change pp. 188-189)</p> <p><u>Targets:</u></p> <ul style="list-style-type: none"> • Specific Energy Consumption: -19% by 2020 compared to 2009 • Specific CO₂ Emissions: -17% in 2020 compared to 2009 • Green Performance Revenues: >50% of total revenues and >65% on High Value Product Revenues by 2020 compared to 2009 • Improvement of product performances in 2020: <ul style="list-style-type: none"> ○ Car products: -20% average rolling resistance, +15% performance on wet surfaces, -15% noise (vs 2009) ○ Moto products: -10% average rolling resistance, +40% performance on wet surfaces, +30% for mileage (vs 2009) ○ Velo: +5% braking performance, +10% wet surfaces (vs 2017)
<p>14 - Life below Water</p>	<p>Water Management (pp. 129-131)</p>
<p>15- Life on Land</p>	<p>Sustainability of the Natural Rubber Supply Chain (pp. 98-102)</p> <p>Company Initiatives for the External Community (Environmental Initiatives pp. 196-197)</p>
<p>16- Peace, Justice and Strong Institutions</p>	<p>Programs of Compliance 231, Anti-corruption, Privacy and Antitrust (pp. 74-76)</p>
<p>17 - Partnerships for the Goals</p>	<p>Sustainability of the Natural Rubber Supply Chain (pp. 98-102)</p> <p>Main International Commitments for Sustainability (WBCSD pp. 185-187)</p> <p>Company Initiatives for the External Community (Road Safety pp. 189-191)</p>

Please note that in February 2020 the Company will be presenting the new Industrial Plan and the related long-term strategic sustainability targets. Contextually, the Plan will be published on the institutional website www.pirelli.com.

CORRELATION TABLE WITH TOPICS LISTED IN ART. 2, D. LGS 254/2016

	Topics from D. Lgs 254/2016	Reference Paragraph	Page Number
Environmental Aspects	Use of Energy Resources (from renewables and non-renewables)	<ul style="list-style-type: none"> Risks Related To Environmental Issues Energy Management 	42-43, 121-124
	Use of Water Resources	<ul style="list-style-type: none"> Risks Related To Environmental Issues Water Management 	42-43, 129-131
	Greenhouse Gas Emissions and Air-Polluting Emissions	<ul style="list-style-type: none"> Risks Related To Climate Change Joining the Task Force on Climate-Related Financial Disclosures (TCFD) Management Of Greenhouse Gas Emissions and Carbon Action Plan Solvents NO_x Emissions Other Emissions and Environmental Aspects 	39, 112-113, 124-128, 132-136
Social Aspects	Health and Safety	<ul style="list-style-type: none"> Employee Health and Safety Risks Occupational Health, Safety and Hygiene 	43, 172-180
	Training and Development	<ul style="list-style-type: none"> Risks associated with Human Resources Development Training 	42, 160-166
	Welfare	<ul style="list-style-type: none"> Welfare and Initiatives for the Internal Community 	167-168
	Dialogue with Employees	<ul style="list-style-type: none"> Litigation Risks Listening: Group Opinion Survey Industrial Relations 	43, 166-172
	Actions for Gender Equality	<ul style="list-style-type: none"> Diversity Management Diversity Policies 	151-158, 209-210
	Respect for Human Rights: Measures Taken and Prevention	<ul style="list-style-type: none"> Risks relative to Corporate Social and Environmental Responsibility, Business Ethics, and Third-Party Audits Human Rights Governance Diversity Management 	48-49, 144-146, 151-158
Governance Aspects	Fight against Active and Passive Corruption	<ul style="list-style-type: none"> Risks relative to Corporate Social and Environmental Responsibility, Business Ethics, and Third-Party Audits Programs of Compliance 231, Anti-corruption, Privacy and Antitrust 	48-49, 74-76