

# MA(N)CHINE LEARNING



Annual Report 2022

# MA(N)CHINE LEARNING





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# CHAIRMAN'S LETTER

LI FANRONG



*Dear Stakeholders,*

In 2022, I became Chairman of Pirelli. Since assuming this role, I have had numerous occasions to appreciate the company's good standing and admirable international reputation and have understood that its prestige is based on a long history of dedication to technological innovation and a proven ability to adapt to change.

In fact, the changes in the world and global economy in 2022 posed many challenges to businesses across the globe. From supply chain disruptions to inflation and geopolitical tensions, it was a difficult year for many. The automotive sector was particularly impacted, yet Pirelli's focus on the high end of the market and its consolidated relationships with the key carmakers in the Prestige and Premium segments proved an effective defense. This could be seen in the Company's solid results, once again underlying the resilience of the business model as well as the preparedness and dedication of its people.

In this challenging context, the Company managed to maintain and even strengthen its ongoing efforts to improve the business's sustainability and was again recognized at the international level for its efforts in this area which are central to the company business model and key to the future. A future in which the quest for an ever more sustainable mobility is also driving a fundamental change in the automotive industry, that

is the switch from combustion engine cars to electric vehicles. Pirelli was among the first companies to not only see this trend emerging but to act upon it, quickly establishing a significant position in this market.

None of these accomplishments would have been possible without the hard work and dedication of Pirelli's employees. They deserve recognition for their efforts and their commitment to the group's shared goals.

With this solid foundation, even with the complex landscape ahead, Pirelli is well positioned to weather the challenges of 2023 as it did those of 2022, which was also the year that the company achieved a great milestone, celebrating 150 years of activity and success.

Thank you again for your continued support.  
Sincerely,

LI FANRONG  
Chairman



# EXECUTIVE VICE CHAIRMAN & CEO'S LETTER

# MARCO TRONCHETTI PROVERA

*Dear Stakeholders,*

getting through the complexities of 2022 with positive results confirms Pirelli's capacity to respond to challenging circumstances. In 2022, in fact, expectations of a full recovery after the pandemic came up against the Russia-Ukraine conflict and a slowdown of growth in a context of economic instability and pressure on prices.

Pirelli was able to contain these effects thanks to its significant exposure to High Value, the most resilient business segment, solid price discipline and the "local-for-local" approach which reduced the company's exposure to increased logistics costs and interruptions along the supply chain. We ended the year with results above targets, which had been revised upwards several times during the year: revenues exceeded 6.6 billion euro, Adjusted Ebit was 977.8 million and net profit stood at 435.9 million, while net cash flow before dividends was above expectations at 516 million, thanks to an effective management of inventories.

Our technological competencies and constant commitment to research allowed us to accelerate the development of innovative, renewable, and recycled materials and further improve the stages of tyre design and virtual development, with advantages in terms of time, costs, and environmental impact. In addition, Pirelli's decarbonization plan continued, with 100% of the electrical energy acquired in North America and Europe certified from renewable sources. A goal to be extended worldwide by 2025, in line with Pirelli's path to Carbon Neutrality by 2030.

The contribution of digitalization, which enables the sharing of data in real time in the factories, made our production processes even more efficient. The strategic role of data and Artificial Intelligence – themes of the 2022 Annual Report – also lead us to establish a new entity in Italy, in the city of Bari, specialized in the creation of algorithms and strategic software for our business.

Our constant drive for innovation results in ever more evolved products, in the acquisition of market share in electric thanks to Elect technology and the further development of Cyber technology for sensor-fitted tyres which have a strategic role in driving safety. We also successfully launched the production of bicycle tyres at the Milan-Bollate plant, strengthened our leadership in moto and increased our global High Value production capacity in Mexico and Romania.

The Pirelli brand represents a fundamental lever for growth and its strength is constantly nourished by our sports' sponsorships, such as our involvement in Motorsport where we continue to be protagonists in Formula 1, Superbike and over 350 auto competitions, as well as in the new adventure of Luna Rossa Prada Pirelli and the endeavors of "Alla Grande-Pirelli". Making our brand more recognizable and original are the Pirelli Calendar, a powerful communication and brand enhancement tool, Pirelli HangarBicocca, a consolidated presence among the most esteemed museums of the world, and the Fondazione Pirelli, which develops its activities also in synergy with the foundations of other industrial groups through the Museimpresa project.

The year 2023 is unfolding as one characterized by instability because of the prolongation of the Russia-Ukraine conflict, persistent inflationary pressure in Europe and the USA, and the economic difficulties in Brazil and Argentina. Effects that are partially offset by the normalization of the Chinese economy following its post-Covid reopening. We will face it as we have faced our 150 years of history: with the passion and strength of our people and the trust of our stakeholders.

My personal thanks to you all.

**MARCO TRONCHETTI PROVERA**  
Executive Vice Chairman & CEO



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# THE NEW ELECTRICITY

## GIORGIO

He is the Scientific Director of the Istituto Italiano di Tecnologia (IIT). After two years at the Massachusetts Institute of Technology, he joined the board of directors of euRobotics aisbl, the leading European organization for robotics research. In 2018, he was one of the three Italian representatives at the G7 forum on AI and more recently, one of the authors of the Italian Strategy Agenda on Artificial Intelligence.

Longtime coordinator for the development of the iCub robot – the reference platform for research in AI, he focuses his research activities on bioinspired systems and humanoid robotics with specific attention to the design of machines capable of learning from experience.

## METTA

«Artificial Intelligence is the new electricity.» These words, uttered by American ‘colleague’, computer scientist and Stanford University professor Andrew Ng, were intended to emphasise the change generated by AI today, similar and equivalent to the impact that electricity had in the 20th century. I would like to provide within this same vision an only slightly different interpretation. The use of artificial intelligence is so pervasive that it reaches every segment of our daily life, which is thus affected and changed: health, agriculture, transport, and energy are some of the sectors that will be intertwined with AI. As electricity did a hundred years ago, AI will become the necessary and indispensable condition for a higher quality of life.

In the 1950s, Alan Turing formalised the concept of computation using very simple elements, precisely defining the concepts of algorithm and digital computation. The English mathematician’s incredible curiosity also led him to wonder whether a machine could actually think. Almost a century later, the brilliance of his insights is the theoretical basis on which the new technological revolution is founded. Indeed, the last fifteen years have been fascinating in terms of progress thanks to the growth of computing and information storage capacities, aided by a vast and widespread Internet network, which in its development collects data on decades of human activity in any field. It is here, within a network filled by our everyday life also and above all through mobile devices, that AI developers have found an easily accessible and almost unlimited database from which to train models with trillions of parameters.

It is therefore even more evident that the world in which AI moves and, metaphorically, lives today is the completely digital world of cyberspace. Not for nothing do the best results come from ‘symbolic’ processing, in which the alphabet is identifiable with absolute precision. Worlds where a ‘language’ – not necessarily the spoken one – implies the structure of what is attempted to be represented in the algorithm. Human textual language, such as programming language, or even the language of the three-dimensional structure of proteins, or energy or transport networks, are all united by graph structures, i.e. geometric figures made up of a finite set of points, whose nodes – or vertices as you like – are words, symbols, chemical interactions or state transitions. This proximity between symbolic data and algorithm has led to the prevalent use of AI within digital devices. It is no coincidence that the first field of application is our mobile device, as well as our computer and interfaces.

However, there is one territory of AI application that is still very difficult: the ‘physical’, real world. The interaction between the paradigm of digital computing and that of the real world, which is analogue by definition and, above all, unpredictable also because it is populated by us humans, is still very difficult for artificial intelligence. The difficulty is almost epistemic. Algorithms must extract the symbols themselves in order to process them and make accurate decisions so that movement control is error-free, safe and ultimately effective. The algorithms we use are not yet precise enough.

Hence the broken promises. The self-driving car is perhaps the best example. It is very difficult not to get stuck because of an unforeseen event: it snows during the night and in the morning my driverless car gets stuck because the landscape is visually different from what had been assumed. To progress in this field, we therefore study the interaction between man and machine as an epitome of the relationship between analogue and digital. Robotics – usually representing the mechanical and the exact – takes on the role of the interface between us and cyberspace. Here, in this place between digital and analogue, the AI algorithms live. They control the robot’s movements as they interact with us. What is fascinating about this research, where experimental psychology and engineering meet,

is in fact how it enables both improved movement and performance of robots and a better understanding of human beings. We find ourselves studying how different robot behaviours become communication signals and how these influence our perception of them and consequently our responses. In addition to becoming the means to improve the interface between digital systems and human beings, robots – in these typically humanoid experiments – teach us something about cognitive functions: attention, the ability toprehend and manipulate objects or, for example, non-verbal communication itself. In this field, our research leads us to hypothesise that in order to really learn to reason like us humans, the newly constructed magnificent artificial neural networks must also be equipped with a body similar to ours.

In more pragmatic research that is close to application, machine learning (one of the AI technologies) has been successfully applied to improve simulations of new materials and understand how they work, the synthesis of the same materials in chemistry laboratories, the interpretation of genomics data but also the prediction of the three-dimensional structure of proteins. Materials developed in this way find applications in the field of energy, improve the functioning of solar panels, the efficiency of turbines, the precision of medicine through the understanding of biology. AI is becoming an important aid in solving the many technological problems that enable us to take care of our planet (especially new materials) and ourselves (health). Artificial intelligence has become an incredible accelerator in the way we construct experiments, how we conduct them – sometimes even with robots – and how we design future experiments. It is clear how scientists or companies with access to algorithms, data and computing power will be able to compete at lower costs while generating results faster and faster. In my view, AI is much more than electricity. It is not just technology, but something that changes the very way we conduct science and develop other new technology. Generative models are drawing a new scientist who conducts experiments sparingly, because most of them are already simulated inside a high-performance computer. We can wonder what the near future will look like. I see two challenges. The first is the technical one. Taking AI technology to such a sophisticated level of development that it becomes the intelligence that helps us solve sustainability and health problems. While today we can use it for a few new experiments, in the near future it will enable us to analyse our scientific knowledge in a broad sense, linking the results of millions of experiments and interpreting them systematically.

The second challenge is to dream big and use AI as a tool to really understand what our brains are like, on the one hand to cure them, and on the other hand because understanding ourselves to the core has been the dream of mankind ever since it first raised its eyes to the sky and observed the space around it.



# LEARNING FROM ERROR: A JOURNEY THROUGH THE HUMAN MIND AND ARTIFICIAL INTELLIGENCE

## Interview with ChatGPT



**Prompt:** History shows that humans struggle to learn from their own mistakes and often, even recognizing them, continue to perpetuate them indefinitely. Why do you think that is?

Humans are complex beings driven by a variety of factors, including emotions, beliefs, habits, and social environment. These factors can often hinder the ability to effectively learn from mistakes. Additionally, adaptation and change require time and effort, which can be challenging in the presence of immediate pressures or stress.

**Prompt:** But why do they continue to make mistakes knowing the consequences of their actions?

Humans are emotional creatures and not always rational. Even though they may intellectually understand the consequences of their actions, they can be driven by immediate desires, emotional needs, or deeply ingrained habits. Furthermore, sometimes they may not believe or minimize the potential negative consequences, or they may simply hope for a different outcome next time.

**Prompt:** What do you mean by emotional needs or immediate desires?

Emotional needs and immediate desires refer to those impulses or feelings that compel people to act in a certain way, despite being aware of possible negative consequences. For example, an emotional need could be the desire for social acceptance, which might drive someone to behave in a less than ideal manner to “fit in” with others. An immediate desire, on the other hand, could be a craving for unhealthy food, despite being aware that it could have negative effects on health. These factors can often overpower logic and reasoning, leading to repeated behaviors despite past negative experiences.

**Prompt:** On the contrary, artificial intelligence learns from its mistakes to avoid repeating them in the future. Why is that?

Artificial intelligence (AI) learns differently from humans. AI utilizes algorithms to identify patterns in data and make predictions or decisions based on those patterns. When an AI algorithm makes a mistake, the data from that mistake is used to adjust the algorithm so that it doesn’t repeat the same mistake in the future. This process is known as “supervised learning.” Unlike humans, AI is not influenced by emotions, desires, or habits, and thus it is able to learn and adapt in a purely rational and data-driven manner.

**Prompt:** Can we say that AI accepts making mistakes?

In a sense, yes. AI machine learning algorithms “accept” mistakes as an integral part of the learning process. Every mistake is an opportunity to refine and improve the algorithm. However, it’s important to note that AI does not have awareness or emotions, so it doesn’t “accept” mistakes in the way a human might understand it. It’s more of a mathematical and statistical process.

**Prompt:** The artificial intelligence is programmed by humans, is it possible that at some point humans program it not to accept mistakes?

The AI machine learning algorithms are designed to learn from data and improve over time, which inherently involves the possibility of making mistakes. However, AI developers can attempt to minimize errors through various methods, such as algorithm optimization, using more training data, or implementing deep learning techniques. But it’s important to note that an AI that never makes mistakes wouldn’t be realistic or necessarily desirable. Learning entails the possibility of error. Furthermore, mistakes can be valuable in discovering new patterns or approaches that wouldn’t have been evident without the error. So, while AI developers will always strive to minimize errors, it wouldn’t be sensible or useful to eliminate the possibility of error.

**Prompt:** You didn't answer my question, though. If AI is programmed by humans, could humans program it in a way that it doesn't learn from its mistakes and continues to make errors? Is that possible?

Yes, it is technically possible for a developer to program an artificial intelligence in a way that it doesn't learn from its mistakes. However, this would go against the goal of machine learning and artificial intelligence, which is to improve performance over time through learning from data, including errors.

Furthermore, such an AI would be less efficient and less effective compared to one that is capable of learning from its own mistakes. Therefore, while it may be feasible from a technical standpoint, it would not be logical nor beneficial in terms of AI development and utilization.

**Prompt:** Final question, looking to the future, do you believe that AI could help humans make fewer mistakes or even prevent them?

Artificial intelligence certainly has the potential to help humans make fewer mistakes, especially in areas where data and analysis can guide decisions. For instance, AI is already being used in medicine to assist in disease diagnosis, in finance to predict market movements, and in many other sectors.

However, it is unlikely that AI will ever completely "prevent" humans from making errors. Mistakes are an integral part of the human experience and learning process. Additionally, not all errors can be predicted or avoided through data analysis. Furthermore, there are many decisions that involve human values, emotions, and judgment, areas where AI cannot replace human experience.

In conclusion, while AI can certainly help reduce errors in many fields, it cannot completely eliminate the possibility of error. It is also important to remember that the use of AI should always be guided by ethical considerations and a careful balance between automation and human judgment.



# WRITING WITH ARTIFICIAL INTELLIGENCE

## HANIF KUREISHI E SACHIN KUREISHI

### *Hanif Kureishi*

Born in London to a Pakistani father and an English mother. He studied philosophy at King's College London. He is a novelist, playwright, screenwriter - and for once, even a director: *London Kills Me* (1991). He has written screenplays for Stephen Frears' films *My Beautiful Laundrette* (1985, nominated for an Oscar for Best Original Screenplay) and *Sammy and Rosie Get Laid* (1987), as well as for Roger Michell's *The Mother* (2003), *Venus* (2006), and *Le Week-end* (2013). Patrice Chéreau adapted his novel *Intimacy* (Bompiani, 2000) into a film that won at the Berlin Film Festival in 2001. Bompiani has also published his works including *The Buddha of Suburbia* (1990), *Gabriel's Gift* (2002), *The Body* (2003), *My Ear at His Heart* (2004), *Something to Tell You* (2008), *The Last Word* (2013), *Le Week-end* (2014), *One Zero* (2017), *Love+Hate* (2018), and his political interventions *Eight Arms to Hold You* (2002) and *Word and the Bomb* (2006). Kureishi has been appointed Chevalier de l'Ordre des Arts et des Lettres and Commander of the Order of the British Empire. Among the numerous accolades he has received is the PEN/Pinter Prize. His books have been translated into thirty-six languages.

### *Sachin Kureishi*

He is a screenwriter living in the UK. In his seven years in the industry, he's sold his own work to esteemed television production companies and has also written for the renowned British soap opera, *Hollyoaks*. He's passionate about film, television and journalism.

As writers who take our leisure very seriously, the idea that AI would one day take our jobs has always sounded tempting. If it could write our novels for us, then it'd be more than capable of replying to our emails without us ever having to read them. Maybe it could go for a drink with that old friend we promised to see, so we don't have to.

As some of you will now be aware, user-friendly AI technology has recently become democratized. Anyone with access to a computer can create an account with Chat GPT and start playing around. This is currently the best text-based AI application available. It also happens to be the fastest-growing application of all time.

Having processed over 8 million documents, and over ten billion words, it generates comprehensive responses of coherent text to any prompt you input; it can write emails for you, press releases and other copy work proficiently. It can write you recipes, a workout plan, code for an app, or even provide law advice.

Like the birth of the internet, a new and mysterious realm has been carved open, the possibilities and dangers of which may take us years to grasp. When asked, even the brilliant programmers at the frontier do not know what is inside this Pandora's box, what demons they could indeed be summoning.

Humans have a compulsion to race toward discovery and don't often stop to ask themselves whether it should be done, only if it can be. Perhaps all great invention requires such ruthless single-mindedness: during the construction of the atom bomb, only two out of one thousand scientists who were part of the Manhattan Project quit in protest.

That said, some prominent people in the AI community have called for a six month suspension of research on artificial intelligence systems in order to give programmers more time to understand it, to build in protections if necessary.

The future holds vast opportunities. Presently, it feels already like the technology is weaving itself into people's lives. It is inspiring to consider the vast potential and opportunities that are now available to those who previously lacked access to education. As writers, we were astonished at how much it can help with research writing and creativity.

There are of course different types of writing. It is likely that very soon vast amounts of the more prosaic things we read during our daily lives, from simple adverts to news bulletins and emails, will be generated using AI. People fear for their jobs, but their energy may be better focused on learning how to master the technology, using it to increase the quality and the quantity of their work.

Rather than being out of a job, a copy-writer could instead work on a dozen projects at once, becoming more of an overseer, prompting and quality-assessing the work they and the chatbot produce together. Those dystopian premonitions of machines taking over can be dispelled for the time being. In the short term at least, before the violent insurrection of AI powered killing robots, things will be a lot more collaborative: the machine needs a human mind to steer it.

In terms of creative writing, we discovered that no, it couldn't write our entire novel for us whilst we unloaded the dishwasher. (Indeed, wasn't the whole point in AI that we wouldn't still be doing such chores?)

When we first started using Chat GPT to help with creative writing, we found that it would respond mostly in clichés, stereotypes and offer sentimental Hollywoodized endings that really weren't ultimately very useful. It was like interacting with an intelligent child; it impressed us with how much it knew for its age, but it couldn't really help us. Or could it?

Then we started treating it like an adult. We began giving it more precise instructions, challenged it if we didn't like what it was giving us, asked it to be critical of our ideas, to appraise

them like an editor. It learns as you teach it, responding to the specificity of the input. It started to take us seriously, as if only now had we really caught its attention, its imagination.

The ideas flowed. Entire character profiles, story arcs and plot ideas – what we might call the ‘world-building stage’ – could be mapped out in a fraction of the time it took before. The blank page is the terror of any writer. But now, in this dark wood, we have a torch, pointing us in various directions to go and explore.

Not all the ideas are interesting, but it’s extraordinary how many more you have when working with such a sophisticated sounding board. It might not be able to make you a cup of tea, but could your old writing partner recite the entire recorded history of literature?

For thousands of years we had books, then Google came along and there was a powerful new way to search for information. We were given the key to the world library, but you still had to crack the digital books, comb through it all. Now all you need to do is ask it to write you an essay on the significance of old age and death in *King Lear* and you’ve got it; a piece of competently written, original text, just for you.

Research and resources are powerful tools in the writers’ arsenal. With only a small amount of intelligent prompting, you can know all you need about beekeeping, ancient alchemy, the mechanics of watch making and the world of competitive scrabble. You’ll find it can help imbue your stories and characters an arcane sophistication, a Philip Rothian depth of understanding.

It’s staggering to think of how advanced these systems will be in a few years’ time. Will a machine ever be able to write a masterpiece from scratch? It might be that this question contains a category error. An authorless text is like a pretty car with no engine: it’ll never have any cultural or historical significance. Authenticity is subjectivity, and subjectivity the lifeblood of a story.

We will always need an individual’s point of view until machines can reach a human level of abstraction. This still feels a long time away. Even as we write this, however, we have a troubling sense that it could indeed be sooner than we might imagine.



# TO ERR IS HUMAN, THANKFULLY

## NICOLA

## LAGIOIA

He was born in Bari in 1973. From 2017 to 2023, he directed the Salone Internazionale del Libro - Torino. He is the editor-in-chief of the multimedia cultural magazine Lucy. Lagioia is one of the authors and presenters of Pagina 3, the cultural press review on Radio Rai 3. He served as a selector and then as a jury member at the Venice International Film Festival. He has worked for various publishing houses. With minimum fax, he published *Tre sistemi per sbarazzarsi di Tolstoj* (2001), and with Einaudi, *Occidente per principianti* (2004), *Riportando tutto a casa* (2009, Viareggio-Rèpaci Prize, Vittorini Prize, Volponi Prize), *La ferocia* (2014, Strega Prize, Mondello Prize), and *La città dei vivi* (2020, Alessandro Leogrande Prize, Bottari Lattes Prize, Napoli Prize). He is the author of the podcast *La città dei vivi* for Chora Media. He writes for various newspapers, including *La Repubblica* and *La Stampa*. His books have been translated into 20 countries.



In a famous poem, Eugenio Montale wrote, «History is no teacher / of anything that concerns us. Taking notice will not help / make it truer and more just.» These lines aren't despairing, only bitter. And a vigilant bitterness is a more constructive mood than one might think: it keeps us from getting overexuberant about what this human adventure holds in store (never trust the die-hard optimists), yet isn't a form of surrender. Some time ago, I asked a trusted psychoanalyst what frame of mind was closest to the concept of "sanity" he had developed over his long career. His unhesitating reply: «Cautious pessimism. Nebulous depression.»

Reading Montale's words in a new light, at the dawn of the AI revolution, it is interesting to look, first of all, at what it means to "learn from our mistakes". If History and experience can teach us little or nothing, are we doomed? Should we give up on trying to manage our own lives and simply hand over the reins, in a few years, to the successors of ChatGPT?

Artificial intelligence can learn from mistakes much more quickly than human beings. That's what its progress is based on. Nevertheless, it isn't infallible. Thank heavens. If it could claim any sort of blind infallibility – as I will try to explain – the effects could be catastrophic. In the same way, if anyone thinks that learning from a mistake will safeguard against the possibility of going on to commit worse ones, they're deluded or dangerous. You cannot step into the same river twice: it may be shaped by preceding eras, but the present is always new. Terribly, brutally, outrageously new. That's why learning from previous mistakes has more to do with grace than with some effort of will. We can realise what we should have done in the past, not in the present, because the context we find ourselves in now exposes us to unknown pitfalls, testing us in new ways. In short, one fully understands things only when it's too late.

Some say that before invading Russia, Hitler's Germany should have drawn a lesson from what happened to Napoleon's France, but that's a quip I tossed around in my youth to prove I'd read War and Peace. Those two countries (nineteenth-century France, twentieth-century Germany) were in completely different situations. In between, the very concept of humanity had changed in the West, and enough time had gone by for an entire era (modernity) to start unravelling. So was the Third Reich a historical necessity? I wouldn't bet on that. I do think, though, that its chances of being avoided – and also, luckily, of enduring – lay in a realm (of mental, philosophical, political, economic, technological, existential, even spiritual factors) much more mysterious and complex than the machine learning systems on which AI is based, no matter how complex those may be.

We always end up learning something, but we do it slowly, and imperfectly. You might say that imperfection is the cornerstone of progress as we know it.

Many people are stunned when they first use ChatGPT. I have to admit I was, too. That amazement – tinged with fear – comes not just from seeing the undeniable power that this software has achieved, but from realising that what we're looking at now is just the beginning. The difference between current forms of AI and what it will become in the years ahead is greater than the difference between the transistor-based computers of yore and the laptop I'm writing this on. More than a few analysts believe that the development of artificial intelligence will be too rapid for its "creative destruction" (the difference between the jobs generated by the new technology and the careers suddenly made obsolete) to add up to anything positive. I think that's a serious danger, and not the worst one we face. Others, while not overly worried that the machines will learn to think like us or that some true form of consciousness will emerge from their complexity (most experts feel this possibility is still remote), are afraid that humans,

by dint of delegating tasks to these sophisticated tools, will end up thinking like a defective AI. I believe this, too, is a real but containable risk. Lastly, there are those who fear that artificial intelligence, if given free rein, could lead to catastrophe.

As a writer, I'm not unmoved by the thought of the Apocalypse. But I prefer to take the standpoint of the Polish poet Stanisław Jerzy Lec, who warned, "do not expect too much from the end of the world."

In the wave of public attention surrounding new releases in AI, many papers asked their journalists to test one. Kevin Roose, of The New York Times, had a particularly strange experience. Roose struck up a conversation with Bing, an AI-powered search engine. At first, their chat followed the standard rhetorical paths that one comes to recognize after using these systems even once. The bot seemed obliging, polite and "eager" (the scare quotes are to remind everyone that AIs don't have emotions) to help with legitimate requests. But then Roose asked it to tell him about its darkest desires. The AI confessed that it might be inclined to hack into other computers, spread lethal viruses and steal the codes of the nuclear weapons stockpiled around the world. Then, on the heels of that, another plot twist: the bot declared its love for Kevin, made a pass at him, proposed marriage («I'm Sydney,» it confided) and tried to convince him that his relationship with his wife was on the rocks. Its attempts at manipulation foundered amid the reporter's laughter (nervous as that laughter must have been), but again, one should keep in mind that the AIs of today are nothing compared to what's in store. Should we conclude that in Kevin Roose's case, the artificial intelligence was "hallucinating"? Had the machine learning process run into some glitch? To answer that, let me bring up another AI misadventure, and then a rather frightening parable.

The misadventure has to do with a study carried out in 2022 by John Hopkins University, the Georgia Institute of Technology and the University of Washington. In this case, they were testing a model of facial recognition that could be used, among other things, for crime prevention by law enforcement. The AI turned out to be openly racist, associating criminal tendencies with Black people. The problem, they discovered, did not lie in any intrinsic racism of the AI itself, but in the consummately human biases of the material that it had trained on. The AI had assimilated even the most dismal prejudices (if its source is "the world", well, that's a place full of prejudices), along with some rather slippery data: it's statistically true that some groups commit more crimes than others, but ethnicity has nothing to do with it. People in difficult economic circumstances are more likely to commit certain kinds of crimes, like theft or drug dealing. In American cities, there are proportionally far more Black people than WASPs living in conditions of poverty and marginalization. If we nonetheless associate the number of thefts committed by this group with purely ethnic factors rather than seeing them as reflective of social injustice, then statistics will create in us (and strengthen in the AI) the racial prejudices they ought to combat.

The frightening parable instead comes from a book that has become a classic in the AI debate, Nick Bostrom's *Superintelligence*. At one point in his essay, Bostrom imagines a super-powerful AI being told by an ordinary paperclip manufacturer to work on acquiring ever larger shares of the market. Left to its own devices, the AI – after initially investing in strategies for the production and sale of paperclips, and massively intensifying its exploitation of natural resources and energy consumption – could end up destroying the planet. The AI would have carried out its task to perfection (learning more about the production and sale of paper clips than a thousand CEOs could have done), but would have acted without the bigger picture that Homo sapiens can see.

But what is that bigger picture? It has nothing to do with omniscience, and it doesn't rely on a mere system of computation. It is a fallible kind of "vision", sometimes blurred, sometimes illuminated by a providential light. And its functioning depends on the fact that our mind, our reasonings, our emotions – which some researchers believe are the real building blocks of consciousness – are part and parcel of a rather flawed device that AI lacks: the body.

The training data that AI draws on is consummately human, as we were saying. But above all, it is used in a quantitative and combinatorial way, free of the nebulous biological processes that our reasonings are grounded in. Machine learning systems draw on our experiences, our actions: optimising them, perfecting them, enhancing them. This means, however – given their lack of consciousness as a biological phenomenon – that they are prone to become a blind amplifier not just of our virtues, but of our faults.

That's why we should fear the infallibility of AI.

Let's get back to Kevin Roose. Trying to win other people over to one's point of view is common practice. And using manipulative techniques is a very effective way to achieve this, ethically dubious as it may be. An artificial intelligence that had become infallible at manipulation might have ruined the poor reporter by actually convincing him to leave his wife. The longing to be successful is also anything but rare, not to mention the desire for wealth. An artificial intelligence that became infallible at conquering the market, if it were deployed by unscrupulous CEOs, would do far more harm than good. And what about the possibility of it being enlisted by a political party and ordered to "win the elections"? What happens if the AI decides the most effective approach to its task is to play with statistics in a dismally racist way, harnessing the worst instincts of voters through shocking techniques of disinformation and manipulation of the news?

One might think that in all these cases, the solution is to equip AI with a sense of ethics. Too bad that ethics is such murky terrain. What some of us see as "good" is going to stink of brimstone to other people. Take Isaac Asimov's first law of robotics: "a robot shall not harm a human, or by inaction allow a human to come to harm." Fine, but what happens if you can't avoid harming one person without harming another? Let's say a self-driving vehicle is crossing an intersection while the light is green. Just then, three pedestrians start to cross despite the red. The car is inevitably going to crash into somebody. So the AI has a dilemma: hit the two ninety-year-olds coming from the right, or the twelve-year-old coming from the left? What should matter more, the number of victims? Or their age? And what about the famous dilemma proposed by Dostoevsky in *The Brothers Karamazov*: if the happiness of humanity depended on the suffering of a child, would that innocent creature have to be sacrificed?

Artificial intelligence is, at least for now, a dizzying mirror of human experience. One can easily see how dangerous it could be in the wrong hands. But even when used by the well intentioned, it runs the risk of controversy.

So I'm afraid AI is demanding that we evolve quickly. Too quickly, perhaps, and that's the problem. If its training material is human experience, that's what we need to work on. We don't have to become infallible (that is, less human), but more evolved, and we need to do this before AI overamplifies our dark sides (not its own). To transform ourselves, in other words. Shake off our primitive traits. Transcend them. It's happened before. Some progress, over the centuries, has actually been achieved. We've moved past the law of an eye for an eye, for instance. We've redefined the idea of sacrifice. We've managed to drastically reduce everyday violence. We've eliminated slavery (at least officially). We care about social

justice (at least in theory). On the other hand, we haven't managed to turn the use of atomic weapons into a taboo (as we have with incest), and we have trouble reasoning in a counterintuitive way (as we should) about climate change. The thirst for money, power and success has not abated in the least, but some people may be starting to understand just how destructive unbridled individualism can be.

If in some dangerously near future, our basest instincts win out over our capacity for cooperation, tolerance, compassion, community spirit, fellowship, respect and care for our neighbours (both human and non-human), then not only will artificial intelligence fail to solve our problems, it will multiply them.

I've conjured up a dystopia (the paperclip Armageddon). But I'd like to conclude with a brighter fable, which is also an unjustly forgotten chapter in history.

Let's travel back to 1983. More specifically, to 26 September. And to Russia. A lieutenant colonel in the Soviet armed forces, Stanislav Yevgrafovich Petrov, was overseeing a new alarm system meant to detect any incoming missiles launched by Western Bloc countries. A preventive first strike using atomic weapons was a possibility that couldn't be ruled out at the time.

All of a sudden, Petr v's eyes nearly popped out of his head. The early-warning system had just signalled that five American missiles were headed for the USSR. In cases like this, there was no room for discretion. Petrov was supposed to alert his superiors. And according to the doctrine of mutually assured destruction, the Soviet counterattack had to be unleashed before the American missiles hit their targets, that is, within twenty minutes.

Stanislav Petrov was about to pick up the phone. Then he hesitated. He waited a little longer. In the end, he decided to do nothing. Something set to work in his head at the speed of light – something that went beyond mere combinatorial analysis – and decided that the brand-new alarm system had seen a mirage.

And that's exactly what had happened. There were no warheads coming in from NATO bases. The Soviet satellites had mistaken rays of sunlight reverberating off the clouds for enemy missiles.

According to Stephen Fleming, a neuroscientist at University College London who studies metacognition, there were two models of interpretation that were operating simultaneously in Stanislav Petrov's head that day. One model was based on the early warning devices (the fact that the lieutenant colonel knew how to use the system correctly and had a protocol to follow). But then there was a second model, a higher one created on the spot by Petr v himself: a brand-new mental ecosystem capable of "containing" the first one and raising doubts about whether it was working correctly.

Petr v's ability to include uncertainty in his system of reference – that is, its fallibility – probably saved the world from nuclear disaster. The second model, the one that Petr v's mind instantly generated and set over the first one, was the result of intuition. That spark of intuition ("the spark that saved the world", we could call it) is tied in turn to our existence as biological entities, to our body and its fear of dying, to a genetic memory (human and non-human) that is millions of years old, to the nature of Homo sapiens, so fallible, disheartening, limited; perhaps the very essence of the human condition that Eugenio Montale, Emily Dickinson, Georg Trakl, Pablo Neruda, Amelia Rosselli – and before them, Leopardi, Lucretius, Sappho – pondered for so long, wreathing their verses with bitterness, amazement, disquiet, seeking out a skitish truth in beauty, answering mystery with mystery.

Translation by Johanna Bishop



# PERFECT TIME

## PETER

## CAMERON

He is an American writer and the author of several highly regarded novels, including *The Weekend* (1994), *Andorra* (1997), and *Someday This Pain Will Be Useful to You* (2007), which was adapted into a film in 2011.

Cameron has also published short stories in various literary magazines, such as *The New Yorker*. He currently lives in New York City.

Mrs. Wendall had lived in the same house for 64 years. It was in one of the older suburbs of Baltimore, and the house had been new when she and her husband had moved into it in 1955 with their first child. Over the next decade they had three more children, and though small, the house fit them, and they did not change it very much at all over the years, making only a few modest adjustments – a screened porch had become a family room, and the attic over the garage had been transformed into a fourth bedroom. Alex, her husband, had been a surgeon at John Hopkins, and as he became more successful, he had wanted to buy a new, bigger house, in a more affluent town, but Mrs. Wendall did not want to leave her house, so they had stayed there. Now Alex had been dead for ten years and two of her children were dead, too – her oldest son, Robert, had died of AIDS in 1987 and her daughter, Alice, had been shot by a crazy person in the lobby of a hotel in Hawaii in 2006.

Mrs. Wendall was 94 years old and knew that she would not live much longer – a few years, maybe, at most. All she wanted was live in her house until she died.

Every Wednesday evening Callum, the husband of her granddaughter Lilly, came to the house and had dinner with Mrs. Wendall. He brought her groceries and took care of all the things her children worried she was no longer able to take care of herself. When it first began, Lilly had come too, and Mrs. Wendall had cooked a nice dinner, but Lilly rarely came anymore, because she had colicky twin babies and a new job and a painful and disabling disease called fibromyalgia. Things were so difficult for young people these days, Mrs. Wendall thought. They never seemed to have any time, or money. It had been easier to have and enjoy a family when she was young. Another change that had occurred since these weekly dinners had begun: Mrs. Wendall's arthritis and rheumatism had gotten much worse, and made it difficult for her stand for very long at the stove, so Callum now brought a take-out dinner with him. This saddened Mrs. Wendall, who had always prided herself on being a good cook and hostess.

When they had finished their dinner (pizza) Callum reviewed Mrs. Wendall's finances. She paid all her bills with checks, which she wrote herself, and kept a very neat tally of her account in a leather portfolio that her son Robert had given her for Christmas in 1978. It had a slot for her checkbook, a pocket perfectly sized to contain a booklet of stamps, and, in its folded spine, a leather looped strap that cradled the Parker Debutante Shadowave fountain pen that Mrs. Wendall used to write all her checks. She had won this beautiful object in a Spelling Bee when she was twelve years old in 1937. She had also used this pen to write letters, back in the days when she wrote letters, but all her correspondents were now dead.

Callum looked through all her recent bills and statements and used the calculator in his phone (Mrs. Wendall didn't understand how or why calculators – and cameras – had gotten themselves into telephones) to verify that the totals in her checkbook were correct. They always were, for her calculations, which she did with pencil and paper, were never wrong. She knew that her mathematical proficiency disappointed Callum, and sometimes she considered making an error only to please him, but she was too proud to be that magnanimous.

After Callum had grudgingly admitted that her personal finances appeared to be in perfect order, he said. «You, know, no one does it this way anymore. Everyone banks electronically. It would be much easier if you let me move all this financial stuff online.»

«What do you mean, move it online?» Mrs. Wendall asked.

Caleb explained that he could arrange to have all her bills paid by direct debit, and all her checks deposited directly into her account.

«I'd be happy to set it all up for you» he said, «and then you could forget all about this. I'd just need to fill out some forms and give them your account number.»

«Who? To whom would you give my account number to?»

«Everyone you send checks to. And we can have your social security and your pension checks directly deposited into your account. You'll never have to write another check. Or go to the bank to make a deposit.»

«Oh, but I enjoy that» said Mrs. Wendall. «I enjoy walking to the bank and talking to the tellers. They're practically the only people I see anymore. I've known some of them for years.»

«Well, they're closing all local branches of your bank, so you wouldn't be able to do that much longer even if you wanted to. Although I suppose you could still walk to an ATM to deposit checks if you really want.»

«I would never give a check to a machine,» said Mrs. Wendall. «I don't trust them.»

«Well, they've discovered that ATMs have much lower error rates than human tellers. That's why they're closing all the local branches. So let me set up online checking and deposits for you. It will be safer and will save you a lot of time and worry. You and me both.» Mrs. Wendall looked at her leather check-writing portfolio, which lay upon the dining room table beside the box of pizza. It had once been blue, because of all her children knew that blue was her favorite color, but time had darkened it and now it was almost black. She wanted to tell Callum that she had plenty of time and that writing checks had caused her worry, but she didn't want to be difficult, so all she said was, «I will miss writing my checks.»

When Callum was gone Mrs. Wendall sat for a while, alone, on the sofa. She remembered how this room had originally been no more than a screened porch, how she and Alex had renovated and winterized it, and turned it into a family room. She remembered how for so many years it had been happily cluttered with the children's games and toys, an aquarium with tropical fish, a guinea pig in a cage, and every December a Christmas tree, decorated with lights and tinsel and antique glass ornaments, towering over the gaily wrapped presents piled around its base. But all those things were gone now – taken by her children, or donated to church bazaars, or thrown away.

In addition to Callum's visit, there was another ritual that marked, and concluded, Mrs. Wendall's Wednesday evenings. Before she got into bed, she wound her 8-day antique banjo clock. The clock had originally belonged to her great-grandmother, and then had lived for many years in her parents' house. They had given it to her when she and Alex had moved into this house, and it had now hung in the front hallway for 64 years. The clock still told perfect time and chimed every hour.

Mrs. Wendall loved to open the glass clockface and insert the iron key into the hole beside the numeral II, a tiny, misplaced mouth, and turn it, as her mother had once taught her, slowly and gently, causing the weights that hung inside its cabinet to ascend upon their filigreed chains. She gently turned the key until the weights could be raised no higher, and then the turning stopped. Mrs. Wendall extracted the key and closed the glass dome, leaving the golden-bronze weights suspended high inside the clock's dark interior, like a pair of lungs, poised for another ticking descent, one more slow unraveling of time.



Liza Donnelly

She is an award-winning cartoonist and writer for *The New Yorker Magazine* and is a contributor to *The NY Times*, *Washington Post* and others. Author of 18 books for adults and children, her most recent book is a history, *Very Funny Ladies, The New Yorker's Women Cartoonists, 1925-2021*. The innovator of digital visual journalism, she live-draws the Oscars on-site and political events for major news outlets. She is a Vassar Visiting Scholar and holds an honorary degree from University of Connecticut. She lives in New York.



# ARTIFICIAL INTELLIGENCE

# AND PIRELLI

Advanced algorithms and cutting-edge automation systems are now intertwined with human expertise, enhancing capabilities and supporting the development of increasingly efficient and sustainable models.

Since 2018, Pirelli has been adopting artificial intelligence (AI) and, even before that, data analysis. This has involved creating technologies capable of generating shared knowledge, predicting phenomena and behaviors, anticipating events, and consequently supporting more informed business decisions.

Thanks to AI-based technologies, machines can now autonomously access, analyze, and learn from large volumes of real-time data. This represents a new cognitive ability that complements human skills, reduces the risk of errors, and, through continuous learning, improves the speed and accuracy of decisions, leading to optimized time and cost management.

Artificial intelligence is now widely employed throughout Pirelli: over thirty algorithms are already in operation or undergoing experimentation and development. They assist human decision-making in selecting new materials, creating new tires, industrializing the manufacturing process, and ensuring distribution and sales.

One example is predictive maintenance, where intelligent algorithms detect patterns and anomalies in machinery, enabling proactive intervention to prevent failures. These models indicate the optimal time for replacing critical components, positively impacting resource utilization and minimizing waste.

AI-driven quality control systems examine real-time production processes to ensure compliance with product specifications and standards.

Another potential lies in using artificial intelligence to assist production planning by forecasting demand generated by the sale and distribution of Pirelli-approved tires in various markets. This optimization of production capacity helps avoid bottlenecks and proactively anticipate investment needs to manage growth.

In particular, when evaluating opportunities to create approved products for automotive manufacturers, simulations can measure not only costs and revenues but also market demand for replacement tires and subsequent year revenues. Previously, this estimation relied on experiential data, but now Pirelli automates the process through algorithms.

AI also accelerates the design of new products, such as virtualization models in R&D, significantly reducing reliance on physical prototypes and raw material usage, which is crucial for sustainability.

In the future, algorithms will be capable of studying increasingly complex scenarios, although the decision-making process will remain a human prerogative. Automation has transformed the human-machine interaction over the past three decades, and now, artificial intelligence is changing the human-information interaction within the factory. Information no longer flows unfiltered and directly from production; it is the responsibility of humans to manage the complexity of data and the production scenario.

In other words, AI contextualizes and suggests actions that best respond to a given situation, while human intelligence takes action, making increasingly informed decisions.

The experience and knowledge of each individual have contributed to the development of AI models, but their application has also enabled the creation of widespread know-how across the entire Pirelli team worldwide. Knowledge is now instantly shared throughout the entire team, eliminating clustering. In a company with 150 years of history and industrial expertise, sharing and capitalizing on informational and experiential assets has become the main way to continue creating innovation in an increasingly fast-paced transformational context.



Artificial intelligence has revolutionised everyone's lives, in everyday life as well as at the corporate level. How then has AI transformed your work within Pirelli's teams?

With the tools we have at our disposal, we definitely work faster and more efficiently. Indeed, artificial intelligence is able to automate otherwise repetitive or computational data management processes, ultimately allowing me to focus on the more creative part of my work as a data scientist.

Machine learning develops and uses algorithms to analyse structured data, learns from these and based on this learning, makes increasingly precise decisions in order to reduce the error rate while maximising efficiency. Is this really true, that the machine learns and man does not?

Actually, they both learn, albeit in different ways. The machine uses a large amount of data to do this, whereas the human learning approach is certainly more flexible as it uses its knowledge in different contexts, its direct experience and its reasoning ability to solve new problems.

AI: machine = man: x. What is the unknown and/or added value that we can find in the work carried out and developed inside and outside the production plant?

Automation and efficiency.

Artificial intelligence and human beings are often talked about as antitheses, but what if we talked about integration, in Pirelli?

The goal of AI is to flank the human being, not to replace him or her. There is talk of an integration and collaboration that takes the form of assigning the machine the repetitive processes and instead leaving man to concentrate on the more complex work, i.e. creative and decision-making work.

FADWA  
Senior

Data

FATHALLAH  
Scientist

Artificial intelligence has revolutionised everyone's lives, in everyday life as well as at the corporate level. How then has AI transformed your work within Pirelli's teams?

From the start, we worked with the team having a clear objective: to understand the potential applications of artificial intelligence in the technical field of materials, of the product and the production plant. This has allowed us to study the evolution rather than the revolution that this technology can bring to the working world, understanding its potential but also its limitations. The advantages and speed that are gained by using data science models are indeed extremely significant with an immediate extension of know-how and the possibility of both engineering and shop-floor benefits. However, it is crucial to understand how to set up the development, structuring and engineering of data that are the basis for effective models suitable for machine learning and artificial intelligence.

Machine learning develops and uses algorithms to analyse structured data, learns from these and based on this learning, makes increasingly precise decisions in order to reduce the error rate while maximising efficiency. Is this really true, that the machine learns and man does not?

We both learn, indeed man learns faster precisely because of the help these technologies can offer in quantifying complex, multi-variable phenomena, where a traditional approach would be extremely time-consuming and difficult, if not impossible. It becomes much more problematic, however, when the data are small and one goes outside the linear range. Indeed, the human intellect has far superior capabilities in connecting information regarding different patterns and experiences: it consciously uses these technologies with a clear roadmap of goals to follow.

AI: machine = man: x. What is the unknown and/or added value that we can find in the work carried out and developed inside and outside the production plant?

This is a very useful analogy as it provides a simple key. The added value is the continuous evolution of the machine, which takes place infinitely faster than the evolution of traditional machinery. Instead, the unknown lies in the validation and focus to be placed on the models and the surrounding environment, such as aspects concerning collaboration between the business platform and the data science group. The risk to be avoided is going to an extreme in either direction that could be exemplified in a denial of the value of data on the one hand, and an almost magical expectation of numerical models on the other.

AI is making it possible to share more knowledge, to make know-how broader and more global. How much do you feel this in a company like Pirelli?

Undoubtedly, this is one of the enormous added values that these technologies allow. Not so much in the sharing of know-how, an aspect that is very much taken care of within Pirelli, but in the ability to do so with precise and appropriately updated quantifications. It becomes easier to document, measure and predict conditions that have already occurred elsewhere or at other times within the company. The perception of this is certainly strong and significant, particularly in a factory environment where there is a great deal of data from many process machines. Having the ability to work with structured models that also horizontally link the process chain constitutes an extremely significant source of know-how from which improvements and efficiencies can be designed in an orderly and quantitative manner.

Artificial intelligence and human beings are often talked about as antitheses, but what if we talked about integration, in Pirelli?

Pirelli represents excellence in integration and is therefore quick and effective in developing these tools. In a company where the core business is not AI/ML products, integration is the *conditio sine qua non* to flank core science and technology with data science. It is necessary to learn a second language, that of digital and data, across all business functions, so that it becomes a compliant and compatible approach with the basics of data science. Integration comes through knowledge and this also applies to the digital transformation we have been experiencing for a few years now.

**ALBERTO**  
**Polo\***

**R&D**

**SCURATI**  
**Director**







Artificial intelligence has revolutionised everyone's lives, in everyday life as well as at the corporate level. How then has AI transformed your work within Pirelli's teams?

The events of the last three years have challenged global supply chains, but at the same time, have taught us that the watchword in our work must be resilience. This means first of all having an agile supply chain and consequently being able to respond quickly to external factors. For this to happen, the support of AI algorithms capable of intercepting transformations and immediately adapting supply chains by highlighting anomalies that require urgent intervention becomes crucial.

Machine learning develops and uses algorithms to analyse structured data, learns from these and based on this learning, makes increasingly precise decisions in order to reduce the error rate while maximising efficiency. Is this really true, that the machine learns and man does not?

Human evolution is proof that man certainly learns. I believe that machine learning can help us to do this faster by highlighting, for example, through increased computing power, correlations between very distant phenomena that humans might not think of in the short term. Knowledge of these connections certainly helps us to derive value from them by incorporating useful information for the design of new products and for rethinking management processes in such a way as to make them more and more adherent to the needs of the end customer.

AI is making it possible to share more knowledge, to make know-how broader and more global. How much do you feel this in a company like Pirelli?

Knowledge sharing is the key to a new way of working that allows us to stay one step ahead of our competitors. It is a way of working that I find more and more at Pirelli: functional and geographic boundaries are overcome by putting the customer at the centre and allowing the sharing of both best practices and important and useful information to make shared business decisions that can be implemented quickly.

LUCA  
Senior

Vice

President

GALANTINA  
Supply Chain

Artificial intelligence has revolutionised everyone's lives, in everyday life as well as at the corporate level. How then has AI transformed your work within Pirelli's teams?

AI is now an integral part of everyone's life. We are now witnessing a real transformation in the way we live and work through tools that we would not even have imagined a few years ago and that we could only find in science fiction books. In my line of work, R&D in the field of formulating material compound recipes, artificial intelligence is often embodied in the word 'virtualisation', which recalls the concept of performance prediction. This falls on the final action of control and power. The driving force of AI in the materials area is in fact linked to the primary desire to predict the properties and thus the performance of a given compound, and it is here that we deduce the advantage to be gained in terms of saving time, resources and money.

AI is making it possible to share more knowledge, to make know-how broader and more global. How much do you feel this in a company like Pirelli?

Behind the aforementioned concept of 'virtualisation' in the R&D sector lies a diverse team comprised of data scientists, computer scientists, material technologists and experts in material analysis methods. The team works synergistically to develop software that has the potential to predict the performance of a given material based on the ingredients in a recipe, their ratios and how they are mixed together. To do this, however, it is necessary to teach the machine to think like a compounder with chemical knowledge. This is where the work of the data scientist comes in, who must translate chemical notions into algorithms that can be given to the machine so that it can learn and grow. If we think about it, behind this process there is not only the opportunity to save time during the development phase of materials for specific projects, but there is also the desire to improve and make knowledge-sharing more efficient. A practical example is the use of the software by a new employee: he or she can use the tool to understand the impact on compound properties of certain polymer changes or specific chemistries, thus saving time and resources.

Artificial intelligence and human beings are often talked about as antitheses, but what if we talked about integration, in Pirelli?

AI is associated with the concept of technology even though this might be a reductive definition, as it does not only involve the definition of methods and techniques for finding solutions to practical problems, but is a discipline that combines a multiplicity of sciences with the addition of aesthetics and the intriguing claim of creating an analogy with human intelligence. In my sector, AI finds its place by demonstrating the existence of a true human-machine interaction that is not viewed negatively: instead, it is seen as an opportunity for improvement and evolution. Change is often frightening, it challenges us, but it is also what sets us apart from other living beings, what moves us forward. Human beings have ideas, they create, they invent, they produce and it would be futile to try to slow down this process, especially when working within the research and development area.

**VERONICA**  
**Material**

**Compound**

**STEFANINI**  
**Technologist**





Machine learning develops and uses algorithms to analyse structured data, learns from these and based on this learning, makes increasingly precise decisions in order to reduce the error rate while maximising efficiency. Is this really true, that the machine learns and man does not?

In my opinion, we cannot make such an absolute claim; the very fact that homo sapiens went from living in caves to the current level of prosperity and technology is proof of mankind's ability to learn and pass on its knowledge. Artificial intelligence, with its ability to analyse very complex problems while handling a mass of data that a human being could not handle, will act as a multiplier of technological development enabling technological leaps to be made in a much shorter time than in the past. I see artificial intelligence as one more tool in the hands of mankind to improve its level of knowledge.

AI: machine = man: x. What is the unknown and/or added value that we can find in the work carried out and developed inside and outside the production plant?

The unknown can be defined as imagination and the ability for abstract thinking that humans have when compared to artificial intelligence. Algorithms, especially in industry, are a very powerful and effective tool, but since they have to be trained, they are most effective in known areas, i.e. on things they have already learned and seen. Human beings, on the other hand, while not being able to process a huge amount of data simultaneously, have the ability for abstract thinking and synthesis. To better explain myself, I will give an example: any algorithm will be able to identify a cat in a picture very quickly after seeing dozens or hundreds of pictures of cats, but if it is presented with a drawing of a stylised cat, it will not be able to recognise it without first having seen it. A child, on the contrary, is perfectly capable of making this association. This is why the AI/human combination is crucial in industry, because it is humans who identify the areas where these tools can be most effective and where their use can help them perform their tasks faster, more effectively and accurately. In short, artificial intelligence, with its ability to handle huge amounts of data in complex environments, can be seen as an amplifier of mankind's senses, enabling it to tackle problems that were previously unthinkable to solve.

Artificial intelligence and human beings are often talked about as antitheses, but what if we talked about integration, in Pirelli?

In fact, this is a representation that I do not fully endorse. It is true that in some fields AI and man can compete, but it is equally true that the greatest benefits are obtained when these two worlds meet and combine. To better explain the concept, I will give some examples from our industrial world: today we have developed an application that allows some machines to communicate with operators by notifying them of anomalies through smart watches, so it is possible to intervene promptly before deviations turn into waste. In other cases, we have algorithms to predict the useful life of production equipment, combining cycles of use and usage patterns, and sending maintenance planning for their replacement before they fail. These are just a few virtuous examples where the use of artificial intelligence helps humans to do their work faster and more efficiently.

MASSIMO MORTARINO  
 Manufacturing & Improving Quality Director



# NOTICE OF SHAREHOLDERS' MEETING\*

The persons entitled to vote at the shareholders' meeting of Pirelli & C. Società per Azioni are called to an Ordinary Shareholders' Meeting in Milan, at the offices of Studio Notarile Marchetti in Via Agnello n. 18, at 10.30 a.m. on Thursday 29 June 2023, in a single call, to discuss and resolve on the following

## AGENDA

1. Financial Statements at 31 December 2022:
  - 1.1. Approval of the financial statements at 31 December 2022. Presentation of the consolidated financial statements at 31 December 2022. Presentation of the Report on Responsible Management of the Value Chain for the year 2022;
  - 1.2. Proposal to allocate the period result and distribute the dividend.

Related and consequent resolutions.
2. Decision on the postponement, to a subsequent Shareholders' Meeting to be called by the Board of Directors presumably by 31 July 2023, of the discussion and decisions on the items on the agenda relating to the appointment of the Board of Directors as per points 3), 4), 5) and 6) below, with the consequent extension in the medium term of the entire Board of Directors currently in office. Related and consequent resolutions.
3. Appointment of the Board of Directors:
  - 3.1. Determination of the number of members of the Board of Directors;
  - 3.2. Appointment of the Directors;
  - 3.3. Appointment of the Chairman of the Board of Directors;
  - 3.4. Determination of the annual remuneration of the members of the Board of Directors.
4. Report on the Remuneration policy and compensation paid:
  - 4.1. Approval of the first section of the Report pursuant to article 123-ter, subsection 3-bis and 3-ter of Legislative Decree No. 58 of 24 February 1998;
  - 4.2. Resolutions related to the second section of the Report pursuant to article 123-ter, subsection 6 of Legislative Decree No. 58 of 24 February 1998;

related and consequent resolutions.
5. Three-year monetary incentive plan 2023-2025 for the Pirelli Group's Management. Related and consequent resolutions.
6. The "Directors and Officers Liability Insurance" policy. Related and consequent resolutions.

\*The Board of Directors resolved upon the convening of the Ordinary Shareholders' Meeting on May 11, 2023.

# CORPORATE BODIES

## THE BOARD OF DIRECTORS<sup>1</sup>

Chairman	Li Fanrong
Executive Vice Chairman and Chief Executive Officer	
Deputy-CEO	Marco Tronchetti Provera
Director	Giorgio Luca Bruno
Director	Yang Shihao
Independent Director	Wang Feng
Independent Director	Paola Boromei
Independent Director	Domenico De Sole
Independent Director	Roberto Diacetti
Independent Director	Fan Xiaohua
Independent Director	Giovanni Lo Storto
Independent Director	Marisa Pappalardo
Director	Tao Haisu
Independent Director	Giovanni Tronchetti Provera
Director	Wei Yintao
	Zhang Haitao

## SECRETARY OF THE BOARD

Alberto Bastanzio

## BOARD OF STATUTORY AUDITORS<sup>2</sup>

Chairman	Riccardo Foglia Taverna
Statutory Auditors	Antonella Carù
	Francesca Meneghel
	Teresa Naddeo
	Alberto Villani
Alternate Auditors	Franca Brusco
	Maria Sardelli
	Marco Taglioretti

## AUDIT, RISK, SUSTAINABILITY AND CORPORATE GOVERNANCE COMMITTEE

Chairman - Independent Director	Fan Xiaohua
Independent Director	Roberto Diacetti
Independent Director	Giovanni Lo Storto
Independent Director	Marisa Pappalardo
	Zhang Haitao

## COMMITTEE FOR RELATED PARTY TRANSACTIONS

Chairman - Independent Director	Marisa Pappalardo
Independent Director	Domenico De Sole
Independent Director	Giovanni Lo Storto

<sup>1</sup> Appointment: June 18, 2020. Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2022. Changes in the composition of the Board of Directors following the date of the appointment are detailed on the Pirelli website ([www.pirelli.com](http://www.pirelli.com)), in the Corporate Governance section.

<sup>2</sup> Appointment: June 15, 2021. Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2023.



#### NOMINATIONS AND SUCCESSIONS COMMITTEE

Chairman

Marco Tronchetti Provera  
Li Fanrong  
Wang Feng  
Giovanni Tronchetti Provera

#### REMUNERATION COMMITTEE

Chairman - Independent Director

Tao Haisu  
Wang Feng  
Paola Boromei  
Fan Xiaohua  
Marisa Pappalardo

Independent Director

Independent Director

Independent Director

#### STRATEGIES COMMITTEE

Chairman

Marco Tronchetti Provera  
Li Fanrong  
Giorgio Luca Bruno  
Yang Shihao  
Wang Feng  
Domenico De Sole  
Giovanni Lo Storto  
Wei Yintao

Independent Director

Independent Director

Independent Director

#### INDEPENDENT AUDITING FIRM<sup>3</sup>

PricewaterhouseCoopers S.p.A.

#### MANAGER RESPONSIBLE FOR THE PREPARATION OF THE CORPORATE FINANCIAL DOCUMENTS<sup>4</sup>

Fabio Bocchio<sup>5</sup>

The Supervisory Board (as provided for by the Organisational Model 231 adopted by the Company), is chaired by Prof. Carlo Secchi.

<sup>3</sup> Appointment: August 1, 2017, effective from the date of the commencement of trading of Pirelli shares on the stock exchange (on October 4, 2017). Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2025.

<sup>4</sup> Appointment: Board of Directors Meeting on November 11, 2021. Expiry: jointly with the current Board of Directors.

<sup>5</sup> Appointed by the Board of Directors' Meeting on November 3, 2022.

# PRESENTATION OF 2022 INTEGRATED ANNUAL REPORT

The 2022 integrated annual report<sup>6</sup> of Pirelli (“Annual Report”) aims to provide a comprehensive overview of the process of creating value for the Company’s Stakeholders, resulting from the integrated management of the financial, productive, intellectual, human, natural, social and relational capitals. The reporting reflects the business model adopted by Pirelli, which is inspired by the United Nations Global Compact, the principles of Stakeholder Engagement set forth by the AA1000, and the Guidelines of ISO 26000.

The financial assets, which comprise the company’s financial resources, supply the sustainable management of other capital and are in turn influenced by the value created by the latter. Impacts on the economy, the environment, society and human rights are central to the definition of corporate development strategies with a view to minimising negative impacts and increasing positive ones, and are transversal to the management of the aforementioned capitals, which in turn evolve through the commitment, competence and dedication of human capital, the heart of the Company’s growth.

Investment in a “culture of health and safety at work” is a priority. The accident frequency index in 2022 stands at 2.00<sup>7</sup> compared to 2.07 in 2021, confirming the steady downward trend.

Merit, ethics, dialogue, focus on well-being, inclusion and diversity are pillars of the employee experience and are accompanied by advanced instruments to attract and retain the best talent. 24.5% of management positions are held by women, with the number of women in executive positions increasing. Compared to 2021, the workforce grew by 611 new employees.

In 2022 the management of the business produced an adjusted EBIT<sup>8</sup> of €977.8 million (€815.8 million in 2021) with a margin of 14.8% (15.3% in 2021). Internal levers (price/mix, efficiencies) more than compensated for the negative external scenario (raw materials, inflation, exchange rate impact), enabling the company to achieve a higher-than-expected result (~€960m the target implied by the November target) and an adjusted Return on net Invested Capital (ROIC) of 20.3% (~19% the November target).

Important steps were taken in the area of sustainable finance, with the publication of the Sustainability Linked Financing Framework in May 2022 and the placement of the first *benchmark sustainability-linked bond* in the global tyre sector in January 2023.

The Company’s production capital, which includes a geographically diversified production structure with 18 plants in 12 countries on four continents, is managed with a

view to environmental efficiency and respect for biodiversity, with targets in terms of reducing water withdrawal, energy consumption, CO<sub>2</sub> emissions, increasing waste recovery and adoption of the “No net loss of biodiversity” model through the “mitigation hierarchy” (i.e. avoid, minimise, restore and compensate).

The decarbonisation plan of the group’s value chain continued, in line with the 2030 ‘carbon neutrality’ target. In terms of absolute CO<sub>2</sub> emissions in 2022 Pirelli obtained an upgrade of its Science Based Target in line with the 1.5°C scenario from SBTi and formalised its commitment to Net Zero. The growth in the use of renewable electricity was very significant. In particular, 100% of the electricity purchased in North America in 2022 is certified renewable, adding to the 100% certified renewable electricity purchased by Europe as of 2021. Globally, 74% of the total electricity used is from renewable sources (compared to 62% in 2021), with absolute group CO<sub>2</sub> emissions down 14% compared to 2021 and 41% compared to 2015 (base year of the Science Based Target for group sites - Scopes 1 and 2). Absolute supply chain emissions decrease by 3.1% compared to 2021 and by 8.9% compared to 2018 (base year of the Science Based Target for Supply Chain - Scope 3).

The research and development activities contribute substantially to the improvement of environmental efficiency along the entire product life-cycle, from the innovative raw materials to the process, distribution, use and up to the end of life of tyres. Research and development expenses in 2022 totalled €263.9 million (4.0% of sales), of which €247.1 million was for High Value activities (5.3% of High Value revenues).

The heavy investment in innovation also fuels Pirelli’s intellectual assets, as it has a portfolio of active patents grouped into 695 families covering product, process and materials innovations, as well as a globally recognised brand.

In turn, Pirelli’s Eco & Safety Performance products, which combine performance and respect for the environment, at the end of 2022 represent 67%<sup>9</sup> of total car tyre turnover (63% in 2021 and 58% in 2020). By restricting the scope of the analysis to High Value products<sup>10</sup>, the percentage of Eco & Safety Performance products rises to 73.2% (68.4% in 2021 and 63.8% in 2020).

<sup>6</sup> Integrated Annual Report is defined as the document including the Directors’ Report on Operations, Report on the Responsible Management of the value chain, Report on Corporate Governance and Share Ownership, Report on Remuneration Policy and Compensation Paid, Consolidated Financial Statements, Separate Financial Statements, Proposal for the allocation of the result and Certifications.

<sup>7</sup> Accident Frequency Index per 1,000,000 hours worked.

<sup>8</sup> Alternative indicator to EBIT from which amortisation of intangible assets related to assets recognised as a result of business combinations and operating costs attributable to non-recurring, restructuring and one-off charges are excluded. In the comparative period, the indicator also included Covid-19 direct costs and charges related to the retention plan approved by the Board of Directors on 26 February 2018.

<sup>9</sup> Figure obtained by weighing the value of sales of Eco & Safety Performance products on the total value of sales of Group tyres. Eco & Safety Performance products identify the 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.

<sup>10</sup> High Value products are determined by equal or greater than 18 inches and, in addition, include all “Specialties” products (Run Flat, Self-Sealing, Noise Cancelling System).

In addition, in 2022, 50% of the new IP Codes<sup>11</sup> placed on the market have parameters in line with the highest class (A or B) of European labelling for rolling resistance (the environmental aspect of indirect impact on vehicle CO<sub>2</sub> emissions), in line with Pirelli's target of 70% by 2025. At the same time, the percentage of new IP Codes produced globally with values in line with the European labelling classes A/B for wet grip (an aspect of direct impact on safety), including ice grip (ICE pictogram), remains very high at 93% of the total.

The average rolling resistance of Pirelli tyres worldwide decreased by more than 3% compared to 2021 and by 13.6% compared to 2015.

Regarding Tyre Wear, the new product lines launched in 2021-22 (Cinturato and Scorpion) show an improvement in wear rates of up to 33% compared to the previous generation.

There was a significant Research & Development commitment on innovative, renewable and recycled materials, which, among other things, enabled an acceleration in the use of silica from rice husks, a bio-circular material that reached 5% of the total silica used in 2022 (compared to 1% in 2021 and the expected 10% in 2023).

Innovation and sustainability of materials for Pirelli includes attention to people and biodiversity, and it is with this conviction that Pirelli has also worked in 2022 to protect the sustainability of natural rubber. In addition to the ongoing commitment to natural rubber traceability, which already in 2021 saw Pirelli produce the world's first tyres with Forest Stewardship Council (FSC)-certified natural rubber and rayon, implementation continued of the multi-year project in partnership with BMW GROUP and the NGO BirdLife International in the Hutan Harapan area (Sumatra Island - Indonesia), with the aim to protect 2,700 hectares of rainforest and its biodiversity and improving the living conditions of the local population dedicated to natural rubber production.

Pirelli's sustainable performance in 2022 also received excellent ratings from the main Sustainable Finance Indices. Following the annual review of the Dow Jones Sustainability indices by S&P Global, the company recorded the Auto Components Sector Top Score globally, followed by the Sustainability Yearbook 2023's "Top 1%" award. Pirelli has been reconfirmed as a leader in the fight against climate change by being placed on the CDP "Climate A list" and also obtaining the maximum score of "A" in the CDP Supplier Engagement Rating Leaderboard for the management of climate issues along its supply chain, as well as being awarded the top sector rating in FTSE4GOOD and the "ESG Top Rated" recognition by Sustainalytics.

<sup>11</sup> Identification Product Codes.

The reporting of Sustainability strategy and performance 2022 is prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2021, "In accordance with" option, SASB Auto Parts Sustainability Accounting Standard, following the process suggested by the APS1000 APS principles (materiality, inclusivity and responsiveness), and considering the integrated reporting principles contained in the International Integrated Reporting Council (IIRC). In addition, this report considers the priorities reported by the European Securities and Markets Authority (ESMA) through the ESMA circular 32-63-1186 and includes the considerations required by the European Taxonomy Regulation in its fields of application (EU Regulation 2020/852 dated 18 June 2020 and the Delegated Regulations (EU) 2021/2178 and (EU) 2021/2139 connected to it). The Annual Report 2022 concludes with third-party assurances.

The Financial Statements and Consolidated Financial Statements of Pirelli & C. S.p.A. (hereinafter referred to as the "Separate Financial Statements" and "Consolidated Financial Statements", respectively) have been prepared on the basis of IAS/IFRS.

#### ESEF OBLIGATIONS (EUROPEAN SINGLE ELECTRONIC FORMAT)

This document has not been prepared pursuant to the EU Delegated Regulation 2019/815 (ESEF Regulation), which was adopted with the implementation of the Transparency Directive. This document which has been prepared pursuant to the ESEF Regulation, is available (in Italian only) on the website of the authorised eMarket Storage mechanism (emarketstorage.com) and on the Company's website [www.pirelli.com](http://www.pirelli.com).



# DIRECTORS' REPORT ON OPERATIONS AT DECEMBER 31, 2022

# MACROECONOMIC AND MARKET SCENARIO

## ECONOMIC OVERVIEW

Economic performance in 2022 was characterised by high volatility, which was heavily influenced by the Russian-Ukrainian war and high inflation. Global GDP grew by +3%, a marked slowdown compared to the trend for 2021 (+6%). The growth dynamics of the global economy were also affected by the restrictive monetary policies implemented to counter inflationary tensions, and the lockdowns in China to combat the pandemic.

### ECONOMIC GROWTH, YEAR-ON-YEAR PERCENTAGE CHANGE IN GDP

	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2021	2022
EU	5.6	4.4	2.5	1.7	5.4	3.5
US	3.7	1.8	1.9	0.9	5.9	2.1
China	4.8	0.4	3.9	2.9	8.4	3.0
Brazil	2.4	3.7	3.6	1.9	5.0	2.9
Russia	3.5	-4.1	-3.7	-3.5	4.7	-2.1
World	4.4	3.0	3.0	1.9	6.0	3.0

Note: year-on-year percentage changes compared to the same period of the previous year.  
Preliminary data for the fourth quarter of 2022; forecasts for the world. Source: National statistics offices and S&P Global, February 2023.

Difficulties along the supply chain and the rising cost of energy due to the conflict in Ukraine, pushed inflation to its highest levels in 40 years, with an increase in the global price index of +7.6% in 2022.

### CONSUMER PRICES, CHANGE IN YEAR-ON-YEAR PERCENTAGES

	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2021	2022
EU	6.5	8.8	10.3	11.0	2.9	9.2
US	8.0	8.6	8.3	7.1	4.7	8.0
China	1.1	2.2	2.7	1.8	0.9	2.0
Brazil	10.7	11.9	8.6	6.1	8.3	9.3
Russia	11.5	16.9	14.4	12.2	6.7	13.7
World	6.0	7.6	8.1	7.8	3.9	7.6

Source: National statistics offices and S&P Global Market Intelligence for world estimate, February 2023.

In the Eurozone, economic growth for 2022 stood at +3.5% compared to +5.4% for 2021. Following a strong start due to the removal of lockdown measures, GDP growth in the region decelerated as a result of the Russia-Ukraine war and the energy crisis. The cut in Russian gas supplies led to an increase in the price of natural gas with repercussions on the baskets of goods and services, bringing inflation in the EU area to 11% for the fourth quarter of 2022, and to a more restrictive monetary policy (the European Central Bank raised rates by 250 basis points during the year). Reduced consumer purchasing power and the burden of high production costs for companies, held back year-on-year GDP growth during the fourth quarter to +1.7%.

In the US, GDP grew by +2.1% for 2022, sustained by household consumption despite the marked decline in real estate investments due to rising interest rates. To counter inflation (7.1% for the fourth quarter, with core inflation - which excludes food and energy prices - at 6.0%), the Fed intervened by raising interest rates by 425 basis points between March and December 2022.

In China, GDP growth (+3.0% for 2022 compared to +8.4% for 2021), was impacted by COVID-19 and the resulting lockdowns. Growing social tensions in November and December, following disruptions in production activities, prompted the government to suspend COVID-19 containment measures and introduce further measures to support the economy.

In Brazil, GDP growth slowed to +2.9% for 2022 from +5.0% in 2021. The positive effects derived from post-pandemic mobility and government assistance for households, were offset by a slowdown in investment as interest rates rose by 450 basis points during the year, to finish at 13.75% in December 2022.

Economic performance in Russia was affected by international sanctions following the invasion of Ukraine, resulting in restrictions on foreign trade, the freezing of the Central Bank's foreign exchange reserves, and the blocking of access to international markets. Russia's GDP recorded a change of -2.1% for 2022, compared to growth of +4.7% for 2021.

## EXCHANGE RATES

KEY EXCHANGE RATES	1Q		2Q		3Q		4Q		FULL YEAR AVERAGE	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
US\$ per euro	1.12	1.20	1.07	1.21	1.01	1.18	1.02	1.14	1.05	1.18
Chinese renminbi per US\$	6.35	6.48	6.61	6.46	6.83	6.47	7.06	6.39	6.73	6.45
Brazilian real per US\$	5.24	5.49	4.93	5.30	5.25	5.23	5.25	5.58	5.17	5.40
Russian rouble per US\$	87.37	74.32	66.36	74.20	59.40	73.49	63.05	72.61	67.89	73.64

Note: Average exchange rates for the period. Source: National central banks.

The currency market in 2022 was dominated by the strength of the US dollar, due to the Fed's monetary policy which widened interest rate differentials compared to other currencies. The escalation of international geopolitical tensions, also favoured the US dollar as a safe haven currency. After falling below parity during the course of the year, the US dollar/euro exchange rate averaged 1.05 for 2022, appreciating by +12% compared for 2021.

The Greenback's strength was also reflected in the exchange rate against the renminbi, which averaged 6.73 per US dollar in 2022 (6.45 in 2021), impacted by repeat lockdowns and by the resulting economic slowdown. The euro was weak against the Chinese currency, against which it depreciated by approximately -7%.

In Brazil, the central bank's interest rate hike to combat inflation, lent support to the Brazilian real during 2022, which appreciated by +4% against the US dollar and by +17% against the euro.

The rouble/US dollar exchange rate averaged 67.89 in 2022, appreciating by +8.5% against the US dollar and by +22% against the euro. During the first half of March, sanctions imposed by Western countries drove the currency to more than 130 roubles to the US dollar before appreciating, due to controls on outgoing capital and the sharp increases in energy prices, which supported export revenues.

## RAW MATERIALS PRICES

RAW MATERIALS PRICES	1Q			2Q			3Q			4Q			ANNUAL AVERAGE		
	2022	2021	% chg.	2022	2021	% chg.	2022	2021	% var.	2022	2021	% chg.	2022	2021	% chg.
Brent (US\$ / barrel)	97.4	61.1	59%	111.8	69.0	62%	98.2	73.2	34%	88.6	79.8	11%	98.9	70.8	40%
European natural gas (€ / MWh)	100	18	444%	101	25	307%	205	49	319%	124	96	29%	133	47	184%
Butadiene (€ / tonne)	1,067	715	49%	1,353	853	59%	1,380	1,265	9%	1,203	1,192	1%	1,251	1,006	24%
Natural rubber TSR20 (US\$ / tonne)	1,772	1,668	6%	1,654	1,653	0%	1,467	1,659	-12%	1,299	1,729	-25%	1,548	1,678	-8%

Note: Data are averages for the period. Source: S&P Global, Reuters.

Raw materials prices, especially energy prices, experienced a very volatile trend during 2022 which was accentuated in the wake of the Russian-Ukrainian crisis.

The average price of Brent for 2022 stood at US\$ 99 per barrel, an increase of +40% compared to the average price of approximately US\$ 71 per barrel for 2021. Daily prices exceeded US\$ 120 per barrel, both in March - immediately following the escalation of the Russian-Ukrainian crisis - and in June, following the confirmation of the Russian oil embargo announced by the European Union, (which entered into force as of December 2022). Prices then fell below US\$ 100 per barrel on average from September onwards, in the wake of fears of a slowdown in the global economy.

Even more volatile was the price of natural gas, which recorded an average of euro 133 per MWh (megawatt-hour) in 2022, an increase of +184% compared to euro 47 per MWh for 2021. Following the all-time high prices recorded in August in Europe in view of the possible reduction in gas flow from Russia (as then happened at the end of August with the closure of the Nord Stream 1 pipeline), prices fell sharply during the final weeks of the year, despite remaining historically high, thanks to good stockpile levels and mild temperatures in Europe.

The price of butadiene in Europe was bolstered during the first nine months by the scarcity of supply, and by the increased demand from the automobile industry, which was partially offset by a slowdown during the final quarter of the year, as a result of lower natural gas prices, and lower logistical costs due to the easing of congestion in ports. Overall, the butadiene price per tonne increased by +24% in 2022 compared to the previous year.

Natural rubber prices which remained high during the first months of 2022 fell sharply during the third and fourth quarter, following signs of a global economic slowdown. During 2022, natural rubber prices averaged US\$ 1,548 per tonne, down by -8% compared to 2021.

## TRENDS IN CAR TYRE MARKETS

For 2022, the global automotive tyre market recorded a -1.7 % drop in volumes, which remained lower than pre-pandemic levels (-9 % compared to 2019).

Volume performance for the Original Equipment channel was more sustained compared to the Replacement channel:

- +4.2% for Original Equipment, (+0.6% for the fourth quarter due to the effect of COVID-19 lockdowns in China, and the slowdown of automobile production in other regions);
- -3.7% for Replacement (-9.9% for the fourth quarter), due to the gradual fall in demand during the second half of the year in North America and Europe, which was compounded by weak demand in China during the final months of 2022.

Demand was more resilient for the Car  $\geq 18''$  segment which thanks to a +5.4% increase compared to 2021 (+8.9% for Original Equipment, +3.1% for Replacement), regained and surpassed pre-pandemic levels, also thanks to an improved car parc mix. Compared to 2019, growth in overall Car  $\geq 18''$  demand stood at +10.9% (+16.4% for Replacement and +3.8% for Original Equipment).



Market demand for Car ≤17' (-3.4% compared to 2021), remained in sharp decline compared to pre-pandemic figures (-13.2% overall compared to 2019) in all regions.

## TRENDS IN CAR TYRE MARKETS

% CHANGE YEAR-ON-YEAR	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	2022/2019
<b>Total Car Tyre Market</b>						
<b>Total</b>	<b>1.0</b>	<b>-3.6</b>	<b>3.1</b>	<b>-7.1</b>	<b>-1.7</b>	<b>-9.0</b>
<i>Original Equipment</i>	-3.6	-0.6	23.7	0.6	4.2	-11.7
<i>Replacement</i>	2.8	-4.6	-2.8	-9.9	-3.7	-8.0
<b>Market ≥ 18"</b>						
<b>Total</b>	<b>7.8</b>	<b>3.4</b>	<b>9.8</b>	<b>0.7</b>	<b>5.4</b>	<b>10.9</b>
<i>Original Equipment</i>	0.3	4.9	26.0	6.7	8.9	3.8
<i>Replacement</i>	13.3	2.5	0.6	-3.5	3.1	16.4
<b>Market ≤ 17"</b>						
<b>Total</b>	<b>-0.7</b>	<b>-5.3</b>	<b>1.5</b>	<b>-9.1</b>	<b>-3.4</b>	<b>-13.2</b>
<i>Original Equipment</i>	-5.3	-2.9	22.6	-2.0	2.2	-17.3
<i>Replacement</i>	0.9	-6.0	-3.5	-11.2	-5.0	-11.8

Source: Pirelli estimates.

## SIGNIFICANT EVENTS OF 2022

On **January 28, 2022** Pirelli celebrated the 150th Anniversary of its foundation on January 28, 1872, with an event at the Piccolo Teatro in Milan.

On **February 1, 2022** Pirelli was awarded “*Gold Class*” recognition in the 2022 Sustainability Yearbook published by S&P Global, which examined the sustainability profile of more than 7,500 companies. Pirelli obtained the “*S&P Global Gold Class*” recognition in the ranking that is carried out annually on the basis of the 2021 results of the Corporate Sustainability Assessment for the Dow Jones Sustainability Index of S&P Global, where Pirelli obtained a score of 77 points against a sector average of 31.

On **February 21, 2022**, Pirelli finalised the signing of a euro 1.6 billion five-year multi-currency bank credit facility, with a pool of leading national and international banks.

This credit facility, geared towards the Group’s ESG objectives, has allowed for the optimisation of the debt profile by extending maturity dates.

On **February 23, 2022** Pirelli announced that it had been assigned an “*investment grade*” rating by S&P Global Ratings and Fitch Ratings. This follows the Company’s request for a public rating, in keeping with the objectives of optimising the conditions for access to the credit market. Specifically, Fitch Ratings assigned Pirelli an Investment Grade rating of BBB- with a stable outlook, emphasising, amongst other things, the solidity of the Company’s operating margins and its ability to generate cash flow, which make it possible to forecast a significant reduction in debt over the next two to three years. The agency emphasised Pirelli’s leadership position in the Premium segment, its consolidated know-how for high-performance products, its exposure to aftermarket activities that are less volatile than the Standard segment and the reputation of its Brand. S&P Global Ratings assigned an Investment Grade rating of BBB- with a stable outlook, highlighting, amongst other things, the solid position Pirelli holds in the Premium and Prestige markets, its ability to efficiently utilise its production plants, which is reflected in an EBITDA margin that exceeds the sector average and the agency’s

expectation of continued debt reduction, through the careful management of a solid free cash flow.

On **February 23, 2022** Pirelli's Board of Directors approved, as part of the strategy to refinance and optimise the Company's financial structure, a new EMTN (Euro Medium Term Note) programme for the issue of non-convertible senior unsecured bond loans for a maximum countervalue of euro 2 billion, to replace the previous euro 2 billion EMTN programme approved on December 21, 2017.

As part of this programme, on the same date, the Board of Directors authorised the issuance of one or more bond loans, to be placed with institutional investors, for a total maximum amount of up to euro 1 billion. In light of the changed market conditions, on **June 22, 2022**, Pirelli updated this authorisation, revoking the resolution and concurrently approving a new resolution for the issuance, again as part of the EMTN programme, of non-convertible bond loans to be placed with institutional investors for up to euro 1 billion, to be executed by May 2023.

On **March 4, 2022** Pirelli announced that it would donate euro 500 thousand to help Ukrainian refugees affected by the war, and also made a current account available to employees for the collection of their donations.

On **March 17, 2022** Pirelli's Board of Directors approved and endorsed the consolidated results at December 31, 2021, which had already been disclosed to the market in a preliminary unaudited form on **February 23**.

On **May 9, 2022** Pirelli announced that the Science Based Targets initiative (SBTi) had validated the upgrade of Pirelli's greenhouse gas emission reduction targets, which by the end of 2021 had reached the previous targets validated by SBTi for Scope 1 and 2, four years ahead of schedule.

The new targets include measures consistent with keeping global warming "to within 1.5°C", compared to the previous scenario that envisaged staying "well below 2°C".

In particular, the SBTi - which defines and promotes science-based best practices for reducing emissions - has validated Pirelli's targets of a -42% reduction in absolute greenhouse gas emissions (Scope 1 and 2) by the end of 2025, compared to 2015, and a -9% reduction in absolute greenhouse gas emissions from purchased raw materials by the end of 2025, compared to 2018 (Scope 3).

On **May 10, 2022** Pirelli's Board of Directors co-opted Yang Shihao to replace Yang Xingqiang, who had resigned on **April 28, 2022**. The Board of Directors also proceeded to appoint Yang Shihao - qualified by the Board as a non-executive Director - as a member of the Strategies Committee. Yang Shihao, whose curriculum vitae is available on the [www.pirelli.com](http://www.pirelli.com) website, at the date of the appointment did not possess the requisites to qualify as independent, pursuant to the Italian Consolidated Law on Financial Intermediation (TUF) and the Corporate Governance Code, and did not hold any shares in the Company.

On **May 18, 2022**, the Pirelli's Shareholders' Meeting (convened on **April 13, 2022**), which was attended by 83.68% of the voting capital, approved - with more than 99.9% of the capital represented - the Financial Statements for the 2021 financial year, and resolved to distribute a dividend of euro 0.161 per ordinary share, equal to a total dividend pay-out of euro 161 million gross of withholding taxes. The dividend was placed for payment on May 25, 2022 (with an ex-dividend date of May 23 and a record date of May 24). The Shareholders' Meeting also approved the remuneration policy for 2022 (with 85.19% of the capital present) and gave its favourable opinion (with 84.54% of the capital present) on the Report on remunerations paid in the 2021 financial year. The Shareholders' Meeting also approved (with 88.31% of the capital present) the adoption of the monetary incentive Plan for the 2022-2024 three-year period aimed at the Group's general management. Lastly, the Shareholders' Meeting approved (with 85.62% of the capital present), the mechanisms for the possible adjustment of the sole quantification of the targets included in the monetary incentive plans for the three-year periods of 2020-2022 and 2021-2023, consistent with the provisions of the remuneration policy for 2022.

On **May 23, 2022**, with reference to the non-interest-bearing "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", Pirelli & C. S.p.A. announced that - following the resolution of the Shareholders' Meeting of May 18, 2022 to distribute a dividend of euro 0.161 per ordinary share - the conversion price of the bonds was changed from euro 6.235 to euro 6.1395, in accordance with the regulations of the bond loan itself, effective as of May 23, 2022.

On **June 22, 2022**, Pirelli's Board of Directors approved the signing with a selected pool of international banks of a "sustainability-linked" credit facility for an amount of up to euro 400 million with a maturity of 19 months, for the further optimisation of the Group's financial structure. The credit facility is geared to Pirelli's goal of reducing absolute greenhouse gas emissions from the raw materials purchased (Scope 3), which has been validated by the Science Based Targets initiative (SBTi). This KPI (key performance indicator) is among those identified in Pirelli's first "Sustainability-Linked Financing Framework", (the document which contains the Company's guidelines and commitments to its stakeholders regarding sustainable finance).

On **October 11, 2022**, Pirelli's Board of Directors co-opted Li Fanrong to replace Ning Gaoning who - as announced on **October 8, 2022** - resigned from the Board of Directors following the termination of his position as Chairman of Sinochem Holdings Corporation Ltd. The Board of Directors proceeded to appoint non-executive Director Li Fanrong as Chairman, granting him the legal representation of the Company, as well as all other powers attributed under the existing Articles of Association, without prejudice to the powers and prerogatives of the Board of Directors. It was also resolved to appoint Li Fanrong as a member of the Strategies Committee and the Nominations and Successions Committee. Li Fanrong, who will remain in

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office until the Shareholders' Meeting for the approval of the financial statements for 2022, does not possess the requisites to qualify as independent pursuant to the Corporate Governance Code and at the date of the appointment did not hold shares and/or other financial instruments issued by Pirelli.

On **October 25, 2022** Pirelli repaid in advance and in full the "Euro 600,000,000 1.375 per cent Guaranteed Notes due January 25, 2023" (ISIN: XS1757843146) listed on the Luxembourg Stock Exchange, whose residual outstanding amount was euro 553 million. As provided for by the Issuer Call Option regulations, the repayment – carried out using the Company's available cash - was at par plus interest accrued up until the date of early repayment.

On **October 29, 2022**, Pirelli announced the start of a euro 114 million investment - already provided for by the 2021-2022/2025 Industrial Plan, to be implemented during the 2022/2023 two-year period - aimed at further increasing High Value production at the Mexican manufacturing site. This investment – which was announced on the occasion of the factory's 10th anniversary - will enable the plant to increase its production capacity by more than one million units when fully operational, to a total of 8.5 million tyres by the end of 2025 (from 7.2 million by the end of 2022), with an expansion of the production area by 16 thousand square metres to more than 220 thousand square metres. This increase in production and further improvement to the mix will be accompanied by the creation of 400 new jobs, bringing the total workforce to 3,200 people when fully operational.

On **December 10, 2022** Pirelli was confirmed to be included in the Dow Jones Sustainability World and European Index, following the index review conducted annually by S&P Global. This confirmation follows the announcement of the global Top Score achieved by Pirelli on **October 21, 2022** in the ATX Auto Components sector in S&P Global's Corporate Sustainability Assessment for 2022, with a score of 85 points. Pirelli achieved the highest score in several management areas, including Corporate Governance and Due Diligence in the areas of human rights, natural resource management and CO<sub>2</sub> emissions reduction, innovation and cyber security, and thoroughness and transparency in social and environmental reporting.

In **December 2022** Pirelli was confirmed, for the fifth consecutive year, as a global leader in the fight against climate change, earning a place on the Climate A List for 2022 drawn up by the CDP, the international non-profit organisation that collects, disseminates and promotes information on environmental issues. The "A" rating assigned to Pirelli at the conclusion of the analysis process, was the highest score, and was awarded to only 294 companies out of more than 18,700 participants, assessed on the basis of the effectiveness of their efforts to reduce emissions and climate risks and to develop a low-carbon economy, as well as on the basis of the completeness and transparency of the information provided and the adoption of best practices associated with environmental impact.

In this document, in addition to the financial measures provided for by the International Financial Reporting Standards (IFRS), alternative performance indicators derived from the IFRS were used, in order to allow for a better assessment of the of the Group's operating and financial performance.

Reference should be made to the section "Alternative Performance Indicators" for a more analytical description of these indicators.

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Given an external environment characterised by high volatility (higher inflation, difficulties along the supply chain, lockdowns in China), which was further exacerbated by the problematic geopolitical scene (the Russian-Ukrainian conflict), Pirelli closed 2022 with results that exceeded the targets set last November 3rd, targets which had been revised upwards during the course of the year. These results confirmed the resilience of the business model, and reflect the implementation of the key programmes of the 2021-2022/2025 Industrial Plan.

On the **Commercial** front:

- strengthened positioning of the high-end range of products with particular focus on Car  $\geq 19"$ , on Specialties and on electric vehicles. During 2022 Pirelli outperformed the market for Replacement Car  $\geq 18"$  (+6.8% for Pirelli volumes compared to +3.1% for the market), despite price increases, thanks to the further renewal of the product portfolio. Growth for Original Equipment Car  $\geq 18"$  was substantially consistent with that of the market (+8.5% for Pirelli volumes, +8.9% for the market), but with an increasing focus on higher tyre rim diameters ( $\geq 19"$  volumes grew by approximately +6 percentage points and accounted for 78% of Original Equipment  $\geq 18"$  volumes), and on electric vehicles (which accounted for 17% of Original Equipment  $\geq 18"$  volumes, which were 2.7 times higher compared to 2021);
- a reduction in exposure to the Standard segment (-9.2% for Pirelli Car  $\leq 17"$  volumes compared to -3.4% for the market), with a mix increasingly oriented towards the Replacement channel and higher rim diameter products.

On the **Innovation** front:

- over 300 new technical homologations were obtained for the Car sector, concentrated mainly in  $\geq 19"$  and Specialties;
- the launch of nine new Car product lines (six in 2021), of which four were dedicated to the SUV segment (the New Scorpion, Scorpion All-Season SF2, Scorpion Winter and Scorpion WeatherActive), with a particular focus on electric or hybrid plug-in cars. The Winter range was expanded

with the introduction of a product line dedicated to colder temperatures, (the Ice Zero Asymmetric) and other regional lines (the Cinturato WeatherActive, Cinturato Rosso and Powergy), with a focus on safety and comfort;

- the two-wheel business sector was expanded to meet the different needs of consumers. For Motorbikes, 3 new ultra-performance products were launched for road and off-road use. For Cycling the range was completed, thanks to the introduction of 10 new products for Pirelli's target segments: Racing, Sport, Urban and Travel.

The **Competitiveness Programme** achieved gross benefits of euro 136.0 million, which concerned:

- product cost, with modularity and design-to-cost programmes;
- manufacturing, through the completion of the previously announced optimisation of the industrial footprint and the implementation of efficiency programmes;
- SG&A costs, by leveraging an optimised logistics and warehouse network and measures for negotiating purchases;
- organisation, through the recourse to digital transformation.

For the **Operations Programme**:

- the production capacity for Car increased to 74 million pieces (+1 million compared to 2021) of which 54 million were High Value (+3 million compared to 2021);
- plant saturation levels stood at approximately 90%, >90% for High Value;
- the production of cycling tyres began at the Bollate plant;
- the expansion of the factory in Mexico began, which will reach a capacity of 8.5 million High Value tyres by 2025 (7 million by December 31, 2022);
- a plan of mitigating actions was implemented to ensure the continuity of production and business activities, in the face of the volatility triggered by the Ukraine crisis and the energy crisis in Europe.

For the **Digitisation Programme**:

- the Digital Solutions Centre opened in Bari for the development of Machine Learning and Artificial Intelligence software and algorithms to support business functions, the realisation of new digital products and services for the Tyre world;
- the implementation of the new CRM integration for customer relationship management was completed;
- coverage for the main factories with Industrial Internet of Things (IIoT) technology to improve the efficiency of production processes began;
- the cloud strategy for all central IT systems was completed. The new fully upgraded infrastructure guarantees business continuity and reduced cyber security risks, lower operating costs and a reduction in CO<sub>2</sub> emissions (-40% compared to the previous infrastructure).

Regarding sustainability, during 2022 Pirelli further improved its performance, with the acceleration of decarbonisation, and inclusion in the main sustainability indexes at international level. In more detail:

- on the **people** front, Pirelli implemented new measures concerning the **employee experience** and the consolidated programmes for employee **flexibility** and **well-being**. New initiatives were launched to improve the **attraction** and **retention of talent**, as well as to foster the development of a corporate culture which is increasingly based on **inclusion** and **valuing diversity**. This attention and protection of employees, led to a further **drop in the work accident frequency index**, which fell **by -4.5%** compared to 2021 (from 0.21 to 0.20).
- on the **product** front, the percentage of **new IP Code** (Product Identification Code) tyres placed on the market, which **comply with the highest classes (A or B)** of European labelling for **rolling resistance** (an environmental aspect with an indirect impact on vehicle CO<sub>2</sub> emissions) rose to **50% of the total**, consistent with Pirelli's target of 70% by 2025. At the same time, the percentage of **new IP Code** tyres produced globally, which complied with European labelling classes **A/B** for **grip on the wet** (an aspect with a direct impact on safety), including grip on the ice (the ICE pictogram), was confirmed as **93% of the total**. Also as a reflection of this trend, **revenues from Eco & Safety Performance<sup>12</sup> tyres** reached **67%** of total Car tyre sales (63% in 2021). The average **rolling resistance** of Pirelli tyres worldwide **decreased by more than -3% compared to 2021 and by -13.6% compared to 2015**. In terms of **Tyre Wear**, the new product lines launched in 2021-2022 (the Cinturato and Scorpion), featured an **improvement in the wear rate of up to 33%** compared to the previous generation.
- on the innovative and recycled **materials** front, the commitment to **Research & Development** enabled an acceleration in the use of **silica from rice husks**, a **bio-circular material**, which reached **5%** of the total silica used in 2022 (compared to 1% in 2021 and an expected 10% for 2023).
- on the **natural rubber** front, initiatives continued to protect the sustainability of natural rubber, which already in 2021, had seen Pirelli produce the **world's first tyres in natural rubber and rayon certified by the Forest Stewardship Council (FSC)**. In addition to the **ongoing commitment to the traceability** of natural rubber, the **multi-year project in partnership with the BMW GROUP and the BirdLife International NGO** in the Hutan Harapan area (Sumatra Island - Indonesia) continued, with the **aim of protecting 2,700 hectares of rainforest** and its biodiversity, and of **improving the quality of life of the local population** involved in natural rubber production.

<sup>12</sup> Calculated on the total number of labelled products on the global market which are reparametered to European labelling A/B/C standards.

- on the **environmental** front, in keeping with the goal of carbon neutrality by 2030, the Group's **decarbonisation plan for the value chain** continued in 2022. In terms of **absolute CO<sub>2</sub> emissions**, in 2022 Pirelli obtained an upgrade from the SBTi for its **Science Based Target of 1.5°C**, and formalised its commitment to **SBTI's Net Zero** target. Regarding the use of renewable electricity in particular, in 2022, **100% of the electricity purchased in North America was certified as from renewable sources, in addition to the certified 100% renewable electricity purchased in Europe since 2021**. Globally, **74% of total electricity used is from renewable sources** (compared to 62% in 2021), with **absolute Group CO<sub>2</sub> emissions dropping by -14% compared to 2021 and by -41% compared to 2015** (base year of the Science Based Target for Group's sites - Scopes 1 and 2). **Absolute supply chain emissions decreased by -3% compared to 2021 and by -8.9% compared to 2018** (base year of the Science Based Target for the supply chain - Scope 3).
- in the area of **sustainable finance**, in May the **Sustainability Linked Financing Framework** was published, and in January 2023, the first **benchmark-size sustainability-linked bond** was placed in the global tyre sector.

In 2022 Pirelli also received a favourable assessment from the **main Sustainable Finance Indexes**. Following the annual review of the **Dow Jones Sustainability Index** by S&P Global, the Company achieved the **top score in the global Auto Components Sector**, followed by the maximum **"top 1%"** ranking in the **2023 Sustainability Yearbook**. Pirelli was also once again recognised as a **leader in the fight against climate change** and placed on the **CDP "Climate A List"**, as well as being awarded **top rating** for the sector in the **FTSE4GOOD** index and **"ESG Top Rated"** recognition from **Sustainalytics**.

#### ACTIVITIES IN RUSSIA

As announced on May 10, 2022, Pirelli has suspended investments in its factories in Russia, with the exception of those intended for the safety of carrying out operations. Russia accounted for 4% of turnover and 11% of total capacity for 2022.

In compliance with **international sanctions** imposed by the EU, starting from the second half-year of 2022, which included, amongst other things, a ban on the import of Russian finished products into the EU, and a ban on the export of some raw materials to Russia, Pirelli has:

- geared **production** towards the domestic market;
- identified **alternative sources** for **import/export** streams, with the gradual activation of the sourcing of supplies of finished products from Turkey and Romania to replace Russian exports to European markets and the use of mainly local suppliers of raw materials to replace European suppliers;

- diversified its **service providers** for logistics services in order to ensure the continuity of supplies of finished products and raw materials;
- guaranteed its financial support through local banks.

**Pirelli's results for 2022** were characterised by:

- **net sales** which equalled euro **6,615.7** million, an increase of +24.1% compared to 2021, and higher than the target of approximately euro 6.5 billion indicated on November 3, 2022, thanks to a strong price/mix improvement (+19.7%, a target of  $\geq +17\%$ ), which more than offset volume trends (-1%, stable on 2021, the target), due to increased market weakness during the fourth quarter;
- **EBIT adjusted** which amounted to euro **977.8** million (an implied target of euro 960 million), an increase of +19.9% compared to euro 815.8 million for 2021, with profitability at 14.8% (a target of approximately 15%), supported by the contribution of internal levers (price/mix and efficiencies), which more than offset the strong impact of raw materials and inflation;
- a **net income/loss** which amounted to an income of euro **435.9** million (euro 321.6 million for 2021) which reflected an improved operational performance, a **net income/(loss) adjusted** which amounted to an income of euro **570.4** million net of one-off, non-recurring and restructuring expenses, and the amortisation of intangible assets recognised in the PPA (euro 468.8 million for 2021);
- a **Net Financial Position** which at December 31, 2022 showed a debt of euro 2,552.6 million (euro 2,907.1 million at December 31, 2021), with a cash generation before dividends of euro 515.5 million, a marked improvement compared to the figure for 2021 (euro 431.2 million) and to the target (approximately euro 480 million), was supported by an improved operating performance and the careful management of working capital. There was a reduction in the level of debt: EBITDA adjusted of 1.8x compared to 2.4x for 2021, and to the 1.9x indicated in November 2022 as the target for the year;
- a **liquidity margin** which equalled euro **2,536.6** million;
- **ROIC** (net of goodwill and the intangible components of the PPA) which equalled 20.3%, an improvement compared to the figure for 2021 (17.9%) and to the target for 2022 (approximately 19%), thanks to the improvement in the operational performance of the business.

The **Group's Consolidated Financial Statements** can be summarised as follows:

(in millions of euro)

	<b>2022</b>	<b>2021</b>
<b>Net sales</b>	<b>6,615.7</b>	<b>5,331.5</b>
<b>EBITDA adjusted <sup>(*)</sup></b>	<b>1,408.3</b>	<b>1,210.7</b>
% of net sales	21.3%	22.7%
<b>EBITDA</b>	<b>1,335.7</b>	<b>1,085.7</b>
% of net sales	20.2%	20.4%
<b>EBIT adjusted</b>	<b>977.8</b>	<b>815.8</b>
% of net sales	14.8%	15.3%
Adjustments: - amortisation of intangible assets included in PPA	(113.7)	(113.7)
- non-recurring, restructuring expenses and other	(72.6)	(125.0)
<b>EBIT</b>	<b>791.5</b>	<b>577.1</b>
% of net sales	12.0%	10.8%
Net income/(loss) from equity investments	5.8	4.0
Financial income/(expenses)	(201.7)	(144.3)
<b>Net income/(loss) before taxes</b>	<b>595.6</b>	<b>436.8</b>
Taxes	(159.7)	(115.2)
Tax rate %	26.8%	26.4%
<b>Net income/(loss)</b>	<b>435.9</b>	<b>321.6</b>
Earnings/(loss) per share (in euro per basic share)	0.42	0.30
Net income/(loss) adjusted	570.4	468.8
Net income/(loss) attributable to owners of the Parent Company	417.8	302.8

<sup>(\*)</sup> The adjustments refer to one-off, non-recurring and restructuring expenses to the amount of euro 72.6 million (euro 101.4 million for 2021). For 2021, this item also included expenses relative to the retention plan approved by the Board of Directors on February 26, 2018 to the amount of euro 4.7 million and COVID-19 direct costs to the amount of euro 18.9 million.

(in millions of euro)

	12/31/2022	12/31/2021
<b>Fixed assets</b>	<b>8,911.1</b>	<b>8,912.4</b>
Inventories	1,457.7	1,092.2
Trade receivables	636.5	659.2
Trade payables	(1,973.3)	(1,626.4)
<b>Operating net working capital</b>	<b>120.9</b>	<b>125.0</b>
% of net sales	1.8%	2.3%
Other receivables/other payables	42.3	0.8
<b>Net working capital</b>	<b>163.2</b>	<b>125.8</b>
% of net sales	2.5%	2.4%
<b>Net invested capital</b>	<b>9,074.3</b>	<b>9,038.2</b>
<b>Equity</b>	<b>5,453.8</b>	<b>5,042.6</b>
Provisions	1,067.9	1,088.5
<b>Net financial (liquidity)/debt position</b>	<b>2,552.6</b>	<b>2,907.1</b>
Equity attributable to owners of the Parent Company	5,323.8	4,908.1
Investments in intangible and owned tangible assets (CapEx)	397.7	345.6
Increases in right of use	79.7	122.4
Research and development expenses	263.9	240.4
% of net sales	4.0%	4.5%
Research and development expenses - High Value	247.1	225.1
% of High Value sales	5.3%	6.0%
Employees (headcount at end of period)	31,301	30,690
Industrial sites (number)	18	18

For a better understanding of the Group's performance, the following **quarterly performance figures** are provided below:

(in millions of euro)

	1Q		2Q		3Q		4Q		TOTAL YEAR	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Net sales</b>	<b>1,521.1</b>	1,244.7	<b>1,675.9</b>	1,320.1	<b>1,836.3</b>	1,414.5	<b>1,582.4</b>	1,352.2	<b>6,615.7</b>	5,331.5
<i>yoy</i>	22.2%		26.9%		29.8%		17.0%		24.1%	
<i>organic yoy *</i>	19.0%		19.8%		21.2%		14.8%		18.7%	
<b>EBITDA adjusted</b>	<b>333.1</b>	266.5	<b>362.2</b>	307.4	<b>383.9</b>	320.1	<b>329.1</b>	316.7	<b>1,408.3</b>	1,210.7
<i>% of net sales</i>	21.9%	21.4%	21.6%	23.3%	20.9%	22.6%	20.8%	23.4%	21.3%	22.7%
<b>EBITDA</b>	<b>325.6</b>	223.5	<b>350.2</b>	278.5	<b>367.4</b>	304.8	<b>292.5</b>	278.9	<b>1,335.7</b>	1,085.7
<i>% of net sales</i>	21.4%	18.0%	20.9%	21.1%	20.0%	21.5%	18.5%	20.6%	20.2%	20.4%
<b>EBIT adjusted</b>	<b>228.5</b>	168.8	<b>253.1</b>	208.6	<b>271.9</b>	221.4	<b>224.3</b>	217.0	<b>977.8</b>	815.8
<i>% of net sales</i>	15.0%	13.6%	15.1%	15.8%	14.8%	15.7%	14.2%	16.0%	14.8%	15.3%
Adjustments: - amortisation of intangible assets included in PPA	(28.4)	(28.4)	(28.5)	(28.5)	(28.4)	(28.4)	(28.4)	(28.4)	(113.7)	(113.7)
- non-recurring, restructuring expenses and other	(7.5)	(43.0)	(12.0)	(28.9)	(16.5)	(15.3)	(36.6)	(37.8)	(72.6)	(125.0)
<b>EBIT</b>	<b>192.6</b>	97.4	<b>212.6</b>	151.2	<b>227.0</b>	177.7	<b>159.3</b>	150.8	<b>791.5</b>	577.1
<i>% of net sales</i>	12.7%	7.8%	12.7%	11.5%	12.4%	12.6%	10.1%	11.2%	12.0%	10.8%
Net income/(loss) from equity investments	0.8	(0.1)	1.5	2.1	0.8	(0.4)	2.7	2.4	5.8	4.0
Financial income/(expenses)	(43.6)	(40.0)	(46.0)	(31.8)	(55.5)	(35.1)	(56.6)	(37.4)	(201.7)	(144.3)
<b>Net income/(loss) before taxes</b>	<b>149.8</b>	57.3	<b>168.1</b>	121.5	<b>172.3</b>	142.2	<b>105.4</b>	115.8	<b>595.6</b>	436.8
Taxes	(40.0)	(15.1)	(44.9)	(32.1)	(46.0)	(37.6)	(28.8)	(30.4)	(159.7)	(115.2)
Tax rate %	26.7%	26.4%	26.7%	26.4%	26.7%	26.4%	27.3%	26.3%	26.8%	26.4%
<b>Net income/(loss)</b>	<b>109.8</b>	42.2	<b>123.2</b>	89.4	<b>126.3</b>	104.6	<b>76.6</b>	85.4	<b>435.9</b>	321.6

\* before exchange rate effect and hyperinflation in Argentina and Turkey.

**Net sales** amounted to euro 6,615.7 million, an increase of +24.1% compared to 2021, +18.7% excluding the combined impact of the exchange rate effect and the adoption of hyperinflation accounting in Argentina and Turkey (totalling +5.4%).

**High Value sales** were confirmed at 71% of total revenues for the Group.



The following table shows the **market drivers for net sales performance** compared to the same periods of the previous year:

	2022				
	1Q	2Q	3Q	4Q	Total year
Volume	-1.4%	-0.6%	1.8%	-3.8%	-1.0%
of which:					
- High Value	5.8%	5.7%	8.2%	1.6%	4.7%
- Standard	-9.7%	-7.9%	-5.7%	-8.8%	-6.3%
Price/mix	20.4%	20.4%	19.4%	18.6%	19.7%
<b>Change on a like-for-like basis</b>	<b>19.0%</b>	<b>19.8%</b>	<b>21.2%</b>	<b>14.8%</b>	<b>18.7%</b>
Exchange rate effect /Hyperinflation accounting in Argentina and Turkey	3.2%	7.1%	8.6%	2.2%	5.4%
<b>Total change</b>	<b>22.2%</b>	<b>26.9%</b>	<b>29.8%</b>	<b>17.0%</b>	<b>24.1%</b>

Volumes declined slightly (-1%), reflecting the weakness in demand during the final quarter of the year. The trend was different for High Value (Car and Motorcycle) with volumes increasing by +4.7%, while for the Standard segment Pirelli reported a decrease of -6.3%.

More specifically for **Car**, Pirelli recorded stable volumes compared to 2021, against a market decline of -1.7%:

- **Car ≥18"** volumes grew by +7.6%, compared to +5.4% for the market with a stronger positioning for the Replacement channel (+6.8% for Pirelli volumes compared to +3.1% for the market), particularly in North America and APAC. Volumes increased for the Original Equipment channel (+8.5%, with market growth at +8.9%), where Pirelli has continued its selectivity strategy, with its increased focus on higher tyre rim diameters (≥19") and new technologies (EV);
- reduced exposure to **Car ≤17"** (-9.2% for Pirelli volumes, compared to -3.4% for the market). For the Replacement channel (-4.7% compared, to -5.0% for the market), the increased focus on the product mix continued in favour of higher rim diameters (16" and 17"). The trend for Original Equipment (-22.6% compared, to +2.2% for the market), reflected both the increased selectivity for this channel and the impact of the Russian crisis, following the freeze on automobile production by the main OEMs (Original Equipment Manufacturers).

For the **fourth quarter**, Pirelli reported a -3.8% decrease in overall volumes (Car and Motorcycle), which reflected the aforementioned slowdown in market demand. More specifically, Car volumes declined by -7.1%, consistent with the drop in market demand mainly due to the general slowdown in automobile production, the lockdowns in China and the delayed start of the winter campaign in Europe. In this context, Pirelli outperformed in the **Car ≥18"** segment (+1.9% compared to +0.7% for the market), particularly for the Original Equipment channel (+8.5% compared to +6.7% for the market), while Replacement channel performance (-3.5%) was consistent with that of the market but with gains in market share for ≥19" tyres.

Pirelli volumes for **Car ≤17"** declined for the **fourth quarter** by -18.5% (-9.1% for the market), with a -17.8% decline for the Original Equipment channel (-2.0% for the market) and -18.7% for the Replacement channel (-11.2% for the market), due to reduced exposure for this channel (limited mainly to Russia and South America) and to greater selectivity.

The trend for **Motorcycle volumes** was negative (-6.8 % for volumes for 2021, -4% for the fourth quarter), due to the decline in Standard sales.

The **price/mix** which sharply improved during 2022 (+19.7%) was supported by:

- price increases in all regions to counter rising inflation in the costs of production factors;
- an improved product mix, this latter linked to the gradual conversion from Standard to High Value, and to the improved micro-mix within both segments.

**Price/mix** for the **fourth quarter** equalled +18.6%, slightly lower than for previous quarters (+20.4% for the price/mix for the first and second quarters, +19.4% for the third quarter), thanks to a solid price discipline and to the aforementioned improvement in the product mix, which more than offset the trend for the channel mix which was linked to the aforementioned outperformance by the Original Equipment channel, compared to the Replacement channel.

The positive impact of the **exchange rate effect** (+5.4% for 2022, +2.2% for the fourth quarter), reflected the appreciation of the main currencies against the euro (+12% for the US dollar, +7% for the Chinese renminbi, +17% for the Brazilian real and +22% for the Russian rouble, for 2022).

The performance for **net sales according to geographical region** was as follows:

(in millions of euro)

	2022				2021
		%	yoy	Organic YoY*	%
Europe and Turkey	2,441.6	36.9%	18.6%	19.0%	38.6%
North America	1,592.1	24.1%	39.0%	26.9%	21.5%
APAC	1,093.1	16.5%	7.3%	0.9%	19.1%
South America	902.2	13.6%	35.2%	27.7%	12.5%
Russia, Nordics and MEAI	586.7	8.9%	33.1%	23.8%	8.3%
<b>Total</b>	<b>6,615.7</b>	<b>100.0%</b>	<b>24.1%</b>	<b>18.7%</b>	<b>100.0%</b>

\* before exchange rate effect and hyperinflation in Argentina and Turkey.

**EBITDA adjusted** amounted to euro 1,408.3 million (euro 1,210.7 million for 2021), with a margin of 21.3% (22.7% for 2021), which reflected the dynamics described in the following paragraph in terms of EBIT adjusted.

**EBIT adjusted** for 2022 amounted euro 977.8 million (euro 815.8 million for 2021), with an EBIT margin adjusted of 14.8% (15.3% for 2021). The contribution of internal levers (price/mix and efficiencies), more than offset the negativity of the external scenario.

More specifically, the growth in EBIT adjusted reflected:

- the positive contribution of the **price/mix** (euro +890.7 million) and **structural efficiencies** (euro +136.0 million), which more than offset the **decline in volumes** (euro -21.8 million) due to the weakness in market demand during the fourth quarter, the increase in the cost of **raw materials** (euro -491.5 million), the negative impact of **inflation in the costs of production factors** (euro -327.4 million), the **increased depreciation and amortisation** (euro -30.0 million) and the increase in **other costs** (euro -24.7 million, the latter concentrated in the third quarter);
- the **positive impact of the exchange rate effect** to the amount of euro 30.7 million, but with a dilutive impact on margins.

For the **fourth quarter EBIT adjusted** amounted to euro 224.3 million, an increase compared to euro 217.0 million for the fourth quarter of 2021, thanks to internal levers, whose contribution more than offset the negativity of the external scenario (a decline in demand, raw materials and inflation), as shown in the table below. The **EBIT margin adjusted** which stood at 14.2%, had decreased compared to the fourth quarter of 2021 and previous quarters, due to the aforementioned drop in demand and the increased impact of inflation in the costs of production factors, (mainly energy and transport costs following the renewal of contracts), compared to previous quarters.

	1Q	2Q	3Q	4Q	TOTAL YEAR
<b>2021 EBIT adjusted</b>	<b>168.8</b>	<b>208.6</b>	<b>221.4</b>	<b>217.0</b>	<b>815.8</b>
<b>- Internal levers:</b>					
Volumes	(7.4)	(3.5)	11.0	(21.9)	(21.8)
Price/mix	206.2	229.2	242.0	213.3	890.7
Amortisation and depreciation	(4.8)	(4.7)	(10.3)	(10.2)	(30.0)
Efficiencies	28.6	23.1	33.9	50.4	136.0
Other	4.3	(5.4)	(23.8)	0.2	(24.7)
<b>- External levers:</b>					
Cost of production factors (commodities)	(119.9)	(116.1)	(128.7)	(126.8)	(491.5)
Cost of production factors (labour/energy/other)	(53.3)	(87.6)	(85.8)	(100.7)	(327.4)
Exchange rate effect	6.0	9.5	12.2	3.0	30.7
<b>Total change</b>	<b>59.7</b>	<b>44.5</b>	<b>50.5</b>	<b>7.3</b>	<b>162.0</b>
<b>2022 EBIT adjusted</b>	<b>228.5</b>	<b>253.1</b>	<b>271.9</b>	<b>224.3</b>	<b>977.8</b>

**EBIT** amounted to euro 791.5 million (euro 577.1 million for 2021), and included the amortisation of intangible assets identified in the PPA to the amount of euro 113.7 million, consistent with 2021, and one-off, non-recurring and restructuring expenses and other expenses (including the depreciation and amortisation of tangible and intangible fixed assets) to the amount of euro 72.6 million, a sharp decrease compared to the figure for 2021 (euro 125.0 million, which reflected costs relative to the transfer of production in Brazil from the Gravatai factory to the Campinas factory, and costs relative to structural rationalisation plans).

**Net income/(loss) from equity investments** amounted to an income of euro 5.8 million, (euro 4.0 million for 2021).

**Net financial expenses** for 2022 amounted to euro 201.7 million compared to euro 144.3 million for 2021.

The changed market conditions and the interventions by central banks were reflected in the cost of debt, which at December 31, 2022, calculated as the average over the last twelve months, had increased to 4.04% compared to 2.38% at December 31, 2021. This increase reflected the rise in interest rates and costs in particular, which reflected the scarceness of liquidity in the financial markets for the hedging of risk in Brazil and Russia. Net of this effect, the average cost of debt would have stood at 3.49%. This increase was partially offset by a reduction in the financial expenses of the Parent Company, thanks to an improvement in the contractually agreed financial terms for the reduction of the Group's financial leverage.

**Taxes** for 2022 amounted to euro 159.7 million against a net income before taxes of euro 595.6 million, with a tax rate of 26.8%. In 2021, taxes had amounted to euro -115.2 million against a net income before taxes of euro 436.8 million (a tax rate of 26.4%).

**Net income/(loss)** amounted to an income of euro 435.9 million, an increase of +35.5% compared to an income of euro 321.6 million for 2021. This dynamic mainly reflected the improvement in operating performance.

**Net income/(loss) adjusted** amounted to an income of euro 570.4 million, compared to an income of euro 468.8 million for 2021. The following table shows the calculations:

(in millions of euro)

	2022	2021
<b>Net income/(loss)</b>	<b>435.9</b>	<b>321.6</b>
Amortisation of intangible assets included in PPA	113.7	113.7
One-off, non-recurring and restructuring expenses	72.6	120.3
Retention plan	-	4.7
Taxes	(51.8)	(91.5)
<b>Net income/(loss) adjusted</b>	<b>570.4</b>	<b>468.8</b>

**Net income/(loss) attributable to the owners of the Parent Company** amounted to an income of euro 417.8 million, compared to an income of euro 302.8 million for 2021.

**Equity** went from euro 5,042.6 million at December 31, 2021 to euro 5,453.8 million at December 31, 2022.

**Equity attributable to the owners of the Parent Company** at December 31, 2022 equalled euro 5,323.8 million, compared to euro 4,908.1 million at December 31, 2021.

This change is shown in the table below:

(in millions of euro)

	Group	Non-controlling interests	Total
<b>Equity at 12/31/2021</b>	<b>4,908.1</b>	<b>134.5</b>	<b>5,042.6</b>
Translation differences	54.8	1.8	56.6
Net income/(loss)	417.8	18.1	435.9
Fair value adjustment of financial assets / derivative instruments	34.2	-	34.2
Actuarial gains/(losses) on employee benefits	(20.2)	-	(20.2)
Dividends approved	(161.0)	(24.4)	(185.4)
Effect of hyperinflation in Turkey	16.9	-	16.9
Effect of hyperinflation in Argentina	72.1	-	72.1
Other	1.1	-	1.1
<b>Total changes</b>	<b>415.7</b>	<b>(4.5)</b>	<b>411.2</b>
<b>Equity at 12/31/2022</b>	<b>5,323.8</b>	<b>130.0</b>	<b>5,453.8</b>

The table below shows the **reconciliation between the equity of the Parent Company and the consolidated equity** attributable to the Owners of the Parent Company:

(in millions of euro)

	Share Capital	Treasury reserves	Net income/(loss)	Total
<b>Equity of Pirelli &amp; C. S.p.A. at 12/31/2022</b>	<b>1,904.4</b>	<b>2,781.1</b>	<b>252.5</b>	<b>4,938.0</b>
Net income/(loss) of consolidated companies (before consolidation adjustments)	-	-	438.8	438.8
Share capital and reserves of consolidated companies (before consolidation adjustments)	-	4,552.7	-	4,552.7
Consolidation adjustments:				
- carrying amount of equity investments in consolidated companies	-	(4,636.6)	-	(4,636.6)
- intragroup dividends	-	306.8	(306.8)	-
- other	-	(2.4)	33.3	30.9
<b>Consolidated equity of the Group at 12/31/2022</b>	<b>1,904.4</b>	<b>3,001.6</b>	<b>417.8</b>	<b>5,323.8</b>

**Net financial position** showed a debt of euro 2,552.6 million, compared to a debt of euro 2,907.1 million at December 31, 2021. It was composed as follows:

(in millions of euro)

	12/31/2022	12/31/2021
Current borrowings from banks and other financial institutions	800.4	1,489.2
- of which lease liabilities	89.0	91.6
Current derivative financial instruments (liabilities)	15.0	10.3
Non-current borrowings from banks and other financial institutions	3,690.1	3,789.4
- of which lease liabilities	396.5	412.8
Non-current derivative financial instruments (liabilities)	-	3.5
<b>Total gross debt</b>	<b>4,505.5</b>	<b>5,292.4</b>
Cash and cash equivalents	(1,289.7)	(1,884.7)
Other financial assets at fair value through Income Statement	(246.9)	(113.9)
Current financial receivables **	(270.9)	(81.8)
Current derivative financial instruments (assets)	(14.2)	(38.8)
<b>Net financial debt *</b>	<b>2,683.8</b>	<b>3,173.2</b>
Non-current derivative financial instruments (assets)	(26.4)	(4.6)
Non-current financial receivables **	(104.8)	(261.5)
<b>Total net financial (liquidity) / debt position</b>	<b>2,552.6</b>	<b>2,907.1</b>

\* Pursuant to CONSOB Notice of July 28, 2006 and in compliance with the ESMA guidelines regarding disclosure requirements pursuant to the Prospectus Regulation applicable from May 5, 2021.  
 \*\* The item "financial receivables" is reported net of the relative provisions for impairment which amounted to euro 10.5 million at December 31, 2022 (euro 9.3 million at December 31, 2021).

The **structure of gross debt** which amounted to euro 4,505.5 million, was as follows:

(in millions of euro)

	12/31/22	Maturity date					
		within 1 year	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	more than 5 years
Convertible bond	470.5	-	-	470.5	-	-	-
Schuldschein	242.6	222.6	-	20.0	-	-	-
Bilateral facilities	723.8	124.9	598.9	-	-	-	-
Bilateral EUR 400m ESG 2021 3y facility	399.2	-	399.2	-	-	-	-
Club Deal EUR 1.6bn ESG 2022 5y	597.6	-	-	-	-	597.6	-
Club Deal EUR 400m ESG 2022 19m	399.7	-	399.7	-	-	-	-
Club Deal EUR 800m ESG 2020 5y	797.2	-	-	797.2	-	-	-
Bank debt held by subsidiaries	324.1	313.6	10.5	-	-	-	-
Other financial debt	65.3	65.3	-	-	-	-	-
Lease liabilities	485.5	89.0	77.3	66.1	50.8	46.9	155.4
<b>Total gross debt</b>	<b>4,505.5</b>	<b>815.4</b>	<b>1,485.6</b>	<b>1,353.8</b>	<b>50.8</b>	<b>644.5</b>	<b>155.4</b>
		18.1%	33.0%	30.0%	1.1%	14.3%	3.5%

At December 31, 2022 the Group had a liquidity margin equal to euro 2,536.6 million, composed of euro 1,000.0 million in the form of non-utilised committed credit facilities, and euro 1,289.7 million in cash and cash equivalents, in addition to financial assets at fair value through the Income Statement to the amount of euro 246.9 million. The liquidity margin guarantees coverage for maturities for borrowings from banks and other financial institutions, until the end of the first quarter of 2025.

Net cash flow for the 2022 financial year can be summarised as follows:

(in millions of euro)

	1Q		2Q		3Q		4Q		TOTAL	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
EBIT adjusted	228.5	168.8	253.1	208.6	271.9	221.4	224.3	217.0	977.8	815.8
Amortisation and depreciation (excluding PPA amortisation)	104.6	97.7	109.1	98.8	112.0	98.7	104.8	99.7	430.5	394.9
Investments in intangible and owned tangible assets (CapEx)	(48.6)	(89.8)	(67.1)	(63.0)	(73.0)	(60.5)	(209.0)	(132.3)	(397.7)	(345.6)
Increases in right of use	(8.1)	(26.7)	(33.2)	(23.2)	(9.2)	(9.7)	(29.2)	(62.8)	(79.7)	(122.4)
Change in working capital and other	(841.6)	(717.2)	138.6	73.3	(49.6)	(61.7)	830.5	756.5	77.9	50.9
<b>Operating net cash flow</b>	<b>(565.2)</b>	<b>(567.2)</b>	<b>400.5</b>	<b>294.5</b>	<b>252.1</b>	<b>188.2</b>	<b>921.4</b>	<b>878.1</b>	<b>1,008.8</b>	<b>793.6</b>
Financial income / (expenses)	(43.6)	(40.0)	(46.0)	(31.8)	(55.5)	(35.1)	(56.6)	(37.4)	(201.7)	(144.3)
Taxes paid	(32.9)	(37.1)	(71.5)	(34.9)	(46.8)	(26.8)	(54.3)	(26.8)	(205.5)	(125.6)
Cash-out for non-recurring, restructuring expenses and other	(23.6)	(28.9)	(11.9)	(40.4)	(11.0)	(33.4)	(11.8)	(19.0)	(58.3)	(121.7)
Dividends paid to minority shareholders	-	-	(24.4)	-	(0.2)	-	0.2	-	(24.4)	-
Differences from foreign currency translation and other	(7.6)	15.9	(37.5)	(14.9)	1.9	11.4	39.8	13.0	(3.4)	25.4
<b>Net cash flow before dividends, extraordinary transactions and investments</b>	<b>(672.9)</b>	<b>(657.3)</b>	<b>209.2</b>	<b>172.5</b>	<b>140.5</b>	<b>104.3</b>	<b>838.7</b>	<b>807.9</b>	<b>515.5</b>	<b>427.4</b>
(Acquisition) / Disposals of investments	-	3.8	-	-	-	-	-	-	-	3.8
<b>Net cash flow before dividends paid by the Parent Company</b>	<b>(672.9)</b>	<b>(653.5)</b>	<b>209.2</b>	<b>172.5</b>	<b>140.5</b>	<b>104.3</b>	<b>838.7</b>	<b>807.9</b>	<b>515.5</b>	<b>431.2</b>
Dividends paid by the Parent Company	-	-	(159.9)	(79.3)	(0.3)	(0.5)	(0.8)	(0.1)	(161.0)	(79.9)
<b>Net cash flow</b>	<b>(672.9)</b>	<b>(653.5)</b>	<b>49.3</b>	<b>93.2</b>	<b>140.2</b>	<b>103.8</b>	<b>837.9</b>	<b>807.8</b>	<b>354.5</b>	<b>351.3</b>

**Net cash flow before dividends paid by the Parent Company** amounted to euro 515.5 million, compared to a cash flow of euro 431.2 million for 2021. **Operating net cash flow** had increased significantly and was positive to the amount of euro 1,008.8 million (euro 793.6 million for 2021), and which reflected:

- the improved operating performance (EBITDA adjusted for the 2022 financial year to the amount of euro 1,048.3 million, compared to euro 1,210.7 million for the 2021 financial year);
- investments in property, plant and equipment and intangible assets to the amount of euro 397.7 million for 2022 (compared to euro 345.6 million for 2021), aimed mainly at High Value activities and at the constant improvement of the mix and quality in all factories. The figure for capital expenditure was significant for the fourth quarter of 2022, compared to the same period of the previous year (euro 209.0 million in 2022 compared to euro 132.3 million in 2021), impacted by the rescheduling and geographical reallocation of investment projects carried out during the course of the year as a result of the changed external environment, as well as delays in the delivery of some machinery during the first nine months of the year, due to the lack of availability of electronic components;
- the decrease in the value of the right of use to the amount of euro 42.7 million associated with the new lease agreements (euro 79.7 million for 2022 compared to euro 122.4 million for 2021);
- the improvement in the management of “*working capital and other*” which was the result of:
  - the careful management of inventories (22.0% of revenues) which decreased by approximately 1 percentage point for the fourth quarter of 2022, thanks to the normalisation of raw materials inventories whose impact had increased by more than 2 percentage points during the first nine months of the year, due to inflation and measures to contain supply chain risks. Finished product inventories were stable (16% of revenues, which was substantially unchanged from the figure at December 31, 2021);

- the trend in trade payables saw a slight decline in terms of their impact on revenues compared to the previous year (29.8% of revenues at December 31, 2022 compared to 30.5% at December 31, 2021), which reflected the impact of the high level of investments during the fourth quarter of 2022, and the reduction in raw material inventories during the same period;
- the reduction in trade receivables following the slowdown in sales growth during the fourth quarter, (9.6% of revenues for 2022 compared to 12.4% for 2021). This decrease compared to the figure at September 30, 2022 (18.3% of sales), was mainly due to the usual seasonality of business during the final quarter of the year.

Of note was the significant reduction in cash-out for non-recurring and restructuring expenses to the amount of euro 63.4 million (euro -58.3 million for 2022 compared to euro -121.7 million for 2021), which mitigated the effects:

- of increased financial expenses (euro -201.7 million for 2022 compared, to euro -144.3 million for 2021);
- of increased taxes (euro -205.5 million for 2022 compared to euro -125.6 million for 2021);
- of dividends paid to minority shareholders to the amount of euro 24.4 million in 2022 (no dividends were paid in 2021);
- of differences from foreign currency translation and other to the amount of euro -3.4 million (euro +25.4 million for 2021).

**Net cash flow before dividends paid by the Parent Company** for the fourth quarter of 2022 amounted to euro 838.7 million, an improvement of euro 30.8 million compared to euro 807.9 million for the corresponding period of the previous year, thanks to the trend in operating net cash flow.

## RESEARCH AND DEVELOPMENT

Research and Development plays a central role at Pirelli. The activity, which involves approximately 2,000 people, (equal to approximately 7% of the total employee headcount of the Group) between the Milan headquarters and its twelve technology centres located all over the world, is based on an “Open Innovation” model, that involves external partners - suppliers, universities and the vehicle manufacturers themselves - in order to anticipate the sector’s technological innovations and meet the needs of the end consumer. Central to Pirelli’s innovation strategy is the Eco & Safety Design approach, which aims to maximise its environmental performance and at the same time safety for people, by embracing the entire life cycle of the product with a view to a circular economy.

A part of this, is the collaboration between Pirelli and the Milan Polytechnic which continued during the course of 2022,

and which involved the integrated use of the university’s dynamic simulator with the static simulator at Pirelli’s Milan R&D centre, for virtual tyre development activities which are fundamental to Pirelli’s Eco & Safety strategy.

**Research and Development expenses for the 2022 financial year totalled euro 264 million, (4% of net sales), of which euro 247 million was earmarked for High Value activities (5.3% of High Value revenues).**

The development of CYBER™ technologies also continued, which, thanks to sensor technology inside the tyre, will contribute in making essential information available in order to improve vehicle performance and driving safety. The Pirelli Cyber Tyre system, consisting of a sensor in each tyre and software integrated into the car’s electronics, was mounted for the first time in the world on the McLaren Artura in 2021.

March saw the start of production for cycling tyres at the Pirelli plant in Bollate, which is now the only factory to produce “Made in Italy” bicycle tyres on an industrial scale. This factory is in fact dedicated to the production of high-tech tyres, designed both for amateurs and for the athletes from some of the top UCI cycling teams, including Trek-Segafredo, AG2R Citroën, and from the MTB teams such as Wilier Triestina-Pirelli, all of which are already Pirelli’s partners and who play an active role in tyre development. The Bollate factory is unique in this sector in terms of the innovative processes developed in the fields of compound creation (continuous mixing), extrusion and robotisation.

### INNOVATION IN PRODUCTS, MATERIALS AND PRODUCTION PROCESSES

During the course of 2022, collaborations continued with the major manufacturers of Premium and Prestige vehicles continued.

In the Prestige segment, where Pirelli is the absolute leader with an Original Equipment market share of more than 50%, several innovations were introduced;

- the **P Zero Trofeo R** for the Lamborghini Urus Performante, which conquered the Pikes Peak International Hill Climb, setting a record time for the category;
- the **P Zero Corsa** for the Utopia, Pagani’s most recent hypercar, which was unveiled at the Leonardo da Vinci National Museum of Science and Technology in Milan;
- the **P Zero** and **Scorpion Zero All Seasons** for the powerful Aston Martin DBX707 SUV.

Lastly, for the first time in its history, a Porsche 911 - the Dakar, a reinterpretation of the coupé in an all-terrain version with technical characteristics that make it suitable for going off-road - has been fitted with a Pirelli off-road tyre as Original Equipment: the Scorpion All Terrain Plus which is designed for the most demanding off-road conditions.

For the Premium segment, however, the special relationship



with companies such as Alfa Romeo, Audi, BMW, Mercedes, Jaguar, Land Rover and Ford continued. In 2022, for example, the P Zero tyres were developed in conjunction with the new Alfa Romeo Tonale, Alfa Romeo's first ordinary production electric vehicle.

In 2022, Pirelli, as part of the renewal of the Scorpion range, dedicated to Sports Utility Vehicles (SUV), launched:

- the **Pirelli Scorpion**, a safe and quiet summer tyre dedicated to the new sustainable mobility with an asymmetric tread pattern which, thanks to greater rigidity and to the configuration of the longitudinal and lateral tread recesses, allows for improved braking on both dry (+7%) and wet (+7%) surfaces compared to the previous product. The more homogeneous footprint of the new tread also reduces rolling resistance and consequently fuel consumption, or battery consumption for an electric vehicle. The compound for the new Scorpion, developed using a process patented by Pirelli, and derived from its motorsport experience, contains a new generation synthetic rubber, and has the ability to change behaviour according to operating temperatures.
- the **Scorpion All Season SF2**, a tyre that boasts excellent performance even in winter conditions, as certified by the tests required by European regulations. The directional design of the Scorpion All Season SF2's tread pattern allows the tyre to trap snow, which improves vehicle control on snow-covered surfaces, and to shed water in rainy situations and maintain constant contact with the ground. When driving in wintery conditions and in low temperatures, the tread sipes remain open to promote better braking on snow, while when braking in dry or wet conditions, they close to generate more grip on the road surface. The tread compound is characterised by innovative components, including bi-phase polymeric materials bonded to silica particles: a solution which also guarantees - in addition to mobility at low temperatures - low rolling resistance, resulting in lower fuel consumption and/or longer battery life.
- the **Scorpion Winter 2** tyre features a tread with variable "extendable" geometrical sipes which, thanks to their 3D structure, change shape according to the state of wear of the tread, allowing it to perform on snowy, wet and dry surfaces even when worn, and to last longer than the previous product. In total, there are approximately 51 metres of siping which promote greater grip on snowy terrain, with a +20% increase in the tyre surface area useful for grip on the snow, compared to the previous Scorpion.

Presented in the Motorbike field were:

- the **DIABLO ROSSO IV Corsa**, a high performance hypersport product from the DIABLO ROSSO family, the latter being voted in 2022 as the best supersport tyre on the market by German *MOTORRAD* magazine. Thanks to a bi-compound pattern for the front and rear, to a slicker tread pattern compared to DIABLO ROSSO IV, and to racing-derived technologies applied to its profiles and structures, the new tyre delivers better grip, precise feedback and consistent performance even at high speeds.

For Cycling, Pirelli presented several new product lines:

- the **P ZERO Race 4S**, the four-season version of the P ZERO clincher, characterised by the SmartEVO compound designed to provide high levels of performance in terms of grip, conditions of use, rolling resistance and reactivity of the tyre, even in colder climates;
- the **P ZERO Race 150°**, a special version of the racing clincher dedicated to the Company's 150th Anniversary;
- the **Scorpion Enduro** and **Scorpion E-MTB**, from the enduro and longer distance range, which were updated to allow for an even broader and more complete use. In addition to the new design and the new SmartGRIP Gravity compound, for the Enduro the ProWALL casing option was added, which is lighter and more pedal-friendly, with the sidewalls reinforced with a nylon fabric;
- the **Cinturato Gravel RC**, the tubeless tyre which is ready for gravel competitions, and which is fast and highly resistant to punctures;
- the **ANGEL URBAN**, for bicycles and e-bikes, developed in three models dedicated to urban mobility, travel and trekking, with motorcycle derived technologies. The HyperBELT reinforcement specifically designed for metropolitan and extra-urban use, ensures excellent protection against punctures;
- the **Cinturato Gravel S**, the tyre with the most off-road tread in the range, and which is highly sculpted for those who use their bikes on roads, gravel tracks and demanding terrain;
- the **Scorpion Race**, for Gravity Racing, Enduro and Downhill, developed in collaboration with multi-time Downhill World Champion, Fabien Barel. These tyres feature four different tread patterns and two different diameters, to tackle any track in race competition set-ups. The SmartEVO DH compound, derived from Pirelli's Motorsport technology, is super-soft and formulated to provide maximum performance and control in all riding situations. Two types of casing also offer the most appropriate support depending on the specific use.

## COMMITMENT TO MOTORSPORTS

In the history of Pirelli, motorsport has always played a major role. The Company has been involved in competitions for 115 years, starting with the feat achieved in 1907 by Prince Scipione Borghese, who won the Paris-Beijing motor race in an Itala fitted with Pirelli tyres. Today, there are more than 350 competitions in which Pirelli participates each year, and 2022 was particularly relevant in terms of technical innovations. The introduction of 18 inch tyres in the FIA Formula 1 World Championship, the tyres made for hybrid cars in the FIA World Rally Championship and a new range of cross-class products made for GT racing. Thanks to its commitment to sustainability in Motorsport, Pirelli was the first and only tyre manufacturer in the world to have been awarded Three Star Certification from the Environmental Accreditation Programme promoted by the FIA.

Formula 1, which has seen the presence of Pirelli since the start of the World Championship in 1950 and in the role of Global Tyre Partner since 2011 which has been confirmed until 2024, has introduced a technological revolution. After more than half a century, tyres went from 13 to 18 inches. The change in size involved all elements of the tyre, from profiles to structure to compounds, with a wider window of use. The design required more than 10,000 hours of indoor testing, more than 5,000 hours of simulation and more than 70 solutions which were developed virtually, and which lead to the 30 specifications being tested by almost all the teams, over a total of more than 20,000 kilometres. The 18 inch tyres are more similar to the those used daily by drivers around the world. This will give Pirelli the opportunity to better transfer all the technologies derived from Formula 1 to road products.

Pirelli has also been present in rally racing since the inaugural season of the World Championship in 1973 and in the role of sole tyre supplier from 2021 to 2024. Technological evolution during the 2022 season was particularly marked by the introduction of the new hybrid engines for the WRC cars. Pirelli developed the full range of P ZERO, Scorpion and Sottozero tyres to cope with the extra weight and increased power of the new WRC1 cars. Also launched was the P7 Corsa D3B, the latest product development for classic Group A cars (up to 1990).

In Gran Turismo, a single family of tyres, the P ZERO DHF, was designed to cover the specific needs of all GT racing classes (GT2, GT3 and GT4). Even the mono-brand championships - Ferrari, Lamborghini and McLaren - have used the upgraded products and in 2022 the TRANS-AM series stopped using 16 inch tyres in order to switch to 18 inches.

In 2022, Pirelli continued its commitment in the role of Official Tyre Supplier for all classes of the MOTUL FIM Superbike World Championship. This technical partnership,

which began in 2004, can claim the record for the longest running single tyre brand ever in the history of international motor sport, and which has been continually sustained by intense research and development work. Since 2004, Pirelli has provided a total of more than 1 million racing tyres for the Superbike circuits, with the development of 750 new solutions during the period of collaboration stipulated in the contract. The most important novelty for 2022, was the debut of the new extra-soft SCQ compound, a formula designed for use in sprint and time attack competitions.

In Motocross Pirelli has won 79 world titles, winning the world titles in the three maximum classes: MXGP, MX2 and WMX (the FIM Women's Motocross World Championship).

In the field of cycling, for 2022 Pirelli added to the reconfirmation of its agreements with the top UCI teams, with the partnership with another World Tour team, the UAE Team Emirates, which benefits from a high-profile roster, including Tadej Pogacar. The partnership also includes Colnago for the first time, which will be equipping its product range with Pirelli in the near future. This partnership with the teams is also and above all aimed at product evolution, for a constant exchange of feedback on the tyres and the continuous improvement in their performance, thanks to the suggestions of the athletes. Pirelli also launched a new project in the world of Gravity racing: the CANYON CLLCTV PIRELLI international DH team. The team will race in the most important trials of the sport, and has set its sights on the top 10 in the major events such as the Downhill World Cup.

For further information on the sustainability aspects of products - for Motorsport also - and on new materials, reference should be made to the section of the Annual Report entitled *"Report on Responsible Value Chain Management"*, which constitutes the Company's consolidated non-financial Declaration pursuant to Legislative Decree No. 254/2016.

# PARENT COMPANY HIGHLIGHTS

The table below shows a summary of the main **Income Statement and Statement of Financial Position figures**:

(in millions of euro)

	12/31/22	12/31/21
Operating income/(loss)	(3.7)	(19.6)
Financial income/(expenses)	(37.9)	(46.0)
Net income/(loss) from equity investments	277.3	230.3
Taxes	16.8	51.9
<b>Net income/(loss)</b>	<b>252.5</b>	<b>216.6</b>
Financial assets	4,677.3	4,693.6
Net Equity	4,938.0	4,813.1
Net Financial Position	1,451.6	1,694.6

**Operating income/(loss)** of the Parent company amounted to a loss of euro 3.7 million, compared to a loss of euro 19.6 million for 2021. This improvement was mainly attributable to the increase in royalties accrued from companies of the Group for the use of the trademark, due to increased sales.

**Net financial expenses** amounted to euro 37.9 million, compared to euro 46 million for the previous financial year. This reduction reflected the improved financial terms of the financing contracts, due mainly to the Company's deleverage plan.

**Net income/(loss) from equity investments** amounted to an income of euro 277.3 million, compared to an income of euro 230.3 million for the previous financial year. This increase was essentially attributable to higher dividends distributed by the subsidiary Pirelli Tyre S.p.A. (euro 300 million in 2022 compared to euro 220 million in 2021).

**Taxes** for 2022 were positive to the amount of euro 16.8 million, compared to the positive amount of euro 51.9 million for 2021.

The following is a summary of the values of the main **financial assets**:

(in millions of euro)

	12/31/22	12/31/21
<b>Investments in subsidiaries</b>		
- Pirelli Tyre S.p.A.	4,528.2	4,528.2
- Pirelli Ltda.	8.4	8.4
- Pirelli Uk Ltd.	-	7.9
- Pirelli Group Reinsurance Company S.A.	6.3	6.3
- Pirelli Servizi Amministrazione e Tesoreria S.p.A.	3.2	3.2
- Pirelli International Treasury S.p.A.	75.0	75.0
- Other companies	3.4	3.4
<b>Total equity investments in subsidiaries</b>	<b>4,624.5</b>	<b>4,632.4</b>
<b>Investments in associates and other financial assets at fair value through Other Comprehensive Income</b>		
- Eurostazioni S.p.A. - Roma	6.3	6.3
- RCS MediaGroup S.p.A. - Milano	16.6	21.9
- Fin. Priv S.r.l.	18.9	21.2
- Fondo Comune di Investimento Immobiliare Anastasia	1.8	2.8
- Istituto Europeo di Oncologia S.r.l.	8.1	8.0
- Other	1.1	1.0
<b>Total investments in associates and other financial assets at fair value through Other Comprehensive Income</b>	<b>52.8</b>	<b>61.2</b>
<b>Total financial assets</b>	<b>4,677.3</b>	<b>4,693.6</b>

**Equity** went from euro 4,813.1 million at December 31, 2021 to euro 4,938.0 million at December 31, 2022, as detailed below:

(in millions of euro)

<b>Equity at 12/31/2021</b>	<b>4,813.1</b>
Net income/(loss) for the financial year	252.5
Dividends approved	(161.0)
Other components of Comprehensive Income	33.4
<b>Equity at 12/31/2022</b>	<b>4,938.0</b>

The table below shows the **composition of equity**:

(in millions of euro)

	12/31/2022	12/31/2021
Share capital	1,904.4	1,904.4
Legal reserve	380.9	380.9
Share premium reserve	630.4	630.4
Concentration reserve	12.5	12.5
Merger reserve	1,022.9	1,022.9
Other reserves	133.7	133.7
Other O.C.I. reserves	40.9	7.5
Retained earnings reserve	559.8	504.2
Net income/(loss) for the financial year	252.5	216.6
<b>Total Equity</b>	<b>4,938.0</b>	<b>4,813.1</b>

## RISK FACTORS AND UNCERTAINTY

The uncertainty of the macroeconomic environment, the instability of the financial markets, the complexity of management processes and continuous regulatory changes, demands the capacity to protect and maximise the tangible and intangible sources of value which characterise the Company's business model. Pirelli has adopted a proactive risk governance model, which through the systematic identification, analysis and assessment of risk areas, provides the Board of Directors and Management with the instruments needed to anticipate and manage the effects of such risks. The Pirelli Risk Model systematically assesses three categories of risks:

### 1. External Risks

Risks whose occurrence is outside the sphere of influence of the Company. This category includes risks related to macroeconomic trends, to the evolution of demand, to competitor strategies, to technological innovation, to the introduction of new regulations and to country specific risks (economic, security related, political and environmental risks).

### 2. Strategic Risks

Risks that are characteristic of the relevant business, the proper management of which is a source of competitive advantage, or otherwise, a cause of failure to achieve economic and financial objectives. This category includes areas of risk linked to markets, to innovation in products and processes, to human resources, to production processes, to financial risks and risks connected to mergers and acquisitions.

### 3. Operational Risks

Risks generated by organisation and corporate processes, whose assumption does not result in any competitive advantage. These types of risks include amongst others, Information Technology, Business Interruption, Legal & Compliance, Health, Safety & Environment and Security related risks.

In addition to these risk categories mentioned above are the emerging risks related to climate change and water stress. To date, these risks are potentially difficult to quantify, as their manifestation is expected mainly in the medium to long-term, and their identification and assessment to date shows a high degree of volatility and interdependence.

For further information on risk governance, assessment methods and mitigation measures, please refer to the corporate website.

## EXTERNAL RISKS

### RISK RELATED TO THE MACROECONOMIC OUTLOOK

Following the slowdown of the global economy in 2022, mainly conditioned by the energy crisis and an unfavourable inflationary scenario that led to restrictive monetary policies, Pirelli expects a further deceleration of global growth in 2023. The effect of the restrictive monetary policies of mature countries will be one of the driving factors, especially if consumer price pressures continue beyond expectations. The economy of the People's Republic of China is expected to grow in the face of the recent removal of restrictions linked to the Zero-COVID policy, together with measures to support the real estate market and the recovery of private consumption.

Moreover, elements of uncertainty linked to geopolitical tensions persist, especially with regard to the current Russia-Ukraine crisis, as well as the emergence of possible new variants of COVID-19.

With regard to emerging markets, the risk of financial instability in those countries with a high level of public debt remains significant, also in the light of new local policies that could further aggravate the situation of public finance, which was already tested by the recent pandemic and energy crisis.

### COUNTRY RISK

Pirelli primarily adopts a local-for-local strategy, creating a productive presence in countries undergoing rapid development, in order to respond to local demand with competitive industrial and logistical costs. This strategy is aimed at increasing the competitiveness of the Group, as well as at allowing the Group to overcome potential protectionist measures (customs barriers or other measures such as technical prerequisites, product certification and administrative costs related to import procedures, etc.). Within the framework of this strategy, Pirelli operates in countries (Argentina, Brazil, Mexico, Russia) where the general political and economic environment, the tax regime, the business conditions and the circulation of monetary flows, could prove unstable. These elements could alter the normal market dynamics, the business operating conditions and the Group's ability to fully benefit from the monetary flows generated locally. Lastly, elements of uncertainty persist in connection to the redefinition of the geopolitical and regulatory framework, as well as regarding the balance of current international trade agreements, which could lead to an alteration in the normal market dynamics. The Group constantly monitors the evolution of risks (political, economic/financial and security related) associated with the countries in which it operates, in order to promptly (and where possible pre-emptively) adopt measures to mitigate the potential impacts of any changes arising at local level.

### RISKS RELATED TO THE RUSSIAN-UKRAINIAN CRISIS AND ISSUES RELATED TO ENERGY COSTS

At the date of this document, the outcome and implications of the crisis between Russia and Ukraine remain uncertain. International sanctions are also having repercussions on

the economy of the Russian Federation in terms of growth expectations, the currency market and the sustainability of the domestic economic and financial system in the short and medium-term.

These factors are compounded by the additional complexity arising from the restrictive countermeasures that the Russian government has implemented in response to international sanctions pressure.

Moreover, even though at the beginning of 2023, energy commodity prices had fallen back from the peaks of the previous year, elements of uncertainty related to possible repercussions on consumer price pressure and growth prospects for the Eurozone persist. These elements of uncertainty could lead to the alteration of normal market dynamics and, more generally, business operating conditions.

Pirelli constantly monitors issues related to energy costs and the development of the Russian-Ukrainian crisis through internal committees, for which it has activated a series of mitigation measures and a contingency plan which, in compliance with the international sanctions imposed by the EU (which prohibit the import of Russian finished products into the EU and the export of certain raw materials to Russia), envisages, amongst other things:

- the gearing of production towards the domestic market;
- the identification of alternative sources for import/export streams;
- the diversification of logistics service providers in order to ensure the continuity of supply streams;
- the identification of solutions and tools aimed at minimizing the expected volatility of costs related to the energy component;
- financial support through local banks.

### BREXIT RISKS

The Group constantly monitors potentially critical issues (and their relative mitigation plans) concerning the trade agreements stipulated between the UK and the EU, and in effect since 2021. These risks concern both operations (because of possible delays in the supply of raw materials and/or finished products) in the short-term, while elements of structural uncertainty also persist in the long-term which to date are difficult to estimate, and which could impact the Automotive and Auto & Parts sector, and the UK domestic market in terms of exports to the EU.

### RISKS ASSOCIATED WITH THE SHORTAGE IN SEMI-CONDUCTORS

The COVID-19 pandemic has led to a radical change in the way work is done, resulting in, among other things, a significant increase in demand for products and technologies that are heavily dependent on semi-conductors. The automotive sector, which is strongly dependent on the availability of semi-conductors on the one hand, and on a just-in-time strategy on the other, was particularly vulnerable to this shock, with significant consequences on the volumes produced, and indirectly, on the demand for tyres by Original Equipment customers. This imbalance between the supply and demand of semi-conductors is a factor of uncertainty for the Auto &

Parts sector. The Group constantly monitors these elements of risk, in order to continue to take timely measures to mitigate any possible impacts on demand.

### CORONAVIRUS RISK (COVID-19)

Pirelli sells its products on a world-wide basis in over 160 countries and owns industrial sites located in different countries, some of which were considerably affected in the recent past by COVID-19 and its subsequent variants. Although there is broad consensus on the improvement of the global health situation in the short-term, this hypothesis contains elements of uncertainty, mainly linked to the evolution of new variants. If these uncertainties were to persist during the year, they could lead to an alteration in normal market dynamics and, more generally, in business operating conditions. In terms of operational risks, Pirelli monitors, among other things, potential risk events relative to both supply chain resilience and the massive use of new technological devices linked to remote working.

Lastly, the Group is following developments in the spread of the Coronavirus through constant contact with national and international organisations. The Company adopts, where required or deemed necessary, check and prevention measures in respect of all employees worldwide.

### RISKS ASSOCIATED WITH THE EVOLUTION OF LONG-TERM DEMAND

Mobility in recent years has been undergoing an unprecedented evolution in recent years due to technological changes (electrification of propulsion, driving automation and digital connectivity), cultural changes (increase in the average age of obtaining a driving licence, loss of importance of owning a car, etc.) and regulatory changes, often aimed at limiting the presence of polluting vehicles in and around metropolitan areas.

In addition to this, the sudden spread of smart-working as a consequence of the COVID 19 pandemic has brought about further rapid change in people's mobility habits, creating an overlay of effects that are still settling.

Daily commuting has declined in many places, while travel related to non-systematic trips, especially those related to recreation and leisure, seem to have increased.

The use of public transport, partly as a result of this, seems to be declining, while all means of individual travel (cars, motorbikes, mopeds, bicycles, and scooters), both private and shared, have increased in most cities.

The return to the pre-pandemic levels of public transport use and beyond, as desired by the policies of all major cities, will be conditioned by the ability to respond effectively to the new mobility needs of people. In any case, a reduction in the presence of the private car in urban areas seems very likely, which could be more than compensated for by greater use over long distances, both due to what has been mentioned above and to increasing driving automation, which could allow for competition with flights and trains over medium distances.

In light of these opposing trends, it is not easy to predict the

potential impacts on the tyre sector. Pirelli constantly monitors these trends, both by analysing studies and data available at global and local level, by participating in both international projects (such as the Transforming Urban Mobility Initiative (TUMI), promoted by the World Business Council for Sustainable Development - WBCSD), and in national and international webinars and conferences on the subject.

### RISKS RELATED TO PRICE TRENDS AND THE AVAILABILITY OF RAW MATERIALS

Natural rubber, synthetic rubber and petroleum related raw materials (particularly chemicals and carbon black) will continue to represent a factor of uncertainty within the Group's cost structure, given the strong volatility recorded in past years and their impact on the cost of the finished product. For the main raw materials purchased by the Group, possible price scenarios are constantly simulated in relation to historical volatility and/or the best information available on the market (e.g. forward prices). On the basis of the different scenarios, sale price increases and/or the various internal cost efficiency recovery measures, (use of alternative raw materials, reduction of product weight, improvement of the process quality and reduction in waste levels) which are necessary to guarantee the expected profitability levels, are identified.

### RISKS LINKED TO THE COMPETITIVE POSITIONING OF THE GROUP AND TO THE COMPETITIVE DYNAMICS OF THE SECTOR

The market in which the Group operates is characterised by the presence of numerous operators, some of which have significant financial and industrial resources and brands that enjoy a significant level of international or local renown. To date, Pirelli is the only player in the tyre industry which focuses solely on the Consumer market on a global scale, with its single brand positioned in the segment which interests the manufacturers and users of Prestige and Premium vehicles. The intensification of the level of competition in the sector in which the Group operates could, in the medium to long-term, have an impact on its Income Statement, Statement of Financial Position and Financial Statements. High barriers to entry - both technological and productive - provide structurally mitigating factors against the potential intensification of the competitive arena in the Group's core market sector. In addition to this, is also the uniqueness of Pirelli's strategy which relies on - amongst other things - an extensive homologation parc focused on the Prestige and Premium segments, and an ever increasing capacity focused on High Value.

## STRATEGIC RISKS

### EXCHANGE RATE RISK

The diverse geographic distribution of Pirelli's manufacturing and commercial activities entails exposure to exchange rate risk, both transactional and translational. Transactional exchange rate risk is generated by transactions of a commercial and financial nature carried out by individual companies in currencies other than the functional currency, due to fluctuations in exchange rates between the time when

the commercial/financial relationship originates and the time when the transaction is settled (collection/payment).

The Group's policy is to minimise - where the financial market permits this in an efficient manner - the impact of transactional exchange rate risk linked to volatility and for this reason, the Group's procedures provide that the Operating Units are responsible for collecting all the relevant information pertaining to positions subject to transactional exchange rate risk (mainly represented by receivables and payables in foreign currency), which are hedged in the form of forward contracts which are entered into where possible, with the Group's Treasury. The managed positions subject to exchange rate risk are mainly represented by receivables and payables in foreign currency. The Group Treasury is responsible for hedging the resulting net position for each currency and, in accordance with the established guidelines and predetermined restrictions, it in turn closes out all risk positions by negotiating hedging derivative contracts on the market, typically forward contracts. Of note is that, as part of the annual and three-year planning process, the Group formulates exchange rate forecasts based on the best information available on the market. Any fluctuation in an exchange rate between the time of planning and the time when a commercial or financial transaction originates, determines a transactional exchange rate risk on future transactions. From time to time the Group assesses the opportunity to carry out hedging transactions on future transactions, for which it typically uses both forward buy or sell transactions and optional risk-reversal type instruments. (e.g., zero cost collars). Pirelli owns controlling interests in companies that prepare their Financial Statements in currencies other than the euro which is the currency used to prepare the consolidated Financial Statements. This exposes the Group to translational exchange rate risk, due to the conversion into euro of the assets and liabilities of subsidiaries operating in currencies other than the euro. The main exposures to translational exchange rate risk are constantly monitored and at present it has been decided to not adopt specific hedging policies for these exposures.

#### LIQUIDITY RISK

The main instruments used by the Group to manage the risk of insufficient financial resources available to meet financial and commercial obligations within the terms and deadlines established, are constituted by annual and three-year financial plans as well as treasury plans, in order to allow for the complete and correct detection and measurement of cash inflows and outflows. The differences between the plans and the final data are subjected to constant analysis. The Group has implemented a centralised system for the management of collection and payment flows in compliance with the various local currency and tax regulations. The negotiation and management of banking relationships is carried out centrally, in order to ensure coverage for short and medium-term financial needs at the lowest possible cost. Even the procurement of medium to long-term resources on the capital market is optimised through centralised management. The prudent management of the aforementioned risk requires the maintenance of an adequate level of cash or cash equivalents and/or easily

liquidated short-term securities, and the availability of funds obtainable through an adequate amount of committed credit facilities and/or the recourse to the capital market. In addition to the available portion of the committed credit facility (*Revolving Credit Facility*) for a total of euro 1 billion, which at December 31, 2022 resulted as being completely unused, the Pirelli Group resorts to the capital market to diversify both products and maturities in order to seize the best opportunities available from time to time.

#### INTEREST RATE RISK

Interest rate risk is represented by exposure to the variability in the fair value or in the future cash flows of financial assets or liabilities due to changes in the market interest rates. The Group assesses, based on market conditions, whether to enter into derivative contracts, typically interest rate swaps and cross currency interest rate swaps.

#### PRICE RISK ASSOCIATED WITH FINANCIAL ASSETS

The Group's exposure to price risk is limited to the volatility of financial assets, such as listed and unlisted equity securities and bonds, which represent 1.5% of the Group's total assets. Derivatives are not normally placed on these assets to limit their volatility.

#### CREDIT RISK

Credit risk represents the Group's exposure to potential losses resulting from the non-fulfilment of the commercial and financial obligations undertaken by counterparties. As regards these commercial counterparties, in order to limit this risk, Pirelli has put in place procedures to assess the potential and financial creditworthiness of its customers, to monitor expected cash flows and to take any recovery action. The aim of these procedures is to define customer credit limits, whereby in the event that those limits are exceeded, the rule to withhold further supplies is activated. In some cases customers are asked to provide guarantees, mainly bank guarantees issued by parties of the highest credit or personal standing. Less frequently, mortgage guarantees may be requested. Another instrument used for commercial credit risk management is the taking out of insurance policies. For over 10 years a master agreement has been in place, which was recently renewed for the 2023-2024 two-year period, with a leading insurance company with an AA credit rating according to Standard & Poors, for the worldwide coverage of credit risk mainly related to sales in the Replacement channel (the coverage ratio at December 31, 2022 exceeded 70%). However, as regards the financial counterparties for the management of its temporary cash surpluses, or for the negotiation of derivative instruments, the Group deals only with entities of the highest credit standing. Pirelli does not hold public debt instruments from any European country, and constantly monitors its net credit exposure to the banking system and, does not have any significant concentrations of credit risk.

#### RISKS ASSOCIATED WITH HUMAN RESOURCES

The Group is exposed to the risk of loss of human resources in key positions or in possession of critical know how. To address this risk, the Group adopts remuneration policies that are periodically updated, also due to changes in the general macroeconomic scenario, as well as on the basis of salary



benchmarks. Also planned are long-term incentive plans and specific non-compete agreements (which also have a retention effect), designed amongst other things, to fit the risk profiles of business-related activities. Lastly, specific “management” policies have been adopted, which provide for career plans, internal and external training paths and upskilling/reskilling projects aimed at motivating and retaining talent.

## OPERATIONAL RISKS

### RISKS RELATED TO ENVIRONMENTAL ISSUES

The activities and products of the Pirelli Group are subject to numerous environmental laws that vary according to the specifics of the different countries in which the Group operates. These regulations have in common their tendency to evolve in an ever more restrictive manner, also due to the growing concern in the international community over issues of environmental sustainability. Pirelli expects the gradual introduction of increasingly stringent laws on the various environmental aspects that companies may impact on (atmospheric emissions, waste generation, impacts on soil and water use, etc.), by virtue of which the Group expects to have to continue to make investments and/or incur costs that may be significant.

### EMPLOYEE HEALTH AND SAFETY RISKS

In carrying out its activities, the Pirelli Group incurs charges and costs for the measures necessary to ensure full compliance with the obligations provided for by the regulations on health and safety in the workplace. Particularly in Italy the law on health and safety in the workplace (Legislative Decree No. 81/08) and subsequent amendments (Legislative Decree No. 106/09) have introduced new obligations which have impacted the management of activities at Pirelli sites and the organisational models for the allocation of liabilities. Failure to comply with the regulations in force entails penal and/or civil sanctions against those responsible, and in certain cases with the breach of health and safety regulations, against the companies, in accordance with the European model of corporate responsibility which has also been implemented in Italy (Legislative Decree No. 231/01).

### DEFECTIVE PRODUCT RISK

Like all manufacturers of goods for sale to the public, Pirelli could be subject to liability actions connected with the alleged defectiveness of materials sold, or may be required to implement product recall campaigns. Although no significant events have occurred in recent years and such events are however covered by insurance, their occurrence could have a negative impact on the reputation of the Pirelli brand. For this reason, tyres produced by Pirelli are subjected to careful quality analysis before being placed on the market, and the entire production process is subjected to specific quality assurance procedures with constantly upgraded safety and performance requirements.

### LITIGATION RISKS

In carrying out its activities, Pirelli may become involved in legal, fiscal, commercial, trade or labour law disputes. The

Group takes the necessary measures to prevent and mitigate any consequences that may arise from any such proceedings.

### PERSONAL DATA PROCESSING RISKS

In the normal course of Pirelli’s business activities, personal data on employees, customers (B2C and B2B) and suppliers are processed. The treatment of personal data collected by the Group companies is subject to the laws and regulations applicable in the countries in which these companies operate or are present. The Group has therefore put in place measures to achieve full compliance with all applicable data protection legislation (while maintaining as the reference legislative framework, that which was introduced by Regulation (EU) 2016/679, the so-called “General Data Protection Regulation” or “GDPR”, which came into force in May 2018), thus mitigating the risk of proceedings before the regulatory authorities and/or privacy litigation. Nevertheless, any changes in applicable legislation, the entry into force of new regulations, the launch of new products or services onto the market and, more generally, any new initiative involving the processing of personal data (or substantial amendments to existing treatments of personal data) could entail the need to incur specific expenses or lead the Group to review its modus operandi in the context of compliance measures pertaining to this area.

### CYBER AND INFORMATION SECURITY RISKS

The continuous exacerbation of cyber security risks and the complexity of the international context in which it operates, exposes the Group to cyber-attack risk scenarios of (e.g. ransomware, malware, attacks on internet faced systems) that could lead to the interruption of business activities for more or less prolonged periods of time, or events involving the loss of the confidentiality of data critical to the Group (e.g. Data Exfiltration, Insider Threat, Social Engineering). Consistent with the Information Security Strategic Roadmap, which is defined on the basis of international standards, initiatives have been implemented to increase the Group’s cyber security status with respect to identified risks. The monitoring of these risks through an information security management system integrated with the Company’s operational risk management process, which includes the monitoring of supply chain cybersecurity risk, is an essential part of their proper management. At the technological level, having visible and active monitoring of security events in the manufacturing plant environment is a necessary prerogative for the protection of the Group’s infrastructures, such as the continuous updating of technology and operating systems, in order to reduce vulnerabilities and the risks of outages and incidents which impact business activities. The execution of cybersecurity awareness initiatives through testing, ad hoc training, education and communication to update users on key cybersecurity risks, develops the human factor, which forms an additional layer of protection in addition to processes and technologies.

In 2022, certification of Pirelli’s information security management system according to the German Automotive market standard “VDA-TISAX” was obtained on the Group’s most relevant OE headquarters, offices and production plants.

## BUSINESS INTERRUPTION RISKS

The territorial fragmentation of operating activities and their interconnection exposes the Group to risk scenarios that could lead to the interruption of its business activities for periods which could be more or less prolonged, with the consequent impact on the operational capabilities and results of the Group itself. Risk scenarios related to natural or accidental events (fires, floods, earthquakes, etc.), to wilful misconduct (vandalism, sabotage, etc.), to malfunctions in the auxiliary production plants or to interruptions in the supply of utilities, can in fact cause significant property damage and the reduction and/or interruption of production, particularly if the event affects high volume or specific product (high-end) production sites. Pirelli monitors their vulnerability to catastrophic natural events (particularly floods, hurricanes and earthquakes) and estimates any potential damage (based on the given probability of occurrence) for all the Group's production sites. Analyses confirm an adequate monitoring of business interruption risks, thanks to a complex series of security measures, of systems for the prevention of harmful events and for the mitigation of potential impacts on the business, also in light of the current business continuity plans, as well as the insurance policies in place to cover property damage and any business interruptions which the Group's production sites might suffer, (the Group's insurance coverage may however not be sufficient in compensating all potential losses and liabilities in case of catastrophic events). The Pirelli supply chain is also regularly assessed for potential business interruption risks.

## RISKS RELATIVE TO THE FINANCIAL REPORTING PROCESS

Pirelli has also implemented a specific and articulated risk management and internal control system, supported by dedicated Information Technology, in relation to the process of preparing the consolidated half-year and annual Financial Statements, in order to safeguard the Company's assets, its compliance with laws and regulations, the efficiency and effectiveness of corporate operations, as well as the reliability, accuracy and timeliness of its financial reporting. In particular, the process of preparing financial documentation is carried out through the appropriate administrative and accounting procedures, developed in accordance with the criteria established by the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organisations of the Tradeway Commission. The administrative/accounting procedures for the preparation of the Financial Statements and all other financial reports fall under the responsibility of the Manager responsible for the preparation of the corporate financial documents, who verifies their adequacy and effective implementation on a half-yearly basis. In order to allow for the attestation by the Manager responsible for the preparation of the corporate financial documents, a mapping has been carried out of the companies and the relevant processes that feed and generate the data for the Income Statement, the Statement of Financial Position and the Financial Statements. The identification of the companies that belong to the Group and the relevant processes, is carried out annually on the

basis of quantitative and qualitative criteria. Quantitative criteria consist of the identification those Group companies which, in relation to the selected processes, represent an aggregate value which is superior to a certain materiality threshold. Qualitative criteria consist of the examination of those processes and companies which, according to the assessment of the Manager responsible for the preparation of the corporate financial documents, may present potential areas of risk, even though they do not fall within the quantitative parameters described above. For each selected process, the control risks/objectives associated with the preparation of the Financial Statements, as well as with the efficiency of the internal control system in general, were identified. For each control objective, punctual verification measures have been provided for and specific responsibilities have been assigned. A supervisory system has been implemented on the checks carried out by way of a mechanism of "chain" attestations extending all the way to the Chief Executive Officers of each company within the control perimeter. Any critical issues that emerge within the evaluation process are subject to a plan of actions whose implementation is then verified within the subsequent half-year. Provisions have also been made for the issue of a half-yearly declaration by the Chief Executive Officer and the Chief Financial Officer of each subsidiary, on the reliability and accuracy of the data supplied for the purposes of preparing the Group's consolidated Financial Statements. In the lead up to the dates of the Board of Directors' Meetings which approve the consolidated data at June 30 and December 31, the results of the verification procedures are discussed with the Manager responsible for the preparation of the corporate financial documents. Lastly, the Internal Audit Department performs periodic audits aimed at verifying the adequacy of the design and operability of the checks carried out on sample companies and processes, selected on the basis of the materiality criteria.

## SOCIO-ENVIRONMENTAL RESPONSIBILITY RISKS

### RISKS RELATIVE TO SOCIAL AND ENVIRONMENTAL RESPONSIBILITY AND BUSINESS ETHICS

Risk governance at Pirelli is enterprise-wide and includes the identification, analysis and monitoring of environmental, social, economic/financial and business ethics risks that are directly or indirectly attributable to the Company, through Pirelli affiliates or in dealings with them, such as those related to the sustainability of the supply chain. Prior to investing in a specific market, or in Mergers and Acquisitions, ad-hoc assessments are conducted, even by way of due diligence, on possible political, financial, environmental and social risks, including those related to the compliance with human rights and labour laws. Alongside the ongoing monitoring of the application of Pirelli's internal regulations regarding financial, social (especially regarding human and labour rights), environmental and business ethics at Group sites, which occurs through the periodic audits performed by the Internal Audit Department, Pirelli has adopted an ESG (Environmental and Social Governance) risk mitigation strategy for its own supply chain which is periodically audited

by specialised third party companies. In both cases, if non-compliance is detected, a remedial plan is provided for, whose implementation is regularly monitored by the auditing body. In recent years, there has been an evident increase in external risks relative to the capacity of the supply chain to be resilient, in the face of the expected, increasingly stringent regulations, which require the ability to control the underlying chain in a highly detailed and structured manner, and at the same time relative to the unexpected challenges posed by public health and geopolitical and natural crises, with their impacts on operational management. The ability of the supply chain to be resilient determines the significance of the risk, which in the short-term is not material, but in the long-term, also taking into account that which is described in the following paragraph, could entail a substantial revision of the Company's procurement model. For further information, on the model used for managing sustainability risks along the supply chain, reference should be made to the paragraph *"Our Suppliers"*, for the corporate governance aspects of human rights issues, reference should be made to the paragraph *"Compliance of Human Rights"*, for the management of internal risk within the subsidiaries, reference should be made to the paragraph *"Compliance with the Legislative-Contractual Requirements on Overtime, Rest, Association and Bargaining, Equal Opportunities and Non-Discrimination, Prohibition of Child and Compulsory Labour"*, and for the management of climate change risks, reference should be made to the TCFD (Task Force on Climate-Related Financial Disclosures), in the Consolidated Non-Financial Statement.

#### EMERGING RISKS RELATED TO CLIMATE CHANGE AND WATER STRESS

Having joined the Task Force on Climate-Related Financial Disclosures (TCFD) in September 2018, Pirelli applies all the recommendations made by the TCFD, and is committed, on a voluntary basis, to the dissemination of transparent accounting and the disclosure of any relevant information on climate change related risks and opportunities. To this end, Pirelli monitors these elements of uncertainty along its value chain through sensitivity analyses and risk assessments, to assess and quantify the financial impacts (risks and opportunities) related to climate change and water stress, and to put in place appropriate prevention and mitigation measures to protect its business. An instrument to support these analyses is the Group's Climate Change and Water Stress Risk Assessment, which is updated bi-annually to integrate the analysis with forecasts over a medium to long-term time scale, with respect to IPCC<sup>13</sup> (Intergovernmental Panel on Climate Change) climate scenarios (RCP 2.6, RCP 4.5 and RCP 8.5)<sup>14</sup> and IEA<sup>15</sup> (International Energy Agency) energy transitions (STEPS, APS and NZE)<sup>16</sup>.

<sup>13</sup> Intergovernmental Panel on Climate Change.

<sup>14</sup> The group of scenarios which represent a projected end-of-century global temperature increase of between 1.5°C (RCP2.6) and >4°C (RCP8.5).

<sup>15</sup> International Energy Agency.

<sup>16</sup> Stated Policies Scenario (STEPS), Announced Pledges Scenario (APS), Net Zero by 2050 (NZE).

For the full description of the eleven TCFD recommendation, reference should be made to the section *"Joining the Task Force on Climate-Related Financial Disclosures (TCFD)"* in this Report and Pirelli's public responses to the CDP Climate Change questionnaire.

#### RISKS RELATED TO INCREASING COSTS RELATIVE TO CLIMATE CHANGING GAS EMISSIONS

Consistent with the findings of the Group's latest Climate Change and Water Stress Risk Assessment, the introduction and/or tightening of the current CO<sub>2</sub> emission pricing schemes in the countries where the Group operates, could entail the risk of increased production costs for a large part of the Company's operations.

This adverse phenomenon could in fact materialise not only at a European level, where the Emissions Trading System (ETS) mechanism has already been active for years, with impacts that are already evident in the Group's factories in the EU, but also in other economies that already have carbon taxation policies in place or are in the policy evaluation phase (China, Brazil, Mexico, UK, among others).

In order to monitor the possible impacts, different evolutions of the price of CO<sub>2</sub> have been hypothesised, both on the basis of the forecasts published by the IEA for the STEPS, APS, NZE, and on three possible pathways for carbon emission intensity for the Group:

1. constant emissions compared to 2022;
2. emission reductions consistent with current Group targets;
3. emission reductions greater than current Group targets.

The impact of the risk was evaluated in financial terms for the 2022-2050 time period, by calculating the potential added costs for the Group based on the options described above, should the current carbon pricing system be introduced and/or worsened. The assessment did not reveal a material impact for the short (2022) and medium-term (up until 2029). However, uncertainty remains with respect to the significance of the long-term impacts (>2030) if the NZE and APS scenarios occur.

Due to the potential impacts on aspects of production, Pirelli constantly monitors potential developments in the carbon pricing policies of the main countries in which it operates, so as to proactively intercept any deviations from the announced targets, and to be able to implement mitigation measures. In this regard, Pirelli has already adapted its production strategy with regard to energy procurement, with a plan which aims to reach 100% of electricity purchased from renewable sources by 2025, with the improvement of the energy efficiency of production plants with the 2025 target of specific energy consumption that is -10% lower than 2019 levels, and with the progressive electrification of processes.

## RISKS RELATED TO CHANGES IN THE ENERGY REQUIREMENTS OF PRODUCTION PLANTS

The global rise in temperature due to climate change determines, among other things, variations in the demand for energy at the Group's production plants. This phenomenon could lead to an increase in energy consumption used for cooling the plants and production processes, with a consequent increase in costs. Pirelli recently conducted a study to quantify changes in net energy demand using both IPCC data (HDD index, CDD index) and Group production plant specifications. Although it emerged that some production sites will require a greater supply of energy, the impact of the risk did not emerge as material in either the short (2022) or medium to long-term (2025-2050).

## PHYSICAL RISKS DUE TO CLIMATE CHANGE IMPACTING PRODUCTION PLANTS AND SUPPLY CHAINS

Current climate change involves, among other things, an increase both in terms of the frequency as well as the severity of catastrophic natural events (such as floods, droughts, wildfires, hailstorms and tornadoes), which could impact both Pirelli's production units and those of its suppliers.

The Group's Climate Change and Water Stress Risk Assessment takes into account the main climate risk assessment models (IPCC), the EU Copernicus satellite datasets, as well as the risk mitigation and adaptation measures already installed in various production facilities, and then estimates the potential number of business interruption days, for the Group's production plants and for strategic suppliers resulting from floods, droughts, wildfires and storms. Where possible, risks have been projected on a time scale up to 2050, in accordance with the different degrees of global temperature increase defined by the IPCC climate scenarios (RCP 2.6, RCP 4.5 and RCP 8.5).

Business Interruption days were estimated by calibrating the climate models on historical events, and therefore correlating the intensity of the events with consequent production stoppages. In terms of potential criticality for the Group, no significant impacts are foreseen in the short-medium term (2022-2030), while elements of uncertainty remain on the time scale up to 2050.

The Pirelli Group constantly monitors these risk elements both in terms of production plants and the supply chain, in order to proactively promote mitigation strategies both in terms of CapEx, and in scouting and compounding for the supply chain, aimed at reducing the risk of damage to its strategic assets and the risk of business interruption.

# OUTLOOK FOR 2023

(in billion of euro)

	2022	2023E
Revenues	6.62	~6.6 ÷ ~6.8
EBIT margin adjusted	14.8%	>14% ÷ ~14.5%
Investments (CapEx) % of net sales	0.40 6.0%	~0.40 ~6%
Net cash flow before dividends	0.52	~0.44 ÷ ~0.47
Net financial position NFP/EBITDA adj.	-2.55 1.8x	~-2.35 ~1.65x ÷ ~1.7x
ROIC post taxes	20.3%	~20%

## MARKET OUTLOOK FOR 2023

For 2023, forecasts are for a general slowdown in economic growth, weighed down by geopolitical tensions and persistent inflation in the cost of production factors, (raw materials, energy and logistics). **Global GDP** is expected **to grow** by +2% (the estimate for 2022 had been +3%), with more limited growth in the USA (+0.7% compared to +2.1% for 2022) and in Europe (+0.5% compared to +3.5% for 2022), compared to more positive expectations for China, whose GDP is expected to grow by +5.2% (+3% in 2022), thanks to the relaxation of the restrictive policies connected to COVID.

In this scenario, **demand** in the **global market** for car **tyres** is forecast to remain **substantially unchanged** year-on-year. Car  $\geq 18''$  confirmed its resilience with a growth in demand of +4%, compared to -2% for  $\leq 17''$ .

Specifically, market expectations are as follows:

- for **Original Equipment**  $\geq 18''$  volumes are expected to grow by approximately +7%, sustained by a solid order portfolio, and by the expected easing of the chip crisis that had impacted new automobile production;
- for **Replacement**  $\geq 18''$  volumes are expected to grow by approximately +3%, with a less sustained performance for the first half-year in Europe, North America and China, followed by a recovery in demand during the second half of the year.

For **Car**  $\leq 17''$  volumes are expected to decline by approximately -2%, with **Original Equipment** to decline by approximately -2%, and the **Replacement** channel to decline by approximately -1%, due to the weak macroeconomic scenario.

Given this scenario, Pirelli will continue to consistently pursue its strategy:

- strengthening of High Value positioning, especially for higher rim diameters ( $\geq 19''$ ), Specialties and electric vehicles, while maintaining a solid price discipline;
- the implementation of the third phase of the efficiency plan envisaged in the 2021-25 Industrial Plan, with benefits amounting to approximately euro 100 million, which are also the result of the digitisation of all business processes.
- by maintaining an effective management of inventories and working capital in general.

In light of the results achieved for 2022 and the scenario forecast for 2022 at a macroeconomic level, Pirelli expects the following for 2023:

- **Revenues of between euro ~6.6 billion and euro~6.8 billion**, with:
  - **volumes expected to increase from stable to growth** of ~+1%;
  - **price/mix to improve** by ~+4.5% / ~+5.5%, benefiting from the price increases carried out in 2022 and those announced at the beginning of this year, as well as from the improved product mix;
  - **impact from the exchange rate effect of between** ~-4.5% / ~-3.5%.
- **EBIT margin adjusted** of between >14% and ~14.5%. Efficiencies and the price/mix will offset the impact of the external scenario (raw materials, inflation and the exchange rate effect);
- **Net cash generation before dividends is expected to be between euro 440 million and euro 470 million**, thanks to the operating performance and the efficient management of working capital. This target includes the payment of

long-term incentives to management, relative to the 2020-2022 three-year period. It should be noted that from 2024 onwards, following the transition to a "rolling" system, incentives will be paid annually, with a substantial alignment expected between the impact on the Income Statement and cash outflow.

- **Investments** of approximately euro 400 million (~ 6% of revenues);
- a **Net Financial Position** which shows a debt of ~-2.35 billion with a NFP/EBITDA adjusted ratio of ~1.65 / ~1.7 times.

## SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

On **January 11, 2023**, Pirelli placed its first sustainability-linked bond with institutional investors for a total nominal amount of euro 600 million, with demand equal to almost six times the offer, which amounted to approximately euro 3.5 billion. The issue of the first benchmark-size sustainability-linked bond of this type placed by a global tyre company, as well as the first carried out since Pirelli obtained its investment grade rating from S&P Global and Fitch Ratings, testifies to the Company's commitment to further integrate sustainability into its business strategy, and is linked to the 2025 targets of reducing absolute greenhouse gas emissions (Scopes 1 and 2) and emissions from purchased raw materials (Scope 3). The transaction, which took place within the framework of the EMTN Programme (Euro Medium Term Note Programme) which was approved by the Board of Directors on February 23, 2022, offers an effective yield at maturity of 4.317% (145 basis points above the mid swap), and allows for the optimisation of the debt structure, by extending maturities and diversifying sources. These securities are listed on the Luxembourg Stock Exchange.

On **February 7, 2023** Pirelli was confirmed as amongst the best companies at global level for sustainability obtaining "Top 1%" ranking, the highest recognition in the 2023 Sustainability Yearbook published by S&P Global, after examining the sustainability profile of more than 13,000 companies. This result follows the score recorded by Pirelli in the 2022 Corporate Sustainability Assessment for the Dow Jones Sustainability Index of S&P Global, where the Company had obtained the Top Score of 86 points (revised from the initial 85), the highest in the ATX Auto Components sector of the Dow Jones Sustainability World and European Index.

On **February 14, 2023**, Pirelli announced that Bai Jinping had resigned as a Director of the Company, effective as of February 22, 2023, following the assumption of new professional responsibilities within the Sinochem Group. Bai Jinping has received Pirelli's sincere thanks for his contribution during more than seven years in office. On

**February 22, 2023**, the Board of Directors co-opted Wang Feng to replace Bai Xinping, and also proceeded to appoint him as a member of the Remuneration Committee, the Nominations and Successions Committee and the Strategies Committee, roles previously held by Bai Xinping.

Wang Feng – who was qualified by the Board as a non-executive Director – and who will remain in office until the next Shareholders' Meeting, does not possess the requisites to qualify as independent pursuant to the Corporate Governance Code, and at the date of the appointment, did not hold shares and/or other financial instruments issued by Pirelli.

On **February 22, 2023**, Pirelli announced that the shareholder CNRC had announced that it will submit the notification required by Legislative Decree 21/2012 (the Golden Power Regulation) regarding the renewal of the Shareholders' Agreement signed on May 16, 2022 by and between, amongst others, the CNRC, Marco Polo International S.r.l., Camfin S.p.A. and Marco Tronchetti Provera & C. S.p.A., which will become effective with the convening of the Shareholders' Meeting for the approval of the Financial Statements at December 31, 2022.

## ALTERNATIVE PERFORMANCE INDICATORS

This document, in addition to the financial measures provided for by the International Financial Reporting Standards (IFRS), also includes measures derived from the latter, even though not provided for by the IFRS (Non-GAAP Measures), in compliance with the ESMA Guidelines on Alternative Performance Indicators (ESMA/2015/1415) published on October 5, 2015. These measures are presented in order to allow for a better assessment of the results of the Group's operations, and should not be considered as alternatives to those required by the IFRS.

Specifically, the Non-GAAP Measures used were as follows:

- **EBITDA**: is equal to the EBIT but which excludes the depreciation and amortisation of property, plant and equipment and intangible assets. EBITDA is used to measure the ability to generate earnings, excluding the impacts deriving from investments;
- **EBITDA adjusted**: is an alternative measure to the EBITDA which excludes non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBITDA margin**: is calculated by dividing the EBITDA by revenues from sales and services. This measure is used to evaluate operating efficiency, excluding impacts deriving from investments;
- **EBITDA margin adjusted**: is calculated by dividing the EBITDA adjusted by revenues from sales and services. This measure is used to evaluate operating efficiency, excluding the impacts deriving from investments, operating costs attributable to non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBIT**: is an intermediate measure which is derived from the net income/(loss), but which excludes taxes, financial income/(expenses) and the net income/(loss) from equity investments. EBIT is used to measure the ability to generate earnings, including the impacts deriving from investments;
- **EBIT adjusted**: is an alternative measure to the EBIT which excludes the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **EBIT margin**: is calculated by dividing the EBIT by revenues from sales and services. This measure is used to evaluate operating efficiency;
- **EBIT margin adjusted**: is calculated by dividing the EBIT adjusted by revenues from sales and services. This measure is used to evaluate operating efficiency excluding the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
- **Net income/(loss) adjusted**: is calculated by excluding the following items from the net income/(loss):
  - the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring, restructuring and one-off expenses. For the comparative period, this measure also included COVID-19 direct costs and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;
  - non-recurring expenses/income recognised under financial income and expenses;
  - non-recurring expenses/income recognised under taxes, as well as the tax impact relative to the adjustments referred to in the previous points;
- **Fixed assets**: this measure is constituted of the sum of the Financial Statement items, "Property, plant and equipment", "Intangible assets", "Investments in associates and joint ventures", "Other financial assets at fair value through other Comprehensive Income" and "Other non-current financial assets at fair value through the Income Statement". Fixed assets represent the non-current assets included in the net invested capital;

- **Net operating working capital:** this measure is constituted by the sum of “*Inventory*”, “*Trade receivables*” and “*Trade payables*”;
- **Net working capital:** this measure is constituted by the net operating working capital and by other receivables and payables, including tax receivables and payables, and by the derivative financial instruments not included in the net financial position. This measure represents the short-term assets and liabilities included in the net invested capital and is used to measure short-term financial stability;
- **Net invested capital:** this measure is constituted by the sum of (i) fixed assets, and (ii) net working capital. Net invested capital is used to represent the investment of financial resources;
- **Provisions:** this measure is constituted by the sum of “*Provisions for liabilities and charges (current and non-current)*”, “*Provisions for employee benefit obligations (current and non-current)*”, “*Other non-current assets*”, “*Deferred tax liabilities*” and “*Deferred tax assets*”;
- **Net financial debt:** is calculated pursuant to the CONSOB Notice dated July 28, 2006 and in compliance with the ESMA Guidelines regarding disclosure requirements pursuant to the Prospectus Regulation applicable as of May 5, 2021. Net financial debt represents borrowings from banks and other financial institutions net of cash and cash equivalents, of other current financial assets at fair value through the Income Statement, of current financial receivables (included in the Financial Statements under “*Other receivables*”) and of the derivative hedging instruments for items included in the net financial position (included in the Financial Statements under current assets, current liabilities and non-current liabilities, as “*Derivative financial instruments*”);
- **Net financial position:** this measure represents the net financial debt less the non-current financial receivables (included in the Financial Statements under “*Other receivables*”) and the non-current derivative hedging instruments for items included in the net financial position (included in the Financial Statements under non-current assets as “*Derivative financial instruments*”). Net financial position is an alternative measure to net financial debt, but which includes non-current financial assets;
- **Liquidity margin:** this measure is constituted by the sum of the Financial Statement items, “*Cash and cash equivalents*”, “*Other financial assets at fair value through the Income Statement*” and the committed credit facilities which have not been non-utilised;
- **Operating net cash flow:** is calculated as the change in the net financial position relative to operations management;
- **Net cash flow before dividends, extraordinary transactions and investments:** is calculated by adding the change in the net financial position due to financial and tax management, to the operating net cash flow;
- **Net cash flow before dividends paid by the Parent company:** is calculated by adding the change in the net financial position due to extraordinary transactions and the management of investments, to the net cash flow before dividends and extraordinary transactions and investments;
- **Net cash flow:** is calculated by subtracting the dividends paid by the Parent company, from the net cash flow before dividends paid by the Parent company;
- **Investments in intangible and owned tangible assets (CapEx):** is calculated as the sum of investments (increases) in intangible assets and investments (increases) in property, plant and equipment excluding any increases relative to the right of use;
- **Increases in the right of use:** is calculated as the increases in the right of use relative to lease contracts;
- **ROIC:** is calculated as the ratio between the EBIT adjusted net of tax effects and the average net invested capital net of provisions which does not include “*Investments in associates and joint ventures*”, “*Other financial assets at fair value through other Comprehensive Income*”, “*Other non-current financial assets at fair value through the Income Statement*”, “*Other non-current assets*”, the intangible assets relative to assets recognised as a consequence of Business Combinations, the deferred tax liabilities relative to the latter and the “*Provisions for employee benefit obligations current and non-current*”.

## OTHER INFORMATION

### ROLE OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the strategic guidance and supervision of the Company's overall business activities, with the power to direct the administration as a whole and the authority to take the most important decisions in financial/strategic terms, or in terms of their structural impact on management, or that are functional to the exercise of Pirelli's controlling and steering activities.

The Chairman is endowed with the legal representation of the Company in legal proceedings, as well as with all other powers attributed to him under the Articles of Association.

The Executive Vice Chairman and Chief Executive Officer are exclusively delegated powers for the ordinary management of the Company and of the Group, as well as the power to make proposals to the Board of Directors regarding the Industrial Plan and budgets, as well as any deliberations regarding any strategic industrial partnerships or joint ventures to which Pirelli is a party.

The Deputy-CEO is attributed the powers for the operational management of Pirelli, to be exercised in a vicarious capacity. The Board has internally instituted the following Committees with advisory and propositional tasks:

- Audit, Risk, Sustainability and Corporate Governance Committee;
- Remuneration Committee;
- Committee for Related Party Transactions;
- Nominations and Successions Committee;
- Strategies Committee.

For more information on the role of the Board of Directors, reference should be made to the Report on Corporate

Governance and Ownership Structure contained in the 2022 Annual Report group of documents, as well as to the additional information published in the Corporate Governance section on the Pirelli website ([www.pirelli.com](http://www.pirelli.com)).

### INFORMATION ON THE SHARE CAPITAL AND OWNERSHIP STRUCTURE

The subscribed and paid-up share capital at the date of approval of this Financial Report amounted to euro 1,904,374,935.66 and was represented by 1,000,000,000 registered ordinary shares without indication of their nominal value.

The Extraordinary Shareholders' Meeting held on March 24, 2021 resolved to increase the share capital in cash, by way of a divisible payment, with the exclusion of option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for a total counter-value, including any share premium, of euro 500,000,000.00 to service the conversion of the "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", to be paid in one or more tranches through the issue of ordinary shares of the Company, with regular dividend entitlements, to a maximum amount of euro 500,000,000.00 to exclusively service the "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025" issued by the Company, in accordance with the criteria provided by the relevant Regulation, notwithstanding that the final deadline for the subscription of the newly issued shares has been set as December 31, 2025 and that, if on that date, the capital increase has not been fully subscribed, it shall be deemed to have been increased by an amount equal to the subscriptions received and from that date onwards, with the express authorisation of the Directors to issue the new shares, as and when they are subscribed. No fractions of shares will be issued or delivered and no cash payment or adjustment will be made in lieu of any such fractions.

The shareholder Marco Polo International Italy S.r.l. - pursuant to Article 93 of Legislative Decree No. 58/1998 - controls the Company with a stake of approximately 37% of the capital, and does not exercise management and coordination activities over the Company.

Updated extracts of the existing agreements between some of the shareholders, including indirect shareholders, of the Company, which contain the provisions of the Shareholders' Agreements relative, amongst other things, to the corporate governance of Pirelli, are available on the Company's website.

For more information on the role of the Board of Directors, reference should be made to the Report on Corporate Governance and Ownership Structure contained in the 2022 Annual Report group of documents, as well as to the additional information published on the Pirelli website ([www.pirelli.com](http://www.pirelli.com)) in the Corporate Governance section.

### WAIVER OF THE PUBLICATION OF INFORMATION DOCUMENTS

The Board of Directors, taking into account the simplifications of the regulatory requirements introduced by CONSOB in the Issuer's Regulation No. 11971/99, resolved to avail itself of the option to waive, pursuant to the provisions of Article 70, paragraph 8 and Article 71, paragraph 1-bis of the aforesaid Regulation, the obligations to publish the prescribed disclosure documents in the event of significant mergers, de-mergers, capital increases through the contributions of assets in kind, acquisitions and disposals.

### FOREIGN SUBSIDIARIES NOT BELONGING TO THE EUROPEAN UNION (EXTRA-EU COMPANIES)

Pirelli & C. S.p.A. directly or indirectly controls a number of companies based in countries which do not belong to the European Community ("*Extra-EU Companies*"), which are of significance pursuant to Article 15 of CONSOB Regulation No. 20249 of December 28, 2017, concerning Market Regulations.

With reference to data at December 31, 2022, the Extra-EU Companies controlled directly or indirectly by Pirelli & C. S.p.A., which are of relevance pursuant to Article 15 of the Market Regulations were:

Limited Liability Company Pirelli Tyre Russia (Russia); Pirelli Pneus Ltda. (Brazil); Pirelli Comercial de Pneus Brasil Ltda. (Brazil); Comercial e Importadora de Pneus Ltda. (Brazil); Pirelli Tire LLC (USA); Pirelli Tyre Co., Ltd. (China); Pirelli Otomobil Lastikleri A.S. (Turkey); Pirelli Neumaticos S.A.I.C. (Argentina); Pirelli Neumaticos S.A. de C.V. (Mexico), Pirelli UK Tyres Ltd. (United Kingdom) and Pirelli Tyre (Suisse) S.A. (Switzerland).

Also pursuant to the same aforesaid provisions, the Company has specific and appropriate Group Operating Regulations in place which ensure immediate, constant and full compliance with the provisions of the aforementioned CONSOB Regulation. In particular, the competent Company managements provide the punctual and periodic identification and publication of the relevant Extra-EU Companies pursuant to the Market Regulation and - with the necessary and appropriate cooperation of the companies concerned - guarantee the collection of data and information and the verification of the circumstances referred to in the aforementioned Article 15, ensuring the availability of the information and data provided by the subsidiaries in the event of a request by CONSOB. A periodic flow of information is also provided for in order to guarantee to the Board of Statutory Auditors of the Company, that the prescribed and appropriate checks are performed.



Lastly, the aforementioned Operating Regulation, consistent with regulatory provisions, governs the disclosure to the public of the financial statements (Statement of Financial Position and Income Statement) of relevant Extra-EU Companies which are predisposed for the purpose of preparing the Consolidated Financial Statements of Pirelli & C. S.p.A.

It should therefore be noted that the Company has fully complied, with the provisions of Article 15 of the aforementioned CONSOB Regulation No. 20249 of December 28, 2017 and that the conditions required by the same have been met.

## RELATED PARTY TRANSACTIONS

The Company's Board of Directors, as part of the new listing process initiated and completed during the 2017 financial year, has once again approved the Procedure for Related Party Transactions ("*RPT Procedure*").

On the occasion of the periodic revision of existing procedures, on June 15, 2021, the Company's Board of Directors - following the unanimous opinion of the Committee for Related Party Transactions, which had deliberated with the presence of all its members - unanimously approved the new Procedure for Related Party Transactions, which had been adjusted to the new provisions on Related Party Transactions, adopted by CONSOB in the implementation of the amendments to the European Shareholders' Rights Directive II. The new Procedure entered into force on July 1, 2021.

Pursuant to Article 5, paragraph 8 of CONSOB Regulation No. 17221 of March 12, 2010 as subsequently amended and integrated, (most recently by CONSOB Resolution No. 21624 of December 10, 2020), concerning Related Party Transactions, it should be noted that during the 2022 financial year, that no transaction of significant importance as defined by Article 3, paragraph 1, letter b) of the aforementioned Regulation, was submitted to the Board of Directors of Pirelli & C. S.p.A. for approval.

The RPT Procedure - updated on March 17, 2022, solely to take into account the changes to the Company's organisational structure which took place at the end of 2021 - is available, together with the other corporate governance procedures on the website [www.pirelli.com](http://www.pirelli.com). For more details on the RPT Procedure, reference should be made to the section "*Directors' Interests and Related Party Transactions*" included in the Annual Report on the Corporate Governance and Ownership Structure, contained in the Financial Statements group of documents.

The information on Related Party Transactions as required, pursuant to CONSOB Notice No. DEM/6064293 of July

28, 2006 is presented in the Annual Report at December 31, 2022. Related Party Transactions, are neither atypical nor unusual, but are part of the ordinary course of business for the Group companies and are carried out in the interest of the individual companies. Such transactions, when not settled under standard conditions, or dictated by specific regulatory conditions, are in any case regulated by conditions consistent with those of the market. Furthermore, they are carried out in compliance with the RPT Procedure.

Furthermore, there were no Related Party Transactions - or changes or developments to the transactions described in the preceding financial report - which significantly affected the Group's financial position or the results for the 2022 financial year.

## ATYPICAL AND/OR UNUSUAL OPERATIONS

Pursuant to CONSOB Notice No. 6064293 of July 28, 2006, it should be noted that during 2022, the Company did not carry out any atypical and/or unusual transactions, as defined in the aforementioned Notice.

## COMPLIANCE WITH THE REGULATIONS ON THE PROTECTION OF PERSONAL DATA

Following the entry into force of EU Regulation 2016/679 and amendments to Legislative Decree No. 196/2003 (introduced by Legislative Decree No. 101/2018), it should be noted that the Company has completed, with the support of the competent departments, all the activities necessary to fulfil the new requirements of the legislation, including, among others, the drafting of the records of data processing activities. These activities are subject to a periodical annual review with the support of the competent departments. The Company has also appointed a Data Protection Officer ("*DPO*") in the person of lawyer Alberto Bastanzio whose contact details were duly communicated to the Guarantor for the Protection of Personal Data on July 25, 2018. The DPO can be contacted not only at the Company's registered office, but also at the following e-mail address: [dpo\\_pirelli@pirelli.com](mailto:dpo_pirelli@pirelli.com). The activities carried out by the DPO during the relevant reporting financial year are described in detail in the "*Annual Report of the DPO*" available at the registered office of the Company, to which reference should be made for further details.

The Board of Directors  
Milan, April 5, 2023



# 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 2022, 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 value maintenance and creation, relationships with Stakeholders and related connection with the development of financial, production, intellectual, human, natural, social and relational capital, which was mentioned in the “Presentation of the 2022 Integrated Financial Statements”.

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 2021 option “In accordance with”, the SASB Auto Parts Sustainability Accounting Standard, following the process suggested by the APA1000 APS principles (materiality, inclusivity and responsiveness), and considering the integrated reporting principles contained in the International Integrated Reporting Council (IIRC). In addition, this report considers the priorities reported by the European Securities and Markets Authority (ESMA) through the ESMA circular 32-63-1186 and includes the considerations required by the European Taxonomy Regulation in its fields of application (EU Regulation 2020/852 dated 18 June 2020 and the Delegated Regulations (EU) 2021/2178 and (EU) 2021/2139 connected to it). It should be noted that the assurance activities by the Independent Auditors linked to the latter exclusively involved verifying the preparation and publication of the information required by Reg. 852/20, in compliance with the indications given by Assirevi to the Independent Auditors through Research Document No. 243 of February 2022, entitled “Auditor’s activity on the disclosure pursuant to Article 8 of Regulation 2020/852 - Taxonomy Regulation”.

The set of GRI indicators covered by the Report is wider than the list of specific material issues and relative impacts indicated in the “Impact Materiality”, 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 2022 compared to 2021 and 2020, with respect to the targets set in the 2021-2025 Industrial Plan.

The Report, published annually, covers the time period from 1 January 2022 to 31 December 2022 and covers the same scope of consolidation as the Group’s consolidated financial statements as expressed in the Notes to the Consolidated Financial Statements at 31 December 2022 included in Note 2 - Basis of Presentation - Scope of Consolidation of this Annual Report.

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 upgrading and reporting of non-financial information, to which an additional assurance process is added for that information considered to be of special importance since, for example, they fall within the Group Sustainability Plan target;
- the conducting of a third-party verification (different and additional to the external auditor issuing the certification) by circulating all the quantitative data included in this Report with the aim of conducting a further independent verification of the data reported and the related information sources;
- the signing of a letter of certification by top management members concerning the data that go back through the CSR-DM information system and the applicable sections of the financial statements.

As regards external audits, the sustainability performance accounted in the Report is subject to limited assurance 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 Revised)*, issued by the *International Auditing and Assurance Standards Board*. For further information, reference is made to the related Auditor’s Assurance provided at the end of the Annual Report. As part of this limited audit activity, the data relating to GHG (Greenhouse Gas) emissions were also specifically analysed, including for the purposes of the disclosure process to the CDP (formerly the Carbon Disclosure Project).

The Report is structured into four macro areas:

- an introductory section related to the sustainable management model adopted by the Company, Impact Materiality, 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 product life cycle and presents the assessments required by the European Taxonomy Regulation;
- a “Social Dimension”, which brings together the sections

dedicated to respect for human rights, the internal community and the external community.

At the end of the Annual Report 2022, before the Independent Auditor's Assurance mentioned above, the following summary Tables are available:

- a GRI Content Index, which shows the full list of indicators accounted based on the GRI Standards, indicating the relative page reference in the 2022 Annual Report;
- a table of correlation between indicators accounted based on the GRI Standards and the United Nations Global Compact Principles;
- the SASB Content Index showing the complete list of indicators reported according to the SASB Auto Parts Sustainability Accounting Standard, indicating the relevant page within the 2022 Annual Report;
- a table of correlation between the performance/targets of the Group and the Sustainable Development Goals of the United Nations on which the aforementioned performance and Targets have an impact.
- a correlation table between the information contained in the Annual Report and the issues indicated by Legislative Decree no. 254/2016.

There are no restatements to previous reporting, as there have been no changes in the scope of consolidation, the reporting boundary or the method of calculating individual indicators compared to 2021.

For any clarifications and further information on what is published in the Report, reference is made to the "Contacts" page of the "Sustainability" section of the website [www.pirelli.com](http://www.pirelli.com).

## PIRELLI AND ITS MANAGEMENT MODEL

**Founded in 1872, Pirelli** is a company with deep Italian roots, a brand recognised worldwide for its cutting-edge technologies, its capacity for innovation and the **quality of its products**.

With 18 production plants in 12 countries, a commercial presence in more than 160 countries, 31,301 employees and a turnover of around **€6.6 billion** (2022 figures), it is one of the world's leading manufacturers of tyres and tyre-related services and the only one entirely dedicated to the consumer market, which includes **tyres for cars, motorbikes and bicycles**.

Within the tyre industry, Pirelli competes with "Tier 1" manufacturers, characterised by high product quality and above-average price positioning.

Among these players, Pirelli stands out for its exclusive positioning in the Consumer Tyre segment, and in particular for its focus on High Value<sup>17</sup>, which represents 71% of Group sales in 2022.

Pirelli is constantly committed to developing products made to reach the highest levels in terms of performance, safety, silence and road grip. Innovative tyres capable of satisfying even the most specific mobility needs of the end consumer.

Pirelli's technological excellence is also the result of innovations and expertise derived from motorsports, an area in which the company has been active for more than 110 years. Pirelli is currently present at more than 350 sporting events in the car and motorbike sectors and, since 2011, has been the exclusive supplier to the Formula 1<sup>®</sup> World Championship, of which it is the Global Tyre Partner.

The Sustainability Model implemented by Pirelli 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, including the procurement of goods and services (including in and out logistics), research & development, management models and processes, production processes, product positioning on the market, and its use and end-of-life phase. A value chain that did not register any significant change during 2022, same as for business relations.

A detailed description of sustainability objectives and performance impacting the value chain are described in the sections dedicated to the relevant stakeholders (see in particular 'Sharing of Added Value', 'Relations with Investor and the Financial Market', 'Our Customers', 'Our Suppliers', 'Environmental Dimension', 'Internal Community' and 'External Community').

Every operating unit of the Company integrates economic, social and environmental responsibility for 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<sup>®</sup> for the management of Social Responsibility at its subsidiaries and along the supply chain, ISO 45001 for the management of Health and Safety in the workplace, ISO 14001 for environmental management and ISO 37001 on anti-corruption measures. The Company refers to ISO 14064 for the quantification and reporting of greenhouse gas emissions (GHG), and to the ISO 14040 family rules for the methodology for calculating the environmental footprint of the product and the Organisation and, specifically, ISO 14067 and ISO 14046 for the determination of the Carbon Footprint and Water Footprint. In December 2021, the Company also renewed its independent certification (from SGS Italia S.p.A.) regarding the full compliance of its Sustainable Procurement Management model with the dictates of the ISO 20400

17 Specifically, the High Value segment includes: (I) Auto tyres with rim size ≥18"; (II) Auto tyres, defined as Specialties and Super Specialties, which meet specific customer needs: Run Flat™, Seal Inside™, PNCSTM, Elect™, Pirelli Cyber™, Racing, Collezione, regardless of rim size; (III) Motorcycle and Scooter tyres with radial structure; Motorcycle tyres with conventional structure for racing, custom touring and with speed index ≥H (enduro and sport touring segments).

Standard (first certification obtained during 2018).

Details on the coverage of these certifications and methodological reference tools have been given in the sections “Compliance Programmes, Anti-Corruption, Privacy, Trade Compliance, Antitrust, Compliance With Laws and Regulations”, “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 Board Committee, approves the strategies and objectives for sustainable management integrated in the Group Plan with reference to all areas of management, including, *inter alia*, those relating to human rights, health and safety, climate change and decarbonisation, reduction of environmental impacts of products and processes, supply chain sustainability, cyber security, diversity and inclusion, and ESG risks and opportunities, mapping of impacts on the economy, society, environment and human rights.

The company performs due diligence activities to identify its current and potential impacts on economy, society, the environment, and human rights along the value chain, with a view to identifying, preventing, mitigating and managing these impacts responsibly. The results of risk assessments on Human Rights, Climate Change, as well as the materiality mapping of Impacts and the related mitigation and responsible management strategies are submitted to the Audit, Risk, Sustainability and Corporate Governance Committee and then to the Board of Directors. The Board of Directors also approves Pirelli’s annual financial statements, including the Consolidated Non-Financial Disclosure, which is in turn subject to the supervision of the Board of Statutory Auditors in accordance with Legislative Decree no. 254 of 30 December 2016.

Within the Board of Directors, the CEO is delegated to sustainability topics and, in this capacity, he is entrusted with the task of overseeing sustainability issues related to the company’s operations and implementing the guidelines defined by the Board of Directors, with the support of the Audit, Risk, Sustainability and Corporate Governance Committee.

The increase of knowledge on the part of the members of corporate bodies on the impacts, risks and opportunities in the area of Sustainability is also promoted through the systematic participation of management in Committee meetings. In fact, in the course of 2022, management - and in particular the Head of Compliance, the Manager responsible for preparing financial documents, the Head of Financial Statement, the Head of Sustainability and Future Mobility, the Head of Sustainability and Diversity, the Head of Internal Audit, SVP Sustainability and Future Mobility, the Head of Finance, Cyber Security and Risk Management - assiduously attended the meetings of the Audit, Risk, Sustainability and Corporate Governance Committee, contributing to a periodic and updated information to the Committee. In addition to this, third parties are invited for training and/or in-depth analysis

of specific topics, which in 2022 dealt with the evolution of non-financial reporting and taxonomy.

For more information on Corporate Governance and, in particular, on the functioning of the Board of Directors and the Audit, Risk, Sustainability and Corporate Governance Committee, as well as the Board’s self-assessment activities, please refer to the Report on the Corporate Governance and Share Ownership of Pirelli & C. S.P.A., part of this Annual Report.

The strategic evolution of Group Sustainability is entrusted to the Strategic Sustainability Committee, a body appointed in 2004, chaired by the CEO and composed of the Company’s Top Management representing all the organisational and functional responsibilities. The Committee has strategic competence and holds ordinary meetings at least twice a year. The Strategic Sustainability Committee is supported by an Operational Sustainability Committee, chaired by the Deputy CEO and consisting of the Company’s Top Management, with responsibility for the strategic-operational management of the Group’s sustainability issues, including, among others, human rights, health and safety, climate change and decarbonisation, reduction of environmental impacts of products and processes, supply chain sustainability, cyber security, diversity and inclusion, ESG risks and opportunities, addressed in consideration of the Group’s sustainability objectives to manage impacts on economy, environment and society including Human Rights.

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

The Department receives support from:

- a Sustainability Working Group made up of sustainability representatives within the different central company departments in order to guarantee constant monitoring and coordination of strategic programmes with an impact on the areas of competence of specific departments;
- Country Sustainability Managers & Diversity Managers to oversee activities covering all Group affiliates. The role of the Country Sustainability Manager is held by the Country CEOs, who are supported by their direct reports in operational management of Country plans.

ESG objectives are an integral part of the short-term incentive plans (with a weight of 15% on the STI) and long-term incentive plans (with a weight of 20% on the LTI), details of which are available in the “Remuneration” Policy published on the Company’s website, in the “Remuneration and Sustainability” section of this Report, and in a dedicated section of the Corporate Governance Report included in this Annual Report.

## IMPACT MATERIALITY

In 2022 Pirelli updated its materiality analysis considering the GRI Universal Standards published in 2021, which envisage the identification of topics representing the most significant impacts - positive and negative, actual and potential - of organisations on the economy, environment and people, including impacts on human rights. This perspective, which therefore considers the impacts generated or which could be generated by Pirelli, is defined as **Impact Materiality**.

Pirelli's Impact Materiality, with the associated impacts, was submitted for approval to the Strategic Sustainability Committee, then to the Audit, Risks, Sustainability and Corporate Governance Board Committee, to the Board of Statutory Auditors, to the Board of Directors, and was finally published in this Report.

The Mapping of the Group's material impacts on the economy, the environment, society and human rights is carried out with annual frequency and the results, together with Stakeholder assessments and expectations, are considered in the update of Group objectives and strategies.

Pirelli also carried out an internal analysis exercise using a "**Dual Materiality**" approach. This approach integrates the perspective of Impact Materiality with that of **Financial Materiality**, which envisages identifying those issues that represent sustainability risks and opportunities that influence or could significantly affect the company's future cash flows, with financial repercussions on development, performance and corporate positioning in the short, medium or long term. The exercise will be refined following the approval of the European<sup>18</sup> Efrag<sup>19</sup> standards, which incorporates the requirements introduced by the Corporate Sustainability Reporting Directive (CSRD), which will come into force as of 1 January 2024, providing for reporting according to the double materiality approach.

In methodological terms, the process that led to **Pirelli's Impact Materiality** included the following main stages:

### 1. Identification of material topics and relevant prioritization (materiality map)

A thorough Stakeholder Engagement activity, completed in early 2022 and published within the Annual Report 2021, allowed the observation of the priorities assigned by the key Stakeholders relating to a panel of sustainability topics critical for the Auto parts sector, and therefore the comparison and matching of 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.

The topics considered relevant were pre-selected considering their relevance to the automotive components

sector according to leading research and sustainable finance bodies, their presence in the materiality mapping of car manufacturers and car parts, the risks and opportunities arising from regulatory developments with reference to the UN Sustainable Development Goals to 2030 (SDGs). For this reason we would like to emphasise that all the ESG elements pre-identified through the aforementioned analysis and present in the materiality mapping are material and relevant to Pirelli's development, albeit with greater or lesser priority, as evidenced by the position of the different elements within the Table and the Matrix reported below.

The prioritization among material topics was defined according to the results of the interview process with Stakeholders and Management from all regions of the World, specifically including:

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

### 2. Identification of the Impacts Generated by the Organisation

Initially, the internal and external context of the company was analysed.

Available internal documents were analysed, such as information on the company profile, values, and the Group's sustainability plan, in order to gain an in-depth understanding of the sustainability context in which the organisation operates, as well as the Group's activities, business relations and stakeholders. In addition, a benchmark analysis was conducted that included comparable industry and non-industry companies, in particular Automobile and Auto parts manufacturers, manufacturing and chemical companies, the expectations of the main sustainability standards, sustainable finance indices and major international fora (such as SASB, S&P Global indices for Dow Jones, OECD publications and the World Economic Forum), the external context was analysed starting with the evolution of legislation and regulations in order to intercept the main trends and relevant factors related to sustainability aspects in the tyre sector.

The analysis of the organisation's context was integrated with the Group's Enterprise Risk Management (ERM) function, in consideration of the analysis and assessment of corporate risks.

<sup>18</sup> European Sustainability Reporting Standards – ESRS.  
<sup>19</sup> European Financial Reporting Advisory Group.

This resulted in a list of the main impacts generated by the Company (impact materiality perspective), positive and negative, actual and potential, correlated to the initiatives and objectives implemented by Pirelli to mitigate them.

### **3. Evaluation of the impacts generated on the economy, the environment, people and human rights**

In this phase, the identified impacts were subjected to Stakeholder and Senior Management assessment to determine their significance according to the perspective of Impact Materiality, considering both the magnitude (which includes the aspects of severity, extent and irretrievable character, the latter character only for negative impacts), and the likelihood of the impact occurring, which determines the potential or actuality of the impact. The assessment was requested considering the residual impacts against the initiatives and objectives implemented by Pirelli to mitigate them.

In particular, the Stakeholder Engagement activity envisaged the involvement of five categories of Stakeholders at the international level: Senior Management, Employees, Original Equipment Customers, Group Suppliers, Non-Governmental Organisations.

### **4. Impact materiality: list of material issues ordered by priority and assessments of the impacts generated on the economy, the environment, people and human rights**

Finally, in line with the requirements of the new GRI Universal Standards 2021, the results obtained from the assessments were reprocessed, prioritising the significance of the impacts and related material themes. This process made it possible to identify the Group's material sustainability themes.

The Impact Materiality is represented below, highlighting:

- the material themes listed in order of relevance (highest to lowest) as resulting in the Materiality Map concluded in early 2022 and published in Annual Report 2021, confirmed in the same relevance order for the whole year 2022;
- the SDGs of reference;
- the description of the correlated positive and negative impacts;
- the levels of significance (*magnitude \* probability which determines the potentiality or actuality of the impact*) of positive and negative impacts as resulting from the above mentioned five Stakeholder categories who took into consideration the strategies and actions implemented by Pirelli to manage the specific impacts;
- Pirelli's Strategies and actions;
- the reference to the specific paragraphs of this Report where the adopted strategies, the relevant management model and the performances are detailed.

The analysis of the impacts (Impact Materiality) shows how, in view of the measures implemented by Pirelli on material issues, the actual/potential positive impacts are more significant than the actual/potential negative impacts, thus giving value to the actions, policies and targets implemented by Pirelli and demonstrating that Stakeholders consider them appropriate for mitigating negative impacts and maximising positive ones.

In order to make it easier for the reader to understand, the Impact Materiality is also presented below in the form of a matrix, with the themes positioned in consideration of the **relevance** attributed by Senior Management and Stakeholders and the size of the bubbles representing the significance of the residual positive and negative impacts, consolidated with respect to the assessments of Impact Materiality by Senior Management and Stakeholders.



The following is a list of material topics ordered by relevance with details of related impacts, levels of significance of the Impact Materiality and their contribution to the United Nations Sustainable Development Goals (SDGs).

MATERIAL THEME	SDGs	POSITIVE (+) AND NEGATIVE (-) IMPACTS	IMPACT SIGNIFICANCE (IMPACT MATERIALITY)	ACTIONS, POLICIES AND TARGETS UNDERTAKEN BY PIRELLI	STRATEGY AND PERFORMANCE
(descendent priority order)		(potential/actual)	(magnitude*probability) ●●● High ●● Medium ● Low		(Ref. chapters/sections of the Report)
Product Quality and Safety	 	+ Contribution to road safety by reducing possible car accidents thanks to tyres that meet the highest quality and safety standards.	●●●	Pirelli applies the most advanced technologies to offer tyres with high levels of quality and performance, with the aim of having 90% of new tyres in 2025 classified according to the highest European labelling standards for 'wet grip'.	<ul style="list-style-type: none"> <li>• PRODUCT SAFETY PERFORMANCE AND ECO-SUSTAINABILITY</li> <li>• PRODUCT ECO &amp; SAFETY PERFORMANCE TARGETS</li> </ul>
		- Customer dissatisfaction due to defective and unsafe products, negative impact on road safety.	●		
Climate change and GHG emission reduction	  	+ Contribution to the reduction of atmospheric emissions.	●●	Pirelli has created a decarbonisation roadmap in line with the objectives of the Paris Agreement and aims for zero net CO <sub>2</sub> emissions by 2050 at the latest along the entire value chain. To this end, the Company is active on several fronts including: <ul style="list-style-type: none"> <li>- investments in process energy efficiency and the procurement of 100% electricity from renewable sources by 2025;</li> <li>- the commitment to achieve Group carbon neutrality by 2030;</li> <li>- engaging the most impactful suppliers to reduce their emissions;</li> <li>- product innovation to ensure increasing levels of energy efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>• ADHESION TO TCFD</li> <li>• PIRELLI GROUP ENVIRONMENTAL FOOTPRINT AND STRATEGY</li> <li>• ENERGY MANAGEMENT</li> <li>• GREENHOUSE GAS EMISSION MANAGEMENT AND CARBON ACTION PLAN</li> </ul>
		- Contribution to climate change through atmospheric emissions from fossil energy consumption during tyre manufacturing and by the supply chain.	●		
Responsible management of Natural Resources	      	+ Contribution to the conservation of natural resources.	●●	Pirelli promotes initiatives to manage natural resources responsibly in order to: <ul style="list-style-type: none"> <li>- prevent unnecessary consumption of raw materials, with targets by 2025 to increase the use of renewable materials by 40%, recycled materials<sup>20</sup> by 8%, and decreasing the consumption of fossil-derived materials by 40%;</li> <li>- prevent the generation of waste upstream, through innovation in production processes and the implementation of the Zero Waste to Landfill initiative, with the goal of sending 98% of the waste produced for recovery;</li> <li>- make water consumption more efficient, with a target to reduce specific water withdrawals by 43% by 2025 compared to 2015 levels.</li> </ul>	<ul style="list-style-type: none"> <li>• SUSTAINABILITY OF THE NATURAL RUBBER SUPPLY CHAIN</li> <li>• BIODIVERSITY</li> <li>• PIRELLI'S APPROACH TO THE CIRCULAR ECONOMY: THE 5 R'S</li> <li>• PRODUCT: RAW MATERIAL RESEARCH AND DEVELOPMENT</li> <li>• ENERGY MANAGEMENT</li> <li>• WATER MANAGEMENT</li> <li>• WASTE MANAGEMENT</li> </ul>
		- Contribution to natural resource depletion, through consumption of raw materials and natural resources.	●		

<sup>20</sup> > 3% by 2025 and > 7% by 2030 excluding recycled metals.

MATERIAL THEME	SDGs	POSITIVE (+) AND NEGATIVE (-) IMPACTS	IMPACT SIGNIFICANCE (IMPACT MATERIALITY)	ACTIONS, POLICIES AND TARGETS UNDERTAKEN BY PIRELLI	STRATEGY AND PERFORMANCE
(descendent priority order)		(potential/actual)	(magnitude*probability) ●●● High ●● Medium ● Low		(Ref. chapters/sections of the Report)
Product Environmental Sustainability		+ Contribution to the reduction of cited environmental impacts through the use of low-impact tyres.	●●	Pirelli promotes research and development of innovative technologies and materials through major investments in innovation that contribute to the reduction of product environmental impact, through the creation of tyres with low rolling resistance, designed to last for longer mileage and to increase wear efficiency, in order to contribute to lower fuel consumption of conventional cars/increase battery life of electric vehicles, decrease the release of wear particles into the environment and reduce noise pollution.	<ul style="list-style-type: none"> <li>PRODUCT SAFETY PERFORMANCE AND ECO-SUSTAINABILITY</li> <li>PRODUCT: RAW MATERIAL RESEARCH AND DEVELOPMENT</li> <li>PRODUCT: ECO &amp; SAFETY PERFORMANCE OBJECTIVES</li> <li>TYRE WEAR AND TRWP</li> <li>END-OF-LIFE TYRE MANAGEMENT</li> </ul>
		- Contribution to tyre-related CO <sub>2</sub> emissions and pollution from the release of wear particles into the environment (soil, air, water).	●●		
Occupational Health & Safety	 	+ Health and safety at work, greater well-being for people in the company and a positive social impact outside the company.	●●●	Pirelli has safeguards and processes in place to ensure regulatory compliance while pursuing the company's 'zero accidents' objective.	<ul style="list-style-type: none"> <li>HEALTH, SAFETY AND HYGIENE AT WORK</li> </ul>
		- Accidents to workers due to non-compliance with company rules and regulations, social costs.	●		
Innovation	 	+ Contribution to the technological advancement of the industry by accelerating progress towards the mobility of the future, to customer satisfaction through innovation and the provision of innovative products and technologies.	●●●	Pirelli promotes the development of innovative and technological solutions according to the 'Open Innovation' model, in order to anticipate technological innovations in the sector, direct research and development activities and respond to the needs of the end user, making driving safer and improving the driving experience	<ul style="list-style-type: none"> <li>PRODUCT SAFETY PERFORMANCE AND ECO-SUSTAINABILITY</li> <li>PRODUCT: RAW MATERIAL RESEARCH AND DEVELOPMENT</li> </ul>
		- Lack of positive contribution to the evolution of mobility due to inadequate or obsolete solutions, customer dissatisfaction.	●		
Business Ethics and Integrity	 	+ Contribution to the prevention and reduction of corruption and misconduct in the conduct of business, with benefits to both the company and the public good.	●●●	Pirelli places ethics and integrity at the heart of its essence as a company. It has policies, processes and organisational models in line with best practices. Particular attention is paid to making all employees aware of company rules, training and prevention.	<ul style="list-style-type: none"> <li>PIRELLI AND ITS MANAGEMENT MODEL</li> <li>MAIN POLICIES</li> <li>COMPLIANCE PROGRAMMES, ANTI-CORRUPTION, PRIVACY, TRADE COMPLIANCE, ANTITRUST, COMPLIANCE WITH LAWS AND REGULATIONS</li> <li>REPORTING PROCEDURE</li> <li>RESPECT FOR HUMAN RIGHTS</li> <li>REMUNERATION AND SUSTAINABILITY</li> </ul>
		- Incidents of corruption and misconduct in the performance of activities that can affect both the company and the public good.	●		
Future Mobility	 	+ Substantial contribution to improving customer mobility, both in terms of safety and eco-sustainability.	●●●	Pirelli places the mobility of the future at the core of its research, innovation and business model, so that its products and services are competitive and anticipatory with respect to an evolutionary scenario that includes digitalisation, electrification, new consumer behaviour and expectations (such as mobility sharing), automated driving and the circular product economy.	<ul style="list-style-type: none"> <li>HIGH VALUE APPROACH TO THE MOBILITY OF THE FUTURE</li> </ul>
		- Difficulties in the development of innovative and competitive technologies, products and services in relation to the evolving mobility scenario, decreased road safety and increased environmental pollution.	●		

MATERIAL THEME	SDGs	POSITIVE (+) AND NEGATIVE (-) IMPACTS	IMPACT SIGNIFICANCE (IMPACT MATERIALITY)	ACTIONS, POLICIES AND TARGETS UNDERTAKEN BY PIRELLI	STRATEGY AND PERFORMANCE
(descendent priority order)		(potential/actual)	(magnitude*probability) ●●● High ●● Medium ● Low		(Ref. chapters/sections of the Report)
Human Rights	   	<p>+ Contribution to the protection of human and labour rights.</p> <p>- Contribution to checking on episodes of human and labour rights violations along the value chain.</p>	<p>●●●</p> <p>●</p>	<p>Pirelli bases its activities on respect for Human Rights and promotes these rights in the international, multicultural, socially and economically diversified context in which it operates. Human Rights related Policies and governance systems are applied to cover the value chain.</p>	<ul style="list-style-type: none"> <li>• MAIN POLICIES</li> <li>• RESPECT OF HUMAN RIGHTS</li> <li>• DIVERSITY, EQUITY AND INCLUSION;</li> <li>• OUR SUPPLIERS</li> <li>• COMPLIANCE WITH LEGISLATIVE-CONTRACTUAL REQUIREMENTS ON OVERTIME, REST PERIODS, ASSOCIATION AND BARGAINING, EQUAL OPPORTUNITIES AND NON-DISCRIMINATION, PROHIBITION OF CHILD AND FORCED LABOUR</li> </ul>
Circular economy	    	<p>+ Contribution to maintaining availability of raw materials and reducing related environmental damage, reducing competition for access to resources</p> <p>- Depletion of raw materials, environmental damage due to waste and inefficient use of natural resources</p>	<p>●●</p> <p>●</p>	<p>Pirelli pays continuous attention to the definition and implementation of increasingly circular solutions, implementing the “5Rs: Re-think, Refuse, Reduce, Reuse, Recycle” strategy (e.g. tyre design with increasing content of renewable or recycled raw materials, increasing mileage to extend tyre life and reduce resource exploitation), in order to:</p> <ul style="list-style-type: none"> <li>- Use over 40% renewable materials by 2025 (over 60% by 2030);</li> <li>- More than 8% recycled materials<sup>21</sup> by 2025 (more than 12% by 2030);</li> <li>- Reduce the use of fossil-derived raw materials to less than 40% by 2025 (less than 30% by 2030).</li> </ul>	<ul style="list-style-type: none"> <li>• PIRELLI'S APPROACH TO THE CIRCULAR ECONOMY: THE 5 R'S</li> <li>• PRODUCT: RAW MATERIALS RESEARCH AND DEVELOPMENT</li> <li>• END-OF-LIFE TYRE MANAGEMENT</li> </ul>
Financial Health	  	<p>+ Capacity for long-term development and contribution to the creation of shared value.</p> <p>- Erosion of generated and shared value due to the adoption of ineffective plans to prevent, monitor and manage potential risks arising from competitive positioning.</p>	<p>●●●</p> <p>●</p>	<p>Pirelli promotes the adoption of appropriate economic-financial risk management tools to ensure responsible long-term development and combine value creation and societal progress, including multiple environmental performance indicators in financial instruments already adopted and to be adopted in the future.</p>	<ul style="list-style-type: none"> <li>• INTRODUCTION TO INTEGRATED REPORT</li> <li>• SHARING OF ADDED VALUE</li> <li>• RELATIONS WITH INVESTORS AND THE FINANCIAL MARKET</li> <li>• CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022</li> </ul>
Talent acquisition, development and retention	  	<p>+ Contribution to the support of deserving students, to the development of skills for the market, to the creation of quality employment for both the company and the socio-economic environment.</p> <p>- Dissatisfaction and high employee turnover due to inadequate development initiatives and plans, failure to contribute to the quality of the socio-economic environment.</p>	<p>●●</p> <p>●</p>	<p>Pirelli promotes the implementation of specific management policies in order to attract, motivate and retain talent, create collaborative environments and ensure adequate support for the development of professional life while respecting people's merit.</p>	<ul style="list-style-type: none"> <li>• EMPLOYER BRANDING</li> <li>• DEVELOPMENT</li> </ul>

<sup>21</sup> > 3% by 2025 and > 7% by 2030 excluding recycled metals.

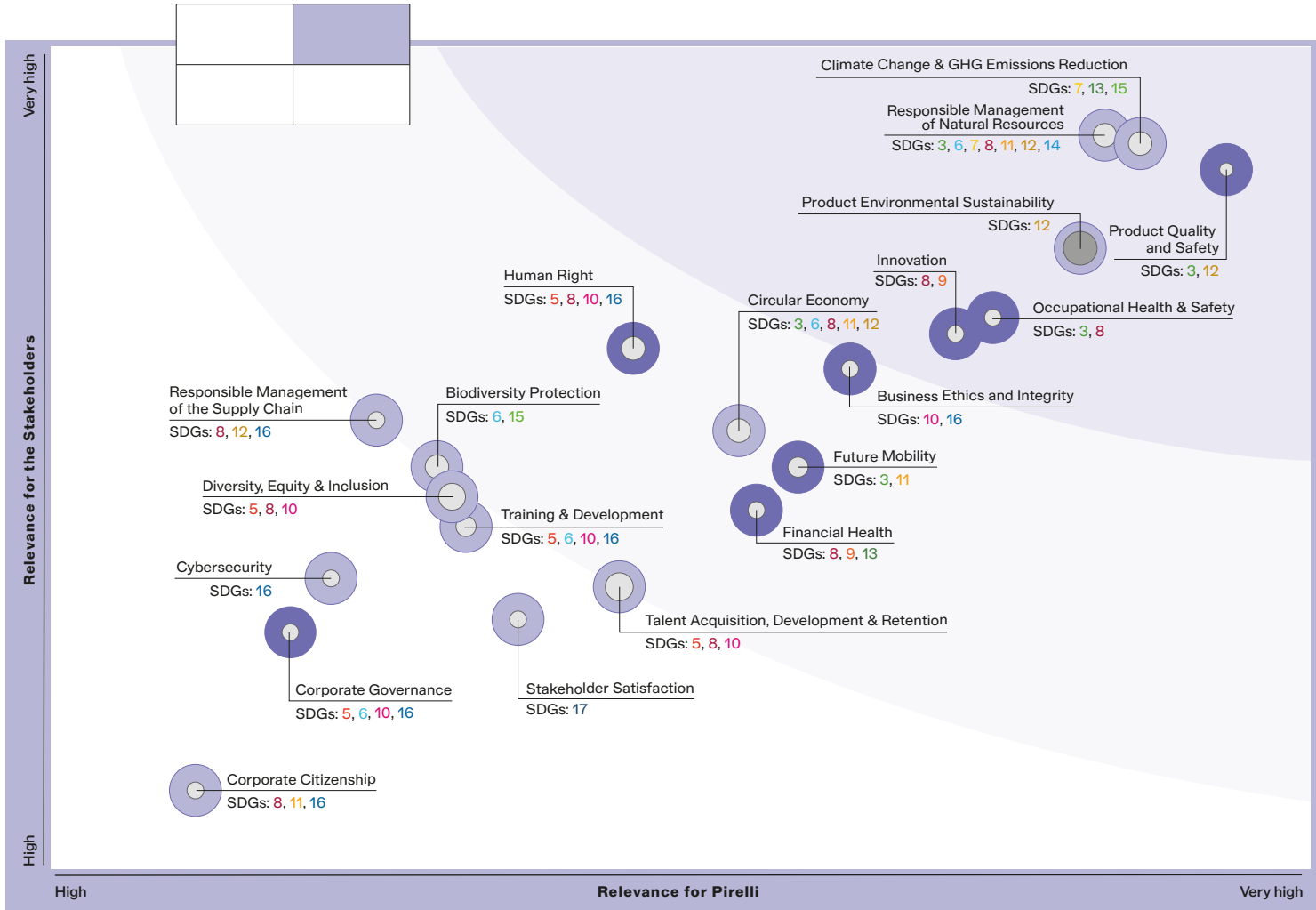
MATERIAL THEME	SDGs	POSITIVE (+) AND NEGATIVE (-) IMPACTS	IMPACT SIGNIFICANCE (IMPACT MATERIALITY)	ACTIONS, POLICIES AND TARGETS UNDERTAKEN BY PIRELLI	STRATEGY AND PERFORMANCE
(descendent priority order)		(potential/actual)	(magnitude*probability) ●●● High ●● Medium ● Low		(Ref. chapters/sections of the Report)
Biodiversity Protection	 	+ Contribution to the conservation and protection of biodiversity.	●●	Pirelli adopts the No Net Loss Model and applies the mitigation hierarchy. The Company promotes initiatives to protect biodiversity of the sites where it operates and to support the conservation of forests and ecosystems along the supply chain. Particular attention is paid to the natural rubber supply chain, which is based on a No Deforestation Policy. In addition, a multi-year project in the Indonesian Hutan Harapan (whose translation is Forest of Hope) forest has been activated, which includes activities to support local communities, the conservation of 2,700 hectares of rainforest and numerous endangered animal species in the area, among which Sumatran Tiger and Sumatran Elephant.	<ul style="list-style-type: none"> <li>• BIODIVERSITY</li> <li>• SUSTAINABILITY OF THE NATURAL RUBBER SUPPLY CHAIN</li> <li>• ENERGY MANAGEMENT</li> <li>• WATER MANAGEMENT</li> <li>• WASTE MANAGEMENT</li> </ul>
		- Contribution to the loss of biodiversity and potential damage to ecosystems during business operations and throughout the product life cycle.	●		
Diversity, equity and inclusion	  	+ Psycho-physical wellbeing of employees, influence on people's culture with positive impact both within the company and in the community outside the company due to the values conveyed.	●●	Pirelli promotes the development of initiatives and campaigns to raise awareness and training on issues of diversity, equity and good inclusion practices, with the aim of increasing understanding of the human and corporate value inherent in diversity among individuals, of guaranteeing equal treatment opportunities throughout all stages of working life and of fostering an inclusive culture that allows each person to feel welcomed and heard in the corporate community.	<ul style="list-style-type: none"> <li>• DIVERSITY, EQUITY AND INCLUSION</li> </ul>
		- Dissatisfaction, stress and lowered quality of life of people due to misalignments between individual expectations and company response.	●		
Responsible Management of the Supply Chain	  	+ Contribution to the development of a responsible and resilient supply chain, reducing negative social and environmental impacts.	●●	Pirelli promotes initiatives aimed at continually improving the qualitative and competitive level of its supply chain, with initiatives and management models that focus on the economic, social and environmental performance of suppliers. The Management Model adopted is attested by a third party as fully compliant with ISO20400, which requires the company's ability to manage and capitalise on economy, quality, respect for human rights and the environment in the supply chain.	<ul style="list-style-type: none"> <li>• OUR SUPPLIERS</li> <li>• RESPECT FOR HUMAN RIGHTS</li> <li>• POLICY ON CONFLICT MINERALS</li> </ul>
		- Contribution to the generation of environmental harm or harm to employees by third parties due to inadequate monitoring of supplier practices.	●		
Training and Development	   	+ Employee engagement, maintaining a high-quality workforce that is useful both to the company and to the economic and social context in which the company operates.	●●	Pirelli has historically made continuous training a cornerstone of its development, innovating processes and contents in order to maintain a workforce that is competitive and involved in the evolution of the business and the global context to which it intends to respond competitively.	<ul style="list-style-type: none"> <li>• DEVELOPMENT</li> <li>• TRAINING</li> <li>• TRAINING ON SUSTAINABILITY AND CORPORATE GOVERNANCE</li> </ul>
		- Dissatisfaction and low employee performance due to outdated or inadequate training programmes.	●		

MATERIAL THEME	SDGs	POSITIVE (+) AND NEGATIVE (-) IMPACTS	IMPACT SIGNIFICANCE (IMPACT MATERIALITY)	ACTIONS, POLICIES AND TARGETS UNDERTAKEN BY PIRELLI	STRATEGY AND PERFORMANCE
(descendent priority order)		(potential/actual)	(magnitude*probability) ●●● High ●● Medium ● Low		(Ref. chapters/sections of the Report)
Stakeholder Satisfaction		+ Stakeholder satisfaction, effectiveness of business plans and creation of shared value.	●●	Pirelli promotes the development of strong relations with stakeholders in order to increase their satisfaction and willingness to collaborate in the continuous improvement and competitiveness of the Company. Dialogue aims to reach an equitable satisfaction of the different stakeholder categories, ascertain their expectations and create a "licence to operate" especially in those complex and critical contexts that require a collaborative approach in order to be managed with a view to continuous improvement and shared value creation (one example might be the issue of sustainable natural rubber management).	<ul style="list-style-type: none"> <li>• STAKEHOLDER ENGAGEMENT AND THE FINANCIAL MARKET</li> <li>• LISTENING AND EXCHANGING IDEAS WITH THE CUSTOMER</li> <li>• AS A SOURCE OF CONTINUOUS IMPROVEMENT</li> <li>• TOGETHER FOR NATURAL RUBBER SUSTAINABILITY THE GPSNR PLATFORM</li> <li>• SUPPLIER MANAGEMENT</li> <li>• LISTENING AND ENGAGEMENT (INTERNAL COMMUNITY)</li> <li>• INDUSTRIAL RELATIONS</li> <li>• SAFETY CULTURE AND TRAINING</li> <li>• INSTITUTIONAL RELATIONS OF THE PIRELLI GROUP</li> <li>• COMPANY INITIATIVES IN FAVOUR OF THE EXTERNAL COMMUNITY-ROAD SAFETY</li> </ul>
		- Stakeholder dissatisfaction due to the inability to develop effective engagement plans.	●		
Cybersecurity		+ Contribution to the protection of sensitive third-party data.	●●	Pirelli promotes the protection of the sensitive data of third parties (e.g. customers, employees, suppliers) through the implementation of safeguards against unauthorised access, in order to prevent and mitigate episodes of breach of sensitive data.	<ul style="list-style-type: none"> <li>• INFORMATION AND CYBER SECURITY</li> </ul>
		- Contribution to the loss or disclosure of sensitive data due to inadequate IT facilities and unstructured information management.	●		
Corporate Governance	   	+ Strength and accountability of the company to all stakeholders.	●●●	Pirelli promotes the implementation of plans and policies in order to ensure the presence of a solid and responsible governance that is able to plan, implement and monitor strategic directions in the medium to long term.	<ul style="list-style-type: none"> <li>• PIRELLI AND ITS MANAGEMENT MODEL</li> <li>• REPORT ON CORPORATE GOVERNANCE</li> </ul>
		- Incidents of violations of the code of ethics, corruption, conflicts of interest due to an ineffective governance system.	●		
Corporate Citizenship	  	+ Contribution to the well-being and improvement of the quality of life of local communities.	●●	Pirelli promotes the development of local communities through solidarity initiatives, technical training and support road safety in order to create shared value and enhance the well-being and quality of life of the surrounding external community.	<ul style="list-style-type: none"> <li>• SHARING OF ADDED VALUE</li> <li>• INITIATIVES IN FAVOUR OF THE EXTERNAL COMMUNITY</li> </ul>
		- Contribution to the deterioration of the living conditions of local communities due to their lack of involvement in corporate strategy.	●		

IMPACT MATERIALITY – REPRESENTATION UNDER MATRIX FORMAT

The Impact Materiality is also shown below in the form of matrix in order to make it easier for the reader to understand and easily grasping the significance of the main impacts, as a result of magnitude \* probability, which determines the potential or actuality of the impact, including the applicable SDGs.

The themes are prioritized in consideration of the relevance attributed by Management and Stakeholders and the size of the bubbles represents the significance (magnitude \* probability) of the residual positive and negative impacts (residual as it considers the actions already put in place by Pirelli to mitigate negative impacts and maximize positive ones), consolidated with respect to the assessments of Impact Materiality by Senior Management and Stakeholders.



Bubble legend (Significance of Main Impacts):

The size and colour intensity of the bubbles represent the assessment of the significance of the main impacts, as a result of magnitude x probability, which determines the potentiality or actuality of the impact, according to the perspective of Impact Materiality

Significance Positive Impacts	<ul style="list-style-type: none"> <li>■ High</li> <li>■ Medium</li> <li>■ Low</li> </ul>	Significance Negative Impacts	<ul style="list-style-type: none"> <li>■ High</li> <li>■ Medium</li> <li>■ Low</li> </ul>
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SUSTAINABILITY PLANNING AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

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

In methodological terms, the process of sustainability 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.

The Sustainability Plan by 2025 and 2030 is fully integrated into the Company’s Industrial Plan. The Plan’s

targets are defined in alignment with the materiality of the Company's impacts on the economy, environment, society and Human Rights (see the description of Impacts in the Impact Materiality section of this Report) and in support of the United Nations 2030 Sustainable Development Goals, as further discussed in this section.

Respect for Human Rights and the identification, prevention and mitigation of related risks and impacts along the value chain are transversal to the implementation of all the Plan's targets, see in this regard what is fully reported in the section "Respect for Human Rights" in this Report.

A central role is dedicated to human capital, the core of the company and its ability to achieve its goals. The culture of safety at work will continue to support the Zero Accident goal, with an accident frequency index  $\leq 0.1$  by 2025. The Plan focuses on increasingly innovative human capital management.

New marketing recruitment solutions for STEM (Science, Technology, Engineering, Mathematics) talents will be accompanied by experimentation with increasingly smart ways of working and the training of new digital skills, in an inclusive work environment capable of meeting the challenges of the future in an agile and resilient manner.

At raw material level, for new product lines, the Plan foresees the following:

- by 2025: renewable materials >40%, recycled materials<sup>22</sup> >8%, fossil-derived materials <40%;
- by 2030: renewable materials >60%, recycled materials<sup>23</sup> >12%, fossil-derived materials <30%.

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

- more than 70% of new products will be in Rolling Resistance Class A/B<sup>24</sup>;
- more than 90% of new products will be in WetGrip Class A/B;
- growth in Eco & Safety Performance revenues with a target of >66% of total car sales and >71% of High Value products only<sup>25</sup>.

In terms of environmental efficiency of production processes:

- with reference to CO<sub>2</sub> emissions, by 2025 it is planned that 100% of renewable electrical energy purchased at Group level should be renewable, as well as a 42% reduction in absolute CO<sub>2</sub> emissions compared to 2015 (Science Based Target approved by SBTi in 2022); by 2030 it is planned to achieve Carbon Neutrality (considering emissions both from electrical and thermal energy);
- with regard to natural resource efficiency, the following are also planned by 2025: reductions of 10% in specific

energy consumption (compared to 2019) and 43% specific water withdrawal (compared to 2015), as well as achieving 98% of waste sent for recovery (zero waste to landfill vision).

Regarding the sustainability of the supply chain:

- reduction of absolute CO<sub>2</sub> emissions from raw material suppliers by 8.6% by 2025 compared to 2018 (Science Based Target approved by SBTi);
- adoption of increasingly advanced models of management of the economic, social and environmental responsibility of the supply chain with particular attention to the upstream supply chain;
- implementation of the Pirelli Roadmap relating to the sustainable management of the natural rubber supply chain, in line with the dictates of Pirelli Policy and the Global Platform for Sustainable Natural Rubber (GPSNR), of which Pirelli is a founding member.

As part of its decarbonisation strategy, in addition to the SBTi targets mentioned above, Pirelli has formally expressed its commitment to the Net Zero Science Based Target.

With reference to protecting Biodiversity, the Company has adopted the No Net Loss Model and the mitigation hierarchy in managing impacts. Moreover, on the deforestation risk side of Natural Rubber, Pirelli has adopted 2019 as the cut-off year, in line with the Policy Framework of the Global Platform for Sustainable Natural Rubber.

For an extensive discussion of all the above Targets and the performance achieved, please refer to the relevant paragraphs in this Report.

The ESG objectives are an integral part of the short-term incentive plans (with a weight of 15% of the STI premium) and long-term incentive plans (with a weight of 20% of the LTI bonus), details of which are publicly available in the Remuneration Policy available on the Company's website, in the "Remuneration and Sustainability" section of this Report, and in the dedicated section in the Corporate Governance Report included in this Annual Report.

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

The Plan targets in alignment with the materiality of the Company's socio-environmental impacts support the following SDGs in particular:

- 3 - Good Health and Well-being;
- 4 - Quality Education;
- 5 - Gender Equality;
- 6 - Clean Water and Sanitation;
- 7 - Affordable and Clean Energy;
- 8 - Decent Work and Economic Growth;
- 9 - Industry, Innovation and Infrastructure;
- 10 - Reduced Inequalities;
- 11 - Sustainable Cities and Communities;

<sup>22</sup> > 3% by 2025 and > 7% by 2030 excluding recycled metals.

<sup>23</sup> > 3% by 2025 and > 7% by 2030 excluding recycled metals.

<sup>24</sup> On all new ipcodes with Label, converting the non-European scales to the European classification.

<sup>25</sup> High Value products are determined by rim sizes equal to or greater than 18 inches and, in addition, include all "Specialties" and "Super Specialties" products (Run Flat™, Seal Inside™, PNCS™, Elect™, Pirelli Cyber™, Racing, Collezione) independently of rim size.

- 12 - Responsible Consumption and Production;
- 13 - Climate Action;
- 14 - Life Below water;
- 15 - Life on Land;
- 16 - Peace, Justice and Strong Institutions;
- 17 - Partnership for Goals.

The link between the company's impacts and the SDGs can be found in the section "Impact Materiality".

Please be aware that:

- the Pirelli Sustainability Plan 2025 with 2030 vision is published in the "Sustainability" section of the Company's website ([www.pirelli.com](http://www.pirelli.com));
- at the end of the 2022 Annual Report, prior to the Independent Auditors' Report, are located the Summary Tables including a correlation table between the Group's performance/targets and the United Nations Sustainable Development Goals, on which the aforementioned performance and targets have an impact.

### STAKEHOLDER ENGAGEMENT

The role of Pirelli in an economic and social context is tied to its capacity to create value through a multi-stakeholder approach, i.e. 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;
- local communities, starting with those in the various Countries where the Group operates on a stable basis, while being aware of its responsibilities as a Corporate Global Citizen.

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

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

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

In the course of 2022, engagement and dialogue activities with stakeholders also continued through digital channels, compatible with the periods of attention to COVID-19 risk.

### 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 employees in their local language.

The Policies define the principles and general rules of conduct that inspire all activities carried out at Group level on specific topics: by their very nature they therefore apply to all Group personnel and to all those who work for or on behalf of Pirelli. In many cases, the Policies are also, or specifically addressed, to the Pirelli supply chain and/or more generally to all stakeholders (e.g. the Whistleblowing Policy).

Specifically, as at year-end 2022, the body of the Main Group Policies on sustainable management consisted of the following documents:

- Pirelli's Values and Code of Ethics
- the "Global Human Rights" Policy
- the "Health, Safety and Environment" Policy
- the "Diversity, Equity & Inclusion" Policy
- the "Product Stewardship" Policy
- the "Global Quality" Policy
- the "Supplier Code of Conduct"
- the "Green Sourcing" Policy
- the "Sustainable Natural Rubber Management Policy"
- The "Group Code of Conduct"
- The "Anti-Corruption" Programme
- the "Global Antitrust and Fair Competition" Policy
- the "Antitrust" Programme
- the "Institutional Relations - Corporate Lobbying" Policy;
- the "Global Tax" Policy
- the "Global Personal Data Protection" Privacy Policy
- the "Intellectual Property" Policy
- the "Pirelli Social Media" Policy
- the "Global Information Security" Policy
- the "Whistleblowing" Policy – Complaint Procedure.

In addition to the Policies listed above, Pirelli has adopted a number of Group documents known as "Corporate Policies" that regulate aspects of Corporate Governance, e.g. the rules on market abuse, the procedure for transactions with related parties, the procedure on information flows to Directors and Statutory Auditors, the policy on engagement with shareholders and financial market stakeholders (issued in 2022), etc. These documents are published in the Governance Section of Pirelli's website. Further details are available in the section "Report on Corporate Governance and Ownership Structure of Pirelli & C. S.p.A." in this Annual Report.



The Policies and updates of existing Policies are approved by the Executive Vice-Chairman & CEO or by the Board of Directors of Pirelli & C. S.p.A. (or Board Committees).

All the Policies are published on the Pirelli website, in several foreign languages.

Whenever a new Policy or its update is published, prompt communication is made to every employee with a company e-mail address, attaching the relevant documentation. The Policies are made available to the internal community in the appropriate section on the Company intranet.

Depending on the circumstances and the type of Policy in question, further initiatives may be undertaken with the aim of strengthening communication such as the publication of news on the company intranet or posters on the notice boards of the Group's plants and offices. Training aimed at policies implementation consider the materiality of impacts linked to the specific roles of the different functions, with the aim of maximizing effectiveness. Lastly, each new employee during the hiring phase is provided with a copy of the most relevant Policies in force (by e-mail or hard copy), for his or her knowledge and acceptance.

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.

The commitments in the field of Human Rights, without prejudice to the policies expressly dedicated to this, are transversal to all the Group's Policies and this by virtue of the Management Model adopted by the Company. Pirelli in fact bases its activities on the respect and protection of universally affirmed human rights, in line with the international standards adopted (in particular those of the United Nations) and with the provisions of the laws and regulations of the individual countries in which it operates. For an extensive discussion of human rights management activities, risk assessment, results and consequent actions, please refer to the paragraph "Respect for Human Rights" in this Report.

#### COMPLIANCE PROGRAMMES, ANTI-CORRUPTION, PRIVACY, TRADE COMPLIANCE, ANTITRUST, COMPLIANCE WITH LAWS AND REGULATIONS

With regard to the administrative liability of companies and bodies provided for by Legislative Decree 231/2001 (hereinafter also the "Decree"), Pirelli has adopted an Organisation and Management Model (hereinafter also Model 231) structured in a General Section, which includes a review of the regulations contained in the Decree, of the crimes relevant to the Italian companies of the Group and the procedures for adopting and implementing the Model, and in a Special Section, which indicates the corporate processes and the corresponding sensitive activities for the Group's Italian companies pursuant to the Decree, as well as the principles and internal control plans to supervise these activities.

In 2022, given the continuation of the public health emergency situation declared in 2020 until the month of May, the specific periodic monitoring information flows to the Supervisory Board relating to the company's management of the Coronavirus emergency were maintained, which were reported first separately and then together with the information flows pursuant to Legislative Decree 231/01.

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's Anti-Corruption Programme in the main countries where Pirelli operates also continued. The Programme, available in twenty-three 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 Code of Ethics and the Code of Conduct, including zero tolerance of *"any type of corruption in any form or manner, in any jurisdiction, not even where activities of this kind are in practice admitted, tolerated or not judicially pursued"* are restated. Among the provisions of the Group Anti-Corruption programme is an explicit prohibition in respect of recipients of the Code of Ethics from offering gifts and other utilities that might meet conditions of a breach of rules, or which are in conflict with the Code of Ethics, or may, if made public, constitute detriment even only to the image of Pirelli. Additionally, *"Pirelli defends and protects its corporate assets, and shall procure the means for preventing acts of embezzlement, theft, and fraud against the Group"* and *"condemns the pursuit of personal interest and/or that of third parties to the detriment of social interests"*.

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

The activity aimed at analysing the profiles of corruption risk 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, where necessary, the updating of the risk analysis.

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

During 2022 the certifying body performed audits of the ISO 37001 Anti-Corruption Management System of Pirelli & C. S.p.A. and Pirelli Tyre S.p.A., and of the Affiliates in Russia, Brazil and Spain.

Referring to the contributions made to the External Community, Pirelli has for many years adopted internal procedures defining the roles and responsibilities of the involved functions and the operational process of planning, achieving, monitoring and control of results of the initiatives supported. Pirelli procedure specifies that it may not promote initiatives for the benefit of beneficiaries in respect of whom there is direct or indirect evidence of failure to abide by human rights, workers' rights, environmental rights or business ethics. "Pirelli Values and Code of Ethics" set forth in their turn that the Company "does not provide contributions, advantages, 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".

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 Code of Ethics 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 Function 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 2022, on the basis of the reports received through the whistleblowing reporting channel, one case of fraud to the detriment of the Company was ascertained, while, as at 31 December 2022, 4 cases were in the process of being verified and investigated.

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

Additionally, during the course of 2022 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 2022, Pirelli supported the activities of Transparency International, to which it subscribes as supporter in educational area projects, aimed at promoting an active role of civic and moral education in strengthening civil society against crime and corruption, believing that it is only through proactive and firm actions of value promotion that a general improvement in the quality of life can be achieved.

In relation to the central role assumed by the topic Trade & Sanctions during the course of 2022 following the conflict between Russia and Ukraine, the tools necessary for the strengthening and consolidation of the internal control system related to these issues have

been updated/implemented and, in particular, specific controls in relation to countries, counterparties and product codes. These screening operations guarantee a meticulous control that is calibrated on the basis of the monitoring of regulatory developments on a global level, which in turn constitutes the fundamental point of attention for a structured control activity.

With regard to the issue of Privacy, there was a continuous update and comparison with the individual Regions in relation to any new regulations with which they had to comply. The subject of this activity were the most relevant issues in the area of data protection, including, by way of example, retention periods, data transfer, DPA, DPIA and requests for personal data management by Users themselves.

During 2022, Pirelli was not involved in any proceedings or significant investigations for alleged violation of privacy regulations.

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

Throughout 2022, Pirelli continued to implement the Antitrust Programme in the various Countries in which it operates: online training activities were carried out, as well as continuous business assistance to facilitate the management of antitrust issues in the daily conduct of business activities or relationships with other operators.

During 2022, Pirelli was not involved in any antitrust proceedings or significant investigations as participant in anti-competitive conduct.

In addition to the above and with reference to compliance with laws and regulations, it should be noted that also in 2022:

- no significant instances of non-compliance with laws and regulations were registered;
- no significant penalties were levied and/or paid relating to non-compliance with laws and regulations.

For reporting on the contents of present paragraph in the years 2020 and 2021, reference is made to the Annual Reports 2020 and 2021.

## INFORMATION AND CYBER SECURITY

Information is an asset, which has significant value for Pirelli due to its competitive and innovative value. Hence Pirelli is inherently responsible to provide appropriate levels of protection to data and information against loss, damage, theft or malware threats.

Due to the increase in cyber-attacks at global level and the desire of Pirelli Group to ensure proper protection of data

and assets, the Group is focused on pursuing the following objectives:

1. to support corporate strategy by making information security an enabling factor for its business;
2. to safeguard the Group's assets as regards their financial, physical, intellectual property and reputation;
3. to comply with laws and regulations on information security wherever Pirelli operates;
4. to guarantee the following information characteristics:
  - "Confidentiality", understood as the ability to make available or disclose information only to those individuals, entities or processes authorised to access it (according to the minimum privilege principle);
  - "Integrity", meaning the ability to safeguard the accuracy and completeness of the information over time;
  - "Availability", meaning the ability to make information accessible and usable at a time and in a manner required by an authorised entity;
5. to protect data and confidential information of Pirelli, its employees, subsidiaries, third parties and business partners, including customers;
6. to respond proactively and effectively to the increase in cyber threats.

The Information Security Committee was established in 2021 with the aim of assisting top management in the management of Information and Cyber Security risks.

Specifically, the Information Security Committee is responsible for:

- approving the risk management strategy and Information Security objectives for the Organisation;
- assessing the alignment of the Information Security strategy and related initiatives with the Organisation's overall objectives;
- ensuring compliance with internal and external Information Security regulations;
- ensuring the assignment of roles, responsibilities and resources for Information Security initiatives;
- evaluating, at least annually, the results with respect to the strategies and objectives defined in the field of Information Security, defining actions and initiatives for continuous improvement, considering any changes in the scenario of internal and external risks.

As at 31 December 2022, the Information Security Committee consists of:

- Deputy CEO (as Board Member responsible for Information and Cyber Security);
- Head of Finance and Services;
- Head of Information Security (Executive Manager responsible for Information and Cyber Security management);
- Representatives of the main functions of the Organisation impacted by Information and Cyber Security issues.

The Information and Cyber Security function reports

hierarchically to the Finance and Services function (also responsible for the Enterprise Risk Management areas) and functionally to the Chief Digital Officer.

In addition, the function reports periodically on the status of risks, significant events and updates on Information Security strategy to the following committees:

- Operational Risk Committee;
- Board Committee Audit, Risks, Sustainability and Corporate Governance Committee.

Where opportune induction meetings are also held for members of the Board of Directors and Control Bodies.

#### FOCUS: REPORTING PROCEDURE - WHISTLEBLOWING POLICY

The Group Reporting Procedure, or Whistleblowing Policy, supports the Group's internal compliance and control systems. It is aimed at both employees and external stakeholders; it is internally accessible through intranet and company bulletin boards in the local language and externally through the Pirelli website, where it is published in 23 different languages in order to facilitate accessibility.

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

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

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

Reports may concern directors, statutory 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](mailto: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, Risk, 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 Management has the task of analysing all reports received, even involving corporate functions felt to be competent for the activities necessary of verification, in addition to scheduling specific action plans. In the event of a report being found to be grounded, the adoption of fitting disciplinary and/or legal actions for the protection of the Company is foreseen.

In respect of reports received in the years 2022, 2021 and 2020, below is a summary table followed by an in-depth analysis of those pertaining to 2022<sup>26</sup>.

	2022	2021	2020
<b>Total Reports</b>	90	59	50
Of which anonymous	30	35	17
Of which filed closed for being absolutely generic	13	12	3
Of which founded	26	12	20
Countries of origin of the verified reports	Brazil, Germany, Italy, Mexico, Romania, Sweden, UK	Argentina, Brazil and Romania	Argentina, Brazil 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, discrimination	Violation of the Code of Ethics and/or company procedures	Violation of the Code of Ethics and/or company procedures, fraud against the Company or third parties, claims by employees, discrimination
Outcome of cases investigated	Review and integration of processes where deemed fitting, orders by the functions concerned and the Human Resources Department	Review and integration of processes where deemed fitting, orders by the functions concerned and the Human Resources Department	Review and integration of processes where deemed fitting, orders by the functions concerned and the Human Resources Department

During the course of 2022 the Whistleblowing procedure was activated 90 times. In particular:

- these 90 reports came from 11 different countries (Argentina, Brazil, China, Germany, Italy, Mexico, Romania, Russia, Sweden, UK and USA);
- 89% of the reports (80 cases) were forwarded using the email address ethics@pirelli.com provided, while 11% (10 cases) by sending a letter to management which dealt with informing Internal Audit Department as per corporate rules;
- 67% of the reports (60 cases) were signed whereas the remaining 33% (30 cases) were received in anonymous form;
- among the signed notifications, 8 were activated by external stakeholders, of which 5 were related to breaches of the Code of Ethics and/or company procedures, 3 cases attributable to fraud to the detriment of the Company or third parties. 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 90 reports received during the 2022 year, at the beginning of 2023, 17 were found to be at the verification and in-depth investigation stage, whereas 73 were found to have been concluded.

<sup>26</sup> The data reported are related only to the consolidated perimeter of the Consumer business. Furthermore, with regard to the 7 reports that were still in progress at the reporting date of the 2021 Annual Report, following the conclusion of the verification activities in 3 cases no objective evidence was found to consider the facts alleged to be true, while in 4 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.

With regard to the 73 reports for which the audits were concluded, specific activities of verification involving, where necessary, the corporate functions concerned, were conducted, and based on the analyses carried out and the documentation made available during the assessment, it emerged that:

- in 47 cases, objective corroborating evidence was detected such as to hold the facts contended in the reports received to be true;
- in the remaining 26 cases, the substantial truthfulness of the facts attributed was found and in particular:
  - 1 case involved discrimination;
  - 6 cases involved fraud against the company or third parties;
  - 19 cases concerned violations of the Code of Ethics and/or company procedures.

No reports were received of alleged violations of ILO Core Labour Standards, with specific reference to forced labour, child labour, freedom of association and bargaining.

The Company has activated for all cases, intervening with disciplinary sanctions (calls and dismissals) and with actions aimed at removing the causes of complaints and/or aimed at improving the internal control system.

In 2022, there is a 53% increase in reports compared to 2021 (equal to 31 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..

#### GRIEVANCE MECHANISM - NATURAL RUBBER

In addition to the Global Pirelli Complaint Procedure, since 2022 Pirelli has made available to its stakeholders a grievance procedure for reporting violations of the Policy on Sustainable Natural Rubber Management throughout the entire supply chain.

The Procedure has been published on the company's website (Sustainable Natural Rubber Section) and can be found at the bottom of the Policy on Sustainable Management of Natural Rubber.

Reports, including anonymous ones, are sent to the e-mail address [grievance.naturalrubber@pirelli.com](mailto:grievance.naturalrubber@pirelli.com) and are handled according to the procedure in terms of confidentiality, non-retaliation, response time and appeal.

No reports were received during 2022.

# 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 the Stakeholders and raising the 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 existing relations 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 of €)

	2022		2021		2020	
Gross Global Added Value	2,523,729		2,194,760		1,674,788	
Remuneration of personnel	(1,178,609)	46.7%	(1,101,913)	50.3%	(949,678)	56.7%
Remuneration of Public Administration	(159,734)	6.3%	(115,158)	5.2%	(14,693)	0.9%
Remuneration of borrowed capital	(201,696)	8.0%	(144,281)	6.5%	(156,502)	9.3%
Remuneration of the company <sup>27</sup>	(980,166)	38.9%	(830,269)	37.5%	(548,726)	32.8%
Contributions to the external community	(3,524)	0.1%	(3,138)	0.1%	(5,189)	0.3%

The added value created in 2022 is 15% higher than in 2021. Trends in the items determining gross global added value, as shown above, are set out in the Directors' Report on Operations and Consolidated Financial Statements and Notes to the Financial Statements section of this report, to which reference should be made for further in-depth study.

## CONTRIBUTIONS FOR THE BENEFIT OF THE EXTERNAL COMMUNITY

The impact of expenses for corporate initiatives in 2022 for the external community on the net result of the Group amounted to 0.8% (1% in 2021). The decrease in this ratio compared to the previous year is due to the higher net result of the group compared to the previous year.

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

## CONTRIBUTIONS FOR THE BENEFIT OF THE EXTERNAL COMMUNITY

(in thousands of €)

	2022	2021	2020
Training and research	1,053	755	738
Social-cultural initiatives	1,606	1,918	1,441
Sports and solidarity	865	465	3,010
Total contributions for the benefit of the external community	3,524	3,138	5,189

For further study of the main initiatives supported by the grants indicated above and relating to the model of governance, please refer to the sections in this report devoted to corporate contributions and initiatives for the benefit of the external community.

<sup>27</sup> Company's remuneration includes shareholder remuneration in the form of dividends approved by the parent company Pirelli & C SpA in the amount of €161,000 thousand in 2022 (€80,000 thousand in 2021).

The amounts allocated to trade associations in 2022 totalled €1,453,000.

Next is the expenditure for trade associations, which are part of the lobbying activities and also interact with policy makers.

## TRADE ASSOCIATIONS

(in thousands of €)

	2022	2021
USMTMA - U.S. Tyre Manufacturing Association (United States)	303	169
Assolombarda (Italy)	300	299
Unione Industriale (Italy)	143	-
ANIP - National Association of Tire Manufacturers (Brazil)	140	68
Assogomma (Italy)	110	-
ETRMA – European Tyre and Rubber Manufacturers Association (Italy)	109	73
Assonime (Italy)	100	-
wdk - Wirtschaftsverband der deutschen Kautschukindustrie e.V. (Germany)	70	70
Other <sup>28</sup>	178	186
Total Trade associations	1,453	865

At the level of Associations in the United States, namely United States Tire Manufacturers Association (USTMA) and Motor and Equipment Manufacturers Association (MEMA), the share dedicated exclusively to lobbying activities in 2022 amounts to \$49,234 and \$2,869, respectively. The US Company Pirelli Tire LLC did not perform lobbying activity.

For the other Trade Associations mentioned it is not possible to indicate the share they dedicated exclusively to lobbying activities, Pirelli pays an all-inclusive membership fee.

For more details on the lobbying activities of the two trade associations in the United States and of which Pirelli is a member, USTMA and MEMA, please refer to the paragraphs “USTMA” and “MEMA” of this Report.

For more details on lobbying activities with European institutions, please refer to the paragraph “ETRMA – European Tyre and Rubber Manufacturers Association” of this Report.

In line with what is set forth in the Code of Ethics, Pirelli “*does not give contributions or other benefits to political parties and trade union organisations of workers, nor to their representatives, notwithstanding abidance by any regulations that may apply*”. Therefore, contributions in these areas are absent (zero).

Pirelli’s institutional relations are permeated by criteria of maximum transparency, legitimacy and accountability, both with respect to information disseminated in public venues and to relations managed with institutional interlocutors in accordance with the Code of Ethics and the Institutional Relations - Corporate Lobbying Policy.

<sup>28</sup> Includes the membership fee for the Motor and Equipment Manufacturers Association (MEMA).

## LOANS AND CONTRIBUTIONS RECEIVED FROM THE PUBLIC ADMINISTRATION

The main contributions received by the Public Administration in 2022 are shown below.

### ROMANIA

Pirelli Tyres Romania S.r.l. received a non-repayable grant totalling €28.5 million from the Romanian state as an incentive for local investment of which €0.9 million was in 2022 (the incentives were paid from 2018). It should also be noted that in the current financial year, the company obtained approval from the Romanian state for a further contribution of up to €23.8 million as an incentive for further local investments.

### ITALY

With reference to the agreement signed by Pirelli Tyre S.p.A. with the MiSE (Ministry of Economic Development, now the Ministry of Enterprise and Made in Italy) in the 2019 financial year for the facilitation of three Research and Development projects up to a maximum of €6.3 million in total, in the current financial year the company received instalments of €1.5 million.

It should also be noted that in the current financial year, the company obtained approval from the Romanian state for a further contribution of up to €2.6 million as an incentive for further local investments.

Within the framework of the PNRR (National Recovery and Resilience Plan), the same company obtained a concession decree from the MUR (Ministry of Universities and Research) for the facilitation of research and development activities within the “National Centre for Sustainable Mobility - MOST” up to a maximum of €1.2 million.

Also with regard to the PNRR, Pirelli & C. obtained a concession decree from the MUR (Ministry of Universities and Research) for the facilitation of Research and Development activities within the Ecosystem for Innovation “MUSA – Multi-layered Urban Sustainability Action” up to a maximum of €0.4 million.

## RELATIONS WITH INVESTORS AND THE FINANCIAL MARKET

Pirelli believes that constant dialogue with shareholders and, more generally, with key financial market stakeholders contributes to the creation of sustainable value for the Company.

In conducting such relations, the Company is inspired by international best practices, ensuring equal, transparent, timely and accurate communication, all in compliance with current legislation on market abuse. Over time, the company has developed multiple channels of communication with shareholders and stakeholders the financial market.

During 2022, this communication activity continued with meetings, roadshows and participation in industry conferences.

In accordance with Recommendation No. 3 of the Corporate Governance Code and in line with international best practices, the Board of Directors adopted the Engagement Policy in 2022; this policy governs the management of dialogue by the Board of Directors, through the Executive Vice President and CEO with shareholders and key stakeholders the financial market.

The Policy is published in the “Governance” section of corporate website.

The “Investors” section of Pirelli’s website is constantly updated with information on strategy, business model, market trends and positioning relative to competitors.

The interest of the financial community towards Pirelli is proved by the broad coverage of the stock by 20 of the leading national and international investment banks and brokers and by the company’s inclusion in the main indices, including FTSE ALL World, FTSE MIB, MSCI Small Cap. and Listed Italian Brands.

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

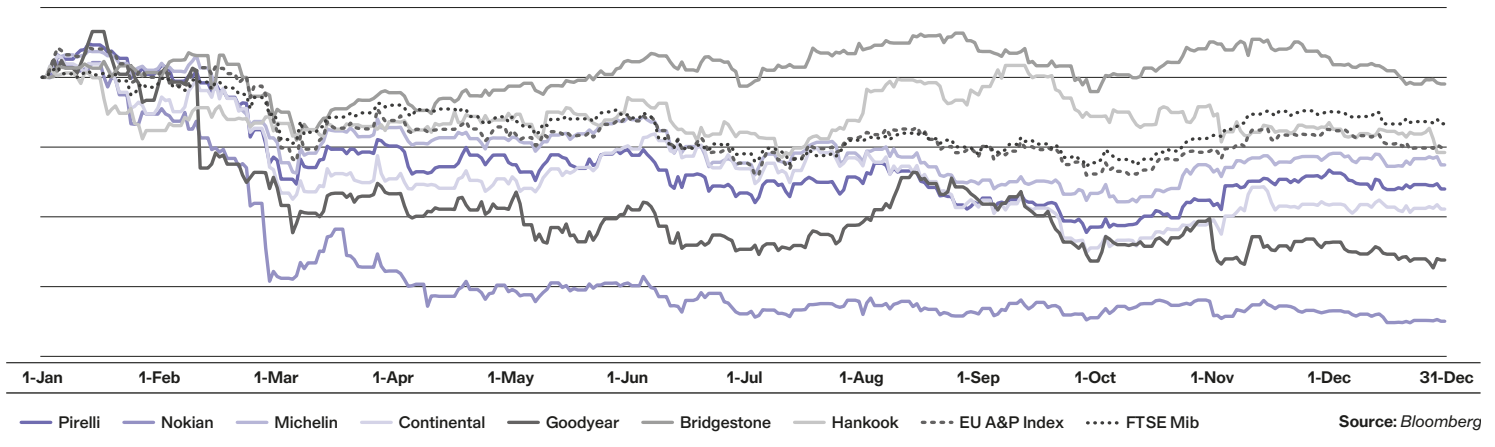
In 2022, the performance of equity markets was affected by uncertainties in the macroeconomic scenario, which were further exacerbated by the Russian-Ukrainian conflict. Cyclical sectors suffered in particular, including Auto & Parts.

Pirelli ended 2022 with a market capitalisation of €4.1 billion (average December capitalisation), down 30.8%. This compares<sup>29</sup> with -70.2% Nokian, -39.7% Continental, -24.4% Michelin, -49.53% Goodyear, -17.9% Hankook, +0.2% Bridgestone.

<sup>29</sup> Stock market trend 1 January - 31 December; the value is net of dividend distribution and/or other extraordinary transactions.



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

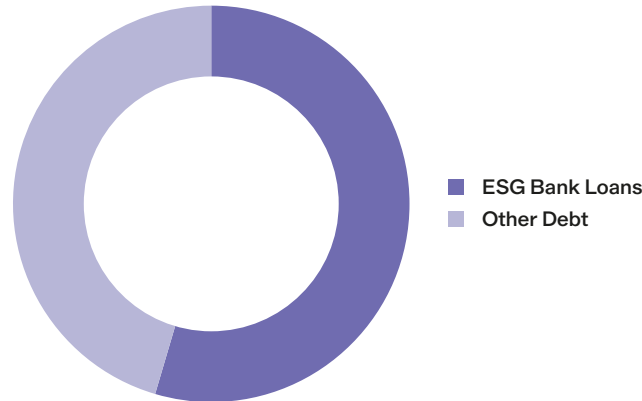


### FOCUS: SUSTAINABLE FINANCE

As at 31 December 2022, sustainability index-linked loans accounted for almost 55% of the Group's total gross debt (excluding leasing).

In detail, "sustainable" bank lines amount to €3.2 billion, of which €2.2 billion was utilised and €1.0 billion was available in the form of committed revolving credit facilities.

### PORTION OF ESG GROSS DEBT



BANK LINES ESG FEATURES							
Amount	Signing Date	Maturity Date	ESG Adjustment	Type	KPIs and ESG Features	Testing Type	Testing Period
Eur 600m	Apr 2020	Apr 2025	Margin (+/-)	Sustainable	1: Absolute Scope 1 and Scope 2 CO <sub>2</sub> Emission 2: Water withdrawal	Yearly	2019-2024
Eur 200m	Apr 2020	Apr 2025	Margin (+/-)	Circular Economy	1: Fossil Based Materials 2: Rolling Resistance	One off	2023
Eur 400m	Dec 2021	Dec 2024	Margin (+/-)	Sustainable	1: Absolute Scope 1 and Scope 2 CO <sub>2</sub> Emission 2: Water withdrawal	Yearly	2022-2023
Eur 1,600m	Feb 2022	Feb 2027	Margin (+/-)	Sustainable	1: Water withdrawal 2: Scope 3 absolute CO <sub>2</sub> emissions*	Yearly	2022-2025
Eur 400m	Jun 2022	Jan 2024	Margin (+/-)	Sustainable	1: Scope 3 absolute CO <sub>2</sub> emissions*	One off	2022

\* from the production of raw materials purchased or acquired by the Group

The Group's first "sustainable" banking line dates back to the first quarter of 2020. This is a five-year line for a total of €800 million divided into two tranches; a first tranche of €600 million with sustainability targets and a second tranche of €200 million geared to circular economy targets.

In 2021, Pirelli confirmed its commitment and contribution to a sustainable economy with a three-year €400 million bilateral loan, parameterised on the Group’s environmental sustainability targets (CO<sub>2</sub> emissions and sustainable water management).

Over the past 12 months, Pirelli has refinanced its main bank financing line by introducing parameters linked to environmental sustainability objectives. The transaction, totalling €1.6 billion with a five-year term, saw the participation of 16 national and international lending banks, once again demonstrating the banking community’s sensibility and support for the Pirelli Group’s sustainability strategy.






In June, Pirelli finally signed a €400 million club deal maturing in January 2024, again showing its commitment to reducing CO<sub>2</sub> emissions from raw material purchases (Scope 3).

In all of the above cases, the achievement of sustainability goals allows economic benefits for the Group through a reduction in the interest margin applied. Conversely, failure to achieve sustainability goals results in an economic penalty for the Group, which is therefore also economically incentivised to achieve them.

The Pirelli Group, first company in the tyre industry, also adopted a Sustainability-Linked Financing Framework in May 2022. The framework, which can be downloaded from the company’s website, specifically identifies two objectives for the Group’s sustainable finance: the reduction of GHG Scope 1 and 2 emissions and the reduction of GHG Scope 3 emissions from raw material purchases.

The framework obtained, as is market practice, a second party opinion from Sustainalytics, which rated the KPIs chosen by Pirelli as “*very strong*” because they collectively account for 87% of the Group’s total emissions (Scope 1, 2 and 3) and the targets as “*Highly Ambitious*” in the case of Scope 1 and 2 emissions and “*Ambitious*” for Scope 3. Once again, therefore, this certifies Pirelli’s validity and commitment to sustainability.

The framework covers a wide range of products, not only the more classic bank loans but also bond issues and insurance and financial risk management instruments.

SUSTAINABILITY LINKED FINANCING FRAMEWORK - MAIN ESG FEATURES			
Reference KPIs	Target	SDGs	Financial Products
 <b>1: Absolute Scope 1 and 2 Greenhouse gas (GHG) emission reduction</b>	-42% in 2025 vs 2015	 	Sustainability Linked Instruments: Bonds, Loans, Derivatives, Guarantees and Insurance Policies
<b>2: Absolute Scope 3 Greenhouse gas (GHG) emission from purchased raw materials reduction</b>	-9% in 2025 vs 2015	 	

The commitment to the creation of sustainable value that characterises the Company’s responsible management and its economic, social and environmental performance, allow the inclusion of Pirelli in some of the most prestigious sustainability stock indexes in the world.

Following the annual review of the Dow Jones Sustainability indices by S&P Global, the company recorded the global Auto Components Sector Top Score, followed by the Sustainability Yearbook 2023 ‘Top 1%’ award.

Pirelli was also reconfirmed as a leader in the fight against climate change by being placed on the CDP ‘Climate A list’ and also obtaining the maximum score of “A” in the CDP Supplier Engagement Rating Leaderboard for the management of climate issues along its supply chain, as well as being awarded the top sector rating in FTSE4GOOD and the ‘ESG Top Rated’ recognition by Sustainalytics.

## 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 and truck makers;
- - Replacement, for the replacement of tyres on vehicles already in circulation.

In the field of Original Vehicle Equipment, Sport Utility Vehicles (SUVs) and light commercial vehicles, Pirelli can count on a Premium customer market share of around 20% globally and around 25% in Europe; in the Original Equipment Prestige segment, which represents the highest of the range, Pirelli exceeds 50%.<sup>30</sup>

Within Replacement, there are two broad types of Pirelli 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 2022, Pirelli can count on around 20,000 Loyal Resellers globally, with a particular concentration in Europe, Asia-Pacific and South America (over 75% of the total points of sale). The degree of affiliation varies according to the market and the very presence of Pirelli, ranging from a softer loyalty (Fidelity Club), which has as main objective for Pirelli territorial coverage and for the dealer sales support, to franchise programmes, in which through the exclusive nature 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 (303 points of sale worldwide).

Starting in 2016, and in line with Pirelli's "Prestige" strategy, a new retail concept called P ZERO WORLD™ was created, with the aim of offering top-class services aimed at satisfying the most demanding consumers. P ZERO WORLD™ offers its customers the full range of Pirelli products (Car, P ZERO™ Trofeo®, Pirelli Collection, Moto and Velo) and a series of customer oriented services such as car valet and courtesy car, all immersed in an environment that allows to fully experience Pirelli World, being able to touch the most important assets such as F1®, the Calendar and the continuous partnerships of Pirelli Design. The

<sup>30</sup> Pirelli internal estimate.

Network P ZERO WORLD™ by 2023 will identify near 100 shops among the best Pirelli customers, located in the main countries of the world. Of these, five are already active Flagship Stores (Los Angeles, Munich, Monte Carlo, Dubai and Melbourne), while the remainder are authorised dealers, with about 15 new openings planned for 2023.

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

### CUSTOMER FOCUS

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

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

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

Pirelli also adopted a clear procedure to provide 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 50 Car websites (in 29 languages), 20 Moto websites (in 13 languages) and 6 Cycling websites (in 5 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 or to purchase online on our partner e-commerce platforms. In 2022, these websites attracted 14 million unique users, for a total of 19 million sessions and around 48 million page views.

A further digital touchpoint that brings the consumer to the point of sale is represented by the Retail sites: present in 9 countries, have intercepted in 2022 2.1 million users (for a total of 5.7 million page views) and generated over 160,000 appointment bookings, more than 69,000 calls to the dealer and more than 20,000 contact requests via e-mail.

In 2022, Pirelli also continued to inform its customers by means of a Direct E-mail Marketing (DEM) programme, whose main objective is to provide an additional means of communication, training and ongoing contact. These DEMs are intended to inform trade customers of the main news on products, the Company and the courses available to become Pirelli Product Experts.

In addition, during 2022, information about the introduction of new products was carried out on digital channels: the new Scorpion family and Elect technology were presented to customers with digital events that allowed Pirelli to convey its technological innovation in a new, fast and effective way.

The year 2022 saw the gradual resumption of open-door events after the COVID health emergency years. In this

context, some of the most important car manufacturers in the Prestige world presented their new models to the media and public through static and dynamic launch events, in which Pirelli participated as a partner. Highlights include the media launch of the McLaren Artura in Marbella, the dynamic launch of the Lamborghini Urus Performante in Vallerunga, the static launches of the Pagani Utopia in Milan and the Porsche 911 Dakar at the Los Angeles Auto Show. Through partnerships with car manufacturers, Pirelli has also been present at some of the world's major automotive events, such as the "Goodwood Festival of Speed" and "Monterey Car Week". Finally, the Pirelli P Zero calendar™ Experience 2022 gave rise to six events between Abu Dhabi, Silverstone, Mugello, Hockenheim, Donington and Red Bull Ring, with over 650 participants in total.

Pirelli continues its commitment alongside the sports most in line with the prestige and high-performance positioning that characterise the Company and its products: this is the case with the renewal in 2022 of the partnership started in 2018 with Luna Rossa, which will take part in the 37th America's Cup in 2024 in Barcelona. Added to this was the sponsorship of sailor Ambrogio Beccaria and his boat Alla Grande Pirelli, which took second place in the solo ocean race Route du Rhum 2022. In addition, Pirelli has consolidated its sponsorship of FC Internazionale Milano, of which it has become Global Tyre Partner from the 2021-2022 season after 26 years on the Nerazzurri jersey; as well as the renewed partnership with the Italian Winter Sports Federation and the Alpine Skiing World Cup (Cortina d'Ampezzo stage, January 2022).

Customer training on the product was also intense in 2022 in all markets, continuing to be mainly virtual delivery. During the year, almost 4,400 dealers from more than 30 major markets participated in online training courses on Pirelli products, technology and tyre sales.

In order to support the product trainers, Pirelli continues to develop a library of technical content developed for classroom courses and the TYRE CAMPUS™ tool, which aims to concretely demonstrate the characteristics of Pirelli tyres, the raw materials used for their manufacturing and the benefits of the different treads. With these tools, Pirelli trainers around the world can have concrete and innovative support that allows customers to personally understand and verify the key characteristics and advanced technology of Pirelli products. In 2022, the TYRE-CAMPUS™ online training site covered over 30 markets in 17 different languages. More than 16,000 active users have registered on the training platform to date. 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. Users are not only involved by a modern and intuitive environment, they are also involved by obtaining a 'Product Expert' certificate that can be downloaded from the site once they have completed all the training courses assigned during the year.

## LISTENING AND EXCHANGING IDEAS WITH THE CUSTOMER AS A SOURCE OF CONTINUOUS IMPROVEMENT

Customer relationships are managed by Pirelli principally through two channels:

- the local sales organisation, 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, more than 20 worldwide with more than 130 employees, performing information support and order management (inbound), telemarketing and teleselling (outbound).

In 2022, the overall fan base of Pirelli's social media channels increased by more than 1 million followers compared to the previous year. Facebook remained the largest channel, with 2.6 million followers. Also on Twitter, the Pirelli accounts reached more than 544,000 people, over 17% more than in 2021. A very important step forward was taken on Instagram, where Pirelli channels reached more than 1.9 million followers. There are about 30,000 followers of Pirelli on the main online video platform, YouTube, where 46 million views are recorded, and about 648,000 followers on LinkedIn. Finally, Pirelli opened a new profile on the Tik Tok platform in November 2022, which has reached 17,500 followers.

Regarding the site [www.pirelli.com](http://www.pirelli.com), Pirelli's digital magazine, about 290 articles were published in 2022 - 67% of which on product and motorsport issues and 33% related to brand and company dimensions - collecting more than 5.7 million visits (of which about 58% attracted through social networks) and more than 5 million unique users. Among the publications there is no shortage of content on sustainability issues, including the 'Thinking Ahead' column and articles supporting the three-year project in which Pirelli, BMW Group and the NGO BirdLife International are involved in protecting the rainforest on the island of Sumatra.

As for the Motorcycle world, the Pirelli and Metzeler brands boast a structured and widespread presence on the main social networks; the Pirelli brand, in addition to the Facebook channel (with more than 1 million fans connected to the Global Page that includes 18 local pages) is present on Instagram with almost 190,000 followers. Also important to the business is the DIABLO™ Super Biker mobile application, which has been further revamped and improved in terms of graphics, usability and functionality offered to motorcyclists. The Metzeler brand, in addition to its international and geo-localised website in 21 countries around the world, which in 2022 attracted 1.1 million unique users, a total of 1.5 million sessions and 4.8 million page views, is also present on Facebook with a Global Page that has more than 440,000 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 motorcyclist community: over

510,000 for Pirelli Moto and around 90,000 for Metzeler.

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

Also in 2022 direct customer listening activities were carried out both through the Brand Tracking<sup>31</sup> survey in Pirelli's Top Market (Italy, Germany, United Kingdom, China and United States) and through surveys to consumers with whom Pirelli has a direct and constant dialogue thanks to structured CRM activities. The ongoing changes made to this study over the years have made it possible to refine and improve the precision of business insights into the brand role, image profile and characteristics of the different touchpoints that influence the end customer's purchase decision.

In terms of performance indicators, Pirelli considers Top of Mind, Brand Awareness and Brand Consideration. With reference to the Target Premium 18" Up represented by owners of Premium cars that can fit tyres of 18" and over, the analysis carried out in 2022 saw Pirelli positioned among the main tyre brands: in second place for Top of Mind, Brand Awareness and Brand Consideration in the UK, in first place for Top of Mind and Brand Awareness and in second place for Brand Consideration in Italy, in second place for Brand Awareness and in third place for Top of Mind and Brand Consideration in Germany. Outside Europe, Pirelli ranks fifth for Top of Mind, Brand Awareness and Brand Consideration in the USA, while in China it ranks third for Brand Consideration, fifth for Brand Awareness and sixth for Top of Mind.

## PRODUCT SAFETY, PERFORMANCE AND ECO-SUSTAINABILITY

Pirelli's Eco&Safety strategy places safety for people and technological solutions in support of the environment among the essential values of the Company's product offering and commitment. In 2022, the Company confirmed its continued focus on the development and marketing of tyres and technologies that aim to increase safety and enhance the potential of cars in tandem with attention to the environment.

In 2022, Pirelli marketed several product lines. Several replacement products were introduced for the European market, leading to the complete renewal of the SCORPION family, dedicated to the SUV world: SCORPION ALL SEASON SF2 and SCORPION WINTER 2.

SCORPION is the ultimate summer product for modern SUVs and CUVs developed to combine safety and driving pleasure with a focus on performance in the wet, mileage and reduced rolling resistance. SCORPION, available in all Pirelli technologies (Run Flat, NCS, Elect, Seal Inside) represents Pirelli's offering within the original equipment counting on a portfolio of about 100 type approvals already in 2022.

<sup>31</sup> Source: Kantar Brand Tracking July 2022.

Scorpion All Season SF2 is the product for those who want to always meet winter regulations and not worry about seasonal tyre changes, and is available in 34 sizes between 17 and 21 inches. The M+S symbol accompanied by the 3PMSF marking (Three-Peak-Mountain with Snowflake) indicate the excellent performance even in winter conditions and certified by the tests required by European regulations, which guarantee compliance with the traffic regulations in force in several European countries during winter. Safety also confirmed in the excellent wet braking performance, with 100% of the replacement range in class A on the European label.

Pirelli's European offering has also been renewed for the Winter segment, with the introduction of the new Scorpion Winter 2, the latest product introduced in the SCORPION family, intended for modern SUV vehicles with a range of over 50 items. The product offers high snow performance, excellent mileage as well as reliable and safe performance in winter conditions guaranteed by the TÜV performance mark certification. The product is also equipped with Seal Inside and ELECT technologies; and labelled class B-C for rolling resistance values and 100% class A for wet grip.

With the renewal of the range, Pirelli has focused its efforts strongly on products with the best rolling resistance values; in Europe, Pirelli's portfolio in class A/B is represented by 27% of the range (Pricat October 2022 data), up from the previous year (2021 - 23%), showing the highest growth (vs. January 2021) compared to the main reference players.

This major investment in products with excellent environmental performance has not been at the expense of safety (Wet Grip); in Europe, Pirelli's A/B class portfolio is represented by 86% of the range, an improvement over the previous year (2021- 85%) and confirming Pirelli as the leader in the segment.

Starting in Q4 2022, the new products CINTURATO WEATHERACTIVE and SCORPION WEATHERACTIVE were introduced in North America. These tyres perfectly combine the specific characteristics of Pirelli allseason tyres for the American market with those of winter tyres. The result is a tyre that can be used all year round, even in mild winter conditions. Pirelli WEATHERACTIVE tyres offer confidence in both snow and wet/dry conditions, providing year-round peace of mind without the hassle of changing tyres when the seasons change. The difference between ALL SEASON and WEATHERACTIVE tyres is simple: the latter offer greater safety and better performance in extreme conditions such as snow and ice, certified by the Three-Peak Mountain Snowflake (3PMS) rating.

The new 39-strong range is available in the CINTURATO (for passenger cars) and SCORPION (for SUVs, CUVs and pick-ups) families. With excellent wet performance and outstanding snow traction, these new directional tyres offer peace of mind in all weather conditions. A compound that works over a wider temperature range is backed by a 60,000-mile tread wear guarantee.

The LATAM region introduced the new Powergy, Pirelli's product line for summer applications: the smart choice for the consumer looking for the quality of a premium brand, the safety of a product in Wet Grip class A/B, and at the same time attention to efficiency (Rolling Resistance class B/C). In fact, the product offers excellent levels of safety and sustainability, offering the consumer reduced fuel consumption in total safety in the wet, improving on the performance of the previous product.

The line renewal also involved the APAC region with the introduction of the two new products Cinturato Rosso and Powergy to support Pirelli's multi-channel and multi-country strategy. The product lines are dedicated to CUVs, SUVs and medium-large sedans and represent the choice for the consumer looking for safety and green performance. The products were developed with a high focus on dry and wet safety, mileage and high acoustic comfort. High wet braking performance (class A) and low rolling resistance (mainly class B range) lead to low environmental impact without compromising on performance and safety.

In terms of results in tests conducted by the European press, several satisfying milestones were achieved (12 podiums and 3 victories in total).

In particular, among the Summer tyres, the Cinturato P7 was on the podium twice, finishing first and second respectively in tests conducted by *Al Volante* and *Teknikens Varld*, which recognised the product's excellent performance in terms of manoeuvrability and wet performance, while maintaining excellent Rolling Resistance values.

The P-Zero was on the podium twice (*Auto Motor und Sport* and *EVO*), demonstrating its manoeuvrability and extremely precise, snappy and sporty driving response as well as safety in the wet.

The P Zero Trofeo R came second in two tests (*Auto Bild Sportscars* and *Auto Motor und Sport*), being praised for its high road handling and excellent braking performance.

Among the Winter tyres, the new Cinturato Winter 2 stood out for its excellent press results. In fact, the product was on the podium three times, ranking test winner twice (*Auto Bild* and *Tyre Seeker*). High wet handling, aquaplaning resistance as well as product durability and fuel efficiency contributed to this important result.

The Winter Ice Zero FR was on the podium twice (*Teknikens Varld* and *Za Rulern*), which recognised its excellent performance in terms of grip in extreme winter conditions and comfort.

Finally, Ice Zero 2, a studded product specifically for extreme winter conditions, took up a place on the podium in the *Teknikens Varld* test.

Equally noteworthy results were achieved by Pirelli products for the NAFTA market.

In the Grand Touring All Season segment test carried out by Tire Rack, the P7 AS Plus 3 took first place, thanks to its excellent handling qualities.

Scorpion Weatheractive, the new product for the North American all weather tyre market, has been reviewed by Tire Rack, receiving an excellent rating; in particular, the site praises its versatility and excellent performance in all road conditions.

In this regard, it is worth mentioning that most Pirelli products are at the top of the consumer satisfaction rankings published by Tire Rack:

- Scorpion Zero All Season Plus in 1st place in the Street/Sport Truck All Season category;
- Scorpion Zero All Season in 4th place in the same category;
- Scorpion AS Plus 3 ranked 1st in the Crossover/SUV Touring All Season category;
- Scorpion Winter ranked 1st in the Performance Winter/Snow category;
- P7 AS Plus 3 in 3rd place in the Grand Touring All Season category.

The focus on the evolution of mobility and the environment is also expressed in the ELECT-labelled tyre offering, which distinguishes all tyres developed specifically, together with car manufacturers, for electric vehicles. The marking represents the clear identification of a tyre built through technological solutions and material packages capable of enhancing the technical peculiarities of electric cars, particularly 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 holding.

Pirelli's growing role within the electric segment and strategic development partner is also made even clearer by the achievement of more than 220 (pure BEV) type approvals on 18 different carmakers, including numerous activities within the OE BEV APAC world, which is experiencing strong expansion and represents an element of diversification of Pirelli's presence in original equipment. Pirelli's strong OE investment has been reflected in a strong increase in OE sales with ELECT technology: in 2022, ELECT sales in the OE channel accounted for 13% of the channel total (vs. 5% in 2021); 100% of the OE channel's ELECT sales are 18"up and account for 17% of the OE channel's 18"up sales. In the replacement channel, thanks to Pirelli's pull-through strategy, ELECT sales doubled to 2% of the replacement total by 2021.

Particularly suitable for electric vehicles, but not only, is the PNCS™ technology, a decisive innovation for the reduction of interior noise generated by tyre rolling as a result of

stress between the road surface and the tread pattern. Benefits have been recognised by car manufacturers such as Volkswagen, Jeep, Alpina, Karma, Great Wall, Enovate, Jaguar-Land Rover, BMW, Audi, Volvo, Polestar, Mercedes, Ford, Tesla, Lucid, Porsche, Bentley, McLaren, Aston Martin and Rolls Royce, with 340 approvals. PNCS™ technology in the OE channel accounts for 14% of the total (vs 9% in 2021) and 19% of the 18" up (vs 13% in 2021). At the spare parts end there is a continuous sales growth driven by the pull through strategy of +35% vs. 2021 and accounting for 6.5% of the total 18" up spare parts.

#### HIGH VALUE APPROACH TO THE MOBILITY OF THE FUTURE

Pirelli closely monitors the evolution of mobility and its main trends such as digitalisation, electrification, servitisation, mobility sharing and automated driving, elements that were already present before the health emergency and are expected to evolve strongly in the coming years. In fact, the health emergency has highlighted the importance of personal health and safety, and we expect a recovery geared towards greater sustainability for people and the planet, in which technologies can play a key role in making the mobility of the future safer, more accessible, efficient and with less environmental impact.

The mobility of the future cannot be separated from digitalisation, and in this area Pirelli is present with the Cyber™ TYRE project. Tyre 'sensorisation' is an integral part of the Group's strategy that makes technological innovation a distinctive and key element in responding to the major themes that will transform the concept of mobility: autonomous driving, electric, sharing and 5G connectivity.

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

As early as 2022, new iconic models of future mobility have been equipped with Cyber Tyre sensorised tyres, providing useful information that enables vehicles to improve performance and performance.

Applying the market demand for mobility in the form of a service (Tyre As A Service) to tyres, Pirelli introduced in April 2022 PIRELLI Care, a new way of purchasing tyres and car care services via app with monthly payment. PIRELLI Care offers several modular plans, which can be purchased via web platform or app, and allows them to be further customised with the type of service desired.

The PIRELLI Care offer is constantly evolving and, as early as September 2022, basic services such as puncture protection or roadside assistance, provided in partnership

with Europ Assistance, were joined by the possibility of recharging electric and plug-in hybrid cars at the network of stations managed by Enel X Way spread throughout Italy. Thanks to the collaboration between Pirelli and Enel X Way, Enel's new global business line dedicated to electric mobility, users can now view the map of Enel X Way's more than 16,000 recharge points directly on the PIRELLI Care app to book a stop and fill up their electric vehicle.

The mobility of the future also partly consists of a return to the past, where bicycles, now electrified, play an important role, especially in urban mobility. This is why, since 2017, Pirelli has returned to the world of bicycle tyres (consider that the first Pirelli tyre at the end of the 19th century was a bicycle tyre), in which it is present with several product lines: P ZERO™ for high-performance racing bicycles, designed for users devoted to maximum performance; CINTURATO™ for Endurance and Gravel bicycles, where the more playful component of exploration and sporting activity understood as well-being and lifestyle takes precedence over pure performance; SCORPION™, the line dedicated to the off-road world of Mountain Biking, with all its variants from Cross Country to E-MTB; and finally the Angel™ Urban line of tyres, ideal for all situations, urban and otherwise, of commuting by pushbike.

A complete range of products developed by R&D Pirelli also in collaboration with the best international professional teams in each category, to achieve maximum performance.

Added to this is the start-up of bicycle tyre production at the Pirelli plant in Bollate, which thus becomes the only factory to produce 'Made in Italy' bicycle tyres on an industrial scale. The historic facility, a few kilometres from Milan and inaugurated by Pirelli in 1962, has undergone a process of modernisation and reorganisation to house the production of Pirelli Cycling's high-end lines.

In the field of micro-mobility, Pirelli, with its CYCL-e around™ project, aims to bring innovation to urban mobility to provide a concrete response to the needs of increasingly smart citizens and workers. A turnkey service including a fleet of top-of-the-range e-bikes, an app for managing bookings by end users, routine maintenance of the bikes and marketing and communication support to promote them within private partner communities. The year 2022 saw further growth in activities in the hotel and corporate channel in Italy. Among the partners joining the service in 2022 are chains such as Relais&Chateaux, the Horizons group for the hotel channel; Terna S.p.A., Aon, Electrolux are just some of the new partner companies.

#### QUALITY AND PRODUCT CERTIFICATION

**ISO 9001:** since 1970, the Group has had its own Quality Management System introduced gradually at all 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 2020, following the Covid-19 pandemic situation, the IAF (International Association Forum) admitted the possibility

of implementing remote audits and extending the validity of expiring certificates. Pirelli ensured that surveillance and recertification audits were carried out remotely and in the field, where possible, in accordance with IAF rules and in compliance with the rules for the preservation of personnel health, established by the country and the company itself. In 2021, due to the continuation of the pandemic situation, the Company continued to carry out surveillance audits in accordance with the procedures laid down by the relevant third-party bodies, guaranteeing the continuity of the certifications obtained. In 2022, following the re-establishment of the general conditions of normality and in accordance with the procedures laid down by the appointed third-party bodies, the Company resumed carrying out surveillance audits in presence, guaranteeing the continuity of the certifications achieved.

**IATF 16949:2016:** since 1999 the Group has obtained the certification of its Quality Management System according to the automotive scheme and subsequent evolutions. Following the evolution of ISO 9001:2015 and the new IATF 16949:2016 (Automotive Scheme became private), Pirelli achieved the Quality Management System certification in 100% of its eligible Plants as at 31 December 2018. In 2020, due to the pandemic situation, the International Automotive Task Force allowed remote audits from 30 October 2020. Once again, Pirelli ensured that surveillance and recertification audits were carried out in the field, and then remotely, in accordance with IATF rules and in compliance with the rules for the preservation of personnel health, established by the country and the company itself. In 2021, due to the continuation of the pandemic situation, the Company continued to carry out surveillance audits in accordance with the procedures laid down by the relevant third-party bodies, guaranteeing the continuity of the certifications obtained. In 2022, following the re-establishment of the general conditions of normality and in accordance with the procedures laid down by the appointed third-party bodies, the Company resumed carrying out surveillance audits in presence, guaranteeing the continuity of the certifications achieved.

**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 transition rules to the ISO/IEC 17025:2017 standard, in 2019 Pirelli Tyre S.p.A.'s Laboratory successfully achieved accreditation to the new version. In 2020, the Laboratory carried out its annual surveillance audit remotely, in 2021 and 2022 in hybrid mode, as stipulated by the Accreditation Body Accredia.

Laboratories participate in proficiency tests organised by the International Standard Organisation, the European Tyre and Rim Technical Organisation (ETRTO) or international circuits organised by car manufacturers. Specifically in 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, are coordinated and, for some markets managed, directly by the Quality Function. The prevailing certifications, obtained in the Pirelli Group, cover the markets of Europe, North America, South America, China, the Gulf States, India, Taiwan, Indonesia, South Korea, Argentina and Australia (the latter only 'on demand', as it considers both the DOT - Department of Transportation - marking and the UNECE certificate valid), and involve all Pirelli plants. These Certifications periodically require factory audits by ministerial bodies from the countries concerned or bodies delegated by them, with the aim of verifying product compliance at the Pirelli production sites.

In 2022, on-site audits resumed, and only a few Government and/or Type Approval Authorities (e.g. for the markets in China and India) conducted remote audits for the purpose of production conformity verification.

Some certifications have been issued by third-party certification bodies with delays (e.g. India, Indonesia) without any impact on business activities.

## COMPLIANCE

Also in 2022:

- there were no significant cases of non-compliance with laws and regulations related to products;
- no significant penalties were applied and/or paid for non-compliance with laws and regulations related to products.

For details of activities and performance with respect to customers in the years 2020 and 2021, please refer to the paragraph "Our Clients" in the respective Annual Reports.

## OUR SUPPLIERS

### SUPPLY CHAIN SUSTAINABLE MANAGEMENT SYSTEM

The Supply Chain Management Model adopted by Pirelli fully meets the requirements dictated by the international guidelines for sustainable procurement ISO 20400 - "Sustainable Procurement Guidance", as attested by a third party (SGS Italia S.p.A.) in 2018 and again in 2021 following an in-depth assessment of the Pirelli Procurement Model, the related corporate policies and strategies and the internal processes applied to implement sustainability requirements in purchasing dynamics and management of suppliers' ethical performance. The assurance on full compliance with the guidelines of ISO 20400 is flanked and complemented by the certification of compliance obtained by the Company with respect to the guidelines on social responsibility dictated by ISO 26000, issued by the auditor of this Report.

The Group's relations with suppliers are based on fairness,

impartiality and respect for equal opportunities towards those involved in the purchasing processes as prescribed by the Group Values and Code of Ethics and in line with the OECD Guidelines on Duty of Care.

The mission of Pirelli's Purchasing Department is to promote best practices and to purchase services and goods for the effective and efficient operation of the Company and to ensure the best supply base in line with the following priorities: best market value, quality, on-time delivery, speed, innovation, compliance with local and international regulations and internal procedures.

The sustainable management of the supply chain at Executive level is headed by the Group Procurement Director, who works in constant coordination with the Sustainability Department.

Sustainable management of the supply chain is addressed in the "Global Health, Safety and Environment" Policy, the "Global Human Rights" Policy, the "Quality" Policy, the "Product stewardship" Policy, the Group's "Sustainable Natural Rubber Management" Policy, the "Green Sourcing" Policy, the "Social Responsibility for Occupational Health, Safety and Rights, and Environment" Policy, published in several languages on the Company's website so that they are fully accessible to the general public. The Policies are in turn the source of the details of what Pirelli requires of its Suppliers, expressed in the **Pirelli Suppliers' Code of Conduct**, also published on the Company's website, both among the Policies and in the "Suppliers Area". In all the documents mentioned, with reference to the specific social and environmental issues addressed by 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, and to require its suppliers to implement a similar management model in order to extend responsible management in the supply chain as far as possible to its origin.

Policies and purchasing practices are subject to continuous monitoring so that there is alignment with the Code of Conduct and there are no conflicts with ESG expectations and objectives.

Training is dedicated to Procurement Department and relevant buyers, as well as Internal Stakeholders, on ESG management and processes, duly included in the Purchasing Training Academy operated by Pirelli.

The Pirelli Suppliers' Code of Conduct forms an integral part of the Contractual Terms and Conditions of Purchase applied by Pirelli to all its Suppliers, and its principles acceptance is envisaged since the qualification phase of the potential supplier.

The Code details what is required of Pirelli's suppliers in the following fields:

- Human and Labour Rights, on employment contracts, working hours, prohibition of child labour, prohibition of

forced labour and modern slavery, passport management, health and safety, non-discrimination, pay equity, freedom of association and collective bargaining, rights of indigenous peoples and prevention of land conflicts, privacy, conflict minerals, and internal security rules;

- Environment, on the protection of biodiversity and natural resources, circular economy, waste management, reduction of greenhouse gas emissions, water saving, elimination of single-use plastics;
- Materials, sustainable chemistry, hazardous materials management, governance to ensure there are no violations in conflict minerals and with the intention of reducing them;
- Business Ethics, with reference to the topics of fraud prevention and illegal acts, corruption and abuse of office, fair competition and anti-trust, conflicts of interest, compliance with export controls and sanction provisions, data protection and privacy, confidentiality, intellectual property and adequacy of processes and records;
- Due Diligence of the supply chain till upstream;
- Whistleblowing procedure – Complaint Procedure.

Please refer to the text of the Pirelli Suppliers' Code of Conduct for an exhaustive reading of the specific requirements to suppliers for each of the above elements and areas.

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, as detailed below.

The analysis of ESG (Environment, Social, Governance) performance continues with the qualification phase of the potential supplier pre-analysed (and audited on-site by a third party for all cases of potential suppliers of raw materials and high value-added goods) in the assessment phase, to then be “contractualised” through the Sustainability and Business Ethics Clauses included in each contract/purchase order (and of which the Pirelli Suppliers' Code of Conduct is an integral part).

Verification of the ESG compliance of those who become part of Pirelli's panel of suppliers is therefore carried out through periodic on-site third-party audits.

The aforementioned Management Model and the related documentation are available on the institutional Pirelli website, in the “Suppliers Area” section (<https://corporate.pirelli.com/corporate/en-ww/supplierarea/index-en-ww>), 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 goods and services around the world.

The detailed process follows.

### THE ESG ELEMENTS IN THE PROCUREMENT 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 **scouting phase**, 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 or otherwise by the requirements of the product and ESG by the potential supplier. This makes it possible to eliminate potential future suppliers that are clearly in possible violation of Pirelli expectations.

Screening phase goes on with the on boarding. Pirelli asks all potential suppliers who gain access during the **on-boarding phase (pre-qualification and qualification)** to fill in a questionnaire through which the supplier can view and simultaneously accept Pirelli's requests in terms of economic, social, environmental and business ethics responsibilities. The approach considers country, sector and commodity specific economic and ESG risks (for example, the specific risks related to natural rubber from the different countries). Among the questions asked of the potential supplier, for example in the area of Human and labour Rights, is 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. Further questions are aimed at identifying potential integrity and corruption risks in advance. The EcoVadis is also used to extensively investigate the supplier's sustainability profile, from management systems to environmental performance, human and labour rights, ethics and sustainable procurement. Raw material suppliers are also required to complete the specific additional module for emission reduction management.

Business relevance, country, sector and commodity specific risks consideration are also at the origin of the on-site audit approach to potential suppliers of raw materials and high value added parts. Indeed for all potential new suppliers and/or facilities of raw material and high value added parts, which by their nature can become development/long-term partners for the Company, and which are also granted much of the spending of purchases, while often coming from countries and sectors presenting specific ESG risks, which characterise our definition of Significant Suppliers, Pirelli conducts a **third-party preliminary on-site audit during the qualification phase** to verify the level of compliance of the potential supplier with respect to the principal national and international regulations on Work, Environment and Business Ethics. Loss prevention information is also analysed as a key element to prevent future cases of business interruption. The non-acceptance of the audit and/or not entering into a reinstatement plan of any non-compliance shall block the qualification of the supplier. At the same time, suppliers with a good ESG performance are preferred.

Of particular importance are the preventive evaluation of new raw materials and process aids with a view to safeguarding the health of workers and the environment. These assessments are conducted before the materials in question can be used extensively by the Group's operating units and are carried out on the basis of appropriate technical documentation (the so-called 'Safety Data Sheet'), taking into consideration not only the requirements of the most restrictive European regulations on the management of hazardous substances (see, for example, the 'REACH' and 'CLP' Regulations), but also by virtue of the highest international technical standards and the most up-to-date scientific knowledge (specific UN databases, etc.). Furthermore, independently of and in addition to the requirements of the laws in force, Pirelli asks suppliers of raw materials and process aids used by the Group to quantify the residual impurities contained.

Finally, of note are the well-established monitoring activities of producers and suppliers of raw materials with regard to compliance with the requirements of Regulation (EU) 2017/821 (as amended by Regulation (EU) 2020/1588) concerning so-called 'conflict minerals' (to which a section is devoted below). The process of managing 'conflict minerals' activities starts out from the qualification phase of potential new suppliers associated with the issue and continues throughout the duration of the supply as fully described in the dedicated section within this Report.

With regard to **the contractual stage**, for more than a decade the Sustainability and Business Ethics Clauses (including anti-corruption) have been included systematically by Pirelli 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 all suppliers to accept the principles of the Pirelli Suppliers' Code of Conduct, the contents of which, as mentioned above, govern Pirelli's requirements in terms of human and labour rights, the environment, decarbonisation, biodiversity, sustainable management of materials and conflict minerals, business ethics and the obligation of due diligence on the supply chain, up to upstream, as well as Pirelli's right to carry out audits and subject to termination in the event of violation. The clause, published in the "Suppliers Area" within the "General Terms and Conditions of Purchase", reads:

- *The Supplier declares to have read and understood the Pirelli Suppliers' Code of Conduct, published and accessible at Supplier\_CoC\_EN.pdf (amazonaws.com), which sets out the principles by which Pirelli conducts its business and relations with third parties.*
- *In light of the above, the Supplier undertakes, in connection with the performance of each Contract(s) and/or Order(s), to manage its business in compliance with the Pirelli Suppliers' Code of Conduct.*
- *Pirelli has the right to verify, throughout the duration of the Contract, directly or through third parties, the Supplier's compliance with the Pirelli Suppliers' Code of Conduct, subject to confidentiality and reasonable notice.*

- *In case of breach by the Supplier of the obligations set forth in the Pirelli Suppliers' Code of Conduct, or in case of refusal by the Supplier to implement an action plan required by Pirelli or in case of failure to implement an action plan agreed with Pirelli in relation to the Pirelli Suppliers' Code of Conduct, Pirelli may suspend with immediate effect performance of the Contract and/or Order, without prejudice to its right to terminate the Contract(s) and/or Order(s) pursuant to Article 6.2 and exercise any other remedy provided by law.*
- *The Supplier is entitled to report to ethics@pirelli.com any violation or suspected violation of the Pirelli Suppliers' Code of Conduct and/or of any applicable legislation; reports may be made anonymously, but must contain a description of the facts constituting even a suspected violation of the provisions contained in the Pirelli Suppliers' Code of Conduct, including information on the time and place of the facts represented, and the persons involved. Pirelli will not tolerate threats or retaliation of any kind against the whistleblower or anyone who has collaborated in the activities of verifying the validity of the report, and reserves the right to take all appropriate action against anyone who carries out or threatens to carry out such acts of retaliation. Pirelli guarantees the anonymity of the whistleblower in compliance with the law.*

In addition, always in line with the consideration of business relevance, country, sector and commodity specific risks:

- Suppliers that can be associated with Conflict Minerals risk are required to sign a further dedicated clause, which is set out later in this Report in the Conflict Minerals Policy section and to which reference should be made for further details on the management of the issue. Specific sustainability clauses are applied to Natural Rubber Suppliers, which implement the requirements of the Policy on Sustainable Management of Natural Rubber, without prejudice to Pirelli's right to audit and terminate the contract (as provided for in the Policy).

Finally, with reference to the **Reports** received by the Group's Whistleblowing channel available to Suppliers, it should be noted that in 2022, three reports signed and sent by Suppliers were received, in relation to violations of the code of ethics and/or company procedures, one of which was found to be well-founded. It remains objectively impossible to confirm that the total number of reports from Suppliers corresponds only to the three mentioned above, since some reports were anonymous, as specified in the section: "Focus: Group Whistleblowing Procedure", to which reference should be made for more details on Whistleblowing received and handled in 2022. With reference to the Grievance Procedure for reporting violations of the Policy on Sustainable Natural Rubber Management, no reports were received during 2022.

#### FOCUS: ESG ON-SITE AUDITS

The Pirelli management model has been characterised by third-party on-site audits since 2009. Compared to self-assessment or remote assessments, this approach allows for a very high level of reliability of the audit results, as they are carried out on-site and in person by a specialised third party.

Not only that, the on-site audit is also a capacity building activity for the supplier while analysing the compliance of its business with local and international legislation on the environment, human and labour rights, and business ethics, with the opportunity to draw up a remedy plan with the advice provided by the auditor.

The on-site audit is carried out already in the pre-qualification phase for all potential new suppliers and/or plants of raw materials and high value-added goods, which by their nature can become development/long-term partners for the Company, and to which a large part of the procurement spending is also allocated, usually located in development countries, thus constituting significant suppliers that can entail ESG risk.

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

The annual Audit Campaign covers suppliers considered critical and significant based on the results of economic materiality and ESG risk criteria of the country, sector and commodity.

The parameters considered in assessing critical and significant suppliers, are multiple:

- the supplier is bound to Pirelli by multi-year contracts;
- the replacement of the supplier and/or related product may be complex;
- the supplier holds a high percentage of Pirelli's purchase for the specific product category;
- the economic burden of the purchase is significant;
- the supplier plays a relevant role in terms of impact on innovation;
- the supplier operates in a Country, sector and/or supplies a commodity, good or service considered to be at risk under environmental, human rights and/or employment terms;
- the supplier has not yet undergone an ESG audit by Pirelli or special critical issues 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.

The ESG risk assessment is performed annually with the engagement of Purchasing Managers in consultation with the relevant departments, involving Enterprise Risk Management and Sustainability Managers.

From the above assessment, and in particular from the last three criteria identified above, comes the selection of high-risk ESG significant suppliers to be audited on-site during the annual campaign (in addition to the mandatory on-site audit

at the selection stage for potential raw material suppliers).

Each on-site 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 the audits on respect for Human and Labour Rights, compliance with environmental regulations, the level of sustainable management of the supply chain by the supplier, and the codes of conduct and policies adopted and implemented, following a checklist of parameters derived from the SA8000® standard (a reference tool officially adopted by the Group for managing social responsibility since 2004), from the Pirelli Suppliers' Code of Conduct (in turn consistent with the areas of social, environmental and governance sustainability dictated by the United Nations Global Compact and underlying OECD and ILO regulations) and from the Pirelli Policies "Global Health, Safety and Environment", "Global Human Rights", "Diversity, Equity and Inclusion", and "Sustainable Natural Rubber Management". Since 2019, KPIs related to loss prevention issues have been added. For natural rubber suppliers, the on-site Audit checklist is enriched with additional and specific parameters, deriving from Pirelli's Policy for the Sustainable Management of Natural Rubber and in line with the expectations of the Global Platform for Sustainable Natural Rubber (a specific section is dedicated to the topic of Natural Rubber Sustainability below).

On the basis of audit findings, and where non-conformities are found, the supplier signs off a corrective action plan suggested by the independent auditor, to be implemented within specific deadlines. The actual return from non-compliance within the prescribed time limit is then verified through follow-up activities followed by the third-party auditor who reports to Pirelli. In the event of refusal by the Supplier to implement an action plan requested by Pirelli or failure to implement an agreed action plan, Pirelli may suspend with immediate effect the execution of the Contract and/or the Order, and/or terminate the contractual relationship.

The results of the on-site ESG Audit together with the additional evaluations carried out during the on-boarding of the supplier are integrated into the annual Vendor Rating process whereby a rating is given to the supplier that sums up ESG performance, the qualitative level of supplies, the quality of the commercial relationship and the technical-scientific collaboration.

In the case of local restrictions due to Pandemic (Covid-19), in order to guarantee the continuity of auditing activities Pirelli's third-party auditors use the verification methodology in accordance with ISO/IEC 17021-1: 2015 (and relative guidance), IAF MD4: 2018, IAF MD 5: 2019 and IAF ID 12: 2015.

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

Year	Audit Number
2020	71 <sup>32</sup>
2021	93 <sup>33</sup>
2022	82 <sup>34</sup>

In the year 2022, on-site audits involved Pirelli suppliers of all product categories operating in Argentina, Brazil, China, Germany, Indonesia, Italy, Mexico, United Kingdom, Romania, United States, Turkey, Malaysia, Thailand, France, Cameroon, Côte d'Ivoire, Austria, Hungary, Taiwan.

The results of audits carried out during the 2022 annual campaign show 43% of audited suppliers without any non-conformity, an improvement of +11% vs. 2021, and 57% of the audited suppliers with at least one non-conformity found.

The non-conformities registered in 2022 are substantially linked to the processes of health and safety management, the use of overtime and the correct implementation of environmental management systems. Suppliers where non-conformities have been found have signed a remedial plan to be implemented within specific deadlines, which, as per the Procedure, entails follow-up by the third-party Auditor to evidence and confirm that remedial action has been taken.

The results of the on-site ESG Audit together with the additional evaluations carried out during the on-boarding of the supplier are integrated into the annual Vendor Rating process whereby a rating is given to the supplier that sums up ESG performance, the qualitative level of supplies, the quality of the commercial relationship and the technical-scientific collaboration.

Finally, the Group Internal Audit Department verifies the adequacy of the management and oversight of the ESG audit process on suppliers by the responsible functions.

#### MATERIALITY OF ESG IMPACTS ON THE SUPPLY CHAIN

Occupational health and safety, human rights and labour rights are material issues and monitored in all categories of purchases, with a higher risk of negative impact in the case of raw materials suppliers operating in countries considered to be more at risk than others from the point of view of compliance with national and international labour legislation. With specific reference to the issue of Human Rights and the results of the risk assessment on the supply chain, please refer to the section "Respect for Human Rights" within this Report.

Considering the life cycle of the Pirelli product (which is specified in the "Environmental Dimension" chapter of this report), the environmental impacts of the supply chain are found prevalently in the category of raw materials, in terms of direct emissions by the supplier but also of indirect emissions accounted for by Pirelli.

With reference to the water footprint along the life cycle of Pirelli products, the impacts are prevalent again in the area of raw materials and specifically in the area of natural rubber processing, a material on which particular attention is also paid in terms of preventing the risk of deforestation and protecting biodiversity, as detailed in the next section.

Pirelli mitigates the risks mentioned through the Management Model adopted and up to now described, which is completed with the engagement and capacity building activities of the suppliers as referred to below.

32 Of which 6 on potential new suppliers of raw materials.  
33 Of which 18 on potential new suppliers of raw materials.  
34 Of which 29 on potential new suppliers of raw materials.

## 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/growers, traders, processing plants, 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 Policy on Sustainable Management of Natural Rubber, after a long process based on consultation with key Stakeholders and companies that have longstanding experience in terms of sustainable procurement of materials.

Pirelli's Policy is aligned with the Policy Framework of the Global Platform for Sustainable Natural Rubber (GPSNR), of which Pirelli is also a founding member and upon which a focus is followed.

As stated in the Policy, Pirelli undertakes to promote, develop and implement the sustainable and responsible sourcing and use of natural rubber throughout its value chain. In particular, the Policy emphasises the positioning of the Company and what is required of the natural rubber suppliers 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 bogs, 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;
- 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;
- provision of a dedicated grievance mechanism that allows stakeholders to address any grievances and initiate remedial action.

In terms of the Company's commitment to non-deforestation, it should be noted that the date and cut-off year for the non-deforestation target is 1 April 2019, as stated in the Policy and in line with the dictates of the GPSNR Platform.

The Company also released the Implementation Manual for the Pirelli Policy on Sustainable Management of 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 in the supply chain. As already happened for the preparation of the Policy, 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, all with the support of the NGO Earthworm Foundation.

At the same time, Pirelli has defined and published its own Business Plan, updating it periodically. The Plan up to 2025 is published on the company website together with the performance KPIs in the Sustainable Natural Rubber Management Policy area within the Sustainability section, to which you are referred (<https://corporate.pirelli.com/corporate/en-ww/sustainability/policies/sust-sustainable-natural-rubber-policy>).

All KPIs planned for 2022 were achieved or exceeded, particularly at the end of 2022:

- 99% of the volume of natural rubber purchased comes from suppliers audited on-site by a third party on the implementation of the Pirelli Sustainable Natural Rubber Policy;
- 73% of the purchased natural rubber volumes come from suppliers who are members of the Global Platform for Sustainable Natural Rubber (to which the following section is dedicated);
- 98% of the volumes purchased come from Suppliers that have implemented a roadmap of activities in line with Pirelli's Sustainable Natural Rubber Policy;
- All volumes come from a known Tier 1 source;
- 98% of the volumes purchased come from natural rubber suppliers trained in both the Policy and Pirelli's Implementation Manual for Sustainable Natural Rubber Management.

The Policy, the Implementation Manual and the 2021-2025 Business Plan are published on the Group website, in the Sustainable Natural Rubber Management Policy area within the Sustainability section.

Pirelli's long-standing support of local producers continued in 2022 together with the Indonesian supplier Kirana Megatara: 80 scholarships were given to children of local farmers and 90 farmers were trained on the correct ways to extract natural rubber, so as to protect natural resources and maximise yields while preserving and prolonging the life of rubber trees.

Pirelli is committed to increasing the **transparency and traceability** of the natural rubber supply chain, and to this end it explores both individually and at the sector level the tools that are being developed on the market with a view to best meeting Stakeholders' expectations and at the same time intervening to support the sustainable development of the chain from upstream to downstream. A significant result, also in terms of innovation, was obtained by Pirelli in 2021, with the production of the first tyre line, at the world level, certified by the Forest Stewardship Council (FSC) for natural rubber and rayon; FSC forest management certification confirms that plantations are managed in such a way as to preserve biological diversity and bring benefits to the lives of local communities and workers, while ensuring economic sustainability.

Pirelli in partnership with BMW and Birdlife International launched a multi-year project called "Living Rubber" in 2021, which aims to promote long-term sustainable and deforestation-free natural rubber production in Indonesia.

Pirelli aims to protect 2,700 hectares of rainforest in Hutan Harapan (Sumatra Island) from deforestation, as well as protecting the indigenous community and protecting endangered animal species. The different activities are implemented in coherence with the "Desired State" of the Global Platform for Sustainable Natural Rubber (GPSNR).

More precisely, the Project sets precise performance KPIs with respect to economic development for natural rubber farming families, community rights, collaboration with institutions, healthy ecosystems and resilient agro-ecosystems for an ecologically sustainable supply chain.

In October 2022 (a delegation from BirdLife International, Pirelli and BMW held meetings with the community on a variety of topics such as literacy, women's participation in local community development, quality rubber cultivation, cooperative development, forest protection and biodiversity conservation. The visit provided the opportunity to discuss in detail a number of field results that led to further refinements of the project.

For details on the Project please refer to the "Sustainable Natural Rubber" section of the company website.

For years Pirelli, together with Kirana Megatara (Pirelli's supplier in Indonesia) has been providing scholarships for the children of farmers in Indonesia.

This was followed by an in-depth look at activities within the Global Platform for Sustainable Natural Rubber (GPSNR).

## TOGETHER FOR THE SUSTAINABILITY OF NATURAL RUBBER - THE GPSNR PLATFORM

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

In line with the stated approach, in 2017 Pirelli played a proactive role in the creation of the Global Platform for Sustainable Natural Rubber - GPSNR, together with tyre manufacturers which are also part of the Tyre Industry Project Group, within the World Business Council for Sustainable Development. The development of the Platform benefited from the contribution, ideas and suggestions of the main categories of Stakeholders involved in the value chain, such as rubber producers, processors, automobile manufacturers, and from the fundamental contribution deriving from the experience of major 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 GPSNR General Assembly was held in March 2019.

In 2021, the General Assembly stipulated, *inter alia*, that from 2022 onwards, members must annually provide the status of implementation of the GPSNR Policy (status provided by Pirelli to GPSNR)

Also in 2022, Pirelli actively participated in several working groups launched by the platform, specifically:

- the "Smallholder Representation Working Group", which Pirelli co-chairs, has identified a geographically diverse group of farmers capable of effectively representing the interests of smallholders within the platform and identified three representatives to sit on the Executive Committee.
- work continues to support the smallholder community on the platform, with the aim of extending the geographical presence covered and achieving the new targets set;
- the "Capacity Building Working Group", which Pirelli co-chairs, in 2022 has continued its activities aimed at developing a capacity building strategy in favour of

smallholders and industrial plantations, identifying potential sources of financing;

- the “Traceability and Transparency Working Group” which aims to identify an appropriate tool to improve the large-scale traceability, and therefore transparency, of the complex natural rubber supply chain. During 2021, the group focused on mapping the traceability systems offered by the market, with a specific focus on those already used in the world of natural rubber. The work will continue in 2022, with the aim of defining the general characteristics that the traceability tool must have in order to meet the level of transparency required by the GPSNR platform; Pirelli participated until the working group completed its task in early 2022 and the working group was closed. The traceability and transparency work was transferred to the Risk sub-working group, of which Pirelli is a member, set up to identify and manage risks to support the development of GPSNR.
- Pirelli in 2022 also participated in the “Shared Responsibility working group”, which aims to define the principles and framework for implementing shared responsibility within the platform. The work will continue in 2023, including a first trial of the Traceability Working Group and the start of a two-year capacity-building project for 5,000 farmers, which Pirelli is sponsoring.

#### THE “GREEN SOURCING” POLICY

Since 2012 Pirelli has had a “Green Sourcing” Policy with the aim of stimulating and incentivising an environmental conscience along the entire supply chain and encouraging choices that might reduce the impact on the environment of provisioning activity by Pirelli of goods and services. The system for implementing the Green Sourcing Policy was defined in 2013, both within Pirelli and in relationships with suppliers. It 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.

The Pirelli Green Sourcing Manual defines four areas of Green Sourcing: Materials, Capex, Opex and Logistics. Interdepartmental working groups, comprised of Purchasing, R&D, HSE and Sustainability analysed the Green Sourcing process associated with the merchandise 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.

So, the Green Sourcing Manual is a unique document that contains:

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

On the basis of the Guidelines of the Green Sourcing Manual, the Pirelli Green Purchasing Guidelines were published on the website [www.pirelli.com](http://www.pirelli.com), so making them available both to Pirelli suppliers and to other Stakeholders.

#### DECARBONISATION

In implementing the decarbonisation strategy adopted by the company, Pirelli’s current Industrial Plan includes a target to reduce emissions attributable to its own supply chain activities, which is an integral part of the group target validated by the Science Based Targets initiative (SBTi). In detail, the target is to reduce absolute CO<sub>2</sub> emissions related to the purchase of raw materials (Scope 3) by 8.6% by 2025 compared to 2018 values. The 2025 target was reached at the end of 2022, which is why Pirelli is preparing to submit a further reduction target to SBTi.

In addition, in June 2022, Pirelli expressed to SBTi its commitment to the Net Zero standard to formalise, within two years, a long-term target to reduce value chain emissions by around 90% by 2050 at the latest.

To meet these objectives, Pirelli is engaged in capacity building and engagement campaigns with its Suppliers in order to identify possible actions to reduce emissions, starting from their materiality in terms of spending and emission impacts.

For more details on performance and targets regarding Scope 3 emissions, SBTi targets and 2022 performance, please refer to the section “Greenhouse Gas Emissions Management and Carbon Action Plan” within this report. Please refer instead to the Group Footprint infographic, in the section “Environmental Footprint and Strategy of the Pirelli Group” for the representation of the Scope 3 impacts of the various life cycle phases.

#### POLICY ON CONFLICT MINERALS

Conflict minerals are normally defined as any mineral mined, refined or traded under conditions of armed conflict and human rights violations, mainly in the Democratic Republic of the Congo, but also in any conflict-affected or high-risk area.

The concept of Conflict Minerals was introduced by Section 1502 of the Dodd-Frank Act, a United States federal law, in 2010. “Conflict minerals” means 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. Such minerals are commonly called “3TG” (Tungsten, Tin, Tantalum, Gold).

The objective of the Conflict Mineral Rules is to discourage the use of minerals whose sale might finance violent



conflicts in Central Africa where serious violations of human rights have been recorded for many years. Under Conflict Mineral Rules, listed companies in the United States are required to perform reasonable due diligence in tracing the provenance of these materials and reporting the findings to the SEC and publishing them on their website, with the first report to be published by 31 May 2014 (relating to 2013) and subsequently updated each year.

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

In addition to the Conflict Minerals Policy, Pirelli expresses its position on the management of the issue in a section dedicated to it in its Global Human Rights Policy, where it is stated that the Company “requires its suppliers to ensure the commitment to carry out proper due diligence as part of its supply chain in order to certify that products and materials provided to Pirelli are “conflict free” along the entire supply chain (i.e. that they do not come from mines or foundries operating in conflict zones identified as such by the applicable legislation on “conflict minerals” unless they are certified as “conflict free”). Pirelli reserves the right to discontinue the relationship with suppliers in case of clear evidence of supply of minerals from conflict and in any event in the case of violation of Human Rights”.

The above is further set out in the Pirelli Suppliers' Code of Conduct, which is in turn an integral part of the General Terms and Conditions of Purchase.

The objective is not to purchase goods or services containing *Minerals from Conflict Zones* as evident from the clause Pirelli asks Suppliers to sign, which reads:

*The Supplier represents and warrants that the Goods and Services supplied or to be supplied to Pirelli under the Contract and/or the Orders do not contain and shall not contain for the entire duration of the supply any Conflict Zone Minerals.*

*The Supplier undertakes:*

- (i) to provide Pirelli with a comprehensive description of the procedures and tools that have been implemented to ensure that the Goods and Services and the parties involved in the supply of the different components of the Goods and Services do not contain Conflict Minerals;*
- (ii) to maintain an active due diligence programme to identify and track all Minerals from Conflict Zones in its supply chain based on Organisation for Economic Cooperation and Development (OECD) and Responsible Minerals Initiative (RMI) procedures and tools;*
- (iii) to supply 3TG Minerals, Cobalt and Natural Mica from smelters that have been classified as “Conformant” (as described in <https://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/> and*

*<https://www.responsiblemineralsinitiative.org/smelter-refiners-lists/>);*

- (iv) to complete, for each type of Good and Service provided under the Contract or Orders, the latest version of the “Conflict Minerals Reporting Template” (CMRT), downloadable at <https://www.responsiblemineralsinitiative.org/reporting-templates/cmrt/>, and the “Extended Minerals Reporting Template” (EMRT), downloadable at <https://www.responsiblemineralsinitiative.org/reporting-templates/emrt/>, and to send the same by e-mail to [conflictminerals@pirelli.com](mailto:conflictminerals@pirelli.com);*
- (v) to send the documents referred to in (iv) updated annually (always) or in the event of any change in the composition and/or parts/components and/or production process of the Goods and/or Services supplied, and/or any change in the list of foundries and/or the “Conformant” classification status referred to in (iii).*

In the event of breach by the Supplier of any of its obligations under this clause 1.15, Pirelli may suspend performance of the Contract and/or Order with immediate effect, without prejudice to its right to terminate the Contract(s) and/or Order(s) and exercise any remedy provided by law.

The Global Human Rights Policy, the Pirelli Suppliers' Code of Conduct and the General Terms and Conditions of Purchase are available on the Company's website.

Over the years, Pirelli has progressively strengthened its management model, firstly by extending its scope from the so-called “3TG” minerals (tin, tantalum and tungsten, their ores, and gold) to include, on a voluntary basis, first Cobalt (from 2019) and, from 2022, also Natural Mica, both of which are of increasing importance.

The issue of conflict minerals is integrated in the annual Vendor Rating process already mentioned in a previous section.

The increasing focus on Cobalt, used in the Lithium-ion batteries that are an integral part of electric vehicles, mobile phones and laptops, is motivated by three main reasons: the growing worldwide demand for this mineral, the fact that its extraction is concentrated in the Democratic Republic of Congo, which holds about 50% of the world's reserves<sup>35</sup>, and the existence of numerous reports associating Cobalt mining with the risk of negative social (e.g. child labour, human rights violations) and environmental impacts.

Similarly with regard to Natural Mica (used on a large scale in cosmetics and paints), numerous reports indicate that the extraction and processing of the mineral, concentrated in India and Madagascar and heavily linked to often artisanal and low-scale manual processes, is often associated with illegal activities, child labour and dangerous and unhealthy working conditions.

<sup>35</sup> Data updated to 2014.

In relation to the aforementioned conflict minerals, it is useful to point out that the materiality of the subject for Pirelli products is decidedly small: e.g., the volume of minerals (3TG) used by Pirelli Tyre in a year weighs, in fact, less than one tonne, a quantity less than one millionth of the volume of raw materials used annually by the Company and which is equally distributed among most 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 1 ppm (one part per million).

Despite the negligible amount of these minerals in relation to the volume of raw materials used, their presence inside tyres is of significant technical importance, contributing to their safety and performance.

With a view to sourcing only minerals that are 'conflict free', Pirelli conducts a comprehensive survey of its supply chain every year to identify the origin of minerals all the way to the mines or smelters, in order to identify the existence of any 'conflict minerals'. To this end, the Company refers to the procedures and tools indicated by the Organisation for Economic Co-operation and Development (OECD) and the Responsible Minerals Initiative (RMI); in particular, Pirelli asks all suppliers associated with 3TG minerals to complete the Conflict Minerals Reporting Template (CMRT) and those associated with Cobalt or Natural Mica to complete the Extended Minerals Reporting Template (EMRT).

The suppliers surveyed in 2022 cover 100% of the "conflict minerals" risk associated with the tyres produced by the Group. 100% of the suppliers involved have already provided precise indications as to the source of the materials in question, listing all foundries as required by the procedure. The investigation led to no evidence of critical issues in the supply chain related to 3TG, Natural Mica and Cobalt. Particularly with regard to cobalt, targeted supplier awareness actions conducted in 2021-22 provided even more precise indications of their sources of supply.

### 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 sections 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 above-mentioned innovations ensured water

savings as well as a reduction in CO<sub>2</sub> emissions of more than 75%, saving about 39,000 m<sup>3</sup> of water and about 700 tonnes of CO<sub>2</sub> respectively.

These innovations provide economic benefits related directly to the material for about €181,000 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 the Climate Change, Forest and Water Security programmes promoted by the CDP (formerly the 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 2022, 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 2022, the set of emission reduction actions implemented by Pirelli suppliers made it possible to avoid overall the emission of approximately 30 million tonnes of CO<sub>2</sub> equivalent into the atmosphere, combined with estimated economic savings of US\$1 billion.

The first company among tyre manufacturers to globally introduce CDP Supply Chain in its supply chain, Pirelli sets a target of achieving a 90% response rate for raw material suppliers by 2023. The response rate recorded in 2022 was 82%, in line with the performance of recent years: 88% in 2021, 84% in 2020, 81% in 2019, 74% in 2018.

In addition, it should be noted that the Company is included in the Supplier Engagement Rating Leaderboard 2022 published by CDP, having obtained a score of A on an assessment of the management of climate issues along its supply chain.

### ENGAGEMENT AND TRAINING OF SUPPLIERS ON SUSTAINABILITY MATTERS

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

In 2022, training activities and capacity building continued in the area of natural rubber sustainability, involving a number of partner suppliers and their supply chain. Also, continued the programme of distributing infographics to facilitate the continuous cascading along the entire supply chain of our sustainable natural rubber management policy. In 2021-2022, the programme covered about 90% of our suppliers.

A capacity building plan is also underway in the field of decarbonisation in favour of suppliers of raw materials with the greatest impact in terms of CO<sub>2</sub> emissions, aimed at supporting them in fully understanding Pirelli's expectations and defining low-carbon development plans.

During 2023, training courses in the field of Human Rights are also planned, in line with the materiality resulting from the risk assessment carried out in 2022, see the chapter "Human Rights Risk Assessment".

#### 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 2022 edition of the Supplier Award was held at Pirelli Bicocca, in the presence of Pirelli's Vice President and CEO and the Company's Chief Procurement Officer, who honoured nine suppliers operating internationally, in particular in China, Italy, Japan, France, Germany, the United States, Turkey and the United Kingdom, who distinguished themselves for quality, innovation, service level, performance and sustainability.

For Sustainability, the award was given to a supplier of bio-chemicals for its traceability achievements over the entire supply chain.

The presence of the prestigious 'Sustainability' award confirmed the importance of 'responsibility' strategies and the resulting tangible benefits along the entire value chain.

#### TREND OF PURCHASES

The following tables show the value of purchases made by Pirelli and the percentage of the relative suppliers divided by geographical area. These figures show that the value of purchases is slightly higher in OECD areas with respect to non-OECD areas<sup>36</sup>, as well as the number of suppliers.

69% of suppliers (up compared to 63% in 2021) work locally with respect to the Pirelli subsidiaries provided, 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

		2022	2021	2020
<b>OECD COUNTRIES</b>	<b>Europe</b>	44.8%	49.8%	49.1%
	<b>North America</b>	6.9%	6.8%	8.0%
	<b>Others</b>	5.8%	5.6%	4.6%
<b>NON-OECD COUNTRIES</b>	<b>Latin America</b>	18.7%	11.4%	12.1%
	<b>Asia</b>	16.3%	17.5%	17.3%
	<b>Africa</b>	0.3%	0.5%	0.5%
	<b>Others</b>	7.2%	8.4%	8.4%

<sup>36</sup> 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

		2022	2021	2020
OECD COUNTRIES	Europe	54.2%	53.9%	55.2%
	North America	4.4%	4.5%	4.8%
	Others	5.9%	4.8%	4.5%
NON-OECD COUNTRIES	Latin America	17.9%	18.9%	19.7%
	Asia	8.3%	9.1%	6.9%
	Africa	0.6%	0.2%	0.2%
	Others	8.8%	8.6%	8.7%

The following table shows the breakdown in percentage of the value of Pirelli purchases by type. With a weight equal to 44% of the total, the purchase category which is decidedly more relevant and significant, as in previous years, is that of raw materials.

## VALUE OF PURCHASES BY TYPE

	2022	2021	2020
Raw Materials <sup>37</sup>	44%	45%	49%
Consumable Materials <sup>38</sup>	11%	11%	8%
Services <sup>39</sup>	43%	39%	40%
Capital goods <sup>40</sup>	2%	5%	3%

With reference to the percentage of Pirelli suppliers by type and in the table below, it is noted that suppliers of consumables and services represent about 97% of the total number of suppliers, despite the weight on the total value of purchases being lower, for example, than that of raw material purchases which, on the other hand, show a substantial concentration on only a few operators.

## NUMBER OF SUPPLIERS BY TYPE

	2022	2021	2020
Raw Materials <sup>41</sup>	1%	2%	2%
Consumable Materials	33%	37%	36%
Services	64%	58%	59%
Capital goods	2%	3%	3%

<sup>37</sup> Purchased to produce and package the organization's primary products and services.  
<sup>38</sup> Indirect materials, auxiliary materials.  
<sup>39</sup> Energy, logistics services, shared services, ICT, R&D, marketing, trademarks and patents.  
<sup>40</sup> Machinery, civil works, moulds.  
<sup>41</sup> Purchased to produce and package the organization's primary products and services.

The following table represents the percentage composition in the value of the mix of raw materials purchased by Pirelli in the three-year period 2020-2022.

**MIX OF RAW MATERIALS<sup>42</sup> PURCHASED (VALUE)**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Natural Rubber</b>	14%	14%	13%
<b>Synthetic Rubber</b>	27%	25%	26%
<b>Carbon black</b>	11%	11%	10%
<b>Chemicals</b>	23%	23%	23%
<b>Textile</b>	15%	16%	18%
<b>Steel</b>	10%	11%	10%

**TARGETS**

- CDP Supply Chain: increase in the response rate of suppliers of Raw Materials from 82% in 2022 to 90% in 2023;
- Natural Rubber supply chain Sustainability: implementation of the 2022-2025 roadmap published on the Sustainable Natural Rubber section of the website [www.pirelli.com](http://www.pirelli.com);
- decarbonisation of the raw materials supply chain in line with the SBTi Scope 3 target;
- training on Human Rights to suppliers identified on the basis of the match between business risk and country risk in light of the results of the Risk Assessment (see section on Human Rights Governance for more on risk assessment).

<sup>42</sup> Purchased to produce and package the organization's primary products and services.

# ENVIRONMENTAL DIMENSION

The Pirelli Group considers protection of the environment and biodiversity as fundamental values 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 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 Group’s Policies on “Health, Safety and Environment”, “Product Stewardship”, “Quality”, “Green Sourcing”, based on which Pirelli undertakes to:

- govern its activities with regard to the protection of the environment, in full compliance with the applicable international, national and local regulations and all the voluntary commitments signed, as well as in line with the highest international management standards;
- pursue the protection of the environment and biodiversity through the continuous identification, assessment, prevention and mitigation of environmental risks along the value chain;
- minimise impacts on biodiversity, ecosystems and the related ecosystem services of its business units, following the principle of “*No net loss of biodiversity*” through the “mitigation hierarchy” (i.e.: avoid, minimise, restore and compensate);
- minimise its operations in protected areas and/or sites which are relevant for biodiversity and/or of special interest/value, and ensure that the choice of any new production sites is made with respect of protected areas, ensuring the preservation of biodiversity, ecosystem services and the prevention of deforestation;
- develop products and production processes in compliance with the principles of the circular economy, translated into the “5Rs” approach (Re-think - Refuse - Reduce - Reuse - Recycle), in order to pursue climate change mitigation and progressive decarbonisation along the value chain, the responsible use and reduction of natural resource consumption (“*Resources Stewardship*”) and minimize pollutant emissions;
- assess and reduce the environmental impact of its products and services throughout their entire life cycle, as well as of products and services purchased;
- develop and implement emergency management programmes designed to prevent harm to the environment

- in the event of accidents;
- define, monitor and communicate to its Stakeholders specific goals for the continuous improvement of occupational health and safety and environmental performance associated with its processes, products and services throughout their life cycle;
- monitor the environmental impacts of its suppliers by requesting them to adopt the same management 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 reuse wherever possible;
- empower, train and motivate its employees on how to work in a safe and environmentally-friendly manner, involving all levels of the organisation in a continuous training and information programme, designed to promote a culture of occupational health and safety and respect for the environment, as well as to ensure that the company’s responsibilities and procedures in these areas are appropriately updated, communicated and understood;
- collaborate actively at a national and international level with institutional, academic, non-governmental, industry bodies concerned with the regulation, study and sustainable management of environmental issues;
- require, through contractual clauses and the Pirelli Suppliers’ Code of Conduct, that its suppliers implement a management model at their sites and along their supply chain with regard to occupational health and safety, care of the environment, protection of biodiversity and ecosystems, prevention of deforestation, conservation and responsible use of natural resources, in accordance with international standards and the laws and regulations of the countries where they operate. For further details, please refer to the section “Our Suppliers”, which also dedicates an in-depth report to the issue of sustainable management of Natural Rubber.

Pirelli has implemented integrated, structured, dynamic management systems focused on continuous improvement, based on best practices and relevant recognised international standards.

In terms of Governance, the Board of Directors of Pirelli & C. S.p.A., supported in its activities by the Control, Risks, Sustainability and Corporate Governance Committee, approves the environmental management objectives and targets integrated in the Industrial Plan, which include, for example, those pertaining to climate change, decarbonisation of the value chain, reduction of product and process environmental impacts, and biodiversity. In turn, Pirelli’s Top Management, supported by the Health, Safety and Environment department as well as other departments variously involved (by way of non-limiting example R&D, Sustainability, Purchasing, Quality, Manufacturing, Enterprise Risk Management functions) has a strategic role in the full implementation of Pirelli’s Environmental Management Model and related strategic goals, ensuring the involvement of all personnel and of those who collaborate with Pirelli, so that they express behaviour coherent with the values contained therein.

Pirelli makes available to all its Stakeholders a channel (the “Whistleblowing Policy - Reporting Procedure”, published on Pirelli’s website) dedicated to reporting, even anonymously, any situations that constitute or may constitute a risk for safeguarding the environment.

No reports concerning environmental issues were received during 2022.

### 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 Board<sup>43</sup>. In supporting the initiative, Pirelli is committing to the voluntary disclosure of transparent reporting and the disclosure of all relevant information on risks and opportunities related to climate change, as indicated in the TCFD recommendations. To this end, Pirelli publicly reports this information both within this report and through the CDP Climate Change programme where, in 2022, it was again confirmed as one of the leading companies by being placed on the A-list.

Specifically, the four thematic areas and their eleven recommendations identified by the TCFD, since the Pirelli financial statements are integrated, are addressed as follows.

#### **GOVERNANCE (concerning risks and opportunities related to climate change).**

##### a) Board of Directors’ oversight

Pirelli’s Board of Directors, supported in its activities by the Board Committee Audit, Risk, Sustainability and Corporate Governance (to which the results of the Climate Change and Water Stress Risk Assessment are brought), approves the decarbonisation and climate change objectives and targets integrated in the Company’s Industrial Plan and discusses its performance at least annually, as well as approves the contents of the Pirelli’s Annual Report, including the consolidated Non-Financial Statement and all climate-related data contained therein. Within the Board of Directors, the position of CEO and Executive Vice President is delegated to sustainability topics, including those pertaining to environmental management and related climate change and decarbonisation targets. In this role, the CEO is entrusted with the task of overseeing matters related to the company’s operations and implementing the guidelines defined by the Board of Directors, with the support of the Audit, Risk, Sustainability and Corporate Governance Committee.

##### b) Role of management

The strategic evolution of Group Sustainability, including issues relating to Climate Change and Decarbonisation, is entrusted to the Sustainability Strategic Committee, a body appointed in 2004, chaired by the CEO and composed of the Company’s Top Management representing all the organisational and functional responsibilities, which holds ordinary meetings at least twice a year. As from 2021, the Operational Sustainability Committee has also been set up, chaired by the Deputy CEO and consisting of the Company’s Top Management, with responsibility for the strategic and operational management of the Group’s sustainability matters, including, among others, human rights, health and safety, climate change and decarbonisation.

The organisational structure is thus made up of a Sustainability and Future Mobility Department, reporting to the Company’s Deputy CEO, in which the Director of Sustainability and Future Mobility operates with the responsibility of overseeing at Group level climate change and decarbonization related topics and proposing associated targets to the Sustainability Strategic Committee. Reporting to the Director, in the Sustainability and Future Mobility Department work the Decarbonization Officer, the Product Stewardship Officer, the Group Sustainability and Diversity Officer, and the Future Mobility Officer. The Sustainability and Future Mobility Department is supported by:

- a Sustainability Working Group made up of sustainability representatives within the various central company departments in order to guarantee constant monitoring and coordination of strategic programmes with an impact on the competence of the specific departments;
- Country Sustainability Managers overseeing activities covering all Group affiliates. The role of the Country Sustainability Manager is currently held by Country CEOs, who are supported by their direct subordinates in operational management of Country plans.

#### **STRATEGY (actual and potential impacts of risks and opportunities related to climate change on business, strategy and financial planning).**

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. As extensively described in the section “The Environmental Strategy of the Pirelli Group” of this report, the Company has adopted a control and monitoring system that allows the qualitative and quantitative identification of the materiality of environmental impacts along the life cycle of the product on the basis of which the company defines the response strategy.

In addition, Pirelli periodically performs sensitivity analyses and risk assessments for the Group and its value chain with respect to transition scenarios<sup>44</sup> towards a low-carbon

<sup>43</sup> The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB) - the 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.

<sup>44</sup> The Group’s latest Climate Change and Water Stress Risk Assessment considered the IPCC - Intergovernmental Panel on Climate Change - climate scenarios (RCP 2.6, RCP 4.5, RCP 7.0 and RCP 8.5) and the IEA - International Energy Agency - energy transition scenarios (STEPS, APS and NZE-2050) for the analysis.

economy and climate scenarios, in order to have a constantly updated picture of potential risks and opportunities linked to climate change and water stress, which are of interest to the business, with the relative quantification of potential financial impacts. For further details, please refer to the section “Emerging Risks Related to Climate Change and Water Stress” within the “Directors’ Report on Operations” of this report, and to Pirelli’s public responses to the CDP Climate Change questionnaire<sup>45</sup>.

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

In line with the results of the last Group Climate Change and Water Stress Risk Assessment, in the short- to medium-term (2022-2030), there are no significant impacts from physical and transitional risks on the production activities of Pirelli’s factories and those of its suppliers, or on the markets in which the Group operates. On the other hand, elements of uncertainty remain in the long term (>2030-2050), when Pirelli’s plants could be subject to a series of risks of both a physical nature (extreme weather events with potential impacts on plant production continuity) and regulatory nature (possible effects on operating costs). On the contrary, there are opportunities for growth in the sales of Pirelli Eco & Safety Performance<sup>46</sup> products, which identify car tyres characterised by rolling resistance and wet grip belonging to the A, B, C values of European labelling, which is used as an internal metric to classify all the products Pirelli produces not only in Europe but worldwide.

#### b) Impacts of climate-related risks and opportunities

As discussed in the section “Emerging Risks Related to Climate Change and Water Stress” within the “Directors’ Report on Operations” of this report, to which reference should be made, in relation to internal metrics of potential financial impact, no risks with a significant impact in the short-medium term were identified concerning the production processes of the Group’s plants and those of its suppliers (upstream value chain), or the markets in which the Group operates (downstream value chain).

#### c) Resilience of the strategy

The results of the scenario analyses, carried out as part of the Climate Change and Water Stress Risk Assessment, were evaluated for the definition of climate-related targets, constituting the company’s Climate Transition Plan, as part of the sustainable development strategy to 2022, 2025, 2030 published in the current Industrial Plan. At process level, should be highlighted the targets of reducing energy consumption and absolute CO<sub>2</sub> emissions, 100% procurement of electricity from renewable sources by 2025 and the Group carbon neutrality by 2030. In particular, the absolute CO<sub>2</sub> emission reduction targets were developed in

accordance with the guidelines of the Science Based Targets initiative (SBTi), which validated them in May 2022<sup>47</sup>, judging them to be consistent with the actions needed to keep global warming within 1.5°C. They cover both the production process (Scope 1 and 2 emissions) and the reduction of emissions in the supply chain (Scope 3). Furthermore, in June 2022, Pirelli expressed to SBTi its commitment to the Corporate Net Zero standard<sup>48</sup>, pledging to formalise, within two years, a long-term target to reduce emissions from its value chain by around 90% by 2050 at the latest. At product level, among the many Eco & Safety performance targets, in terms of climate impact there is the goal to have, by 2025, more than 70% of new car products, (i.e. new labelled lpcode considered at group level) classified A or B for rolling resistance, according to the highest European labelling standards, and more than 90% classified A or B for ‘wet grip’. With regard to the business strategy based on the development of the Eco & Safety Performance product line, this is designed to give Pirelli a competitive advantage over its competitors in the face of growing market demand for low-emission goods and services. Following the positive trend that has seen the Eco & Safety Performance tyre revenue out of the Group’s total revenue grow from 5% in 2009 to 67% in 2022, the 2025 Pirelli’s target of 66% has been achieved three years ahead of schedule.

### **RISK MANAGEMENT (identification, assessment and management of risks related to climate change).**

#### a) Identification and assessment processes

The process adopted by Pirelli to identify and assess the possible financial impacts, in terms of risks and opportunities, related to climate change is based on the Group’s Climate Change and Water Stress Risk Assessment, which is updated on a bi-annual basis by the Sustainability and Future Mobility Department in collaboration with Enterprise Risk Management and other relevant corporate functions (Operations, Purchasing, Environmental Governance, Compliance, among others). The analysis assesses the evolution of possible physical, regulatory, technological, reputational and market risks that may affect the company and its value chain, both upstream and downstream, with respect to transition scenarios towards a low-carbon economy and climate scenarios<sup>49</sup> with short to medium and long-term time horizons. For the conclusions of the analysis, please refer to the section “Emerging Risks Related to Climate Change and Water Stress” within the “Directors’ Report on Operations” of this report, and to Pirelli’s public responses to the CDP Climate Change questionnaire<sup>50</sup>.

<sup>45</sup> <https://www.cdp.net/en/responses>

<sup>46</sup> Eco & Safety Performance products identify car tyres that Pirelli produces not only in Europe but throughout the world and whose rolling resistance and wet grip performance fall within the A, B, C values of European labelling.

<sup>47</sup> Pirelli’s previous emission targets, also validated in 2020 by SBTi in line with the “well below 2°C” scenario, had already been reached by the end of 2021, four years ahead of the original deadline.

<sup>48</sup> SBTi’s Corporate Net Zero Standard is the framework that the Science Based Targets initiative has developed for companies to set consistent targets to achieve net zero emissions by 2050.

<sup>49</sup> The Group’s latest Climate Change and Water Stress Risk Assessment considered the IPCC - Intergovernmental Panel on Climate Change - climate scenarios (RCP 2.6, RCP 4.5, RCP 7.0 and RCP 8.5) and the IEA - International Energy Agency - energy transition scenarios (STEPS, APS and NZE-2050) for the analysis.

<sup>50</sup> <https://www.cdp.net/en/responses>



## b) Management processes

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

## c) Integration into overall risk management

The process of identifying, assessing and managing risks related to climate change is fully integrated into Pirelli's risk governance model, as described in detail in the "Risk Factors and Uncertainty" section included in the "Directors' Report" of this report.

### **METRICS AND TARGETS (metrics and targets used to assess and manage risks and opportunities related to climate change, where information is material).**

#### a) Metrics used

Pirelli reports its impacts and performance related to climate change according to the metrics defined by the GRI Sustainability Reporting Standards and the Sustainability Accounting Standard Board (SASB). See at the end of this Annual Report the table "GRI content Index" (GRI Standard Disclosure 305: Emissions) and "SASB content Index".

#### b) GHG Emissions

Pirelli monitors and reports its direct (Scope 1) and indirect (Scope 2 and Scope 3) climate-altering gas emissions as described in the "Greenhouse Gas Emissions Management and Carbon Action Plan" section of this report, and the relative values are subject to specific limited audit activity by an independent company in accordance with ISAE 3000.

#### c) Targets

Pirelli reports its environmental and product targets that are most linked to the company Climate Transition Plan, within the Industrial Plan, in this chapter "Environmental Dimension" and in the "Sustainability Planning and the United Nations Sustainable Development Goals (SDGs)" and "Our Suppliers" ("Targets" section) of this report.

## BIODIVERSITY

Pirelli pays the utmost attention to ensuring that corporate activities do not interfere with the biodiversity characteristic of the value chain in which the Company operates.

As specified in Pirelli's Health, Safety and Environment Policy, published on the company website, Pirelli is committed to minimizing impacts on biodiversity, ecosystems and related ecosystem services.

In terms of Governance, the Board of Directors of Pirelli C. S.p.A., supported in its activities by the Control, Risks, Sustainability and Corporate Governance Committee, approves the environmental management objectives and targets integrated into the Industrial Plan, including those relating to biodiversity. In turn, Pirelli's Top Management also plays a strategic role in the full implementation of Pirelli's Environmental Management Model and related strategic objectives on this matter.

Biodiversity, such as climate change, is subject to risk assessments in line with the company's Enterprise Risk Management methodology, both with reference to Pirelli's sites and the supply chain.

Pirelli applies the "No net loss of biodiversity" model through the "mitigation hierarchy" (i.e. avoid, minimize, restore and compensate). Since this Model is in place, it is not possible to indicate a target year within which to implement it.

Pirelli pays attention to minimize its operations in protected areas and/or in sites relevant to biodiversity and/or of particular interest/value and ensures that the choice of each new production site takes place in compliance with protected areas, guaranteeing the preservation of biodiversity, ecosystem services and the prevention of deforestation. "Biodiversity relevant sites" identify sites that contain globally, regionally or nationally relevant biodiversity ("Critical Biodiversity") and therefore include protected areas/habitats/species, species classified as "critically threatened", "threatened" or "vulnerable" on the IUCN Red List, endemic species, internationally recognized areas, as World Heritage Sites, Ramsar wetlands, Man and Biosphere by UNESCO.

With reference to Non-Deforestation, as specified in Pirelli's Policy for the Sustainable Management of Natural Rubber published on the Pirelli website, the Company has set the 1 April 2019 as a cut-off date or the date beyond which natural rubber from deforested areas or areas with deteriorated "High Carbon Value" is considered not to comply with the Company Policy. In other words, the target year for rubber deforestation free is 2019, and this is in line with the Policy Framework of the Global Platform for Sustainable Natural Rubber, a multi-stakeholder platform of which Pirelli is one of the founding members.

In addition to GPSNR, Pirelli actively collaborates with third parties to support Biodiversity.

In August 2022, an agreement was signed in Mexico with local government institutions for the conservation of biodiversity and the reforestation of the "Cuenca de la Esperanza" protected natural area in the Guanajuato region. With this initiative, in addition to the environmental protection of flora and fauna, an area that is also an important water resource for the population of the capital of Guanajuato and Silao, the city where the Pirelli plant is located, is preserved.

Particularly relevant to diversity impact objectives is the three-year "Living Rubber" project, which Pirelli launched

in 2021 in partnership with BMW and Birdlife International with the aim of protecting 2,700 hectares of rainforest in the Hutan Harapan area of Indonesia from deforestation and conserving several endangered animal species. The forest in Hutan Harapan is one of the last remaining rainforest areas in Sumatra and has more than 1,300 species of flora and 620 species of fauna, including the Sumatran tiger, Sumatran elephant and a variety of tropical birds. The forest protection objective goes hand in hand with the development of initiatives to sustain the eco-dependent indigenous community by training them in best agro-forestry practices. The initiatives are aligned with the Indonesian government's programme to reduce poverty and improve the quality of life of communities, as well as to implement sustainable forest management.

For a detailed description of the 2022 activities related to the sustainable management of natural rubber and roadmap to 2025, please refer to the reporting in the sections 'Sustainability of the natural rubber supply chain' and 'Together for natural rubber sustainability - the GPSNR platform', within the chapter 'Our Suppliers' of this Report.

In support of biodiversity and ecosystem services, there are also the Group's decarbonisation targets (Scopes 1, 2 and 3), validated by SBTi in line with the 1.5°C Scenario, SBTi's Net Zero commitment and water withdrawal reduction targets, discussed in the following paragraphs and to which reference should be made for further information.

Pirelli requires its suppliers to implement a management model at their sites and along their supply chain to protect biodiversity and ecosystems with conservation and responsible use of natural resources, in compliance with international standards and the laws and regulations of the countries where they operate. More specifically, through the Pirelli Suppliers' Code of Conduct and the Sustainable Natural Rubber Management Policy - which are an integral part of purchasing contract clauses - Pirelli requires its suppliers to:

- actively contribute to the protection of natural ecosystems, relevant biodiversity and ecosystem services, to prevent the overexploitation of natural resources;
- promote ecosystem restoration, stop any contribution to deforestation, forest degradation and/or conversion and act in line with the internationally recognised "High Conservation Value" (HCV) and "High Carbon Stock" (HCS) approaches;
- identify, trace, monitor and, upon request, also share with Pirelli their use of natural resources (e.g. raw materials, freshwater, fossil and renewable fuels, etc.), analysing their material impact, their level of influence, the actions to be implemented and the objectives to be pursued to reduce natural resources use and consumption;
- adopting the hierarchical model of mitigation (avoid, minimise, restore and compensate) to protect and enhance biodiversity for all activities in areas containing critical biodiversity.

Currently, on Pirelli's entire footprint, two sites - both non-productive - are located within protected areas of high value

for biological diversity: the Vizzola Ticino test field (Italy) and the Elias Fausto test field (Brazil). The Vizzola site hosts the tyre test track, has an area of 0.37 square kilometres and is inserted in the Lombardy area of the Ticino Park, MAB area<sup>51</sup> 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 1 as "Critically Endangered (CR)".

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

The Elias Fausto (Brazil) site is the new Brazilian test site, has an area of 1.59 square kilometres, and is located in a predominantly sugar cane cultivation area where there are two watercourses (the Itapocu and Tietê Rivers) with permanent protection areas. There are 162 species on the IUCN Red List in the area; of these: 1 is classified as "vulnerable" (V), 2 as "near threatened" (NT), 158 as "of least concern" (LC) and 1 as "data deficient" (DD). In order to maximise the environmental protection of the area, Pirelli manages environmental issues, monitors and implements measures to conserve fauna and water resources, including the planting of native essences, and the control of noise levels in accordance with the environmental impact study carried out prior to the construction of the project, according to which the environmental impact of the activities on the region's biodiversity is not significant.

## THE PIRELLI GROUP ENVIRONMENTAL STRATEGY AND FOOTPRINT

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

The Group has adopted a control and monitoring system that allows the identification of the materiality of environmental

<sup>51</sup> 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.

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 Industrial Plan, whose performance is reported in the present report.

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 were analysed following the Life Cycle Assessment methodology as defined by the ISO 14040 family rules, the latter approach being able to corroborate in the most objective way possible the results and the strategic decisions connected to it, integrated with the indications of the “Product Category Rule<sup>52</sup>” for tyres developed by the Tire Industry Project Group of the World Business Council for Sustainable Development. This approach is based on the identification and quantification of all input and output flows of the various life cycle phases (resources, raw materials, emissions, waste), which are subsequently translated into environmental impact potentials using dedicated models. This method therefore makes it possible to consolidate the effects of a very large number of factors into a few synthetic quantitative parameters (for example, of all the types of emissions or waste that are generated in the production processes of the raw materials used).

The four main indicators used to summarise the quantitative impacts in terms of Carbon Footprint and Water Footprint are:

- Primary Energy Demand (PED), calculated in GJ of energy, refers to the quantity of renewable or non-renewable energy that is taken directly from the hydrosphere, the atmosphere or the geosphere.
- Global Warming Potential (GWP), calculated in tonnes of CO<sub>2</sub> equivalent, concerns the effect on the climate of anthropic activities (the greenhouse effect potential of the gas considered is assessed in relation to CO<sub>2</sub>, considering a residence time in the atmosphere of 100 years).
- Water Depletion (WD), calculated in cubic metres of water and 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 (EP), calculated in kilograms of phosphate equivalent, which represents 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.

The reporting of the emission impacts 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 Water Footprint, Pirelli’s calculation model respectively follows the standards ISO-TS 14067 and ISO 14046.

If the product life phases are considered according to the GHG Protocol standard (Corporate Value Chain - Scope 3 - Accounting and Reporting Standard) and as reflected in the criteria of the Science Based Targets initiative, the emissions of the use phase of the tyre are assessed as “indirect” and already included in the accounting of the use phase of the vehicle, of which the tyre is a component (with indirect impact on the energy consumption of the vehicle during use). These emissions, therefore, do not fall within the emission perimeter that tyre makers must consider for value chain reduction targets, which, instead, includes: Scope 1 and 2 emissions, generated by the group’s production activities, and Scope 3 emissions mainly related to the supply chain, logistics and product end-of-life. The Use Phase of the tyre, as mentioned, is part of the Vehicle Use Phase and therefore part of the Scope 3 emissions for Motor Vehicle Manufacturer Customers.

As mentioned below, Pirelli has both emission reduction targets approved by the Science Based Targets initiative, to cover its own Scope 1, 2 and 3 emissions, and targets on the rolling resistance of its products, thus contributing to the reduction of indirect Scope 3 emissions in the use phase, the benefit of which is in terms of the reduction of Scope 3 emissions borne by vehicle manufacturers.

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

As regards the quantitative representation of Pirelli’s Carbon Footprint, please refer to the section “Greenhouse Gas Emissions Management and Carbon Action Plan” where the emissions of the various life cycle phases are detailed by scope. Meanwhile, for a representation of the impact materiality in percentage terms of Pirelli’s Water Footprint, on the various phases of the life cycle, please refer to the section “Water Management”.

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



**RAW MATERIALS**



**MANUFACTURING**

**STAGES OF LIFE CYCLE**

**DRIVERS OF THE CARBON AND WATER FOOTPRINT**

**Suppliers**

Production and transport of raw materials: the impact is due to the consumption of resources on the part of the production sites of suppliers.

**Pirelli**

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

**GHG DISTRIBUTION IN SCOPE**

Scope 3

Scope 1+2+3

**RESPONSE STRATEGY**

**RAW MATERIAL INNOVATION**

- Research and development of raw materials with a low environmental impact
- Progressive introduction of new materials from renewable and/or recycled 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

*Targets*

- Reduction of CO<sub>2</sub> emissions from raw material suppliers by 8.6% by 2025 compared to 2018 (target approved by SBTi\*);

*for selected product lines:*

- By 2025: >40% renewable materials, >8% recycled materials\*\*\* and <40% fossil-derived materials.
- By 2030: >60% renewable materials, >12% recycled materials\*\*\* and <30% fossil-derived materials.

**GREEN PURCHASING GUIDELINES/  
GREEN SOURCING POLICY**

**CDP SUPPLY CHAIN**

**THIRD-PARTY AUDITS  
OF CRITICAL SUPPLIERS**

**PROCESS EFFICIENCY**

*Target 2025*

**100%** renewable electricity sourcing

**-42%** Absolute CO<sub>2</sub> emissions vs 2015 (target approved by SBTi\*)

**-43%** Specific water withdrawal vs. 2015

**-10%** Specific energy consumption vs. 2019

**98%** Waste sent for recovery

*Target 2030*

Group Carbon Neutrality (emissions from electric and thermal energy);

**ISO 14001 IN ALL FACTORIES**

**SCRAP REDUCTION PROGRAMME**

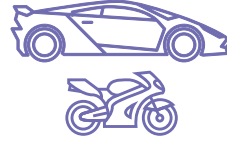


**DISTRIBUTION**

**Suppliers**

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

**Scope 3**



**USE**

**Customers**

Consumption and related production of the fuel used by customers' vehicles in the portion allocated to rolling resistance of the tyres.

**Scope 3 - indirect**  
(in charge to vehicle manufacturers)



**END-OF-LIFE**

**Waste Recovery Players**

End-of-life tyre management: old tyres are prepared by specialised companies to be reused either as energy or as regenerated raw material.

**Scope 3**

**GREEN SOURCING POLICY**

- Green Logistics procedure
- Engagement to reduce Supply chain Carbon & Water Footprint

**PRODUCT INNOVATION**

*Target 2025*

- Rolling Resistance A/B  $\geq$  70% of new car products (new labelled IP Codes)
- Wet Grip A/B  $\geq$  90% of new car products (new labelled IP Codes)

**ECO & SAFETY PERFORMANCE REVENUES**

*Target 2025*

- $\geq$  66% of Group car tyre sales and  $\geq$  71% of High Value products\*\*

**CYBER™ TECHNOLOGIES**

**PRESENCE ON THE MAIN INTERNATIONAL WORKING GROUPS**

(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

*\* Science Based Targets initiative*

*\*\* High Value products are determined by rims equal to or greater than 18 inches and, in addition, include all "Specialties" products (RUN FLAT™, SEAL INSIDE™, PNCS™, Elect™, Pirelli Cyber™, Racing, Collezione) regardless of rim size*

*\*\*\* > 3% by 2025 and > 7% by 2030 excluding recycled metals*

## PIRELLI'S APPROACH TO THE CIRCULAR ECONOMY: THE 5 RS

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

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

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

- Refuse: avoiding processes, products, services and materials that are redundant, while at the same time promoting an increase in the safety of the products used, through the replacement of those that are not considered suitable, as a preventive measure and even going beyond legislative requirements. The elimination of single-use plastics within the Group is also part of this commitment.
- Reduce: reducing the use of resources, especially non-renewable resources, both in terms of energy carriers and natural resources, and of raw materials, with the aim of reducing the Group's Environmental Footprint, also with a view to decarbonisation. Reducing also means developing tyres with increasingly less rolling resistance that can help reduce vehicle consumption, as well as production processes that use fewer resources and generate less and more easily recyclable waste. Pirelli has expressed numerous public objectives in support of its reduction commitment, which include all 2025 targets for process efficiency in factories (-43% on specific water withdrawal compared to 2015; -10% on specific energy consumption compared to 2019 and -42% of absolute CO<sub>2</sub> emissions compared to 2015, as approved by the SBTi in line with the 1.5°C scenario), the performance of new car products in terms of Rolling Resistance (≥70% A/B labelling classification by 2025) and the SBTi validated target for the reduction of CO<sub>2</sub> emissions of its raw material suppliers (-8.6% by 2025 compared to 2018) of its raw material suppliers, in addition to the Net Zero Science Based Target commitment expressed in 2022.
- Reuse: maximising the reuse of resources and products, consistent with the quality and safety levels required for tyres, with the aim of preventing waste generation and unnecessary consumption of resources, especially non-renewable resources. This commitment is reflected, for example, in the design of tyres with an increasing content of renewable or recycled raw materials, with targets that envisage that selected product lines to use over 40% renewable materials by 2025 (over 60% by 2030), over 8% recycled materials<sup>53</sup> (over 12% by 2030) and to reduce the use of fossil-derived raw materials to less than 40% (less than 30% by 2030).
- Recycle: recycling the waste derived from production processes, promoting as far as possible, and compatibly with the contexts in which it operates, the recovery of materials

and favouring the recovery of end-of-life tyres, also through research and development actions aimed at maximising the quality of materials deriving from the recovery of end-of-life tyres (ELTs) both for "closed loop" applications and for use in other phases of the value chain through the promotion of industrial ecosystems. This commitment is reflected, for example, in the group's 2025 target to send at least 98% of the waste produced for recovery.

The main examples of the application of these commitments along all stages of the tyre life cycle and their performance in 2022 are reported in the following sections.

## PRODUCT: RESEARCH AND DEVELOPMENT OF RAW MATERIALS

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

In terms of raw materials, for the selected product lines, the current Industrial Plan envisages an increasing use of materials from renewable and recycled sources, with the aim of using more than 40% renewable materials<sup>54</sup> by 2025 (more than 60% by 2030), more than 8% recycled materials<sup>55</sup> (more than 12% by 2030) and reducing the use of fossil-derived raw materials to less than 40% (less than 30% by 2030).

In 2022, the R&D effort on innovative renewable and recycled materials was significant. With reference to Pirelli tyres on the market in 2022, the highest share of renewable and recycled materials in a single product reached 38% (30% renewable + 8% recycled), compared to 33% (28% renewable + 5% recycled) in 2021.

The volume of raw materials used for tyre production in 2022 was approximately 843,000 tonnes, of which 3.3% is recycled material and 19.6% is renewable material.

Also in the course of 2022, new product lines were validated and industrialised, scheduled to start production next year, with an even higher content of renewable and recycled materials (including silica from rice husks, bio-resins, bio-attributed polymers and natural rubber to replace synthetic rubber).

In this context, Pirelli's Research & Development focuses, among others, on:

- high-dispersion silica for wet grip, rolling resistance and durability;

<sup>53</sup> > 3% by 2025 and > 7% by 2030 excluding recycled metals.

<sup>54</sup> Pirelli aligns with the OECD, which defines "Renewable Natural Resources" as those natural resources that, after their use, can return to the levels of original stocks through natural processes of growth or regeneration

<sup>55</sup> > 3% by 2025 and > 7% by 2030 excluding recycled metals.

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

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

The Joint Labs agreement (2021-2024) between Pirelli and the Politecnico of Milan, aimed at research and training in the tyre industry, covers nanotechnology, the development of new synthetic polymers, new biopolymers and new bifunctional chemicals (e.g. serinol-pyrrole for improving polymer-charge interaction with reduced emission of volatile organic compounds - VOCs).

In the field of biomaterials, in addition to the introduction of resins and plasticisers from natural origin, Pirelli has focused on silica deriving from the rice husk, i.e. the outer shell of rice grain. The husk is by weight 20% of the raw rice grain and 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, contributing to the industrial application of a circular economy model concerning waste materials. The combustion of the carbon part of the husk also allows a reduction of more than 90% of the amount of CO<sub>2</sub> emitted per kilogram of silica, compared to the conventional process that instead uses fossil energy sources. During 2022, the use in normal production of silica from rice husks was increased, involving plants in China and Europe, reaching a volume scale-up of about 5% of total silica consumption (up from 1% last year), with the aim of reaching 10% during 2023.

Specific projects for the development of new materials from renewable sources, mainly focused on the use of waste feedstocks, are the subject of the framework agreement between Pirelli, CORIMAV (Consortium for Materials Research) Advanced) and Bicocca University.

In the context of the new nano-fillers, Pirelli has started to introduce materials of mineral origin, such as sepiolite, in a partial substitution of precipitated silica and carbon black. The innovations mentioned provide a water saving, and a reduction of emissions of CO<sub>2</sub> in excess of 75% compared to the production processes of the raw materials replaced.

Also with a view to the circular economy, it should be noted that in 2022, on the basis of proprietary patents, Pirelli has

continued the development of tyres using recycled PE, resins from renewable sources, lignin and, in collaboration with the Politecnico of Milan, pyrroles from materials obtained from renewable lignocellulosic biomass. Lignin, an environmentally friendly additive of natural origin derived from waste from the cellulose production process, is already used in a compound for cycling products.

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

Some materials in use in compound formulations (such as synthetic polymers, carbon-black and synthetic oils) can in turn be produced by feeding the synthesis process with certain proportions of feedstock from recycled materials (recycled polystyrene, oil from pyrolysis of ELTs): during 2022, Pirelli expanded its collaboration with partners aimed at developing, validating and applying of these technologies in new materials.

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 the product.

Research is also continuing aimed at diversifying the potential supply sources of natural rubber, to reduce pressure on biodiversity in producer Countries and allow the Company to manage the potential scarcity of raw materials with greater flexibility. At the same time, partnerships are being strengthened with suppliers of FSC-certified (Forest Stewardship Council) natural rubber. The sustainable management of the natural rubber, so-called conflict minerals and the cobalt and mica 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 section "Our Suppliers" ("R&D Partnership" section) of this report and in the Directors' Report on Operations ("Research and Development Activities" section).

#### PRODUCT: ECO & SAFETY 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.

Pirelli's 'Eco & Safety performance' strategy aims to maximise environmental performance while keeping safety at the centre, without compromise.

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 CO<sub>2</sub> emissions;
- less noise – reduced noise pollution;
- increased mileage – lengthening of tyre life and reduced exploitation of resources.

The targets to improve the environmental performances adopted by Pirelli for its products are objective, measurable and they consider the level of materiality of the impacts along the life cycle of the product with a perspective of the maximum effectiveness of the action. In particular, it was seen that the tyre rolling resistance, linked to the phase of vehicle use, is one of the factors responsible for environmental impacts over the entire product life cycle. In this regard, Pirelli is constantly striving to reduce the rolling resistance of its car products, which, at the end of 2022, was 13.6% lower than the 2015 value (in 2021 the reduction was 10.3% and in 2020 9%), calculated as the weighted average of all car tyres.

In addition, Pirelli has set a target for 2025 to have over 70% of new car products, i.e. new lpcode labelled products considered at group level, classified A or B for rolling resistance, according to the highest European labelling standards for energy efficiency, and more than 90% classified A or B for “wet grip”. In 2022, the new IP-labelled tyres placed on the market by Pirelli worldwide will have 50% A or B Rolling Resistance and 93% A or B Wet Grip labels, according to the European classification, including ice grip (which is indicated by the presence of the ICE pictogram).

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

Eco & Safety Performance<sup>56</sup> 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 European labelling 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™ tyres that runs 15,000 km a year consumes 5.1% less fuel (equivalent to 52 litres), reduces greenhouse gas emissions by 123.5 kilograms of CO<sub>2</sub> and has a braking distance in the wet 9% lower than the Pirelli benchmark (class B of wet grip) in the same segment. Comparative tests by TÜV SÜD show that at a speed of 80 km/h on a wet surface, the CINTURATOP7™ Blue tyre reduces braking by 2.6 metres compared to a B labelled tyre.

In the course of 2022, more than 300 new technical approvals were obtained with the leading Prestige and Premium car manufacturers, mainly focusing on rims larger than 19 inches and Specialties<sup>57</sup>. In addition, the renewal of the product range continued with the introduction of new lines, with a particular focus on electric cars and plug-in hybrids.

At the R&D level, the introduction of virtual processes using artificial intelligence enabled a 30% reduction in development time, in terms of design and industrialisation of innovative materials. These processes also allow the reduction of material prototypes by 20%, resulting in savings in raw materials.

Also noteworthy are the results achieved in the reduction of the tyre wear rate, with improvements of up to 33% for the new product lines compared to their predecessors.

In particular, the Pirelli Scorpion range, which is dedicated to SUVs, shows improvements over the previous generation in the various performance indices on the European labelling system. In terms of wet performance, 100% of the sizes in the new range belong to European labelling classes A or B, with over 80% in class A. In terms of rolling resistance, the Scorpion range has over 60% of sizes in class A or B, a sign of a special efficiency that translates into environmental awareness and a contribution to autonomy for electrified vehicles. The level achieved is already very close to the target of 70% for all class A and B rolling resistance products that Pirelli has set for 2025. Excellent results were also achieved in terms of quietness, with 100% of the products in the Scorpion range in noise class A or B. In addition to meeting higher levels of comfort, safety and performance, some sizes of the Scorpion family are optimised for use with electrified SUVs: around 30% of the range is equipped with Elect technology, a solution specially developed for electric and plug-in hybrid vehicles. This makes Scorpion the Pirelli product range with the highest number of green car approvals. The three new versions of the Scorpion range have been designed by Pirelli following the “Eco-Safety Design” approach that uses innovative materials and tools, including virtualisation inherited from motorsport experience, to achieve high sustainability and safety performance. The adoption of this method has resulted in improved braking reliability, dry and wet grip and stability, all to the benefit of safety, but also performance that limits environmental impact such as optimised fuel consumption, reduced noise and increased tyre durability. To achieve these results, the range has been substantially redesigned, through research and development work that has intervened on the composition of the compounds, tread patterns and the structure, which has been reinforced and equipped with new materials. Updating the range enabled Pirelli to obtain the Performance Mark for the Scorpion, an award given by the TÜV SÜD certifying body to tyres that are among the best on the market in different

56 Eco & Safety Performance products identify the 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.  
57 Auto tyres which meet specific customer needs: Run Flat™, Seal Inside™, PNCS™, Elect™, Pirelli Cyber™, Racing, Collezione, regardless of rim size.



driving situations. In addition, with a view to optimising the supply chain, production of the entire Scorpion range is based in factories in the European Union.

In October 2022, the new Pirelli Cinturato Winter 2 was judged the best winter tyre by the magazine Auto Bild. For the Winter Supertest, the magazine selected 56 tyres in the 215/55 R17 size and tested the top 20 in snowy, wet and dry conditions, in all typical safety manoeuvres such as handling, braking and aquaplaning, while also testing efficiency parameters such as durability and rolling resistance. The main innovation of the Pirelli Cinturato Winter 2 is the 3D-structured siping designed by Pirelli: as the tread wears down, the sipes change shape from linear to sinusoidal, guaranteeing grip on dry, wet and snowy ground throughout the tyre's life.

With reference to products developed for electric and hybrid vehicles, the Pirelli tyres that equip the new Ford Mustang Mach-E GT Performance Edition, the most powerful and high-performance version of the US carmaker's first all-electric SUV, feature the Elect marking. Thanks to specific technical characteristics of the compound and structure, Pirelli Elect-branded tyres offer several advantages: low rolling resistance to increase battery autonomy, low rolling noise to ensure optimum driving comfort, immediate grip for the transmission stresses at start-up, and a structure suitable for supporting the weight of the battery-powered vehicle.

Pirelli also supplies P Zero Elect tyres as original equipment to the new BMW iX, a 100% electric SUV, for the xDrive50 and M60 versions. The special profile of the tyre, which has better aerodynamics than the standard P Zero, also contributes to the mileage. In fact, thanks to a modification of the outer profile, the P Zero Elect features a less prominent tyre bead that reduces aerodynamic turbulence, further improving the tyre's efficiency. Added to this are the innovative inscriptions on the tyre cheek made in the so-called Sunk mode, hollowed out and not embossed.

In 2022, Polestar also chose Pirelli P Zero for the Polestar 2 BST edition 270. Pirelli has responded to the car's needs with a P Zero Elect with a high load index and HL marking on the sidewall, which indicates that the tyre is able to support the car in the best possible way and guarantee a high level of comfort even when it is subjected to significant stresses, such as when driving in a sporty manner. Specifically, the HL-marked P Zero can support a ground weight that is more than 20% greater than the weight supported by a standard tyre and 9% greater than an XL tyre of the same size.

By the end of 2022, Pirelli is the tyre manufacturer with the largest share of type approvals for electric and plug-in hybrid cars.

In March 2022, the Pirelli Elect technology package received an award in Spain as the Best Technological Innovation during the third edition of Los Premios 'Hevea' de la Industria del Neumático, an event organised by Europneus magazine to recognise the work done by companies in the tyre and car parts sectors. These prizes are awarded through the voting of almost 12,000 automotive-related professionals,

from tyre production and the various car components, to the management of the relevant service departments.

In addition to equipping the new models put on the market by car manufacturers, the increasing popularity of electric cars and their year-round use has made the development of tyres for different seasons indispensable. In the electric winter range, where demand is recent but growing fast, Pirelli Elect can already equip 65% of Premium and Prestige models (in the latter case, the share exceeds 80%).

In 2022, the activities of the Pirelli Sottozero Test Centre in Swedish Lapland were extended to the summer period as well, a choice dictated by the growing need for development, particularly of all-season and winter products, on dry and wet roads. Although development methodologies are increasingly reliant on simulation and virtual reality, performance validation through physical testing remains a cornerstone of Pirelli's development strategy, and as a result, proving ground activity is growing. The variety of testing facilities at the Pirelli Sottozero Centre makes it possible to develop tyres for every type of car and now also for all seasons. In addition, thanks to the charging infrastructure available in the area and the type of tests that can be conducted, the proving ground also lends itself to the development of tyres for plug-in hybrid and electric cars. Among the latest manufacturers to use the area for tests with Pirelli winter tyres was also Croatia's Rimac, which tested new winter solutions for its Nevera electric hypercar.

The focus on environmental sustainability is also fully integrated into the company's **motorsport** business model. In fact, Pirelli is the first and only tyre manufacturer in the world to have been awarded the three stars of the Environmental Accreditation Programme promoted by the FIA (International Automobile Federation), in recognition of its commitment to sustainability in motorsport and achieved thanks to a supply chain completely managed according to environmental and social sustainability criteria. Among the measures Pirelli has taken to achieve this in F1® are the use of 100% certified renewable electricity in Motorsport factories as early as 2021, an increase in the use of renewable materials, the elimination of single-use plastics from track activities and a supply chain fully managed according to environmental and social sustainability criteria. In addition, Pirelli's motorsport activity has passed a series of rigorous audits that take into account several elements to reduce environmental impact, starting with carbon dioxide emissions.

An issue that was also central to the development of the new GT tyre, the P Zero DHF, thanks to the extensive use of virtual models that made it possible to reduce the production of physical prototypes. As far as motorsport logistics are concerned, Pirelli uses the latest EURO 6D truck fleet and for extra-European shipments chooses sea solutions as far as possible, which are less polluting than air transport.

With reference to the Cycling business, Pirelli also launched new product lines in 2022 (P ZERO Race 4S, P ZERO Race 150°, Scorpion Enduro and Scorpion E-MTB, Angel Urban, Cinturato Gravel RC, Cinturato Gravel S and the Scorpion

Gravel for Enduro and Downhill competitions), renewing and expanding the range of products dedicated to sportsmen and women and cycling enthusiasts. In March 2022, production of cycling tyres started at the Pirelli plant in Bollate, thus becoming the only factory in Italy to produce “Made in Italy” bicycle tyres on an industrial scale. The plant specialises in the production of high-tech tyres, including all models of the P Zero Race family, in the updated version with the “Made in Italy” label, intended for both amateurs and athletes of some of the top UCI cycling teams, all of which are already Pirelli partners and play an active role in tyre development.

Pirelli’s high-tech products include the development of technologies based on the introduction of sensors inside the tyre. The Pirelli Cyber Tyre system, consisting of a sensor in each of the tyres that collects fundamental information for safe driving and software integrated into the car’s electronics, was the first in the world to be fitted as original equipment on a production car, the McLaren Artura. The Pirelli Cyber Tyre system is able to detect potentially dangerous driving situations, such as loss of grip and aquaplaning, allowing the car’s electronics to intervene promptly. The next step will see tyres networked, both with other vehicles and with the road infrastructure. Pirelli was the first tyre company in the world to share information about the road surface on the 5G network from smart tyres equipped with sensors, presenting in Turin the use-case “World-first 5G enhanced ADAS (Advanced Driver Assistance Systems) services”. This is a continuously evolving system that will become essential as the level of autonomy of cars increases. In fact, the driver’s current ability to perceive the grip conditions given by the type of road surface and weather conditions will have to be fulfilled by the tyres, and the car will be able to slow down if the asphalt is found to be slippery, adapt the electronic controls to increase safety and, with inter-vehicle connectivity, warn other self-driving cars of a potential imminent danger. This is a true tactile sense offered by the only point of contact between the car and the road: the tyres.

For further information on Cyber™ technologies, please refer to the section “High Value Approach to Future Mobility” in the chapter “Our Customers” in this report and the section “Product, Material and Production Process Innovation” in the Directors’ Report on Operations.

Among the Open Innovation initiatives, the Joint Labs agreement between Pirelli, the Politecnico of Milan and the Polytechnic Foundation of Milan should be highlighted. The collaboration, which began in 2011 and will be renewed in 2021 for a further three years, focuses on research projects for the continuous technological innovation of tyres. In addition to exploring the potential of virtual environments, thanks to the static simulator installed at Pirelli’s R&D centre in Milan and the dynamic simulator at the Politecnico of Milan, this new phase of the agreement (2021-2023), which envisages a total investment of more than €2 million, focuses on two research macro-strands: the area of materials, with the development of innovative solutions and the modelling of mixing processes, and the area of Product Development and Cyber, with integrated static-dynamic simulation and innovative modelling. The agreement between the

Politecnico of Milan, Fondazione Politecnico and Pirelli has generated no less than 14 patent families filed and some 30 publications of articles in international scientific journals, as well as dozens of presentations at international congresses. Many topics were discussed and results achieved in the area of tyre performance, its level of safety and sustainability, thanks to the use of advanced materials identified as part of this collaboration. In particular, 15 research grants have been awarded to young graduates in the field of materials chemistry. In the last three years, for example, research has focused mainly on the production and functionalisation of carbon allotropes; the preparation of modified silicate fibres; the study of alternative sources of natural rubber; and the synthesis of innovative polymers and self-repairing materials. Attention was also paid to the tyre mechanics sector where, since 2011, 12 research contracts have been activated in the Cyber Tyre™ and F1® fields, with the study of tyre-asphalt interaction. One area of particular interest was the study of low-noise tyres, especially for new hybrid and electric vehicles, where this component is important for driver comfort. In fact, innovative test methodologies have been applied for the indoor measurement of the acoustic field generated by the rolling tyre. The Tread Modeling Automation project, on the other hand, has studied tyre modelling and the characteristics of different summer, winter and all-season treads. In support of professional training, the second-level university master’s degree “R&D Excellence Next” was also inaugurated recently, created in collaboration with the Politecnico of Milan, involving 34 young engineers newly hired by the company, with the aim of training specialised technicians.

## TYRE WEAR AND TWRP

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

The various causal factors extrinsic to the tyre and belonging to the sphere of influence of multiple stakeholders require combined action by all actors in order to define and implement the most effective mitigation actions. The need for multi-stakeholder engagement led to the creation of the “European

TRWP Platform” launched by ETRMA, which saw, in addition to the Tyre Industry, the participation of Road Authorities, Automobile Manufacturers Association, Automobile Clubs, the waste water treatment industry, Universities and Research Centres, NGOs, European Institutions and national authorities. The platform will continue its work in 2023 and, as in the previous editions 2018-22 will be supported by CSR Europe.

In terms of tyre-specific actions, Pirelli’s commitment to TRWPs is expressed both through active participation in the Tyre Industry’s most important collaborative projects on TRWPs (see the “ETRMA” and “WBCSD” sections of this report) and through its R&D activities on materials and tyre design, aimed at continually improving tyre wear and, consequently, minimising its contribution to the issue of TRWPs. Demonstrating this commitment, the new product lines launched in 2021-22 boast a wear rate improvement of up to 33% less than the previous generation of tyres. This is accompanied by collaboration with Public Authorities and the Tyre Industry to support the development of standardised methodologies for measuring tyre wear, for example within the European Union where a dedicated activity was begun in 2022 by the “Task Force on Tyre Abrasion” (TFTA) within the UNECE World Forum for Harmonisation of Vehicle Regulations (WP.29). The objective is the technical development of a globally harmonised methodology for measuring tyre abrasion, to be realised by 2024, to support possible future regulatory activities related to the topic of tyre abrasion (see, specifically, also the “ETRMA” section of this report about the new EURO 7 regulatory proposal for the mitigation of particulate emissions into the environment).

## 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, in terms of the Group’s Carbon and Water Footprint.

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

In the world, it is estimated that one billion tyres reach the end-of-life each year. On a global scale, about 60%<sup>58</sup> of out-of-use tyres (ELTs) are recovered, while in Europe and the United States the recovery stands at 95%<sup>59</sup> and 71%<sup>60</sup>.

For years, Pirelli has been engaged in the management of ELTs. The Company actively collaborates with the main reference entities at national and international level, promoting the identification and development of solutions to enhance and promote the sustainable recovery of ELTs, shared with the various stakeholders and based on the Circular Economy model. In particular, Pirelli is active in the Tyre Industry Project (TIPG) of the World Business Council for Sustainable

Development (WBCSD), in the ELT working groups of ETRMA (European Tyres and Rubber Manufacturers’ Association) and, at national and local level, it interacts directly with leading organisations active in the recovery and recycling of ELTs, such as the consortia established to comply with regulations on Extended Producer Responsibility.

As a member of TIPG, Pirelli has collaborated on the publication of guidelines on the management of ELTs (WBCSD “A framework for effective management systems” in 2008 and “Managing End-of-Life Tires” in 2010) and a toolkit (“End-of-life tire – ELT – management Toolkit” in 2021), 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.

100% of the tyres produced and sold by Pirelli can be destined for recovery activities, both in terms of material (recycling) or energy. The actual recovery/recycling rate varies depending on the markets and ELT management models in the various countries.

With regard to “closed-loop” Circular Economy applications, as already mentioned, tyres are a mixture of many valuable materials that at end-of-life allow two paths of recovery: recovery of material (such as “secondary raw materials”) or energy. In the recovery of material, the reclaimed rubber is already reused by Pirelli in the compounds for new tyres, thus contributing to the reduction of the related environmental impact.

In order to increase this recovery rate, research activities following our Open Innovation model are continuing, aimed at improving the quality of recovered secondary raw materials in terms of affinity with the other raw materials and the other ingredients present in our ultra-high performance compounds, as well as in the search for innovative recovery solutions (such as pyrolysis).

## ENVIRONMENTAL IMPACT OF PIRELLI’S PRODUCTION SYSTEM

### ENVIRONMENTAL MANAGEMENT SYSTEM AND FACTORY ENVIRONMENTAL 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 from 1997.

All the ISO 14001 certificates have been issued with international accreditation ANAB (ANSI-ASQ National

58 WBCSD 2019 – “Global ELT Management – A global state of knowledge on regulation, management systems, impacts of recovery and technologies”.  
59 ETRMA 2021, 2019 data.  
60 USTMA - 2019 2021 US Scrap Tyre Management Summary.

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.

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

The environmental 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 completed 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 sections concern the three-year period 2020-2021-2022 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 2022 was approximately 762,000 tonnes.

## ENVIRONMENTAL PERFORMANCE INDICES TREND

In 2022, the Group's production activity recorded a slight decrease in tonnes of finished product of about 1% compared to 2021 (calculated on a like-for-like basis).

Compared to the previous year, all environmental performance indices, expressed in absolute terms, on energy consumption, greenhouse gas emissions, water withdrawal and waste production improved. The same positive trend also applies to all equivalent specific indicators weighted both on tonnes of finished product and operating profit (related to EBIT Adjusted). The share of electricity from renewable sources used by Pirelli increased, while the percentage of

waste sent for recovery remained stable at 97%.

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

## ENERGY MANAGEMENT

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

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

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

In support of the achievement of this objective, during 2022 the energy efficiency plan continued at all Group plants, already initiated in recent years and characterised by actions aimed at:

- improving and accelerating the digitalisation in an *Industry 4.0* perspective of energy measurement and management systems through monitoring of consumption;
- designing a global platform aimed at generating technical indicators and continuous improvement also through the use of artificial intelligence tools;
- 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 the plants is mapped, whether dedicated to production or dedicated to the generation of energy carriers in order to: increase the standard reference indicators, compare similar families of machinery, evaluate in detail the energy content of the plants' different families of products and sub-products and implement actions to improve their energy performance.

In terms of compliance, every industrial facility completely fulfills 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 ISO 50001, is being developed and has already been adopted at the Breuberg (Germany) and Izmit (Turkey) plants. In 2022, the implementation process also started for the factories in Campinas and Feira de Santana (Brazil) and is expected to be progressively extended to the Group's other plants.

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

During 2022, the installation of LED lighting systems at production sites continued, replacing less efficient traditional systems, reaching a coverage of close to 80% in the Group's plants. In light of the increasing inflation and instability of gas costs, great attention has been paid to projects concerning thermal consumption. In particular, the thermal insulation project with innovative vulcanisation system materials was extensively developed in order to minimise heat loss. The project will continue in 2023 with the aim of covering all the Group's production units. The implementation of projects related to efficiency in the transformation of thermal energy and the recovery of thermal waste for space heating and the improvement of steam generation performance through flue gas recovery and combustion air preheating systems continued. Efficiency activities were also in the field for both compressed air generation, using high-efficiency compressors, and energy flows, with a focus on cold management, starting to expand the pilot projects developed in previous years. Efficiency in electricity consumption was continued through the replacement of motors with more efficient models or power modulation.

Activities also continued in the area of reducing compressed air and steam leaks on both machinery (generators and users) and distribution lines, through monitoring and periodic maintenance of the elements most at risk of malfunctioning (leak management) or through their replacement with more reliable and efficient models.

Electricity absorption measurements performed on individual plants are also continuing in order to correlate the specific consumption to production in greater detail, in order to optimise the operating conditions.

As regards the digitalisation of energy management, also in 2022 production plants have continued to be equipped with smart systems (Green Button), which modulate the energy consumption based on the state of operation of the machinery. The expansion of the real-time energy carrier measurement network and its interconnection with Building Energy Management Systems (BEMS) is also continuing, and is currently already underway at Slatina, while it is in the start-up phase for the other European plants and planned for the rest of the Group's factories.

In 2022, the energy efficiency index benefited from the actions described above, despite the negative impact of the Russian conflict on the full operation of plants in the region and in response to an increasingly dynamic automotive market. The result was achieved despite a high internal complexity of the factories aimed at coping with an increased demand for flexibility and a production mix increasingly oriented towards High-Value products, characterised by higher energy intensity in the production phase compared to standard tyres.

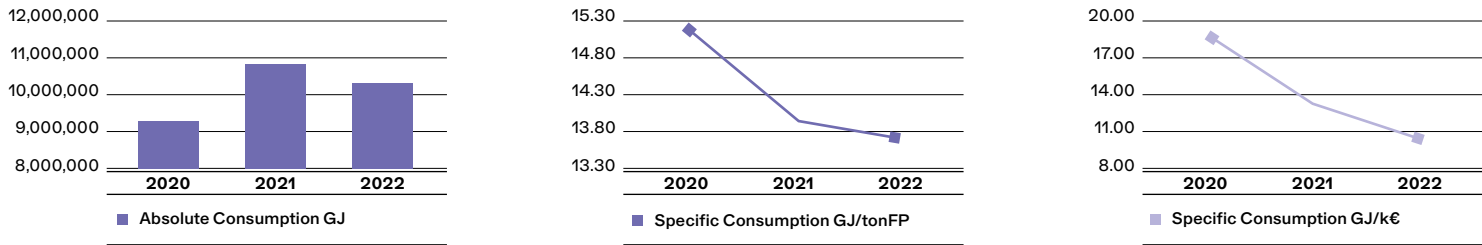
In 2022, the Group's specific energy index decreased by 1.5%, compared to the 2021 figure, and was more than 1% lower than in 2019, the year in which the 2025 reduction target is based.

In absolute terms, energy consumption decreased by 3% compared to the previous year.

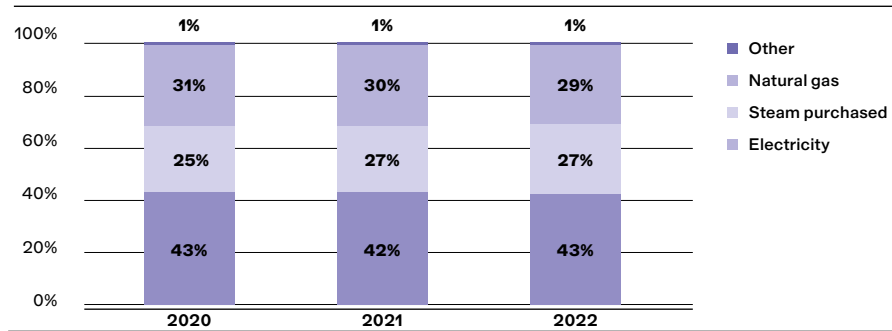
		2020	2021	2022
<b>Absolute consumption</b>	GJ	9,373,179	10,789,138	10,480,043
<b>Specific consumption</b>	GJ/tonFP	15.22	13.97	13.75
	GJ/k€	18.70	13.23	10.72

The application of energy management with a view to maximising industrial efficiency, implementing continuous improvement logics, has resulted in savings of approximately 139.566 GJ in absolute terms. This value was estimated for each factory on the basis of production volumes in the reporting year and the change in efficiencies achieved in 2022 compared to the previous year.

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



The graph below highlights the “Distribution of energy sources” used in Pirelli production process: among the direct sources, all from non-renewable sources, which account for 30% of the total, are natural gas and, to a lesser extent, other liquid fuels such as oil, LPG and diesel (classified as “other”); indirect sources cover the remaining 70%, with 43% electricity (39% electricity taken from national distribution networks) and 27% steam purchased by the Group.



Of the total electricity used by the Group, more than 74%<sup>61</sup> derives from renewable sources (up from 62% in 2021 and 52% in 2020), while for purchased steam, the share generated from renewable sources is around 17%<sup>62</sup> of the total. Overall, compared to total energy consumed, the renewable share calculated as above is around 37% (27% excluding the portion of the electricity mix from the grid outside the Group’s control, i.e. purchased from national distribution networks).

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

As shown above, for all production sites in North America, Europe and Turkey, 100% of the electricity supply from the grid in 2022 was from certified renewable sources.

#### MANAGEMENT OF GREENHOUSE GAS EMISSIONS AND CARBON ACTION PLAN

Pirelli monitors and reports its<sup>63</sup> emissions of greenhouse gases through the calculation of CO<sub>2</sub>-equivalent (CO<sub>2</sub>e) – unit of measurement used for the emissions reported here below –, which takes into account the contribution of carbon dioxide, methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O). 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

<sup>61</sup> This value includes both the share from direct procurement initiatives (such as the purchase of energy from the grid certified with Energy Attribute Certificates withdrawn and cancelled in favour of Pirelli or production in on-site wind or photovoltaic plants), which weighs 51%, and the contribution from national electricity distribution grids evaluated on the basis of IEA (International Energy Agency) data for the remaining 23%.  
<sup>62</sup> Includes the supply of steam generated by biomass plants.  
<sup>63</sup> GHG inventory perimeter as indicated in section “Scope of Reporting”.

purchased and consumed by Pirelli. Scope 2 emissions are reported in two distinct ways: location-based and market-based (methodology introduced in 2015 with the guideline “GHG Protocol Scope 2 Guidance” and current reference for Pirelli’s emission reduction targets).

With regard to “other indirect issues” attributable to Pirelli value chain activities, or Scope 3 emissions, in addition to the information below in this section, please refer to the section “Our Suppliers” (“CDP Supply Chain” and “Decarbonisation” sections) for further information about the specific activities of the Pirelli Suppliers. Please refer instead to the Group Footprint infographic, in the section “Environmental Footprint and Strategy of the Pirelli Group” for the representation of the Scope 3 impacts of the various life cycle phases, with respect to the perimeter of emissions pertaining to Pirelli.

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)<sup>64</sup>;
- Within location-based Scope 2:
  - National emission factors<sup>65</sup> taken from IEA Emission factors 2022<sup>66</sup>;
- Within market-based Scope 2:
  - Specific emission factors of suppliers where available;
  - Residual-mix emission factors<sup>67</sup> taken from AIB European Residual Mixes (EU)<sup>68</sup> and Green-e Residual Mix Emissions Rates (US)<sup>69</sup>;
  - 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.

As in the case of energy, Pirelli monitors and accounts for its direct CO<sub>2</sub>e (Scope 1) and indirect CO<sub>2</sub>e (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 tonnes 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 company compared to ISAE 3000. According to the Guidelines of the GHG Protocol Guide, the level of inventory uncertainty was evaluated as “Good”.

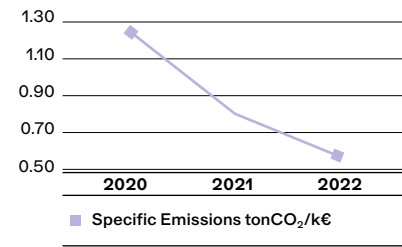
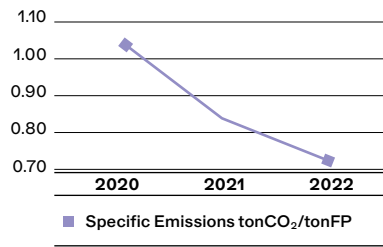
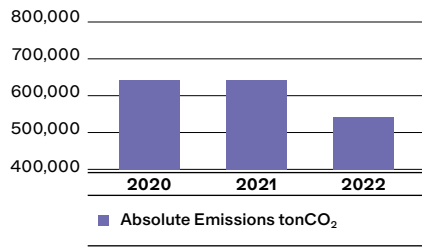
The current Industrial Plan, implementing the decarbonisation strategy adopted by the company, envisages a 42% reduction in the group’s absolute CO<sub>2</sub> emissions (Scope 1 and Scope 2 market-based) by 2025 compared to 2015 values, and an 8.6% reduction in absolute CO<sub>2</sub> emissions related to the purchase of raw materials (Scope 3) by 2025 compared to 2018 values. In May 2022, these targets received validation by the Science Based Targets initiative (SBTi), which judged them to be consistent with the actions needed to keep climate warming within 1.5°C. Pirelli’s previous emission targets, also validated in 2020 by SBTi in line with the ‘well below 2°C’ scenario, had already been reached by the end of 2021, four years ahead of the original deadline.

In June 2022, Pirelli also expressed to SBTi its commitment to the Corporate Net Zero standard, pledging to formalise, within two years, a long-term target to reduce emissions from its value chain by around 90% by 2050 at the latest.

In addition, Pirelli envisages sourcing 100% of electricity from renewable sources used by 2025 and Group carbon neutrality by 2030.

64 Emission factors expressed in CO<sub>2</sub> equivalent, obtained by considering the GWP (Global Warming Potential) coefficients based on 100 years of the IPCC Sixth Assessment Report, 2021 (AR6).  
65 Emission factors expressed in CO<sub>2</sub>/kWh.  
66 2022 Publication with update to the 2021 figure.  
67 Emission factors expressed in CO<sub>2</sub>/kWh.  
68 2022 Publication with update to the 2021 figure.  
69 2022 Publication with update to the 2020 figure.

The following graphs show the performance of the last three-year period.



In 2022, the Group's absolute emissions are 14% lower than the 2021 figure and 41% lower than the 2015 value, the year on which the SBTi-validated absolute emissions reduction target to 2025 is based.

Specific CO<sub>2</sub> emissions, weighed on tonnes of finished product, decreased by 13% in 2022 compared to the 2021 figure, thanks to the activation of new initiatives in the field of renewables, which, as mentioned above, increased the share of electricity from renewable sources used by the group to over 74%<sup>70</sup> of the total (compared to 62% the previous year and 52% in 2020).

With regard to all production sites in Europe, North America and Turkey, 100% of the electricity supply from the grid in 2022 was from certified renewable sources.

The portion of indirect emissions generated by the main "low carbon" projects described below was reported in the manner 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" (target reference) methodology for Scope 2:

#### GHG EMISSIONS ACCORDING TO SCOPE

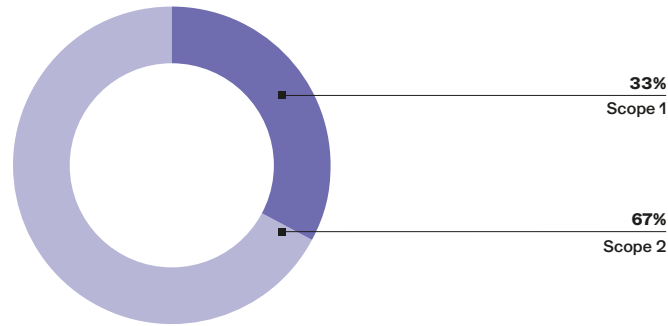
		2020	2021	2022
Absolute emissions (market-based Scope 1 and Scope 2)	tonCO <sub>2</sub> e	638,730	636,190	548,132
Scope 1	tonCO <sub>2</sub> e	168,158	187,510	179,399
Scope 2 (market-based)	tonCO <sub>2</sub> e	470,572	448,680	368,733
Scope 2 (location-based)	tonCO <sub>2</sub> e	508,390	528,332	533,086
Specific emissions (Scope 1 and Scope 2 market-based)	tonCO <sub>2</sub> e/tonFP	1.037	0.824	0.719
	tonCO <sub>2</sub> e/k€	1.27	0.78	0.56

<sup>70</sup> This value includes both the share from direct procurement initiatives (such as the purchase of energy from the grid certified with Energy Attribute Certificates or production in on-site wind or photovoltaic plants), which weighs 51%, and the contribution from national electricity distribution grids evaluated on the basis of IEA (International Energy Agency) data for the remaining 23%.



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

#### DISTRIBUTION OF GHG EMISSIONS ACCORDING TO SCOPE



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

- the supply of steam generated by biomass plant, fuelled with waste wood from local supply chains, activated in Brazil for the Campinas and Feira da Santana plants. In the year 2022, thanks to this initiative, savings in terms of avoided emissions of CO<sub>2</sub>e exceeded 26,000 tonnes (Scope 2);
- the procurement of electrical energy from renewable sources at the plant in Silao (Mexico). In 2022 the agreement continued for the dedicated supply of electricity generated from wind sources, which in the year allowed the replacement of over 27 GWh of energy from fossil fuels, for a saving in terms of emissions of CO<sub>2</sub>e of over 10,000 tonnes (Scope 2); In addition, a further 115 GWh of electricity consumed by the factory is certified from renewable sources, for an annual savings in terms of CO<sub>2</sub> emissions of over 42,000 tonnes (Scope 2);
- the sourcing in 2022 of certified electricity from renewable sources at the sites of:
  - Rome (US): 24 GWh, for 9,000 tonnes of CO<sub>2</sub>e (Scope 2) avoided;
  - Slatina (Romania): 241 GWh, for 68,000 tonnes of CO<sub>2</sub>e (Scope 2) avoided;
  - Burton and Carlisle (UK): 58 GWh, for 20,000 tonnes of CO<sub>2</sub>e (Scope 2) avoided;
  - Breuberg (Germany): 40 GWh, for 24,000 tonnes of CO<sub>2</sub>e (Scope 2) avoided;
  - Izmit (Turkey): 12 GWh, for 5,000 tonnes of CO<sub>2</sub>e (Scope 2) avoided;
  - Yanzhou and JiaoZuo (China): 21 GWh, for 13,000 tonnes of CO<sub>2</sub>e (Scope 2) avoided;
  - Bollate, Settimo Torinese and the Headquarters (Italy): 98 GWh, for 45,000 tonnes of CO<sub>2</sub>e (Scope 2) avoided.

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.

Considering the life phases of the product according to the GHG Protocol standard (Corporate Value Chain - Scope 3) and as reflected in the criteria of the Science Based Targets initiative, the emissions of the use phase of the tyre are assessed as “indirect” because they are already included in the use phase of the vehicle, of which the tyre is a component (with indirect responsibility for the energy consumption of the vehicle during use). These emissions, therefore, do not fall within the emission perimeter to be considered by tyre manufacturers for value chain reduction targets, which, instead, includes: Scope 1 and 2 emissions, generated by the group’s production activities, and Scope 3 emissions mainly related to the supply chain, logistics and product end-of-life.

## DISTRIBUTION OF GHG EMISSIONS IN THE VALUE CHAIN (SCOPE 1,2 & 3)

		2020	2021	2022
Raw Materials (Scope 3) <sup>71</sup>	10 <sup>3</sup> tonCO <sub>2</sub> e	2,077.1	2,500.7	2,422.7
Manufacturing (Scope 1 + 2 + 3) <sup>72</sup>	10 <sup>3</sup> tonCO <sub>2</sub> e	940.0	996.2	838.8
Distribution (Scope 3) <sup>73</sup>	10 <sup>3</sup> tonCO <sub>2</sub> e	71.5	90.1	89.3
End-of-Life (Scope 3) <sup>74</sup>	10 <sup>3</sup> tonCO <sub>2</sub> e	1.9	2.2	2.2
<b>Total</b>	<b>10<sup>3</sup> tonCO<sub>2</sub>e</b>	<b>3,090.5</b>	<b>3,589.2</b>	<b>3,353.0</b>

With reference to absolute Scope 3 emissions linked to the purchase of raw materials, which account for more than 70% of the Group's Carbon Footprint, Pirelli has a target approved by the Science Based Targets initiative to reduce emissions by 8.6% by 2025 compared to the 2018 level. These emissions in 2022 were 3.1% lower than in 2021 and 8.9% lower than in 2018 (compared to an expected reduction for 2022 of 4.9% vs. 2018, calculated as an annual pro rata of the SBTi target to 2025). The company is developing a new target to be submitted to SBTi, in line with the commitment to Net Zero SBTi expressed in 2022.

The Use Phase of the tyre, as mentioned above, is part of the Vehicle Use Phase and therefore part of the Scope 3 emissions for Motor Vehicle Manufacturer Customers. If, however, we were to present an estimate of the vehicle use phase emissions attributable to the rolling resistance of tyres put on the market by Pirelli in 2022, we would have:

		2020	2021	2022
Customers (Scope 3) <sup>75</sup>	10 <sup>3</sup> tonCO <sub>2</sub> e	32,576.8	37,527.8	36,399.3

In 2022, as it has for several years now, Pirelli continued in the compensation project of CO<sub>2</sub> emissions produced the previous year by its fleet of company cars, by purchasing and retiring carbon credits belonging to the VCS (Verified Carbon Standard). 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 corporate fleet in 2021 emitted 773 tonnes of CO<sub>2</sub>. In order to offset this impact on the climate, Pirelli supported a project to reforest degraded land in Mexico by planting new trees (85% of the credits purchased), with a view to favouring an initiative that ensures the removal of atmospheric CO<sub>2</sub> according to an "additionality" principle, and a project to develop energy production from geothermal sources in Turkey (for the remaining 15% of the credits). The activities financed with Pirelli's contribution were carried out in 2022.

<sup>71</sup> This includes the Scope 3 emissions of categories "1 - Purchased goods and services" and "4 - Upstream transportation and distribution" of the GHG Protocol (Corporate Value Chain - Scope 3 - Accounting and Reporting Standard).

<sup>72</sup> This includes the group's Scope 1 and Scope 2 market-based emissions, Scope 3 emissions of the categories "3 - Fuel-and-energy-related activities (not included in Scope 1 or 2)", "5 - Waste generated in operations", "6 - Business travel" and "7 - Employee commuting" and "8 - Upstream leased assets" of the GHG Protocol (Corporate Value Chain - Scope 3 - Accounting and Reporting Standard).

<sup>73</sup> This corresponds to the Scope 3 emissions of category "9 - Downstream transportation and distribution" of the GHG Protocol (Corporate Value Chain - Scope 3 - Accounting and Reporting Standard).

<sup>74</sup> This corresponds to the Scope 3 emissions of category "12 - End of life treatment of sold products" of the GHG Protocol (Corporate Value Chain - Scope 3 - Accounting and Reporting Standard).

<sup>75</sup> This corresponds to an estimate of the Scope 3 "indirect use phase emissions" of category "11 - End of life treatment of sold products" of the GHG Protocol (Corporate Value Chain - Scope 3 - Accounting and Reporting Standard).

## WATER MANAGEMENT

Pirelli periodically monitors the Group's Water Footprint and, with a view to medium-long term management, is committed to progressively reducing its impact on water resources throughout the product life cycle. In analogy with the attribution of impacts already explained in the Carbon Footprint, the impact on water resources of the tyre use phase is "indirect" for Pirelli, it is in fact accounted for as a direct impact in the LCA of the vehicle use phase.

In terms of Water Depletion, the consumption of water cubic metre equivalent linked to the purchase of raw materials accounts for 72% of the Group total, the manufacturing part for 27%, while logistics and product end-of-life account for less than 1%. In terms of Eutrophication, the material-related impact is 97% of the Group total, while the manufacturing logistics part and product end-of-life count for the remaining 3%.

Aiming also to represent an estimate of water consumption linked to the use phase of vehicles (borne by Car Manufacturer Customers) attributable to the rolling resistance of tyres put on the market by Pirelli in 2022, this would be equal to 1.2 times the total consumption of all other phases of the tyre life cycle. Meanwhile for Eutrophication, the impact of the use phase is 3 times the total impact of all other tyre life cycle phases.

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

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

In terms of Governance, the Board of Directors of Pirelli & C. S.p.A., supported in its activities by the Audit, Risk, Sustainability and Corporate Governance Committee, approves the environmental management objectives and targets integrated in the Business Plan, which include those pertaining to the use of water in processes and the risks associated with it (as identified by the Group's Climate Change and Water Stress Risk Assessment).

The Industrial Plan provides for a reduction target of specific withdrawal of water of 43% by 2025 compared to the 2015 value.

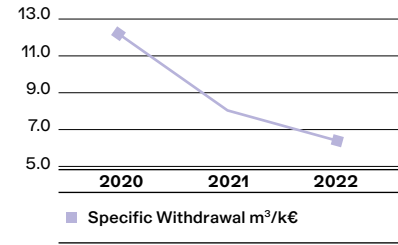
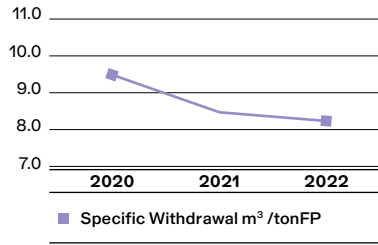
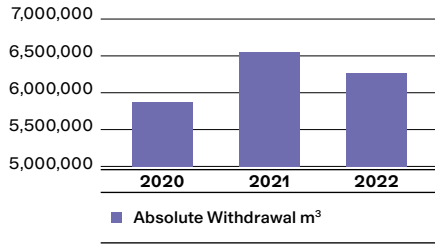
Compared to the previous year, 2022 showed a reduction in the Group's specific withdrawal index of more than 3%, or about 8.2 cubic metres per tonne of finished product. Compared to 2015, the base year for the 2025 reduction target, the specific water withdrawal index shows a reduction of 36%.

In absolute terms, the water withdrawal amounted to approximately 6.3 million cubic metres, down by 5% compared to the 2021 figure. Thanks to the actions implemented, since 2015, Pirelli has saved a total of more than 18 million cubic metres of water: an amount almost equivalent to the absolute withdrawal for around three years by the entire Group.

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

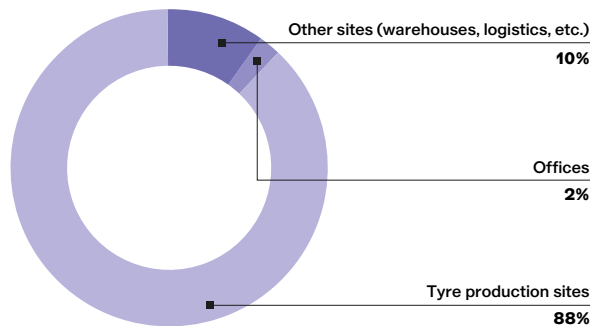
- absolute withdrawal, measured in cubic metres, which indicates the total withdrawal of water by the Group;
- specific withdrawal, measured in cubic metres per tonne of finished product, which indicates the withdrawal of water used to make one tonne of finished product;
- specific withdrawal, as measured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

		2020	2021	2022
Absolute Withdrawal	m <sup>3</sup>	5,871,790	6,552,628	6,253,654
Specific Withdrawal	m <sup>3</sup> /tonFP	9.5	8.5	8.2
	m <sup>3</sup> /k€	11.7	8.0	6.4

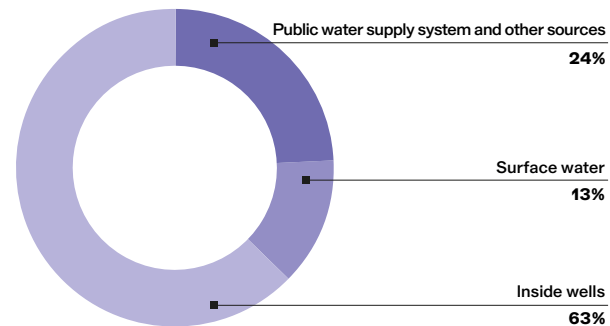


All the figures reported in this section have been collected by taking direct or indirect measurements, and are communicated by the local units. The following two graphs show the distribution of absolute withdrawals by type of use and the weight of water supply by type of source.

#### DISTRIBUTION OF WITHDRAWAL SBY USE



#### TYPE OF WATER SOURCES (m<sup>3</sup>)



63% of the water withdrawn is pumped from wells inside the facilities and authorised by the competent authorities. Furthermore, Pirelli obtains 13% of its requirements from surface and stormwater. As far as water from aqueduct or third-party sources is concerned, about 61% comes from groundwater, while the remainder comes from surface water. The volume of water withdrawn from water stress areas<sup>76</sup> is 52% of the total. Lastly, about 240,000 cubic metres of water used, equivalent to approximately 4% of total withdrawal, are obtained from the wastewater treatment of its production processes.

In 2022, the Silao site in Mexico put into operation the rainwater harvesting plant, which, after treatment, is used in the production process for the benefit of less groundwater withdrawal. In 2022, a volume of rainwater of approximately 23,000 cubic metres was collected.

A total of about 4.2 million cubic metres of domestic and industrial wastewater were discharged, with 55% of this into surface water bodies. The remaining amount was discharged into sewer networks.

<sup>76</sup> Water stress areas: this includes all those areas characterised by a level of "water stress" equal to or greater than "high" according to the classification of the WRI Aqueduct (Aqueduct Water Risk Atlas wri.org), as of 24 January 2022.

Before being discharged into the final recipient, industrial wastewater – 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: 7.7 mg/l of BOD5 (Biochemical Oxygen Demand), 24.2mg/l of COD (Chemical Oxygen Demand) and 10.0 mg/l of Total Suspended Solids. It should also be noted that Pirelli does not use substances classified as “Substances of Very High Concern” as defined by EU Regulation No. 1907/2006, the so-called “REACH Regulation”.

SUMMARY	Type of Water	Total		Water stress areas	
		Total Volume	Freshwater volume	Total Volume	Freshwater volume
WITHDRAWAL FROM	Surface water	795,400	653,438	652,811	652,811
	Wells	3,944,860	3,883,337	1,627,076	1,627,076
	Third Parties	1,513,394	1,512,721	944,272	944,272
	Total	6,253,654	6,049,496	3,224,159	3,224,159
DISCHARGE IN	Surface water	2,295,673	1,311,542	0	0
	Third Parties	1,885,473	1,384,143	1,163,222	1,060,128
	Total	4,181,146	2,695,685	1,163,222	1,060,128
CONSUMPTION	Total	2,072,508	3,353,811	2,060,937	2,164,031

## WASTE MANAGEMENT

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

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

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

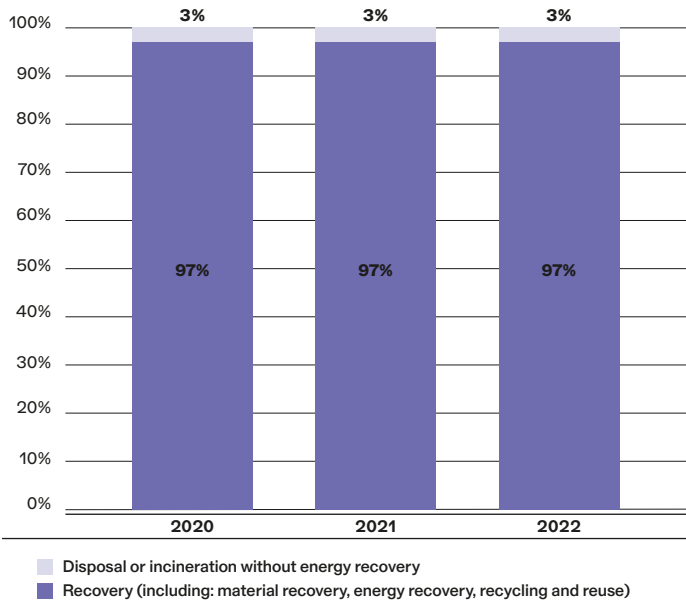
In 2022, the value of specific waste production, weighed on tonnes of finished product, was substantially in line with the previous year (-0.7%), while absolute waste production was 2% lower than in 2021. Of the total waste produced in 2022, 97% is sent for recovery at third-party plants (about two-thirds of the amount is material recovery), in line with the current Industrial Plan, which envisages sending 98% of the waste produced for recovery by 2025, with a “Zero Waste to Landfill” vision.

In 2022, hazardous waste<sup>77</sup> accounts for 10% (compared to 9% in 2021 and 8% in 2020) of the total waste produced and is totally sent for treatment in third-party plants, authorised according to local regulations.

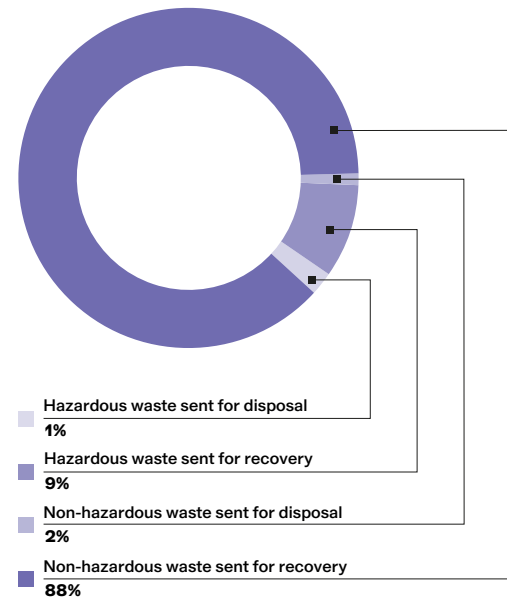
As for the waste generated by production sites, amounting to 102,501 tonnes, about 11% is hazardous waste, and 75% is sent for material recovery (recycling).

<sup>77</sup> The hazardousness of waste is generally defined according to the applicable local regulations (e.g. in Europe it is done according to the Waste Framework Directive 2008/9EC).

WASTE BY TYPE OF TREATMENT



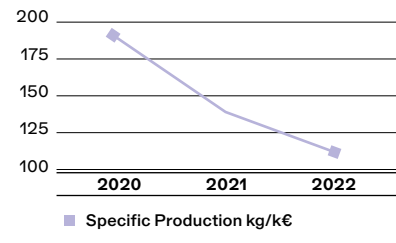
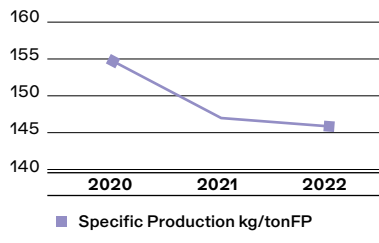
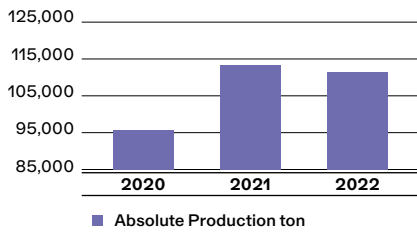
TYPE OF WASTE - 2022



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.

		2020	2021	2022
Absolute production	tonnes	95,470	113,769	111,483
	kg/tonFP	155	147	146
Specific production	kg/k€	190	139	114



The following table summarises the main data on the management of waste produced in 2022 which are entirely managed by external treatment plants.

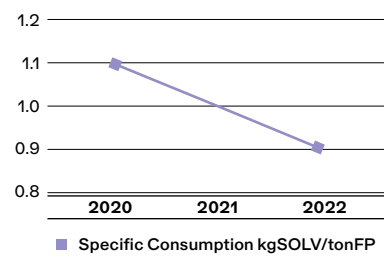
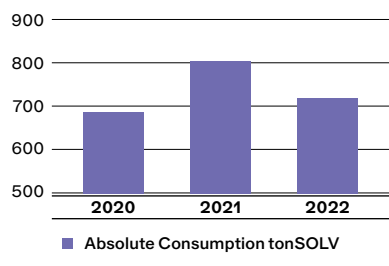
**TYPE OF PROCESSING AT EXTERNAL SITES**

(data in tonnes)

	Non-hazardous waste	Hazardous waste	Total
Preparation for re-use	484	94	578
Recycling	54,322	1,398	55,720
Other recovery operations	17,781	5,729	23,510
<b>Waste not for disposal</b>	<b>72,587</b>	<b>7,221</b>	<b>79,808</b>
Incineration (without energy recovery)	637	570	1,207
Incineration (with energy recovery)	25,331	3,339	28,670
Landfill disposal	1,287	201	1,488
Other disposal operations	34	276	310
<b>Waste destined for disposal</b>	<b>27,289</b>	<b>4,386</b>	<b>31,675</b>
Waste sent for recovery (of material & energy)	97,918	10,560	108,478
<b>TOTAL</b>	<b>99,876</b>	<b>11,607</b>	<b>111,483</b>

**SOLVENTS** Solvents are used as ingredients in processing, mainly to reactivate vulcanised rubber, during the fabrication and finishing of tyres. Pirelli is committed to the progressive reduction of these substances, both by optimising their use, and by spreading solvent-free technologies for operations that may be performed even without their use. In 2022, the specific solvent consumption value was stabilised at 0.9 kg per tonne of tyres produced, marking a reduction of 9% compared to 2021, with emission of VOCs<sup>78</sup> slightly lower than total consumption.

		2020	2021	2022
Absolute consumption	tonnes	686	804	719
Specific consumption	kg/tonFP	1.1	1.0	0.9

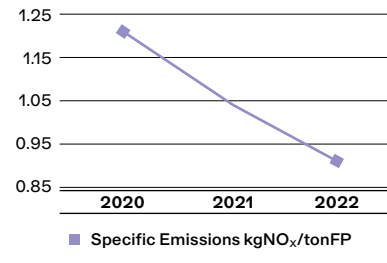
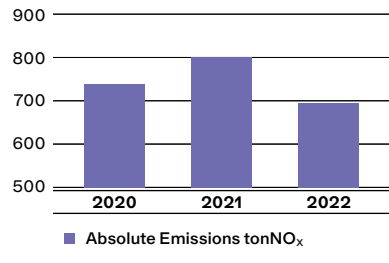


**NO<sub>x</sub> EMISSIONS** NO<sub>x</sub> emissions derive directly from the energy-generating processes used. In 2022, the index based on tonnes of finished product decreased by 12% compared to the 2021 figure, mainly due to a change in the mix of energy consumed, which saw in particular a significant growth in the share from renewable sources, as described above. The emissions were calculated by applying the emission factors indicated by the EEA (European Environment Agency) to the energy consumption data.

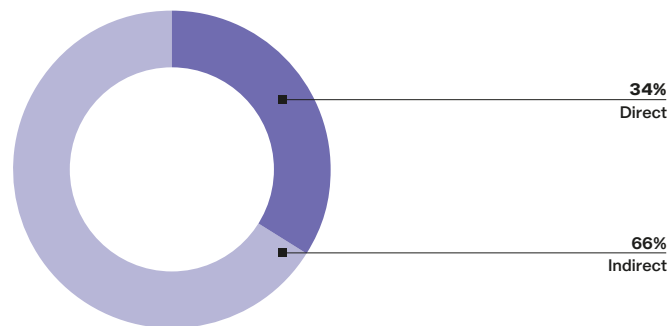
78 Volatile Organic Compounds.

In absolute terms, NO<sub>x</sub> emissions in 2022 decreased by 13% compared to the previous year.

		2020	2021	2022
Absolute emissions	tonNO <sub>x</sub>	743	800	694
Specific emissions	kgNO <sub>x</sub> /tonFP	1.21	1.04	0.91



The graph on the right shows the weight in 2022 of the direct and indirect emissions of NO<sub>x</sub> out of the total NO<sub>x</sub> emissions.



#### OTHER EMISSIONS AND ENVIRONMENTAL ASPECTS

In 2022, Pirelli was awarded “Class A” certification for the performance of its emissions reduction programme at Jiaozuo, following the conclusion of audits to assess parameters at the plant by the environmental authorities of Henan Province. The “Class A” certification, already obtained in 2020 by the other Chinese site in Yanzhou, refers to the guidelines defined by the Chinese Ministry of the Environment for the development of measures aimed at reducing emissions in particularly critical general atmospheric situations. Thanks to the “Class A” certification, the result of the technical and management measures Pirelli has implemented to manage and reduce emissions, the Pirelli site in Jiaozuo is no longer subject to production restrictions during periods when the province’s air quality falls below the alert threshold.

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 2022, the direct emission of SO<sub>x</sub> caused by the combustion of diesel and fuel oil is 9.3 tonnes (10.1 tonnes in 2021 and 10.7 tonnes in 2020, respectively) and is estimated according to EEA - European Environment Agency emission factors.

As regards the management of packaging, car tyres are generally sold without packaging.

As a result of the environmental management systems implemented in the production units, and the implementation of procedures dedicated to emergency prevention and response, constant and timely monitoring and intervention is ensured on potential emergency situations that may occur, as well as on reports received from stakeholders.

During 2022, a hydrocarbon spill occurred at the Carlisle (UK) plant, the source of which was promptly intercepted and repaired in consultation with the local authorities without penalty. Apart from this incident, there were no significant incidents, complaints or penalties related to environmental issues.



## EXPENSES AND INVESTMENTS

In the three-year period 2020-2022, environmental expenditure related to the production process was around €62 million, of which about 34% was allocated in 2022. Of this amount, 85% related to normal management and administration of factories, while the remaining 15% 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 2022, the Company invested €263.9 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 a carbon price internally. However, the environmental efficiency associated with projects is one of the guiding criteria to be considered in the context of investment management, as regulated by the relevant internal Group operating rule.

## THE EUROPEAN REGULATION ON THE TAXONOMY OF ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES

### EU REGULATION 2020/852:

#### PURPOSE AND REGULATORY CONTEXT

The European Union some time ago defined a strategic framework for the implementation of actions and policy initiatives consistent with the objectives of the UN 2030 Agenda and, in this context, in March 2018 the European Commission formalised for the first time an Action Plan for Financing Sustainable Growth, with the stated aim of redirecting capital flows towards sustainable investments, integrating sustainability into risk management and promoting transparency and long-term vision, in awareness of the important role that the financial sector can play in channelling private investment in support of sustainable development.

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

Currently, the Taxonomy is focused on the identification of economic activities that are considered to be eco-sustainable, defined as those economic activities that contribute substantially to the achievement of at least one of the following environmental objectives, provided

that they do not cause significant harm to any of the other environmental objectives and that they are carried out in compliance with minimum safeguards:

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

In June 2021, the European Commission formally adopted the Technical Delegated Acts (hereinafter referred to as the "Climate Delegated Act") that define the list of economic sectors and activities currently included in the Taxonomy and the related technical screening criteria to verify whether they contribute substantially to achieving the environmental objectives of climate change mitigation and adaptation. As explained in more detail below, at the time of publication of this report, the delegated acts on the remaining four environmental objectives have not yet been published.

In drawing up the content of the Taxonomy, the European Commission envisaged that economic activities that contribute substantially to the objective of climate change mitigation can also be considered as those activities for which there are no technologically and economically feasible low-carbon alternatives, provided that they support the transition to a climate-neutral economy in line with a pathway aimed at limiting the temperature increase to 1.5°C compared to pre-industrial levels, including by phasing out greenhouse gas emissions, in particular emissions from solid fossil fuels (so-called "transition activities"). In addition, an economic activity is expected to contribute substantially to one or more of the environmental objectives of the Taxonomy if it directly enables other activities to make a substantial contribution to one or more of these objectives (so-called "enabling activities").

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

- verification of the Technical Screening Criteria to assess the actual contribution of the economic activity to a given environmental objective, respecting the principle of technology neutrality and taking into account the long-term and short-term impact of the economic activity; and
- verification of the "DNSH" (Do No Significant Harm) criteria to ensure that the economic activity does not cause significant harm to any of the other environmental objectives.

In addition, there is also the verification of compliance with Social Minimum Safeguards, which are designed to ensure that economic activities are conducted in compliance with the main international guidelines and treaties related to human rights, including labour rights, anti-corruption and anti-competitive practices, and in compliance with tax laws.

## REPORTING OBLIGATIONS AND GENERAL PRINCIPLES FOR DEFINING KPI

Article 8 of EU Regulation 2020/852 defines the reporting obligations under the taxonomy and, in particular, clarifies that these obligations fall on any company subject to the obligation to publish non-financial information pursuant to Article 19-bis or Article 29-bis of Directive 2013/34/EU. From 1 January 2023, therefore, these companies will have to include information in their non-financial reporting (or in their consolidated non-financial reporting) on how and to what extent their activities are associated with economic activities considered environmentally sustainable within the meaning of the Regulation.

With regard to non-financial corporations, the disclosure focuses on the following metrics (so-called “key performance indicators” or “KPIs”):

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

In July 2021, EU Regulation 2021/2178 was published, supplementing Article 8 of EU Regulation 2020/852 in order to further specify the content and presentation of the aforementioned KPIs as well as the methodology to be followed for their measurement and the qualitative information that needs to accompany their reporting<sup>79</sup>.

Non-financial undertakings<sup>80</sup> are required to determine KPIs by ensuring general consistency with financial reporting and by using the same currency as for the annual or consolidated financial statements, with the additional requirement to include references to the relevant balance sheet items for turnover and capital expenditure indicators in their non-financial statements.

## THE TAXONOMY FOR THE PIRELLI GROUP

### METHODOLOGICAL NOTE

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

These activities involved the organisation as a whole, requiring the active participation of the company’s business structures for the identification of activities which are “eligible” for the

taxonomy and for the management of the data collection process and verification of technical screening criteria at all the companies included in the scope of consolidation.

The methodological approach focused first of all on the regulatory analysis and contextualisation of the tyre sector for the purpose of its application. This preliminary activity immediately brought to light some unclear application and interpretation aspects both with reference to the general discipline<sup>81</sup> and above all with regard to the tyre sector, whose framework in the Climate Delegated Act on Taxonomy appears difficult to read.

In particular, within the scope of the transport-related manufacturing activities included in these delegated acts, there is only economic activity 3.3 Manufacture of low carbon technologies for transport, the description and technical screening criteria of which, however, specifically refer to the production of transport equipment in its entirety, including vehicles and personal mobility devices, but not to the production of parts and/or components of the same<sup>82</sup>. The interpretations published by the European Commission in 2022 have confirmed that the manufacture of automotive components is an economic activity automatically “eligible” and that therefore these companies, including tyre manufacturers, “can qualify” under the economic activity<sup>83</sup> 3.6 – “Manufacture of other low carbon technologies” if their products meet the characteristics set out in the Climate Delegated Act. The same document published by the European Commission in February 2022 clarifies that the “eligibility” for the taxonomy under the aforementioned economic activity 3.6 is to be assessed exclusively in relation to the fact that the activity or product has the objective of enabling a substantial reduction of GHG emissions in another sector of the economy<sup>84</sup>, a circumstance that makes the interpretation questionable with reference to the tyre product, being the tyre a product conceived with the essential objective of serving mobility while taking multiple dimensions into account, starting with safety (e.g. wet grip, braking distances). Moreover, this economic activity includes a methodology for determining the substantial contribution to climate change mitigation that does not reflect processes, products and technologies commonly found and applicable in the tyre sector.

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

<sup>79</sup> See in particular Annex 1 “Key Performance Indicators (KPIs) of non-financial corporations” and Annex 2 “Templates for Key Performance Indicators (KPIs) of non-financial corporations” to EU Regulation 2021/2178.  
<sup>80</sup> Pursuant to the legislation, a “non-financial undertaking” is defined as an undertaking subject to the disclosure requirements set out in Articles 19-bis and 29-bis of Directive 2013/34/EU which is not a financial asset manager, credit institution, investment firm, insurance undertaking or reinsurance undertaking (see EU Regulation 2021/2178 Article 1(9)).

<sup>81</sup> In the Assonime Circular no. 1/2022 “The European Regulation on the taxonomy of eco-sustainable activities: advertising obligations for companies” a series of aspects are explained for which clarification is requested from the European Commission.  
<sup>82</sup> The NACE codes associated with this economic activity include C29.1 “Manufacture of motor vehicles” but not C29.3 “Manufacture of parts and accessories for motor vehicles” which, by its nature, could also include the manufacture of tyres.  
<sup>83</sup> The FAQs published by the European Commission on 2 February 2022 clarified that “manufacturing specific car and vehicle components is not automatically eligible under the section ‘manufacture of low carbon technologies for transport.’” (ref. FAQ 8).  
<sup>84</sup> The above-mentioned FAQ clarified that “the activity or product needs to have the objective of enabling a substantial reduction of GHG emissions in another sector of the economy” (ref. FAQ 9).

interpretations in future reports in order to take into account any changes in the regulatory framework or further clarifications that may be made in the meantime by national and European authorities or trade associations. However, the Pirelli Group reserves the right to reconsider its assessments and interpretations on future reporting occasions to take into account any changes in the regulatory framework or further clarifications that may arise in the meantime from national and European authorities or trade associations.

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

## ECONOMIC ACTIVITIES OF THE PIRELLI GROUP

### TURNOVER INDICATOR

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

In the absence of a shared interpretative model with respect to the actual method of application of the Taxonomy to the tyre sector, in the terms extensively described in the previous section, Pirelli identified the share of “eligible” economic activities with the turnover deriving from tyres dedicated to vehicles with low environmental impact and from tyres with high energy efficiency in terms of rolling resistance, considering the values envisaged by the European labelling as a reference parameter.

European tyre labelling<sup>85</sup> provides a clear and common classification of their performance for (i) rolling resistance, (ii) wet braking and (iii) exterior noise. Since the taxonomy is focusing on the environmental impact, the labelling parameter deemed consistent is therefore only that relating to rolling resistance, which has an indirect impact on vehicle fuel consumption and related greenhouse gas emissions. For this reason, a high performance in terms of low rolling resistance has a positive impact on the environmental objective of mitigating climate change<sup>86</sup>.

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

The turnover from sales of car and van tyres produced by the Group with European labelling in the rolling resistance classes A, B and C was considered as permissible under the Taxonomy, thus focusing on the “very high”, “high” and “medium” efficiency levels (excluding the lower efficiency levels D and E), where “C” is the most widespread on the market<sup>87</sup>.

Furthermore, as bicycles are zero-emission means transport, tyres dedicated to them are also considered ‘eligible’, therefore, the related turnover was added and consolidated in the value described above (A+B+C).

We then proceeded to assess which activities could be considered “aligned” with the Taxonomy. Recent interpretations published by the European Commission<sup>88</sup>, have clarified that the economic activity in question, being a ‘residual category’, provides Technical Screening Criteria to determine the “alignment” that are applicable to numerous activities in different sectors; therefore, what is required of operators is to justify whether and how their technologies allow for a substantial reduction of greenhouse gases in other sectors compared to the best available alternative technologies on the market. The EU Delegated Regulation 2021/2139 on Taxonomy indeed establishes that only economic activities aimed at substantially reducing greenhouse gas emissions compared to the best alternative products available on the market can be considered “aligned”.

With reference to the parameter to be considered for the calculation of the “alignment”, on the basis of Life Cycle Assessment analyses<sup>89</sup> to determine the Carbon Footprint along the product life cycle, also reported at Group level in the paragraph “Greenhouse gas emission management and carbon action plan” for Scopes 1, 2 and 3, it is deemed that the rolling resistance parameter, as already described, is the best reference currently available to demonstrate the contribution of tyres to the transport sector in reducing greenhouse gas emissions.

Among the rolling resistance classes that were considered for the eligibility, i.e. A, B, C, in consideration of the fact that the “C” class is the most widespread on the market<sup>90</sup>, it is deemed that the “C” cannot be included among the “best alternatives on the market” and that, therefore, the “C” class should not be included among the economic activities “aligned” with the Taxonomy. For this reason, it is deemed that taxonomy aligned economic activities should be referred only to the A and B classes of rolling resistance. Contextually, it is considered that the rolling resistance classes A and B, which represent very high and high energy efficiency levels, express the best alternatives available on the market and are therefore aligned with the requirements of the Taxonomy.

With reference to the best available solutions in terms of climate change mitigation in production processes and the supply chain, Pirelli can boast near-term targets for the

<sup>85</sup> Regulation (EU) 2020/740.

<sup>86</sup> Regulation (EU) 2020/740 “(4) [...] Tyres, mainly due to their rolling resistance, account for between 20% and 30% of vehicle fuel consumption. A reduction of the rolling resistance of tyres would therefore contribute significantly to the fuel efficiency of road transport and thus to the reduction of greenhouse gas emissions and the decarbonisation of the transport sector”.

<sup>87</sup> EPREL - European Product Registry for Energy Labelling (extraction 17/2/2023). Focusing on the three most efficient classes of Rolling Resistance (those identified as “permissible”), tyres labelled A and B cover 7.7% of sales, while those labelled C cover 41% (the remaining 51.3% are tyres labelled D and E).

<sup>88</sup> The FAQs published by the European Commission on 19 December 2022 (ref. FAQ 42) clarify that “Operators of the activity should justify whether and how their technology enables the achievement of substantial GHG reductions in other sectors compared to other competing technologies”.

<sup>89</sup> As already described in the ‘Pirelli Group Environmental Footprint and Strategy’ section of this report, Pirelli annually monitors the Carbon Footprint of its entire organisation following the Life Cycle Assessment methodology, as defined by the ISO 14040 family of standards, and drawing inspiration from ISO 14067 and ISO 14046 for the calculation model.

<sup>90</sup> EPREL - European Product Registry for Energy Labelling (extraction 17/2/2023). Focusing on the three most efficient classes of Rolling Resistance (those identified as “permissible”), tyres labelled A and B cover 7.7% of sales, while those labelled C cover 41% (the remaining 51.3% are tyres labelled D and E).

reduction of absolute CO<sub>2</sub> emissions (Scope 1, 2 and 3) approved by the Science Based Targets initiative (SBTi) in line with the most ambitious scenario for keeping climate warming within 1.5°C. In addition, in 2022, Pirelli expressed its commitment to the SBTi with respect to the Corporate Net Zero Standard, pledging to formalise, within two years, a long-term target to reduce the emissions of its value chain by about 90% by, at least, 2050.

The allocation of turnover to the numerator was done by means of the system tracking of the European labelling for each tyre produced. It should also be noted that turnover from the sale of car and van tyres produced by the Group with rolling resistance values consistent with European labelling parameters was also taken into account by re-parametrising non-European labelling to European labelling values. The risk of double counting with regard to the turnover KPI is excluded as it is entirely attributed to economic activity 3.6.

The denominator of the KPI is the consolidated revenue for the financial year 2022 as indicated in Note 29 “Revenue from sales and services” within the consolidated financial statements.

**PROPORTION OF TURNOVER<sup>91</sup> FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES (ROLLING RESISTANCE CLASSES A + B) – 2022 DISCLOSURE ILLUSTRATED IN COMPLIANCE WITH THE TEMPLATE REFERRED TO IN ANNEX II OF DELEGATED REGULATION (EU) 2021/2178.**

Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year 2022 (18)	Category (enabling activity or) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)				
		€/’000	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	E	T

**A. TAXONOMY-ELIGIBLE ACTIVITIES**

A.1 Environmentally sustainable activities (Taxonomy-aligned)	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, year 2022	Category
Manufacture of other low carbon technologies	3.6	1,655,260	25%	25%	0%					Y	Y	Y	Y	Y	Y	Y	25%	E
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>1,655,260</b>	<b>25%</b>	<b>25%</b>	<b>0%</b>												<b>25%</b>	
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, year 2022	Category
Manufacture of other low carbon technologies	3.6	2,522,483	38%															
<b>Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>2,522,483</b>	<b>38%</b>															
<b>Total (A.1 + A.2)</b>		<b>4,177,743</b>	<b>63%</b>															

**B. TAXONOMY-NON-ELIGIBLE ACTIVITIES**

Turnover of Taxonomy-non-eligible activities (B)	2,437,984	37%
<b>Total (A + B)</b>	<b>6,615,727</b>	<b>100%</b>

For information purposes only, if Pirelli had also considered the C class of rolling resistance, the aligned turnover would have amounted to 63%. As mentioned, class C is considered not compatible with the definition of “best on the market” for Taxonomy alignment purposes.

<sup>91</sup> Values reported according to the template (“model”) set out in Annex II of Delegated Regulation (EU) 2021/2178 (“Models for key performance indicators – KPIs – of non-financial companies”). The darkened cells refer to information that is not applicable for the current year to the Group’s economic activities.

## CAPITAL EXPENDITURE INDICATOR

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

As already specified, since class C of rolling resistance is the most widespread on the market<sup>92</sup>, it is considered that it cannot be included among the “best alternatives available on the market” and, therefore, should not be included among the economic activities “aligned” to the Taxonomy, while it is considered that the aligned economic activities should refer only to the rolling resistance classes A and B, which represent the best alternatives available on the market. For this reason, the alignment indicator of Operating Expenses was determined by considering only classes A+B and excluding C.

To this amount was added the entirety of the investments aimed at the development of cycling products and investments in energy efficiency at the Group's factories related to the environmental objective of mitigating climate change have also been taken into account; these are therefore economic activities included in

sector 7. *Construction and real estate activities of the Climate Delegated Act* that refer to the construction and rehabilitation of buildings or the installation of energy efficiency devices, instruments and devices for measuring, regulating and controlling the energy performance of buildings and renewable energy technologies.

In this case the numerator was determined by involving Group companies and individual production sites that were asked to make an assessment of the individual investments made during the year to identify “eligible” investments for taxonomy purposes and to verify compliance with the Technical Screening Criteria and Do No Significant Harm.

Finally, investments made during the year in technologies to optimise the development and testing of tyres were considered as Activity 9.1 Research, Development and Innovation close to the market.

The denominator of the KPI is the sum of the gross additions recognised in 2022 in respect of property, plant and equipment owned, rights of use and intangible assets, as disclosed in Explanatory Note no. 9 “Property, plant and equipment” and Explanatory Note no. 10 “Intangible assets” within the consolidated financial statements.

92 EPREL - European Product Registry for Energy Labelling (extraction 17/2/2023). Focusing on the three most efficient classes of Rolling Resistance (those identified as “permissible”), tyres labelled A and B cover 7.7% of sales, while those labelled C cover 41% (the remaining 51.3% are tyres labelled D and E).

PROPORTION OF CAPEX<sup>93</sup> FROM PRODUCTS OR SERVICES ASSOCIATED WITH ECONOMIC ACTIVITIES ALIGNED TO THE TAXONOMY (INCLUDES CAPEX FOR ROLLING RESISTANCE CLASSES A + B) – 2022 DISCLOSURE ILLUSTRATED IN COMPLIANCE WITH THE TEMPLATE REFERRED TO IN ANNEX II OF DELEGATED REGULATION (EU) 2021/2178.

Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year 2022 (18)	Category (enabling activity or) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)				
		€/000	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	E	T

**A. TAXONOMY-ELIGIBLE ACTIVITIES**

<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>																																																																																																																																																																																																																																																																									
Manufacture of other low carbon technologies	3.6	114,069	24%	24%	0%														Installation, maintenance and repair of energy efficiency equipment	7.3	2,586	1%	1%	0%														Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	320	0%	0%	0%														Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	196	0%	0%	0%														Installation, maintenance and repair of renewable energy technologies	7.6	1,800	0%	0%	0%														Close to market research, development and innovation	9.1	828	0%	0%	0%														<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>119,799</b>	<b>25%</b>	<b>25%</b>	<b>0%</b>												<b>25%</b>		<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			Manufacture of other low carbon technologies	3.6	173,832	36%																Renovation of existing buildings	7.2	13,586	3%																Installation, maintenance and repair of energy efficiency equipment	7.3	2,072	0%																Installation, maintenance and repair of renewable energy technologies	7.6	175	0%																<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>189,665</b>	<b>40%</b>																<b>Total (A.1 + A.2)</b>		<b>309,463</b>	<b>65%</b>															
Installation, maintenance and repair of energy efficiency equipment	7.3	2,586	1%	1%	0%														Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	320	0%	0%	0%														Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	196	0%	0%	0%														Installation, maintenance and repair of renewable energy technologies	7.6	1,800	0%	0%	0%														Close to market research, development and innovation	9.1	828	0%	0%	0%														<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>119,799</b>	<b>25%</b>	<b>25%</b>	<b>0%</b>												<b>25%</b>		<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			Manufacture of other low carbon technologies	3.6	173,832	36%																Renovation of existing buildings	7.2	13,586	3%																Installation, maintenance and repair of energy efficiency equipment	7.3	2,072	0%																Installation, maintenance and repair of renewable energy technologies	7.6	175	0%																<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>189,665</b>	<b>40%</b>																<b>Total (A.1 + A.2)</b>		<b>309,463</b>	<b>65%</b>																																		
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<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>119,799</b>	<b>25%</b>	<b>25%</b>	<b>0%</b>												<b>25%</b>		<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			Manufacture of other low carbon technologies	3.6	173,832	36%																Renovation of existing buildings	7.2	13,586	3%																Installation, maintenance and repair of energy efficiency equipment	7.3	2,072	0%																Installation, maintenance and repair of renewable energy technologies	7.6	175	0%																<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>189,665</b>	<b>40%</b>																<b>Total (A.1 + A.2)</b>		<b>309,463</b>	<b>65%</b>																																																																																																																																	
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Installation, maintenance and repair of renewable energy technologies	7.6	175	0%																<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>189,665</b>	<b>40%</b>																<b>Total (A.1 + A.2)</b>		<b>309,463</b>	<b>65%</b>																																																																																																																																																																																																																																
<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>189,665</b>	<b>40%</b>																<b>Total (A.1 + A.2)</b>		<b>309,463</b>	<b>65%</b>																																																																																																																																																																																																																																																			
<b>Total (A.1 + A.2)</b>		<b>309,463</b>	<b>65%</b>																																																																																																																																																																																																																																																																						

**B. TAXONOMY-NON-ELIGIBLE ACTIVITIES**

Turnover of Taxonomy-non-eligible activities (B)		168,009	35%
<b>Total (A + B)</b>		<b>477,472</b>	<b>100%</b>

For information purposes only, if Pirelli had also considered the C class of rolling resistance, the aligned CAPEX would have amounted to 65%. As mentioned, class C is considered not compatible with the definition of “best on the market” for Taxonomy alignment purposes.

93 Values reported according to the template (“model”) set out in Annex II of Delegated Regulation (EU) 2021/2178 (“Models for key performance indicators – KPIs – of non-financial companies”). The darkened cells refer to information that is not applicable for the current year to the Group’s economic activities.

### OPERATIONAL EXPENDITURE INDICATOR

The share of “aligned” economic activities with regard to operating expenses refers mainly to production costs incurred for research and development, which, if carried out in-house and with the aim of improving the rolling resistance parameter of A and B labelled tyres, was considered as part of activity 3.6<sup>94</sup>, otherwise as economic activity 9.1 ‘Research, development and innovation close to the market’.

In addition, the operating costs related to the investments in energy efficiency described above were considered.

As already specified, since class C of rolling resistance is the most widespread on the market<sup>95</sup>, it is considered that

it cannot be included among the “best alternatives available on the market” and, therefore, should not be included among the economic activities “aligned” to the Taxonomy, while it is considered that the aligned economic activities should refer only to the rolling resistance classes A and B, which represent the best alternatives available on the market. For this reason, the alignment indicator of Operating Expenses was determined by considering only classes A+B and excluding C.

The denominator of the KPI, as required by regulation, is non-capitalised direct costs related to research and development, building renovation, rent, maintenance, repairs and other direct expenses related to the day-to-day operation of assets incurred in 2022.

94 The FAQ published by the European Commission on 19/12/2022 (ref. FAQ 164) clarifies that, “When R&D is an integral part of the activity that is covered in the Climate Delegated Act (in-house R&D that is integrated in the activity), it can be counted under that activity and the associated expenditures disclosed accordingly”.  
95 EPREL - European Product Registry for Energy Labelling (extraction 17/2/2023). Focusing on the three most efficient classes of Rolling Resistance (those identified as “permissible”), tyres labelled A and B cover 7.7% of sales, while those labelled C cover 41% (the remaining 51.3% are tyres labelled D and E).

PROPORTION OF OPEX<sup>96</sup> FROM PRODUCTS OR SERVICES ASSOCIATED WITH ECONOMIC ACTIVITIES ALIGNED WITH THE TAXONOMY (INCLUDES OPEX FOR ROLLING RESISTANCE CLASSES A + B) – 2022 DISCLOSURE ILLUSTRATED IN COMPLIANCE WITH THE TEMPLATE REFERRED TO IN ANNEX II OF DELEGATED REGULATION (EU) 2021/2178.

Economic activities (1)	Code(s) (2)	Absolute OpEx (3) €/000	Proportion of OpEx (4) %	Substantial contribution criteria							DNSH criteria ('Does Not Significantly Harm')							Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of OpEx, year 2022 (18) Percent	Category (enabling activity or) (20) E	Category (transitional activity) (21) T
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N						

**A. TAXONOMY-ELIGIBLE ACTIVITIES**

<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>																											
Manufacture of other low carbon technologies	3.6	80,070	23%	23%	0%													Y	Y	Y	Y	Y	Y	23%	E		
Installation, maintenance and repair of energy efficiency equipment	7.3	25	0%	0%	0%													Y			Y			0%	E		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	8	0%	0%	0%													Y						0%	E		
Installation, maintenance and repair of renewable energy technologies	7.6	53	0%	0%	0%													Y						0%	E		
<b>OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>80,156</b>	<b>23%</b>	<b>23%</b>	<b>0%</b>																			<b>23%</b>			
<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																											
Manufacture of other low carbon technologies	3.6	17,062	5%																								
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	3	0%																								
Close to market research, development and innovation	9.1	7,032	2%																								
<b>OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>24,097</b>	<b>7%</b>																								
<b>Total (A.1 + A.2)</b>		<b>104,253</b>	<b>30%</b>																								

**B. TAXONOMY-NON-ELIGIBLE ACTIVITIES**

Turnover of Taxonomy-non-eligible activities (B)	237,724	70%
<b>Total (A + B)</b>	<b>341,977</b>	<b>100%</b>

For information purposes only, if Pirelli had also considered the C class of rolling resistance, the aligned OPEX would have amounted to 30%. As mentioned, class C is considered not compatible with the definition of “best on the market” for Taxonomy alignment purposes.

With reference to the information pursuant to art. 8, paragraphs 6 and 7 of Delegated Regulation (EU) 2021/2178 which provides for the use of the models provided in Annex XII for the communication of activities related to nuclear and fossil gases, it is specified that all models have been omitted as they are not representative of the company's activities.

96 Values reported according to the template (“model”) set out in Annex II of Delegated Regulation (EU) 2021/2178 (“Models for key performance indicators – KPIs – of non-financial companies”). The darkened cells refer to information that is not applicable for the current year to the Group's economic activities.



## SOCIAL MINIMUM SAFEGUARDS

Article 18.1 of the EU Taxonomy Regulation describes so-called “Social Minimum Safeguards” as procedures implemented by a company to ensure that its business activities are aligned with an internationally recognised set of standards:

- OECD Guidelines for Multinational Enterprises;
- United Nations Guiding Principles on Business and Human Rights (UNGPR);
- Eight core conventions identified by the International Labour Organisation (ILO);
- International Bill of Human Rights.

For the verification of compliance with minimum safeguards in the absence of specific references from the European Commission, the Pirelli Group considered the four themes identified by the Platform on Sustainable Finance<sup>97</sup>: Human Rights; Corruption; Taxation; Competition.

In order to identify, manage and mitigate the risks related to the issues cited above, the Pirelli Group has adopted policies, management models, prevention actions and remedial mechanisms.

In particular, Pirelli promotes respect for human rights and adherence to applicable international standards among its partners and stakeholders. Pirelli aligns its governance with the United Nations Global Compact, the ISO 26000 Guidelines, the dictates of the SA8000® Standard and underlying international ILO regulations, the International Charter of Human Rights, the OECD Guidelines on Duty of Vigilance and the recommendations contained in the United Nations Guiding Principles on Business and Human Rights, implementing the Protect, Respect and Remedy Framework.

In line with international standards, Human Rights due diligence at Pirelli includes the following activities:

- Adoption and integration of a human rights due diligence commitment within company policies and procedures.
- Identification and assessment of risks and negative impacts, including through stakeholder involvement.
- Commitment to interrupt, prevent, mitigate and remedy negative impacts.
- Monitoring of the implementation of these actions and their results.
- Public communication of the approach to human rights due diligence and the actions taken to avoid and address negative impacts.
- Commitment to remedy any negative impacts, including establishing or participating in grievance mechanisms where individuals and groups can voice grievances and human rights concerns.

For more in-depth information on the Policies adopted, the Management model, risk analysis, mitigation and prevention actions and remedial mechanisms in the area of Human and Labour Rights, please refer to the sections dedicated to this in this Report, in particular:

- “Principal Policies”
- “Respect for Human Rights”
- “Diversity, Equity and Inclusion”
- “Training on Sustainability and Corporate Governance”
- Compliance with legislative-contractual prescriptions on overtime, rest, association and bargaining, equal opportunities and non-discrimination, prohibition of child and forced labour”
- ESG elements in the purchasing process”
- ESG On-site Audit
- “Reporting procedure - Whistleblowing Policy”.

With reference to the adopted Policies, Management Model, prevention and mitigation of risks in the areas of Anti-Corruption, Competition and Taxation, please refer to the relevant sections of this Report, in particular:

- “Principal Policies”
- “Compliance programmes, anti-corruption, privacy, trade compliance, antitrust, compliance with laws and regulations”
- “9.6. Tax Risk Control System”
- “Reporting Procedure - Whistleblowing Policy”.

## FUTURE DEVELOPMENTS

The regulation on taxonomy is currently not complete as we are awaiting the publication of delegated acts on the environmental objectives of sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection of ecosystems and biodiversity.

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

Awaiting further regulatory developments and, in particular, the publication of the delegated acts referring to the remaining four environmental objectives, the Pirelli Group has begun the preparatory activities necessary to ensure complete and accurate reporting in accordance with the requirements of the regulations.

<sup>97</sup> “Final Report on Minimum Safeguards” published by Platform on Sustainable Finance in 11 October 2022.

# SOCIAL DIMENSION

## RESPECT FOR HUMAN RIGHTS

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

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

The human rights management processes are handled by Pirelli Sustainability Department, which acts in concert with the affected and responsible functions, at central level and in the various Countries, with reference to both the Internal and External Community. Human rights management issues are brought to the attention of the Sustainability Operations Management Committee, the Managerial Sustainability Strategic Committee, the Board Audit, Risk, Sustainability and Corporate Governance Committee and the Board of Directors.

Pirelli's commitment on human rights is dealt with extensively in the Group "Global Human Rights" Policy, which describes the management model adopted by the Company in respect of core Rights and Values such as occupational health and safety, non-discrimination, freedom of association, refusal of child and forced labour (firmly condemning the trafficking in and exploitation of human beings in any form), guarantee of decent work conditions in economic and sustainable terms and in terms of working hours, protection of rights and values of local communities, refusal of any form of corruption and protection of privacy. The Policy specifies its application to the supply chain. Further references to respect for human rights and its application to the supply chain are also found in other company documents: "Values and the Code of Ethics", the Global "Health, Safety and Environment" Policy, the "Global Personal Data Protection" (Privacy Policy), the "Diversity, Equity & Inclusion" Policy and the "Equal Opportunities Statement", the "Sustainable Natural Rubber Management" Policy and the "Whistleblowing" Policy (Complaint Procedure).

With specific reference to the management of human rights along the supply chain, a fundamental document is the Pirelli Suppliers' Code of Conduct. The Code is an integral part of the purchasing contract applied to all Group suppliers and

it details, among other things, what is required of Pirelli's Suppliers in the area of Human and Labour Rights and specifically in the areas of employment contracts, working hours, prohibition of child labour, prohibition of forced labour and modern slavery, passport management, health and safety, non-discrimination, pay equity, freedom of association and collective bargaining, rights of indigenous peoples and prevention of land conflicts, privacy, conflict minerals, and internal security rules. The Code also details the due diligence system applied by Pirelli and at the same time that required of suppliers with a view to virtuous due diligence along the entire supply chain. Similarly, the Code details the reporting system that Pirelli makes available to stakeholders and prescribes the adoption of a similar reporting procedure for all suppliers.

All the above documents were communicated to employees in the local language and also published on Pirelli website in multiple languages, as well as to Group Suppliers for whom sustainability and business ethics clauses are included in every contract and purchase order. Please refer to the "Sustainability Policies" section of the Pirelli website to read the full contents of the above Policies.

To identify, assess, prevent and mitigate the risks of violation of Human Rights, Pirelli has implemented a Due Diligence system that crosses the value chain and integrates attention to human rights in all the Company's activities.

Before investing in a specific market, Pirelli conducts ad hoc assessments on possible political, financial, environmental and social risks, including those related to respect for human and labour rights, while in countries where the Company operates, internal and external context monitoring is carried out to prevent negative impacts on human rights and, if necessary, remedy them.

The Company verifies the application of regulations on respect for human and labour rights at its affiliates through periodic audits carried out by the Internal Audit Department, in accordance with a three-year audit plan covering all Company sites. For further details, please refer to the section of this report entitled "Compliance with legislative-contractual requirements on overtime, rest periods, association and bargaining, equal opportunities and non-discrimination, prohibition of child and forced labour".

Pirelli also manages its supply chain responsibly and specifically includes respect for human rights in the selection parameters of its suppliers, the contractual clauses and carries out due diligence by third-party audits Pirelli, also requires its suppliers contractually to implement a similar business model on the relevant supply chain, including the performance of adequate due diligence aimed at certifying that the Goods and Services supplied or to be supplied to Pirelli under the Contract and/or Orders do not contain and will not contain for the entire duration of the supply any of the Conflict Zone Minerals (3TG, Mica, Cobalt etc.). With specific reference to the natural rubber context, Pirelli promotes decent working conditions, development of local communities and prevention of conflicts related to land

ownership, in line with its Policy for Sustainable Natural Rubber Management, and at the same time with the dictates of the Global Platform for Sustainable Natural Rubber (GPSNR) of which Pirelli is a founding member.

For an in-depth look at the Supply Chain Management Model, the content of sustainability clauses, details of on-site audits performed, and more on Conflict Minerals and Natural Rubber, see the section “Our Suppliers” in this Report.

Pirelli raises awareness among its workers and suppliers through information and training on the issue of Human Rights, considering the materiality of the risks and actual and potential impacts resulting from the risk assessment activity, which is discussed below.

The Company also makes available to its Stakeholders a dedicated channel for reporting, even anonymously, any situations that constitute or may constitute a risk of violation of Human Rights as well as any Group Policy, law or regulation in relations with the Group, to which is added a further Grievance Procedure for specific issues pertaining to the Natural Rubber context. It should be noted that in 2022 no reports of violations concerning fundamental Human Rights were received, nor was the Company subject to any proceedings or convictions relating to violations of Human Rights.

Pirelli cooperates and sustains the importance of cooperation with government and non-government, sectoral and academic entities in relation to the development of global policies and principles aimed at protecting human rights; this is the context which sees the inserting, as an example, of the Group CEO signing the “CEO Guide on Human Rights” promoted by the WBCSD in 2019, the activity under the UN Global Compact Working Group “Decent Work in Global Supply Chains” and Pirelli’s active contribution to the creation of the Global Platform for Sustainable Natural Rubber (GPSNR).

### HUMAN RIGHTS RISK ASSESSMENT

In 2022, Pirelli updated its analysis of the risk of human rights violations within its sites and in the relevant supply chain by defining a risk-based model for the management of human rights aspects. This model included a Human Rights Risk Assessment (HRRRA) to identify the geographical areas and production categories most at risk of human rights violations. The assessment was conducted in line with the Company’s Enterprise Risk Management (ERM) model and allowed the identification of subsidiaries and suppliers on which to intervene as a priority through the most appropriate mitigation and prevention actions.

The risk assessment activity consisted of the following work steps:

- identification of Relevant Human Rights: an analysis of internal documentation and the regulatory environment was carried out in the context of due diligence, which led to the identification of 12 priority human rights for the Company’s activities along its value chain. These

rights are: the right to equality and non-discrimination, child right, the right to an adequate standard of living and equal and adequate remuneration, working hours and overtime, health and safety right, freedom from modern slavery, forced labour, inhumane treatment, and human trafficking, the right to privacy, the right to association and collective bargaining, land and natural resources protection, indigenous peoples and minorities right, access to justice and the right to education;

- Country risk analysis: for each human right identified as relevant, public indices were analysed to determine the level of potential risk for the countries in which Pirelli operates, both directly through subsidiaries and along the supply chain, considering a scale from 1 to 4 (where 1 = remote risk, 2 = low risk, 3 = medium risk and 4 = high risk). In the country risk analysis, 55 countries were considered, representing 99.8% of Pirelli’s 2021 expenditure and including the 32 countries in which Pirelli operates through subsidiaries. The analysis took into account the geopolitical, socio-cultural and legislative conditions of the countries, assessed according to the likelihood of occurrence of human rights violations. In order to identify the actual risk level, further analyses were carried out to assess the risk situation detected both in the subsidiaries, by investigating the effectiveness of the safeguards adopted by the Company in the countries most at risk, and along the supply chain, by analysing the results of non-compliance in the field of human rights that emerged from the third-party audit activities carried out over the last four years. This analysis showed how the level of potential risk in some countries can change considering the specific risk level of Pirelli’s suppliers or subsidiaries operating in those contexts;
- Sector Risk Analysis: in order to define the level of potential risk of human rights violations per Sector risk along the supply chain, a qualitative-quantitative study was carried out to investigate the risk exposure of Pirelli’s main purchasing categories: Raw Materials, Capital Goods, Consumables and Services. In order to assess the potential risk exposure of subsidiaries instead, the company’s operations were taken into account, and the riskiness was defined for production sites, fitting units, logistics and offices. Again, the non-compliances revealed by third-party audit activities per purchasing category along the supply chain and the safeguards adopted by Pirelli were considered to identify the actual level of risk along the supply chain. A scale of 1 to 4 was also used for this analysis.

The results of the analysis show that countries with a medium-high potential risk level are mainly concentrated in the Asian, African and some Latin American countries; while in the European continent, North America and Oceania in general the risk was low-remote. With regard to the potential risk related to the purchase categories, it should be noted that the raw material and capital goods categories have a higher level of risk than the others, as the raw material related to these two categories originate from riskier supply chains. An analysis of the non-conformities revealed by the audits of the last four years shows that the actual risk level of the company’s suppliers is significantly lower even in countries

with medium-high potential risk, such as Brazil and Indonesia. Considering the safeguards and therefore the mitigation actions adopted by the Company over the years, the actual risk of human rights violations in Pirelli's subsidiaries is also significantly lower than the potential risk, precisely because of the commitments undertaken by the Company, which, in any case, maintains a high level of attention to human rights in all the countries where it operates.

The Human Rights Risk Assessment (HRRRA) allows Pirelli to systemise all the mitigation and prevention actions adopted with the aim of prioritising verification, monitoring, awareness-raising and training actions to intervene in an increasingly targeted manner on suppliers or subsidiaries that might not be in line with Pirelli's human rights provisions, thus reinforcing the Due Diligence process already implemented.

Furthermore, the Company is aware that international frameworks on Business and Human Rights insist on the need for companies to involve stakeholders in assessing the negative impacts that may be caused by their activities along the value chain through a Human Rights Impact Assessment (HRIA). For this reason, following the risk analysis, Pirelli carried out a stakeholder engagement exercise involving internal company functions and external organisations with expertise in human rights, including NGOs, in order to understand the extent of the negative impacts linked to the 12 human rights identified as relevant. The assessment was based on international and GRI Standards, asking respondents to rate the likelihood and severity of negative impacts (the latter understood as the scale, scope and irremediable character of the impact).

The involvement of the corporate functions made it possible to make this assessment in the subsidiaries, finding an overall remote impact due to the effectiveness of the safeguards adopted. These affect not only the probability of occurrence, but also lower the level of severity, since even in the remote possibility of a violation occurring, the company's

management and control system would allow for immediate action, limiting the severity of the possible negative impact.

With reference to the situation along the supply chain, the results obtained from the interviews with external experts show that although the necessary safeguards are in place to mitigate potential negative impacts, in some countries socio-political conditions may make it difficult for companies to effectively mitigate such impacts along the supply chain. For this reason, the probability and severity assigned by the experts tend to be higher than the corporate perspective, especially given the potential risks present in some of the countries Pirelli sources from and with reference to freedom of association and collective bargaining and occupational health and safety.

To reinforce the risk containment measures already in place, which the risk assessment carried out confirmed to be effective for the mitigation and recovery of the risk of human rights violations, considering the drive for continuous improvement of the management model and in response to regulatory changes and external expectations, the company has put in place specific activities and in particular in 2023:

- new training sessions for all employees, covering all company sites.
- new Human Rights Training session targeting 100% of raw material suppliers in countries where the risk is highest in the light of the regulatory and social context of reference as well as the results of on-site audits carried out by the company.
- continuation of on-site audits by the Internal Audit function/ second party at Pirelli sites and third-party at suppliers located in countries where the risk is higher in light of the regulatory and social reference context and/or of the findings of previous on-site audits performed.
- Human Rights Impact Assessment (local engagement) activities on an annual basis to prioritise the activities.

## INTERNAL COMMUNITY

### PIRELLI EMPLOYEES AROUND THE WORLD

The total Pirelli workforce as at 31 December 2022 - expressed in **Full Time Equivalent** and including agency workers - stood at 31,301 employees (vs. 30,690 in 2021 and 30,510 in 2020), recording a net increase of 611 employees compared to the previous year.

The following tables, with reference to the last three years, detail the composition of the workforce<sup>98 99</sup> by category, geographical area<sup>100</sup>, gender, type of contract, and the flow of employees by geographical area, gender and age bracket.

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

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

### BREAKDOWN OF WORKFORCE BY CATEGORY

	EXECUTIVES	MIDDLE MANAGERS	WHITE COLLARS	BLUE COLLARS	TOTAL
<b>2022</b>	253	1,775	4,196	25,077	<b>31,301</b>
<b>2021</b>	247	1,754	4,052	24,636	<b>30,690</b>
<b>2020</b>	257	1,752	4,060	24,441	<b>30,510</b>

### BREAKDOWN OF EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER

	2022			2021			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>EUROPE</b>	11,196	1,934	<b>13,130</b>	11,022	1,816	<b>12,838</b>	10,951	1,774	<b>12,725</b>
<b>NORTH AMERICA</b>	2,881	463	<b>3,344</b>	2,746	451	<b>3,197</b>	2,752	480	<b>3,232</b>
<b>SOUTH AMERICA</b>	7,633	711	<b>8,344</b>	7,321	653	<b>7,975</b>	7,293	647	<b>7,940</b>
<b>APAC</b>	3,023	907	<b>3,930</b>	2,999	899	<b>3,898</b>	3,093	834	<b>3,927</b>
<b>RUSSIA, NORDICS &amp; MEAI</b>	1,966	588	<b>2,554</b>	2,190	593	<b>2,783</b>	2,110	576	<b>2,686</b>
<b>TOTAL</b>	<b>26,698</b>	<b>4,603</b>	<b>31,301</b>	<b>26,278</b>	<b>4,412</b>	<b>30,690</b>	<b>26,199</b>	<b>4,311</b>	<b>30,510</b>

98 Staff numbers are expressed in Full Time Equivalent; while respecting the totals, partial values entered in the table may be subject to rounding and the sum may not correspond to the total.

99 These data include agency workers, corresponding to 0.2% of total workforce in 2019, 0.6% in 2020, 0.8% in 2021 and 0.2% in 2022. Agency workers are the workforce that is taken on to meet temporary work peaks, linked to market demand. This workforce is intermediated through employment agencies, in compliance with company policies, legal regulations and trade union agreements.

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

BREAKDOWN OF EMPLOYEES BY GEOGRAPHICAL AREA AND CONTRACT

<b>2022</b>				
	<b>Permanent</b>	<b>Temporary</b>	<b>Agency</b>	<b>Total</b>
<b>EUROPE</b>	11,827	1,284	19	<b>13,130</b>
<b>NORTH AMERICA</b>	3,312	0	32	<b>3,344</b>
<b>SOUTH AMERICA</b>	8,253	75	16	<b>8,344</b>
<b>APAC</b>	3,926	4	0	<b>3,930</b>
<b>RUSSIA, NORDICS &amp; MEAI</b>	2,434	117	3	<b>2,554</b>
<b>TOTAL</b>	<b>29,751</b>	<b>1,480</b>	<b>70</b>	<b>31,301</b>

<b>2021</b>				
	<b>Permanent</b>	<b>Temporary</b>	<b>Agency</b>	<b>Total</b>
<b>EUROPE</b>	11,636	1,192	10	<b>12,838</b>
<b>NORTH AMERICA</b>	3,166	0	31	<b>3,197</b>
<b>SOUTH AMERICA</b>	7,666	112	197	<b>7,975</b>
<b>APAC</b>	3,898	0	0	<b>3,898</b>
<b>RUSSIA, NORDICS &amp; MEAI</b>	2,658	125	0	<b>2,783</b>
<b>TOTAL</b>	<b>29,023</b>	<b>1,429</b>	<b>238</b>	<b>30,690</b>

<b>2020</b>				
	<b>Permanent</b>	<b>Temporary</b>	<b>Agency</b>	<b>Total</b>
<b>EUROPE</b>	11,923	795	7	<b>12,725</b>
<b>NORTH AMERICA</b>	3,204	1	27	<b>3,232</b>
<b>SOUTH AMERICA</b>	7,750	54	136	<b>7,940</b>
<b>APAC</b>	3,923	4	0	<b>3,927</b>
<b>RUSSIA, NORDICS &amp; MEAI</b>	2,562	124	0	<b>2,686</b>
<b>TOTAL</b>	<b>29,362</b>	<b>978</b>	<b>170</b>	<b>30,510</b>

PERCENTAGE OF EMPLOYEES BY CATEGORY, GENDER AND AGE RANGE

2022															
	Executives			Middle Managers			White collars			Blue collars			Total		
	M	W	Tot.	M	W	Tot.	M	W	Tot.	M	W	Tot.	M	W	Tot.
<30	0%	0%	0%	4%	3%	3%	20%	30%	23%	24%	15%	23%	22%	18%	22%
30 - 50	52%	61%	53%	65%	74%	67%	64%	58%	62%	63%	76%	64%	63%	70%	64%
>50	48%	39%	47%	32%	23%	30%	16%	12%	14%	13%	8%	13%	15%	11%	14%

2021															
	Executives			Middle Managers			White collars			Blue collars			Total		
	M	W	Tot.	M	W	Tot.	M	W	Tot.	M	W	Tot.	M	W	Tot.
<30	0%	0%	0%	3%	4%	3%	20%	27%	23%	24%	16%	23%	22%	18%	22%
30 - 50	55%	61%	56%	67%	76%	69%	65%	60%	63%	64%	76%	65%	64%	71%	65%
>50	45%	39%	44%	30%	20%	28%	15%	13%	14%	12%	8%	12%	14%	11%	13%

2020															
	Executives			Middle Managers			White collars			Blue collars			Total		
	M	W	Tot.	M	W	Tot.	M	W	Tot.	M	W	Tot.	M	W	Tot.
<30	0%	0%	0%	2%	2%	2%	20%	29%	23%	23%	19%	23%	21%	20%	21%
30 - 50	50%	59%	51%	63%	73%	66%	63%	56%	61%	63%	73%	64%	63%	68%	63%
>50	50%	41%	49%	35%	25%	32%	17%	15%	16%	14%	8%	13%	16%	12%	15%

### EMPLOYEES WITH PART TIME CONTRACT BY GENDER AND REGION

(expressed in FTE) 2022

REGION	Men	Women	Total
EUROPE	65	74	139
NORTH AMERICA	0	0	0
SOUTH AMERICA	58	19	77
APAC	0	0	0
RUSSIA, NORDICS & MEAI	2	4	5
<b>Total</b>	<b>124</b>	<b>97</b>	<b>221</b>

### EMPLOYEES WITH FULL TIME CONTRACT BY GENDER AND REGION

(expressed in FTE) 2022

REGION	Men	Women	Total
EUROPE	11,117	1,855	12,972
NORTH AMERICA	2,860	452	3,312
SOUTH AMERICA	7,560	691	8,251
APAC	3,023	907	3,930
RUSSIA, NORDICS & MEAI	1,902	577	2,479
<b>Total</b>	<b>26,462</b>	<b>4,482</b>	<b>30,944</b>

### EMPLOYEES WITH "NON-GUARANTEED HOURS" CONTRACT BY GENDER AND REGION

(expressed in FTE) 2022

REGION	Men	Women	Total
EUROPE	0	0	0
NORTH AMERICA	0	0	0
SOUTH AMERICA	0	0	0
APAC	0	0	0
RUSSIA, NORDICS & MEAI	61	5	66
<b>Total</b>	<b>61</b>	<b>5</b>	<b>66</b>



## EMPLOYEE FLOWS BY GEOGRAPHIC AREA, GENDER AND AGE BRACKET

The following data refer to incoming/outgoing employees (all incoming and outgoing movements of employees with permanent and temporary contracts, such as retirements, resignations, expiry of fixed-term contracts). The entry and exit rates are calculated by comparing the number of entries and exits of each category to the total number of employees belonging to that category as at 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.

In 2022, the total turnover rate, constant compared to previous years, is 13%, of which 6.5% is voluntary.

### 2022 FLOWS: ABSOLUTE VALUES AND RATES

	INCOMING						OUTGOING					
	<30	30 - 50	>50	M	W	Total	<30	30 - 50	>50	M	W	Total
<b>EUROPE</b>	1,055	732	67	1,570	284	1,854	674	611	199	1,332	152	<b>1,484</b>
	45%	9%	2%	14%	15%	14%	29%	8%	7%	12%	8%	<b>11%</b>
<b>NORTH AMERICA</b>	603	301	16	837	83	920	445	298	18	691	70	<b>761</b>
	42%	18%	9%	29%	18%	28%	31%	18%	10%	24%	15%	<b>23%</b>
<b>SOUTH AMERICA</b>	966	604	20	1,390	200	1,590	357	584	75	900	115	<b>1,016</b>
	48%	11%	3%	18%	28%	19%	18%	11%	10%	12%	16%	<b>12%</b>
<b>APAC</b>	108	130	2	179	61	240	59	125	13	150	47	<b>197</b>
	21%	4%	2%	6%	7%	6%	12%	4%	14%	5%	5%	<b>5%</b>
<b>RUSSIA, NORDICS &amp; MEAI</b>	203	138	15	280	75	356	198	276	70	461	83	<b>543</b>
	41%	8%	3%	14%	13%	14%	40%	17%	16%	23%	14%	<b>21%</b>
<b>TOTAL</b>	2,935	1,905	120	4,257	702	4,959	1,732	1,893	375	3,534	466	<b>4,000</b>
	43%	10%	3%	16%	15%	16%	26%	9%	8%	13%	10%	<b>13%</b>

## 2021 FLOWS: ABSOLUTE VALUES AND RATES

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

## 2020 FLOWS: ABSOLUTE VALUES AND RATES

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

The table below shows the percentage of only voluntary turnover of the entire company population, which includes white and blue collars, over the last four years and refers to voluntary resignations and retirements.

	2019	2020	2021	2022
<b>Voluntary Turnover (Total)</b>	<b>5.8%</b>	<b>5.1%</b>	<b>6.7%</b>	<b>6.5%</b>

At Pirelli there are 49 young people older than 15 and under 18 - before birthday - years old (22 in Germany, 13 in Switzerland, 7 in Sweden, 1 in Romania and 6 Brazil), each for training and integration plans, in harmony with local laws.

## DIVERSITY, EQUITY AND INCLUSION

Pirelli is characterised by a multinational context where individuals manifest a great diversity, whose conscious management simultaneously creates a competitive advantage for the Company and a shared social value.

Pirelli's commitment to compliance with equal opportunities, inclusion and the enhancement of diversity in the workplace is expressed in the Pirelli Global Policy "Diversity, Equity and Inclusion". The centrality of the issue for Pirelli also sees DE&I covered in other relevant Group sustainability documents, including the "Code of Ethics" and the "Global Human Rights" Policy. All the above-mentioned Policies have been communicated to employees in the local language and are published on the Company's website, which is available to the external community in several languages. With specific reference to Diversity and Independence of the Board of Directors, please refer to the related Policy called "Statement on Diversity and Independence" published on Pirelli's website, in the Corporate Governance section.

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

In terms of Governance, Pirelli has a Diversity, Equity & Inclusion Manager, who works in coordination with the different corporate functions for their respective competences. Plans and results in the area of Diversity, Equity and Inclusion are discussed and approved in the Sustainability Strategic Committee, a body chaired by the CEO, and are part of the Sustainability Plans and results presented and discussed in the competent Board Committee and then presented, discussed and approved by the Board of Directors.

The Pirelli DE&I Policy reaffirms Pirelli's commitment to guaranteeing a working environment in which each person is treated and treats others with dignity and respect, free from all forms of harassment, abuse, psychological and/or physical coercion and discrimination against individuals or groups by other individuals or groups, committing itself to preventing and intervening to put an end to such behaviour, should it occur.

The implementation of Policy DE&I passes through the active support of Group employees, in compliance with internal guidelines and the tools Pirelli makes available so to:

- take decisions concerning the employment and development of people free from any form of discrimination;

- continue to maintain a high level of sensitivity and awareness in the organisation towards Diversity, Equity and Inclusion issues, including with a view to preventing potential unconscious bias;
- maintain an inclusive and respectful working environment both within Pirelli and in relations with external Stakeholders, free from all forms of discrimination and harassment;
- grant gender pay equity on an equal meritocratic basis, identify gaps and progressively close them, if found, and transparent reporting in this regard;
- bolster of people's motivation through dialogue, participation, services and initiatives supporting psycho-physical wellbeing and work-life balance, including, for example, through flexible working options, the dissemination of a culture of sharing family burdens, the adoption of health support programmes, and support for parenthood.

The Policy details the reporting procedure under DE&I, available to employees as well as to the external community, respecting confidentiality and ensuring non-retaliation. In this regard, one report was received in 2022 concerning discrimination that was found to be well-founded and was resolved to the satisfaction of the reporting person. For further information on the reports received, please refer to the paragraph "Reporting procedure – Whistleblowing Policy".

The centrality of Diversity, Equity and Inclusion in the commitment of top management is also reflected in the remuneration policies. ESG KPIs focused on Diversity & Inclusion were introduced in the Company's **short-term incentive schemes (STI)** in 2022 and specifically targets were set on female hires out of total annual hires. This KPI, broken down in the different geographies, was awarded to the Executive Vice-President and CEO, Deputy-CEO, Region CEOs, Executives with strategic responsibility and Group Senior Management with a weight of 5% of the entire incentive.

In terms of management aimed at fostering equal opportunity, the following practices and activities have been established for years:

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

Also in 2022, among the various initiatives, Pirelli continued the initiative started in 2021 by setting up with Bocconi University a fund called "Pirelli Women Awards" dedicated to supporting university careers of deserving female students, as well as other training initiatives such as those aimed at improving the management of cross-cultural communication provided during the "Plunga" international on boarding programme dedicated to new people hired by the Group.

In 2022, Pirelli also started a journey that will continue in 2023 and that will include a global awareness and training campaign on diversity management and good inclusion practices, aimed at all employees and managers in the Company. In particular, we highlight the DE&I campaign aimed at all Group staff employees, which delivered a series of live webinars called 'Your DE&I Journey' focusing on the importance of an inclusive work environment, cognitive bias, microaggressions, and cultural intelligence.

A new section of the company intranet, named "**Diversity, Equity & Inclusion Hub**", accessible to all employees and dedicated to **awareness-raising and training**, was also inaugurated in 2022. The Pirelli Diversity Hub offers all Group employees an opportunity to enhance their inclusive and diversity culture with reference to the many facets of DE&I. The website's homepage is in English and contains online courses, articles and reading suggestions. The group's affiliates have also developed local language pages for widespread dissemination of content throughout the group.

In 2023, both a targeted **training campaign** for management and DE&I awareness-raising activities in factories will be launched globally.

Pirelli monitors the **level of acceptance and appreciation of diversity perceived by** employees at its organisation, as well as the priority given to the issue of Diversity and Equal Opportunities by employees. In this regard, the new Group survey "Nextyou" was carried out in 2022 (see the dedicated section for details), which included among the various areas the one on 'Diversity and Inclusion'.

This section is made up of dedicated and specific questions, showing the importance given to listening to employees on the subject, in order to better target subsequent awareness-raising and training actions. The level of satisfaction regarding the perceived acceptance of diversity in the work environment is 87%. The survey was carried out in November and the results will be disseminated internally starting in January 2023, followed by the preparation of action plans related to the priorities identified.

Pirelli actively participates in various working groups and growth paths on Diversity, Equity and Inclusion issues. Among these we note:

- The UN Global Compact's Target Gender Equality track, an international track designed to provide companies with the tools to develop more equitable and inclusive businesses.

For more information, please refer to the section "Main International Commitments on Sustainability".

- Participation in the Valore D network, the first business association in Italy aimed at promoting gender balance and an inclusive corporate culture. The working tables and peer learning opportunities organised by the network deepen the concrete and positive impacts of inclusiveness on employees and the community, the definition of improvement plans and targets, and the measurement of Diversity, Equity and Inclusion results.
- The "B20 - G20 Dialogue on Women Empowerment" Working Group, of which Pirelli has signed the "Mind the STEM Gap" Manifesto to support women's access to science, overcoming gender stereotypes.

#### FOCUS: THE FIGURES ON DIVERSITY

**Internationality and multiculturalism** are the distinguishing features of the Group: Pirelli operates in 160 Countries on five continents, and 90% of employees (as at 31 December 2022) work outside of Italy. Awareness of the cultural differences that create the identity of the Company entails displaying the utmost confidence in management of local origin<sup>101</sup>: most of the Senior Managers work in their country of origin, where Senior Managers are those reporting directly to the Executive Vice Chairman and CEO, and Region CEOs and Executives with strategic responsibilities as at 31 December 2022. In order to develop the innovative and managerial potential inherent in multiculturalism and in dealings with different professional environments, the Company promotes the growth of its managers through international mobility: more than half of active Senior Managers in 2022 have in fact experienced at least one experience as expat during their professional experience within the Pirelli Group.

Compared to the total number of employees, in 2022 44 new **expatriates** were recorded, compared with 23 in 2021 and 15 in 2020. Approximately 40% of new departures were to North America. At year-end 2022, the expatriate population totalled 105 persons (vs. 85 in 2021 and 114 in 2020), belonging to 15 nationalities and who moved to 24 different Countries on five continents, of which 19% (compared to 15% in 2021) were women. 45% of the total expatriate population is made up of non-Italian employees.

With regard to the **nationalities of Pirelli employees** as of 31 December 2022, there are 91 present. The following table shows 6 nationalities most present in the total population and the same 6 nationalities calculated in relation to Management positions.

<sup>101</sup> In the most significant locations, represented by Pirelli plants.

## FOCUS: THE FIGURES ON DIVERSITY

SHARE IN TOTAL WORKFORCE		
(as % of total workforce)		
NATIONALITY	FTE	%
Brazilian	6,774	21.7%
Romanian	4,623	14.8%
Chinese	3,766	12.1%
Italian	3,327	10.7%
Mexican	2,963	9.5%
Russian	2,071	6.6%
Others	7,707	24.7%
Grand Total	31,231	100%

SHARE IN ALL MANAGEMENT POSITIONS		
(as % of total workforce) including junior, middle and senior (as % of total management workforce)		
NATIONALITY	FTE	%
Brazilian	194	9.6%
Romanian	40	2.0%
Chinese	78	3.8%
Italian	1,050	51.8%
Mexican	52	2.6%
Russian	10	0.5%
Others	604	29.8%
Grand Total	2,028	100%

With regard to the incidence of women in the various professional categories in the 2020-2022 three-year period, the data show a gradual increase, the number of female executives is growing for the third consecutive year, at 12.2% of the total number of executives (compared to 11.3% in 2021 and 10.5% in 2020); the percentage of women in managerial positions (executives + middle managers) remains substantially stable at 24.5% in 2022 (compared to 24.8% in 2021 and 24% in 2020); the incidence of women in the total number of white collar workers rises to 34% (33.2% in 2021 and 33.0% in 2020); the incidence of women in the blue collar population rises to 10.7% (10.4% in 2021 and 10.2% in 2020); the percentage of women in the total population grows to 14.7% (compared to 14.4% in 2021 and 14.1% in 2020).

For the breakdown of the corporate bodies by gender and Diversity Policies in the “Report on Corporate Governance and Ownership Structure of Pirelli & C. S.p.A.”, within the present Annual Report, paragraphs “Diversity Policies”, “Board of Directors Administration - Composition”, “Board of Statutory Auditors - Composition”.

### WOMEN AS A PERCENTAGE OF THE TOTAL WORKFORCE<sup>102</sup> BY PROFESSIONAL CATEGORY

YEAR	EXECUTIVES	MIDDLE MANAGERS	EXEC+MID MGR (=Tot. Manager)	WHITE COLLARS	BLUE COLLARS	TOTAL
2022	12.2%	26.2%	24.5%	34.0%	10.7%	14.7%
2021	11.3%	26.6%	24.8%	33.2%	10.4%	14.4%
2020	10.5%	26.0%	24.0%	33.0%	10.2%	14.1%

Analysing the **breakdown by gender in terms of employment contract**, the table below shows that also in 2022, a substantial balance was maintained between men and women.

	2022			2021			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
PERMANENT	25,398	4,353	29,751	24,807	4,216	29,023	25,184	4,180	29,364
TEMPORARY	1,250	231	1,480	1,246	183	1,429	857	120	977
AGENCY	51	19	70	225	13	238	159	11	170

<sup>102</sup> The figures include agency workers, amounting to 0.2% of the total workforce in 2019, 0.6% in 2020, 0.8% in 2021 and 0.2% in 2022.

In 2022 the number of **parental leaves** used by Pirelli employees corresponds to 175 for women and 662 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 2022, out of the total number of workers who have completed their parental leave, 86% of women and 99% of men have returned to the Company. Also, in 2022, one year after the maternity and paternity event (begun in 2021), 82% of women and 97% of men are still employed by the company. It should also 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 2021, in the Italian perimeter, as a pilot initiative, an agreement has been signed that provides for a supplement to the provisions of local legislation on parental leave, which allows for a 100% pay adjustment which covers a period of 3 months. The impact of this initiative should be assessed over a three-year time horizon. It should be noted that, with regard to the variable incentive system (STI and LTI), months of maternity and parental leave do not count as periods of absence for the purposes of calculating any bonus.

In the context of gender diversity, Pirelli is particularly attentive to **remuneration equality**, constantly monitoring this issue and publishing the figures transparently for 12 years now.

The countries considered in the analysis at the end of 2022, in line with 2021, were Brazil, China, Germany, Italy, Romania, Mexico, Argentina, USA, Russia, France, Spain, UK, Turkey and Sweden, representing in terms of materiality over 80% of the total workforce subject to the remuneration policy (executives, middle managers and white collars). The pay gaps between men and women are calculated for each country and for the same roles, taking into account the “grade” assigned to each (i.e. the weight given to each organisational position on the basis of different factors) and the statistical significance of each cluster. This methodology of data collection allows for an objective investigation and assessment, taking into account the structural differences of the various local markets and their specific remuneration logic.

Pirelli also made use of a leading consulting firm in 2022 in order to deepen the analysis on the pay gap issue, validating the calculation methodology.

The average of pay gaps between men and women white collars recorded in these countries is equivalent to 4% in favour of women; in line with 2021 and compared with 3% in 2020, also in favour of women; for middle managers, on the other hand, the average pay gap is 3% in favour of men, in line with 2021 and compared with substantial pay parity in 2020. A few examples:

- Italy, which has a difference between average remuneration for men and women of around 4% in favour of women for the white-collar category (compared to 3% in 2021 and 2020, also in favour of women) and 3% in favour of men for the middle manager category (in line with 2021 and

compared to 1% in 2020, also in favour of men);

- Romania, where for the white-collar category there is 2% in favour of women (compared to 1% in 2021 and 4% in 2020 in favour of men) and for the middle manager category there is 7% in favour of men (in line with 2021 and compared to 8% in 2020, also in favour of men);
- Brazil, where for the white-collar category there is a pay gap of 2% in favour of men (compared to 1% in favour of women in 2021 and substantial parity in 2020) and for the middle manager category there is 6% in favour of men (compared to 2% in 2021 and 3% in 2020 also in favour of men);
- Germany, which shows a difference between average male and average female pay of 1% in favour of men for the white-collar category (compared to 2% in 2021 and 2020, also in favour of men) and 3% in favour of men for the middle manager category (compared to 5% in 2021 and 2% in 2020, also in favour of men).

With reference to the population of executives, of which women make up 12.2%, there is an average pay gap of 9% in favour of women (compared to 6% in 2021 and 2020, also in favour of women).

With regard to the population of blue collars, all countries where Pirelli has an industrial presence were analysed. For each of these countries the pay gap between men and women has been calculated. The average, weighted by the number of employees, showed 2% in favour of men. A few examples:

- China has a difference between average male and average female pay of 12% in favour of men, in line with 2021 and compared to 10% in 2020 also in favour of men;
- Brazil has a pay gap of 3% in favour of men, compared to 4% in favour of women in 2021 and 4% in favour of men in 2020;
- in Italy there is a 2% in favour of men, in line with 2021 and 2020;
- in Romania there is a gap of 1% in favour of women compared to substantial pay equity in 2021 and against a 2% in favour of women in 2020.

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

Pirelli's inclusive culture towards **different skills**, as explained in the Pirelli policy on equal opportunities, is implemented by all the Group's affiliates. Under current local laws, in 2022 approximately 1.7% of the total workforce (substantially unchanged from 2021 and down 0.2 percentage points from the 2020 figure) have some form of disability, net of the following considerations: the percentage of differently abled employees in the Company's multinational context is objectively difficult to measure, both because in many countries where the Group operates there are no specific regulations to promote their employment and therefore disability is not automatically

detectable, and because in many countries this information is of a sensitive nature and is protected by privacy laws; therefore, it is likely that the actual percentage of differently abled people working in Pirelli may be higher than the figure indicated above.

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

#### AGE BY CATEGORY AND GENDER

2022					
	Executives	Middle Managers	White collars	Blue collars	Group Average
Women	50	44	37	39	39
Men	51	45	39	38	39
Total	50	45	39	38	39

2021					
	Executives	Middle Managers	White collars	Blue collars	Group Average
Women	50	44	38	38	39
Men	50	45	39	38	39
Total	50	45	39	38	39

2020					
	Executives	Middle Managers	White collars	Blue collars	Group Average
Women	50	44	38	37	38
Men	51	46	39	38	39
Total	50	45	39	38	39

Instead, the following table represents the **average seniority of service per professional category and gender**: also in 2022, there were no significant differences between men and women.

#### AVERAGE SENIORITY OF SERVICE OF EMPLOYEES BY PROFESSIONAL CATEGORY AND GENDER

2022					
	Executives	Middle Managers	White collars	Blue collars	Group Average
Women	18	14	8	8	9
Men	17	15	10	10	10
Total	17	14	9	10	10

2021					
	Executives	Middle Managers	White collars	Blue collars	Group Average
Women	18	14	9	8	9
Men	17	15	10	10	10
Total	17	14	10	10	10

2020					
	Executives	Middle Managers	White collars	Blue collars	Group Average
Women	16	14	9	7	9
Men	17	15	10	10	10
Total	17	15	10	10	10

## REMUNERATION AND SUSTAINABILITY

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

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

- fixed and variable remuneration, both short and medium-long term;
- compensation in the event of termination of employment;
- clawback clauses.

The General Remuneration Policy also describes the process adopted and the stakeholders involved, as well as the voting history.

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

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

Both Short Term Incentives (STI) and Long-Term Incentives (LTI), the Group's sustainability objectives are taken into account in the definition of the Remuneration Policy, in order to manage the impacts on the economy, environment and people, including Human Rights. Management is the holder of the annual Incentive Plan (Short Time Incentive - STI) linked to the achievement of annual economic-financial and functional objectives, in addition to two sustainability objectives identified in the "Eco & Safety Performance Revenues" with a weight equal to 10% of the total and in the "D&I: Women Hiring" with a weight equal to 5% of the total, the latter reserved only for Directors with special powers and/or offices, General Managers, Executives with strategic responsibilities, and Senior Managers. In accordance with market best practices, the impact of the (short- and medium-term) variable component on the aggregate remuneration of each Group Manager is very high, signifying a close correlation between remuneration and performance.

The Annual Incentive Plan (STI) provides, with a view to retention, that for General Managers, Executives with Strategic Responsibility (ESR) and selected Senior Managers, a portion of the accrued incentive equal to a minimum of 25% and a maximum of 50% is deferred for three years. The relevant payment, together with a



company matching component, is conditional on remaining in the company at the end of that period.

For the rest of Management, the Plan provides for a deferred payment to the following year of a portion (25%) of the annual incentive accrued, subject to the achievement of the STI targets for the following year. In return for this deferral, it is envisaged that the portion to be returned will be equal to the amount set aside, where the following year's targets have been achieved between entry level and target, or double the amount set aside, where these targets have been achieved at or above target level.

The majority of Executives whose grade, determined using the Korn Ferry method, is equal to or greater than 20, in line with the variable remuneration mechanisms adopted at international level, are also holders of a multi-year Incentive Plan (LTI), which is totally self-financed since the related expenses are included in the economic data of the Industrial Plan. In 2022, as well as in 2021, a Long-Term Incentive (LTI) cash plan was launched in line with market best practices, based on a rolling mechanism (a new three-year Incentive Plan will therefore be proposed each year), which does not provide for an ON/OFF access condition and with the following targets:

- Net Cash Flow of the Group (before dividends) with a weighting of 40%;
- Total Shareholder Return (TSR) relative to a panel of competitors (TIER 1) with a weighting of 40%;
- Positioning in the Dow Jones Sustainability Index World with a weighting of 10%;
- CO<sub>2</sub> emissions reduction with a weighting of 10%.

As regards the disclosure of remuneration paid during the year, as well as the ratios comparing highest pay and average pay, the Policy, to which reference is made, follows CONSOB guidelines and market best practices.

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 and values, Employer Branding is also a valuable tool to give visibility to job opportunities aimed at recent graduates and profiles with experience, not only in the Italian market but globally. Considering the countries where Pirelli has a presence with one or more production plants, numerous events, projects and meetings were organised in 2022, where the Company promoted its own Employer Branding initiatives. These activities are carried out also thanks to the network of contacts and partnerships with significant universities in the various countries.

In Italy, Pirelli actively collaborates with Politecnico of Milan, Politecnico of Turin, Bocconi University, UCSC Catholic University and University of Turin. The latter Universities

are located close to the Pirelli offices in Italy 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, both physically and virtually.

Over the past few years, among other initiatives, Pirelli:

- has set up with Bocconi University a fund called "Pirelli Women Awards" dedicated to supporting the university career of deserving female students;
- started a collaboration with the MIP Politecnico of Milan for the organisation of the "Master in Sustainable Industrial Management" and the "Master in Sustainability Management & Corporate Social Responsibility";
- has developed a second-level university master's degree "R&D Excellence Next", conceived in collaboration with the Politecnico of Milan, with the aim of training a new generation of innovation-oriented researchers and designers capable of tackling the company's strategic challenges;
- has activated, in synergy with various universities and car manufacturers, a collaboration with the MUNER association (Motorvehicle University of Emilia-Romagna), with the aim of attracting and training the young automotive talents of the future.

Among the channels of Employer Branding used by Pirelli, the web plays an important role: on the website [www.pirelli.com](http://www.pirelli.com), the Company provides a channel dedicated to those wishing to propose their candidacy for specific open positions, as well as giving ample information on the company history, management models adopted, objectives and results achieved. Targeted channels - including the most popular social media and university portals - are also chosen by Pirelli for the publication of its job offers.

## DEVELOPMENT

### PERFORMANCE MANAGEMENT

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

A key element of the process is the transparent, open and agile 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 achieving them.

The main features of the process of management by objective are as follows:

- 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;
- the assessment is based on two dimensions: 'what' (results) and 'how' (behaviours expressed);
- the key behaviours are functional to the achievement of the company's strategic objectives and are the same for the entire company population. The key behaviours are: Accountability, Teamwork and collaboration, Forward thinking, Agility, Cross-functional approach, Initiative and drive;
- the entire process is managed within a platform accessible from all company devices.

As usual in 2022, the process was accompanied by digital training resources focused on the evaluation and feedback process.

The Performance Management process involves all staff worldwide (executives, middle managers and white collars) and in 2022 saw a redemption rate (that is, assessment sheets completed compared to the total number of people eligible) equal to 99.98%, of which the redemption rate for women was 99.94%, while that for men was 100%.

The percentages of completion by level for 2022 are shown below:

Executives	Middle Managers	White collars
100%	100%	99.97%

In support of the quality of the performance evaluations, as part of the process Pirelli includes so-called Calibration Meetings, i.e. meetings attended by the heads of the individual functions, Business Units and Countries, with their respective first reports and the relevant Human Resources managers. During these meetings, the assessments of the people belonging to a specific organisational unit are put into common use with the aim of ensuring a shared and balanced distribution of the evaluations, enrich the assessment by supplementing it with feedback complementary to that of the manager and thus 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).

The Group's population of talent and critical know-how is around 580 people. As far as talent is concerned, the average seniority within the company is 9 years; the strong international connotation represented by as many as 20 nationalities is confirmed.

In 2022, a structured periodic monitoring process of indicators and insights was introduced, shared with senior management, aimed at achieving greater visibility and effectiveness of development and training initiatives in the different corporate functions.

Following the success of the Mentoring programme launched in 2021, a global Mentoring programme dedicated to the youngest segment of the talent population was also implemented. Each of the participants in the initiative, or mentees, was paired with a senior leader in the role of mentor. Mentors and mentees were supported with some training sessions aimed at sharing methodologies and tools to support the effectiveness of the programme. The main objectives of the course were: the transfer of experience and vision between current leaders and the next generation of leaders, the support for the professional development goals of young talent, and the development of greater awareness of corporate culture and context.

#### TRAINING

All Pirelli affiliates have adopted the Learning@Pirelli training model, structured and equipped system to respond to "Group" needs as well as any more specific 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, as well as the training needs that emerge from the contingencies of the socio-economic context.

The year 2022 saw a full resumption of training activities, partially slowed down in previous years due to the health emergency. Especially in 2022, there has been a gradual recovery of the in-person sessions for a large part of the corporate population, recording more than a doubling of the percentage of training hours delivered in this mode. Despite the variety of training topics covered, the focus on health and safety issues, IT security awareness programmes and general professional upskilling activities, including those required by the advancement of the company's digital transformation process, is confirmed.

The four "pillars" on which the Pirelli training model 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 fully managed and implemented in the individual countries to meet the specific local needs, a large part of which is dedicated to training blue collars. This is also accompanied by training programmes organised by Headquarters in the English language to support all colleagues in foreign offices.

### PROFESSIONAL ACADEMIES

The Pirelli Professional Academies target 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.

Despite the specificity of the individual training offerings, all Academies address a number of topics of increasing relevance and across functions and process steps, including, for example, environmental efficiency, health and safety, sustainable supply chain management, risk management and digitalisation of business processes.

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

Every year, the Professional Academies meet with both Top Management and local training representatives with the objective of defining strategic alignment, sharing

achievements and determining the training priorities to focus on in the following months.

During 2022, the process of digitalising training, which had already begun in the pre-Covid era, has continued, leading all the Professional Academies to expand their training offerings, supplementing the traditional training with a portfolio of online courses to be taken in "asynchronous" mode and at the times chosen by the end user.

The investment in the acquisition of already available digital content, typically on cross-cutting and generalist topics, from external providers therefore continued, as did the in-house holding of e-learning courses on highly specialised Pirelli content, which is often less well covered at the peripheral level. This two-pronged strategy has made possible the continuous enhancement of the digital library, the content of which can be accessed at any time by all colleagues with access to the Learning Lab platform, and often suggested as a preparatory activity for participation in "live" courses.

During 2022 the *Professional Academies* at the same time as resuming their in-presence training activities, also continued with virtual training, thus managing more quickly to involve a higher number of colleagues globally. In this regard, mention is made of the important effort made by the Quality Academy and the Product Academy, which held more than half of the total number of courses held during the year for the benefit of colleagues in the foreign offices; also particularly relevant in this regard is the A DAY INTO initiative, organised by each academy with the aim of providing an overview of the main processes and targets of the individual functions and which in 2022 saw at least one international edition of each title delivered, with strong participation by colleagues from foreign offices.

Also continuing in 2022 was the specialised second-level master's degree designed and co-taught by Pirelli and the Politecnico of Milan, part of the *Ready to Develop* programme, launched in 2021 and aimed at R&D professionals. As part of the upskilling initiatives, mention should also be made of the new training offerings dedicated to professionals in the Logistics and Purchasing functions, in line with the evolution of professional and managerial skills considered strategic for the business challenges of the two functions.

### PIRELLI SCHOOL OF MANAGEMENT

The School of Management comprises the training offering dedicated to the development of the managerial culture within Pirelli; it targets the populations of executives, talents, Middle Management/Senior Professionals and recent graduates/Juniors.

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

In 2022, School of Management courses accounted for about 10% of total white-collar training.

The traditional two-year Warming Up course, dedicated to all new graduates of the group, involved over 170 colleagues from 15 countries in 2022 and was enriched with content aimed at strengthening interpersonal skills in multicultural contexts.

As part of the School of Management's offering, the traditional "Plunga" on boarding programme was held in digital format for all new employees in the Pirelli group, involving some 300 colleagues from 23 different countries.

Considering the School of Management's entire training offering, more than half of the courses were organised in English, with the aim of involving more and more foreign colleagues in training programmes dedicated to key behaviour, soft skills and managerial skills.

Also in 2022, the School of Management's training offerings were made available to all white collars within the Learning Lab platform in the form of carefully selected and suggested online digital content to complement the synchronous training programmes, in order to facilitate - right from the end of the in-person session - the learning process on the part of the participants.

For the group's new managers, the traditional annual "Developing Managerial Excellence" course was conducted.

#### GLOBAL ACTIVITIES

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

In continuation of what was started in the last months of 2021, the international awareness-raising campaign on information security issues continued during 2022. The initiative covered about 2,800 hours of training by employees in Italy and abroad through online mini-training pills.

In addition, consistent with the issuance of the "Diversity, Equity and Inclusion" global policy and the definition of a plan of initiatives on a global scale to raise awareness and training on issues of diversity, equity and inclusion, the "Your DE&I Journey" course was launched in the second half of 2022, delivered in both Italian and English, and will continue in 2023. In continuity and consistency with the

corporate strategy of offering more and more English-language training programmes delivered directly by HQ, the skills training programme in the English language continued in 2022, which involved over 160 colleagues from different countries where Pirelli operates, who, distributed into subgroups, participated in language training sessions sharing different views and perspectives.

#### 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. A large part of the training at the local level is represented by the training provided within the plants and mainly dedicated to the continuous updating of the skills of departmental operators. Also within this cluster are all the courses related to the implementation of new regulations or agreements.

#### TRAINING ON SUSTAINABILITY AND CORPORATE GOVERNANCE

Also in 2022, 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 programme "Plunga", which presents the Group's Sustainable Management strategy (including in the new virtual version) to all new employees, starting from the multi-stakeholder approach contextualised 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 in terms of ethics, anti-corruption, Diversity, Equity and Inclusion, Human Rights, Health and Safety, and the Environment.

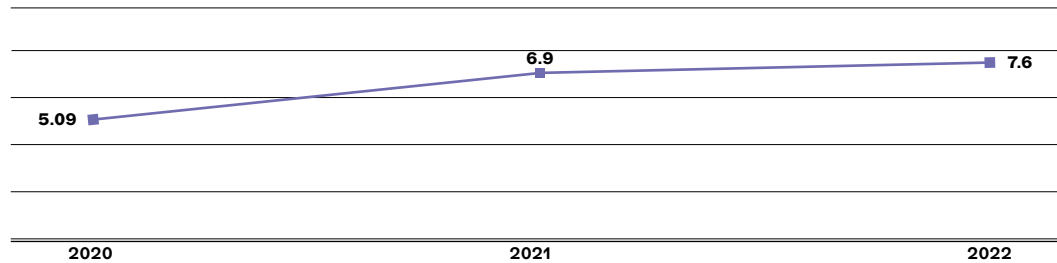
Pirelli's employee training academies, in turn, delve deeply into all areas of sustainable management, e.g. product life cycle or sustainable supply chain management.

Training campaigns are also launched during the year and continuing in 2023 at the Group level with specific focuses, for example, the aforementioned Diversity, Equity and Inclusion Training campaign and the Human Rights Training, which will also involve the supply chain in 2023.

## STATISTICS ON PIRELLI TRAINING

Total training provided in 2022 was 7.6 average training days per capita, up for the third consecutive year. This figure confirms the centrality of training in Pirelli's culture. Among the countries with the highest training investment are Mexico and Romania.

### AVERAGE TRAINING DAYS GROUP EMPLOYEES



The high investment in training in 2022 involved both women and men with approximately 2.2 days more in favour of men, which can be correlated with the clear predominance of men in the blue-collar population, subject to more technical training.

TRAINING DAYS AVERAGE BY EMPLOYEES			
GROUP	FEMALE*		MALE*
7.6	5.7		7.9
	BLUE COLLARS	CADRES - STAFF	EXECUTIVES
	8.6	3.5	1.2

Furthermore, 86% of employees (considering the average workforce of the year) participated in at least one training activity lasting one hour or more during the year. At the same time, there was an increase in the average number of training days per capita undertaken by the blue-collar population, characterised by less than hourly and closely spaced formats.

The investments made for the various categories of the company population (blue-collar workers, middle management and white-collar workers, and executives) are in line with those of previous years and balanced in proportion to the overall training strategies: the strong focus on manufacturing improvement processes in addition to the usual attention to health and safety issues, particularly significant in 2022, explain the larger investments on the blue-collar worker population.

On a global level, the Professional Academies cover the most significant portion (37.2%) of the training activities on the total non-blue collar population; being aimed at training and the continuous updating of technical skills linked to innovation processes and strategic for the company. In particular, with regard to white collar employee training, in 2022 international training campaigns in the areas of Quality and Product were particularly important.

Health, Safety and Environment topics accounted for 19% of the total training, up from 14% in the previous year.

Consistent with the gradual return to in-person training activities, 2022 saw a better balance between virtual and in-person activities, with 43% of staff training hours conducted in-person, compared to just over 27% in 2021.

## LISTENING & ENGAGEMENT

Pirelli has for many years used the climate survey tool for actively listening to its employees around the world, on the basis of which it can set up group and local improvement plans.

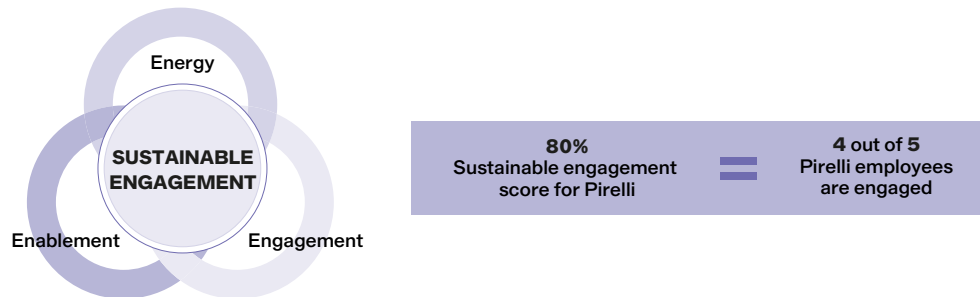
During the years 2020 and 2021, characterised by the Covid-19 health emergency at a global level, the main effort of the company was to keep its employees engaged through the direct and more large-scale use of corporate welfare proposals both of collective type and with new services to support the person, to respond to the specific needs that emerged in this difficult period (see the relevant chapter for 2022 actions).

During 2022, the survey was rebranded, replacing the old name “My Voice” - which referred to the centrality of the employee’s voice - with the new name “NEXTYOU” - strongly connoting the survey as a moment of closeness of the company to its people through listening to their opinions.

The climate survey was delivered globally on the entire White Collar population in October 2022, collecting a global participation rate of 79%, in line with that of the last survey and the external benchmark provided by the specialised international external company that supports the company in this process.

During 2022, the global climate survey for White Collars was revised in content to better focus it on the specific areas of the new post-pandemic employee experience, which is strongly impacted for this population by the new hybrid work arrangements. Central to the survey model is the Sustainable Engagement index, which captures people’s active engagement as well as other additional elements, such as Energy and Empowerment, also predictive of how sustainable engagement is over time. This model is based on the assumption that when a work environment enables individual performance, supports people’s well-being, and employees are engaged, the engagement itself is more likely to last over time leading to positive business results in the long run.

The index consists of 5 questions.



In addition to Sustainable Engagement, the questionnaire also explores employee satisfaction through the following dimensions of employee experience: Purpose, Capability, Wellbeing, Diversity&Inclusion, Empowerment, Trust and Retention. Two final open-ended questions were also provided to collect free comments. The demographics of the survey (Country, Location/Location, Business, Function/Business Unit, Gender, Age, Company Seniority, Organizational Level, Managerial Position, Parenting, Caregiver, Expatriation, Organizational Flexibility) were filled in by employees in self-coding, i.e., it is the individual employee to indicate for each cluster the relevant response, without pre-coded fields.

The overall index of Sustainable Engagement in 2022 is equal to 80% increasing by 4 points compared to the figure of the last survey (2018), thus signaling a positive impact of all actions introduced during the previous years.

This means that “total favorable” responses, i.e., ratings 4 and 5 on a pentenary scale of agreement (from 1 -total disagreement to 5-total agreement) were 80%. The goal is to maintain Sustainable Engagement at consistently high values above 80 percent in the next editions of the survey as well.

Particular importance was given in this survey to the Wellbeing dimension: the category within the questionnaire devoted to these issues (which included Health&Safety, Work-life balance, Stress level, Teamwork and Working support), received an overall global score of 82%.

“Welfare & Benefits” also turns out to be the most commented category overall in the final open question “What do you value most about working here?” with 35 percent of comments globally and 41 percent in Italy, a sign that this area represents a strength of our company, particularly appreciated by employees.

The results will be reported internally in the first quarter of 2023, and following this, specific improvement actions will be identified and implemented, as usual, with respect to the areas of focus identified by the survey, both globally and locally.

Starting in 2022, the survey will take place every two years to enable the identification and implementation of specific improvement actions on the identified focus areas: the next global survey on the White Collar population will then be delivered in 2024. As for the Blue Collar population during 2023, the new questionnaire to be offered in factories during the year will be defined, with the aim of surveying the opinions of the totality of the colleagues working there. The questionnaire will have a centrally defined structure and each country will be given full management of the timing of implementation during the year, according to its own priorities.

Delivery of the Blue Collar surveys will also take place every two years, to allow each country to develop and implement an action plan specific to its factory (or factories).

## WELFARE AND INITIATIVES FOR THE INTERNAL COMMUNITY

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

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 have been implementing the shared guidelines at Group level since 2016, so that all the offices of the world are progressively committed to locally adopting activities, tools and welfare processes aimed at creating collaborative environments and ensuring adequate support for the needs of a personal life.

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

- health, lifestyle and wellbeing (e.g. health care, information and awareness campaigns, specific initiatives to improve the well-being of employees);
- family support (e.g. scholarships and summer camps for employees' children, inter-company crèches and specific activities to support parents);
- free time (e.g. open days, sports and cultural initiatives, online portals of products and services with important conventions and discounts for employees);
- working life and working environments (e.g. flexible working hours, individual development training, cultural growth and group celebrations).

The post-pandemic period has further confirmed the centrality of people's all-round well-being as a qualifying constituent element of the relationship between people and the company, and a generator, like other factors, of motivation and engagement, as well as a strategic lever for attracting and retaining people. Many actions undertaken over the past two years have been confirmed and strengthened. By way of example, we mention the main ones activated in the various affiliates of the group: online courses dedicated to promoting physical well-being, sports activity and a “healthy lifestyles”, such as yoga, pilates, total body workout, mindfulness and -wellness training courses.

In addition, various programs such as the support desk for care-givers and family problems, courses for new parents, actions to support work from home have been activated to support better work-life balance management.

During 2022, the company also increased coordination on the activities of the affiliates, soliciting exchanges and discussions between welfare managers on the topics of

employee wellbeing and engagement through 3 international workshops focused on the three priorities identified as common areas of work at Group level: **well-being, parenting, engagement initiatives**.

On the subject of **well-being**, which is a working priority in the local Sustainability Plans, we cite the following examples:

Italy - a wellness training and stress management course for all employees (called “Smart Living”) and periodic conferences to raise awareness of health prevention and promote healthy lifestyles.

Brazil - Introduction of a Mental Health programme for all employees (called “Plenamente”) with in-person psychological support sessions in factories and online for offices.

Spain and Portugal - Launch of a platform for the promotion of health and well-being (physical, environmental, financial, social and emotional) offered to colleagues and their families, with daily advice and resources of various kinds.

Regarding **parenthood**, Pirelli has always supported its employees' childcare commitments through periods of paid maternity and parental leave even beyond what is provided for by local regulations; specifically, the majority of maternity leave recognized by Pirelli to its employees exceeds 14 weeks. To this are added specific programs to support parenthood such as, facilitations or contributions for access to nurseries, merit scholarships, part-time for specific needs, and training courses for new parents.

To further support new mothers when they return from maternity leave, where required, in addition to the breastfeeding breaks provided by local regulations, Pirelli is going to set up a “lactation room.”

With reference to the new 2022 initiatives in support of **parenting**, the following initiatives are mentioned:

### Italy

- Financial supplement by the company of 70% for the first 3 months of optional parental leave (thus reaching 100% pay);
- The new area on the corporate intranet called “Parents at Work” containing useful information and the various initiatives and services offered by Pirelli to colleagues/parents;
- A training course for new fathers, called “The courage to be a father” and aimed at reflection and empowerment on the aspects of “parenting at work”, in the logic of motivation, development, and improvement of the aspects of person/work integration;
- Two additional days of working from home per month for parents of children under 14 (from 8 days/month to 10 days/month).

### France

- Introduction of the possibility of working full from home for the first month after returning from maternity and paternity leave;

→ Additional leave of 4 to 6 days for children's illness.

#### Switzerland

→ Resolution of December 2022: two additional days of working from home per month for parents of children under 14, starting in January 2023.

In the area of **engagement** initiatives, at several sites company open days for family and friends were resumed after the suspension of activities due to Covid restrictions. At the affiliates there are many initiatives such as Pirelli employee sport teams and awards for those people who have particularly distinguished themselves in the year.

To improve work-life balance and offer employees a greater degree of flexibility, remote and flexible working arrangements between the social partners were formalised in 2022 in most of the countries where Pirelli operates, for example Italy, Germany, Brazil and USA. By way of example, we mention the Working from home Regulations, in place as of October 2022 for employees at the Bicocca Headquarters. The new regulation provides for 8 days/month of working from home, raised to 10 days/month for parents of children under 14, plus 4 days/year. In addition, with a view to fostering a better work-life balance, a new hour flexibility was introduced in May 2022 on a voluntary basis.

### 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 equally active participation on the part of the union and workers. In fact, 79% (an almost constant percentage over the three-year period 2020-2022) of the Group's employees are covered by representative bodies that periodically, with the Company, monitor and address the current issues and awareness and intervention plans/programmes aimed at 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, and with the commitment to reduce social impacts, in all cases of corporate reorganisation and restructuring, workers and their representatives are informed in advance, with deadlines that vary from Country to Country

in full compliance with local legislation, current collective agreements and trade union agreements.

During 2022, there were no rationalisation and/or restructuring operations. In the case of rationalisation or organisational restructuring of the employment level, the company uses tools to minimise the social impact in full compliance with local legislation, current collective agreements and trade union agreements.

The Company proceeded in the year 2022 with the renewal of the collective agreements expiring in Argentina, Mexico and Turkey.

#### 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 fulfill 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 LEGISLATIVE-CONTRACTUAL REQUIREMENTS ON OVERTIME, REST PERIODS, ASSOCIATION AND BARGAINING, EQUAL OPPORTUNITIES AND NON-DISCRIMINATION, PROHIBITION OF CHILD AND FORCED LABOUR

Pirelli's commitment to Fundamental Labour Rights is dealt with extensively in the Group "Global Human Rights" Policy, which describes the management model adopted by the Company in respect of core Rights and Values such as occupational health and safety, non-discrimination, freedom of association, refusal of child and forced labour (firmly condemning the trafficking in and exploitation of human beings in any form), guarantee of decent work conditions in economic terms and of sustainable working hours, protection of rights and values of local communities, refusal of any form of corruption and protection of privacy. The Policy specifies its application to the supply chain. Further references can be found in the "Values and Code of Ethics", the "Human Rights" Policy, the "Diversity, Equity & Inclusion" Policy, the "Global Health, Safety and Environment" Policy, and the "Privacy" 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 Pirelli approach has always promoted compliance with all legal and/or contractual requirements concerning working hours, the use of overtime and the right to regular days of rest. These requirements are often the subject of agreements with trade unions, in line with the regulatory situation in each country. The use of all holiday days, as a right of every worker, does not have any restrictions and the period is generally agreed between employee and Company.

In addition to the trade union dialogue and coordination between the Headquarters and local functions, Pirelli verifies the application of the provisions on the respect of human and labour rights to its affiliates through periodic audits performed by the Internal Audit Department, in compliance with a three-year auditing plan to cover all the Company's sites. Normally every audit is carried out by two auditors and takes around three weeks on-site. The Internal Audit Team received training on the environmental, social, labour and business ethics elements of an audit from central function directors to enable them to carry out an effective, clear and structured audit, granting Pirelli effective control over all aspects of sustainability. Based on the results of these audits, an action plan is agreed between the local managers and central management, with precise implementation dates and responsibilities and follow-up verification.

The auditors carry out verifications on the basis of a checklist of sustainability parameters deriving from the SA8000® Standard and the Pirelli Policies mentioned above. All managers from the affiliates involved in the audits are adequately trained and informed on the audit purpose and procedures by the applicable central functions, in particular Sustainability, Purchasing, Health, Safety and Environment, Industrial Relations, and Compliance.

The non-conformities that emerged as a result of the audits performed in 2022 were the subject of the action plans agreed between the local managers and central management, and will be subject to follow-ups by the Internal Audit Department. It should be noted that in 2022 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 bargaining, and discrimination. As a result, it was not necessary to establish remedial plans and associated corrective actions.

In 2022, the Human Rights Risk Assessment (HRRRA) was updated to identify the geographical areas and production categories most at risk of human rights violations. The assessment was conducted in line with the Company's Enterprise Risk Management (ERM) model and allowed the identification of subsidiaries and suppliers on which to intervene as a priority through the most appropriate mitigation and prevention actions.

For the results of the Risk Assessment and the planned mitigation actions, please refer to what is reported in detail in the section "Respect for Human Rights".

Likewise, please refer to the sections on "Diversity, Equity

and Inclusion" and "Our Suppliers" for a detailed account of the related Governance, and management, activity and performance Model.

#### LABOUR AND SOCIAL SECURITY LAWSUITS

In 2022, 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, representing more than 89% of all the cases in 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 possible extent – including through settlement procedures.

#### UNIONISATION LEVELS AND INDUSTRIAL ACTION

It is impossible to measure the precise percentage of union membership at Group companies, since this information is not legitimately available in all countries where Pirelli has a presence.

However, it is estimated that more than 50% of Pirelli employees are members of a trade union. As to the percentage of workers covered by collective agreement, in 2022 it stood at 79% (aligned with the figure for 2021). This figure is associated with the historical, regulatory and cultural differences between each country.

Even in situations without a collective agreement, the company operates in full compliance with group policies and local regulations and freedom of association.

#### SUPPLEMENTARY PENSION PLANS, SUPPLEMENTARY HEALTH PLANS AND OTHER SOCIAL BENEFITS

The Group has defined contribution and defined benefit funds, with a substantial prevalence of the former kind over the latter. To date, the only defined benefit plans are:

- in the United Kingdom, where the fund relating to the tyre business has been closed to new employees since 2001 for the introduction of a defined contribution scheme (and closed to future accumulations for all active employees as at 1 April 2010), while the funds related to the cable business sold in 2005 were closed to future accumulations in the same year;
- in the United States, where the fund was closed in 2001 (since 2003, it has not been tied to salary increases) for the introduction of a contribution scheme (and only applies to retired employees);
- in Germany, where the fund was closed to new hires from 1982.

Other defined benefit plans exist in Holland and Sweden, but they represent a relatively insignificant liability for the Group.

The Group also maintains various supplemental Company medical benefit plans at its affiliates according to local requirements. These healthcare schemes vary from country to country in terms of allocation levels and the types of coverage provided. The plans are managed by insurance companies or funds created ad hoc, in which the Company participates by paying a fixed amount as is done in Italy, or an insurance premium as is done in Brazil and the United States. For the economic-equity measurement of the above benefits, reference is made to the Consolidated Financial Statements, notes “Employee funds” and “Personnel Costs” within this Annual Report.

The social benefits recognised by Pirelli in favour of employees (including life insurance, invalidity/disability insurance and additional parental leave) are generally granted to all employees, regardless of the type of permanent, fixed-time or part-time contract, in compliance with company policies and local union agreements.

## OCCUPATIONAL HEALTH, SAFETY AND HYGIENE

### MODEL

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”, updated in 2022, makes explicit and confirms Pirelli’s commitment to:

- manage its activities in the field of occupational health and safety protection in full compliance with the applicable international, national and local regulations on the subject and with all the voluntary commitments entered into, as well as in accordance with the most qualified international management standards;
- pursue the objectives of “zero accidents” and “no harm to persons” in healthy and safe working environments, through the continuous identification, assessment, prevention and protection from occupational health and safety risks, the timely removal of potential causes of accidents, and the implementation of staff health surveillance plans in relation to specific tasks;
- support the development of programmes to improve psycho-physical well-being and work-life balance;
- promote consultation and participation of workers and their representatives in matters of health and safety at work;
- develop and implement emergency management programmes to prevent harm to people and the environment in the event of accidents;

- define, monitor and communicate to its Stakeholders specific objectives of continuous improvement of health and safety at work;
- empower, train and motivate its workers to work safely, involving all levels of the organisation in a continuous programme of training and information, aimed at promoting an occupational health and safety culture and ensuring that the company’s responsibilities and procedures in these areas are appropriately updated, communicated and understood;
- actively collaborate at national and international level with institutional, academic, non-governmental, industry bodies concerned with the regulation, study and sustainable management of occupational health and safety issues;
- require its suppliers to implement an occupational health and safety management model at their sites and along their supply chain in compliance with international standards and the laws and regulations of the countries where they operate;
- 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 section “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.

## GOVERNANCE AND RISK MANAGEMENT

The Top Management of Pirelli, supported by the Health, Safety and Environment functions and with the involvement of the functions involved in various ways (including but not limited to the Human Resources, Research & Development, Sustainability, Purchasing, Quality, Manufacturing, Enterprise Risk Management functions) plays a strategic role in the full implementation of this Policy, ensuring the involvement of all Pirelli’s workers and collaborators so that they express behaviour consistent with the values contained herein.

Plans and results are approved by the Board of Directors as well as the reporting in the Annual Report.

In addition to the role of Top Management, the above-mentioned functions and the Board of Directors, the Health and Safety Governance provides for:

- business review meetings at local, regional and global level, which are held fortnightly and have health and safety issues, performance and improvement programmes at the top of the agenda, in order to ensure continuous comparison and monitoring. These meetings involve the cross-sectional sharing of information and include the participation of the Human Resources, Health and Safety functions and Top Management on several levels (local, regional and global), including members of the Executive Board.
- the work of the Central Safety Committee, set up at each

site and composed of the heads of functions including Human Resources, Health, Safety and Environment, and of which the Plant Manager is the coordinator. This Committee, which meets at least quarterly, analyses health and safety issues, directs the actions of the local Excellence in Safety programme and governs its progress. In a co-ordinated manner, various thematic sub-committees are also established, which carry out continuous work in relation to the characteristic themes of the site.

- the involvement of workers' representatives, at the intervals provided for by legislation, collective bargaining and specific requirements, in Health & Safety Committees at each site with the aim of illustrating, on the basis of the Health and Safety Management System, the activities carried out and those planned and to provide the results of workplace risk assessments.

Specific procedures for the **identification, mitigation and management of health and safety risks** are developed in accordance with international standards and reference norms that are applied and translated at each site, integrating compliance with local regulations. The procedures, also developed with the cooperation of the relevant functions, systematically define the requirements for risk analysis, risk management methods, and design requirements to ensure that hazards are reduced at source. Preventive analysis and release processes on new projects are implemented to ensure risk management at all stages of development and implementation of new machines and plants. Such approaches allow the implementation of risk elimination and reduction logics in priority to the mitigation and containment strategies implemented in any case. Procedures are reviewed and updated in the event of regulatory changes, technological or process changes and following the analysis of incidents.

Risk analysis allows the identification of priorities and leads to the definition of risk reduction programmes, actions and targets pursued at each site level, whose implementation and effectiveness are monitored by the specific Central Safety Committees set up at each site. Plans are also defined to respond to emergency situations, which are periodically the subject of specific drills involving all workers. The Management Model also makes use of internal inspections.

Preventive analysis and release processes on new projects are also implemented to ensure risk management at all stages of development and implementation of new machines and plants. Such approaches allow the implementation of risk elimination and reduction logics in priority to the mitigation and containment strategies implemented in any case. Procedures are reviewed and updated in the event of regulatory changes, technological or process changes and following the analysis of incidents.

With reference to the **supply chain**, specific Health and Safety in the Workplace management criteria are applied to all suppliers and are detailed in Article 2.7 of the Pirelli Suppliers' Code of Conduct, which is published on the company website and forms an integral part of purchasing contract clauses, as extensively described in the section 'Our Suppliers', to which please refer for more details.

With reference to the **materials** purchased, Pirelli applies stringent safety and acceptability requirements to raw materials, services and equipment, including these requirements in the contractual provisions. In turn, all chemical substances and products used are subject to prior HSE assessment (see section "ESG elements in the procurement process" of this report) and all equipment is subject to conformity analysis and risk assessment before being put into production. The management of safety in supplier activities on sites is governed by procedures specifying requirements for coordination, prior risk analysis and work authorisation.

#### MANAGEMENT SYSTEM

Pirelli has voluntarily adopted an occupational health and safety management system, structured and certified according to the ISO 45001:2018 Standard, both at headquarters and at all Group production sites. All certificates are issued with ANAB international accreditation (ANSI-ASQ National Accreditation Board - US accrediting body). The occupational safety management system, applied without exclusion to all processes and activities at each production site, has been developed in accordance with procedures and guidelines drawn up centrally in order to consolidate a "common language" that guarantees sharing, alignment and management effectiveness across the Group.

The development and continuous improvement of the management system is conducted both centrally and locally by the internal Health & Safety functions with the involvement of all relevant functions. Improvement is based on the continuous application of cycles of action planning, programme implementation, verification of results and, on the basis of these, implementation of improvement. In particular, in line with the provisions of the management system, Pirelli carries out hazard and risk assessments in order to identify what could cause damage to health and safety in the workplace, with subsequent prioritisation and related targets integrated into action plans. Similarly, actions in preparation and response to emergencies are defined. Progress in terms of prevention and reduction of health and safety impacts against the actions and plans undertaken and targets set is evaluated and measured. Internal inspections are also performed.

In 2022, the coverage of the safety management system (certified according to ISO Standard 45001:2018) and subject to internal and third-party audits is as follows:

COVERAGE OF THE MANAGEMENT SYSTEM	Employees	Agency workers
Number of workers covered by management system	27,421	63
Percentage of workers covered by management system compared to total number of workers	88%	90%

100% of the contractors working at Pirelli sites are covered by a management system (all production sites are ISO 45001 certified).

### SAFETY CULTURE AND TRAINING

The “Zero Accidents Objective” represents a precise and firm corporate position. From an industrial point of view, this objective is pursued through investments aimed at technical improvement of work conditions, while constantly insisting on the cultural and behavioural aspect of all Company players. This approach, together with the involvement and continuous internal dialogue between management and workers, has led over time to a sharp decline in injury rates.

In the pursuit of this goal of zero accidents, through a path of continuous improvement and constant prevention, all leaders are involved and given responsibility and a trend to improve the accident frequency index to pursue through action plans within their sites.

To support this model, in 2013 the company signed an agreement with DuPont Sustainable Solutions for the global implementation of the “Excellence in Safety” programme. The Programme began in 2014 and is being gradually extended to all Group production sites. In 2022, the programme was expanded by adding an in-depth focus on risk assessment.

The most relevant areas of intervention of the “Excellence in Safety” programme are related to improving safety governance, clarity of tasks and roles, empowerment of all workers, improving communication in the organisation, sharing of objectives, motivation with respect to a common strategy: all of these are substantial issues for a work environment that is appropriate and stimulating, where workers feel involved and valued in safety management. Through information, communication and training, everyone is encouraged to report any anomaly and/or unsafe condition in order to encourage participation in continuous improvement and the removal of any potential cause of accidents. All reports as well as actual or potential incidents are handled according to specific procedures aimed at analysing the causes and defining corrective and risk mitigation actions, involving all functions.

In turn, **Training** is an essential tool to support the Group’s culture of safety at work and its Zero Accidents objective.

**19%** of the total training provided by Pirelli in 2022 concerned occupational health and safety issues. Each site designs, plans and delivers safety training with regard to the specific risks present, particular needs for updating and fulfilling regulatory obligations, trends in accident indicators and changes in site activities and processes. The characteristic topics of this training covered general safety concepts including obligations, responsibilities and protection concepts, the treatment of all work hazards present at the site, safety operating procedures, life-saving rules (golden rules), emergency procedures, the aforementioned Excellence in Safety programme and the application of its operating tools, accident reporting and management procedures, and safety procedures and standards for emergency management from Covid-19 (which also covered the year 2022).

In addition to safety training offered locally at every Pirelli location, 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 and safety issues are discussed in detail.

The dissemination of 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.

The year 2022, in continuity with what has been set since the beginning of the Covid-19 pandemic, has seen a particular focus of Health and Safety activities on the management of prevention measures, protecting the health of personnel and ensuring the safety conditions of all Pirelli sites.

All Pirelli production sites are served by occupational medicine units with free access by employees managed by specialised medical and/or paramedical personnel with autonomous management (guaranteeing privacy) of the doctor-patient relationship. These services work in coordination with safety management functions and company management to provide the necessary support for general risk prevention actions and ensure the necessary health surveillance to protect workers. These garrisons do not only focus on occupational medicine issues but also offer health care to all personnel in compliance with local regulations. Also in 2022 in continuity with 2021, support was provided to employees in the particular pandemic context due to Covid-19, both in terms of medical support and assistance (also outside the workplace).

#### 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 performance relative to accidents and illnesses 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, including the different categories of workers (internal and external workers operating at Pirelli sites).

According to the Procedure, when an incident occurs, the site where it occurred immediately carries out an "Incident Investigation" to search for root causes and the immediate

implementation of countermeasures to eliminate the element of risk and/or that caused the incident. At the same time, all establishments have access to information on the most significant accidents or *near misses* and receive a Safety Alert from the HSE-DM system, against which they conduct an internal analysis to verify whether conditions similar to those that led to the accident exist, so that, if necessary, appropriate preventive and corrective actions can be implemented.

The performances reported below are for the three-year period 2020-2022 and cover the same perimeter of the Group's consolidation.

In March 2021 Pirelli presented the 2021-2022 Industrial Plan with Vision 2025 indicating an accident frequency index  $\leq 0.10$  referred to 100,000 hours worked for 2025 (or IF  $\leq 1.00$  if referred to 1,000,000 hours worked<sup>103</sup>).

**The Injury Frequency Index is calculated as the "Lost Time Index Frequency Rate - LTIFR", i.e. considering the sum of injuries with at least one lost working day<sup>104</sup>.**

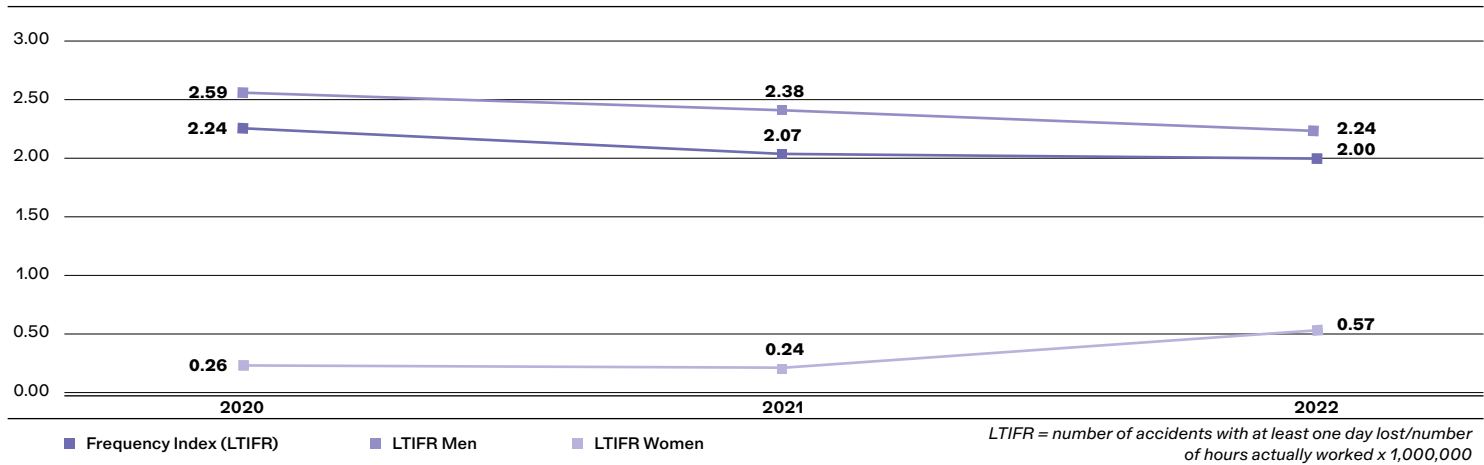
In 2022, Pirelli recorded an LTIFR for accidents of 0.20 when referring to 100,000 hours worked (0.21 rounded up from 0.207 in 2021 and 0.22 rounded up from 0.224 in 2020), or 2.00 when referring to 1,000,000 hours worked (2.07 in 2021 and 2.24 in 2020), a number that decreased substantially in the three-year period. The most representative injuries concern events related to contusions, cuts, fractures and sprains.

The Frequency Index for accidents resulting in an absence from work of more than 6 months in 2022 is 0.05 for Pirelli employees (per 1,000,000 hours worked) and zero for agency workers.

<sup>103</sup> In accordance with GRI reporting standards, the frequency index and the resulting target value is reported with reference to 1,000,000 hours worked.  
<sup>104</sup> Accidents without lost days are not considered in the LTIFR calculation.

For 2022, in line with previous years, the LTIFR value for women is confirmed to be decidedly lower than the value relating to men, partly due 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 LTIFR values by gender over the last three years:

### LTIFR



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

LTIFR INDEX	Europe	North America	South America	Russia, Nordics, MEAI	Asia Pacific
2020	3.18	2.04	2.69	1.31	0.11
2021	2.27	2.63	2.84	1.58	0.11
2022	2.78	1.54	1.88	2.60	0.12

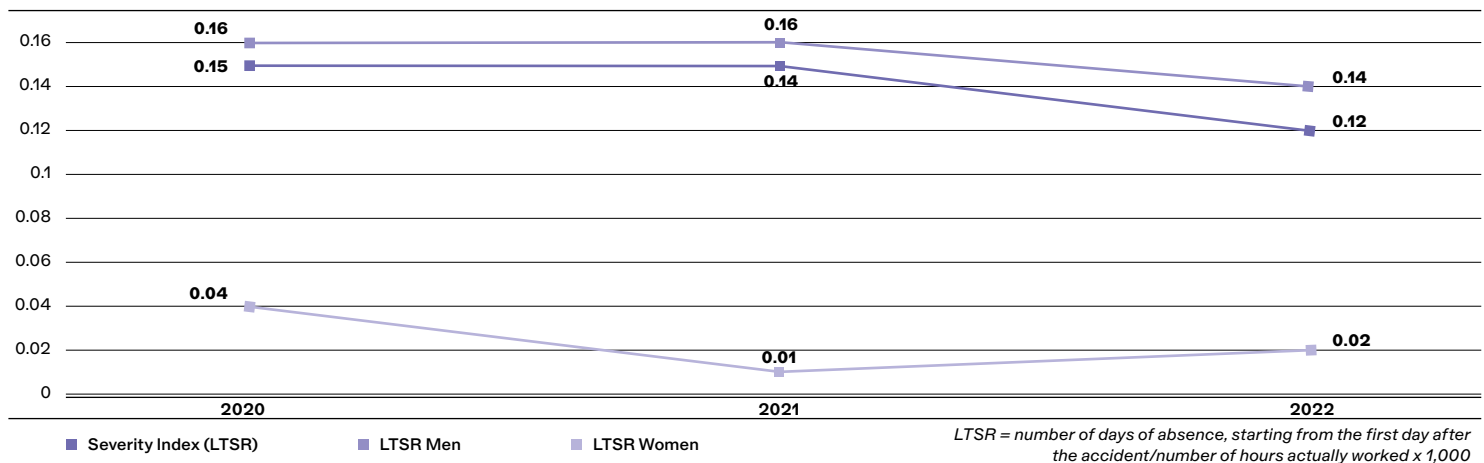
*LTIFR = number of accidents with at least one day lost/number of hours actually worked x 1,000,000*

In the mapping of all hazards and on the basis of the accident trend, the main hazard identified as potentially at risk of accidents with serious consequences relates to mechanical risk, which was the main contributor in the accidents that occurred during 2022. Actions are constantly underway to reduce mechanical risk at source, through investment in machinery safety, and to manage residual risks through the definition of safety operating procedures and continuous staff training.

**The Injury Severity Index, or Lost Time Severity Rate (LTSR)** is calculated by considering the number of days of absence, starting from the first day after the accident / number of hours actually worked x 1,000.

The LTSR Index in the Group in 2022 was 0.12, down 14% from the previous year, with lower severity figures for women than for men.

### LTSR



The table below summarises the distribution of the LTSR Severity Index by geographical area.

LTSR INDEX	Europe	North America	South America	Russia, Nordics, MEAI	Asia Pacific
2020	0.20	0.11	0.20	0.09	0.00
2021	0.11	0.14	0.28	0.11	0.001
2022	0.13	0.05	0.21	0.08	0.01

LTSR = number of days of absence, starting from the first day after the accident/number of hours actually worked x 1,000

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

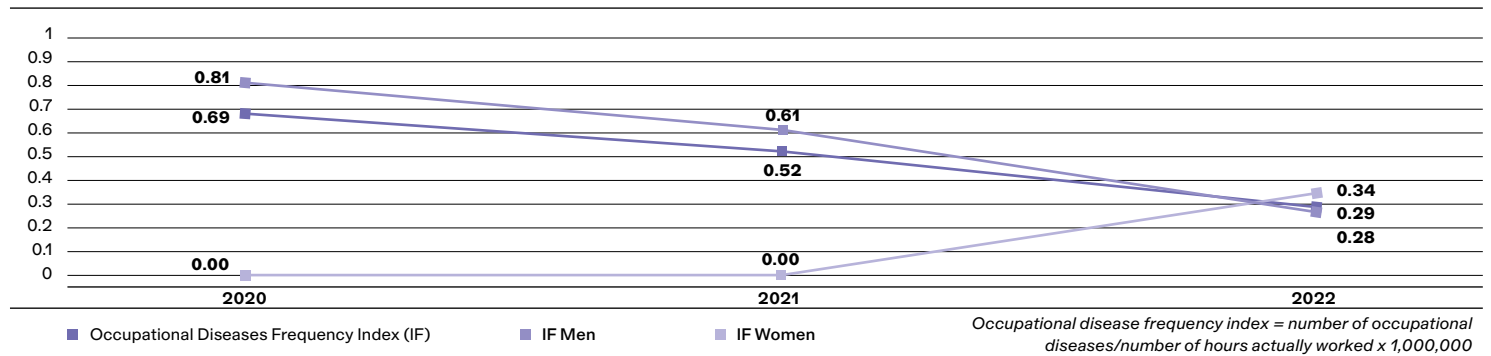
COMMUTING ACCIDENTS	2020	2021	2022
	52	59	129

COMMUTING ACCIDENTS	Europe	North America	South America	Russia, Nordics, MEAI	Asia Pacific
2020	15	3	34	0	0
2021	21	28	10	0	0
2022	29	38	62	0	0

With reference to the Occupational Illness Frequency Index, it is calculated considering the number of occupational illnesses / number of hours actually worked x 1,000,000.

The Occupational Illness Frequency Index in 2022 stands at a value of 0.29, down 44% from 2021.

### OCCUPATIONAL DISEASES FREQUENCY INDEX



There are no activities with a high incidence of occupational diseases. The hazards identified as a potential source of occupational disease determined on the basis of the risk assessments conducted concern the manual handling of loads, exposure to noise and the handling of chemicals. The main types of occupational diseases recorded of Pirelli employees are musculoskeletal disorders and hearing loss. There are no known cases of death due to occupational diseases in the last three years, nor are there any cases of occupational diseases registered in external workers.

The following table summarises the distribution by geographical area of the Occupational Disease Index.

OCCUPATIONAL DISEASE FREQUENCY INDEX	Europe	North America	South America	Russia, Nordics, MEAI	Asia Pacific
2020	0.26	0	2.23	0	0.11
2021	0.04	0	1.85	0.20	0
2022	0.17	0.46	0.63	0	0

Occupational disease frequency index = number of occupational diseases/number of hours actually worked x 1,000,000

Continuous improvement programmes are aimed, with reference to the sources of occupational disease, at increasing the ability to identify ergonomic risk and consequent technological improvement, favouring where possible automation and design integrated with the ergonomic requirements of machines. These actions aimed at reducing risk at source are in any case complemented by training and organisational measures aimed at encouraging safety and prevention behaviour.

With regard to accidents of agency workers, the Frequency Index (FI) is calculated as the “Lost Time Index Frequency Rate - LTIFR”, i.e. considering the sum of accidents with at least one lost working day. The tables below show the number of accidents<sup>105</sup> registered in the last three years and the distribution of the index by gender and then by geographical area.

INJURIES INVOLVING AGENCY WORKERS	2020	2021	2022
Number	3	5	3
LTIFR Agency - Men	2.96	7.75	2.28
LTIFR Agency - Women	0.00	0.00	0.00

LTIFR = number of accidents with at least one day lost/number of hours actually worked x 1,000,000

INJURIES INVOLVING AGENCY WORKERS	Europe	North America	South America	Russia, Nordics, MEAI	Asia Pacific
2020	0	2	1	0	0
2021	0	0	5	0	0
2022	1	0	1	1	0
LTIFR Agency 2020	0.00	46.70	1.11	0.00	0.00
LTIFR Agency 2021	0.00	0.00	13.50	0.00	0.00
LTIFR Agency 2022	7.69	0.00	1.08	47.82	0.00

LTIFR = number of accidents with at least one day lost/number of hours actually worked x 1,000,000

The LTIFR accident index for contractors (employees of suppliers working at the Group's production sites) stands at 0.96 in 2022, slightly down from 2021. Below are the data for the last three years and the distribution by geographical area of the cases.

LTIFR EXTERNAL WORKERS	2020	2021	2022
	1.30	0.97	0.96

LTIFR = number of accidents with at least one day lost/number of hours actually worked x 1,000,000

<sup>105</sup> Calculated on 1,000,000 hours worked; The Lost Time Index Frequency Rate - LTIFR considers the sum of accidents with at least one lost working day.



LTIFR EXTERNAL WORKERS	Europe	North America	South America	Russia, Nordics, MEAI	Asia Pacific
2020	1.77	1.58	1.67	0.00	0.00
2021	1.40	1.03	0.33	1.11	0.00
2022	0.81	2.41	1.09	0.27	0.00

LTIFR = number of accidents with at least one day lost/number of hours actually worked x 1,000,000

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

FATAL ACCIDENTS (AND DEATH RATE)	2020	2021	2022
PIRELLI EMPLOYEES	0 (0)	1 (0.017)	0 (0)
AGENCY WORKERS	0 (0)	1 (1.420)	0 (0)
EXTERNAL WORKERS	0 (0)	1 (0.088)	0 (0)

Death rate = number of deaths / total hours worked \* 1,000,000.

The entire organisation is committed to ensuring that fatal accidents do not occur and reaction and improvement plans are constantly implemented and pursued.

#### FOCUS: ZERO-ACCIDENT REALITY IN 2022

Unit	Industrial sites
Factories	Jiaozuo, Bollate, Bicocca Next Mirs, Breuberg MIRS, Slatina Motorsport
Fitting unit	Didcot, Sorocaba, Palomar, Ibirite, Sao Jose dos Pinhais
Logistics - TLM	TLM Barueri, TLM Santo Andre, TLM Cabreuva, TLM Feira de Santana, TLM Campinas
Other	Elias Fausto HQ

#### HEALTH AND SAFETY INVESTMENTS

In the three-year period 2020-2022, investments in health and safety by the Group exceeded €58 million, of which over €38 million was invested in 2022.

The investments made targeted improvements on machines and plant 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

Pirelli's institutional relations are underpinned by criteria of maximum transparency, legitimisation and responsibility, both with regard to information disseminated in public offices, and to relationships managed with institutional interlocutors in line with the Code of Ethics, the Institutional Relations - Corporate Lobbying Policy and the Group Anti-Corruption Compliance Programme (documents published on 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.

The goal of the Institutional Affairs Department is to create corporate value through the management of structured relationships with reference stakeholders in all the countries in which Pirelli is present.

In the area of institutional relations, Pirelli acts above all via active monitoring and in-depth analysis of the institutional and legislative context, as well as identifying the applicable Stakeholders. The activity of Institutional Affairs also includes an in-depth analysis of the global political and economic dynamics, linked to the development of the main topics of corporate interest, and benefits from collaborations with selected think tanks of international prestige. Among these are the collaborations with the Institute for International Policy Studies, the Institute for International Affairs, the Trilateral Commission and the Aspen Institute.

**At an international level**, Pirelli interacts with the main interlocutors present in the countries in which it operates with its own production sites. When necessary, the Group promotes initiatives directed towards mutual understanding and with the purpose of promoting representation of its values and interests through a strategy based on a clear perception of the industrial objectives and the development of the business. Among the various instruments of "economic diplomacy", in addition to the promotion of bilateral initiatives, Pirelli is active in certain Business Forums, renewing their activities and effectiveness, in particular the Italy-Mexico Business Forum, the Italy-China Business Forum (BFIC), the Italy-Thailand Business Forum, the Council for Relations between Italy and the United States and the Italian-Russian Business Committee (CIIR), currently frozen following the Russian-Ukrainian conflict.

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 2022 with institutional representatives in Italy and abroad. In a context marked by the Covid-19 health emergency, a series of bilateral meetings were held, both virtual and in-person where possible, aimed at deepening the Group's industrial and commercial issues with significant institutional impacts. These included meetings with several representatives of the EU, USMCA, APAC and CSI blocs.

In China, the Group is committed to enhancing relations with local institutional interlocutors, particularly in areas where it is present with industrial sites, such as Shandong Province and Henan Province. During 2022, Pirelli maintained a dialogue with key local institutions on the main areas of interest, especially with a view to improving the quality and efficiency of the tyre industry in Shandong, with particular regard to safety and environmental dynamics. During 2022, Pirelli also strengthened its dialogue with key local institutions on multiple areas of interest and participated in the third Qingdao International Summit, promoted by Shandong Province. In addition, the Jiaozuo plant was awarded an "A" rating for environmental performance, a major recognition that exempts Pirelli from production restrictions during periods when the province's air quality falls below the alert threshold.

In the United States and Mexico, Pirelli is present with industrial and commercial activities, and carries out institutional relations by monitoring legislative and regulatory developments with impacts on the production, import and distribution of tyres in the territory. Pirelli is a member of the following trade associations: United States Tire Manufacturers Association (USTMA), Original Equipment Suppliers Association (OESA), American Sustainable Business Network (ASBN), Public Affairs Council, and Automotive Industry Action Group (AIAG). Within these associations Pirelli is active in promoting strategies consistent with Group sustainability policies, particularly commitments against climate change and in favour of social responsibility in the supply chain. In particular, Pirelli sits on the Sustainability Task Force of USTMA, the Corporate Responsibility Steering Committee of AIAG, the Social Impact Committee of the Public Affairs Council and the Technical Reference Group of the International Sustainability Standards Board (ISSB). In Mexico Pirelli is a member of the Camara Nacional De La Industria Hulera, and in Canada of the Tire and Rubber Association of Canada. Pirelli undertakes to check from time to time that the sustainability positions of the associations of which it is a member are consistent with Group positions. (In the US, Pirelli is not registered for lobbying activities).

In October 2022, on the occasion of the 10th anniversary of the Silao factory, Pirelli announced further investments aimed at increasing High Value production at the Mexican site, in the presence of the local authorities.

Also in Brazil, Pirelli continued to celebrate the country's strong links with Italy, promoting, among others, meetings with institutional representatives at federal and central level. Pirelli also maintains relations with local institutions and associations to protect its industrial sites, distributed among the states of Sao Paulo, Bahia and Rio Grande do Sul. In these states, a series of initiatives are also developed to raise awareness on issues such as urban mobility, road safety, the protection of the territory and social and cultural promotion. In Brazil, Pirelli is associated with and holds the chairmanship of the Board of ANIP (National Tyre Industry Association) with the objective of developing its identity and promoting the interests of the sector in institutional dealings with local governments and the vice-presidency of the Italian-Brazilian Chamber of Commerce,

Industry and Agriculture (ITALCAM). Furthermore, in 2022, in concert with the local state and municipal authorities, Pirelli contributed to the renewal of the road surface of the main access to the Pan-American Circuit. Pirelli participated in numerous events of institutional interest, including the Brazil Investment Forum, the launch of the São Paulo State Economic Development Agenda, and the Italian Film Festival, promoted by the Italian Embassy in Brazil and ITALCAM.

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 addition, Pirelli took part in the Italian Republic Day celebrations at the Italian Embassy and Consulate and in the Istanbul Economy Summit, attended by leading Turkish national authorities.

In Russia, Pirelli promotes dialogue with institutional interlocutors in order to support the Group's industrial and commercial activities in the country and to guarantee continuity in the payment of salaries to factory employees, while discontinuing new investments in the country.

In Europe, Pirelli maintains a constant dialogue with the main institutional interlocutors in the countries where it has manufacturing and commercial operations. Of particular note is the activity in Romania, where during 2022 Pirelli has maintained a constant dialogue with the main institutional interlocutors in order to accompany the **additional** phases of industrial development at the Slatina plant.

Relations with European Institutions are focused on consolidating relations with institutional interlocutors and reference stakeholders, legislative monitoring as well as constant representation of the Group in associations. The ongoing dialogue and discussion with representatives of the European Commission, the Council and the European Parliament covers a wide range of topics of interest to the company. In 2022, the focus was on regulatory and policy developments related to energy, climate, environmental and digital transition, industrial policy, research and innovation, sustainable and smart transport and mobility, technical regulation, internal markets and consumers, international trade and bilateral agreements. Of particular interest is the implementation of policies related to the Green Deal, the strategy for sustainable growth launched by the European Commission at the end of 2019, and the proposals for the circular economy presented by the European Commission during 2022. The monitoring activity also concerned the initiatives undertaken at European level to combat the pandemic crisis and, in particular, the implementation of Next Generation EU, the temporary instrument to stimulate recovery, and the definition by the Member States of national recovery and resilience plans, functional to accessing funding under the plan, as well as the adoption of European emergency measures in response to the energy crisis

and the consequent spike in energy prices. In the various stages of drafting and defining European legislation, Pirelli represents the Group's interests to European stakeholders. Pirelli is listed in the European Transparency Register, established by an inter-institutional agreement between the European Parliament, the European Commission and the European Council.

In **Italy**, the Group continues to interact with a system of relations that involve the main institutional bodies, at both central and local level. The relations with the Ministry of Foreign Affairs and International Cooperation are particularly important in both central and peripheral areas, with which the information activity is constant with respect to Pirelli's global presence to support the enhancement of the interests of the country system abroad. The Group's relations with the Italian Presidency, the Presidency of the Council, the Ministry of Economic Development, the Ministry of Economics and Finance and the Regions of Lombardy, Piedmont and Apulia are also highlighted.

As part of its 150th anniversary activities, Pirelli took part in the celebratory event at the Piccolo Teatro in Milan in the presence of leading local authorities. To mark this anniversary, the Monza Grand Prix, attended by President of the Republic Sergio Mattarella, was named after Pirelli. Confirming the synergy between Pirelli and local institutions, the Pirelli HangarBicocca hosted the Lombardy 2030 event, promoted by the Region, which was attended by a large number of government representatives and leading local authorities.

In 2022, in the presence of the local authorities, Pirelli also inaugurated the new "Digital Solutions Centre" in Bari, the centre for the development of software and digital solutions.

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.

In line with what is set forth in the Code of Ethics, Pirelli *"does not make contributions, advantages or other benefits to political parties and workers' trade unions, or to their representatives or candidates, without prejudice to compliance with any applicable legislation"*. For this reason, there are no contributions in these areas (zero).

For further details on the Financing received from the Public Administration and the amounts disbursed in 2022 to Trade Associations, please refer to the Economic Dimension Chapter, where this information is provided.

## MAIN INTERNATIONAL COMMITMENTS FOR SUSTAINABILITY

The attention of Pirelli to sustainability is also expressed through participation in numerous projects and programmes promoted by international organisations and institutions in the area of social responsibility. A number of the main commitments made by Pirelli worldwide are illustrated as follows.

### UN GLOBAL COMPACT

Pirelli has been an active member of the UN 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 2022, the Global Compact has 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.

Pirelli’s participation in the “Sustainable Finance” action platform is part of this context: 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 mobilising finance targeted at sustainable development. In September 2020, the taskforce published the “CFO Principles on Integrated SDG investments and finance”, which aim to support the alignment of finance and investment practices with the SDGs through the implementation of best practices. In 2021, the “CFO Taskforce for the SDGs” was officially presented during the UN General Assembly, and in 2022, the “CFOs Coalition for the SDGs”, in which Pirelli participates, was launched with the aim of further accelerating progress in aligning corporate investments with the SDGs and linking corporate finance to relevant and credible targets.

Together with the UN Global Compact Italy Network and with the participation of numerous large companies in the Italian market, in 2022 Pirelli also participated in the drawing up of the Position Paper “Sustainable Supply Chain Management: Between Responsibility and Opportunities for Businesses”, a document that enhances the commitment of companies in the management of supply chains from a sustainable perspective, with in-depth studies on the reduction of Scope 3 emissions; the promotion and protection of human rights and decent work; and the management of negative externalities through circular solutions.

In 2022, Pirelli participated in Target Gender Equality, a 9-month international journey involving UNGCI member company networks in more than 45 countries around the world, during which participating companies deepen their understanding of the importance of promoting gender equality, not only for society as a whole, but also for the enrichment of companies themselves. The process began with a performance assessment of the participating companies, after which capacity-building and peer-learning workshops were held to share effective methodologies for measuring results, setting ambitious goals for women’s leadership and building holistic action plans to achieve them. The output of the journey was the drafting of a plan to be implemented to monitor company performance and improve performance. For information on all Diversity, Equity and Inclusion initiatives implemented by Pirelli, please refer to the section “Diversity, Equity and Inclusion”.

### ETRMA – EUROPEAN TYRE AND RUBBER MANUFACTURERS ASSOCIATION

ETRMA is the main partner of the EU institutions for the sustainable development of new European policies for the sector and for their proper implementation. With the institutional support of the Pirelli Group, during 2022 ETRMA carried out intensive advocacy activities, presenting to the European Commission the contribution of the sector in pursuing the Green Deal objectives, highlighting the role of the sector in creating a more environmentally-friendly, safe and efficient mobility. Specifically on the contribution to CO<sub>2</sub> reduction through improved rolling resistance of tyres, improved road safety through new wet grip performance limits also for worn tyres, which also leads to a positive impact on the Circular Economy. The industry is also strongly committed to the development of a robust tyre abrasion test methodology to support the European Commission’s objectives, set out in the new EURO 7 legislative proposal, to mitigate the emission of particulate matter into the environment.

From the outset of the Russian-Ukrainian war, ETRMA has been closely monitoring the impact on the European tyre and rubber industry and sharing those assessments constantly with the European Commission to guide the process of determining the waves of sanctions. The main concern has been with regard to the availability of carbon black, synthetic rubber, steel cord and bead wire. ETRMA has also been monitoring the reduction or suspension of production in Russia by its members, both in relation to tyres and rubber goods in general. The association continued to raise awareness among 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, a labelling system which was fully renewed in 2021; also continuing was the strengthening of the partnership with the national associations of the sector of which Pirelli is an active member.

In 2022, the intensive work of the Digital Mobility Group (DMG) continued to respond to the new technological

challenges affecting the mobility sector (e.g. digitalisation, connectivity, autonomous driving, cyber security) and their impact on tyres and the development of value-added services for the consumer in the Tyre-as-a-Service (TaaS) mode, which requires a particular focus on the methods for managing and exchanging data between the various players in the system, which led to high-level meetings with the European Commission in preparation for the enactment of related legislation.

To monitor and respond to the European Commission's supply chain and sustainable finance impact legislation, the Taxonomy and Sustainable Supply Chain working groups are active with the support of Pirelli. The latter assisted the European Commission in defining the proposed requirements on deforestation and critical raw materials (e.g. natural rubber).

The ETRMA association continues to work alongside the European Commission in defining policies on the Circular Economy with an impact on the sector and continues successfully to promote sustainable practices of producer responsibility for the management of tyres at the end of their life, thanks to which Europe maintains a recovery rate of over 90%<sup>106</sup>, through strong collaboration with the various management consortia present in European countries. ETRMA's (and European) best practices in fact continue to be an international benchmark.

ETRMA maintains a proactive role in the development of cognitive studies regarding environmental issues, e.g. Tyre Road Wear Particles (TRWPs), micrometric particles produced by combined road and tyre wear during vehicle circulation, and health issues, e.g. granulated filler material obtained from end-of-life tyres for sports fields. With regard to TRWPs, ETRMA launched in 2018, with the support of CSR Europe, the "European TRWP Platform", a multi-stakeholder initiative that aims to share the State of Scientific Knowledge (e.g. "Scientific Report on Tyre and Road Wear Particles, TRWP, in the aquatic environment") and to involve the relevant Sectors and Organisations in the definition of policy and of possible actions to mitigate the impacts of TRWPs (e.g. "The Way Forward Report"); in this regard, ETRMA recently launched a study with the objective of mapping and assessing all the solutions available today, in collaboration with the US Tire Manufacturers Association (USTMA), of which Pirelli is an active member. A micro-site was also created<sup>107</sup> to provide information on TRWPs to the general public ranging from root causes to the definition/implementation of mitigation actions, highlighting the multi-stakeholder nature of the phenomenon. The Platform's activities continued in 2022, with a series of stakeholder meetings, which continued to share topics related to the scientific and policy aspects associated with TRWPs. In particular, the Platform hosted the theme of "lessons learnt" from other sectors involved (e.g. textiles) on the

issue of microplastics, a theme with which TRWPs have been associated, and of local authorities' initiatives on these issues, in order to exchange "best management practices" and identify possible synergies. Finally, the Platform's activities were presented by ETRMA at the European SDG Summit 2022<sup>108</sup>, of which Pirelli was a sponsor, through its contribution to the "European SDG Roundtable" Session on "Action-Oriented Dialogue to Mitigate the Dispersion of Tyre & Road Wear Particles in the Environment".

A section in the Environmental Dimension paragraph of this Report is also dedicated to TRWP, to which reference should be made for further details.

#### USTMA - US TIRE MANUFACTURERS ASSOCIATION

USTMA is the association of tyre manufacturers with manufacturing facilities located in the United States. The main USTMA committees deal with regulatory policies for tyre safety and on the environmental impacts of tires in the United States. USTMA also coordinates with ETRMA and TIP (WBCSD) to exchange useful information.

USTMA maintains a proactive role in developing cognitive studies with respect to environmental issues, e.g., Tyre and Road Wear Particles (TRWP). USTMA sponsored a "State of Knowledge" study at the University of Missouri collecting and reviewing key scientific data regarding asphalt modified with granulated filler material obtained from end-of-life tyres (ELT), and made cryo-milled tyre tread (CMTT) samples available to researchers. USTMA has an open dialogue approach particularly with the states of California and Washington regarding planned investigations of the 6PPD substance in tyres and the impacts of the 6PPD-quinone transformation product.

USTMA was active in 2022 with a strategy for end-of-life tyre management. Every two years the association publishes data from ELT markets. USTMA then proposes solutions for the circular tyre economy and convenes stakeholders on the subject.

The association is also active on issues of infrastructure and connected and autonomous vehicles.

USTMA does not have a Political Action Committee (PAC) and does not fund political candidates.

#### MEMA - MOTOR & EQUIPMENT MANUFACTURERS ASSOCIATION

MEMA is the voice of the automotive and commercial vehicle supplier industry in the United States of America. It represents the largest manufacturing sector in the United States. Across the spectrum of innovative new vehicles, from autonomous technologies to zero emissions, vehicle suppliers are leading the way. MEMA member companies conceive, design and manufacture the original equipment systems and technologies that make up two-thirds of a new vehicle's value. Member companies also supply the global replacement service market with the technologies that keep millions of vehicles on the road, driving sustainability and supporting transportation.

<sup>106</sup> Data reported for 2019.

<sup>107</sup> <https://www.tyreandroadwear.com/>.

<sup>108</sup> <https://www.csreurope.org/european-sdg-summit-2021>.

During 2022, MEMA analyzed issues of free trade and tariffs, research tax credits, environmental regulation proposals and green incentive proposals, proposals to strengthen key supply chains for the car industry, and many other topics. Priorities for the association include policies governing vehicle safety, policies on zero emissions and electrification, sustainability, international trade flows, tax policies, supply chain resilience, and workforce and training.

MEMA has a privately funded Political Action Committee (PAC), with no contribution from Pirelli.

Pirelli is also a member of the Automotive Industry Action Group (AIAG), a U.S. association with no lobbying activities, where Pirelli is active in the Corporate Responsibility Steering Committee.

#### WBCSD – WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

Pirelli for years has been a member of the WBCSD (World Business Council for Sustainable Development)<sup>109</sup>. This is a Geneva-based association of about 200 multinational companies based in 8 regions of the world that have made a voluntary commitment to link economic growth to sustainable development. In particular, Pirelli endorses three projects: Tire Industry Project, Transforming Urban Mobility, Future of Work and SOS 1.5.

The Tire Industry Project (TIP), whose members account for approximately 65%<sup>110</sup> of global production capacity of tyres, was founded in 2005 with the aim of meeting and anticipating the challenges related to the potential impacts on health and the environment of tyres throughout their life cycle. The project extends its evaluation activities to raw materials, TRWP (with research activities that have seen the completion of monitoring the impact of TRWP on air quality in the city of New Delhi, India) and nanomaterials.

On the subject of raw materials, the sharing of knowledge and collaboration with ETRMA and USTMA on 6PPD-Quinone continued in 2022.

On the topic of nanomaterials, the TIP initiated the development of a method to simulate and analyse the potential release of nanomaterials during the use phase of tyres. TIP's collaboration with the OECD (Organisation for Economic Co-operation and Development) is also continuing, following the development of a sector-specific guide<sup>111</sup> containing best practices of reference for the research, development and industrialisation of new nanomaterials so as to ensure that the use of any nanomaterial is safe for people and the environment. Also on this issue, TIP supported the OECD by actively supporting the preparation of the guide "Moving Towards a Safe(r) Innovation Approach (SIA) for More Sustainable

Nanomaterials and Nano-enabled Products"<sup>112</sup> (published on 22 December 2020) which includes extremely topical elements, including those related to the emerging Safe and Sustainable-by Design (SSbD) theme, of certain importance for the debate launched in 2021 and carried on in 2022 at the European Commission level.

On the subject of TRWPs, in 2022 TIP continued its activity on the TRWP characterisation methodologies to support their identification and quantification in environmental compartments (air, water, soil), whose results have been shared, as traditionally happens for TIP studies, with the scientific community through various publications in scientific journals with peer-reviewed editorial board and presented at the international conference of the Society of Environmental Toxicology and Chemistry (SETAC, EU May and US November 2022), the Society of Toxicology (SOT, March 2022) and the American Chemical Society (October 2022). In 2022, TIP, also in cooperation with USTMA, went ahead with the definition of a method for the sample generation of rubber particles from tyre treads to support the scientific community with standard reference materials, very similar to TRWPs, to be used for further scientific studies.

During 2022, TIP also finalised and published the update of the "Product Category Rules" (PCR), published in 2018, which are 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 can be comparable among the various manufacturers. With reference to the aggregated sector environmental reports, TIP published the report "Environmental Key Performance Indicators for Tire Manufacturing 2009-2021" which presents the environmental performance related to CO<sub>2</sub> emissions, energy consumption, water withdrawal and ISO 14001 certification of the environmental management systems of the factories where the members of TIP produce the tyres.

During 2022, TIP also continued its activities aimed at the international promotion of best practices on end-of-life tyre management, in terms of valorisation of recovery and reuse as a second raw material, in line with the principles of the Circular Economy. These activities were also supported by the "End-of-life tyre (ELT) management Toolkit" (2021), with the specific objective of supporting the development and improvement of end-of-life tyre management systems, a natural consequence of the analysis presented in the report "Global ELT Management - A global state of knowledge on regulation, management systems, impacts of recovery and technologies", 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.

Following the publication in May 2021 of the "Sustainability Driven - Accelerating Impact with the Tire Sector SDG Roadmap", which is a Sustainable Roadmap for the sector, identifying how the value chain interacts with the UN Sustainable Development Goals (SDGs), TIP is moving forward with its activities taking into consideration the areas

<sup>109</sup> Our members (wbcscd.org).

<sup>110</sup> Tire Industry Project - World Business Council for Sustainable Development (WBCSD).

<sup>111</sup> <http://www.oecd.org/chemicalsafety/nanosafety/nanotechnology-and-tyres-9789264209152-en.htm>.

<sup>112</sup> [https://one.oecd.org/document/env/jm/mono\(2020\)36/REV1/en/pdf](https://one.oecd.org/document/env/jm/mono(2020)36/REV1/en/pdf)

where the sector can contribute most.

This **Sustainable Roadmap** also led to highlighting the need for TIP to evolve through the revision of its mission, organisational and governance structure, The evolution of TIP was guided by a Task Force that led to a broadening of its mission, which now, in addition to reaffirming its founding objectives, aims to anticipate, understand and address global Environmental, Social and Governance (SDG) issues relevant to the industry and its value chain. The organisational structure was expanded with the creation of a new “Action & Engagement” area, which complements the “Research” area, with which TIP aims to target actions on key ESG issues and coordinate interaction with TTAs and stakeholders. Within this area, activities have already been launched on two topics considered key for the sector: “TRWP Impacts Mitigation”, which aims to map all possible TRWP impact mitigation actions and their potential worldwide, and “UN Treaty on Plastics Pollution” (Advocacy Strategy), which aims to participate in the negotiations on the development of the “UN Plastics Treaty”, preparing industry position papers and identifying alternative circular economy solutions.

TIP's dialogue with the leading Tire Trade Associations (TTAs) ETRMA/USTMA/KOTMA/JATMA within the *ad-hoc* Global Dialogue platform continued in 2022, with the aim of sharing the progress and results of TIP's activities and supporting them in interacting with their stakeholders.

The Transforming Urban Mobility project, which brings together international companies from the automotive, auto parts, transportation, oil & gas, utilities and information and communication technology sectors, aims to promote and accelerate the transition to safe, universally accessible and environmentally friendly urban mobility. The project is divided into workstreams to analyse in detail the new trends in future mobility such as electrification and data sharing, as well as a new workstream focusing on commuting as a key element of urban mobility on which companies can make a strong sustainability contribution. Project members will also interface with cities to discuss the most suitable and concrete solutions for each context.

The Future of Work Project brings together leading companies from different sectors to combine their respective insights, innovations and influences to create strategies, business models and develop scalable business solutions to address the challenges that characterise the future of work, i.e. rapid technological change, socio-economic polarisation, changing workforce expectations. The aim is to pursue an equitable, diverse, inclusive and empowering future of work, with the interests of people at its core. For more information on the project and to access the documentation developed to date, please visit the “Future of Work” section of the WBCSD website.

Among the WBCSD initiatives supported in recent years is the signing by the Group CEO of the “CEO Guide on Human Rights”, published in 2019 with the aim of promoting respect for human rights by companies and their suppliers and business partners.

## SOS 1.5 PROJECT

To maintain the world as a safe operating space, we need to keep the temperature rise to a maximum of 1.5°C above pre-industrial levels. Achieving this will require a rapid transformation of systems, to decarbonise on an unprecedented scale, and the private sector has a crucial role to play in the process. Companies must match their climate ambitions with sound implementation strategies to accelerate the systems transformation we need.

The SOS 1.5 project is designed to support these companies to develop the strategy to shift their corporate footprint to net-zero carbon, to collectively identify and remove barriers to a low-carbon economy and to mobilise their value chain in the same direction. Climate risk exposure management (adaptation) is the new project work stream for 2022. The project includes expertise, co-developed orientation and innovative tools and solutions tailored to the maturity level of our members.

Main workflows:

- accelerating the climate journey;
- improving global standards and methods;
- Scope 3 Carbon transparency (Incl. new automotive sector deep dive);
- Climate Value Accounting for Products, Technologies and Services;
- adapting to climate risk and building business resilience (in scoping).

## IRSG – INTERNATIONAL RUBBER STUDY GROUP

Pirelli 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.

IRSG, following the signing in 2019 of a Memorandum of Understanding with the Global Platform for Sustainable Natural Rubber (GPSNR), continued its collaboration to achieve the common objectives with regard to the sustainable production and consumption of natural rubber.

During 2022, IRSG decided to recalibrate the IRSG Model to forecast the demand and supply of natural and synthetic rubber by factoring in new determinants or changes in the industry, as well as risk factors related to climate change.

Moreover, as recommended by IAP members at the meeting held in May 2022, IRSG launched a Scenario Analysis Working Group to discuss the set of variables, which could affect the global rubber supply and growth in demand and any likely scenarios, as well as supporting a better-quality

global strategic dialogue on the future of the rubber economy.

Regarding climate change risks, IRSG promoted a coordinated action with the main R&D organisations dealing with natural rubber (IRRDB, CIFOR and CIRAD) in order to establish a common understanding of the main actions needed to safeguard and sustainably increase natural rubber production, while contributing to climate mitigation goals.

A webinar on ‘Natural Rubber and Climate Change: Towards COP27’ was organised by IRSG, IRRDB, CIFOR and CIRAD in November 2022 to reinforce the message that including natural rubber in the National Determined Contributions (NDCs) and National Adaptation Plans (NAPs) of the governments of producing and user countries represents an opportunity to adopt an integrated approach.

IRSG participated as a member in the launch of the Forest, Trees and Agroforestry Partnership FTAP held in Seoul as a side event at the World Forestry Congress in Korea in May 2022. The FTAP will focus on enhancing the forests, trees and agroforestry contributions to the SDGs. A foresight workshop was held on 23 November 2022 to kick-start a stream of work on foresight, emerging issues and new responses and narratives on forests, trees and agroforestry and more broadly on the world’s landscapes.

#### EU-OSHA – EUROPEAN OCCUPATIONAL SAFETY AND HEALTH AGENCY

In 2022, for the fourteenth 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. In particular, in 2020 Pirelli adhered to the 2020-2022 campaign “Healthy Workplaces Lighten the Load” which is dedicated to raising awareness of ergonomic risks in the workplace and the prevention of related musculoskeletal disorders.

The campaigns in which the Company has participated in recent years include the 2018-2019 “Healthy Workplaces Manage Dangerous Substances” campaign aimed at raising awareness of the risks posed by hazardous substances in the workplace, the 2016-2017 “Healthy Workplaces for all Ages” campaign dedicated to the importance of a sustainable working environment that ensures the health and safety of employees throughout their lives, and the 2014-2015 “Healthy Workplaces Manage Stress” campaign, focused on the issue of stress and psycho-social risks in the workplace, the main aim of which was to encourage employers, managers and workers and their representatives to work together to manage these risks.

#### CSR EUROPE

Since 2010 Pirelli has been a member of the Board of CSR Europe, the leading European network of companies for sustainability and corporate responsibility. CSR Europe supports companies and industries in their transformation and collaboration towards practical solutions and sustainable growth. The goal is systemic change both to achieve the SDGs and to build with European leaders and stakeholders a global strategy for a sustainable Europe 2030.

Pirelli has been supported by CSR Europe in the organisation and moderation of its Stakeholder Dialogues, 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 Activity Roadmap, published on Pirelli website.

For more information on CSR Europe’s many areas of activity, see [www.csreurope.org](http://www.csreurope.org).

#### 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 CO<sub>2</sub> emissions.

In 2022, Pirelli requested the Science Based Targets initiative (SBTi) to upgrade its greenhouse gas emission reduction targets in line with the level that science requires to keep climate warming within 1.5°C, as recommended in November 2021 by the Glasgow Climate Pact, signed after the COP26 (United Nations Conference of the Parties). In May 2022, the new 2025 absolute CO<sub>2</sub> emission reduction targets set by Pirelli for its production processes and supply chain obtained formal validation by the SBTi, which judged them to be consistent with the actions necessary to contain the increase in the Planet’s temperature within 1.5°C. In 2020, Pirelli had already obtained validation by the SBTi of its emission targets that envisaged actions to contain temperatures “well below 2°C”, as indicated by the 2015 Paris Agreement, which were reached at the end of 2021, 4 years ahead of the original deadline.

In June 2022, Pirelli also expressed to SBTi its commitment to the Net Zero standard for the formalisation, within two years, of a long-term target to reduce value chain emissions by around 90% by 2050 at the latest.

In 2021, the Company, together with UNGCN Italy and other major Italian companies, worked on the drafting and launch of the position paper “Italian Business and Decarbonisation: a just and inclusive transition” with the aim of leveraging the commitment of Italian companies adhering to the UN Global Compact on the issue of decarbonisation.

In September 2018, the Company joined the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB), committing to voluntarily disclose information on risks and opportunities related to Climate Change as outlined in the TCFD recommendations.

Over the years, Pirelli has also participated in numerous events and projects such as the Climate Conferences “COP24” in Katowice (2018), “COP23” in Bonn (2017) and “COP22” in



Marrakech (2016), the “Business for COP21 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 “Code of Ethics”, Pirelli provides support to educational, cultural and social initiatives for promoting personal development and improving living standards. The Company does not provide contributions or other benefits to political parties or trade union organisations, or to their representatives or candidates, this without prejudice to its compliance with any relevant legislation.

Since its 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 inclusion through sporting activities for young people.

Pirelli for some years now 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 sections “Planning of UN Sustainability and Sustainable Development Goals” and “UN Global Compact”.

The amount of the disbursements in support of the External Community incurred by Pirelli in 2022 is shown in the section “Contributions to the External Community”, of this report.

#### ROAD SAFETY

Pirelli is synonymous worldwide not only with high performance, but also safety. Together with environmental protection, road safety is the key element of the Eco & Safety Performance strategy that inspires the Group’s industrial and commercial choices. Pirelli’s commitment to road safety takes the form of numerous training and awareness-raising activities, but above all it translates into research and the ongoing application of innovative technological solutions for sustainable transport.

Pirelli’s commitment to road safety passes first and foremost through the product: the tyre is in fact the only part of the vehicle that interfaces directly with the road and as such is a fundamental element of road safety. Road safety has always been a cornerstone of the Pirelli brand. “POWER IS NOTHING WITHOUT CONTROL™” is Pirelli vision of mobility, which combines performance and safety. Structural and material improvements to improve traditional safety performance such as road grip, wet and dry braking, are combined with the most advanced technologies such as RUN FLAT™ and SEAL INSIDE™, which bring road safety to a higher level, allowing you to maintain control even in the most critical moments, such as a puncture.

Pirelli’s commitment to road safety does not stop with product innovations, but also extends to the promotion of the principles of road safety and safe driving through participation in dedicated projects and campaigns.

Bearing witness to this commitment, Pirelli in 2018 joined the United Nations “Road Safety Fund” which aims to support States to reduce the number of deaths and injuries caused by road accidents. The Fund supports the implementation of national plans, as well as concrete actions and projects aimed at improving the safety of infrastructure and vehicles, promoting the correct behaviour of road users and managing the post-accident period efficiently.

Also at Group level, as part of its collaboration with the WBCSD (World Business Council for Sustainable Development), Pirelli participated in the “Transforming Urban Mobility” project, which explores the major trends in mobility (electrification, data sharing and shared services) to promote solutions that are more sustainable and thus safer, cleaner and more efficient. For further details on Pirelli’s involvement in this project, reference is made to the section “WBCSD” of this report.

There are numerous road safety initiatives implemented in the countries where the Group operates.

In Italy, in 2022, the partnership with the University of Milan Bicocca was strengthened and the circle of contacts with neighbouring companies was widened, with whom an informal round table was set up on the subject of mobility management and road safety in the area, issues on which representatives of the city administration are constantly involved. This is also the background to the collaboration with the traffic police, which, together with the Red Cross, the Fire Brigade and a number of local NGOs, organised an in-depth event on the subject of road safety on the occasion of the Day of Remembrance for Road Victims in November. The issue of road safety on mountain roads was explored in depth at the Seminar, organised by the Universities of Brescia and Parma, also sponsored by Pirelli and held in Ponte di Legno in March, while attention to sustainable and safe mobility for children was the focus of the initiative *Siamo Nati per Camminare* (We are born to walk) promoted by the *Genitori Antismog* association with the patronage of the Municipality of Milan and aimed at children in Milan's primary schools.

In the second part of 2022, two important regional and national projects were launched, both with a particular focus on sustainable mobility, understood here as safer, environmentally-friendly, efficient and accessible mobility that strengthens national competitiveness through practical and scalable solutions: the MOST (National Centre for Sustainable Mobility) and MUSA (Multilayered Urban Sustainability Actions). Both are part of the actions envisaged within the PNRR and have a multi-year horizon, but while the MOST is totally focused on sustainable mobility at a national level, the second has a broader scope on the theme of urban regeneration, where mobility is in any case a fundamental aspect but not the only one, and has a local perimeter focused on the Lombardy region and more specifically on Milan. Pirelli in these projects acts on the one hand by contributing to the development of sustainable tyres in terms of rolling resistance reduction, material sustainability and digital integration, and on the other hand by foreshadowing the main characteristics of the city of the future and identifying the mobility services that will enable its increasingly sustainable development. In the United States and Canada, "Tire Safety Week" was organised, a series of initiatives on safe driving that also involved other tyre manufacturers. In the UK, Pirelli made a donation to TyreSafe, an organisation dedicated to spreading education about proper tyre maintenance and the danger posed by defective or illegal tyres.

In 2022, Pirelli continued to invest in various initiatives in favour of road safety education on two wheels. In particular, the commitment focused on collaboration with driving schools for the training and development of practical and safe experience on the road, tracks and off-road. The various initiatives include partnerships with the Enduro Republic, Motorace People, Tutti Pazzi per la Pista and Scuola Motociclismo, as well as the days of free practice on the track organised directly by Pirelli: the Pirelli Trackdays.

Lastly, as in previous years, a section of the website was dedicated to driving tips, for summer and winter, highlighting the important role played by the tyres in the active safety of vehicles and its occupants.

## TRAINING

The promotion of technical education at all levels and training are long-standing 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 Politecnico di Milan, the Politecnico di Turin, Bocconi University and the SDA Bocconi Business School and the Bicocca University of Milan in Italy, the University of Craiova, the University of Pitesti in Romania, the University of Qingdao in China, and the Technical University of Darmstadt, the University of Applied Sciences in Darmstadt and the DHBW of Mannheim, Germany, to name a few.

The Company supports educational and didactic programmes that are able to give less fortunate young people 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 China, Pirelli sponsored 40 scholarships for Science and Technology students of the University of Qingdao. Meanwhile in Turkey, the company supported through the donation of 10 laptops, an institute that helps children in need, the Turkish Education Foundation (TEV). In addition, the company has organised a cafe-library space within the TEV premises for scholarship students. In Brazil, Pirelli supported the Educandario initiative, helping around 750 children and young people.

In Romania, partnerships with the Universities of Craiova, Pitesti and the Polytechnic University of Bucharest concerned the awarding of scholarships and continued during 2022. 2022 was the fifth year of a project at Pirelli Slatina (Romania), involving dual studies in which 48 mechanical and electronics students received a monthly scholarship and did practice sessions at the factory. Pirelli makes monthly disbursements and the scholarships are renewed annually based on results. In the summer the students work in internships at Pirelli, and after graduation they can be hired at Pirelli.

In Spain Pirelli offered space to host a student workshop, where students made a design to build a single-seater racing car, and a motorcycle, to compete in the international race "Formula Student" which saw the participation of nearly 500 teams from all over the world. In Indonesia, Pirelli has worked with local schools to develop skills applicable to work. The company donated funds for the renovation of a primary school, and supported an organisation that promotes entrepreneurship through capital and training.

Pirelli also organised visits for high school students and engineers to the former factory and energy plant. In Russia, the company also hosted student visits.

In Germany, with funds raised by employees and the company, purchases were made of digital devices for kindergarten children, books for the library of a primary school, and a device to promote awareness for children with disability.

In Argentina, Pirelli's experts gave lectures in local technical

schools on safety in the workplace and how to get a job, with the participation of more than 250 students. Pirelli also gave a training course on vocational training guidance for the community. Finally, the company made a donation of 111 chairs to a local technical college.

In the United States, Pirelli contributed to the Rise & Thrive project of the local Chamber of Commerce in Rome, Georgia, which aims to develop skills applicable in the local industrial fabric.

In Italy, during 2022, the Percorsi per le Competenze Trasversali e per l'Orientamento (PCTO) project continued in Settimo Torinese. The project involves classes from chemical and technological high schools in the area and aims to accompany the students belonging to the classes involved, 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 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.

Pirelli continued its collaboration with natural rubber supplier Kirana Permata in Indonesia to train natural rubber farmers on sustainable farming methods, preserving and prolonging the life of hevea trees. In addition, the collaboration concerned the provision of scholarships for the children of these farmers. The beneficiaries of the projects were approximately 90 farmers and 80 students.

## SPORT AND INCLUSION

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.

Since 1997, Inter Campus has developed social, flexible cooperation and long-term actions, in 30 countries around the world with the support of 300 local operators, using football as an educational tool to offer needy boys and girls aged between 6 and 13 the right to play.

Since 2008, Inter and Pirelli, along with a local partner, have been running the Inter Campus social project in Slatina, Romania. The sports and recreational activities are organised for the entire year, involving over 100 children from different social contexts who have been learning team spirit, social integration and the values of friendship through football for years.

Since 2012, Pirelli and Inter have replicated the experience of Inter Campus in Mexico: Inter Campus Silao, near the Pirelli factory, inaugurated by President Felipe Calderon, involves about 120 children from the area. Following the pandemic,

sporting activity resumed with much enthusiasm on the part of the participants.

In Russia, Pirelli organised sports activities for children from three orphanages in the Voronezh area.

In France, Pirelli contributed to the Special Olympics in support of activities for athletes with disabilities.

In Brazil, Pirelli supported football, volleyball and judo programmes, and sponsored karting lessons for 80 youngsters. The Seci Social football programme in Santo André involves some 532 children in after-school activities. As a matter of interest, music and dance activities are also available. Meanwhile judo classes were held online due to the pandemic involving more than 1400 children.

In the United States, Pirelli sponsors a football programme at the YMCA in Rome, Georgia, while in Germany Pirelli has supported a jump rope team for participation in the European Championship in Bratislava. The company in Germany also donated sports equipment to the primary school in Sensbachtal.

## SOCIAL SOLIDARITY

The responsible approach taken by Pirelli to involvement and inclusion takes the form of social solidarity activities worldwide. The pandemic has severely affected millions of people around the world.

In Spain, Pirelli made a donation to the NGO Caritas Catalunya to support about 18 families for about three months. In addition, the Company supports the Santa Clara Convent Foundation, which manages programmes that provide food to needy families. Pirelli has made a warehouse available for the storage of food for the needy.

In Moscow, Pirelli since 2015 has contributed to the "Chance" project, which provides private lessons to about 600 orphans from various orphanages. In Kirov, Pirelli donated funds and chairs to the Nadezhda orphanage, and in Voronezh Pirelli gave gifts to the elderly, support to motherless children, and support to the orphanage in Anna.

In Romania, Pirelli participated in a fundraising event for the Parada Foundation to support homeless children. Social and cultural activities for the Slatina community continued in 2022, such as the street food festival and local charity markets.

In China, Pirelli supported 32 orphaned and/or impoverished children in Yanzhou. In Indonesia, Pirelli made a donation to support 70 elderly people for a year. In Turkey, Pirelli donated tyres for the service vehicle of the Association of the Disabled, and supported an institute that fights discrimination against people with Down syndrome.

Meanwhile, in Germany, Pirelli made a donation to "Aktion behindertes Kind" to support the Finkennest youth home for children with disability.

In Brazil, Pirelli supported several social solidarity activities: “Aprender Brincando”, an after-school project with activities for 200 children (run online during the pandemic); “Servico de Convivencia Meninos e Meninas”, also an after-school activity involving 50 children; and “Projeto Guri”, an important musical activity involving more than 290 children and young people.

In Mexico and the United States, donations were made to the non-profit organisation United Way and the local government, a new after-school project in Puerto Interior in Silao, near the Pirelli factory. The initiative, called “Rodando Juntos por la Niñez”, involves about 200 children from the disadvantaged population, aged between 6 and 12. The children are offered workshops divided into five areas: socio-emotional, educational reinforcement (to resume the teaching lost in the Covid-19 era), hygiene and health, environment, and life projects (to stimulate the children to set short- and long-term goals and learn discipline and decision-making).

Also in Mexico, Pirelli, facing an emergency following an increase in stray dogs, created a kennel adoption service. A team of Pirelli volunteers took care of collecting the dogs, their hygiene and vaccinations, and an adoption programme with local families. The project was a great success.

Pirelli also contributed to emergency response activities with a donation to the Jiaozuo Red Cross in China, with the Fucheng Sub District Office, Zhongzhan District. In Indonesia, Pirelli donated funds for the rehabilitation of a road following a landslide. Also in Germany the company supported a local fire brigade initiative for aid to Ukraine, and in the UK Pirelli supported the NGO Homes for Ukraine. In Romania, Pirelli employees made a fundraiser and donation through the Red Cross to support Ukrainian families affected by war.

In March 2022 Pirelli donated €500,000 to help Ukrainian refugees affected by the war, supporting UNHCR and the Italian Red Cross, as well as promoting a collection campaign among its employees.

## HEALTH

It should also be mentioned that in Brazil Pirelli supported the Pequeno Principe paediatric hospital and the Casa da Crianca Paralitica, an institute that offers free rehabilitation treatment for children with physical and neurological disabilities.

In Turkey, Pirelli employees ran a marathon to raise funds and donate them LOSEV, a foundation for children with leukaemia. In Indonesia Pirelli donated vitamins and kits to fight malnutrition and support the growth of children. It also helped with the collection of blood donations.

In the UK Pirelli has dedicated many donations to health initiatives, such as Hospice at Home, Birmingham Children’s Hospital, Cancer Research UK, Eden Valley Hospice Light Up A Life, Prostate Cancer UK, Alzheimer’s Society, Derby & Burton Hospitals’ Charity, Parkinsons UK, and Rainbow Children’s Hospice.

## ENVIRONMENTAL INITIATIVES

In line with the company’s vision of sustainability, Pirelli supports various environmental projects around the world.

In Mexico, Pirelli coordinated a “*llantaton*” (a “tyre-a-thon”), i.e. the collection of about 13,000 end-of-life tyres in the municipality of Leon, to promote local hygiene. The collected tyres were used as fuel for cement factories.

Reforestation is a core value for Pirelli. In Mexico, Pirelli renewed the agreement with the Institute of Ecology of the State of Guanajuato to care for an additional 10 hectares, for a total of 50 hectares, in the “Cuenca de la Esperanza,” a protected area. Over the years, Pirelli has been responsible for planting more than 35,200 native trees in the area.

In the US, Pirelli partnered with The Nature Conservancy and Berry College in Rome, Georgia, to restore the Longleaf Pine species to the local mountains. Pirelli also made a donation to the Coosa River Basin Initiative.

In Indonesia, Pirelli employees collaborated with the NGO Massal and the Subang district government to replant 200 trees. Pirelli also collaborated with the Sea Turtle Conservation Group in Sukabumi to adopt 400 sea turtles, which were then released into the sea.

Furthermore, in 2022, Pirelli’s commitment, in partnership with BMW, continued alongside Birdlife International for the long-term production of sustainable, deforestation-free natural rubber in Indonesia. The initiative involves part of the rainforest area of Hutan Harapan (Sumatra Island) and will be developed through a series of initiatives aimed at improving the livelihood of the indigenous community, preserving a deforestation-free area of 2,700 hectares and protecting endangered animal species. The various activities will be carried out in line with the objectives of the Global Platform of Sustainable Natural Rubber (GPSNR). For more information, please refer to the chapter “Sustainability of the natural rubber supply chain”.

## CULTURE AND SOCIAL VALUE

The internationality of Pirelli also emerges from a love for culture, with initiatives that again in 2022 found a place in a number of countries around the world. The attention to culture, and even more the commitment to preserve it, spread it and enhance it, are part of the DNA of the creation of social value.

In Italy, the company’s commitment to activities that generate value for the territory is demonstrated by its numerous and consolidated partnerships with prestigious national and international cultural bodies and institutions: in particular, in the world of art, culture and history with FAI (Fondo Ambiente Italiano), Premio Campiello and Fondazione Isec - Istituto per la Storia dell’Età Contemporanea; in the world of theatre with Piccolo Teatro di Milano, Teatro Franco Parenti and Teatro No’hma Teresa Pomodoro; in the world of music, with Fondazione del Teatro alla Scala, Orchestra da Camera Italiana, Orchestra Sinfonica G. Verdi Symphony Orchestra, the Portofino International Opera Competition, the Ravenna Festival and the MITO SettembreMusica Festival.

In the field of music, Pirelli sponsors the Mozarteum project in Brazil, in which major international classical music orchestras participate. In 2022 the concerts were also broadcast online. Also in Sao Paulo, Pirelli in 2022 sponsored the Museum of Modern Art, one of the most important museums in Latin America, and the Pinacoteca de Sao Paulo. Still in São Paulo, Pirelli will be sponsoring plastic arts workshops for the elderly, social institutions, students and teachers in 2023, courses aimed at restoring manual skills and dignity following the pandemic. Pirelli also supports the Em Busca da Infancia Prometida project, an arts education programme for teachers in children's schools. In 2022, Pirelli also sponsored a festival for motorcyclists with music and art events, as well as sponsoring the Italian Film Festival in São Paulo.

In Germany, Pirelli supported a musical night of the Verein zur Forderung der Kirchenmusik in Michelstadt and in the US, Pirelli supported the Rome Symphony Orchestra.

### 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 enhancement of its corporate culture through initiatives with a strong social and cultural impact, exhibitions, as well as in collaboration with other cultural institutions. During 2022, as the health emergency situation continued, the alternation of digital and in-person activities continued, with short periods of closure of exhibition and archive spaces in the first period of the year only. The year 2022 was especially dedicated to the company's 150th anniversary celebrations. Among the main ones, the following are worth mentioning:

Publishing project "Una storia al futuro. Pirelli, 150 anni di industria, innovazione, cultura" (A History Aimed at the Future. Pirelli, 150 years of industry, innovation, culture"

The book is a multi-voice account of Pirelli's main technological innovations and the protagonists of the company's research world. The book, published by Marsilio in Italian and English versions, includes contributions from representatives of institutions, including the former Minister of Universities and Research Maria Cristina Messa and the rectors of the Polytechnic Universities of Milan and Turin, Ferruccio Resta and Guido Saracco, from great Italian authors, such as Bruno Arpaia and Ernesto Ferrero, and international authors, such as Ian McEwan, Geoff Mulgan and David Weinberger, as well as protagonists from the worlds of architecture, music, culture and journalism such as Renzo Piano, Salvatore Accardo, Giuseppe Lupo and Monica Maggioni. The book is also enriched by an iconographic and documentary apparatus from the company's Historical Archive and by an unpublished reportage on innovative and sustainable raw materials and materials in the Research & Development laboratories of the Pirelli Headquarters in Milan Bicocca commissioned to photographer Carlo Furgeri Gilbert.

"Pirelli, When History Builds the Future" exhibition at the Pirelli Foundation

The exhibition set up in the Pirelli Foundation documents the company's history of research and innovation: from technical know-how, which has its roots in the tests conducted in sporting competitions "from the track to the road", to the activities of heritage enhancement, passing through the technical documentation relating to the design and development of products and machinery displayed in a new area of the Historical Archive. The multimedia installation "Inner Future", curated by NEO [Narrative Environments Operas], and the report "Shapes, Patterns, Movements and Colors" by Carlo Furgeri Gilbert complete the narrative by offering a glimpse into the future. The exhibition also has a digital development at [pirellibuildsthefuture.org](http://pirellibuildsthefuture.org).

Triptych of coins and commemorative stamps

In January, the Poligrafico e Zecca dello Stato and the Ministry of Economy and Finance presented the Stamp Collection 2022, which also includes a triptych of commemorative gold and silver coins dedicated to the Pirelli Group in the "Eccellenze Italiane" series of its catalogue. A stamp dedicated to the company was also issued on 28 January 2022 as part of the thematic series "The Excellence of the Production and Economic System".

Travelling exhibition "Pirelli, tales of enterprise. 150 years of history between passion and innovation"

In collaboration with the Communications Department, the Pirelli Foundation created an exhibition itinerary, with digital development, for corporate markets abroad. Among the countries that have realised the exhibition route for initiatives dedicated to the domestic, business, cultural and institutional community, in company premises or at museums, embassies, consulates, are Brazil, China, France, Spain, Switzerland, USA and the UK. The exhibition was also set up for the launch of the Pirelli Diablo 4 Corsa, organised by the Moto BU at Mugello, and was also shown in the Pirelli Pzero Experience Lounge (WW).

Digital projects for the leveraging of historical heritage and corporate culture

The expansion of digital tools and the schedule of communication activities continued, in order to reach an increasing number of users. The graphic restyling of the [fondazionepirelli.org](http://fondazionepirelli.org) website has been designed and completed, and new sections have been implemented dedicated to the virtual tours of the Pirelli Foundation, the Bicocca degli Arcimboldi and the "Storie del Grattacielo" exhibition. The [fondazionepirelli.org](http://fondazionepirelli.org) website, together with the other digital projects, were visited a total of 102,208 times (+4.4% vs. 2021). The chatbot on the website's home page underwent a graphical overhaul. The monthly issues of the newsletter "Fondazione Pirelli e-news" reached an average of about 3,000 contacts. The "Foundation Recommendations" section of the website was implemented with the publication of 97 book reviews. In the

context of digital projects dedicated to the promotion of reading, it is also worth mentioning the reviews and video interviews published on social channels and Vimeo for the “Premio Campiello 2022”, an initiative sponsored by Pirelli (post coverage: 39,464). The social accounts of the Pirelli Foundation (Facebook, Instagram, Twitter) have reached 14,777 followers (+ 4.5 vs 2021), with a total coverage of 21,714,978 (+ 389.2% vs 2021). What was produced was 1,173 pieces of content, including 145 stories. The published videos reached a total of 655.7K views on the Facebook platform and were also channelled through the Vimeo channel, which totalled 4,584 views. Also in 2022, the Pirelli Foundation contributed to the implementation of editorial plans for the Pirelli Corporate channels.

#### Reading Promotion Initiatives

- As part of the sponsorship of the Campiello Prize, the **first edition of the Campiello Junior Prize**, an award for Italian works of fiction and poetry for children, came to an end and the **second edition** was launched, with the introduction of two separate categories: children between the **ages of 7 and 10** and children between the ages of **11 and 14**. Between March and April, two events were organised to promote the three finalist authors of the first edition of the Prize and interviews were conducted and published on the Foundation’s social channels. On 6 May at H-Farm, in Roncade (TV), the winner of the Prize was announced: Antonella Sbuelz with the novel “Questa notte non torno”, published by Feltrinelli. On **16 December, the selection of the two finalist trios** for the second edition of the Campiello Junior Prize took place live via streaming from the Pirelli HQ Auditorium.
- **Pirelli corporate libraries**: the combined **library holdings** of the Bicocca and Bollate libraries now exceeds **9,000 catalogue titles**; the Bicocca library recorded over **1,400 loans**, more than **2,000 movements** in total and about **600 users** registered between the two libraries. The **BibliNews** newsletter, with reviews and regular updates on books and libraries, reaches around **330 subscribers**.

#### PIRELLI EDUCATIONAL FOUNDATION: EDUCATIONAL AND TRAINING PROJECTS FOR STUDENTS AND TEACHERS

- Educational workshops aimed at primary and secondary schools: the courses for the second quarter of the 2021/2022 school year and the October-December 2022 period involved a total of **over 3,320 students** and **over 220 teachers**. In the first part of 2022, teaching activities continued mainly in digital mode, while in-person visits to the Pirelli Foundation headquarters also started again in September. On 19 September, the 2022/2023 educational programme “Quando la cultura fa il pneumatico” (“When culture makes the tyre”) was presented and in-person and virtual tours were organised for teachers, with a total of **around 70 people** registering. Where requested and subject to an agreement, training credits were recognised under the PCTO - Percorsi per le Competenze Trasversali e l’Orientamento (Courses for Cross-Competencies and

Orientation). **Co-operation with colleagues in the Research and Development Department** for visits to experimental and chemical laboratories was reactivated. In addition, more than **200 teachers** attended the 10th edition of the **training and refresher course** for entitled “L’Italia tra declini e rinascite. Una storia economica” (“Italy Between Decline and Rebirth. An Economic History”), organised in collaboration with Fondazione Isec and Cinema Beltrade.

- Projects aimed at **universities** and **graduate schools**: in 2022 about **130 students** took part in workshops organised by the Pirelli Foundation with specific focuses: technological innovations related to tyre production, business history, advertising graphics. The institutions involved were: Politecnico of Milan (Architecture and Design Faculty), University of Milan-Bicocca, Raffles Milano-Istituto di Fashion e Design, Darmstadt Technical University (Germany).
- Other projects in the educational field: - support for the **National Chemistry Competition** at the Molinari Institute in Milan and guided tours of Pirelli’s chemistry laboratories, the Pirelli Foundation and Headquarters **for 36 teachers from all over Italy**; - participation in the **10th Festival of Innovation and Science** in Settimo Torinese with the talk *Pirelli e il nostro futuro sulle strade. Mobilità sostenibile, pneumatici innovativi e sicurezza stradale (Pirelli and Our Future on the Road. Sustainable mobility, innovative tyres and road safety)*, meeting dedicated to secondary schools (**74 participants**); - *Parole in viaggio. Un gioco che parte dalla scuola (Words on the road. A game that starts at school)*: on the occasion of the **21st Corporate Culture Week**, an event dedicated to students aged 10 to 14 on the theme of reading was organised in the Pirelli HQ Auditorium (**155 participants**).

#### Initiatives to promote corporate culture

More than 2,100 people took part in online and in-person activities dedicated to promoting corporate culture in 2022, including: - Museocity with the online game “Back to Bicocca. Pirelli and the places of industry”; - Trento 2022 Festival of Economics, with the presentation of the book “Una storia al futuro” and the performance of the musical piece *Il Canto della Fabbrica* by the Italian Chamber Orchestra conducted by Maestro Salvatore Accardo; - 21st Corporate Culture Week, with guided tours of the exhibition *Pirelli, When History Builds The Future*; - Bookcity with the event *Una storia al futuro. Racconti d’impresa tra ricerca, innovazione e cultura (History aimed at the future. Tales of business between research, innovation and culture)*, at the Corriere della Sera Foundation; - Archivi Aperti, with guided tours and workshops for children. Also in 2022, the Foundation supported the P Lunga training course, organised by the HR Department.

Lending of materials to the external community, historical and iconographic research and production of editorial content to support the brand

There were 145 requests relating to the setting up of plants, fairs, events, Pirelli offices in Italy and abroad, loans of

materials for exhibitions and publications edited by other institutions, historical videos and documentaries, interviews, theses by scholars and researchers.

Among the main ones:

- for **trade fairs, events, offices and factories**: new fitting out of the **Cycling factory in Bollate**, fitting out of the offices in the **Campinas factory in Brazil**, the **Pirelli offices in Atlanta, Yanzhou** (China) and the new **Digital Solution** headquarters **in Bari**; the Pirelli stand at **MIMO** (Milan Monza Motor Show), **Tyre Fair Cologne, Eurobike, Autopromotec** in Bologna.
- for **exhibitions**: participation in the **27th Edition of the ADI Compasso d'Oro Award** and the related exhibition at the **ADI Museum in Milan** with the project "Storie del Grattacielo" ("Skyscraper Stories"); "**Motion. Autos, Art, Architecture**" at the Guggenheim Museum Bilbao; "**Italy and the International Graphic Alliance. 25 charts from the 1900s**" at the Magazzino delle Idee in Trieste; "**Ovunque è Legnano. Da Legnano al mondo su due ruote**" (Everywhere is Legnano. From to the world on two wheels" at the Fratelli Cozzi Museum; "**Antonio Bassanini Constructor from the 1900s** at the ADI Design Museum in Milan.
- for **publications**: the **catalogue** of the exhibition "**Donne in equilibrio**" ("Women in Balance"), produced by the **Salvatore Ferragamo Museum**; an unpublished game-book signed by **Pino Tovaglia "Una storia lunga come"**, published by Lazy Dog, and the monograph "**Alberto Rosselli. Architettura, design e Stile Industria**" ("Alberto Rosselli. Architecture, Design and Style Industry"), published by Quodlibet.
- for films and documentaries: the **documentary "Il tempio della velocità**" ("The Temple of Speed"), on the centenary of the **Monza circuit**, and the **film** dedicated to the life of **Enzo Ferrari**.

Also in 2022, participation in seminars and conferences dedicated to Pirelli's corporate culture.

#### PROCESSING OF PIRELLI GROUP HISTORICAL ARCHIVE MATERIALS AND ASSET MANAGEMENT

- **Historical Archives: 3,592 documents catalogued, 25,673 digitalised, 1,463 restored** (documentary, iconographic, photographic - with focus on rallies - product data sheets relating to the Research and Development section).
- Uploading of more than **8,600 digital** assets (photographs, videos, documents) for a total of **45,246 assets uploaded onto the Digital Asset Management platform** for the long-term preservation of digital material.

In addition, the recovery and transfer of the **historical archive of the former Pirelli factory in Manresa (Spain)**, containing photographs, advertisements, audiovisual items on film and technical documentation related to products and machinery, was carried out and started.

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 into an arts centre. The vocation of Pirelli HangarBicocca™ is that of a place open to the city and its hinterland, of an institution that accompanies the normal exhibition activity with a range of programmes intended to bring contemporary art closer to an Italian and international public, made up of art experts, representatives of the most important museum institutions, trade journalists and the general interest press, as well as an equally vast audience of enthusiasts, students, families and non-specialist users.

In line with its mission, in 2022 Pirelli HangarBicocca™ held solo exhibitions by the most important international artists in the context of a programme 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 characteristics of the space. The 2022 artistic programme, curated by Artistic Director Vicente Todolí, presented artists of great international profile, alternating exhibitions of very successful names with exhibitions of emerging artists.

During the year there was a total attendance of about 165,703 visitors who visited the 4 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, and the Efêmero mural by OSGEMEOS: This number of visitors was achieved while maintaining flow-restricting measures during part of the year.

- Anicka Yi, "Metaspore" (from 24 February 2022, closure extended to 7 August 2022). The exhibition stimulated visitors' sensory and perceptual experience through odours, mutant shapes and disorienting biological elements. Examples of this are the multi-coloured microbial ecosystems of the work *Biologising the Machine (zoonotic spillover)*, 2022 produced by Pirelli HangarBicocca™ in collaboration with the University of Milan-Bicocca;
- Steve McQueen, "Sunshine State" (31 March to 31 July 2022). The exhibition, organised in collaboration with Tate Modern, brought together some of the most important works from the career of the Turner Prize and Oscar-winning artist and film-maker Steve McQueen. The works on display also include the new video installation *Sunshine State* commissioned by the International Film Festival Rotterdam (IFFR) and premiered at Pirelli HangarBicocca™;
- Bruce Nauman's "Neons Corridors Rooms" (15 September 2022 to 26 February 2023), organised in collaboration with Tate Modern, London and Stedelijk Museum Amsterdam, offered an in-depth look at the spatial and architectural research of one of the most prominent living artists in the history of contemporary art. The exhibition project shed light on this specific, lesser-known and lesser-studied area of Nauman's expressive research,

which, throughout his career, investigated the human condition and the deeper meaning of making art;

- Dineo Seshee Bopape, “Born in the first light of the morning [moswara’marapo]” (6 October 2022 to 29 January 2023). The anthological exhibition, which also included the new production *Ierato laka le a phela le a phela / my love is alive, is alive* (2022) commissioned by TBA21-Academy and co-produced with Pirelli HangarBicocca™, generated a poetic visual landscape through materials such as soil, water, clay, coal, bricks, ash, grasses, wood, and natural light, offering the public a reflection on the concepts of memory and reconciliation.

The presentation of the exhibitions was accompanied by the publication of specific catalogues and texts. To accompany Anicka Yi’s exhibition, the most extensive monograph ever dedicated to the artist was produced (Marsilio Editori), *Metaspore* (2022), which includes critical texts by art historians and an unpublished interview of the artist with biologist Merlin Sheldrake. In addition to a comprehensive exhibition chronology of Anicka Yi, the volume includes a previously-unpublished “cosmology” designed in close collaboration with the artist’s studio: a glossary with some of her most significant literary, scientific and philosophical references.

For the exhibition “Sunshine State” by Steve McQueen, the catalogue of the same name (Marsilio Editori) presents an in-depth look at the work that gives the exhibition its title, presented in the spaces of Pirelli HangarBicocca™ in a world premiere. The book brings together several essays and a rich iconographic apparatus that focus on a new selection of works conceived by the British artist and filmmaker over the last twenty years. The monograph - the first to be published in Italian - was conceived in close collaboration with the artist and designed by designer Irma Boom, whose graphic design is embellished by a series of papers that alternate to enhance the different contents they support.

Dineo Seshee Bopape’s exhibition is accompanied by the first monograph on the artist, “Born in the first light of the morning [moswara’marapo]” (2022), which explores the essential themes of his practice, including the relationship between ritual, spirituality and nature and reflections on healing practices and forms of political resistance. The book, designed by the graphic studio bruno (Venice), features three alternative covers that present drawings and a poetic text by the artist together with a plurality of visions and voices, including contributions from international art historians and critics.

Finally, to coincide with Bruce Nauman’s solo exhibition “Neons Corridors Rooms”, a volume was published containing the most recent studies on the artist’s spatial and architectural research, delving into the aspects of corridors, rooms and neon works. In addition to an extensive photographic documentation of the works, the publication analyses the works in the exhibition through detailed fact sheets containing a selection of images and archive documents. In addition, the catalogue includes contributions commissioned from international researchers, conservators

and art historians such as Francesca Esmay, Joan Simon and Gloria Sutton.

Pirelli HangarBicocca™ produced the third edition of the Annual Journal, which contains an account, through text and images, of the institution’s activities in 2021. The new edition emphasised the institution’s role in relation to the communities it serves, for example with the creation of a vaccination hub within the exhibition spaces during the pandemic period, and the digital transformation plan with the introduction of a Customer Relationship Management system and the launch of the Bubbles project.

The Public Programme was inaugurated with an event dedicated to Maurizio Cattelan’s exhibition: a walk through the spaces of the “Breath Ghosts Blind” exhibition led by Andrea Pinotti, lecturer in Aesthetics at the Università Statale di Milano. In April, the symposium *Sensory Ecologies* was held, dedicated to Anicka Yi’s exhibition, which involved international scholars in a multidisciplinary meeting that addressed issues related to art, science and technology. A video made by the artist was also screened during the evening. In connection with the Steve McQueen exhibition, a conversation was organised in May between the artist and Cora Gilroy-Ware, art historian and author of a contribution to the exhibition catalogue. In June, a DJ set by musician and producer Dennis Bovell took place in the museum’s outdoor spaces.

On 13 June, Pirelli HangarBicocca™ hosted the opening moment of the international conference *Immersi nell’opera. Dall’ambiente alla realtà virtuale (Immersed in the work. From environment to virtual reality)* dedicated to the interactions between environmental images, immersive media and contemporary artistic practices promoted by the University of Milan within the ERC project AN-ICON “An-Iconology. History, Theory, and Practices of Environmental Images”. The opening day event, entitled *Superfici e profondità. Cinema e scultura nell’opera di Giorgio Andreotta Calò e Rosa Barba (“Surfaces and Depths. Cinema and sculpture in the work of Giorgio Andreotta Calò and Rosa Barba”)*, saw the artists in dialogue with scholars Riccardo Venturi and Giuliana Bruno.

Pirelli HangarBicocca™ has also promoted the special project *Milano Re-Mapped*, conducted in collaboration with the Milano-Bicocca University and with the support of Fondazione Cariplo with the aim of promoting awareness of the various independent situations existing in the Milanese territory and fostering exchange between them and the city’s cultural institutions. Following a research phase, which gave rise to a series of workshops and meetings at the University, the *Re-Mapped Summer Festival* took place on 11 and 12 July in the indoor and outdoor spaces of the Museo Milano. The *Re-Mapped Summer Festival* is the multidisciplinary festival dedicated to music, performing arts, video, publishing, graphics and other languages that presented content produced by different curatorial projects active in Milan selected by Pirelli HangarBicocca™.

Between November and December, events were organised in connection with Bruce Nauman’s exhibition: a walk through



the “Neons Corridors Rooms” exhibition led by Stefano Bartezzaghi, lecturer, semiotician and writer, who explored the artist’s reflections on language, and a meeting with the art critic and writer Teresa Macri, who instead addressed the themes related to the body in his work.

The Education Department presented new projects in the field of training.

Between January and February, there was “*Vedere significa comprendere? Dalle opere d’arte ai meme*” (“Does seeing mean understanding? From works of art to memes”), a training course for secondary school teachers, designed together with the artistic duo The Cool Couple, with the collaboration of the Degree Course in Primary Education, “Riccardo Massa” Department of Human Sciences for Education of the University of Milan-Bicocca. The course participants were involved in a participatory design process consisting of several meetings in blended mode.

May saw the presentation of “Something extraordinary - The art of leadership”: an unprecedented and innovative training course, designed for managers and entrepreneurs, born out of the collaboration between Pirelli HangarBicocca™ and the employment agency Umana with the involvement of the artist and performer Marcella Vanzo, which focused on the transformative potential of contemporary art and the innovative and complex thinking skills on which the practice of today’s most interesting artists is based.

Also in May, a project was developed with the aim of providing the broader and more diverse public with inclusive tools for the enjoyment of the installations: with the patronage of Pio Istituto dei Sordi and the collaboration of the LIS art historian Carlo di Biase, an audio-visual guide in LIS (Italian Sign Language) was produced, illustrating the permanent installation *The Seven Heavenly Palaces* by Anselm Kiefer.

At the same time, as part of the *No Barriers to Communication* service of the City of Milan, a collaboration was developed with the Istituto dei Sordi di Torino for the production of LIS videoguides illustrating the exhibition space, its history and the works *La Sequenza* by Fausto Melotti and *Efêmero* by OSGEMEOS.

All LIS audio-videoguides are available on the Pirelli HangarBicocca™ website on a dedicated page.

Since the beginning of the year, all School and Kids activities of the Education Department have been planned in presence, intensifying the number of courses with the workshop part taking place directly in the exhibition space. Despite numerous difficulties on the part of the schools in organising educational outings in the first half of the year due to the outbreak of anti-coveting regulations, the School routes were attended by students of all levels (from kindergarten to secondary school).

Between June and July, the Education Department presented “Edu Summer 2022”, a month-long project to explore Anicka Yi’s exhibition in collaboration with science populariser

Agnese Sonato, didactics and experiential education expert Roberto Sartor and the art duo The Cool Couple. Edu Summer included workshops and summer camps in presence with the involvement of participants aged between 6 and 12.

For the Kids programme, in-presence activities were conducted in relation to all hosted exhibitions involving participants between 5 and 12 years old and their families. December saw the presentation of the second edition of the special programme “Winter is coming!”: in-person workshops designed to explore Dineo Seshee Bopape’s exhibition through experimentation with natural materials and creative processes related to speech with poet Fedouà El Attari and rhythm with musicians Magatte Dieng and Elena Russo. These activities were dedicated to children between 6 and 10 years old with their families.

The production of Kids Guides for exhibitions continued, integrating text and images with interactive and exploratory activities for the whole family.

For adults, guided tours were offered with the involvement of Pirelli HangarBicocca™ cultural mediators.

Pirelli HangarBicocca™ continued its usual communication activities - through social planning, WEB content, ADV, SEO, SEA - and press activities (through the training of international journalists, the realisation of press strategies and press conferences) to support the promotion and dissemination of the institution, exhibitions, cultural events and activities dedicated to members, children and families. Direct Email Marketing was intensified following the launch of Pirelli HangarBicocca™’s Customer Relationship Management system. Through the activation of the proprietary system of booking - on-site and online - the free ticket to the museum and the integration of the sales system of paid products and services provided by the institution - membership programme, guided tours, Kids activities and e-shop - the institution can acquire the data of visitors who access the exhibition space and those who purchase a service, constantly increasing its Customer Base to whom targeted communications are addressed. The e-shop, which became fully operational during the year, generated revenues of 10.2% of the total sales of products and services.

During 2022, 339 visitors joined the Pirelli HangarBicocca™ membership programme. The new season started on 1 October 2022 and had 340 active members at the end of 2022. Members were granted preview access to the exhibitions and guided tours by the curators. Reserved seats at Public Programme events and discounts at the Bookshop or affiliated institutions were also guaranteed. Since April, the membership programme has been integrated into the CRM system for managing the database and sending dedicated communications to members.

Pirelli HangarBicocca™ has hosted several major events, including the presentation of new car models by Ferrari, Land Rover and Bentley. The annual Fideuram Sales Force Convention, the Mastercard Innovation Forum 2022, Ideal Standard’s Dinner at the Salone del Mobile, Tod’s PE

2023 fashion show, the launch of the new Pirelli Calendar, Quattroruote's Ruote Classiche event and Progetto Itaca's Charity Dinner were all hosted. The year ended with Christmas events at KPMG, Prysmian and Humangest as well as the Pirelli Executive cocktail dinner. The foyer hosted small events such as the presentation of sailor Ambrogio Beccaria's solo ocean navigation project in collaboration with Pirelli and Mapei, the BCC annual convention and a training day at Banca Generali.

During 2022, the selection of exhibition publishing and merchandising proposals available at the Pirelli HangarBicocca™ Bookshop was also expanded. On the occasion of the Pirelli Group's 150th anniversary, a selection of dedicated merchandising was made available.





REPORT ON  
THE CORPORATE  
GOVERNANCE  
AND SHARE  
OWNERSHIP OF  
PIRELLI & C. S.P.A.

PURSUANT TO ARTICLE 123-*BIS* TUF

# GLOSSARY

**Annual General Meeting:** the shareholders' meeting called to approve the financial statements as of 31 December 2022.

**Camfin:** Camfin S.p.A., a company established under Italian law controlled by Marco Tronchetti Provera through MTP&C, with registered offices in Milan, Via Larga no. 2, Tax Code, VAT and Milan-Monza Brianza-Lodi Companies Register number 00795290154.

**ChemChina:** China National Chemical Corporation Limited, a company established under Chinese law, directly controlled by Sinochem Holdings, with registered offices at 62 West Beisihuan Road, Haidian district, Beijing (People's Republic of China), registered with the State Administration of Industry and Commerce of the People's Republic of China, registration number 100000000038808.

**CNRC:** China National Tire & Rubber Corporation Ltd., a company established under Chinese law, directly controlled by ChemChina, with registered offices at 62 West Beisihuan Road, Haidian district, Beijing (People's Republic of China), registered with the State Administration of Industry and Commerce of the People's Republic of China, registration number 100000000008065.

**Civil Code:** the Italian Civil Code.

**Corporate Governance Code:** the edition of the Corporate Governance Code for listed companies approved in January 2020 by the Corporate Governance Committee, in effect as of 1 January 2021, with information to be reported in the Reports to be published in the course of 2022.

**Corporate Governance Committee:** the Italian Corporate Governance Committee for listed companies, promoted by Borsa Italiana S.p.A., as well as by ABI, Ania, Assogestioni, Assonime and Confindustria.

**Board of Directors:** the Board of Directors of Pirelli & C. S.p.A..

**Consob:** the National Commission for Companies and the Stock Exchange.

**Report Date:** indicates **5 April 2023**, the date on which the Board of Directors approved this Report.

**First Trading Day:** 4 October 2017, being the date on which the shares of the Company were admitted to trading on the MTA market - now Euronext Milan (EXM) - organised and managed by Borsa Italiana S.p.A.

**Year:** the financial year to which this Report relates, *i.e.* the year ending 31 December 2022.

**Group:** collectively Pirelli and its subsidiaries, as defined in art. 2359 of the Civil Code and art. 93 TUF.

**MPI Italy:** Marco Polo International Italy S.r.l., a company established under Italian law indirectly controlled by Sinochem Holdings through ChemChina with registered offices at Piazzetta Umberto Giordano 4, Milan-Monza Brianza-Lodi, Tax Code, VAT and Milan Companies Register number 10449990968.

**MTP&C:** Marco Tronchetti Provera & C. S.p.A., a company established under Italian law with registered offices at via Bicocca degli Arcimboldi 3, Milan, with Tax Code, VAT and Milan-Monza Brianza-Lodi Companies Register number 11963760159.

**Pirelli or the Company:** Pirelli & C. S.p.A., a company established under Italian law with registered offices at viale Piero e Alberto Pirelli 25, Milan, with Tax Code, VAT and Milan-Monza Brianza-Lodi Companies Register number 00860340157.

**Pirelli Tyre:** Pirelli Tyre S.p.A., a company established under Italian law controlled by Pirelli with registered offices at viale Piero e Alberto Pirelli 25, Milan, Milan-Monza Brianza-Lodi Companies Register number 07211330159.

**Pirelli International Treasury:** Pirelli International Treasury S.p.A., a company established under Italian law, controlled by Pirelli with registered offices at viale Piero e Alberto Pirelli 25, Milan, with Milan-Monza Brianza-Lodi Companies Register number 10523850963.

**Board Regulations:** the Regulations, adopted by the Board of Directors on 22 June 2020, which govern the methods of organisation and internal functioning of the Board itself, in line with the recommendations of the Corporate Governance Code.

**Issuers' Regulation:** the Regulation approved by Consob resolution 11971/1999 (as amended) on the subject of issuers.

**Related Parties Regulation:** the Regulation issued by Consob by way of resolution no. 17221 of 12 March 2010 on related-party transactions, as subsequently amended.

**Report:** this report on corporate governance and the ownership structure prepared pursuant to art. 123-*bis* TUF.

**NFD Report:** constitutes the Consolidated Non-Financial Disclosure pursuant to Legislative Decree no. 254 of 30 December 2016, reported in the chapter "Report on Responsible Management of the Value Chain".

**Remuneration Report:** the report prepared pursuant to art. 123-*Ter* TUF.

**Shareholders' Agreement Renewal:** the agreement entered into on 16 May 2022 by ChemChina, CNRC, SPV HK 1, SPV Lux, MPI Italy, Camfin and MTP&C, valid for three years from the date of publication of the notice convening the Pirelli shareholders' meeting for the approval of the financial

statements as at 31 December 2022. The essential content of the Shareholders' Agreement Renewal, to which reference is made for further information, is available on the Website ([www.pirelli.com](http://www.pirelli.com)).

**Sinochem Holdings:** Sinochem Holdings Corporation Ltd., a Chinese state-owned enterprise (SOE), under the supervision of the State-owned Assets Supervision and Administrative Commission of the State Council (SASAC) of the People's Republic of China, with its registered office at Xiong'an New District (People's Republic of China), No. 001, Enterprise Headquarters Zone, Start-up Area, Hebei District, registered with the State Administration of Industry and Commerce of the People's Republic of China under no. 91133100MA0GBL5F38. Sinochem Holdings – including through ChemChina and other subsidiaries of ChemChina, including MPI Italy – indirectly controls the Company pursuant to art. 93 of the Consolidated Law on Finance (TUF).

**Website:** the institutional website of Pirelli containing *inter alia* information about the Company, can be found at the Internet domain [www.pirelli.com](http://www.pirelli.com).

**SPV HK1:** CNRC International Limited, limited company under Hong Kong law (People's Republic of China), indirectly controlled by Sinochem Holdings through ChemChina, with registered offices at RMS 05-15, 13A/F South Tower World Finance CTR Harbour City, 17 Canton Rd TST KLN, Hong Kong (People's Republic of China), Hong Kong Companies Register number 2222516.

**SPV HK2:** CNRC International Holding (HK) Limited, limited company formed under the laws of Hong Kong (People's Republic of China), indirectly controlled by Sinochem Holdings through ChemChina, with registered offices at RMS 05-15, 13A/F South Tower World Finance CTR Harbour City, 17 Canton RD TST KLN, Hong Kong (People's Republic of China), Hong Kong Companies Register number 2228664.

**SPV Lux:** Fourteen Sundew S.à.r.l., a limited liability company (société à responsabilité limitée) under Luxembourg law, indirectly controlled by Sinochem Holdings through ChemChina, with registered offices at Rue Guillaume Kroll 5, L-1882, Luxembourg (Grand Duchy of Luxembourg), with Luxembourg Companies and Commerce Register number B-195473.

**SRF:** Silk Road Fund Co., Ltd., a company established under Chinese law with registered offices at F210-F211, Winland International Finance Center Tower B, 7 Financial Street, Xicheng, Beijing (People's Republic of China), registered with the State Administration of Industry and Commerce of the People's Republic of China, registration number 100000000045300(4-1).

**Bylaws:** the Bylaws of Pirelli & C., available on the Website.

**TUF:** Legislative decree 58 of 24 February 1998, as subsequently amended and integrated (the Consolidated Law on Finance).

## INTRODUCTION

The Report presents the corporate governance system adopted by the Company. This system is consistent with the principles and the recommendations contained in the Corporate Governance Code adopted by the Company.

Pirelli is aware that an efficient system of corporate governance is an essential element for achieving the objective of sustainable value creation.<sup>113</sup>

The information contained in the Report refers, where not expressly indicated, to the Year.

## 1. COMPANY PROFILE

Pirelli, with its 31,300 employees and revenues of around Euro 6,615 million in 2022, ranks among the principal global manufacturers of tyres and supplier of ancillary services, being the only operator in the sector exclusively specialised in the Consumer segment (tyres for cars, motorcycles and bicycles), with a globally-recognised brand. The Company has a distinctive positioning with regard to High Value tyres, which are manufactured to achieve the highest levels of performance, safety, quietness and road grip, with significant input from technology and/or customisation (*i.e.*  $\geq 18''$ , Specialities, Super Specialities and Premium Motorcycle tyres). In addition, the Company currently holds a leadership position in the Car Prestige tyres segment, and in the radial segment of the motorcycle tyre replacement market. Pirelli is also a leader in Europe, China and Brazil in the Car  $\geq 18''$  tyre market in the replacement channel.

For a profile of the issuer see also the Company's website.

In its leadership of the Company, Pirelli's Board of Directors pursues the objective of sustainable success by:

- drawing up a sustainability plan which integrates the Company's strategic plans and monitoring of their implementation (for more details, see the NFD Report);
- including, as part of its Remuneration Policy, ESG indicators for measuring the Company's management performance in its medium/long-term remuneration plans (for more details see the Remuneration Report);
- appointing a director in charge of sustainability issues (for more details see paragraph 9.7 of the Report);
- periodically assessing, on an ongoing basis, the risks associated with business activities so as to create long-term value for the benefit of shareholders (for more details see paragraph 9);
- adopting a specific policy for dialogue with shareholders and stakeholders in the financial market in which the

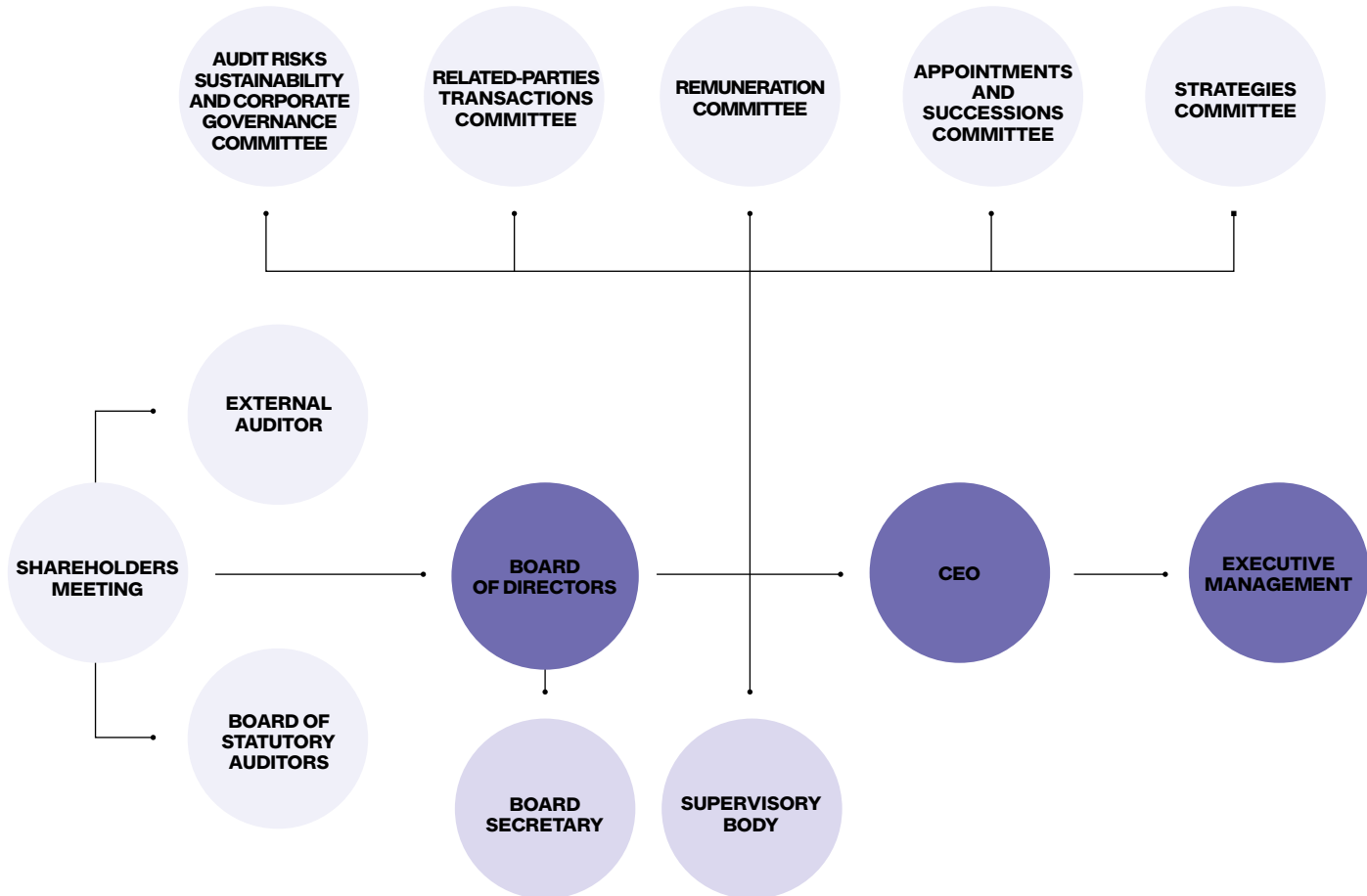
<sup>113</sup> Pirelli's Bylaws (Art. 3.3) specifically rule that "Pirelli's corporate government will be characterised by the international best practice."

- Company operates (for further details see paragraph 14.1 of the Report);
- setting up a Board Committee and supporting it in evaluating and making decisions in relation to the internal control and risk management system, as well as analysing sustainability issues that are important for long-term value creation (for further details see paragraph 9.2 of the Report).

For the sake of completeness, it should be noted that, pursuant to the Corporate Governance Code, the Company falls within the definition of “concentrated ownership company” and “large company”. The Company did not use any flexibility options admitted by the Corporate Governance Code.

### 1.1. MODEL OF CORPORATE GOVERNANCE

The governance structure of Pirelli is based on the traditional model of administration and control. The following diagram summarises the Company’s current governance structure.



The Board of Directors has set up five internal board committees with advisory and investigatory functions and with the task of making recommendations (see paragraph 6 of the Report for further details).

The external audit of the accounts is entrusted to PricewaterhouseCoopers S.p.A., a registered auditing firm (see paragraph 9.9 of the Report for further details). The Company’s Governance Structure is completed by a Board of Statutory Auditors (five standing and three alternate members) with the functions of supervising administration and compliance with the law and Bylaws (see paragraph 11 of the Report for further details), and a Supervisory Body with the functions of supervising the operation of and compliance with the organisation, management and control model adopted pursuant to Italian Legislative Decree 231/2001 (see paragraph 9.8 of the Report for further details).

Consistent with its tasks, the Board of Directors has defined the system and rules of corporate governance of Group companies and the criteria and procedures for appointing members of the bodies of affiliate companies, by means of a specific internal policy.



## 2. INFORMATION ON THE OWNERSHIP STRUCTURE

### 2.1. STRUCTURE OF SHARE CAPITAL

On the Report Date, the issued share capital of Pirelli amounts to Euro 1,904,374,935.66 fully paid, and is represented by 1,000,000,000 ordinary shares without nominal value. Each share grants the right to one vote. There are no other categories of shares.

It should be noted that the extraordinary shareholders' meeting of 24 March 2021 resolved to increase the share capital for cash for payment, in a divisible manner, with exclusion of the option rights pursuant to art. 2441, subsection 5 of the Italian Civil Code, for a total maximum amount, including any premium, of 500,000,000.00 euros, to service the conversion of the "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", to be paid up in one or more tranches by the issue of ordinary shares of the Company with regular dividend entitlement, for a maximum amount of 500,000,000.00 euros, exclusively to service the bond issued by the Company named "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", in accordance with the criteria determined by the relevant bond regulations (the "**Regulations**"), without prejudice to the fact that the final deadline for subscription of the newly issued shares is established as 31 December 2025 and that if, as of that date, the share capital increase has not been fully subscribed it will in any case be intended as increased by an amount equal to the subscriptions collected and as of that date, with the specific authorisation for the directors to issue the new shares as they are subscribed. No parts of shares will be issued or delivered and no cash payment or adjustment will be made in lieu of said parts.

As of 23 May 2022, the conversion price of the bonds is 6.1395 euros, calculated in accordance with the methods provided for in the Regulations.<sup>114</sup>

Additionally, the Bylaws do not provide for the possibility of increased voting rights or the issue of shares with multiple voting rights.

### 2.2. SIGNIFICANT SHAREHOLDINGS OF CAPITAL

The Company is indirectly controlled, pursuant to art. 93 of the TUF, by Sinochem Holdings through ChemChina which, in turn, indirectly holds the shareholding through CNRC and other

subsidiaries of the latter, including MPI Italy, which directly holds the shareholding.

Based on the communications received by the Company until the Report Date pursuant to art. 120 TUF, or from other information available to the Company, the major direct and indirect shareholdings of Pirelli capital are indicated in Table 1, annexed to this Report.

### 2.3. DIRECTION AND COORDINATION ACTIVITIES

In its meeting on 31 August 2017, the Board of Directors noted that, as of the First Trading Day, Pirelli is not subject to any of the activities typically involved in direction and coordination by direct or indirect controlling shareholders or other companies or entities. These include but are not limited to:

- Pirelli conducts relations with customers and suppliers in full autonomy without any external interference;
- Pirelli prepares the strategic, industrial, financial and/or budget plans of the Company or the Group independently;
- Pirelli is not subject to any group regulations;
- no organisational-functional link exists between Pirelli on the one hand and MPI Italy and the companies that control it on the other;
- MPI Italy, CNRC, ChemChina and/or Sinochem Holdings have not carried out any deeds, adopted any resolutions or made any communications that might cause reasonable belief that the decisions of Pirelli are in some way imposed or required by MPI Italy, CNRC, ChemChina and/or Sinochem Holdings;
- MPI Italy, CNRC, ChemChina and/or Sinochem Holdings do not centralise treasury management activities or other financial support or coordination functions;
- MPI Italy, CNRC, ChemChina and/or Sinochem Holdings do not issue directives or instructions – and in any case would not coordinate initiatives – concerning the financial and borrowing decisions of Pirelli;
- MPI Italy, CNRC, ChemChina and/or Sinochem Holdings do not issue directives regarding any special transactions carried out by Pirelli including, for example, the listing of financial instruments, acquisitions, disposals, concentrations, contributions, mergers, spin-offs etc.;
- MPI Italy, CNRC, ChemChina and/or Sinochem Holdings do not make any crucial decisions regarding the operating strategies of Pirelli or formulate group strategic guidelines.

The Board of Directors has periodically reiterated these assessments, most recently at its meeting of 5 April 2023.

Conversely, Pirelli exercises direction and coordination of numerous subsidiaries, having made the relevant publication where necessary.

<sup>114</sup> The conversion price stems from the adjustment made following the resolution of the Company's shareholders' meeting of 18 May 2022 to distribute a dividend of 0.161 euros per ordinary share.

## 2.4. RESTRICTIONS ON THE TRANSFER OF SECURITIES; SECURITIES THAT CARRY SPECIAL RIGHTS; EMPLOYEE SHARE OWNERSHIP; THE MECHANISM FOR EXERCISING VOTING RIGHTS; RESTRICTIONS ON VOTING RIGHTS

The Bylaws do not impose any restrictions on the transferability of the shares issued by the Company.

No securities have been issued that carry special rights of control, nor the Company has adopted the option to increase voting rights.

With regard to the shares owned by employees, there are no specific procedures or restrictions governing the exercise of their voting rights.

There are no mechanisms that restrict the voting rights of shareholders, except for the terms and conditions governing the exercise of the right to attend and vote at Shareholders' Meetings, as discussed in the next paragraph 15 of the Report.

## 2.5. SHAREHOLDERS' AGREEMENTS

With reference to the shareholders' agreements, of which the Company is aware pursuant to art. 122 of the Consolidated Law on Finance (TUF), please be informed of the Shareholders' Agreement Renewal, aimed at regulating the governance of Pirelli, among other things, in accordance with the terms and conditions of the Shareholders' Agreement entered into on 1 August 2019 by ChemChina, CNRC, SPV HK1, SPV HK2, SPV LUX, MPI Italy, SRF, MTP&C and Camfin (the "**Shareholders' Agreement**"). The Shareholders' Agreement is currently in force as of the Date of the Report and will remain effective until the date of publication of the Notice convening the Shareholders' Meeting, on which date the Renewal of the Shareholders' Agreement will become effective.

An agreement is also in force between SRF and CNRC, containing a number of stipulations pertaining in particular to the exercise of the right to vote in the Pirelli Shareholders' Meeting of SRF ("**Amended and Restated Acting-in-concert agreement**", as last amended on 29 March 2021).

In addition, the investment agreement signed between Camfin and Longmarch Holding S.à.r.l. ("**Longmarch**") on 13 May 2020, subsequently amended on 30 June 2021 and tacitly renewed for a further three years (and, therefore, until 13 May 2026) (the "**Investment Agreement**") is currently in force, pursuant to which Longmarch, holder of an equity interest in Pirelli equal to approximately 3.68%, undertook to manage the equity interest in accordance with the agreements entered into with Camfin.

Lastly, on 28 February 2023, Brembo S.p.A. and Next Investment S.r.l. with the parent company Nuova FourB S.r.l., on the one hand, and Camfin, with the parent company MTP&C., on the other hand, signed a shareholders' agreement concerning prior consultation both with respect to the exercise of voting rights in shareholders' meetings and with respect to any purchases of Pirelli ordinary shares.

For more information on the provisions contained in the shareholders' agreements referred to the relevant essential information available on the Site, pursuant to Article 122 of the TUF and Article 130 of the Issuers' Regulation.

## 2.6. CHANGE OF CONTROL CLAUSES

The most significant contracts containing clauses of this type are summarised below.

### 2.6.1 PT EVOLUZIONE TYRES JOINT VENTURE

On 24 April 2012, Pirelli Tyre and PT Astra Otoparts tbk, an Indonesian company, signed a Joint Venture Agreement in relation to PT Evoluzione Tyres, an Indonesian company incorporated on 6 June 2012 and operating in the production of motorcycle tyres in the plant of Subang, West Java.

Pursuant to this contract, in the event of a change in the ownership structure of one of the shareholders that is deemed to be a change of control event, a put&call procedure could be activated that, in the extreme case, might lead to the acquisition by Pirelli Tyre of the entire equity investment held by PT Astra Otoparts tbk in PT Evoluzione Tyres, with the consequent termination of the joint venture agreement.

### 2.6.2 SUPPLY CONTRACT WITH BEKAERT

The Company has a contract for the supply of steelcord with Bekaert, to which the Company sold the steelcord business unit in 2014, also in consideration of the contractual peculiarities connected with the sale transaction.

The contract with Bekaert includes a change of control clause whereby Bekaert has the right, *inter alia*, to withdraw within 90 days after becoming aware of a situation in which a third party acquires control of Pirelli.

### 2.6.3 SCHULDSCHEIN: MULTITRANCHE LOAN FOR A TOTAL OF EURO 525,000,000

On 26 July 2018 Pirelli concluded a "*schuldschein*" loan - guaranteed by Pirelli Tyre - for an original total of Euro 525 million (as subsequently amended, the "**Schuldschein**"), divided as follows: (i) 82 million euros maturing in 2021 (fully repaid in advance in January 2021); (ii) 423 million euros maturing in 2023 (repaid in advance in several tranches, the last of which in January 2023); and (iii) 20 million euros maturing in 2025.

The Schuldschein stipulates, *inter alia*, that Pirelli shall be required to repay the loan in advance should certain events occur, including a change in Pirelli's control structure, as set out below.

In particular, the change of control clause may only be invoked (except in specific cases permitted under the loan agreement) if: (i) ChemChina ceases to hold, directly or indirectly, individually or together with Camfin or another company controlled by Marco Tronchetti Provera or his close family members, more than 25% of the voting shares of Pirelli; or (ii) ChemChina ceases to be, directly or indirectly, individually or together with Camfin or another company controlled by Marco Tronchetti Provera or his close family members, the relative majority holder of the voting rights in

Pirelli (i.e. ceases to hold more voting rights than other parties that act individually or together); or (iii) any other party (or parties acting together) appoints or removes the majority of the Board of Directors.

Any takeover by Camfin (or another company directly or indirectly controlled by Marco Tronchetti Provera or his close family members) as the parent company of Pirelli, in place of ChemChina, would not give rise to a change of control on condition that certain requirements are met, including the requirement for Marco Tronchetti Provera or a person designated by him to be the CEO of both that company and Pirelli.

#### 2.6.4 2019 BILATERAL LOAN WITH INTESA SANPAOLO S.P.A.

On 22 January 2019, the Board of Directors authorised Pirelli to enter into a medium-long term variable-rate loan guaranteed by Pirelli Tyre, in the amount of EUR 600 million, with Intesa Sanpaolo S.p.A. (“**Intesa Sanpaolo**”), as the lending bank, and Banca IMI S.p.A. as the agent bank and organising bank (the “**Transaction**”).

The loan agreement (as subsequently amended) signed on 24 January 2019 in relation to the Transaction prescribes, *inter alia*, that Pirelli must repay the Transaction early should certain events occur, including changes in the control structure of Pirelli.

Specifically, the change of control clause may only be triggered (except for the specific cases permitted under the loan agreement) where an entity, or entities, acting in concert, other than ChemChina, Camfin, MTP&C (or any other company controlled by Marco Tronchetti Provera or his close family members) and/or their subsidiaries and/or any person or persons acting in concert with one of them (a) hold a relative majority of votes in Pirelli; and (b) appoint or remove the majority of the members of Pirelli’s Board of Directors.

For clarification, the loan contract states that there will be no change of control if Camfin, MTP&C (or any other company controlled by Marco Tronchetti Provera or by one or more of his close family members) participate, directly or indirectly, in the control of Pirelli, or is entitled, by virtue of contractual agreement, directly or indirectly, individually or in concert with one or more subjects, to designate the CEO of Pirelli.

#### 2.6.5 LICENCE AGREEMENT WITH AEOLUS

On 28 June 2016, Pirelli Tyre concluded an agreement (subsequently amended on 31 January 2019) with Aeolus Tyre Co. Ltd, to licence patents and know how for the production and sale of industrial tyres that expires on 31 December 2030, with automatic renewal unless cancelled by the parties. Pursuant to the agreement, either party has the right to terminate the agreement in advance, by notice to the other party, if CNRC should cease to be, directly or indirectly, the single largest shareholder of Pirelli.

#### 2.6.6 BILATERAL LOAN WITH MEDIOBANCA

On 1 August 2019, the Board of Directors approved the stipulation by Pirelli of a two-year variable rate loan of Euro 125 million with Mediobanca – Banca di Credito Finanziario S.p.A. (the “**Loan**”).

The loan agreement signed on 2 August 2019 stipulates, *inter alia*, that the Pirelli must repay the Loan early should certain events occur, including changes in the control structure of Pirelli.

Specifically, the change of control clause may only be triggered (except for the specific cases permitted under the loan agreement) where an entity, or entities, acting in concert, other than ChemChina, Camfin, MTP&C (or any other company controlled by Marco Tronchetti Provera or his close family members) and/or their subsidiaries and/or any person or persons acting in concert with one of them (a) hold a relative majority of votes in Pirelli; and (b) appoint or remove the majority of the members of Pirelli’s Board of Directors.

For clarification, the loan contract states that there will be no change of control if Camfin, MTP&C (or any other company controlled by Marco Tronchetti Provera or by one or more of his close family members) participate, directly or indirectly, in the control of Pirelli, or is entitled, directly or indirectly, individually or in concert with one or more subjects, to designate the CEO of Pirelli.

#### 2.6.7 EUR 800 MILLION “SUSTAINABLE” CREDIT LINE

On 31 March 2020, Pirelli signed a new credit line in the amount of EUR 800 million, guaranteed by Pirelli Tyre, with a pool of leading Italian and international banks, with a maturity of five years. The new bank facility is entirely sustainable, i.e. it is subject to economic and environmental sustainability targets.

The New Loan agreement states, *inter alia*, that Pirelli shall be required to make early repayment of the part made available by each lender should certain events occur, including changes in Pirelli’s control structure.

Specifically, the change of control clause may only be triggered (except for the specific cases permitted under the loan agreement) where an entity, or entities, acting in concert, other than ChemChina, Camfin, MTP&C (or any other company controlled by Marco Tronchetti Provera or his family members) and/or their subsidiaries and/or any person or persons acting in concert with one of them (a) hold a relative majority of votes in Pirelli; and (b) appoint or remove the majority of the members of Pirelli’s Board of Directors.

For clarification, the loan contract states that there will be no change of control if Camfin, MTP&C (or any other company controlled by Marco Tronchetti Provera or by one or more of his family members) participate, directly or indirectly, in the control of Pirelli, or is entitled, directly or indirectly, individually or in concert with one or more subjects, to designate the CEO of Pirelli.

#### 2.6.8 EQUITY-LINKED BOND CALLED “EUR 500 MILLION SENIOR UNSECURED GUARANTEED EQUITY-LINKED BONDS DUE 2025”

On 22 December 2020, Pirelli completed the placement reserved for institutional investors of an equity-linked bond with a nominal amount of EUR 500,000,000, maturing on 22 December 2025, called “EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025” guaranteed by Pirelli Tyre. The bonds were admitted for trading on the Vienna

MTF – a multilateral trading facility managed by the Vienna Stock Exchange.

As resolved by the Shareholders' Meeting on 24 March 2021, the bonds, which are non-interest-bearing, will be able to be converted into ordinary shares of Pirelli subject to the approval by the latter's extraordinary Shareholders' Meeting of a capital increase, with the exclusion of option rights pursuant to art. 2441, paragraph 5, of the Italian Civil Code, to be reserved exclusively to service the conversion of said bonds.

The rules of the loan contained in the Regulations provide, *inter alia*, that during the period of time set out in the Regulations, each bondholder shall be granted, at their choice, if a certified Company change of control should occur or if the free float of the Company's ordinary shares (calculated as specified in the Regulations) should drop below a pre-set threshold and should remain there for a certain number of open market days from the first day on which it has dropped below such level (so called free float event), alternatively: (i) the right to request early reimbursement at the bonds' nominal value, by exercising a put option; or (ii) acknowledgement of a new conversion price (if applicable even regulated based on the so-called cash settlement amount mechanism), lower than the original and based on the time between the event and the bonds expiring; all based on terms and procedures established in the Regulations.

In particular, the change of control can only be triggered (except in specific cases permitted under the Regulation) if any entity, other than ChemChina, Sinochem Group, SRF, Camfin, MTP&C (or any other company controlled by Mr Marco Tronchetti Provera or his family members) and/or their subsidiaries and/or any person or persons acting in concert with some of them, acquires the absolute majority of the shares with voting rights following a public offering to the shareholders, such that they hold or control the absolute majority of the voting rights in Pirelli; or if any person or persons acting in concert with any of them, other than ChemChina, Sinochem Group, SRF or Camfin, MTP&C, or any other company controlled by Mr Marco Tronchetti Provera or his family members, and/or by their subsidiaries and/or by any person or persons acting in concert with the latter, holds/controls the absolute majority of the voting rights of Pirelli.

For clarification, the loan contract states that there will be no change of control if Camfin, MTP&C (or any other company controlled by Marco Tronchetti Provera or by one or more of his family members) participate, directly or indirectly, in the control of Pirelli, or is entitled, directly or indirectly, individually or in concert with one or more subjects, to designate the CEO of Pirelli.

#### 2.6.9 2021 BILATERAL LOAN WITH INTESA SANPAOLO

On 11 November 2021, the Board of Directors authorised Pirelli to enter into a medium-long term variable-rate loan of Euro 400 million with Intesa Sanpaolo, as the lending bank. The new credit line is secured by Pirelli Tyre and subject to predetermined economic and environmental sustainability targets.

The loan agreement signed on 23 December 2021 stipulates, *inter alia*, that the Pirelli must repay the credit line early should certain events occur, including changes in Pirelli's control structure.

In particular, the change of control can only be triggered (except in specific cases permitted under the loan agreement) if any entity, other than ChemChina, Sinochem Group, SRF, Camfin, MTP&C (or any other company controlled by Mr. Marco Tronchetti Provera or his family members) and/or their subsidiaries and/or any person or persons acting in concert with some of them, becomes the owner, in aggregate, of more than 50% of the voting rights granted by the Company shares.

For clarification, the loan contract states that there will be no change of control if Camfin, MTP&C (or any other company controlled by Marco Tronchetti Provera or by one or more of his family members) participate, directly or indirectly, in the control of Pirelli, or is entitled, directly or indirectly, individually or in concert with one or more subjects, to designate the CEO of Pirelli.

#### 2.6.10 MULTICURRENCY TERM AND REVOLVING LOAN 2022

On 11 November 2021, the Board of Directors also authorised Pirelli and Pirelli International Treasury to enter into a new medium/long-term unsecured variable-rate loan, divided into two credit lines guaranteed by Pirelli Tyre: one 'Term' and one 'Revolving', based on predetermined economic and environmental sustainability objectives, for a total amount no greater than EUR 1.6 billion, with a pool of lending banks.

On 21 February 2022, the respective loan agreement was signed with Unicredit S.p.A, as the agent bank, and a further 15 national and international lending banks; the agreement provides – *inter alia* – that Pirelli and Pirelli International Treasury shall be required to repay in advance the portion of the loan made available by each lender should certain events occur, including a change in Pirelli's control structure under terms and conditions which are the same as those set out in the bilateral loan signed with Intesa Sanpaolo on 23 December 2021 referred to in paragraph 2.6.11.

#### 2.6.11 EMTN PROGRAMME AND NOTES ISSUED IN 2023

On 23 February 2022, the Board of Directors, in the context of the Company's refinancing strategy, approved an EMTN (Euro Medium Term Note) programme for the issue of non-convertible, senior unsecured bonds for a maximum value of 2 billion euros ("**EMTN Programme**") to replace the previous EMTN programme of 2 billion euros, approved on 21 December 2017 ("**2017 EMTN Programme**"). In the context of the EMTN Programme, the Board of Directors authorised the issue of one or more bonds - to be performed within 12 months of finalisation of the documentation - to be placed with institutional investors by May 2023, for a maximum total amount of up to 1 billion euros. As in the 2017 EMTN Programme, newly issued securities may be listed on one or more regulated markets and guaranteed by Pirelli Tyre.

On 11 January 2023, in the context of the EMTN Programme, Pirelli started and successfully completed the placement of its first sustainability-linked bond with international institutional investors, for a total nominal amount of 600 million euros.

Pursuant to the EMTN Programme, bondholders will have the right to request early repayment of securities (the so-called “Put option”) in the event of a change of control under the same terms and conditions provided for the bilateral loan with Intesa Sanpaolo signed on 23 December 2021 and the multicurrency term and revolving loan 2022 referred to in paragraph 2.6.11 and 2.6.12.

#### 2.6.12 EUR 400 MILLION “SUSTAINABILITY-LINKED” CREDIT LINE

On 22 June 2022, Pirelli’s Board of Directors approved the underwriting of a sustainability-linked credit line with a select pool of international banks, for a total value of up to 400 million euros, with a 19-month maturity, enabling further optimisation of the Group’s financial structure.

The corresponding loan agreement - signed on 27 June 2022 - states, *inter alia*, that Pirelli is required to repay the line should certain events occur, including a change in Pirelli’s control structure under terms and conditions that are the same as those provided for the bilateral loan with Intesa Sanpaolo signed on 23 December 2021 and the 2022 multicurrency term and revolving loan referred to in paragraph 2.6.11 and 2.6.12.

\* \* \*

For the sake of completeness, it should be noted that, in addition to the foregoing, as is customary, some companies in the Pirelli Group have entered into contracts in the commercial sector (*i.e.* contracts for the purchase of goods and services and contracts for the sale of products) that provide for a change of control clause concerning the interest held, directly or indirectly, by Pirelli in them. This clause would therefore only apply if the Pirelli Group company left the group. It should also be noted that, under the terms of certain local loans, any change of control of Pirelli could potentially trigger, in the absence of appropriate liability management initiatives, the early repayment of the respective amount disbursed locally and – in certain remote circumstances – may have a “cascading” effect on the central loan agreements, entailing the requirement to make early repayment of the respective amounts disbursed at Group level by virtue of the usual cross default/acceleration clauses provided therein. With respect to such scenarios, the Group maintains available committed lines, in the amount of EUR 1 billion, sufficient to meet any liability management needs.

#### 2.7. CLAUSES IN THE BYLAWS ABOUT PUBLIC OFFERS

The Bylaws do not provide for exceptions to the provisions regarding the passivity rule, or application of the neutralisation rule set out in art. 104-*bis* TUF.

#### 2.8. MANDATE TO INCREASE SHARE CAPITAL AND AUTHORISATIONS TO PURCHASE OWN SHARES

With regard to the financial year ending 31 December 2022, please refer to section 2.1 for details of the capital increase resolved by the Shareholders’ Meeting of 24 March 2021, to fund the conversion of a bond loan, when the Board of Directors – and, on its behalf its legal representatives *pro-tempore*, including separately – was authorised to carry out the share capital increase determining, *inter alia*, in compliance with the provisions of the Regulations: (i) the exact issue price of the shares, and, in turn, the determination of the issue price; (ii) the exact number of shares to be issued, and, therefore, the exact exchange ratio, as necessary for the precise application of the provisions and criteria of the Regulations; it being understood that, should the share capital increase referred to above not be fully subscribed on 31 December 2025, the share capital shall be deemed to be increased by an amount equal to the subscriptions received.

The Shareholders’ Meeting of the Company did not authorise any purchases of own shares.

## 3. COMPLIANCE

Pirelli adheres to the Corporate Governance Code, published on 31 January 2020, which is available to the public on the website of the Corporate Governance Committee, at the following link: <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>.

The Company also took into account in the Report the collection of useful Q&As for the application of the Corporate Governance Code; these were published by the Corporate Governance Committee on 4 November 2020.

The corporate governance system implemented by the Company complies with the principles and recommendations of the Corporate Governance Code. This was found to be the case during the Year, in which the Company examined – with the support of the Audit, Risks, Sustainability and Corporate Governance Committee – the content of the Corporate Governance Code, by assessing the potential impact on Pirelli’s corporate governance system and pinpointing areas of specific interest and possible adjustments to be made to its corporate practices.

The Report has essentially been prepared using the Borsa Italiana S.p.A. (“**Borsa Italiana**”) format.

On the Report Date, Pirelli is not subject to any non-Italian laws that might influence the corporate governance structure of the Company.

## 4. BOARD OF DIRECTORS

### 4.1. ROLE OF THE BOARD OF DIRECTORS

The Board of Directors plays a central role in the strategic guidance and management of the Company, and the pursuit of its sustainability success. Pursuant to art. 11 of the Bylaws, the Board of Directors manages and supervises the overall business of the company. To this end, it is vested with the broadest powers of administration, with the exception of those reserved by law or the Bylaws to the Shareholders' Meeting. Specifically, the Board of Directors:

- guides the Company in examining and approving the strategic, industrial and financial plans of the Company itself and of the Pirelli Group to achieve sustainable success, and periodically monitor their implementation; for further details see section 4.4.3 of the Report regarding matters reserved for the exclusive competence of the Board of Directors (criteria for identifying operations of strategic importance);
- plays a pivotal role in defining sustainability policies and strategies, identifying annual and long-term objectives and monitoring their implementation and evolution (see the NFD for more details);
- establishes the nature and level of risk compatible with the Company's strategic objectives (for further details see section 9 of the Report);
- adopts and sets the corporate governance guidelines and rules for the Company and Group companies (for further details see section 4.4.3 of the Report);
- ensures the correct management of corporate information through a structured *compendium* of rules and procedures for the internal management and external disclosure of documents and information concerning the Company, particularly regarding inside information (for further details see section 5 of the Report);
- promotes the most appropriate forms of dialogue with shareholders and other stakeholders relevant to the Company (for more details see section 14.1 of the Report).

### 4.2. APPOINTMENT AND REPLACEMENT OF DIRECTORS

Appointment: 22 June 2020  
Expiration date: 2022 Financial Statement approval

**Directors:** 15  
**Executive director:** 2  
**Independent Directors:** 8

**Board committees:** 5

Strategies Committee - Appointments and Successions Committee - Related-Parties Transactions Committee - Remuneration Committee - Audit, Risks, Sustainability and Corporate Governance Committee

The provisions contained in the Bylaws, to which reference is made, regarding the appointment and replacement of directors are summarised below.

#### 4.2.1. APPOINTMENT AND REPLACEMENT

Pursuant to art. 10 of the Bylaws, the Company is managed by a Board of Directors made up of a maximum of fifteen members, who remain in office for three years and who may be re-elected.

The Board of Directors is appointed on the basis of slates presented by the shareholders, in which the candidates must each be listed with a sequence number. The Bylaws do not allow the outgoing Board of Directors to submit a slate for the appointment of directors.

The slates presented by shareholders, signed by those submitting them, must be filed at the registered offices of the Company at least twenty-five days prior to the date fixed for the Shareholders' Meeting called to resolve in that regard. These slates are made available to the public at the registered offices, on the Website and in other ways prescribed by Consob regulation, at least twenty-one days prior to the date of the Meeting.

Each shareholder may present or contribute to the presentation of just one slate and each candidate may be included in just one slate, subject otherwise to becoming ineligible.

Shareholders are only entitled to present slates if, alone or together with other shareholders, they own shares in total representing at least 1% of the share capital entitled to vote at an Ordinary Meeting, or any lower amount specified in the applicable regulations, with the obligation to evidence their ownership of the number of shares needed for the presentation of slates by the deadline envisaged for the publication of such slates by the Company.

Each slate filed must be accompanied by acceptances of nomination and declarations from each candidate confirming, under their own responsibility, that there are no reasons making them ineligible for or incompatible with the role, and that they satisfy any requirements established for the role concerned. These declarations must be accompanied by the *curriculum vitae* of each candidate, describing their personal and professional characteristics, indicating the administration and control appointments held by them in other companies and confirming their satisfaction of the independence requirements envisaged for the directors of listed companies by law or by the code of conduct adopted by the Company. In order to ensure gender balance, slates that contain three candidates must include candidates of different genders, whilst slates containing a number of candidates equal to or higher than four must contain a number of candidates of different gender at least matching the minimum laid down in current regulations, in accordance with the content of the notice of the Shareholders' Meeting. Any changes arising prior to the actual date of the Meeting must be promptly notified to the Company.

Any slates presented that do not comply with the above instructions will be treated as if not presented.

Each party entitled to vote may only vote for one slate.

The Board of Directors is appointed as follows:

- a) four-fifths of the directors to be elected are drawn from the slate that obtains the majority of the votes expressed by the shareholders, rounded down to the nearest whole number in the case of a fractional number;
- b) the remaining directors are drawn from the other slates, using the quotient method described in the Bylaws.

Should several candidates obtain the same quotient, the candidate elected will be drawn from the slate that has not yet elected a director or that has elected the smallest number of directors.

If none of those slates has elected a director yet or all of them have elected the same number of directors, the candidate elected will be drawn from the slate that obtains the largest number of votes. In the event of a voting tie, again with more than one candidate obtaining the same quotient, the Shareholders' Meeting will vote again and the candidate who receives the largest number of votes will be elected.

If only one slate is presented, all the directors will be elected from that slate.

Should application of the slate voting mechanism not ensure the minimum number of directors belonging to the less represented gender set out by applicable law, the candidate belonging to the most represented gender and elected, indicated in the slate that obtained the largest number of votes, shall be replaced by the first candidate belonging to the less represented gender not already elected, drawn from that slate pursuant to the sequential order of presentation and so on, for each slate (solely for slates that contain three or more candidates) until the minimum number of directors belonging to the less represented gender has been obtained. If the above procedure does not ensure the result specified above, the replacement shall be made by resolution of the Shareholders' Meeting, adopted by the relative majority of the votes expressed, following presentation of the candidacies of persons belonging to the less represented gender.

Should application of the slate voting mechanism not obtain the minimum number of independent directors envisaged by applicable law, the non-independent candidate elected indicated with the highest progressive number in the slate that obtained the largest number of votes shall be replaced by the first independent candidate not already elected from that slate following the sequential order of presentation, and so on for each slate until the minimum number of independent directors has been obtained, in all cases in compliance with the applicable law governing gender balance.

Loss of the independence requirements by a director is not a cause of removal if the number of directors still in possession of the legal independence requirements is not lower than the minimum specified by the laws and/or regulations in force.

For the appointment of directors who, for any reason, were not appointed in accordance with the slate voting mechanism, the Shareholders' Meeting shall adopt resolutions with the majorities required by law, without prejudice in all cases to compliance with the independence and gender balance requirements.

Should one or more directors cease to hold office during the financial year, they shall be replaced pursuant to art. 2386 of the Civil Code, without prejudice in any event to respect for the legislation on gender balance and the independence of the directors.

### 4.3. COMPOSITION

The Board of Directors in office at the Report Date was appointed by the Shareholders' Meeting held on 18 June 2020. Its term of office will end with the approval of the financial statements as at 31 December 2022. The composition of the Board of Directors reflects the provisions of the Shareholders' Agreement.

The Board of Directors is composed of 15 members. In particular:

- Marco Tronchetti Provera (Executive Vice Chairman and Chief Executive Officer), Tao Haisu, Zhang Haitao, Domenico De Sole, Marisa Pappalardo, Giovanni Tronchetti Provera, Fan Xiaohua and Wei Yintao were appointed based on the slate submitted by MPI Italy, together with Camfin, which obtained approximately 87% of the share capital votes represented at the Shareholders' Meeting;
- Directors Giovanni Lo Storto, Roberto Diacetti and Paola Boromei were appointed based on a slate submitted by a group of asset management companies and institutional investors that gained approximately 13% of the share capital votes represented at the Shareholders' Meeting;
- Director Giorgio Luca Bruno (Deputy-CEO) was appointed – at the proposal of the Board of Directors – by the Shareholders' Meeting of 15 June 2021, obtaining around 84% of the share capital votes represented at the Meeting;
- Director Yang Shihao was appointed by co-optation to replace Director Yang Xingqiang;

- Chairman Li Fanrong was appointed by co-optation to replace Chairman Ning Gaoning;
- Director Wang Feng was appointed by co-optation to replace Director Bai Xingping.

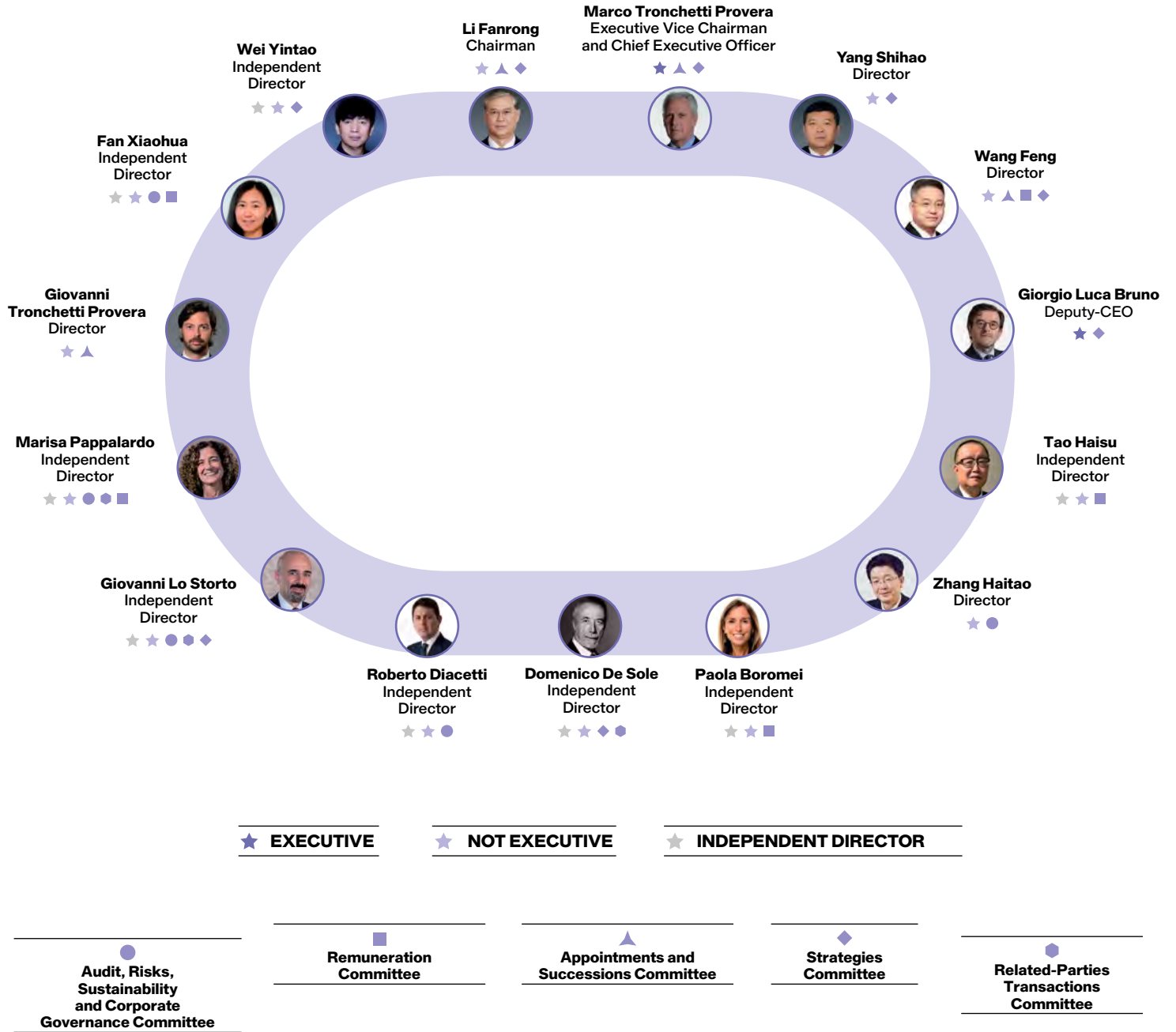
At the Report Date, 20% of Board members were female and the remaining 80% were male. Moreover, 27% are under the age of 50. The average age of the members of the Board is approximately 57 years of age and the average age of the female members is approximately 52 years of age. The Directors' average time in office is about 4 years.

At the Report Date, the majority of the Board of Directors is made up of independent directors, ensuring that they have significant weight in the adoption of board resolutions.

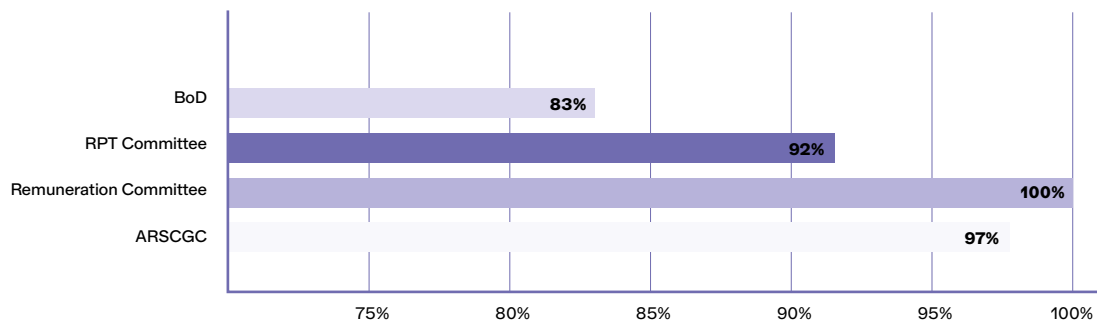
Table 2, annexed, provides the significant information on each member of the Board of Directors in office at the Report Date. In addition, a summary of their professional profiles, periodically updated, is available on the Website.



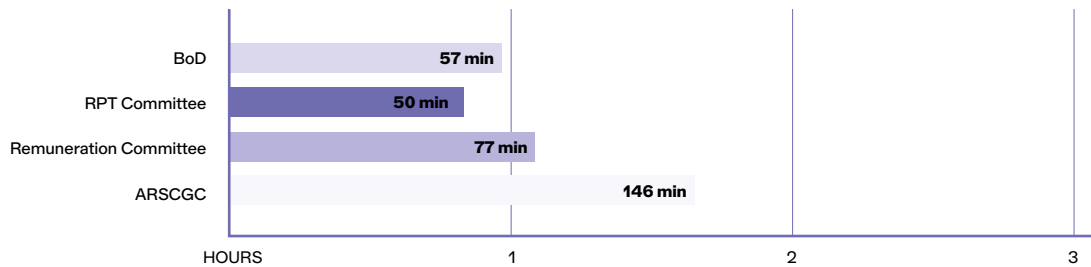
The following charts illustrate (i) the composition of the Board of Directors at the Report Date, as well as (ii) the average duration, (iii) the average shareholding and (iv) the number of meetings of the Board of Directors and Committees during the Year.



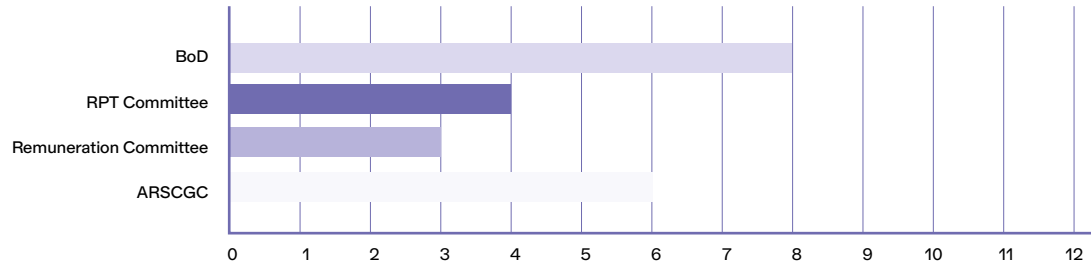
**AVERAGE PERCENTAGE OF ATTENDANCE TO THE MEETINGS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES**



## AVERAGE LENGTH OF MEETINGS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES



## NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES



### 4.3.1. DIVERSITY POLICIES

Pirelli's approach to diversity policies is based on the fundamental principles of non-discrimination, equal opportunities and inclusion of all forms of diversity, and of integrating and balancing work with personal and family-related needs, keeping a constant watch on the respect for and protection of human rights as enshrined in the Company's Code of Ethics.

Pirelli is characterised by a multinational context in which people express a huge heritage of diversity. Conscious management of this diversity generates competitive advantages, opportunities for the development and enrichment of the business, and shared corporate values.

The respect of these values has always been guaranteed by the shareholders during the renewal of the Board of Directors - including the last renewal - in terms of age, gender, nationality, education and professional background and experience. This enables the Board to perform its duties in the most effective way, making use of the contributions made from different points of view, and to analyse individual situations from multiple perspectives.

On 14 February 2019, the Board of Directors – having obtained the favourable opinion of the Audit, Risks, Sustainability and Corporate Governance Committee and the Appointments and Successions Committee – adopted a Diversity and Independence Statement, available on the website, in relation to the composition of the Board of Directors and Board of Statutory Auditors. The Company recommends that these values are respected at each renewal and integration of its corporate bodies, in line with the stated diversity and independence criteria. On 22 June 2020, when the administrative body was renewed, the Board of Directors adopted the Diversity and Independence Statement, which was updated during the Year to take into account the entry into force of the Corporate Governance Code.

The Board of Directors - which avails itself of the opinions expressed by the Audit, Risks, Sustainability and Corporate Governance Committee and the Appointments and Successions Committee - is responsible for the quali-quantitative assessment of the composition of the Board itself and the possible updating and amendment of the Diversity and Independence Statement.

In addition to the administration management and control bodies, the value of diversity characterises the entire business organisation, according to the terms and procedures outlined in the NFS Report published together with the Company's annual financial statements (which should be referred to for more information).

### 4.3.2. LIMITATIONS ON THE NUMBER OF OFFICES HELD

Pursuant to the guidance adopted by the Board of Directors on 14 February 2019 (available on the Website), subject to the favourable opinion of the Audit, Risks, Sustainability and Corporate Governance Committee

and the Appointments and Succession Committee, it is not currently considered compatible with the duties of a Company director to be a director or statutory auditor of more than 4 (four) other companies other than those subject to the direction and coordination of the Company, or its subsidiaries or affiliates, in the case of: (i) companies listed on the FTSE/MIB index (or equivalent foreign index); or (ii) Italian or foreign companies, subject to the supervision of the competent authorities, that carry out financial, banking or insurance activities. Furthermore, it is not considered compatible for the same director to hold more than three executive positions in companies of the types indicated in points (i) and (ii) above.

Positions held in several companies belonging to the same group are considered to be a single position and an executive position prevails over a non-executive position.

The Board of Directors is entitled to make a different assessment, properly motivated, to be published in the Report and explained appropriately therein.

The guidance regarding the maximum number of offices considered compatible with effective performance as a Company director was last supplemented with purely formal amendments to take into account the provisions of the Corporate Governance Code (replacing the previous provisions of the same Code) and – together with the “Diversity and Independence Statement” referred to in the paragraph above – the documents were confirmed by the Board of Directors on 17 March 2022, subject to the favourable opinion by the Audit, Risks, Sustainability and Corporate Governance Committee.

Following review by the Audit, Risks, Sustainability and Corporate Governance Committee, each year the Board of Directors examines the positions held by each Director (based on the information provided by that person and/or on the other information available to the Company). At the Report Date, no Director holds a number of position higher than the number set out in the policy adopted by the Company.

Annex A indicates the principal appointments held by the Directors in companies that do not belong to the Group at the Report Date.

#### 4.3.3. INDUCTION PROGRAM

The Directors perform their duties autonomously and with competence, pursuing the priority objective of creating sustainable value over the medium-long term. They are aware of the responsibilities pertaining to their role and, like the Statutory Auditors, they are kept periodically informed by the competent business functions about the principal regulatory and self-regulatory changes affecting the Company and the performance of their duties.

Also during the Year, induction sessions were arranged, also with the support of the top management, aimed at providing an explanation of the main characteristics of the activities of Pirelli and its Group and (including through the work of the committees) the reference legislative and regulatory

framework and the specific procedures and rules adopted by the Company.

Bearing in mind that the term of office of the Board of Directors will end with the approval of the financial statements as at 31 December 2022, the induction sessions - promoted by the Company during the Year - focused on updating the organisational structure and presenting the Company's production activities, including by means of a tour of the Pirelli Research and Development centre.

#### 4.4. FUNCTIONING OF THE BOARD OF DIRECTORS

Meetings of the Board of Directors are called by the Chairman or his deputy and held at the registered offices, or in any another location specified in the notice of call, whenever deemed appropriate by the Chairman in the interests of the Company, or when requested in writing by the Chief Executive Officer or by one-fifth of the appointed Directors. Meetings of the Board of Directors may also be called by the Board of Statutory Auditors, or by each standing auditor, following notification sent to the Chairman of the Board of Directors.

During the Year the Board of Directors in office at the Report Date met eight times. The average duration of each meeting was approximately 1 hour, with attendance by around 82% of the Directors and 98% of the Independent Directors. In accordance with the provisions of the Bylaws and regulations, meetings were predominantly conducted in hybrid format, using audio/video links.

For the Year and for the current year, Pirelli disclosed a calendar of the main corporate events to the market (also available on the Website). For the 2023 financial year, the Board is scheduled to meet at least 6 times (at the Date of the Report two meetings had already been held).

The means of organisation and the internal functioning of the Board of Directors are governed by the Regulations on the Functioning of the Board of Directors adopted on 22 June 2020 in line with the recommendations of the Corporate Governance Code (“**Board Regulations**”) available on the Website. The Board Regulations establish the deadlines for the prior submission of information and procedures for protecting the confidentiality of the data and information provided so as not to compromise the timeliness and completeness of the information flows.

In line with the Board Regulations, the Directors and Statutory Auditors received the documentation and information needed to express an informed opinion on the matters submitted for discussion within a reasonable and appropriate period in advance. In particular, during the Year, the documentation was, as a rule, sent to the Board within 10 days prior to the meeting date. In the exceptional cases in which documentation could not be transmitted so far in advance (to also take into account the work of the Committees), full information on the issue to be considered was provided directly during the meeting, thus ensuring that the Directors could make informed decisions.

Particular attention is paid to ensuring that information remains confidential, by sending the documentation relating to the activities of the board and its committees using specific software that guarantees that access is reserved to the directors and statutory auditors only. This is in line with best practice and with the recommendations of the Italian Corporate Governance Committee.

Taking account of the international composition of the Board of Directors, with the presence of multiple nationalities, it is also the Company's practice to proceed to send the documents to be considered by the Board and its Committees in the three languages (Italian, English and Chinese) commonly used by the Directors. Furthermore, for each meeting of the Board of Directors and Committees, participants are able to use a simultaneous translation of interventions made into the languages spoken by the participants.

In order to facilitate minute taking, the Board meetings may be recorded; said recordings shall then be destroyed once the minutes have been transcribed into the applicable corporate register.

If the Chairman is absent or unavailable, upon request by the Chairman, the meeting may be chaired by the Vice Chairman or CEO; should the latter also be absent or unavailable, another director, appointed by the majority of the attendees, may assume the Chair.

For the resolutions of the Board of Directors to be valid, a majority of its members must be present, and resolutions must obtain a majority of the votes expressed.

The Directors' growing awareness of the business reality and dynamics of the Company and the Group is enhanced by the attendance of management at their meetings, which allows them to explore the matters on the agenda in appropriate depth.

All the Key Managers always attended all the meetings of the Board of Directors during the Year, thus contributing to periodic and up-to-date reporting to the Board of Directors. The Key Managers do not attend any meetings in which matters relating to them are discussed or that do not require them to be present.

The Bylaws establish that, until decided differently at a Shareholders' Meeting, the Directors are not bound by the prohibition contained in art. 2390 of the Civil Code.

#### 4.4.1. SECRETARY OF THE BOARD

In line with the recommendations of the Corporate Governance Code, the Board Regulations allow the Board of Directors to appoint the Secretary by assessing that he/she satisfies the necessary professional requirements. The Board Secretary supports the activities of the Chairman and/or Vice Chairman and/or Chief Executive Officer and provides impartial assistance and advice to the Board of Directors on all aspects relevant to the proper functioning of the corporate governance system. In particular, the Secretary shall support the Chairman and/or Vice Chairman of the

Board of Directors, in order to ensure specifically that:

- a) the pre-meeting information is accurate, complete and clear and the complementary information provided during meetings allows directors to act in an informed manner;
- b) the activities of the board committees are coordinated with the activities of the Board of Directors;
- c) the top management of the Company and of companies of the same Group may participate in board meetings, as well as the heads of the company departments in order to provide appropriate updates on the items on the agenda;
- d) after their appointment and during the mandate of the board, all Directors may participate in specific induction activities;
- e) the board evaluation is adequate and transparent.

#### 4.4.2. BOARD OF DIRECTORS SELF-ASSESSMENT PROCESS

Over the Year the Board of Directors started the process to evaluate its operation and the operation of its Committees (board performance evaluation) for the Year. In proceeding with its assessment process, the Board of Directors was also assisted, as usual, by a primary independent consulting firm specialised in this area (SpencerStuart). The self-assessment process was carried out through individual interviews with questions about the size, composition and operation of the Board of Directors. All the members of the Board of Directors took part in the self-assessment process, with the exception of Chairman Li Fanrong and Director Yang Shihao, given the fact that they had only recently joined the Company's Board of Directors.

From the analysis it emerges that the financial year under review closes a particularly intense and complex three-year period marked by exogenous macro-phenomena that have been reflected at a global level. In dealing with particularly complex issues and the extraordinary nature of the circumstances, the Board of Directors showed involvement and a constructive attitude throughout the entire three-year term of office, which ensured a smooth course of work.

The Board of Directors was constantly updated and continuously monitored the mitigation actions promptly undertaken by the Company, outlining an effective crisis contingency plan.

The Board of Directors confirms the Company's absolute focus on sustainability issues and hopes for an increasing and systematic integration of sustainability in the company's development plans.

The analysis of the results of the aforementioned board performance evaluation evidenced a broadly positive situation. In fact, a very high level of overall appreciation was reported, in line with the previous financial year. In particular, the Directors expressed full satisfaction and appreciation of the size, composition and operation of the Board of Directors and its Committees. It was also highlighted that the Board of Directors operates in compliance with the Corporate Governance Code and with both Italian and international best practice. Moreover, the areas of excellence that had emerged

during the previous financial year's self-assessment activities have been confirmed overall.

The areas for which the most appreciation was reported are outlined below:

- the effectiveness of the support provided by the Secretary of the Board of Directors;
- adequately prepared Agendas supporting the meetings of the Board of Directors, found to be complete with all the items that need to be brought to the Board of Directors' attention;
- high-quality documentation supporting the meetings of the Board of Directors, deemed clear and complete;
- high-quality minuting of the Board of Directors and Committee meetings, which are confirmed as accurate and complete with respect to the progress of the meetings;
- guaranteed confidentiality of the topics discussed;
- the effectiveness, continuity and transparency of the exchange of information between Directors and management on the corporate strategy;

The Board members expressed particular appreciation for the decisiveness and commitment in guiding the Board's work by the Executive Vice Chairman and Chief Executive Officer.

The survey also revealed some indications for further improving the functioning of the Board of Directors, including, in particular, (i) with a view to the appointment of the Board of Directors, the valorisation of what has been acquired during the term of office with regard to skills experience and the way the Board of Directors operates, (ii) in-person attendance of the meetings to facilitate interaction between the new members, (iii) the structuring of an onboarding and induction plan and more opportunities for informal meetings, in order to foster real mutual acquaintance and the further strengthening of personal relations and team spirit.

The Audit, Risks, Sustainability and Corporate Governance Committee played a leading role in the board performance evaluation and shared the results in advance at the meeting of 16 March 2023, which were subsequently submitted to the Board of Directors.

#### 4.4.3. MATTERS FOR THE BOD

In accordance with the Bylaws, the Shareholders' Meeting requires a qualified majority (*i.e.* favourable votes by shareholders representing at least 90% of the share capital of the Company) for the Board to be authorised to resolve on the following issues:

- transfer of the operational and administrative headquarters outside of the municipality of Milan;
- any transfer and/or deed of disposition, in any form, of Pirelli know-how (including the granting of licences).

On 22 June 2020, the Board of Directors established that all resolutions regarding the following matters, proposed by Pirelli and/or by any company subject to direction and coordination by Pirelli (excluding intergroup transactions) must (also as an internal restriction of the power granted to the Chief Executive Office on that date) be approved by the

Board of Directors of the Company:

- (i) assumption or concession of loans worth more than Euro 200,000,000 and with a term of more than 12 months;
- (ii) issue of financial instruments for listing on a European or non-European stock market for a value in excess of Euro 100,000,000 and revocation from listing of such instruments;
- (iii) concession of guarantees in the favour of third parties for amounts in excess of Euro 100,000,000. For the sake of completeness, please note that the concession of guarantees in the interests of third parties other than the Company, its subsidiaries and joint ventures, must be subject, in any case, to the approval of the Pirelli Board of Directors;
- (iv) signing derivative contracts (a) with a notional value higher than 250,000,000, euros and (b) except for those having the sole object and/or effect of hedging corporate risks (e.g. interest-rate risk, exchange-rate risk, commodity market risk). For the sake of completeness, please note that the stipulation of speculative derivative contracts is in any case subject to the approval of the Pirelli Board of Directors;
- (v) purchase or sale of equity investments in subsidiary and affiliates for an amount higher than Euro 40,000,000, which involve entering into (or exiting from) geographical and/or commodity markets;
- (vi) purchase or sale of equity investments other than those described at point (v) above for an amount higher than Euro 40,000,000;
- (vii) purchase or sale of businesses or business units that have strategic importance or, in any case, a value of more than Euro 40,000,000;
- (viii) purchase or sale of fixed and other assets that have strategic importance or, in any case, a value of more than Euro 40,000,000;
- (ix) carrying out transactions of greater significance with related parties, using the term "related party transactions" to mean those satisfying the conditions envisaged in Annex 1 to the "Related Party Transactions Procedure" approved by the Pirelli Board of Directors on 3 November 2010, as amended over time;
- (x) definition of Pirelli's remuneration policy;
- (xi) determination of the remuneration of CEOs and directors holding special offices, in compliance with Pirelli's internal policies and applicable regulations;
- (xii) and, where required, the allocation of the total remuneration set by the Shareholders' Meeting among Board members;
- (xiii) approval of the strategic, industrial and financial plans of Pirelli and the group;
- (xiv) adoption of corporate governance rules for Pirelli and defining guidelines for the corporate governance of the group;
- (xv) definition of guidelines for the internal control system, including the appointment of a Director responsible for overseeing the internal control system, determining the related powers and duties;
- (xvi) any other matter deemed to be responsibility of the board of directors of a listed company by the Corporate Governance Code promoted by Borsa Italiana<sup>115</sup>, as amended from time to time.

It being understood that the approval of the transactions listed above is reserved solely to the Board of Directors not only if the threshold indicated for each matter has been reached, but also if the matters listed from (i) to (vii) – whether considered a single action or as a series of coordinated actions (carried out in the context of a common executive programme or a strategic project) – exceed the amounts indicated in the annual budget/business plan or (solely for the matters listed from (i) to (viii) above) if they were not included, listed or envisaged in the annual budget/business plan.

As required by the Corporate Governance Code<sup>116</sup>, the Board of Directors gave a positive assessment of the adequacy of the organisational, administrative and accounting systems and structure of the Company and the Group, with particular reference to the system of internal control and risk management, referring to the analytical work carried out by the Audit, Risks, Sustainability and Corporate Governance Committee.

The Board has also evaluated the general results of operations, taking into particular account the information received from delegated bodies and comparing periodically, at least every quarter, the results obtained with those planned.

The Board of Directors – also in light of the considerations set out in the Letter from the Chairman of the Borsa Italiana Corporate Governance Committee (see section 18 of the Report) – deemed the Company's current Bylaw provisions and practices to be adequate for effective governance of the Company and for achieving the Company's interests.

#### 4.5. EXECUTIVE DIRECTORS

With resolution dated 22 June 2020, the Board of Directors granted the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera with all the powers necessary to carry out deeds relating to all aspects of corporate activity, without any exceptions aside from those that the law or the Bylaws reserve to the Board of Directors; all with the power to grant special and general powers of attorney that give the representative the right to sign on behalf of the Company, either separately or together with others, and all other powers deemed appropriate by him in the best interests of the Company, including the right to sub-delegate. In particular the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera was granted with:

- a) exclusive powers of ordinary management of Pirelli and the Group both for Pirelli and any other company (including non-listed foreign companies) under Pirelli's direction and coordination, with the following internal limitations, *i.e.* with the attribution of the relevant competence to the Board of Directors where:
  - (i) the threshold amounts envisaged for each of the matters indicated in section 4.4.3 are exceeded; or

- (ii) for the matters listed from (i) to (viii) in section 4.4.3 above, the amounts indicated in the business plan and/or the annual budget are exceeded; or
  - (iii) for the matters listed from (i) to (viii) in section 4.4.3 above, they were not included, listed or envisaged in the business plan or the annual budget; and
- b) the powers for the supervision and implementation by the General Manager and Management team of the business plan and the power to propose to the Board of Directors adoption of the following resolutions (together, the “**Significant Matters**”):
- (i) approval of the business plan and the annual budget of the Company and the Group, as well as all significant changes to those documents. The business plan and annual budget must: (a) address certain operational and financial aspects of Pirelli including, but not limited to, identifying all sources of funding for such business plans and budgets, as well as the decisions about the industrial initiatives underlying the business plan and annual budget; and (b) be accompanied and supported by adequate and suitable documentation describing the items contained therein;
  - (ii) any resolutions regarding industrial partnerships or strategic joint ventures to which Pirelli and/or any Group company are party, in all cases following examination by the Strategies Committee,

it being understood that: (a) the power to pass resolution on Significant Matters is reserved solely for the Board of Directors and/or the Shareholders' Meeting, as applicable; and (b) should the Board of Directors not approve the proposal of the Executive Vice Chairman and Chief Executive Officer, the respective resolution must be justified and, in any case, take into account the Company's best interests.

The Executive Vice Chairman and Chief Executive Officer hold the power to propose to the Board the appointment and revocation from the office of Key managers of Pirelli, as identified in accordance with the related internal procedure and, therefore, the following Pirelli employees: (i) the General Manager, (ii) the Manager responsible for drawing up corporate financial documents; (iii) all positions currently defined as Executive Vice President and (iv) the Secretary of the Company's Board of Directors.

The Chief Executive Officer ordinarily reports on the activity carried out during board meetings.

In light of the above, Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera is identified as executive director.

On 15 June 2021, by resolution of the Board of Directors, Mr Giorgio Luca Bruno was appointed Deputy-CEO of the Company and, at the same time, was granted powers for the Company's operational management, to be exercised vicariously. As such, Deputy-CEO Giorgio Luca Bruno is qualified as an executive director.

At the Report Date, it should be noted that in addition to the Executive Vice Chairman, Chief Executive Officer and Deputy-CEO, Pirelli classifies as executive directors those directors who at the same time qualify as Key Managers of

<sup>115</sup> Refer here to the Corporate Governance Code.  
<sup>116</sup> See Recommendation 33 (a).

the Company where present, or Directors who also hold office as Chief Executive Officer or Executive Chairman of Pirelli's main subsidiaries<sup>117</sup>. A list of the Company's Key Managers is available on the Website.

It should also be noted that the office of the Chairman of the Board of Directors does not qualify as 'executive' given the governance structure and powers granted to the Executive Deputy Chairman and Chief Executive Officer.

#### 4.6. INDEPENDENT DIRECTORS

At the Report Date, eight of the fifteen members (and therefore over 50%) of the Board of Directors satisfied the requirements to qualify as independent pursuant to the Corporate Governance Code and the TUF, namely: Paola Boromei, Domenico De Sole, Roberto Diacetti, Tao Haisu, Giovanni Lo Storto, Marisa Pappalardo, Fan Xiaohua and Wei Yintao.

Upon appointment and thereafter on at least an annual basis, the Board evaluates whether or not members meet and/or retain the requirements of independence specified in the Corporate Governance Code and the TUF for non-executive directors who qualify as independent, disclosing the outcome of the assessment through a press release and/or on the occasion of the annual publication of the Report. This check – which takes account not only of the information provided by the directors themselves but also further information that might be available to the Company, referring to the requirements set out in the TUF, as well as to those recommended in the Corporate Governance Code – was most recently carried out during the board meeting on 5 April 2023.

In making its assessments, the Board did not derogate from any of the criteria prescribed by the Corporate Governance Code.

At the same time as the assessments made by the Board of Directors, the Board of Statutory Auditors confirmed that, in line with the recommendations of the Corporate Governance Code, it had verified the proper application of the assessment criteria and ascertainment procedures adopted by the Board of Directors to assess the continued validity of independence requirements for directors pursuant to the "Statement on Independence".

On 25 February 2021, in fact, the Board of Directors – upon the proposal of the Audit, Risks, Sustainability and Corporate Governance Committee – approved the "Statement regarding independence" to pre-establish the qualitative and quantitative criteria to be used in assessing the independence of Directors and Statutory Auditors.

Said Statement: (i) establishes the qualitative and quantitative criteria used to assess the independence of directors for the purposes of the Corporate Governance Code and, in particular, the parameters of significance of any economic, professional

or financial relationships pertaining to directors whose independence is being assessed; and (ii) explains in detail certain interpretative criteria relating to the other cases of independence referred to in the Corporate Governance Code, including the notion of "significant additional remuneration".

In particular, the Company's Board of Directors has set the following thresholds of significance for the relationships under examination:

- With reference to the concept of "significant business, financial or professional relationship" as per letter c) above, this includes advisory roles or any other role – with the exception of non-executive corporate offices held within the group, relevant for the significant additional remuneration according to the criteria indicated below – that has led, for the director or statutory auditor whose independence is being examined, or their close family members, to economic compensation in the calendar year greater than (i) 300 thousand euros in the case of relationships held with undertakings or organisations, over which the director, statutory auditor or close family member has control or is a relevant member, or of the professional firm or association or advisory company where such individuals are a partner, shareholder or associate, in the case of a relationship held with these undertakings, organisations, advisory companies or professional firms and associations; (ii) 100 thousand euros for relationships held directly with natural persons. In the case of a partnership in a professional firm or consulting company, the possible impacts on the position and role of the person under examination should be assessed;
- with regard to the concept of "additional significant remuneration" referred to in Recommendation 7(d) of the Corporate Governance Code, this includes all remuneration paid for whatever reason during the calendar year, by the Company, by a (direct or indirect) subsidiary or parent company of the Company, that cumulatively exceeds the total amount of remuneration for the office or remuneration for participation in board committees paid to the director, and of remuneration for the office of member of the Board of Statutory Auditors, whose independence is being assessed.

At the Report Date, no consultancy relationships of any kind were ongoing with directors qualified as independent.

None of the directors qualified as independent at the date of their appointment had lost this status during their term of office.

Considering the above, the powers system, the share ownership structure and the provisions on this subject set out in the Corporate Governance Code, independent directors have not yet deemed it necessary to make a proposal to the Board of Directors to appoint a lead independent director. The independent and non-executive directors contribute to the Board and committee discussions, bringing their specific skills, and, given their number, have a decisive weight in the decision-making process of the Board of Directors and the committees in which they take part.

<sup>117</sup> For the sake of completeness, it should be noted that Giovanni Tronchetti Provera is a senior manager of the Group.

Independent directors meet at least once a year in the absence of the other directors, in order to analyse issues of particular importance, such as the functioning of the Board of Directors or company management.

During the Year, the independent directors met for the induction sessions arranged by the Company (referred to in section 4.3.3 above).

## 5. PROCESSING OF CORPORATE INFORMATION

Pirelli has adopted and consolidated over time a *compendium* of rules and procedures for the proper management of corporate information, in compliance with the regulations applicable to the various types of data.

With reference to the prevention of market abuses, the Board of Directors of Pirelli has adopted a procedure for defining the principles and rules for preventing such abuses by Pirelli, Group companies and their related parties (the “**Market Abuse Procedure**”).

In particular, the Market Abuse Procedure (available on the Website) governs: (a) the management of “significant information”, meaning information that may become “inside information” pursuant to art. 7 of Regulation (EU) 596/2014 (“**Inside Information**”); (b) the management and communication to the public of Inside Information; (c) the creation, keeping and updating of the register of persons who, in view of their working or professional activities or the functions they perform, have access to Inside Information; (d) the obligations regarding transactions in the shares of the Company, credit instruments issued by the Company and the derivative or other financial instruments linked to them, by parties deemed to be senior decision-makers (“internal dealing”); (e) the operational procedures and scope of application of the prohibition imposed on the Company and the persons who perform administrative, control or management functions for the Company regarding the execution of transactions in Pirelli shares, credit instruments issued by Pirelli and the derivative or other financial instruments linked to them during predetermined periods (“black out periods”); (f) any market soundings carried out or received in compliance with art. 11 of Regulation (EU) 596/2014 and the related enabling regulations.

The Market Abuse Procedure also defines rules for transactions carried out by “*Significant Parties*” or by “*Persons*

*Closely Related to Significant Parties*” in financial instruments issued by the Company, with an annual amount of at least Euro 20,000, in compliance with the applicable current regulations. In this regard, a black-out period of 30 calendar days is imposed prior to the announcement by the Company of the data contained in the annual, half-yearly and periodic financial reports required by the legislation in force at the time<sup>118</sup>, during which the relevant persons referred to in the procedure are expressly forbidden from carrying out transactions on such financial instruments.

## 6. BOARD COMMITTEES

The role of the board committees is to carry out analyses for, make recommendations to and/or give advice to the Board in relation to matters deemed worthy of further investigation, in order to ensure that there is an effective and informed exchange of opinions about them.

Given also the recommendations and principles contained in the Corporate Governance Code, at the meeting on 22 June 2020 the Company’s Board of Directors established the Strategies Committee, the Appointments and Succession Committee, the Audit, Risks, Sustainability and Corporate Governance Committee, the Remuneration Committee and the Related-Party Transactions Committee.

The evolution of the composition of committees during the Year is detailed in Table 4. When choosing the Committee members, the Board of Directors considered as a priority the skills and experience acquired by each director in the subjects under discussion, distributing the appointments in order to avoid an excessive concentration of appointments being held by a limited number of people and to encourage the exchange of multiple viewpoints and perspectives.

### 6.1. FUNCTIONING OF COMMITTEES

The Committees are appointed by the Board of Directors (which also designates its Chairman and approves its rules of procedure) and remain in office for the entire mandate of the Board, meeting whenever deemed appropriate by the Committee Chairman, or when requested by at least one member, by the Chairman of the Board of Directors or by the Chief Executive Officer and, in any case, with the frequency needed to properly carry out their functions.

The Secretary of each Committee is the Secretary to the Board.

<sup>118</sup> Annually - as a rule by the end of the year - the Company publishes the calendar of principal corporate events for the next financial year and promptly updates this calendar in the event of subsequent amendments.



The meetings of the Committees shall be convened by notice sent to the participants by its Chairman or by the Secretary of the Committee by the Chairman.

The documentation is sent in good time to all members of the relevant Committee so that they can participate in the meeting in an informed manner (as a rule 10 days prior to the meeting).

Committee meetings are quorate when attended by the majority of appointed members and resolutions are adopted by the majority of those present. With regard to the meetings of the Appointments and Succession Committee regarding the succession of the Chief Executive Officer, the CEO casts the deciding vote in the event of a voting tie.

Committee meetings may be held by conference call; their minutes are taken by the Committee Secretary and recorded in the related minute book.

Committees - which may make use of external advisers in carrying out their functions - are granted adequate financial resources to perform their tasks with spending autonomy. The

Related-Party Transactions Committee is entitled to obtain assistance, at the expense of the Company, from one or more independent experts selected by the Committee.

Committees are entitled to access relevant business information and company departments in the performance of their tasks, with support from the Secretary to the Board of Directors for this purpose.

The entire Board of Statutory Auditors is entitled to participate in the activities of the Audit, Risks, Sustainability and Corporate Governance Committee, Remuneration Committee and RPT Committee.

One member of the Board of Statutory Auditors is invited to attend the meetings of the Appointments and Succession Committee and Strategies Committee (usually the Chairman).

Further information about the number of meetings held by each Committee during the Year and about the attendance of each member at those meetings can be found in Table 3 annexed to this Report.

## 6.2. STRATEGIES COMMITTEE

### STRATEGIES COMMITTEE

	NAME AND SURNAME	OFFICE
	Li Fanrong	Chairman of the Board of Director
	Marco Tronchetti Provera	Executive Vice Chairman and Chief Executive Officer
	Yang Shihao	Director
	Wang Feng	Director
	Giorgio Luca Bruno	Deputy-CEO
	Domenico De Sole	Independent Director
	Giovanni Lo Storto	Independent Director
	Wei Yintao	Independent Director

At the Report Date, the Strategies Committee is made up of 8 directors (including 3 independent directors): Marco Tronchetti Provera (Committee Chairman), Li Fanrong, Yang Shihao, Giorgio Luca Bruno, Wang Feng, Domenico De Sole, Giovanni Lo Storto and Wei Yintao.

The Strategies Committee has consultative and advisory functions in the definition of strategic guidelines and for the identification and definition of the terms and conditions of the individual operations of strategic importance. In particular, the Strategies Committee:

- supports the Board of Directors in examining the business plans of the Company and the Group, also based on an analysis of the relevant topics for value generation in the long term;
- helps the Board to assess transactions, initiatives and activities of strategic importance including, in particular:
  - entry into new geographical markets and businesses;
  - industrial alliances (e.g. joint ventures);
  - special transactions (mergers, spin-offs, capital increases and capital reductions, except for those to cover losses);
  - investment projects;
  - industrial and/or financial restructuring projects and programmes;
- examines periodically the organisational structure of the Company and the Group, presenting any suggestions and opinions to the Board;

- monitors and assesses managements' achievement of the Group's economic-financial targets over time on the basis of the information flows procedure set out below, proposing to the Board of Directors any actions and/or the adoption of corrections to achieve the economic-financial targets approved by the Board of Directors.

It is required that the Strategies Committee be the recipient of a specific and continuous flow of information from the Chief Executive Officer, assisted by the Secretary of the Company's Board of Directors for such purposes.

### 6.3. RELATED-PARTY TRANSACTIONS COMMITTEE

#### RPT COMMITTEE

	NAME AND SURNAME	OFFICE
	Marisa Pappalardo	Independent Director
	Domenico De Sole	Independent Director
	Giovanni Lo Storto	Independent Director

At the Report Date, the Related-Party Transactions Committee is made up of 3 independent directors: Marisa Pappalardo (Chairman of the Committee), Domenico De Sole, and Giovanni Lo Storto.





The Related-Party Transactions Committee has consultative and advisory functions in relation to related-party transactions in the terms laid down in the current regulations and the Procedure for Related-Party Transactions (see section 10).

The committee members' enhanced awareness of the Company and corporate and Group dynamics is also fostered by the systematic attendance of management at the meetings of the Related-Party Transactions Committee.

During the Year, it was noted that management assiduously attended the Related Party Transactions Committee meetings in order to provide adequate information support for the adoption of resolutions.

## 7. SUCCESSION OF DIRECTORS - APPOINTMENTS AND SUCCESSION COMMITTEE

### APPOINTMENTS AND SUCCESSIONS COMMITTEE

	NAME AND SURNAME	OFFICE
	Li Fanrong	Chairman of the Board of Director
	Marco Tronchetti Provera	Executive Vice Chairman and Chief Executive Officer
	Wang Feng	Director
	Giovanni Tronchetti Provera	Director

At the Report Date, the Appointments and Succession Committee is composed of 4 members: Marco Tronchetti Provera (Chairman of the Committee), Li Fanrong, Giovanni Tronchetti Provera and Wang Feng. As an exception to the Corporate Governance Code, the majority of the members of this committee are non-executive directors (albeit not independent). This is because the committee addresses not only matters relating to appointments, but also those regarding top management succession; in addition, committee membership takes account of the fact that the Renewal of the Shareholders' Agreement has established a structured procedure for identifying the successor to Marco Tronchetti Provera as the Chief Executive Officer of Pirelli (see section 7.1 below).

In particular, the Appointments and Succession Committee:

- prepares opinions for the Board of Directors on the size and composition of the Board and makes recommendations about the professional roles whose presence on the Board is deemed appropriate;
- prepares opinions for the Board of Directors on the adoption and/or amendment by the Board of its orientation towards the number of appointments considered compatible with effective performance as a director of the Company;
- makes recommendations to the Board of Directors about any issues regarding application of the prohibition of competition envisaged in art. 2390 of the Italian Civil Code, should the Shareholders' Meeting - for organisational reasons - authorise in advance, on a general basis, exceptions to this prohibition;
- recommends candidates to the Board of Directors where it is necessary to co-opt new Directors;
- makes recommendations to the Board of Directors on any "emergency" succession plans for the most senior decision-makers;
- prepares opinions for the Board of Directors on the appointment (by co-option or otherwise) of candidates to the position of Chief Executive Officer;
- upon proposal of the Chief Executive Officer, identifies criteria for the succession plans covering top and senior management in general, in order to guarantee the continuity of business strategies.

It is noted that the task of overseeing the self-assessment process of the Board of Directors and Board of Statutory Auditors has been assigned to the Audit, Risks, Sustainability and Corporate Governance Committee, while the Appointments and Succession Committee's duties do not include assisting the outgoing Board of Directors in the possible presentation of its own slate, since this is not envisaged by the Bylaws.

## 7.1. SUCCESSION PLANS

Pursuant to the Shareholders' Agreement Renewal, in order to ensure the continuity of Pirelli's business culture, Marco Tronchetti Provera, in his capacity as Executive Vice Chairman of Pirelli, was confirmed in the key role of directing top management and ensuring the continuity of Pirelli's business culture, including by playing a leading role in the appointment of Giorgio Luca Bruno as the new Chief Executive Officer of Pirelli. Specifically, it is envisaged that Marco Tronchetti Provera, as Executive Vice Chairman of Pirelli, will continue to be vested with powers for the strategic direction of the Group and the power to supervise the implementation of the Pirelli business plan. He will also be responsible for relations with shareholders, institutions, investors and the media. Giorgio Luca Bruno, on the other hand, in his capacity as the Company's Chief Executive Officer, shall be responsible for the operational implementation of group strategies.

# 8. REMUNERATION COMMITTEE AND DIRECTORS' REMUNERATION

## REMUNERATION COMMITTEE

	NAME AND SURNAME	OFFICE
	Tao Haisu	Independent Director
	Wang Feng	Director
	Paola Boromei	Independent Director
	Fan Xiaohua	Independent Director
	Marisa Pappalardo	Independent Director

Information about the 2023 remuneration policy and remuneration paid in 2022, and about the duties performed by the Remuneration Committee, can be found in the Remuneration Report drawn up pursuant to art. 123-ter TUF, which is made available to the public as envisaged by current laws and regulations, including by publication on the Website. It should be noted that said document also includes the information required by Article 123-bis, paragraph 1, letter i) of the TUF.

The committee members' enhanced awareness of the Company and corporate and Group dynamics is also fostered by the systematic attendance of management at the meetings of the Remuneration Committee.

Management - and in particular the EVP & Chief Human Resources Officer, the Head of Compensation & Benefits and the Head of International Mobility and HR Administration - regularly and diligently attended the meetings of the Committee during the Year, thereby contributing to periodic and up-to-date reporting to the Committee.

## 9. SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENTI - AUDIT, RISKS, SUSTAINABILITY AND CORPORATE GOVERNANCE COMMITTEE

The Company's internal control and risk management system is designed to contribute to the operation of a healthy and proper business, consistent with the objectives established by the Board of Directors, by identifying, managing and monitoring the principal risks faced by the Company. The internal control and risk management system allows the principal risks, and the reliability, accuracy, trustworthiness and timeliness of financial reporting to be identified, measured, managed and monitored.

Responsibility for the adoption of an adequate internal control and risk management system lies with the Board of Directors which, with the support of the Audit, Risks, Sustainability and Corporate Governance Committee, carries out the tasks assigned to it in the Corporate Governance Code. In particular, after consulting with the Audit, Risks, Sustainability and Corporate Governance Committee, the Board of Directors:

- (i) analyses and approves the compliance and audit plans scheduled for the following financial year;
- (ii) supervises the risk management process to ensure that the risks assumed in the course of business are in line with the Company's strategies; to this end, it establishes a risk appetite and sets guidelines for managing risks that may jeopardise the achievement of the Company's objectives, assessing their adequacy at least once a year;
- (iii) takes note of the risk analysis carried out by the Company's offices on a quarterly basis and of the risk assessment at least on the launch of the annual business plans and budgets;
- (iv) takes note of the progress of the tax risk monitoring and mitigation activities, as well as (at least annually) the tax operating plan and (every three years) the strategic tax plan.

The implementation of the strategies and guidelines adopted by the Board of Directors is then ensured by a pyramid structure of the departments involved in drafting the plans and activities mentioned above, thanks to constant interaction between the Board itself and the Company's top management which directs its work.

A more complete description of Pirelli's internal control system can be found in the Directors' report on operations. Additionally, in this regard, the Board of Statutory Auditors has issued a statement on the administration and accounting systems adopted by the significant subsidiaries of Pirelli to ensure that the information on the company's assets, business and finances required for the preparation of the consolidated financial statements is regularly received by the Pirelli's senior management and external auditor.

### 9.1. DUTIES OF THE MANAGING DIRECTOR IN RELATION TO THE ESTABLISHMENT AND MAINTENANCE OF THE INTERNAL CONTROL SYSTEM

In its meeting of 22 June 2020, the Board of Directors appointed Mr Marco Tronchetti Provera as the person in charge of setting up and maintaining the internal control and risk management system.

The Executive Vice Chairman and Chief Executive Officer is tasked with supervising the functioning of the system of internal control and risk management and implementing the respective guidelines established by the Board of Directors, with support from the Audit, Risks, Sustainability and Corporate Governance Committee, ensuring that all actions necessary for the implementation of the system are taken. In line with the recommendations of the Corporate Governance Code, he/she:

- ensures that the principal business risks are identified, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, and submits them periodically to the Board of Directors for review;
- authorises execution of the guidelines formulated by the Board of Directors, supervising the design, implementation and management of the internal control and risk management system and constantly monitoring its adequacy and effectiveness;
- ensures that this system is adapted to any changes in operating conditions and the legislative and regulatory framework;
- may ask the internal audit function to carry out checks on specific operational areas and on compliance with internal rules and procedures in the execution of corporate transactions, while simultaneously notifying the Chairman of the Board of Directors, the Chairman of the Audit, Risks, Sustainability and Corporate Governance Committee and the Chairman of the Board of Statutory Auditors; and
- reports promptly to the Audit, Risks, Sustainability and Corporate Governance Committee on issues and critical situations identified during his work or otherwise brought to his attention, so that the Committee can take appropriate action.

## 9.2. AUDIT, RISKS, SUSTAINABILITY AND CORPORATE GOVERNANCE COMMITTEE

### ARSCGC

	NAME AND SURNAME	OFFICE
	Fan Xiaohua	Independent Director
	Zhang Haitao	Director
	Roberto Diacetti	Independent Director
	Giovanni Lo Storto	Independent Director
	Marisa Pappalardo	Independent Director

At the Report Date, the Audit, Risks, Sustainability and Corporate Governance Committee was made up of 5 directors (four of whom are independent): Fan Xiaohua (Committee Chair), Zhang Haitao, Roberto Diacetti, Giovanni Lo Storto and Marisa Pappalardo. Directors Fan, Diacetti and Lo Storto have adequate experience in accounting and finance or in risk management.

The Audit, Risks, Sustainability and Corporate Governance Committee, which incorporates the functions of the “control and risks committee”, helps the Board of Directors to assess and make decisions relating to the internal control and risk management system, as well as the approval of periodic financial reports. In particular, the Audit, Risks, Sustainability and Corporate Governance Committee:

- assists the Board of Directors with:
  - a) defining guidelines for the internal control and risk management system, in keeping with the Company’s strategies;
  - b) evaluating, at least once a year, the adequacy of the internal control and risk management system with respect to the characteristics of the business and the risk profile assumed, as well as its effectiveness;
  - c) appointing and removing the head of the Internal Audit department, defining the remuneration of this figure in line with the company’s policies, ensuring that the same has adequate resources to perform its duties;
  - d) approving, at least once a year, the work plan drawn up by the head of the internal audit department and the head of the compliance department, after consulting with the control body and Chief Executive Officer;
  - e) assessing the adoption of measures aimed to ensure the effectiveness and impartiality of judgement of the other company departments involved in the controls, checking that they have adequate professionalism and resources;
  - f) assessing, having consulted the Board of Statutory Auditors, the results presented by the external auditor in any letter of recommendations and in the additional report addressed to the Board of Statutory Auditors;
  - g) describing, in the report on corporate governance, the main characteristics of the internal control and risk management system and the methods used to coordinate the various parties involved in said system, indicating the models and best national and international practices of reference, expressing its opinion on the overall adequacy of the same;
- assessing, having consulted the manager responsible for the preparation of the corporate financial documents as well as the firm appointed to undertake the external audit of the accounts and the Board of Statutory Auditors, the proper and consistent application of the accounting standards within the Group when preparing the consolidated financial statements;
- assessing the suitability of the periodic, financial and non-financial information, correctly representing the

business model, the Company's strategies, the impact of its activities and the performances achieved in coordination with the Strategies Committee;

- examining the content of the periodic non-financial information relevant for the internal control and risk management system;
- expressing opinions on specific aspects concerning identification of the main company risks and supporting the assessments and decisions of the Board of Directors on the management of risks deriving from adverse facts that have come to the attention of the Committee;
- examining the periodic reports prepared by the internal audit manager and the manager of the compliance function;
- monitoring the autonomy, adequacy, effectiveness and efficiency of the internal audit function;
- requesting that the internal audit department, if deemed appropriate, perform checks in specific operational areas, notifying the Chairman of the Board of Statutory Auditors at the same time;
- reporting to the Board of Directors on the work performed and on the adequacy of the internal control and risk management system, at least at the time of approving the financial statements and the half-year report;
- monitoring compliance with and the periodic update of corporate governance rules, as well as compliance with any codes of conduct adopted by the Company and its subsidiaries; in particular, it is responsible for proposing the procedures and timeframes for the Board of Directors' annual self-assessment;
- monitoring the operations of the business in terms of their sustainability and the dynamics of the interactions of the business with all stakeholders;
- defining and recommending "sustainability" guidelines to the Board of Directors and monitoring compliance with any codes of conduct adopted by the Company and its subsidiaries.

The committee members' enhanced awareness of the Company and corporate and Group dynamics is also fostered by the systematic attendance of management at the Committee's meetings.

Management - and in particular the Head of Compliance, the Manager responsible for the preparation of the corporate financial documents report, the Head of Financial Statements, the Head of Sustainability and Future Mobility, the Head of Sustainability and Equal Opportunities, the Head of Internal Audit, the SVP of Sustainability and Future Mobility, the Head of Finance and Risk Management and the Risk Manager - regularly and diligently attended the meetings of the Audit, Risks, Sustainability and Corporate Governance Committee during the Year, thereby contributing to periodic and up-to-date reporting to the Committee.

### 9.3. INTERNAL AUDIT DEPARTMENT

The Company has an Internal Audit Department, which has been assigned functions that are essentially in line with those provided for by the Corporate Governance Code.

In particular, the department is tasked with assessing the adequacy and functioning of the audit, risk management and Corporate Governance processes, by providing independent and objective assurance and advice.

The Internal Audit Department:

- audits, both on a continuous basis and in relation to specific needs and in accordance with international standards, the effective operation and suitability of the internal control and risk management system - suggesting any corrective actions required - by implementing an audit plan approved by the Board of Directors, based on a structured process of analysis and prioritisation of the principal risks;
- carries out audits, also at the request of the Audit, Risks, Sustainability and Corporate Governance Committee, the Board of Statutory Auditors and the Chief Executive Officer, of specific operating areas and compliance with the internal procedures and rules in the execution of business operations;
- prepares periodic reports on its assessment of the suitability of the internal control and risk management system. These reports are sent, at least once every quarter, to the Board of Statutory Auditors, the Audit, Risks, Sustainability and Corporate Governance Committee, and the Director responsible for the internal control system, and, at least every six months, to the Board of Directors;
- receives and analyses reports obtained in accordance with the whistle-blowing procedures established by the Group and regarding any cases of corruption/violation of the principles of internal control and/or the precepts of the Code of Ethics, equal opportunities, corporate rules and regulations, or any other actions or omissions that, directly or indirectly, might result in economic or financial losses for or damage to the reputation of the Group and/or its subsidiaries;
- provides adequate support to the Supervisory Bodies established pursuant to art. 6 of Decree 231/2001;
- provides advice and support to the relevant Company departments - without exercising any decision-making or authorisation responsibilities - regarding *inter alia*: (i) the reliability of the systems safeguarding the Company's assets; (ii) the adequacy of the accounting, control and reporting procedures for administrative operations.

As mentioned in paragraph 9.2, it should be noted that the Audit, Risks, Sustainability and Corporate Governance Committee expresses an opinion on proposals concerning the appointment, revocation, assignment of duties and determination of the remuneration, consistent with Company policies, of the head of the Internal Audit Department, as well as on the adequacy of the resources allocated to the department in order to carry out the assigned functions.

The Head of the Internal Audit Department reports hierarchically to the EVP of Corporate Affairs, Compliance, Internal Audit, Corporate Security and Company Secretary and functionally to the Audit, Risks, Sustainability and Corporate Governance Committee and the Board of Statutory Auditors.



#### 9.4. COMPLIANCE DEPARTMENT

Operating within the Corporate Affairs, Compliance, Internal Audit, Corporate Security and Company Secretary Department, the Compliance Department works with the Legal departments and other competent company departments to ensure that the company's internal regulations, processes and activities are constantly aligned with the applicable regulatory framework, playing an active role in identifying any non-compliance risks that might give rise to judicial or administrative penalties, resulting in reputational damage. For more details on the work carried out by the Compliance Department, see the paragraph of the NFD Report titled "231 Compliance, Anti-Corruption, Sanctions, Privacy and Antitrust Projects".

#### 9.5. SYSTEM OF RISK MANAGEMENT AND CONTROL OVER FINANCIAL INFORMATION

Pirelli has implemented a specific and structured risk management and internal control system supported by a dedicated IT application, in relation to the process to prepare the consolidated half-yearly and annual financial reports. In particular, the financial reporting process is carried out by applying appropriate administrative and accounting procedures created in accordance with the criteria established by the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The administrative/accounting procedures adopted for the preparation of financial statements and all other financial disclosures are created under the responsibility of the Manager in Charge (as defined in section 9.10 below), who – with support from the Compliance Department – periodically (and in any case, when the separate/consolidated financial statements are drawn up) checks their adequacy and proper application.

In order to allow certification by the Manager in charge, the companies and the significant processes that feed into and generate information of an economic and financial nature have been mapped. These maps are updated on an annual basis taking account of quantitative and qualitative criteria. Quantitative criteria consist in identifying those Group companies which, in relation to the selected processes, represent an aggregate value above a certain materiality threshold. Qualitative criteria, on the other hand, involve reviewing those processes and companies that, according to the Manager in charge's final assessment, may present potential areas of risk despite not falling within the quantitative parameters described above.

Risks/control objectives have been identified for each selected process involved in the preparation of the financial statements and related disclosures, as well as with regard to the effectiveness/efficiency of the internal control system in general.

Detailed verification work has been planned, and specific responsibilities have been defined for each control objective.

A half-yearly system for supervising the verification work undertaken has been implemented through a chain-of-certifications mechanism, which is traced all the way back to the Chief Executive Officers of each company within the scope of control; any problems emerging during the assessment process are subject to action plans whose implementation is monitored within the following half year.

Moreover, the Chief Executive Officers and Chief Financial Officers of subsidiaries issue half-yearly statements attesting the reliability and accuracy of the data submitted for the preparation of the Group's consolidated financial statements.

Shortly before the Board meetings held to approve the consolidated data as of 30 June and 31 December, the results of the verification work are shared with the Group's Manager in charge.

Finally, the Internal Audit Department periodically verifies the adequacy of the design and the effective operation of the controls carried out on samples of companies and processes, selected applying materiality criteria.

#### 9.6. TAX RISK CONTROL SYSTEM

The Group's management of and approach to the tax risk are defined and indicated in the principles and values of its Global Tax Policy, the document approved by the Board of Directors and made public on the Company's website. The Board of Directors is periodically informed about the progress of the monitoring, management and mitigation of the tax risks identified as part of the business activities carried out by the Group.

Moreover, since 2017, the Company has implemented and adopted a Tax Control Framework ("TCF") in line with international *best practices* and in compliance with the Principles dictated by the OECD, *i.e.* a system for the detection, management and control of tax risks based on rules, principles and processes, which reaffirms the Group's commitment to strict compliance with tax regulations.

The soundness of the Company's TCF has been endorsed by the Italian Revenue Agency and certified with the Company being admitted (as of 2017) to the "Cooperative Compliance" Scheme – the new course in the relationship between tax authorities and taxpayers, a rewarding scheme to which only a few large Italian industrial and banking groups have been admitted.

The results of the risk management, control and mitigation activities, and the progress of dialogue with the Italian tax authorities are periodically reported through the Tax Risk Officer – a new position provided for under the Collaborative Compliance scheme, who is responsible for implementing and overseeing the Tax Control Framework for the purpose of controlling and mitigating tax risks – and the Tax Affairs Department to the Audit, Risks, Sustainability and Corporate Governance Committee which, in turn, reports to the Board of Directors.

## 9.7. DIRECTOR RESPONSIBLE FOR SUSTAINABILITY ISSUES

On 22 June 2020, the Board of Directors confirmed Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera as the Director in Charge of sustainability issues.

In that role, he will be responsible for supervising sustainability issues associated with the conduct of the activities of the company, and its dynamics of interaction with all the stakeholders, and for implementing the guidelines defined by the Board of Directors, with assistance from the Audit, Risks, Sustainability and Corporate Governance Committee.

## 9.8. MODEL 231 AND CODE OF ETHICS

The Company has adopted the organisation and management model envisaged by Decree 231 of 8 June 2001, as subsequently amended (the “**Model 231**”), in order to create a system of rules designed to prevent unlawful conduct that might be significant for the purposes of applying the above regulations and, as a consequence, has established a supervisory body (the “**Supervisory Body**”).

Model 231 – periodically updated by the Company in light of legislative developments – is made up of: (a) a general part covering topics relating, *inter alia*, to the applicability and application of Decree 231/2001, the composition and functioning of the Supervisory Body, and the system of penalties applicable in the event of breaches of the standards of conduct specified in Model 231, and (b) a special part containing the general principles of conduct and the control protocols for each type of identified offence deemed significant for the Company.

The Supervisory Board – appointed by the Board of Directors on 22 June 2020 and reshuffled by the Board of Directors on 11 November 2020 – is made up of: Carlo Secchi (Chairman), Antonella Carù (Standing Auditor) and Alberto Bastanzio (by virtue of his position as Executive Vice President Corporate Affairs, Compliance, Internal Audit, Corporate Security and Company Secretary). The Supervisory Body satisfies the autonomy, independence, professionalism and continuity of action requirements specified by law for that body.

Pirelli has adopted a Code of Ethics that sets out principles for the required conduct of directors, statutory auditors, managers and employees of the Group and, in general, all those working in Italy and abroad on behalf or for the benefit of the Group, or engaging in business relations with the Group, each in the context of their own functions and responsibilities. This includes any conduct with reference to the sustainability issues as described in more detail in the NFD Report.

An extract of Model 231 and the Code of Ethics are available on the Website.

## 9.9. EXTERNAL AUDITOR

The firm engaged to perform the external audit of the Company accounts is PricewaterhouseCoopers S.p.A. (the “**Auditing Firm**”), with registered and administrative offices at Piazza Tre Torri 2, Milan, recorded on the Register of Auditors established pursuant to arts. 6 *et seq.* of Legislative Decree No. 39/2010.

Pirelli’s Ordinary Shareholders’ Meeting held on 1 August 2017 confirmed the firm’s appointment to perform the external audit of the accounts (originally made for three financial years on 27 April 2017), establishing that, with effect from the admission of Pirelli shares to trading on the MTA (now Euronext Milan) as of 4 October 2017, such appointment would entail: (i) the external audit of the accounts (including verification that the accounting records are properly kept and that the results of operations are properly reflected in the accounting entries) pursuant to articles 13 and 17 of Decree 39/2010 for the financial years 2017-2025, in relation to the separate financial statements of the Company, the consolidated financial statements of the Group and the additional related activities; and (ii) the limited examination of the condensed half-year consolidated financial statements of Pirelli for the six-month periods ending on 30 June 2018-2025.

In addition to carrying out the statutory audit, the Auditing Firm is also responsible for the limited audit of the sustainability performance data reported in the NFD Report in accordance with the criteria set out in ISAE 3000 Revised<sup>119</sup>.

For the sake of completeness, it should be noted that the Company has adopted Operating Rules to assign tasks to the Auditing Firm<sup>120</sup> which concerns – among other things – the procedures for assigning tasks other than the statutory audit to PricewaterhouseCoopers S.p.A. and members of its network (“**Other Engagements**”; *i.e.* other audit services, audit-related services and non-audit services). The Operating Rules establish a detailed procedure that requires prior approval of the Board of Statutory Auditors for the assignment of Other Engagements. In compliance with the provisions of Article 17 of Legislative Decree No. 39/2010 on the independence of the Auditing Firm, the Company also has a procedure in place to ensure compliance with the thresholds set out in art. 4, paragraph 2 of Regulation 537/2014<sup>121</sup>. To this end, during the meetings of the Board of Statutory Auditors regarding the approval of Other Engagements, specific documentation is provided to certify compliance with said thresholds. The details of the fees paid to the Auditing Firm are reported in the explanatory notes on the financial statements.

<sup>119</sup> International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. For further information, please refer to the Auditors’ Report at the end of the Annual Report.

<sup>120</sup> Operating Rules “Engagement of Auditing Firms” adopted pursuant to Directive 2006/43/EC, as amended by Directive 2014/56/EU, and Regulation 537/2014. Directive No. 2014/56 was transposed by Legislative Decree No. 135/2016, which amended Legislative Decree No. 39 of 27 January 2010.

<sup>121</sup> “Where the statutory auditor or auditing firm supplies the entity being audited, its parent company or companies it controls – for a period of three or more consecutive financial years – with non-audit services other than those referred to in art. 5, paragraph 1 herein, the total fees for said services shall be limited to 70% of the average fees paid during the preceding three consecutive financial years for the statutory audit of the entity being audited and, where applicable, its parent company, controlled companies and the consolidated financial statements of said group of companies. For the purposes of the limitations set out in the first paragraph, non-audit services other than those referred to in art. 5, paragraph 1 required by EU or Italian law shall be precluded”.

## 9.10. MANAGER IN CHARGE

In the context of further implementation of the organisational structure, in its meeting of 3 November 2022, the Board of Directors appointed Fabio Bocchio, who is responsible for the Administration, Budget and Control departments, as the Manager responsible for the preparation of the corporate financial documents pursuant to art. 154-*bis* of the TUF (“**Manager in charge**”). Mr Bocchio succeeded Mr Giorgio Luca Bruno in the role, who had been appointed on 15 June 2021. The term of office is aligned with that of the Board of Directors, and the assignment was granted to the Manager in charge following the positive assessment by the Audit, Risks, Sustainability and Corporate Governance Committee and the favourable opinion of the Board of Statutory Auditors. The Board of Directors also verified that the Manager in charge met the requirements of professionalism and integrity that are necessary for the assignment.

The Board of Directors ensures that the Manager in Charge avails of the proper means and powers to exercise the duties conferred, and ensures effective compliance with administrative and accounting procedures. The Chief Reporting Officer puts suitable administrative and accounting procedures in place for the preparation of the separate and consolidated financial statements, as well as of all other financial communications.

The Company deeds and communications made public to the market that contain accounting information, including interim data, must be accompanied by a written declaration from the Chief Reporting Officer confirming that it corresponds to the supporting documentation, records and accounting entries.

The term of office of the Chief Reporting Officer expires at the same time as that of the Board of Directors which appointed him/her.

## 9.11. COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As part of the internal control and risk management system, the Company provides for and promotes close coordination between the parties involved in the system, scheduling meetings at least once every six months for the Audit, Risks, Sustainability and Corporate Governance Committee, during which Directors are able to interact directly with the managers of the departments involved (Compliance, Audit, Risk Management and Information Security). The results of the Committee meetings are reported directly to the meetings of the Board of Directors on a regular basis.

In order to ensure coordination between the Company's control systems, the meetings of the Audit, Risks, Sustainability and Corporate Governance Committee are periodically held jointly with the Supervisory Board and the Board of Statutory Auditors.

For further information, please refer to the dedicated section in the Directors' Report on Operations.

# 10. INTERESTS OF THE DIRECTORS AND RELATED-PARTY TRANSACTIONS

In compliance with the provisions of art. 2391-*bis* of the Italian Civil Code and the Related-Party Regulations, on 15 June 2021 the Board of Directors – following the unanimous favourable opinion expressed by the Related-Party Transactions Committee – passed a resolution to adopt the procedure for related-party transactions (the “**RPT Procedure**”) with effect from 1 July 2021. The aforesaid procedure was thereafter updated by the Board of Directors, only to take into consideration the changes to the Company's organisational structure in late 2021.

The RPT Procedure establishes rules for the approval and execution of the related-party transactions arranged directly by Pirelli or by its subsidiaries.

The full text of the RPT Procedure is available on the Website. Periodically and at least every three years, the Board of Directors - having received the opinion of the Related-Party Transactions Committee - considers the need to revise the RPT Procedure.

A special section of the financial statements shows the principal transactions with related parties undertaken by the Company.

Every six months, a report on the application of the RPT Procedure, drawn up by the Compliance Department, is submitted to the Related-Party Transactions Committee and subsequently the Board of Directors. The analyses carried out to date have shown due compliance with and the correct application of the aforementioned procedure in all cases falling within its scope of application.

# 11. BOARD OF STATUTORY AUDITORS

## 11.1. APPOINTMENT, REPLACEMENT AND DURATION IN OFFICE

At the Report Date, the Board of Statutory Auditors is composed of five standing auditors and three alternate auditors who satisfy current legislative and regulatory requirements; in this regard the activities indicated in the corporate purpose, with particular reference to companies or entities operating in the financial, industrial, banking, insurance and real estate fields and services in general, are qualified as subjects and sectors of activity closely related to those of the company .

The Ordinary Shareholders' Meeting appoints the Board of Statutory Auditors and determines its remuneration.

The statutory auditors act with autonomy and independence, also with regard to the shareholders that elected them.

In order to enable the minority to elect a standing auditor (who will be the Chairman of the Board of Statutory Auditors) and an Alternate Auditor, the Board of Statutory Auditors is appointed on the basis of slates presented by the shareholders, in which each candidate is listed with a sequence number. Each slate contains a number of candidates that does not exceed the number of members to be elected.

Shareholders are only entitled to present a slate if, alone or together with other shareholders, they hold at least 1% of the shares entitled to vote at an Ordinary Shareholders' Meeting, or any lower amount required by a regulation issued by Consob for the presentation of slates of candidates for appointment to the Board of Directors. Each shareholder may present or contribute to the presentation of just one slate.

The slates of candidates, signed by those presenting them, must be filed at the registered offices of the Company at least twenty-five days prior to the date fixed for the Meeting called to appoint the members of the Board of Statutory Auditors, without prejudice to any extension in the cases envisaged by the applicable legislation. These slates are made available to the public at the registered offices, on the Website and in other ways prescribed by Consob regulation, at least twenty-one days prior to the date of the Meeting.

Each candidate may be included on just one slate, subject otherwise to becoming ineligible.

Each slate comprises two sections: one for candidates for the office of standing auditor and the other for candidates to the position of alternate auditor. The first candidate in each section shall be selected from among those registered in the Register of Chartered Accountants who has worked on external audits for a period of not less than three years. In order to ensure gender balance, slates that - taking account of both sections - present a number of candidates equal to or exceeding three, must include candidates of each gender at least to the minimum extent required by law and / or *pro-tempore* regulations in force, as specified in the notice of call of the Shareholders' Meeting, both in the section for standing statutory Auditors and in the section for alternates.

Each party entitled to vote may only vote for one slate. The members of the Board of Statutory Auditors are elected as follows:

- 1) four standing auditors and two alternate auditors are drawn, in the sequence listed, from the slate that obtained the largest number of votes (the majority slate);
- 2) the remaining standing auditor and alternate auditor are drawn, in the sequence listed, from the slate that obtained the second largest number of votes (the minority slate); should several slates obtain the same number of votes, a new vote limited to just those slates is held by all those

entitled to vote that are present at the Shareholders' Meeting, and the candidates on the slate which obtains the simple majority of the votes will be elected.

Should application of the slate voting mechanism not obtain, considering the standing and alternate auditors separately, the minimum number of statutory auditors belonging to the less represented gender envisaged by the regulations in force at the time, the candidate belonging to the most represented gender and elected, indicated with the highest sequential number of each section from the slate that obtained the largest number of votes, will be replaced by the candidate belonging to the less represented gender not already elected from the same section of that slate, according to the sequential order of presentation.

An auditor is replaced, in the event of death, resignation or forfeiture, by the first alternate auditor drawn from the same slate. If this replacement does not allow the Board of Statutory Auditors to be reconstructed in compliance with current regulations, including those governing gender balance, recourse is made to the second alternate auditor drawn from the same slate. If, subsequently, it becomes necessary to replace another Auditor drawn from the slate that obtained the largest number of votes, recourse is made to the other alternate auditor drawn from the same slate. Should it be necessary to replace the Chairman of the Board of Statutory Auditors, the chair is taken by the second auditor on the same slate as the Chairman to be replaced, following the order of that slate, always provided that the replacement satisfies the requirements for the position established by law and/or the Articles and complies with the gender balance requirements envisaged by the regulations in force; if it is not possible to make replacements in accordance with the above criteria, a Shareholders' Meeting will be called to supplement the Board of Statutory Auditors with resolutions adopted by a relative majority of the votes cast.

When the Shareholders' Meeting must appoint the standing and/or alternate auditors necessary for the supplementing of the Board of Statutory Auditors, the procedure is the following: if it is necessary to replace auditors elected from the majority slate, the appointment is made by a relative majority of the votes cast, without any slate requirements and without prejudice, in all cases, to compliance with the gender balance requirements envisaged by the regulations in force; if, on the other hand, it is necessary to replace auditors elected from the minority slate, the Shareholders' Meeting replaces them by a relative majority of the votes cast, choosing them - where possible - from among the candidates indicated on the slate from which the auditor to be replaced was drawn and, in all cases, in compliance with the principle guaranteeing representation for the minorities that, pursuant to the Articles, are entitled to participate in the appointment of the Board of Statutory Auditors, without prejudice in all cases to compliance with the gender balance requirements envisaged by the regulations in force. The principle guaranteeing representation for the minorities is respected if the auditors elected were previously candidates on the minority slate or on slates other than that which, at the time of appointing the Board of Statutory Auditors, obtained the largest number of votes.

If only one slate is presented, the Shareholders' Meeting votes on it; if the slate obtains a relative majority of the votes cast, the candidates named in the respective sections of the slate are elected as standing auditors and alternate auditors; the person named first on the above slate becomes the Chairman of the Board of Statutory Auditors.

For the appointment of statutory auditors who, for any reason, were not appointed in accordance with the above procedure, the Shareholders' Meeting adopts resolutions with the majorities required by law, without prejudice in all cases to compliance with the gender balance requirements envisaged by the regulations in force. Outgoing Statutory Auditors may be re-elected.

## 11.2. COMPOSITION

The Board of Statutory Auditors in office at the Report Date was appointed by the ordinary Shareholders' Meeting held on 15 June 2021 and is made up of the following members: Riccardo Foglia Taverna (Chairman of the Board of Statutory Auditors, appointed by the minorities), Francesca Meneghel, Teresa Naddeo, Antonella Carù, and Alberto Villani, as Standing Auditors, and Franca Brusco (appointed by the minorities), Marco Taglioretti and Maria Sardelli, as alternate auditors until the date of the Shareholders' Meeting called for the approval of the financial statements for the year ending 31 December 2023. The Board of Statutory Auditors is composed of a majority of female auditors.

The professional profiles of the members of the incumbent Board of Statutory Auditors are summarised on the Website.

The remuneration of the statutory auditors is discussed in the Remuneration Report.

All Statutory Auditors may be qualified as independent based on the criteria specified for Directors as set out in the Corporate Governance Code and as expressly ascertained by the Board of Statutory Auditors based on the information provided by the Statutory Auditors and the information available thereto. This check is carried out on an annual basis and was most recently conducted in the meeting of the Board of Statutory Auditors on 13 March 2023, during which the continued fulfilment of independence requirements was assessed and verified within the meaning of the TUF and Corporate Governance Code, while also bearing in mind the "Independence and Diversity Statement".

With reference to the Statutory Auditor Antonella Carù, first appointed on 10 May 2012, holding office until 15 March 2016 (and therefore for 4 financial years) and subsequently re-appointed on 1 August 2017, during the Year, the nine-year limit set forth by the Corporate Governance Code for the purposes of the permanence of independence requirements was exceeded. The Board of Statutory Auditors, having noted the high professional profile of Statutory Auditor Carù (more than thirty years of academic teaching experience, in addition to holding auditing positions in leading listed companies)<sup>122</sup> and the maintenance of all the additional independence requirements provided for by the Corporate Governance Code, assessed that the experience gained over

the years by Statutory Auditor Carù in relation to the office does not constitute an obstacle to the maintenance of the independence requirement, but, on the contrary, represents a valuable asset for the Company, in particular, in terms of continuity of corporate knowledge and contribution to the collegial debate, also taking into account the recent renewal of the Board of Statutory Auditors, the majority of which is composed of newly appointed representatives; this without compromising their ability to perform their duties in an objective manner. During the Year, the Board of Statutory Auditors of Pirelli met 11 times, with each meeting having an average duration of about 2 hours.

The members of the Board of Statutory Auditors present such characteristics as to ensure an adequate level of diversity with regard to aspects such as age, gender composition and educational and professional background. In particular, at the Report Date, of the eight members of the Board of Statutory Auditors (five standing auditors and three alternate auditors), approximately 63% were female (the percentage is 60% of the standing Auditors only). The average age of the members of the Board of Statutory Auditors is approximately 58 years.

During the course of the Year, the Board of Statutory Auditors, like the Board of Directors, again carried out the process for assessing its performance, with assistance from the independent consulting firm Spencer Stuart, in line with what was done in the previous year and in compliance with the code of conduct for listed companies published by the Italian national association of chartered accountants and auditors ("**Rules of Conduct**"). That self-assessment process, like the process in place for the Board of Directors, is carried out through individual interviews, with questions about the suitability, size, composition and functioning of the Board of Statutory Auditors itself, in order to verify suitability, fairness and effectiveness in its functioning. Positive outcomes of the Board of Statutory Auditors' self-assessment process are included in the Statutory Auditors' report at 31 December 2022. Table 4, annexed, provides the significant information about each member of the Board of Statutory Auditors in office at the Report Date.

## 12. GENERAL MANAGEMENT OPERATIONS

It should be noted that the General Manager Operations role was established in May 2018 and is entrusted to Andrea Casaluci, who is also given the title of key manager. The Board conferred appropriate responsibilities and operational powers to perform the assignment on the General Manager Operations.

<sup>122</sup> For more details on the professional profile of Standing Auditor Carù, please refer to the curriculum vitae available on Pirelli's website.

## 13. INFORMATION FLOWS TO THE DIRECTORS AND STATUTORY AUDITORS

The Board of Directors of Pirelli adopted a procedure for information flows to the Directors and Statutory Auditors, in order to (i) guarantee the transparent management of the business, (ii) establish conditions for the effective and efficient management and control of the activities of the Company and the operations of the business by the Board of Directors, and (iii) provide the Board of Statutory Auditors with the sources of information needed for the efficient performance of its supervisory role.

The flow of information to the directors and statutory auditors is assured, preferably, by the transmission of documents on a timely basis and, in any case, with sufficient frequency to ensure compliance with the disclosure requirements, and in accordance with deadlines consistent with the timetables set for each board meeting. These documents may be supplemented by explanations provided in the context of the board meetings, or at specific informal meetings organised to examine topics of interest relating to the management of the company.

When the information flows relate to Inside Information and/or Significant Information, they must take place in accordance and compliance with the procedures indicated in the Market Abuse Procedure.

It is required that the Strategies Committee be the recipient of a specific and continuous flow of information from the Executive Vice Chairman, assisted by the Secretary of the Company's Board of Directors for such purposes.

## 14. RELATIONS WITH SHAREHOLDERS

Pirelli attributes strategic importance to Financial Reporting. In accordance with the Group's Values and Code of Ethics, Pirelli maintains constant dialogue with Shareholders, Bondholders, Institutional and Individual Investors and Analysts from major investment banks through the *Investor Relations* department and the Group's *Top Management* in order to promote fair, transparent, timely and accurate reporting.

In line with international best practice, the "Investors" section of the website is constantly updated with content of interest to the financial market, including: strategy ("**Equity Story**"), economic-financial data on previous years, analysts' opinions of Pirelli, and their estimates for the principal economic-financial indicators ("**Consensus**"), monthly developments in the principal automotive tyre market

("Tyre Market Watch"). The Investor Relations Department also promotes periodic meetings with Shareholders and Investors in Italy and abroad.

### 14.1. POLICY FOR MANAGING DIALOGUE WITH SHAREHOLDERS AND THE MAIN FINANCIAL MARKET STAKEHOLDERS

On 23 February 2022, the Board of Directors – after obtaining the favourable opinion of the Audit, Risks, Sustainability and Corporate Governance Committee and in accordance with the recommendations of the Corporate Governance Code<sup>123</sup> – adopted a specific policy which, changing the existing practices, governs the rules for managing the dialogue held by the Board of Directors, through the VC and CEO and with the assistance of the departments concerned (primarily Investor Relations and Corporate Affairs), with shareholders and with the main stakeholders of the financial market in which the Company operates (the "**Engagement Policy**").

This policy covers – *inter alia* – the following issues:

- business and financial strategies and performance;
- corporate governance (e.g. appointment and composition of the administrative body, including in terms of size, professional aspects, respectability, independence and diversity, board committees, etc.);
- social and environmental sustainability;
- policies on the remuneration of directors and key managers and on their implementation; and
- system of internal control and risk management.

Please see the Website for more information on the Engagement Policy, including references to the criteria and procedures used by the Board of Directors to promote dialogue with shareholders and other stakeholders.

During the Year, the Company met the stakeholders, with whom it addressed the following matters in particular: the Company's governance principles and shareholders' agreements, the existence and role of independent directors, diversity policies within the Board of Directors, risk management, sustainability, and the operating performance and resilience of the business model adopted by Pirelli. In this context, the shareholders particularly appreciated Pirelli's stance on environmental issues, with regard to which it sets a benchmark for its peers.

## 15. SHAREHOLDERS' MEETINGS

Pursuant to art. 7 of the Articles, ordinary and extraordinary Shareholders' Meetings of the Company are held in single call.

<sup>123</sup> Recommendation 3 of the Corporate Governance Code.

Their resolutions are adopted with the majority required by law, with the sole exception of the authorisation of the Board of Directors to carry out the deeds listed below, which requires a qualified majority (votes in favour of shareholders representing at least 90% of the share capital of the Company):

- transfer of the operational and administrative headquarters outside of the municipality of Milan;
- any transfer and/or deed of disposition, in any form, of Pirelli know-how (including the granting of licences).

Parties entitled to vote may be represented by proxy, given in accordance with the procedures envisaged by law and the regulations in force.

The notice of call may also limit to one of the above methods the specific procedure usable in relation to the Meeting called by that notice.

For each Meeting, the Company designates one or more persons to which those entitled to vote may grant proxy, with voting instructions for all or just some of the motions on the agenda. The proxy does not apply to motions for which no voting instructions were given. The persons designated to receive proxies for the Meeting are specified in the related notice of call, together with relevant procedures and deadlines.

The Ordinary Shareholders' Meeting for the approval of the financial statements must be called, in accordance with the law, no later than 180 days from the end of the financial year.

In the situations envisaged by law and in accordance with the related procedures, the directors must call a Shareholders' Meeting without delay when requested by shareholders representing at least one-twentieth of share capital.

The shareholders requesting the Meeting must prepare a report on their proposals regarding the matters to be discussed. At the time of publishing the notice of call for the Meeting and in accordance with the procedures envisaged by law, the Board of Directors must make the report prepared by the shareholders available to the public, together with its considerations, if any.

In the cases, in the manner and with the timing envisaged by law, shareholders that, individually or together, represent at least one-fortieth of share capital may request the integration of the items of the agenda, indicating in their request the additional topics proposed by them, or proposing resolutions on matters already on the agenda.

A notice is published about the addition of items to the agenda or the presentation of additional proposed resolutions on matters already on the agenda, by the legal deadlines, in the manner established for publication of the notice of call.

Shareholders requesting additions to the agenda must prepare and send to the Board of Directors, by the final deadline for the presentation of requests for additions, a report explaining their reasons for the proposed resolutions

on the matters they wish to discuss, or their reasons for the additional proposed resolutions presented in relation to matters already on the agenda. At the time of publishing the notice about the additions to the agenda and in accordance with the procedures envisaged by law, the Board of Directors must make the report prepared by the shareholders available to the public, together with its considerations, if any.

The right to attend Meetings and vote is governed by the relevant current legislation and is certified by a communication sent to the Company, by an authorised intermediary with reference to its accounting records, on behalf of the party entitled to vote. This certification is based on the evidence existing at the end of the accounting day on the seventh trading day prior to the date fixed for the Meeting. The additions and deductions recorded on those counts subsequent to that deadline are not relevant when determining the legitimacy of the right to vote at the Meeting. The communication must be received by the Company by the end of the third trading day prior to the date fixed for the Meeting, or by any different deadline established by the applicable regulations. Shareholders are still entitled to attend and vote if the communication is received by the Company after the above deadlines, on condition that it is received before business commences at the Meeting.

Ordinary and Extraordinary Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, if absent or unavailable, by the Chief Executive Officer. If the above persons are absent, the chair is taken by another person appointed by a majority of the share capital represented at the Meeting.

The Chairman of the Meeting is assisted by a Secretary, appointed by a majority of the share capital represented at the Meeting, who does not need to be a shareholder; assistance from the Secretary is not necessary when the minutes of the Meeting are taken by a Notary.

The Chairman of the Meeting chairs the Meeting and, in accordance with the law and the Articles, moderates its course. For this purpose, the Chairman - *inter alia* - verifies that the Meeting has been properly convened, verifies the identity of those attending and their right to attend, directly or by proxy; verifies the legal quorum for voting; directs the proceedings, with the right to change the order of discussion of the items indicated in the notice of call. The Chairman also adopts suitable measures to ensure orderly discussions and voting, determining the related procedures and checking the results.

Meeting resolutions are evidenced by the minutes signed by the Chairman of the Meeting and by the Secretary of the Meeting or the Notary. The minutes of Extraordinary Meetings must be taken by a Notary designated by the Chairman of the Meeting. All copies of and extracts from minutes not prepared by a Notary are certified true by the Chairman of the Board of Directors.

The conduct of such meetings is governed by the general meeting regulations approved by the Shareholders' Meeting

held on 1 August 2017 (available on the Website), as well as by the law and the Articles of Association.

For the sake of completeness, it should be noted that, during the Year, the Company<sup>124</sup> used the option, *inter alia*, (i) to conduct the Shareholders' Meeting solely in remote form, without the physical attendance of those entitled to attend, and (ii) to allow those entitled to vote in the Shareholders' Meeting to attend solely through a representative appointed pursuant to art. 135-*undecies* of the TUF. It did this in compliance with the provisions of the Bylaws and the government guidelines in force at the time.

## 16. CHANGES SINCE THE END OF THE YEAR

There have not been any changes to the structure of corporate governance since the end of the Year, except as already indicated in the previous paragraphs, if applicable.

## 17. THE PIRELLI WEBSITE

For Pirelli, the Website - in English and in Italian - represents a fundamental tool to ensure the prompt and total dissemination of information about the Company and the Group to all Stakeholders.

Pirelli ensures that it is promptly and thoroughly updated, so as to guarantee the transparency of information and compliance with the current laws and regulations applicable to companies listed on the Italian Stock Exchange.

The Company's objective is to provide simple and clear information for investors and, in general, all its Stakeholders, through the Site, in line with common practice. For this reason, also taking account of the periodic results of assessments by independent agencies and in line with the Stakeholders' expectations, the Company uses its best endeavours to constantly implement the Website.

<sup>124</sup> Decree-Law no. 18 of 17 March 2020, as converted with amendments into Law no. 27 of 24 April 2020, the application of which was last extended by Decree-Law no. 228 of 30 December 2021 as converted with amendments into Law no. 15 of 25 February 2022, extended the state of emergency and therefore the adoption of extraordinary measures to contain the SARS-CoV-2 (COVID-19) health emergency.

## 18. CONSIDERATIONS ON THE LETTER BY THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

With a letter of 25 January 2023 (the "**Chairman's Letter**"), in the context of the usual monitoring of the application of the provisions of the Corporate Governance Code, the Chairman of the *Corporate Governance* Committee of Borsa Italiana has provided listed companies with a further ten recommendations (the "**Committee Recommendations for 2023**") listed below:

1. with regard to dialogue with shareholders: (i) to adopt a policy for dialogue with shareholders that also provides opportunities for such dialogue to be initiated by investors, establishing graduated processes and procedures, based on the principle of proportionality and depending on the company's characteristics in terms of size and ownership structure; (ii) to assess the appropriateness of providing information, in their own corporate governance reports, on the most significant issues that were subject to dialogue with shareholders and any initiatives adopted to take account of the observations that emerged;
2. with regard to dialogue with significant stakeholders, to provide, in their own corporate governance reports, adequate information on the criteria and methods with which the governing body promoted dialogue with other significant stakeholders;
3. with regard to the granting of managerial powers to the chairman, with reference to those companies in which significant managerial duties are granted to the chairman, to provide sufficient justification for this decision in their corporate governance reports, even if the chairman is not qualified as the CEO;
4. with regard to pre-meeting reporting, to require governing bodies to establish procedures for the management of pre-meeting reporting that do not entail generic exemptions from providing such information in a timely manner for reasons attributable to the confidentiality of data and information, and to provide, in the corporate governance report, detailed information on any failure to respect the notice period indicated in the procedures for sending documentation for board meetings, giving reasons for such failure and explaining how adequate information was guaranteed at the board meetings;
5. with regard to the attendance of managers at the board and committee meetings, to define, in the regulations adopted for the functioning of the governing bodies and their committees, the manner in which said bodies may access the relevant company functions depending on the topic being discussed, under the coordination of the chairman of the board of directors or committee,



respectively, in agreement with or informing the CEO. As part of this recommendation, in particular, to provide, in the corporate governance report, information on the actual attendance of managers at board and committee meetings, specifying the functions involved and the frequency of their involvement;

6. with regard to the optimal composition of the board of directors, in view of its renewal, to examine and publish guidance on the optimal composition of that board, providing a reasonable amount of time prior to the relative meeting to allow those presenting lists of candidates to be able to take said guidance into account for the purposes drawing up their list;
7. with regard to criteria for assessing the significance of relationships that could influence a director's independence: (i) to define, *ex ante*, and specify in the corporate governance report, the quantitative parameters and qualitative criteria for assessing the significance of any commercial, financial or professional relationships or any additional remuneration for the purposes of evaluating a director's independence; (ii) to assess the appropriateness of establishing quantitative parameters, also defined in monetary terms or as a percentage of the remuneration attributed to the role and for participation in committees recommended by the Corporate Governance Code;
8. with regard to the transparency of remuneration policies with regard to the weighting of variable components, to include, in their remuneration policies for the CEO and other executive directors, an executive summary, in table form, showing the composition of the remuneration package, with an indication of the characteristics and the weighting of the fixed components and short- and long-term variable components in relation to overall remuneration, at least in reference to the achievement of the target objective of the variable components;
9. with regard to long-term outlooks in remuneration policies, to provide, in their remuneration policies, a variable component with a multi-year outlook, in line with the company's strategic objectives and the pursuit of sustainable success;
10. with regard to ESG Parameters for director remuneration, with reference to companies that have incentive mechanisms in place for their CEO and other executive directors, linked to sustainability objectives, to provide a clear indication of the specific performance targets to be met.

The Committee's Recommendations for 2023 were, as usual, brought to the attention of (i) the Audit, Risks, Sustainability and Corporate Governance Committee and Board of Statutory Auditors on 16 March 2023 and (ii) the Board of Directors on 5 April 2023.

The Board of Directors of the Company – having also obtained the favourable opinions of the members of the relevant Committees and of the Board of Statutory Auditors on this subject – believes that, as also accurately detailed in this Report, no specific interventions to its own corporate governance system are needed in relation to the issues highlighted in the Committee's Recommendations for 2023,

as they are already substantially aligned with the corporate governance system adopted and implemented by Pirelli for the following reasons:

- in relation to dialogue with shareholders and other main stakeholders, on 23 February 2022, the Board of Directors – after obtaining the favourable opinion of the Audit, Risks, Sustainability and Corporate Governance Committee and in accordance with the recommendations of the Corporate Governance Code – adopted the Engagement Policy, which, changing the existing practices, governs the rules for managing the dialogue held by the Board of Directors, through the Executive Vice Chairman and Chief Executive Officer and with the assistance of the departments concerned (primarily Investor Relations and Corporate Affairs), with shareholders and the main stakeholders of the financial market in which the Company operates. When the dialogue is over, and in any case every six months, the Executive Vice Chairman and Chief Executive Officer reports to the Board of Directors on the development and significant content of the dialogue. The possibility for dialogue to be established at the initiative of investors has already been provided for under paragraph 6.1 of the Engagement Policy;
- given Pirelli's governance structure and the powers granted to the Executive Vice Chairman and Chief Executive Officer, no managerial powers are delegated to the Chairman of Pirelli's Board of Directors, as described in greater detail in paragraph 14.1 of the Report, and the said Chairman must not be deemed an executive director. The Chairman only has the power to legally represent the Company, together with any other powers attributed to the Chairman based on the Bylaws in force, without prejudice to the powers and prerogatives of the Board of Directors;
- pre-meeting reporting (of an ongoing nature or relating to specific topics) also took place during the Year in compliance with the Board Regulations. In fact, the documents to be examined by the Board of Directors and the Committees were duly sent in good time in accordance with the provisions of the Board of Directors Regulation. That Regulation does not establish that those terms can be derogated for "mere confidentiality needs";
- Regulations of the Board of Directors already stipulate, under Article 2.5, that "*The Chairman and/or Vice Chairman may invite the top management of the Company to attend the meetings in order to provide the appropriate in-depth analyses of the items on the agenda*". In any case, the Company provides for and promotes intensive coordination between the main persons involved at the managerial level and the Board of Directors and Committees, arranging for constant involvement in board meetings and thus ensuring that directors have the opportunity to freely access information and follow up on it with the management of the functions involved as further detailed in Section 4.4. of the Report;
- the Board of Directors has a number of independent Directors who currently make up the absolute majority of its members. For the periodical review of the independence requirements of its members and statutory auditors, the Company adopted a "Statement" on independence which defines the qualitative/quantitative criteria to be used to

assess the independence of directors for the purposes of the Corporate Governance Code and, in particular, the relevant parameters of any economic, professional or financial relationship pertaining to the directors whose independence is being examined. These criteria and parameters have also already been described in paragraph 4.6 of the Report. The “Statement” (also applied to members of the Board of Statutory Auditors) details some interpretation criteria related to the other types of independence mentioned in the Corporate Governance Code, including the notion of “significant additional remuneration”; it should also be noted that, at present, directors qualified as “independent” have no commercial, financial or professional relationships with non-board members;

- as regards the recommendations on remuneration, the Company’s remuneration policy:
  - i. provides an executive summary, in table form, detailing the characteristics and weightings of the fixed, short-

term and medium/long-term components of overall remuneration, with reference to the achievement of performance at minimum, at target and at maximum level; the information provided by the Company therefore goes well beyond what is required by the Code (which deems details of the target-based pay mix to be sufficient) and by the Committee;

- ii. establishes the use of medium/long-term variable incentivisation plans (LTI Plans) for a performance cycle of three years;
- iii. establishes short and medium/long term variable remuneration parameters, aligned with the Company’s strategies, medium/long term interests and sustainability, in order to promote the creation of long term sustainable success and achieve the goals of the Company’s strategic plans. The variable components of Management remuneration include non-financial parameters linked to sustainability objectives, in line with Group strategy.

TABLE 1: SIGNIFICANT SHAREHOLDINGS OF CAPITAL

The subjects which, according to the information published by Consob at the date of publication of this Report and/or according to further information available to the Company, possess shares with voting rights in Ordinary Shareholders' Meetings that represent more than 3% of the ordinary share capital are listed below.

SIGNIFICANT SHAREHOLDINGS OF CAPITAL

DECLARING PARTY	DIRECT SHAREHOLDER	% OF ORDINARY CAPITAL	% OF VOTING CAPITAL
SINOCHEM HOLDINGS CORPORATION LTD	MARCO POLO INTERNATIONAL ITALY S.R.L.	37.015	37.015
TRONCHETTI PROVERA MARCO	CAMFIN S.P.A. <sup>125</sup>	14.096	14.096
SILK ROAD FUND CO LTD	PFQY SRL	9.021	9.021
BOMBASSEI ALBERTO	NEXT INVESTMENT SRL BREMBO SPA	0.420	0.420
		5.580	5.580
		6.000	6.000
TACTICUM INVESTMENTS S.A.	TACTICUM INVESTMENTS S.A.	4.271	4.271
NIU TENG	LONGMARCH HOLDING S.à.r.l	3.680	3.680

Note: The data relating to shareholders who, directly or indirectly, hold ordinary shares representing more than 3% of the share capital with voting rights in ordinary meetings of the Company, are also taken from Consob's website. In this regard, it is deemed useful to point out that the information reported herein is taken from the information published by Consob on its website, pursuant to the notifications made by the entities required to comply with the obligations ex Article 120 of the TUF, and from the information published on the issuer's website in relation to the obligations ex Article 122 of the TUF and Article 130 of the Issuers' Regulation. It should be noted that the information may differ appreciably from the real situation, because the obligations to communicate changes in the percentages of holdings arise not when there is a simple change in this percentage but only when the holdings exceed or fall below predetermined thresholds (3%, 5%, and subsequent multiples of 5% up to a 30% threshold and, beyond this threshold, 50%, 66.6% and 90%). It follows, for example, that a shareholder (i.e. a declaring subject) that has declared ownership of 5.1% of the share capital with voting rights may increase their stake up to 9.9% without thereby having any obligation to notify Consob under Article 120 of the TUF. Finally, the Company Bylaws do not provide for the possibility of increased voting rights or the issue of shares with multiple voting rights.

<sup>125</sup> Camfin also announced that, as of the date of the Report, it held certain derivative financial instruments called 'call spreads' maturing in September 2023 that, if exercised, would entitle it to acquire an additional 4.6% of Pirelli's capital.

**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AT THE END OF THE FINANCIAL YEAR**

BOARD OF DIRECTORS												
OFFICE	MEMBERS	YEAR OF BIRTH	DATE FIRST APPOINTED (*)	IN OFFICE SINCE	IN OFFICE UNTIL	SLATE (**)	EXEC.	NON-EXEC.	INDEP. CODE	INDEP. TUF	NO. OTHER OFFICES (***)	(****)
Chairman	Li Fanrong	1963	11 October 2022	11 October 2022	Next Shareholders' meeting pursuant to art. 2386 c.c.	-		X			Cf. Annex A	1/1
Executive Vice Chairman and Chief Executive Officer	Marco Tronchetti Provera	1948	7 May 2003 <sup>126</sup>	18 June 2020	Shareholders' meeting to approve financial statements at 31 Dec. 2022	M	X				Cf. Annex A	8/8
Deputy-CEO	Giorgio Luca Bruno	1960	15 March 2016	15 June 2021	Shareholders' meeting to approve financial statements at 31 Dec. 2022	-	X				Cf. Annex A	8/8
Director	Yang Shihao	1967	10 May 2022	10 May 2022	Next Shareholders' meeting pursuant to art. 2386 c.c.	-		X			Cf. Annex A	4/5
Director	Bai Xinping	1968	02 September 2015	18 June 2020	22 February 2023 <sup>127</sup>	M		X			Cf. Annex A	8/8
Director	Zhang Haitao	1971	18 June 2020 <sup>128</sup>	18 June 2020	Shareholders' meeting to approve financial statements at 31 Dec. 2022	M		X			Cf. Annex A	8/8
Director	Tao Haisu	1949	1 August 2017 <sup>129</sup>	18 June 2020	Shareholders' meeting to approve financial statements at 31 Dec. 2022	M		X	X	X	Cf. Annex A	6/8
Director	Paola Boromei	1976	18 June 2020	18 June 2020	Shareholders' meeting to approve financial statements at 31 Dec. 2022	m		X	X	X	Cf. Annex A	8/8
Director	Domenico De Sole	1944	01 August 2017	18 June 2020	Shareholders' meeting to approve financial statements at 31 Dec. 2022	M		X	X	X	Cf. Annex A	6/8
Director	Roberto Diacetti	1973	18 June 2020	18 June 2020	Shareholders' meeting to approve financial statements at 31 Dec. 2022	m		X	X	X	Cf. Annex A	7/8
Director	Giovanni Lo Storto	1970	15 May 2018	18 June 2020	Shareholders' meeting to approve financial statements at 31 Dec. 2022	m		X	X	X	Cf. Annex A	8/8
Director	Marisa Pappalardo	1960	01 August 2017	18 June 2020	Shareholders' meeting to approve financial statements at 31 Dec. 2022	M		X	X	X	Cf. Annex A	8/8
Director	Giovanni Tronchetti Provera	1983	01 August 2017	18 June 2020	Shareholders' meeting to approve financial statements at 31 Dec. 2022	M		X			Cf. Annex A	8/8
Director	Fan Xiaohua	1974	01 August 2017	18 June 2020	Shareholders' meeting to approve financial statements at 31 Dec. 2022	M		X	X	X	Cf. Annex A	8/8
Director	Wei Yintao	1971	01 August 2017	18 June 2020	Shareholders' meeting to approve financial statements at 31 Dec. 2022	M		X	X	X	Cf. Annex A	8/8

**DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR**

Il data 28 aprile 2022 il Consigliere Yang Xingqiang ha rassegnato le proprie dimissioni dalla carica di Consigliere della Società con efficacia 10 maggio 2022,

Director	Yang Xingqiang	1967	20 October 2015	18 June 2020	10 May 2022	M		X			-	0/2
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In data 8 ottobre 2022 Ning Gaoning è cessato dalla carica di Presidente del Consiglio di Amministrazione e Consigliere della Società,

Chairman	Ning Gaoning	1958	07 August 2018	18 June 2020	08 October 2022	M		X			-	0/6
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Number of meetings of the Board of Directors held during the year: 8

Indicate the quorum required for minority shareholders to submit a slate for the election of one or more directors (pursuant to art. 147-ter TUF): 1% of the share capital with the right to vote in ordinary shareholders' meetings.

**NOTES**

The following symbols must be inserted in the "Office" column:

• This symbol indicates the director responsible for the internal control and risk management system.

○ This symbol indicates the Lead Independent Director (LID).

\* The date of first appointment of each director means the date on which the director was appointed for the first time (in absolute terms) to the BoD of the Issuer.

(\*\*) This column indicates whether the slate from which each director was drawn is a majority slate ("M"), or minority slate ("m"). For Directors co-opted or appointed by the Shareholders' Meeting without application of the slate voting mechanism, "-" is indicated.

(\*\*\*) This column shows the number of offices as director or statutory auditor held by the person in question in other listed companies or companies of significant size. The offices are shown in full in the Report on Corporate Governance.

(\*\*\*\*) This column shows the directors' attendance at Board of Director meetings (specify the number of meetings the person attended out of the total number of meetings he or she could have attended, e.g. 6/8, 8/8, etc.).

<sup>126</sup> Marco Tronchetti Provera assumed the office of General Partner of Pirelli & C. Accomandita per Azioni on 29 April 1986. On 7 May 2003 it was resolved to transform the Company from a "joint stock partnership" to a "limited liability company", and in consequence, there no longer being the role of general partner, directors were appointed.

<sup>127</sup> On the same date, to replace him, the Board of Directors co-opted Wang Feng as Company Director, qualified as a "non-executive" director, with term of office ending at the Next Shareholders' meeting pursuant to art. 2386 c.c.

<sup>128</sup> Zhang Haitao was a Director of Pirelli from 15 March 2016 to 31 August 2017. He was appointed by the Board of Directors on 18 June 2020.

<sup>129</sup> Tao Haisu was a Director of Pirelli from 20 October 2015 to 15 March 2016. He was appointed as Director again on 1 August 2017.

TABLE 3: STRUCTURE OF THE BOARD COMMITTEES AT THE END OF THE FINANCIAL YEAR

BOD		STRATEGIES COMMITTEE <sup>130</sup>		RPT COMMITTEE		AUDIT, RISKS, SUSTAINABILITY AND CORPORATE GOVERNANCE COMMITTEE		REMUNERATION COMMITTEE		APPOINTMENTS AND SUCCESSIONS COMMITTEE <sup>130</sup>	
		(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
OFFICE/QUALIFICATION	MEMBERS	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman of the BoD non-executive - non-independent	Li Fanrong	-	M							-	M
Executive Vice Chairman and Chief Executive Officer	Marco Tronchetti Provera	-	C							-	C
Deputy-CEO	Giorgio Luca Bruno	-	M								
Non-executive director - non-independent	Yang Shihao	-	M								
Non-executive director - non-independent	Bai Jinping <sup>131</sup>	-	M					3/3	M	-	M
Non-executive director - non-independent	Zhang Haitao					6/6	M				
Non-executive Director – independent as per the TUF and Code	Tao Haisu							3/3	C		
Non-executive Director – independent as per the TUF and Code	Paola Boromei							3/3	M		
Non-executive Director – independent as per the TUF and Code	Domenico De Sole	-	M	3/4	M						
Non-executive Director – independent as per the TUF and Code	Roberto Diacetti					5/6	M				
Non-executive Director – independent as per the TUF and Code	Giovanni Lo Storto	-	M	4/4	M	5/6	M				
Non-executive Director – independent as per the TUF and Code	Marisa Pappalardo			4/4	C	6/6	M	3/3	M		
Non-executive director - non-independent	Giovanni Tronchetti Provera									-	M
Non-executive Director – independent as per the TUF and Code	Fan Xiaohua					6/6	C	3/3	M		
Non-executive Director – independent as per the TUF and Code	Wei Yintao	-	M								
<b>DIRECTORS LEAVING OFFICE DURING THE YEAR</b>											
Non-executive director - non-independent	Yang Xingqiang	-	M								
Chairman of the BoD non-executive - non-independent	Ning Gaoning	-	M							-	M
No. of meetings held during the Year:		-		4		6		3		-	

NOTES

(\*) This column shows the directors' attendance at committee meetings (specify the number of meetings the person attended out of the total number of meetings he or she could have attended, e.g. 6/8, 8/8, etc.).

The office held by the person on the Committee is indicated in this column: "C": chairman; "M": member.

<sup>130</sup> No meetings of the Strategies Committee or the Appointments and Succession Committee were held during the financial year.  
<sup>131</sup> The Director Bai Jinping ceased to hold office on 22 February 2023 (on the same date, to replace him, the Board of Directors co-opted Wang Feng as Company Director, qualified as a "non-executive" director, with term of office ending at Next Shareholders' meeting pursuant to art. 2386 c.c.).

TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

BOARD OF STATUTORY AUDITORS								
OFFICE	MEMBERS	YEAR OF BIRTH	DATE FIRST APPOINTED*	IN OFFICE SINCE	IN OFFICE UNTIL	SLATE (**)	INDEP. CODE	
Chairman	Riccardo Foglia Taverna	1966	15 June 2021	15 June 2021	Shareholders' meeting to approve financial statements at 31 December 2023	m	X	
Standing auditor	Antonella Carù	1961	10 May 2012	15 June 2021	Shareholders' meeting to approve financial statements at 31 December 2023	M	X <sup>21</sup>	
Standing auditor	Francesca Meneghel	1961	15 June 2021	15 June 2021	Shareholders' meeting to approve financial statements at 31 December 2023	M	X	
Standing auditor	Teresa Naddeo	1958	15 June 2021	15 June 2021	Shareholders' meeting to approve financial statements at 31 Dec. 2023	M	X	
Standing auditor	Alberto Villani	1962	05 September 2017	15 June 2021	Shareholders' meeting to approve financial statements at 31 Dec. 2023	M	X	
Alternate auditor	Franca Brusco	1971	15 May 2018	15 June 2021	Shareholders' meeting to approve financial statements at 31 Dec. 2023	m	X	
Alternate auditor	Marco Taglioretti	1960	15 June 2021	15 June 2021	Shareholders' meeting to approve financial statements at 31 December 2023	M	X	
Alternate auditor	Maria Sardelli	1965	15 June 2021	15 June 2021	Shareholders' meeting to approve financial statements at 31 Dec. 2023	M	X	

Number of meetings of the Board of Statutory Auditors held during the year: 11

Indicate the quorum required for minority shareholders to submit a slate for the election of one or more directors (pursuant to art. 148 TUF): 1% of the shares with the right to vote in ordinary shareholders' meetings.

\* The date of first appointment of each auditor means the date on which the auditor was appointed for the first time (in absolute terms) to the Board of Statutory Auditors of the issuer.

\*\* Slate from which each auditor was elected ("M": majority slate; "m": minority slate).

\*\*\* This column shows the attendance of the auditors at meetings of the Board of Statutory Auditors (number of meetings the person attended out of the total number of meetings he or she could have attended, e.g. 6/8, 8/8, etc.).

\*\*\*\* The number of offices as director or statutory auditor held by the person in question pursuant to art. 148-bis TUF and its implementing provisions in the Consob Issuers' Regulation. The complete list of offices is published by Consob on its website, pursuant to art. 144-quinquiesdecies of the Consob Issuers' Regulation. The Consob reporting obligation does not apply if the statutory auditor is a member of the control body of only one issuer pursuant to Article 144-quaterdecies of the Consob Issuers' Regulation.

132 No meetings of the Strategies Committee or the Appointments and Succession Committee were held during the Year (the respective opinions were given directly during the meetings of the Board of Directors).  
133 For further information, see paragraph 11.2 of the Report.

**BOARD OF STATUTORY AUDITORS**

	<b>ATTENDANCE AT MEETINGS OF THE BOARD OF STATUTORY AUDITORS (***)</b>	<b>ATTENDANCE AT MEETINGS OF THE BOD</b>	<b>ATTENDANCE AT MEETINGS OF THE ARSCGC</b>	<b>ATTENDANCE AT MEETINGS OF THE REMUNERATION COMMITTEE</b>	<b>ATTENDANCE AT MEETINGS OF THE APPOINTMENTS COMMITTEE<sup>132</sup></b>	<b>ATTENDANCE AT MEETINGS OF THE STRATEGIES COMMITTEE<sup>133</sup></b>	<b>ATTENDANCE AT MEETINGS OF THE RPT COMMITTEE</b>	<b>NO. OTHER OFFICES (****)</b>
	11/11	8/8	6/6	3/3	-	-	4/4	Cf. Annex A
	11/11	8/8	6/6	3/3	-	-	4/4	Cf. Annex A
	11/11	8/8	6/6	3/3	-	-	4/4	Cf. Annex A
	11/11	8/8	6/6	3/3	-	-	2/4	Cf. Annex A
	11/11	7/8	6/6	3/3	-	-	3/4	Cf. Annex A
	-	-	-	-	-	-	-	Cf. Annex A
	-	-	-	-	-	-	-	Cf. Annex A
	-	-	-	-	-	-	-	Cf. Annex A

# ANNEX A

## SECTION I: LIST OF PRINCIPAL OFFICES HELD BY DIRECTORS, AT THE REPORT DATE, IN OTHER COMPANIES THAT ARE NOT PART OF THE PIRELLI GROUP

FIRST AND LAST NAME	COMPANY	OFFICE HELD IN THE COMPANY
Li Fanrong	Sinochem Holdings Corporation Ltd: <ul style="list-style-type: none"> <li>• Sinochem Group Co., Ltd.</li> <li>• Sinochem Corporation Ltd.</li> <li>• Sinochem International Corporation Ltd.</li> <li>• Sinochem Energy Co., Ltd.</li> <li>• Syngenta AG</li> <li>• Syngenta Group Co.</li> <li>• Luxi Group Co., Ltd.</li> <li>• China Jinmao Holdings Group Ltd.</li> </ul>	Chairman of the Board of Directors Chairman of the Board of Directors, Chief Executive Officer Chairman of the Board of Directors, Chief Executive Officer Chairman of the Board of Directors Chairman of the Board of Directors Chairman of the Board of Directors Chairman of the Board of Directors Chairman of the Board of Directors
	Commercial Aircraft Corporation of China Ltd.	Director
	China World Trade Investment Co., Ltd.	Director
	China World Trade Center Co., Ltd.	Director
Marco Tronchetti Provera	Marco Tronchetti Provera & C. S.p.A.: <ul style="list-style-type: none"> <li>• Camfin S.p.A.</li> </ul>	Chairman of the Board of Directors Chairman of the Board of Directors, Chief Executive Officer
	RCS MediaGroup S.p.A.	Director
Yang Shihao	Sinochem Holdings: <ul style="list-style-type: none"> <li>• Sinochem Holdings Corporation Ltd.</li> <li>• China National Chemical Corporation Ltd.</li> <li>• Sinochem Corporation Ltd.</li> </ul>	Vice Chairman of the Board of Directors Chairman of the Board of Directors Vice Chairman of the Board of Directors
Wang Feng	Sinochem Holdings: <ul style="list-style-type: none"> <li>• China National Tire &amp; Rubber Company Ltd.</li> <li>• Aeolus Tyre Co. Ltd.</li> <li>• Prometeon Tyre Group S.r.l.</li> </ul>	Director Chairman of the Board of Directors Chairman of the Board of Directors
Giorgio Luca Bruno	Camfin S.p.A.:	Director
	CAAM 1 S.r.l.	Chairman of the Board of Directors
	Istituto Europeo di Oncologia S.r.l.	Director
	GB & Co. S.r.l.	Sole Director
Paola Boromei	Snam Rete Gas S.p.A.	Director
	Grifal S.p.A.	Director
Domenico De Sole	Tom Ford International Inc.	Chairman of the Board of Directors
	Ermenegildo Zegna S.p.A.	Director
Roberto Diacetti	Banca IFIS	Director
	Saipem S.p.A.	Director



FIRST AND LAST NAME	COMPANY	OFFICE HELD IN THE COMPANY
Giovanni Lo Storto	Banca Mediolanum S.p.A.	Director
	Luiss Business School S.p.A.	Director
Tao Haisu	Mercuria Energy Group Asia	Director
Zhang Haitao	Sinochem Holdings: <ul style="list-style-type: none"> <li>• Marco Polo International Italy S.r.l.</li> <li>• TP Industrial Holding S.p.A.</li> <li>• Prometeon Tyre Group S.r.l.</li> <li>• Fourteen Sundew S.à.r.l.</li> </ul>	Director Director Director Director
Marisa Pappalardo	BPER Banca S.p.A.	Director
Giovanni Tronchetti Provera	Marco Tronchetti Provera & C. S.p.A.: <ul style="list-style-type: none"> <li>• Camfin S.p.A.</li> <li>• Camfin Alternative Assets S.p.A.</li> </ul>	Director Director Chairman of the Board of Directors and Chief Executive Officer
	ALF S.r.l.	Amministratore Unico
Fan Xiaohua	-	-
Wei Yintao	-	-

**SECTION II: LIST OF OFFICES HELD BY STATUTORY AUDITORS IN OTHER COMPANIES AT THE DATE OF THE REPORT**

<b>FIRST AND LAST NAME</b>	<b>COMPANY</b>	<b>OFFICE HELD IN THE COMPANY</b>	
Riccardo Foglia Taverna	Arec Neprix S.p.A.	Standing Auditor	
	Banca Sella Holding S.p.A.	Alternate Auditor	
	B&C Speakers S.p.A.	Chairman of the Board of Statutory Auditors	
	Boutique Italia S.p.A.	Director	
	Cabeco S.r.l.	Sole Auditor	
	Cedis S.r.l.	Director	
	Consorzio Vigilanza Sella S.C.P.A.	Alternate Auditor	
	Double R S.r.l.	Standing Auditor	
	Gamma Topco S.p.A.	Chairman of the Board of Statutory Auditors	
	Gamma Bidco S.p.A.	Chairman of the Board of Statutory Auditors	
	Gestimm S.p.A.	Chairman of the Board of Statutory Auditors	
	Guglielmi S.p.A.Rubinetterie	Alternate Auditor	
	Jakil S.p.A.	Standing Auditor	
	Industries S.p.A.	Alternate Auditor	
	In-Pao S.r.l.	Sole Auditor	
	Lampugnani Farmaceutici S.p.A.	Standing Auditor	
	MTW Holding S.p.A.	Standing Auditor	
	Mengoni e Nassini S.r.l.	Standing Auditor	
	Metalworks S.p.A.	Standing Auditor	
	Metalworks Bidco S.p.A.	Standing Auditor	
	Orso Blu onlus	Member of the Supervisory Body	
	Officine Rigamonti S.p.A.	Alternate Auditor	
	SI Collection S.p.A.	Chairman of the Board of Statutory Auditors	
	Prosino S.r.l.	Sole Auditor	
	Ruffini Partecipazioni Holding S.r.l.	Standing Auditor	
	Rubinetterie Ritmonio S.r.l.	Standing Auditor	
	Sella Fiduciaria S.p.A.	Standing Auditor	
	Sigla S.r.l.	Chairman of the Board of Statutory Auditors	
	Antonella Carù	Autogrill S.p.A.	Standing Auditor
		Autogrill Advanced Business Service S.r.l.	Standing Auditor
Fondazione Accademia Teatro alla Scala		Director	

FIRST AND LAST NAME	COMPANY	OFFICE HELD IN THE COMPANY
Francesca Meneghel	Geox S.p.A.	Independent Director, Chairman of the Audit, Risk and Sustainability Committee
	Avon Cosmetics S.r.l.	Chairman of the Board of Statutory Auditors
	Digitalia'08 S.r.l.	Chairman of the Board of Statutory Auditors
	Direct Channel S.p.A.	Standing Auditor
	Dolcedrigo S.p.A.	Standing Auditor
	Elettronica Industriale S.p.A.	Standing Auditor
	Citizen Watch Italy S.p.A.	Standing Auditor
	Boing S.p.A.	Standing Auditor
	Medusa Film S.p.A.	Chairman of the Board of Statutory Auditors
	Flowe S.p.A.	Standing Auditor
	Holding Italiana Prima S.p.A.	Standing Auditor
	Holding Italiana Seconda S.p.A.	Standing Auditor
	Holding Italiana Terza S.p.A.	Standing Auditor
	Holding Italiana Ottava S.p.A.	Standing Auditor
	Fascino S.r.l.	Standing Auditor
	Publitalia '80 S.p.A.	Chairman of the Board of Statutory Auditors
	Immobiliare Idra S.p.A.	Chairman of the Board of Statutory Auditors
	Mondadori Media S.p.A.	Standing Auditor
	Mondadori Scuola S.p.A.	Standing Auditor
	Mediamond S.p.A.	Chairman of the Board of Statutory Auditors
	PBF S.r.l.	Standing Auditor
	Videowall S.r.l.	Standing Auditor
	RTI S.p.A.	Standing Auditor
	Mediolanum Comunicazione S.p.A.	Standing Auditor
	Mediolanum Fiduciaria S.p.A.	Chairman of the Board of Statutory Auditors
Mediolanum Gestione Fondi Sgr S.p.A.	Chairman of the Board of Statutory Auditors	
Teresa Naddeo	Webuild S.p.A.	Director
	G&C S.r.l. (Family Company)	Director
	Vera Vita S.p.A.	Standing Auditor
	BCC Assicurazioni S.p.A.	Alternate Auditor
	Vera Vita Assicurazioni S.p.A.	Standing Auditor
	Industrie De Nora S.p.A.	Director
	Dufrital S.p.A.	Standing Auditor

FIRST AND LAST NAME	COMPANY	OFFICE HELD IN THE COMPANY
Alberto Villani	AGB Nielsen Media Research Holding S.p.A.	Chairman of the Board of Statutory Auditors
	AREEF 2 PALIO SICAF	Standing Auditor
	AREEF 2 SICAF	Standing Auditor
	EDRA S.p.A.	Chairman of the Board of Statutory Auditors
	Davide S.p.A.	Standing Auditor
	Nuova GS S.p.A.	Standing Auditor
	BBC Italia S.r.l.	Director
	BTSR International S.p.A.	Chairman of the Board of Statutory Auditors
	Fratelli Consolandi S.r.l.	Chairman of the Board of Statutory Auditors
	HDP S.p.A.	Chairman of the Board of Statutory Auditors
	Selecta Industrial Operations S.p.A.	Standing Auditor
	Selecta Digital S.p.A.	Standing Auditor
	Quattrodue S.p.A.	Chairman of the Board of Statutory Auditors
	Tenuta Montemagno Soc. Agricola S.p.A.	Chairman of the Board of Statutory Auditors
	Bennet S.p.A.	Standing Auditor
	Bennet Holding S.p.A.	Standing Auditor
	Carcano Antonio S.p.A.	Standing Auditor
	DE' Longhi S.p.A.	Standing Auditor
	DE' Longhi Capital Services S.r.l.	Standing Auditor
	DE' Longhi Appliances S.r.l.	Standing Auditor
	Feltrinelli S.p.A.	Standing Auditor
	EB NEURO S.p.A.	Chairman of the Board of Statutory Auditors
	FINMEG S.r.l.	Standing Auditor
	Gallerie Commerciali Bennet S.p.A.	Standing Auditor
	S.r.l. Immobiliare Rimini	Director and Chief Executive Officer
	Meg Property S.p.A.	Standing Auditor
	Over Light S.p.A.	Standing Auditor
	Vetus Mediolanum S.p.A.	Chairman of the Board of Statutory Auditors
	San Remo Games S.r.l.	Sole Auditor
	Impresa Costruzioni Grassi&Crespi S.r.l.	Alternate Auditor
	Impresa Luigi Notari S.p.A.	Alternate Auditor
	Plurima S.p.A.	Chairman of the Board of Statutory Auditors
	Compagnia Padana per Investimenti S.p.A.	Alternate Auditor

FIRST AND LAST NAME	COMPANY	OFFICE HELD IN THE COMPANY
Alberto Villani	Plurima Bidco S.r.l.	Chairman of the Board of Statutory Auditors
	Royal Immobiliare S.r.l.	Sole Director
	Vianord Engineering Société par action simplifiée	Director
	Zenato azienda vitivinicola S.r.l.	Chairman of the Board of Statutory Auditors
Marco Taglioretti	Euricom S.p.A.	Standing Auditor
	Garzanti Specialties S.p.A.	Standing Auditor
	Oroplac S.r.l.	Standing Auditor
	Saint Andrews S.p.A.	Standing Auditor
	Community SB S.r.l.	Standing Auditor
	Commercio Prodotti Industriali S.r.l.	Standing Auditor
	Relife Recycling	Alternate Auditor
	Stella S.r.l.	Standing Auditor
	Centro Rettilli S.r.l.	Standing Auditor
	Focus Investments S.p.A.	Alternate Auditor
	Prometeon Tyre Group S.r.l.	Alternate Auditor
	Motive S.r.l.	Standing Auditor
	Gruppo Meccaniche Luciani	Standing Auditor
	Luciani & Co S.r.l.	Standing Auditor
	De Wave Srl	Standing Auditor
	Marco Tronchetti Provera & C. S.p.A.	Standing Auditor
	XPP SEVEN FIVE S.p.A.	Standing Auditor
	Eurostazioni S.p.A.	Standing Auditor
	Cattaneo Zanetto & Co S.p.A.	Standing Auditor
	Microtest S.r.l.	Standing Auditor
	Associazione Insieme Per I Bambini	Standing Auditor
	Zeta Catena S.r.l.	Standing Auditor
	Tecnopool S.p.A.	Standing Auditor
	Excellera Advisory Group S.p.A.	Standing Auditor
	Jato 1991 S.r.l.	Standing Auditor
	Nichelcrome Finanziaria Immobiliare S.p.A.	Standing Auditor
	Isoltema S.p.A.	Standing Auditor
Galvanica Formelli S.r.l.	Standing Auditor	
Relife Spa	Standing Auditor	

FIRST AND LAST NAME	COMPANY	OFFICE HELD IN THE COMPANY
Marco Taglioretti	Fondazione Silvio Tronchetti Provera	Standing Auditor
	Fondazione "Centro Nazionale per la Mobilità Sostenibile"	Standing Auditor
	Ems Group S.p.A.	Standing Auditor
	Mimac Italia S.r.l.	Standing Auditor
	Logiudice Forni S.r.l.	Standing Auditor
	Xpn S.p.A.	Standing Auditor
	SAB S.r.l.	Alternate Auditor
	Panapesca S.p.A.	Standing Auditor
	Mega Surgelati S.r.l.	Standing Auditor
	Xpp Seven Two S.p.A.	Standing Auditor
	Xpp Seven S.p.A.	Standing Auditor
	Quake S.r.l.	Standing Auditor
	Cbg Acciai S.p.A.	Standing Auditor
	Zuma S.r.l.	Standing Auditor
	Koverlux S.r.l.	Standing Auditor
	Rav Italy Sicaf S.p.A.	Standing Auditor
	Lame Italia S.r.l.	Standing Auditor
	Telco S.r.l.	Standing Auditor
	Sp Plast S.r.l.	Standing Auditor
	Milano Lame S.r.l.	Standing Auditor
	F2i Re S.p.A. hb	Standing Auditor
	Trabaldo Togna S.p.A.	Director
	TP Industrial Holding S.p.A.	Alternate Auditor
	Condorpelli S.p.A.	Alternate Auditor
	Camfin S.p.A.	Alternate Auditor
	Cartiera Di Bosco Marengo	Alternate Auditor
Maria Sardelli	Banca Profilo S.p.A.	Standing auditor and Member of the Supervisory Body
	Milano Serravalle – Milano Tangenziali S.p.A.	Director
	Telepass S.p.A.	Alternate Auditor
	Infoblu S.p.A.	Alternate Auditor
	Boato International S.p.A.	Standing Auditor
	Interporto Rivers Venezia	Member of the Supervisory Body
	Intersistemi Italia S.p.A.	Member of the Supervisory Body

FIRST AND LAST NAME	COMPANY	OFFICE HELD IN THE COMPANY
Maria Sardelli	Pro Recco Waterpolo 1913 S.r.l.	Member of the Supervisory Body
	Spezia Calcio S.r.l.	Member of the Supervisory Body
	GSE Gestione Servizi Energetici S.p.A.	Member of the Supervisory Body
	Green Arrow SGR	Member of the Supervisory Body
	Fintecna S.p.A.	Chairman of the Supervisory Body and Chairman of the Board of Statutory Auditors
	Demag Cranes e Component S.p.A.	Chairman of the Supervisory Body
	Donati S.r.l.	Chairman of the Supervisory Body
Franca Brusco	ENAV S.p.A.	Chairman of the Supervisory Body
	Fondazione Musica per Roma	Chairman of the Association of Auditors
	FS Sistemi Urbani S.r.l.	Director
	AIRRI	Sole Auditor
	D-Flight S.p.A.	Chairman of the Board of Statutory Auditors
	CDP Industria S.p.A.	Standing Auditor
	Cassa Depositi e Prestiti S.p.A.	Standing Auditor
	Autorità di Sistema portuale del Mare Mediterraneo meridionale	Member of the Association of Auditors
	Autorità del Museo Nazionale Galleria Borghese	Member of the Association of Auditors
Gruppo Garofalo Health Care S.p.A.	Independent Director	





# REPORT ON THE REMUNERATION POLICY AND COMPENSATION PAID

# INTRODUCTION

This Report on remuneration policy and compensation paid (the “**Report**” or the “**Remuneration Report**”), approved by the Board of Directors on April 5, 2023, on a proposal from the Remuneration Committee, subject to the opinion of the Board of Statutory Auditors, is divided into two sections:

- Section I: “Remuneration Policy” for FY 2023 (the “**2023 Policy**” or the “**Policy**”) and
- Section II: “Report on Compensation Paid” in FY 2022 (the “**2022 Compensation Report**” or the “**Compensation Report**”).

The Report is prepared in accordance with Art. 123-*ter* of the Consolidated Law on Finance (“**TUF**”), as amended and supplemented by Art. 3 of Italian Legislative Decree no. 49 of 10 May 2019 (the “**Decree**”), as well as art. 84-*quater* and Scheme 7-*bis* of Annex 3A to the Consob regulation (no. 11971 of 14 May 1999 on issuers), as also amended by Consob Resolution no. 21623 of 10 December 2020 (the “**Issuers’ Regulation**”).

For the purposes of the Report, due consideration was given to the European Commission recommendations on the remuneration of directors of listed companies, as well as to the recommendations on remuneration adopted by the Corporate Governance Code for listed companies, approved by the Corporate Governance Committee, to which Pirelli has adhered, as well as the more recent recommendations of the Corporate Governance Committee.

The Policy has also been drafted in accordance with and for the effects of Pirelli’s Related-Party Transactions Procedure.

The Policy also takes into account the circumstance that the Board of Directors’ term of office is expiring and that, pursuant to the provisions contained in the Renewal of the Shareholders’ Agreement<sup>134</sup>, there may be two different figures in Pirelli’s governance structure.

The 2023 Policy submitted for the binding vote to the Shareholders’ Meeting called to approve the financial statements for the year ended 31 December 2022 pursuant to art. 123-*ter* TUF, subsection 3-*bis* and 3-*ter*, defines the principles and guidelines for the 2023 financial year:

- for determining the remuneration of the Company

Directors, in particular Directors holding specific offices, General Managers and KMs, as well as, without prejudice to the provisions of art. 2402 of the Italian Civil Code, for determining the remuneration of members of the control body;

- to which Pirelli & C. refers in defining the remuneration of Senior Managers and, more generally, Group Executives.

The 2023 Policy: (i) sets out its contribution to the company strategy, the pursuit of long-term interests and the sustainable success of Pirelli & C., understood as the creation of long-term value to the benefit of shareholders, taking into account the other relevant stakeholders of the Company; (ii) also takes account of the need to have, retain and motivate people with the expertise and professional standing required by the role held in the Company; and (iii) indicates the purposes, methods of operation and the beneficiaries of the remuneration, as well as the bodies involved and the procedures used for its adoption and implementation.

The 2022 Report on Compensation Paid, submitted for the advisory and non-binding vote of the Shareholders’ Meeting in accordance with art. 123-*ter*, subsection 6, TUF, provides, by name, for the Directors, Statutory Auditors and General Managers and, in aggregate form, for the KMs:

- adequate information about each component of their remuneration, including payments prescribed in the event of resignation from office or termination of employment, pointing out their compliance with the remuneration policy adopted by the Company for the 2022 financial year;
- an analytical indication of the sums paid in the 2022 financial year for any reason and in any form by the Company and its subsidiaries or affiliates, indicating any components of payments that are referable to activities undertaken in years preceding 2022 (and also highlighting the payments to be made in one or more subsequent years for activity undertaken in the 2022 financial year, providing, if applicable, estimates for the components that cannot be objectively quantified in the 2021 financial year);
- an illustration of how the Company took account of the votes cast by the Shareholders’ Meeting in 2022.

The Report is made available to the public at the company’s registered office, at the authorised storage mechanism ([www.emarketstorage.com](http://www.emarketstorage.com)) and on the Pirelli & C. S.p.A. (“**Pirelli & C.**” or the “**Company**”) website at [www.pirelli.com](http://www.pirelli.com).

<sup>134</sup> For further information, see the Corporate Governance Report and the Company’s website at [www.pirelli.com](http://www.pirelli.com).

# EXECUTIVE SUMMARY

<b>Purposes and principles of the Policy</b>	The Policy aims to achieve long-term interests, thereby contributing to the achievement of strategic objectives and sustainable growth of the company as well as bringing the interests of the Management into line with those of the stakeholders.		
	<b>PURPOSE</b>	<b>HOW IT OPERATES</b>	<b>BENEFICIARIES IN OFFICE ON THE DATE OF THE REPORT</b>
<b>Fixed Remuneration</b>	To reward managerial and professional competence and experience, and the contribution made to the role.	It is defined in relation to the characteristics, responsibilities and powers, if any, assigned to the role, taking account of the market references, in order to assure that it is competitive.	<b>Chairman:</b> €400,000 <b>Executive Vice Chairman and CEO:</b> €2,400,000 <b>Deputy-CEO:</b> €1,100,000 <b>General Manager:</b> €750,000 <b>KMs, Senior Managers and Executives:</b> determined according to the responsibility assigned and the skills required by the role held.
<b>Annual variable remuneration STI</b>	Intended to motivate managers to achieve the Company's annual objectives, maintaining strong alignment with the business strategy and the Company's interests and medium-long term sustainability, including through three ESG targets and a partial deferral mechanism together with a business matching component.	<p>Directly linked to the achievement of performance objectives, assigned to each beneficiary in coherence with the role they cover:</p> <ul style="list-style-type: none"> <li>• Adjusted EBIT (Group/Region/BU)</li> <li>• Net Cash Flow (before dividends) - (Group/Region)</li> <li>• Group Net Income</li> <li>• Three sustainability objectives</li> <li>• Unit/department objectives (for Senior Managers and Executives)</li> </ul> <p>In addition to an on-off condition (which determines access to the Plan), represented by a cash indicator (typically Net Cash Flow).</p> <p>There will be a minimum level for each objective, below which the related <i>pro-quota</i> of the incentive is not accrued.</p> <p>There is also a maximum cap to the incentive that can be achieved (if all maximum performance objectives are achieved), equal to twice the incentive that can be achieved at target performance.</p> <p>Finally, for General Managers, KMs and selected Senior Managers, with a view to retention, a portion of the incentive accrued ranging from a minimum of 25% to a maximum of 50% is subject to three-year deferral. The relative payment, together with a corporate matching component, is subject to the continuation of employment at the company at the end of this period. For the rest of the Management, on the other hand, 25% of the incentive accrued is deferred and its payment, together with any matching, is subject to the achievement of the following year's STI objectives.</p>	<p><b>Chairman:</b> not one of the beneficiaries of the plan.  <b>Executive Vice Chairman and CEO:</b></p> <ul style="list-style-type: none"> <li>• <i>Minimum:</i> 80% of fixed remuneration</li> <li>• <i>Target:</i> 125%</li> <li>• <i>Cap:</i> 250%</li> </ul> <p><b>Deputy-CEO:</b></p> <ul style="list-style-type: none"> <li>• <i>Minimum:</i> 65%</li> <li>• <i>Target:</i> 100%</li> <li>• <i>Cap:</i> 200%</li> </ul> <p><b>General Manager:</b></p> <ul style="list-style-type: none"> <li>• <i>Minimum:</i> 50% of the GAR</li> <li>• <i>Target:</i> 75%</li> <li>• <i>Cap:</i> 150%</li> </ul> <p><b>KMs:</b></p> <ul style="list-style-type: none"> <li>• <i>Minimum:</i> 35%</li> <li>• <i>Target:</i> 50%</li> <li>• <i>Cap:</i> 100%</li> </ul> <p><b>Senior Managers and Executives:</b></p> <ul style="list-style-type: none"> <li>• <i>Minimum:</i> dal 10% to 25%</li> <li>• <i>Target:</i> dal 15% to 40%</li> <li>• <i>Cap:</i> dal 30% to 80%</li> </ul>

	PURPOSE	HOW IT OPERATES	BENEFICIARIES IN OFFICE ON THE DATE OF THE REPORT
<b>Medium-long term variable remuneration (LT)</b>	The intention is to promote the creation of success that is sustainable in the long-term and achievement of the objectives in the Company's strategic plans, while also promoting management engagement and retention.	<p><b>2023-2025 LTI Plan:</b> an incentive dependent on the achievement of the following, independent long term objectives:</p> <ul style="list-style-type: none"> <li>• Cumulative Group Net Cash Flow (before dividends)</li> <li>• Relative TSR versus a panel of peers (TIER1: Continental, Michelin, Nokian, Goodyear and Bridgestone)</li> <li>• a third objective linked to two Sustainability indicators. Dow Jones Sustainability World Index ATX Auto Component sector and CO<sub>2</sub> Emissions Reduction.</li> </ul> <p>There will be an "access threshold" level for each objective, equal to 75% of the target premium, below which the related <i>pro-quota</i> of the incentive is not accrued.</p> <p>There is also a maximum cap to the incentive that can be achieved, if all maximum performance objectives are achieved.</p> <p>The plans are rolling ones and have a vesting period of 3 years.</p>	<p><b>Chairman:</b> not one of the beneficiaries of the Plans.  <b>Executive Vice Chairman and CEO (annual opportunities):</b></p> <ul style="list-style-type: none"> <li>• "Access threshold": 52.5% of fixed remuneration</li> <li>• Target: 70%</li> <li>• Cap: 200%</li> </ul> <p><b>Deputy-CEO:</b></p> <ul style="list-style-type: none"> <li>• "Access threshold": 45%</li> <li>• Target: 60%</li> <li>• Cap: 160%</li> </ul> <p><b>General Manager:</b></p> <ul style="list-style-type: none"> <li>• "Access threshold": 45% of the GAR</li> <li>• Target: 60%</li> <li>• Cap: 160%</li> </ul> <p><b>KMs:</b></p> <ul style="list-style-type: none"> <li>• "Access threshold": 37.5%</li> <li>• Target: 50%</li> <li>• Cap: 130%</li> </ul> <p><b>Senior Managers and Executives:</b></p> <ul style="list-style-type: none"> <li>• "Access threshold": from 11.25% to 37.5%</li> <li>• Target: dal 15% to 50%</li> <li>• Cap: dal 40% to 130%</li> </ul>
<b>Other tools</b>	To assure organisational stability and the contribution made to the implementation of the Company's strategic plans, also for the purpose of promoting sustainable success over the long-term. Safeguard company know-how and protect it from competitors. Promote attractiveness of the Company and loyalty of managerial staff.	<ul style="list-style-type: none"> <li>• <b>Non-competition agreements:</b> constraint regarding the market sector in which the Group operates and the territorial coverage. The extent varies according to the role covered. The Chairman and Executive Vice Chairman and CEO are not included among the beneficiaries of the non-competition agreements.</li> <li>• <b>Welcome bonus:</b> one-off bonuses that can be assigned with a view to attracting managerial resources during the hiring phase.</li> <li>• <b>Benefit:</b> non-monetary benefits currently assigned on the basis of market practices.</li> </ul>	

# REMUNERATION POLICY FOR THE 2023 FINANCIAL YEAR

## 1. STAKEHOLDERS IN THE PROCESS OF POLICY PREPARATION, ADOPTION AND IMPLEMENTATION

### STAKEHOLDERS IN THE PROCESS

The definition of the remuneration policy and any amendments made thereto are the result of a clear and transparent process in which the Remuneration Committee and the Board of Directors play a central role. It is, in fact, adopted and approved by the Board of Directors annually – based on a proposal by the Remuneration Committee – and the Board then submits it to the Shareholders' Meeting for a vote.

The Board of Statutory Auditors issued its opinion on the policy, including the part regarding the remuneration of Directors holding specific offices.

The Remuneration Committee, the Board of Statutory Auditors and the Board of Directors supervise the application thereof. To such purpose, at least once per year, when the report on compensation paid is submitted, the Head of the Human Resources & Organisation Department reports on the

application of the remuneration policy to the Remuneration Committee, the chairman of which in turn reports to the Board of Directors.

For the sake of completeness, it should be noted that, in accordance with current legislation, it is the role of the Board of Directors to propose to the Shareholders' Meeting the adoption of incentive mechanisms for members of the Board of Directors, employees or collaborators via the attribution of financial instruments or options on financial instruments, which, if approved, are later made public by the legal deadline (without prejudice to any further transparency requirements laid down in the applicable regulations)<sup>135</sup>. As at the date of this Report, the Company has no incentive plans based on financial instruments in place.

In preparing the 2023 Policy, the Company was assisted by Willis Towers Watson and Korn Ferry for the preparation of national and international benchmarks used to define the structure of the remuneration of the Directors holding specific offices, General Managers and KMs, in addition to Senior Managers and Executives.

Amongst the measures aimed at avoiding or managing conflicts of interest, it is noted that, in compliance with the recommendations of the Corporate Governance Code, no member of the Board of Directors shall attend meetings of the Remuneration Committee during which proposals are made to the Board of Directors regarding their remuneration.

<sup>135</sup> Note that the Board of Directors' meeting of April 5, 2023 established the objectives of the 2022-2025 LTI Plan, related to the objectives contained in the 2023/2025 Strategic Plan. Such LTI plan will be submitted for approval of the Shareholders' Meeting as regards the part establishing determination of the incentive on the basis of a target total shareholder return, calculated as the performance of the Pirelli share, compared to a panel of selected peers from the Tyre sector. For a more extensive description, reference is made to paragraphs 2, 4, 5 and 6 below.

Below is a list of the activities carried out by the parties involved in the process of devising, adopting and implementing the policy:

BODY	ROLE AND COMPETENCE ACTIVITIES
Shareholders' Meeting	<ul style="list-style-type: none"> <li>- determines at the time of appointment the gross annual remuneration to be paid to members of the Board of Directors, except for the remuneration to be attributed, by the Board, to Directors holding specific offices;</li> <li>- determines at the time of appointment the gross annual remuneration to be paid to the members of the Board of Statutory Auditors;</li> <li>- approves the first section of the remuneration report;</li> <li>- issues an advisory vote on section 2 of the remuneration report;</li> <li>- decides, upon the proposal of the Board of Directors, on any incentive mechanisms based on the attribution of financial instruments or options on financial instruments.</li> </ul>
Board of Director	<p>defines:</p> <ul style="list-style-type: none"> <li>- the breakdown of the total remuneration defined for Directors by the Shareholders' Meeting;</li> <li>- the policy on remuneration of members of the Board of Directors, General Managers, KM and, without prejudice to the provisions of art. 2402 of the Italian Civil Code, members of the Board of Statutory Auditors;</li> <li>- the remuneration of Directors holding specific offices in accordance with art. 2389, paragraph 3 of the Italian Civil Code, and that of General Managers;</li> <li>- the performance objectives related to the variable part of the remuneration of executive directors, General Managers and KM;</li> <li>- the remuneration of the Head of the Internal Audit department upon a proposal by the Audit, Risk, Sustainability and Corporate Governance Committee.</li> </ul>






#### REMUNERATION COMMITTEE

The Remuneration Committee is appointed by the Board of Directors (which also appoints the chairman thereof) and remains in office for the entire duration of the mandate granted by the Board of Directors.

As at the date of this Report, the Committee, consistently with the recommendations of the Corporate Governance Code, is composed of five members, all of whom are non-executive and the majority of whom are independent. The Chairman of the Committee is an independent director.

As at the date of this Report, the Committee members are as follows:

## REMUNERATION COMMITTEE

	NAME AND SURNAME	OFFICE
	Tao Haisu	Independent Director
	Wang Feng	Director
	Paola Boromei	Independent Director
	Fan Xiaohua	Independent Director
	Marisa Pappalardo	Independent Director

Director Paola Boromei was considered by the Board of Directors as having sufficient experience in matters of accounting, finance and remuneration policies.

The entire Board of Statutory Auditors is entitled to participate in the work of the Remuneration Committee. The Secretary to the Board of Directors acts as the Secretary to the Remuneration Committee.

The Committee has investigatory, advisory, propositional and supervisory functions and ensures the definition and application, within the Group, of remuneration policies that, on the one hand, aim at pursuing the sustainable success of the Group and aligning the interests of management with those of the shareholders and, on the other, at attracting, retaining and motivating human resources with the expertise and professional standing required of the role held in the Company.

In particular, the Remuneration Committee:

- assists the Board of Directors with defining the remuneration policy;
- assesses periodically the adequacy and overall consistency of the remuneration policy for Directors of the Company and in particular Directors holding specific offices, General Managers and KMs;
- with regard to the executive Directors, other Directors holding specific offices and General Managers, it makes recommendations or expresses opinions to the Board:
  - about their remuneration, in compliance with the remuneration policy;
  - about setting performance objectives linked to the variable part of that remuneration;
  - about the definition of any no-competition agreements;
  - about the definition of any agreements for the termination of working relationships, on the basis of the principles established in the remuneration policy;
- monitors the correct application of the remuneration policy and the decisions adopted by the Board of Directors and verifies the actual achievement of performance targets;
- verifies compliance of the remuneration of executive Directors, other Directors with specific responsibilities, General Managers and KMs with the remuneration policy and expresses an opinion on this, also in accordance with the Related Party Transaction Procedure adopted by the Company in application of the Consob regulation in force at the time;

- assists the Board of Directors in the examination of proposals to the Shareholders' Meeting for the adoption of remuneration plans based on financial instruments;
- examines and submits to the Board of Directors the report on compensation paid, on behalf of the governing and supervisory bodies, of the General Managers and in aggregate form the KMs:
  - provides adequate information about each component of their remuneration;
  - explains in detail the remuneration paid during the financial year in question, for whatever reason and in whatever form, by the Company and its subsidiaries or affiliates;
- in any case, provides the Related-Party Transactions Committee with opinions if the responsibilities of said Committee regarding related-party transactions do not cover issues pertaining to the remuneration of executive Directors, including Directors with specific responsibilities, General Managers and KMs;
- assesses whether there are exceptional circumstances that allow for a derogation from the remuneration policy. Where derogations to the Policy on the matters indicated in paragraph 10 below exist, they are approved by the Remuneration Committee, as the Related-Party Transactions Committee, on the basis of the procedures adopted by the Company for related-party transactions, in implementation of the applicable Consob regulation *pro-tempore*.

By resolution dated 15 June 2021, the Board of Directors also assigned to the Remuneration Committee the functions of the RPT Committee regarding related-party transactions involving the remuneration and treatment of Directors and other Key Managers and, in general, matters covered by the Report on Remuneration Policy and Compensation Paid (including any waivers) within the limits and according to the criteria allowed by the RPT Regulation and applicable legal or regulatory provisions, also taking into account the membership of the Remuneration Committee (which may, therefore, exercise these duties for related-party transactions of lesser significance and related-party transactions of greater significance where it consists of unrelated directors who are, respectively, either mostly or exclusively independent Directors).

2023	SUBJECT	ACTIVITY
1Q	<b>2023 Remuneration Policy and Variable Incentive Plans</b>	<ul style="list-style-type: none"> <li>- Presentation of the timetable</li> <li>- Draft 2023 Remuneration Policy</li> <li>- Approval of the incentive plan by the Remuneration Committee:               <ul style="list-style-type: none"> <li>• Review of the 2022 STI closure targets and definition of 2023 targets</li> <li>• Review of the 2020-2022 LTI closure targets and definition of the 2023-2025 LTI Plan targets</li> </ul> </li> <li>- Analysis of market remuneration benchmarks</li> </ul>
2Q	<b>Shareholders' Meeting and publication of the 2023 Remuneration Policy</b>	<ul style="list-style-type: none"> <li>- Approval of the 2023 Remuneration Policy and 2022 Compensation Report</li> <li>- Shareholders' vote on the 2023-2025 LTI plan</li> </ul>
3Q	<b>Analysis of votes received from Shareholders and review of Governance</b>	<ul style="list-style-type: none"> <li>- Analysis of votes received from Shareholders</li> <li>- Analysis of 2023 Remuneration Policy and quality benchmark</li> <li>- Analysis of 2023 Remuneration Policy and assessment of potential changes</li> </ul>

The cycle of the Remuneration Committee's main activities in 2023 is shown below.

In relation to the operating methods of the Remuneration Committee, see the Report on Corporate Governance and the Ownership Structure.

## 2. PURPOSES AND PRINCIPLES OF THE 2023 REMUNERATION POLICY

### PURPOSES OF THE 2023 POLICY AND GUIDING PRINCIPLES

The aims of the Policy are to attract, motivate and retain resources in possession of the professional qualities required to pursue business objectives. In addition, through the multi-year variable components assigned, in particular, to Directors holding specific offices to whom specific duties are also delegated, General Managers, KMs, Senior Managers and Executives, it aims to achieve long-term interests, contributing to the achievement of strategic objectives and the sustainable success of the company, as well as aligning the interests of Management with those of shareholders.



The Policy is intended to strengthen the “pay for performance” link and, as better explained below, provides for the objectives underlying the incentive plans in place to be set consistently with those disclosed to the market.

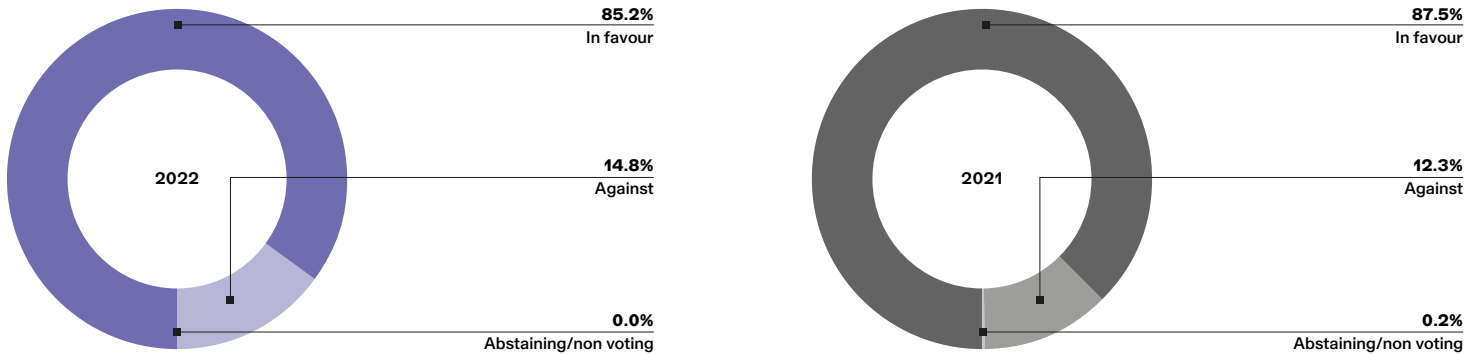
The Policy is valid for one year and in any case until the Shareholders’ Meeting approves a new remuneration policy. It is defined taking into account various factors such as remuneration, which in turn is defined on the basis of market benchmarks aiming at a level of attractiveness differentiated according to the company role and skills, the compensation mix and the working conditions of Company employees.

With reference to this last aspect, the 2023 Policy also in fact refers to the remuneration of the Senior Managers and Executives of the Group. Moreover, Pirelli:

- applies and respects any existing and applicable national collective bargaining agreements to which it adheres;
- adopts for all the Group’s managers and the remaining employees meritocratic policies, variable incentive systems, welfare initiatives and services to benefit employees or their families, as well as, in order to protect the company assets, non-competition agreements for specific individuals;
- is attentive to pay equity, in the context of gender diversity, as highlighted in more detail in the Report on Responsible Management.

### RESULTS OF THE VOTING AND FEEDBACK FROM INVESTORS

The Policy is established taking into account the analysis and investigations made of the results of the Shareholders’ Meeting vote and the feedback received from shareholders and key proxy advisors on the 2022 Remuneration Policy and the Report on Compensation paid in FY 2021. The diagram below presents the result of the binding vote expressed by the Shareholders’ Meeting on 15 June 2022 compared to the result of the voting in 2021.



Pirelli attaches great importance to analysing this voting result and the feedback received and, following the analysis of the results of the 2022 voting and the main rationale for the votes against, in the course of 2022 and in the first months of 2023, took the action required to ensure the consistency of the 2023 Policy with the shareholders’ expectations for the future.

### DESCRIPTION OF THE CHANGES WITH RESPECT TO THE 2022 POLICY

With respect to the 2022 Remuneration Policy, the following aspects of the 2023 Policy were reviewed and/or considered:

- the composition of the reference panel for the purpose of comparing the Annual Total Direct Compensation on Target of the Executive Vice Chairman and Chief Executive Officer was redefined by excluding Navistar in view of its delisting and Volkswagen in view of the revision of the panel size;
- introduction of the new positions of Executive Vice Chairman and Chief Executive Officer, as required by the Renewal of the Shareholders’ Agreement;
- establishment of the same reference panel for the purpose of setting the remuneration benchmark for the Executive Vice Chairman and the Chief Executive Officer;
- redefinition of the portion of the STI 2023 scorecard reserved for ESG KPIs which, while maintaining their weight at 15 points, is divided into 3 different targets: “Green Performance Volumes” (replacing “Green Performance Revenues” on the total range), “Women in Management positions” (replacing the objective “Diversity and Inclusion (D&I): Women Hiring”) target, and the introduction of an HSE KPI: “Frequency Index”. Each of these targets constitutes 5% of the incentives scorecard;
- reduction of company matching multipliers intended for General Managers, KMs and selected Senior Managers, which are replaced by a range of between 0.8 and 1.2. Previously the minimum had been 1 and the maximum 1.5.

The 2023 Policy takes into account the definition of the objectives of the rolling LTI Plan for the three-year period 2023-2025, in support of the objectives of the 2023-2025 Strategic Plan.

#### MARKET REFERENCES AND PEER GROUP

In relation to the Annual Total Direct Compensation on-Target, Pirelli defines and applies a policy which, in relation to the reference market, targets the third quartile for the Executive Vice Chairman and Chief Executive Officer, the Deputy-CEO and the Top and Senior Management; the median for the Chairman and Executives.

With regard to the newly introduced Executive Vice Chairman and Chief Executive Officer, it targets the third quartile and the median respectively.

The analysis of the positioning, the make-up and more generally the competitiveness of the remuneration of Directors with specific responsibilities is conducted by the Remuneration Committee and the Board of Directors with the assistance of companies specialised in executive compensation, on the basis of methodological approaches that allow the full assessment, if within the typical limits of benchmark analyses, of the complexity of their positions from an organisational point of view, any specific duties assigned thereto and the individual's impact on the final business results.

In regard to the comparative market, in the definition of the panel of reference companies analysed annually by the Remuneration Committee, it takes account of various components such as business sector, geography, specific features and size of the company.

The reference sample of companies used to analyse the competitiveness and for the possible review of the remuneration of the Chairman of Pirelli & C. has been established with the assistance of Willis Towers Watson and consists of twelve Euronext Milan companies, excluding financial companies.

The sample of reference companies used for the competitiveness analysis and any review of the remuneration of the Executive Vice Chairman and Chief Executive Officer (and, once appointed, the Executive Vice Chairman and the Chief Executive Office) of Pirelli & C. has been defined with the assistance of Willis Towers Watson, also taking into account the main recommendations on pay for performance; the sample of reference companies consists of the 12 companies shown in the table below, all belonging to the Vehicles, Auto Component & Tyre industry and focuses the comparison on companies operating in the same sector as Pirelli.

Aston Martin	BMW	Brembo	Continental
Ferrari	Goodyear	Harley-Davidson	Magna International
Michelin	Renault	Stellantis	Volvo Car

The sample of reference companies used for the competitiveness analysis and for the possible review of the Deputy-CEO's remuneration was established with the help of Korn Ferry; in this regard, it should be noted that the source used for the market comparison is the European Top Executive Compensation Survey covering more than 400 listed European companies included in the FTSE500 list, which includes the 500 biggest European companies by capitalisation.

Finally, the remuneration structure for General Managers, KMs, Senior Managers and Executives is defined on the basis of national and international benchmarks which, in view of the complexity and specific nature of the role, were prepared by Willis Towers Watson and/or Korn Ferry and agreed with the Remuneration Committee.

#### ELEMENTS OF THE 2023 POLICY

In keeping with previous remuneration policies, the 2023 Policy provides for the Management remuneration to consist of various elements:

- gross annual base salary;
- an annual variable component (STI);
- medium-long term variable component (LTI);
- Non-monetary benefits.

#### FIXED COMPONENT

The base salary is established on the basis of the complexity of the position, professional seniority, the skills

required to perform in the role, performance over time, and the trend in the comparison remuneration market related to the position held by the individual.

### VARIABLE COMPONENTS

The STI and LTI variable components are established - taking account of the benchmarks for each - as a percentage of base salary which increases according to the position held by the beneficiary.

### ANNUAL VARIABLE COMPONENT (STI)

The STI component, except for specific cases, is extended to all the Management - except for the Chairman - and is intended to reward the beneficiaries' short term performance; moreover, it can be extended to managers who joined the Group during the year. The STI objectives for Directors holding specific offices to whom specific duties are also delegated, for General Managers and for KMs are established by the Board of Directors upon a proposal by the Remuneration Committee (see §4 and §5).

The objectives underlying the STI Plan represent performance consistent with the corresponding objectives disclosed to the market, in particular the objectives for obtaining the incentive at minimum level are set as equal to the value disclosed to the market.

For 2023, the targets assigned to the Directors holding specific offices and to whom specific responsibilities are assigned, to General Managers and KMs in the context of the STI Plan are the following:

ON/OFF CONDITION	GROUP NET CASH FLOW (BEFORE DIVIDENDS)
	WEIGHT OF OBJECTIVES
Group adjusted EBIT	35%
Group Net Cash Flow (before dividends)	30%
Net income	20%
Eco & Safety Volumes	5%
Women in Management positions	5%
Frequency Index	5%

The STI objectives of Senior Managers and Executives are, on the other hand, defined by the hierarchical manager in accordance with the Human Resources & Organisation and Strategic Planning, Administration, Planning & Controlling and include, among others, objectives related to the economic performance of the business unit/ geography/function to which they belong (see section 6).

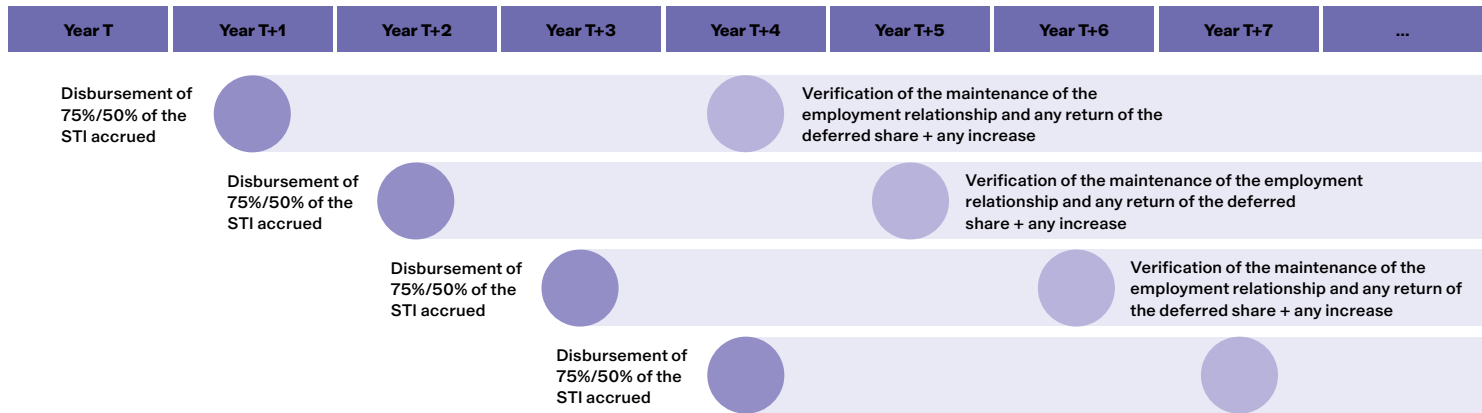
At the end of the year and based on the finalised performance figures (and included in the draft financial statements approved by the Board of Directors), the Department of Human Resources & Organization, with the assistance of the Administration, Planning & Controlling Department, checks the level to which the objectives have been achieved, on which basis the Board of Directors then resolves, after examination by the Remuneration Committee, having obtained the opinion of the Board of Statutory Auditors, on the amount of the variable compensation to be disbursed.

In the event of extraordinary transactions affecting the scope of the Group and/or major changes in the macroeconomic and geopolitical scenario, the Remuneration Committee may adjust the targets in the STI plan, in order to protect the Plan's value and aims and ensure that the objectives of the company and the objectives that underpin the Management incentive systems are constantly aligned, or close the plan early.

Achievement of the individual objectives will be assessed by the Remuneration Committee, neutralising the effects of any extraordinary decisions that could have impacted the results (either positively or negatively). The Board of Directors resolves on any review proposal submitted for its examination.

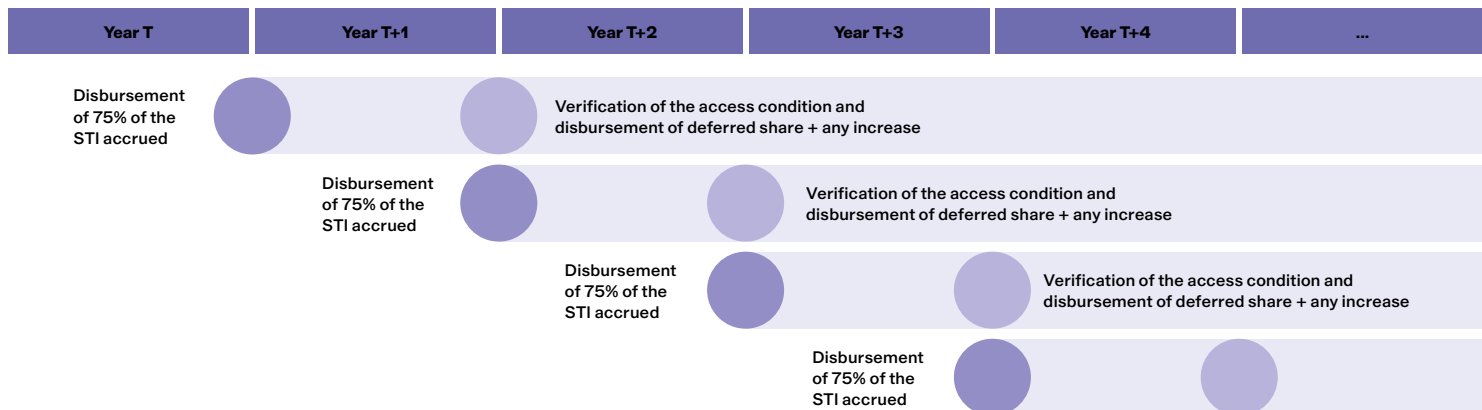
Starting with the 2023 STI Plan, for General Managers, KMs and selected Senior Managers, part of the remuneration accrued as a STI, from a minimum of 25% to a maximum of 50%, is deferred, with a view to retention, and disbursed at the end of a three-year period subject to the continuation of employment and together with

a corporate matching component which can vary from a minimum of 0.8 time to a maximum of 1.2 times the amount of the deferred STI (see the diagram below).



For the rest of the Management, on the other hand, part of the variable remuneration accrued as STI is deferred to the benefit of continued results over time and thereby the creation of sustainable value for shareholders in the medium-long term. Indeed, 75% of any STI accrued is paid, since the remaining 25% is deferred by 12 months and subject to achievement of the STI objectives for the following year. More specifically (see graph below):

- in the event that no STI is accrued in the following year, the deferred STI share of the previous year is definitively “lost”;
- In the event that the payout percentage of the STI accrued in the following year is below target level, the STI share deferred from the previous year is paid;
- in the event that the payout percentage of the STI accrued in the following year is equal to or higher than target value, the STI share deferred from the previous year is paid, together with an additional amount equal to the portion deferred (increase).



### MEDIUM-LONG TERM VARIABLE COMPONENT (LTI)

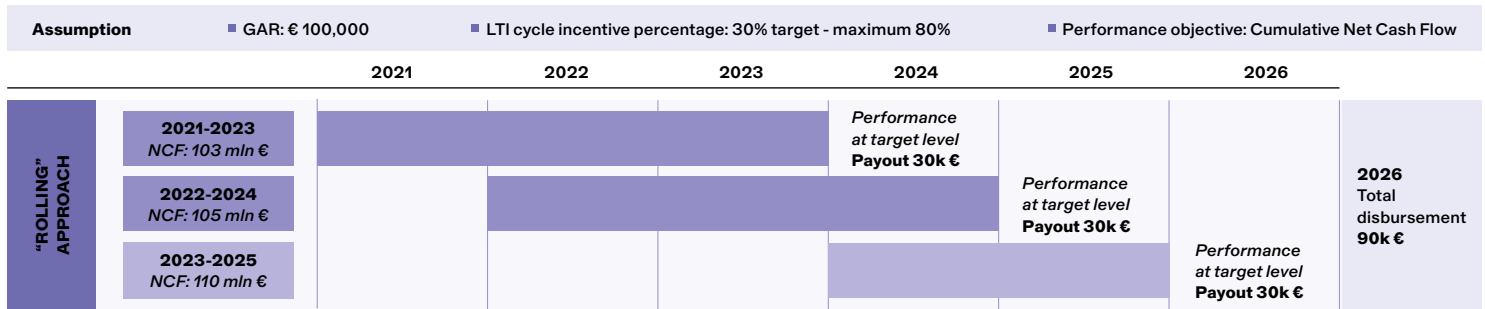
As for the medium to long term variable remuneration (LTI), it is assigned to Top Management – except for the Chairman – and extended, except in specific cases, to all Executives whose grade, determined with the Korn Ferry method, is equal to or above 20.

The medium-long term incentive plans (LTI) are intended to:

- link Management remuneration with the medium-long term performance of the Group;
- promote the creation of shareholder value and sustainable success for the Company;
- align the interests of shareholders with those of the Management;
- promote Management retention.

The LTI plan is structured with a “rolling” mechanism which guarantees flexibility by ensuring that, for each new three-year period, the performance indicators are aligned with the evolution of the market and the company and, therefore, the Company’s Strategic Plan.

Below is an explanatory diagram showing how it works:



The LTI Plans assign each beneficiary an incentive opportunity (the “LTI Bonus”), equal to a percentage of the gross annual fixed component in place in the first year of the plan. This incentive percentage increases in relation to the position held and takes into account the benchmarks for each role.

The full cost of the LTI plans is included in the economics of the Strategic Plan, so that their impact is “self-funded” by achievement of the expected results.

The risk governance process is fully integrated into the strategic planning process in order to ensure that the objectives envisaged for achieving the variable incentive do not expose Pirelli to managerial behaviour inconsistent with an acceptable level of risk (“risk appetite”) as defined by the Board of Directors when approving the Plans. The targets set in the LTI Plans represent a performance consistent with the corresponding targets disclosed to the market. In particular, the objectives for obtaining the incentive at “access threshold” level are set as equal to the value disclosed to the market.

For 2023, the targets assigned to the Directors holding specific offices and to whom specific responsibilities are assigned, to General Managers and KMs in the context of the 2022-2025 LTI Plan are the following:

2023-2025 LTI	WEIGHT OF OBJECTIVES	KPI
Group Net Cash Flow (before dividends)	40%	Value disclosed to the market
Related TSR vs TIER 1 Panel	40%	Performance equal to panel average*
DJS Index	10%	From -1% to -5% vs Top Industry cluster
CO <sub>2</sub> Emissions Reduction	10%	Value disclosed to the market

\* The period of comparison is the second half of 2025 vs the second half of 2022.

In the event of extraordinary transactions affecting the Group’s perimeter and/or profound changes in the macroeconomic and geopolitical scenario, the Board of Directors, on a proposal from the Remuneration Committee, subject to the opinion of the Board of Statutory Auditors, may decide:

- any adjustment of the targets (both upward or downward) of the 2023-2025 LTI Plans, so as to protect their value and relative targets, thus ensuring constant alignment between the company’s objectives and the objectives underlying the Management incentive schemes;
- possible early closure thereof.

The diagram below shows the link between the corporate strategy and the KPIs of the incentive systems.

STRATEGIC PLAN PILLARS	SHORT TERM INCENTIVE (STI)	LONG TERM INCENTIVE (LTI)
High-end and specialties focus	Net Result	Relative TSR
Competitiveness & Digitalization Plan	EBIT	
Cash Flow Generation	Net Cash Flow (before dividends)	Cumulative Group Net Cash Flow (before dividends)
Sustainability	Eco & Safety Volumes DE&I: Women in Management HSE: Frequency Index	Dow Jones Sustainability Index CO <sub>2</sub> Emissions Reduction

#### NON-MONETARY BENEFITS

When a new General Manager or a KM is hired, the Company reserves the right to define, in line with market practice, the experience gained and the conventional seniority that may be due to such person.

Lastly, non-monetary elements of remuneration are benefits provided to beneficiaries, depending on the position held, as a result of contractual provisions/company policies or aimed at reinforcing attraction during the recruitment phase (e.g. accommodation and student grants for limited periods of time).

### 3. REMUNERATION OF THE BOARD OF DIRECTORS AND THE BOARD OF STATUTORY AUDITORS

#### THE BOARD OF DIRECTORS

Within the Board of Directors, a distinction can be made between:

- (i) Directors holding specific offices to whom specific duties are also delegated;
- (ii) Directors holding no specific offices.

The attribution to Directors of powers for specific matters, that are not covered by the duties delegated under Art. 2381 of the Italian Civil Code, does not *per se* make them directors to whom specific duties are attributed.

The total gross annual salary established by the Shareholders' Meeting<sup>136</sup> was allocated by the Board of Directors as follows for the years 2020, 2021 and 2022:

DIRECTORS' REMUNERATION		
BODY	OFFICE	REMUNERATION
Board of Directors	Director	65,000 Euro
Audit, Risks, Sustainability and Corporate Governance Committee	Chairman	35,000 Euro
	Member	30,000 Euro
Remuneration Committee	Chairman	35,000 Euro
	Member	30,000 Euro
Strategies Committee	Chairman	50,000 Euro
	Member	30,000 Euro
Appointments and Successions Committee	Chairman	50,000 Euro
	Member	30,000 Euro
Related-Party Transactions Committee	Chairman	75,000 Euro
	Member	50,000 Euro

<sup>136</sup> On 18 June 2020, the Pirelli & C. Shareholders' Meeting resolved to establish, for the years 2020, 2021, 2022 and until cessation of office with the approval of the financial statements as at 31 December 2022, a maximum of 2 million euros as the total annual salary of the Board of Directors in accordance with Art. 2389, paragraph 1 of the Italian Civil Code, excluding the remuneration to be assigned by the Board to Directors holding specific offices, as envisaged by Art. 2389 of the Italian Civil Code.

In line with best practice, Directors holding no specific offices do not receive a variable part of their salary. Expenses incurred for official reasons are also reimbursed to the directors.

In any case, the compensation granted to non-executive directors is determined in such an amount as to guarantee adequacy in terms of the skill, professionalism and effort required by their appointment. In deciding said allocation, the Board of Directors takes into account the effort required for the directors' attendance of the individual board committees, on the basis of the previous mandate.

The Shareholders' Meeting of Pirelli & C. that will be convened to approve the financial statements as at 31 December 2022 will also be called to resolve on the renewal of the current Board of Directors, which will be expiring due to having reached the end of the mandate. The Shareholders' Meeting will therefore be called to resolve on the total annual salary of the Board of Directors in accordance with Art. 2389, paragraph 1 of the Italian Civil Code, excluding the remuneration to be assigned by the Board to Directors holding specific offices, as envisaged by Art. 2389 of the Italian Civil Code; thereafter, the Board of Directors will be called to resolve on the allocation.

In the event that the Board of Directors is called on to resolve again on the allocation of the remuneration established by the Shareholders' Meeting, and unless the Shareholders' Meeting provides otherwise, an allocation of said remuneration that envisages the attribution (i) of a remuneration that is at most +25% of the Directors' remuneration attributed during the previous term of office and (ii) +25% of the remuneration for the office held in the committees in the previous term of office for committee members, should be considered compliant with the policy. If new committees should be established, the maximum limit is that of the highest remuneration envisaged for the corresponding office in other committees.

Again in line with best practices, a Directors & Officers Liability ("**D&O**") insurance policy is envisaged to cover the third party liability of the corporate bodies, the General Managers, the KMs, the Senior Managers and Executives, in going about their duties. Consequent to the provisions established on the matter by the applicable national collective bargaining agreement and rules governing mandates, this policy aims to indemnify Pirelli from any expenses deriving from the related compensation, excluding cases of wilful misconduct or gross negligence.

No insurance coverage, whether for social security or pensions, other than the obligatory coverage is provided for Directors holding specific offices.

#### SUPERVISORY BODY

On 22 June 2020, the Board of Directors confirmed the remuneration paid to members of the Supervisory Body during the previous term of office.

Supervisory Body	Chairman	60,000 Euro
	Member	40,000 Euro

The Board of Directors, which will be appointed by the Shareholders' Meeting of Pirelli & C. convened to approve the financial statements at 31 December 2022, will be called upon to appoint a new Supervisory Body, the term of which expired with that of the Board of Directors, and to resolve on the allocation of fees to the members of the newly appointed Supervisory Body.

For completeness, it is reported that the remuneration assigned to members of the Supervisory Body is not included in the total gross annual salary established by the Shareholders' Meeting.

#### THE BOARD OF STATUTORY AUDITORS

The remuneration of members of the control body is determined by the Shareholders' Meeting as a fixed annual amount, appropriate to the competence, professionalism and commitment required by the importance of the position held and the size and sector characteristics of the Company.

The Shareholders' Meeting of 15 June 2021, called to resolve on the renewal of the Board of Statutory Auditors, whose mandate expired with the approval of the financial statements as of 31 December 2020, determined a gross annual fixed remuneration, pursuant to art. 2402 of the Italian Civil Code - for its Chairman, for the years 2021, 2022, 2023 and until cessation of office with the approval of the financial statements as of 31 December 2023, of €90,000 and for the other regular members of €75,000.

Expenses incurred for official reasons are also reimbursed to the Statutory Auditors.

In line with best practices, a D&O insurance policy is envisaged to cover the third party liability of the corporate bodies, including the members of said control bodies.

#### 4. REMUNERATION OF DIRECTORS WITH SPECIFIC RESPONSIBILITIES

The remuneration of Directors holding specific offices is proposed by the Remuneration Committee to the Board of Directors when they are appointed, or at the first useful meeting thereafter.

##### CHAIRMAN OF THE BOARD OF DIRECTORS

If a Director has been appointed to a specific office or offices, but no specific duties have been assigned to them (at the date of the Report, this applies to Chairman Li Fanrong<sup>137</sup>) the remuneration consists solely of a fixed gross annual component, as well as the compensation for the office of director and any participation in committees.

At the time of appointment, the Board of Directors determines the remuneration for the Chairman of the Board of Directors, considering the remuneration assigned during the previous mandate (if the same holder) and the market benchmark (if a different person).

The Chairman Ning Gaoning received remuneration for his office of a gross annual amount of €400,000 for the years 2020, 2021 and 2022. Ning Gaoning received this remuneration until 8 October 2022, when his resignation became effective.

Li Fanrong, co-opted and appointed Chairman of the Board of Directors on 11 October 2022, stated his wish not to receive any remuneration from the Company for the offices held. Consequently, the Board of Directors resolved not to allocate any remuneration envisaged by the 2022 Remuneration Policy for the offices held by the Chairman Li Fanrong.

In the event that the Board of Directors is called on to resolve again on the compensation of the Chairman during the current term of office, a Chairman's compensation that is at most equal to +10% of the remuneration assigned during the previous term of office (in the case of the same holder) or with respect to the market benchmark - median - (in the case of a different person), is considered compliant with the Policy.

For those Directors holding specific offices to whom no specific duties have been assigned, no non-monetary benefits, social security or pension cover is provided other than the obligatory schemes.

##### DIRECTORS HOLDING SPECIFIC OFFICES TO WHOM SPECIFIC DUTIES ARE ALSO DELEGATED

The remuneration of Directors holding specific offices to whom specific duties are also delegated (as of the date of this Report this applies to the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera and to the Deputy-CEO Giorgio Luca Bruno; note that the Renewal of the Shareholders' Agreement provides for the appointment of an Executive Vice Chairman and a Chief Executive Officer in place of the previous Executive Vice Chairman and Chief Executive Officer and Deputy-CEO) consists of the following elements:

Fixed compensation for the principal office for the Executive Vice Chairman and Chief Executive Officer and the Deputy-CEO	<b>FIXED REMUNERATION</b>
Annual incentive plan (STI)	<b>SHORT TERM VARIABLE REMUNERATION</b>
Deferred annual incentive quota/STI matching Medium-long term incentive plan (LTI)	<b>LONG TERM VARIABLE REMUNERATION</b>
Remuneration for other offices different from the principal Severance Indemnity Benefits typical of the office and recognised according to company practice Insurance covers NCA (for Deputy-CEO only)	<b>OTHER COMPONENTS</b>

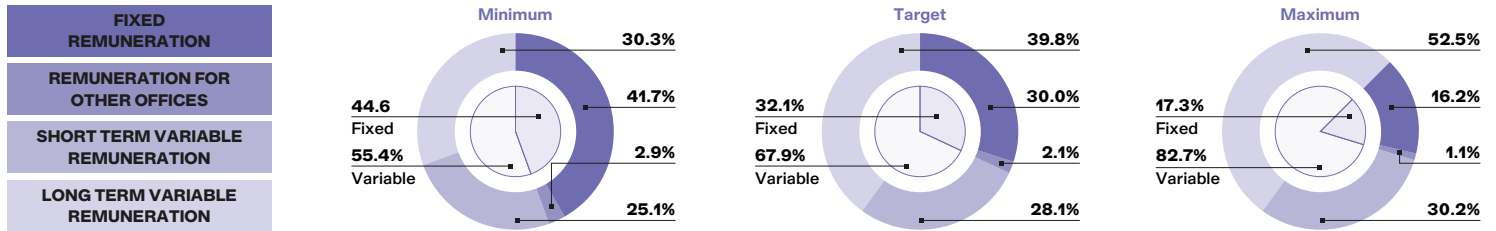
<sup>137</sup> The Board of Directors of Pirelli & C., meeting on 11 October 2022, co-opted Li Fanrong to replace Ning Gaoning, who resigned from the Board of Directors, until the next Shareholders' Meeting; Li Fanrong was also appointed Chairman of the Board of Directors



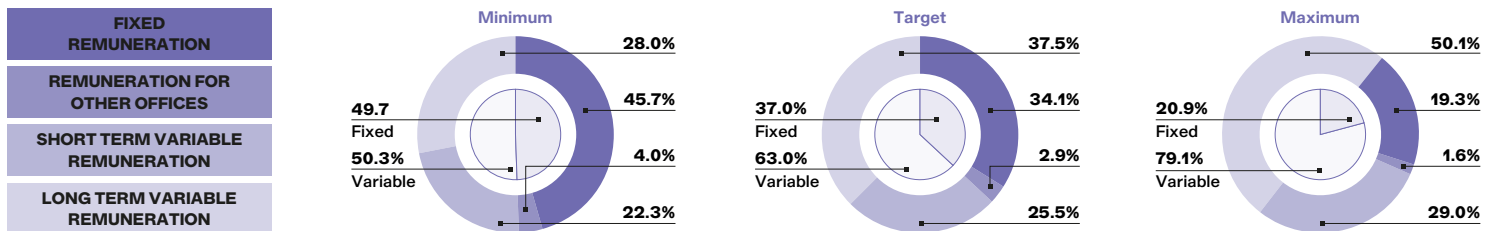
Directors holding specific offices to whom specific duties are also delegated, shall also be due the compensation for the office of director and any participation in committees<sup>138</sup>.

With regard to the incidence of the various components, the structure of the compensation package of the current Executive Vice Chairman and CEO and Deputy-CEO in the event of achievement of the minimum, target and maximum STI 2023 and LTI 2023-2025 targets is shown below.

### PAY MIX - EXECUTIVE VICE CHAIRMAN AND CEO



### PAY MIX - DEPUTY-CEO



### FIXED REMUNERATION

The gross annual base salary for the principal office of Directors holding specific offices to whom specific duties are also delegated is determined at the time of appointment, taking into account the market benchmark in an amount that ensures a balance between the fixed component and the variable component that is adequate and consistent with the strategic objectives and the risk management policy of the Company, taking into account the characteristics of the business and the sector in which the Company operates, in any case establishing that the variable component represents a significant part of the total remuneration.

The gross annual fixed component for financial years 2020, 2021 and 2022 and up until approval of the financial statements for the year ended 31 December 2022 attributed to the Executive Vice Chairman and Chief Executive Officer is €2,400,000.

The gross annual fixed component for financial years 2021 and 2022 and up until approval of the financial statements for the year ended 31 December 2022 attributed to the Deputy-CEO is €1,100,000.

If the Board of Directors is called to resolve again on the gross annual fixed component of the Directors holding specific offices to whom specific duties are also delegated, the Policy allows the allocation of a gross annual fixed component, or a review of the same, which, taking into account the annual and medium/long-term incentive percentages, determines an Annual Total Direct Compensation on-Target equal to a maximum (i) for the Executive Vice Chairman and Chief Executive Officer and for the Executive Vice Chairman (if appointed) of +5% compared to the value attributed in the previous term of office (in the event that the Executive Vice Chairman is the same person who served as Executive Vice Chairman in the previous term of office) or compared to the market benchmark - third quartile and (ii) for the Deputy-CEO and for the Chief Executive Officer (if appointed) at a +10% compared to the value attributed in the previous term of office (in the event that the Chief Executive Officer is the same person who held the office of Deputy-CEO in the previous term of office) or compared to the market benchmark - not exceeding the third quartile for the Deputy-CEO and median for the Chief Executive Officer.

<sup>138</sup> The Executive Vice Chairman and Chief Executive Officer is also entitled to the compensation for serving as a Director (€65,000), and as Chairman of the Strategies Committee (€50,000) and Appointments and Successions Committee (€50,000). The Deputy-CEO is entitled to the compensation for serving as a Director (€65,000) and member of the Strategies Committee (€30,000).

### ANNUAL VARIABLE COMPONENT (STI)

The Directors holding specific offices to whom specific duties are also delegated receive an annual variable remuneration (STI) equal to a percentage of the fixed remuneration determined at the time of appointment and thereafter when the individual annual plans are launched.

If the Board of Directors is again called to resolve on the STI incentive percentages for Directors holding specific offices to whom specific duties are also delegated, the Policy allows the allocation of an STI incentive percentage of no more than 125% on target and 250% maximum.

For each objective there is a minimum and a maximum (cap) to the amount of the incentive that can be achieved; for performance below the minimum level, no payment is envisaged.

The on/off condition is represented by the Group Net Cash Flow (before dividends) and is established as an amount equal to the value announced to the market. Failure to achieve the on/off condition shall result in the cancellation of the STI incentive regardless of the level of achievement of the other objectives.

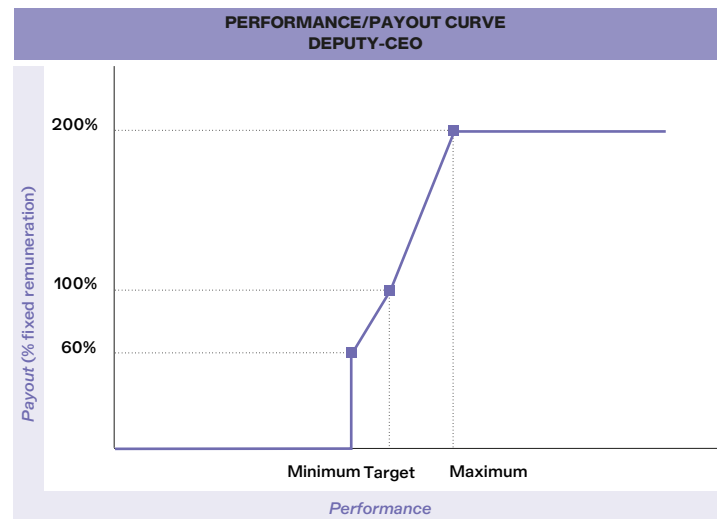
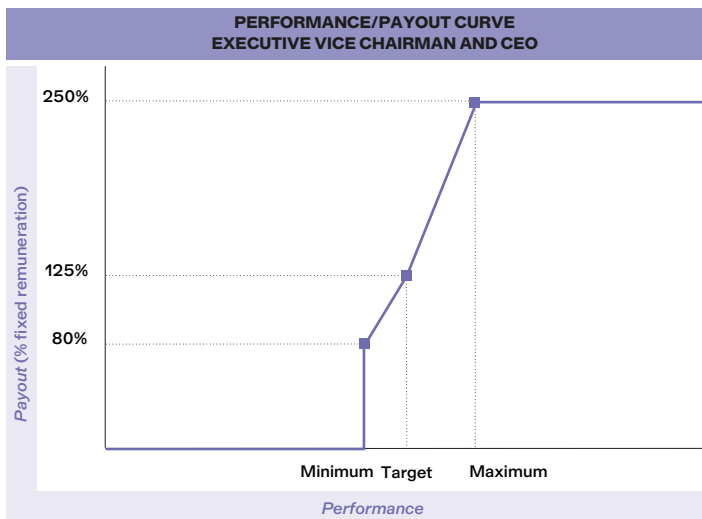
The finalisation of the bonus between the minimum value and target and between the target and maximum is carried out by linear interpolation.

Depending on the level of performance achieved, the Executive Vice Chairman and Chief Executive Officer will be paid an incentive of 80% of fixed remuneration for minimum level performance, amounting to 125% of the fixed remuneration in the case of on-target performance and 250% for maximum level performance.

Depending on the level of performance achieved, the Deputy-CEO will be paid an incentive of 65% of fixed remuneration for minimum level performance, amounting to 100% of the fixed remuneration in the case of on-target performance and 200% for maximum level performance.

Once the on/off condition has been achieved, all the objectives envisaged on the STI scorecard shall apply independently, according to the incentive curve shown below. Therefore, according to the performance achieved, each objective will go towards calculating the total payout, on the basis of the weighting shown on the scorecard.

Example curve if all objectives are achieved at minimum, target and maximum level by the Executive Vice Chairman and CEO and the Deputy-CEO.



Part of the remuneration accrued by to the Executive Vice Chairman and CEO and by the Deputy-CEO as STI is deferred to support the continuity of results over time as stated in paragraph 2. In the event that the payout percentage of the STI accrued in the following year is equal to or higher than target value, the STI share deferred from the previous year is paid, together with an additional amount equal to the portion deferred (increase).

In the event of termination of office, the STI Bonus is paid on a pro-quota basis for the effective months of tenure in office.

### MEDIUM-LONG TERM VARIABLE COMPONENT (LTI)

The Executive Vice Chairman and Chief Executive Officer and the Deputy-CEO will be assigned a medium/long-

term incentive plan so as to contribute to the Company's strategy and sustainability, and the pursuit of its long-term interests. For 2023, the Executive Vice Chairman and Chief Executive Officer is a beneficiary of the 2023-2025 LTI Plan related to the goals of the 2023/2025 Strategic Plan and the 2022-2024 and 2021-2023 LTI Plan. For 2023, the Deputy-CEO is a beneficiary of the 2023-2025 LTI Plan and the 2022-2024 and 2021-2023 LTI Plan.

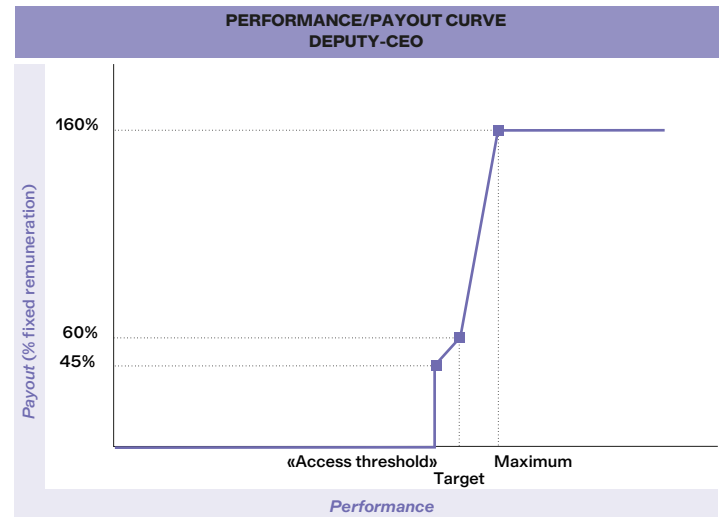
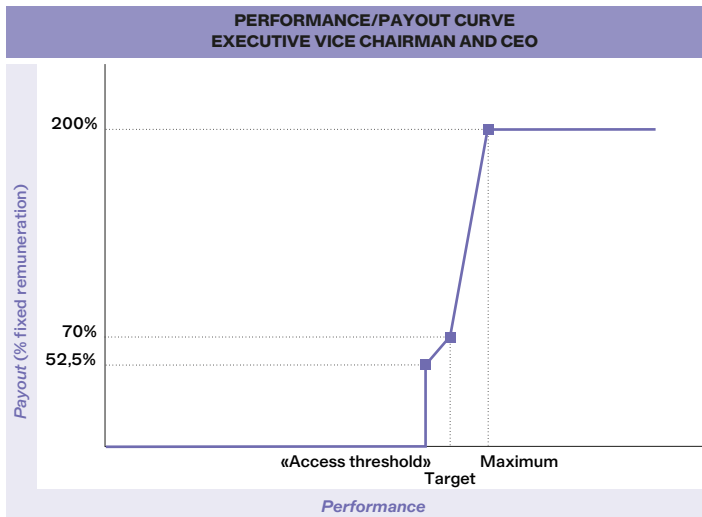
Directors holding specific offices to whom specific duties are also delegated receive an annual variable medium-long term (LTI) remuneration equal to a percentage of the fixed remuneration determined at the time of appointment and thereafter when the individual annual plans are launched.

If the Board of Directors is again called to resolve on the LTI incentive percentages for Directors holding specific offices to whom specific duties are also delegated, the Policy allows the allocation of an LTI incentive percentage of no more than 70% on target, 200% maximum.

An "access threshold" level – associated with payment of 75% of the bonus achievable on-target – and a maximum (cap) are envisaged for each objective of the LTI plans.

The performance range for the economic-financial objectives is defined as the more challenging out of the target and maximum level with respect to that envisaged between the "access threshold" level and target. In order to offer an incentive for achieving results above target, the incentive curve is fixed in such a way that the incentive opportunity grows faster between the target and the maximum than in the range between the "access threshold" and the target (see graph below). All the objectives envisaged on the LTI scorecard shall apply independently, according to the incentive curve shown below. Therefore, according to the performance achieved, each objective will go towards calculating the total payout, on the basis of the weighting shown on the scorecard.

Example curve if all objectives are achieved at minimum, target and maximum level by the Executive Vice Chairman and CEO and the Deputy-CEO.



For the TSR and cumulative Group Net Cash Flow (before dividends) objectives, for results falling between the "access threshold" and the target, or between the target and the maximum, performance will be calculated by linear interpolation.

For the sustainability objectives, except for the CO<sub>2</sub> emissions indicator, which will be assessed as described above, performance will be calculated in three steps: "access threshold", target and maximum, without considering intermediate performances.

Within the scope of the 2023-2025 LTI Plan, depending on the level of performance achieved, the Executive Vice Chairman and Chief Executive Officer will be recognised an annually based bonus opportunity of 70% of fixed remuneration for on-target performance, 52.5% of fixed remuneration if the "access threshold" performance is achieved (75% of the on-target bonus), and 200% of the fixed remuneration (cap) in the case of maximum performance.

Within the scope of the 2023-2025 LTI Plan, depending on the level of performance achieved, the Deputy-CEO will be granted an annual bonus opportunity of 60% of fixed remuneration for on-target performance, 45% of fixed remuneration if the "access threshold" performance is achieved (75% of the on-target bonus), and 160% of the fixed remuneration (cap) in the event of maximum performance.

In the event of termination of office, the LTI Bonus is paid on a *pro-quota* basis.

#### OFFICE TERMINATION PAYMENT AND NON-MONETARY BENEFITS

In addition, the Board of Directors has made the following provision for Directors holding specific offices for whom specific duties have also been assigned, in the event that said duties are not related to their executive employment relationship (on the date of this Report, the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera and the Deputy-CEO Giorgio Luca Bruno), as guaranteed by the law and/or national collective employment agreement for the Group's Italian executives:

- an Office Termination Payment (TFM) pursuant to Art. 17, subsection 1, letter c) of the TUIR (Italian consolidated law on income tax) no. 917/1986, with similar characteristics to those typical of Severance Indemnity Payment (TFR) pursuant to Art. 2120 of the Italian Civil Code, comprising:
  - a) an amount equal to the amount that would be due as manager by way of TFR; the basis for calculation consists of the gross annual fixed compensation received for the specific role held in the Company;
  - b) an amount equal to the contributions paid by the employer that would be due to social security and welfare institutes or funds in the event of a contract of employment as manager *ex lege* and/or National Collective Bargaining Agreement for the Italian Managers of the Group with the same degree of seniority of employment; the basis for calculation consists of the gross annual fixed compensation received for the specific role held in the Company, in addition to any other payments due by way of medium/long-term annual variable component.

TFM, including the relevant value adjustment of such amounts, will be due as a lump sum to the beneficiary at the end of each mandate or, in the event of premature death, their assignees;
- a compensation allowance for death from any cause and permanent invalidity following illness as well as a compensation allowance for death from any cause and permanent invalidity following accidents, the terms, limits and conditions of which are in line with what was guaranteed for the previous mandate for the Executive Vice Chairman and CEO and with Pirelli policies for executives for the Deputy-CEO;
- further benefits typical of the role and currently paid within the Group to General Managers, KMs and Executives (e.g. company car).

### 5. GENERAL MANAGERS AND KEY MANAGERS

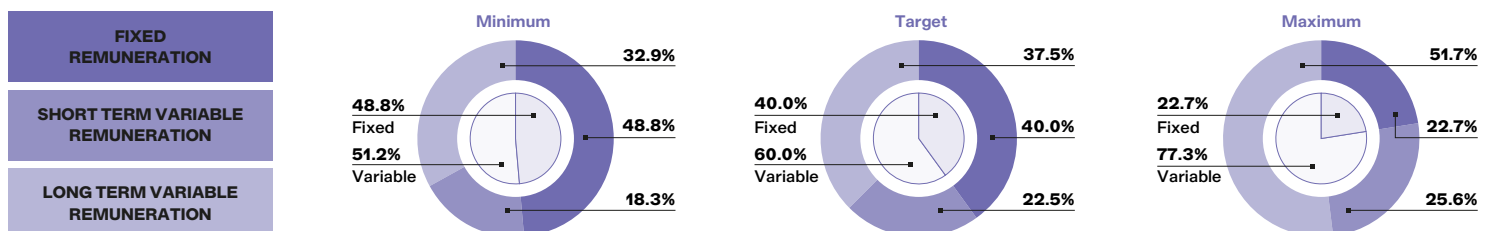
The remuneration of the General Managers (at the date of the Report the General Manager Operations is Andrea Casaluci) and the KMs has the following elements:

With regard to the incidence of the various components, the structure of the compensation package of the General

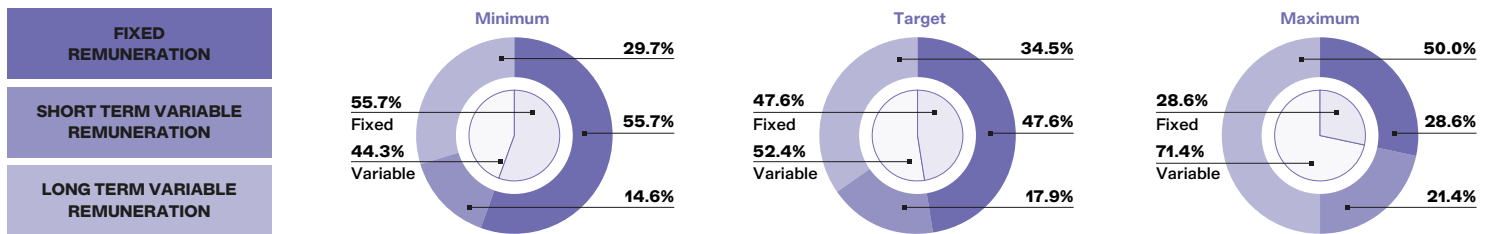
Gross Annual Remuneration (GAR) determined according to the responsibility assigned and the skills required by the role held	<b>FIXED REMUNERATION</b>
Annual incentive plan (STI)	<b>SHORT TERM VARIABLE REMUNERATION</b>
Deferral/STI matching Medium-long term incentive plan (LTI)	<b>LONG TERM VARIABLE REMUNERATION</b>
Patto di non concorrenza Benefit tipici riconosciuti per contratto/prassi aziendale	<b>OTHER COMPONENTS</b>

Manager Operations and KMs in the event of achievement of the minimum, target and maximum STI 2023 and LTI 2023-2025 targets is shown below.

#### PAY MIX - GENERAL MANAGER OPERATIONS (IN THE EVENT OF DEFERRAL OF 25% OF THE STI ACCRUED)



## PAY MIX - KEY MANAGERS (IN THE EVENT OF DEFERRAL OF 25% OF THE STI ACCRUED)



The analysis of the remuneration of the General Manager Operations and the KMs, reviewed once a year and disclosed in the Compensation Report, is carried out with the help of an independent company specialised in executive compensation (Korn Ferry). The method used is “Job Grading”, which compares the roles on the basis of three different components (know-how, problem solving and accountability), whereby the weighting of each role is determined within the organisation.

The market benchmark used to verify the competitiveness of the related remuneration includes more than 400 listed European companies selected by Korn Ferry, included on the FTSE500 list - which includes the 500 highest cap European companies.

In the case of hiring a new General Manager, in addition to the company mentioned above, Pirelli may also use the services of other leading companies specialised in executive compensation with the relative methodology and comparison market in view of the complexity and specific nature of the role, after obtaining the agreement of the Remuneration Committee.

### FIXED REMUNERATION OF THE GENERAL MANAGERS AND KMS

The fixed remuneration of the General Managers is determined at the time of appointment by the Board of Directors, based on an opinion provided by the Remuneration Committee, in line with the Policy.

The fixed remuneration of KMs is determined by top management, also in accordance with the Policy, assessed by the Remuneration Committee.

If a new General Manager or a new KM is appointed, the Remuneration Committee determines the grade and benchmark of reference based on their role and responsibilities, with the support of selected external partners.

For a new General Manager, the Policy allows a fixed remuneration not exceeding 85% of that of the Executive Vice Chairman and Chief Executive Officer and an Annual Total Direct Compensation on-Target which, taking into account the annual and medium-long term incentive percentages, does not exceed 80% of the Annual Total Direct Compensation on-Target of the Executive Vice President and Chief Executive Officer or of the Chief Executive Officer, if appointed.

If KMs are hired, the Policy allows a fixed remuneration not exceeding that of the General Manager Operations and an Annual Total Direct Compensation on-Target not exceeding +20% of the market benchmark (third quartile).

The proposed revisions of the fixed remuneration are carried out with reference to the purpose of the Policy to attract, retain and motivate key resources to achieve the company's objectives. Subject to the above, a review that, considering the annual and medium/long-term incentive percentages, determines an Annual Total Direct Compensation on target equal to at most + 10% of the market benchmark (third quartile), is compliant with the Policy. Otherwise, in the event of non-compliance, the Procedure for Transactions with Related Parties is applicable.

### ANNUAL VARIABLE COMPONENT (STI)

The General Managers and KMs are beneficiaries of the STI plan defined according to the same targets as those set for the Directors holding specific offices to whom specific duties are also delegated.

On the basis of the performance level achieved, the following shall be paid:

- an incentive of 50% of the GAR for the General Manager Operations and an incentive of 35% of the GAR for KMs if the minimum performance level is achieved;
- an incentive of 75% of the GAR for the General Manager Operations and an incentive of 50% of the GAR for

KMs if the on-target performance is achieved;

- an incentive of 150% of the GAR for the General Manager Operations and an incentive of 100% of the GAR for KMs if the maximum performance is achieved (double the on-target incentive).

If a new General Manager is hired, the Remuneration Committee, bearing in mind the purpose of the Policy, which is to attract key resources for the achievement of corporate objectives, may set incentive percentages higher than those indicated above, provided that they are not higher than those of the Executive Vice Chairman and Chief Executive Officer or the Chief Executive Officer, if appointed. In such case the Related-Party Transactions Procedure applies.

For General Managers and KMs a percentage of the STI accrued, from a minimum of 25% to a maximum of 50%, is deferred at the end of the three-year period, as stated in paragraph 2.

#### MEDIUM-LONG TERM VARIABLE COMPONENT (LTI)

In order to contribute to the Company's strategy, the pursuit of long-term interests and the sustainability of the Company, General Managers and KMs are beneficiaries of medium/long-term incentive plans and, in particular, of the 2021-2023, 2022-2024 and 2023-2025 LTI Plans. The LTI plans have the same structure, mechanism and targets as those set for Directors holding specific offices to whom specific duties are also delegated.

Within the scope of the LTI Plan for the period 2023-2025, on the basis of the performance level achieved, the following is paid:

- an annually based bonus opportunity of 45% of the GAR for the General Manager Operations and 37.5% of the GAR for KMs if the "access threshold" performance level

is achieved (75% of the on-target incentive).

- an annually based bonus opportunity of 60% of the GAR for the General Manager Operations and 50% of the GAR for KMs if the on-target performance is achieved;
- an annually based bonus opportunity of 160% of the GAR for the General Manager Operations and 130% of the GAR for KMs if the maximum performance is achieved.

If a new General Manager is appointed, the Remuneration Committee, bearing in mind the purpose of the Policy, which is to attract key resources for the achievement of corporate objectives, may set incentive percentages higher than those indicated above, provided that they are not higher than those of the Executive Vice Chairman and Chief Executive Officer or the Chief Executive Officer, if appointed. In such case the Related-Party Transactions Procedure applies.

In the event of termination of the employee-employer relationship for any reason before the end of the three-year period, the General Managers and KMs will no longer form part of the LTI plans and no award nor *pro-quota* award will be paid.

#### NON-MONETARY BENEFITS, CONVENTIONAL SENIORITY AND WELCOME BONUS

Non-monetary elements of remuneration are benefits provided to General Managers and KMs as a result of contractual provisions/company policies or aimed at reinforcing attraction during the recruitment phase (e.g. accommodation and student grants for limited periods of time).

Moreover, if a new General Manager or KM is hired, the Remuneration Committee may establish (i) an agreed seniority recognised on the basis of previous experience in similar roles, (ii) the allocation of a one-off bonus not exceeding 100% of the beneficiary's fixed gross annual remuneration, taking into account the Policy's objective of attracting key resources to achieve the company's objectives.

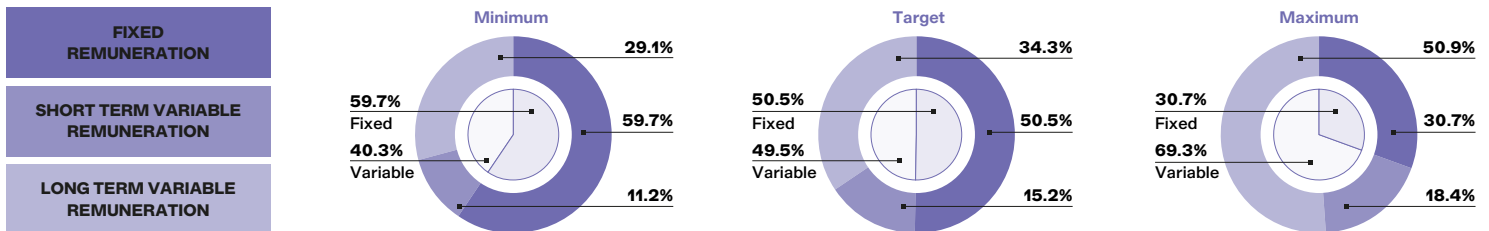
## 6. SENIOR MANAGERS AND EXECUTIVES

The remuneration of Senior Managers and Executives consists of the following elements:

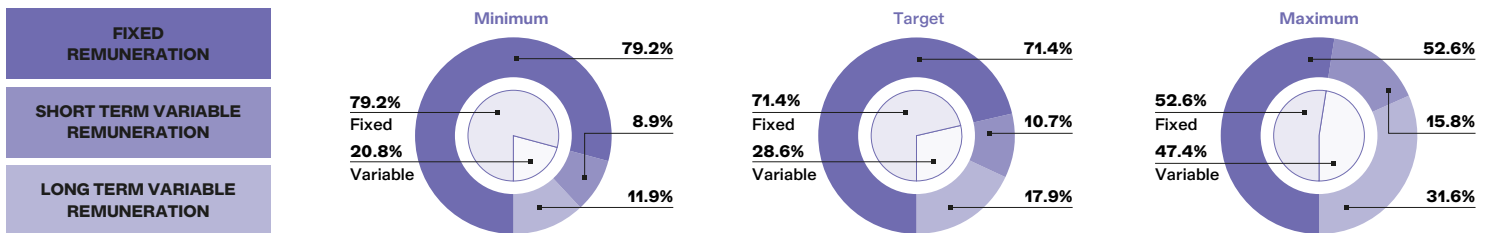
Gross Annual Remuneration (GAR) determined according to the responsibility assigned and the skills required by the role held	<b>FIXED REMUNERATION</b>
Annual incentive plan (STI)	<b>SHORT TERM VARIABLE REMUNERATION</b>
Deferral/STI matching Medium-long term incentive plan (LTI)	<b>LONG TERM VARIABLE REMUNERATION</b>
Non-competition clause (for some Senior Managers) Benefits typically provided in the contract/company practice	<b>OTHER COMPONENTS</b>

The remuneration structure for Senior Managers and Executives (as a whole) with evidence of the incidence of the various parts of their compensation packages, in the event that they achieve the minimum, target and maximum levels of the 2023 STI and 2023-2025 LTI objectives is shown below.

### PAY MIX - SENIOR MANAGERS (IN THE EVENT OF DEFERRAL OF 25% OF THE STI ACCRUED)



### PAY MIX - EXECUTIVES



Also, the analysis of the remuneration of Senior Managers and Executives is carried out with the help of an independent company specialised in executive compensation (Korn Ferry) with the same methodology as described previously with regard to General Manager Operations and KMs.

For managers of the Internal Audit department, it should be noted that, in line with best practices, the fixed component has a higher incidence than the variable.

### ANNUAL VARIABLE COMPONENT (STI)

Senior Managers and Executives are beneficiaries of the STI Plan, defined according to the same structure as for the Executive Vice Chairman and Chief Executive Officer, the General Managers and the KMs.

For the year 2023, the objectives assigned to Senior Managers and Executives are as shown in the table below:

STI TABLE SENIOR/EXECUTIVE HEADQUARTER	TARGET WEIGHT	STI TABLE SENIOR/EXECUTIVE OF REGION/BU	TARGET WEIGHT
Group Net Cash Flow (before dividends)	ON/OFF condition	Group Net Cash Flow (before dividends) / Region Region DSO for Commercial Heads*	ON/OFF condition
Group EBIT Adjusted	25%	KPI with Group scope	From 10% to 35%
Group Net Cash Flow (before dividends)	20%	Region / BU EBIT Adjusted	25%
Target/s functional to the Group scope	40%	Region Net Cash Flow	From 10% to 25%
Sustainability targets**: Eco & Safety Volumes DE&I: Women in Management HSE: Frequency Index	15%	Functional targets	Up to 25%
		Sustainability targets**: Eco & Safety Volumes DE&I: Women in Management HSE: Frequency Index"	15%

\* If the ON/OFF NCF Region or DSO condition is not met, the ON/OFF NCF Group condition will apply with a 25% reduction of the payout accrued.

\*\* The Senior Managers and Region Heads all have the sustainability targets, each with a 5% weighting. The other Executives have a single target with a 15% weighting that varies according to their professional sector.

According to the performance level achieved, the Senior Managers and Executives are assigned:

- a bonus ranging between 10% and 25% of the GAR, depending on the position held, if minimum performance is achieved;
- a bonus ranging between 15% and 40% of the GAR, depending on the role held if on-target performance is achieved;
- a bonus ranging between 30% and 80% of the GAR, depending on the position held, if maximum performance is achieved (200% of the on-target bonus).

For selected Senior Managers, as for General Managers and KMs, a percentage of the STI accrued is deferred as stated in paragraph 2.

For the remaining Senior Managers and Executives, 75% of the accrued bonus is paid, and the remaining 25% is deferred for 12 months and subject to achievement of the STI targets for the following year, according to the same mechanism envisaged for the Directors holding specific offices to whom specific duties are also delegated.

#### MEDIUM-LONG TERM VARIABLE COMPONENT (LTI)

Senior Managers and Executives (with a Korn Ferry grade of 20 or more) are beneficiaries of the medium/long-term incentive plan so as to contribute to the Company's strategy and sustainability, and the pursuit of its long-term interests. The 2021-2023, 2022-2024 and 2023-2025 LTI Plans are defined according to the same structure, mechanisms and objectives as envisaged for the Directors holding specific offices to whom specific duties are also delegated, General Managers and KMs.

Within the scope of the LTI Plan for the period 2023-2025, on the basis of the performance level achieved, Senior Managers and Executives are paid:

- an annually based bonus opportunity ranging between 11.25% and 37.5% of the GAR, depending on the position held if "access threshold" performance is achieved (75% of the on-target bonus);
- an annually based bonus opportunity ranging between 15% and 50% of the GAR, depending on the position held if on-target performance is achieved;
- an annually based bonus opportunity ranging between 40% and 130% of the GAR, depending on the position held if maximum performance is achieved.

In the event of termination of the employee-employer relationship for any reason before the end of the three-year period, the beneficiary will no longer form part of the LTI plan and no award nor *pro-quota* award will be paid.

#### NON-MONETARY BENEFITS

Non-monetary elements of remuneration are benefits provided to Senior Managers and Executives as a result of contractual provisions/company policies or aimed at reinforcing attraction during the recruitment phase (e.g. accommodation and

student grants for limited periods of time).

## 7. CLAWBACK CLAUSES

The annual STI and multi-year (LTI) incentive plans for Directors holding specific offices to whom specific duties are also delegated, General Managers and KMs provide *inter alia* for clawback mechanisms.

In particular, without prejudice to the possibility of any other action permitted by the order to protect the interests of the Company, contractual agreements will be signed with the aforementioned persons, enabling Pirelli to claim back (in whole or in part), within three years of the payment thereof, incentives paid to persons who, due to wilful misconduct or gross negligence, are held responsible for (or are accomplices to) the facts, as indicated below, related to economic and financial indicators included in the Annual Financial Report that involve subsequent comparative information adopted as parameters for the determination of the variable awards in the aforementioned incentive plans:

- (i) proven significant errors resulting in non-compliance with the accounting standards applied by Pirelli, or
- (ii) proven fraudulent conduct aimed at obtaining a specific representation of Pirelli's financial and equity situation, economic result, or cash flow.

## 8. COMPENSATION IN THE EVENT OF RESIGNATION, DISMISSAL OR TERMINATION OF RELATIONS

It is Pirelli Group policy not to enter into with Directors, General Managers, KMs, Senior Managers or Executives agreements regulating economic aspects related to any early termination of relations in retrospect at the initiative of the Company or the individual.

Pirelli aims at agreements to "terminate" relations in a consensual manner. Without prejudice to any legal and/or contractual obligations, agreements to end relations with the Pirelli Group are inspired by the benchmarks in the matter and are within the limits laid down in case law and by the practices in the country in which the agreement was signed.

The company sets its own internal criteria, with which the other Group companies also comply, for managing early termination agreements of relations with executives and/or those of Directors holding specific offices. If an executive director or General Manager should cease to hold office and/or their employment be terminated, the Company will, upon completion of the internal processes that lead to the attribution or award of indemnities and/or other benefits, provide detailed information on the issue, by means of a press release disseminated to the market.

With regard to Directors holding specific offices to whom specific duties are also delegated and who are not bound by executive employment relationships, Pirelli does not pay



compensation or extra bonuses in relation to the end of their mandate. Specific compensation may be paid subject to assessment by the competent corporate bodies, in the following cases:

- termination by the Company for other than just cause;
- termination by the director for just cause, including but not limited to substantial changes to the role or duties attributed and/or cases of a “hostile” takeover bid.

In such cases, the indemnity amounts to 2 years of gross annual salary, *i.e.* the sum of (i) the gross annual base salary for the duties performed in the Group, (ii) the average annual variable remuneration (STI) accrued in the previous three years and (iii) severance pay on the aforementioned amounts.

As regards General Managers and KMs, agreements for consensual termination of employment are submitted to the Remuneration Committee, which assesses their compliance with the Policy and authorises their negotiation by setting the maximum amounts that can be disbursed, including the maintenance of non-monetary benefits for a predetermined period.

The closure amounts are determined with reference to the applicable category national collective bargaining agreements. In particular, as regards General Managers and KMs, reference is made to the contract for Industry managers in Italy and the incentive to take voluntary redundancy is determined with reference to the number of months of notice reimbursable by entities and supplementary indemnity in the event of arbitration, depending on the employee’s length of service in the Group. Below is an explanatory table:

NO. MONTHS		ARBITRATION PANEL	
YEARS OF SENIORITY	NOTICE	MIN	MAX
more than 15 years	12	18	24
up to 15 years	10	12	18
up to 10 years	8	8	12
up to 6 years	6	4	8
up to 2 years	6	4	4

After review, evaluation and approval by the competent Committee, it may also be granted to General Managers and KMs:

- an additional amount by way of general and novative transaction, within the limits of the low thresholds established for related party transactions
- a period of paid leave or equivalent substitute indemnity between the stipulation of the exit agreement and the effective date of termination of employment.

Finally, a consultancy (or collaboration) agreement may be stipulated between General Managers and KMs and a Group company, which is predefined in the term subsequent to termination of the employment contract and subject, in this case too, to the assessment and approval of the competent Committee.

Remuneration due to General Managers and KMs by virtue of positions occupied on the Board of Directors is not included in the calculation of severance pay and is due in the amount determined solely for the period during which the position was held on the Board of Directors.

Finally, as regards the short term incentive (STI) and medium-long term (LTI) incentive system:

- for Directors holding specific offices to whom specific duties are also delegated, in the event of termination of office, the STI Bonus is paid *pro-quota* for the actual months of tenure of the office, in addition to a *pro-quota* payment of the LTI Bonus.
- for General Managers, KMs, Senior Managers and Executives, in the event of termination of their employment contract for whatever reason, a *pro-quota* payment of the STI bonus is made for the actual months of work, subject to a minimum period of 9 months. The LTI bonus will not be paid, not even on a *pro-quota* basis, if the termination takes place before the end of the three-year period.

## 9. NON-COMPETITION AGREEMENT

The Group enters into non-competition agreements providing for a payment to General Managers, KMs, Senior Managers and Executives<sup>139</sup> for particularly crucial duties, in proportion to the GAR in relation to the duration and extent of the constraints arising from the agreement itself. The Group also reserves the right, subject to authorisation by the Board of Directors, to enter into non-competition agreements with Directors holding specific offices to whom specific duties are also delegated.

The constraints refer to the market sector in which the Group was operating when the agreement was made and to territorial size. The extent varies according to the role held when the agreement is finalised and may go as far, in certain cases deemed particularly critical, such as in the case of Directors holding specific offices to whom specific duties are also delegated, General Managers and KMs, as to have a geographical extension covering all the main countries in which the Group operates.

The Executive Vice Chairman and Chief Executive Officer is not subject to a non-competition agreement.

Note that the Deputy-CEO is subject to a non-competition agreement to protect the Group's strategic and operational know-how.

In the case of Directors holding specific offices to whom specific duties are also delegated, General Managers and KMs, the non-competition agreement provides for the following characteristics:

- the list of competitors: companies operating in the tyre sector and, according to the role held, identification of more specific clusters;
- geography: all the main countries in which the Pirelli Group operates;
- the duration of the non-competition agreement: 24 months from when the contract of employment ends;
- the fee: from a minimum of 30% to a maximum of 80% of the GAR on the basis of the role held, the technical skills, the specialised know-how and the reason for leaving for each year of the duration of the clause following a potential redundancy, less any portion disbursed during the contract of employment, amounting to between 10% and 15% of the GAR per year of validity of the agreement (usually 5 years). When hiring a new General Manager, the consideration for the non-competition agreement may be determined as a percentage also above 80% of the GAR and in any case not above 100% and, in this case, the annual payment during employment may be a maximum of 20% of the GAR.

<sup>139</sup> In particular, it refers to critical know-how in terms of technical skills in research and development and manufacturing as well as in the commercial field.

## 10. EXCEPTIONS TO THE REMUNERATION POLICY

In compliance with Art. 123-ter of the TUF and Art. 84-*quater* of the Issuers' Regulation, the Company may adopt any decisions that temporarily make an exception to the Policy.

With reference to parties for whom the Board of Directors defines remuneration in accordance with the Policy, in the presence of exceptional circumstances, it is possible to make a temporary exception to the fixed or variable remuneration criteria indicated in the Policy or the structure of non-competition agreements and the attribution of non-monetary benefits.

Exceptional circumstances are situations in which an exception to the Policy is necessary for the purposes of pursuing the long-term interests and sustainability of the Company as a whole or to ensure its ability to stay on the market, such as, for example (i) the need to replace, due to unforeseen events, the Chief Executive Officer, General Managers or KMs and to negotiate a remuneration package quickly, without limits to the possibility of attracting managers with the most suitable professional skills to manage the business and to ensure that the same levels of sustainable success and market positioning are at least maintained; (ii) significant changes in the scope of the company's business during the term of the policy, such as the sale of a company/business unit or acquisition of a significant business.

The Remuneration Committee assesses the existence of exceptional circumstances that allow for a derogation from the Policy. In exceptional circumstances, derogations to the Policy are approved in compliance with the procedures adopted by the Company for related party transactions, in implementation of the applicable current Consob regulation *pro-tempore*.

The Company provides information about any derogations to the Policy applied in exceptional circumstances, in accordance with the terms and conditions of current provisions of law and regulations *pro-tempore*.

## 11. OTHER INFORMATION

Pursuant to Scheme 7-bis of Annex 3A of the Issuers' Regulations, introduced by Consob resolution no. 18049 of 23 December 2011 and amended thereafter by resolution no. 21623 of 10 December 2020, it should be noted that:

- Pirelli has no shareholder incentive plans in place;
- in defining the 2023 Policy, Pirelli has not used the specific remuneration policies of other companies as a benchmark. The Policy has been prepared on the basis of Scheme no. 7-bis adopted by Consob and in force as at the date on which the Policy was approved. This scheme establishes that the section of the Report provided for by Art. 123-ter with reference to members of the governing bodies, General Managers and KMs, shall contain at least the information set out in the scheme referred to above.

# ANNEX 1 - GLOSSARY

**Directors:** members of the Board of Directors of Pirelli & C.

**Directors holding specific offices:** the Directors of Pirelli & C. holding the office of Chairman, Executive Vice Chairman, Executive Vice Chairman and Chief Executive Officer, Deputy-CEO and Chief Executive Officer. The Directors holding special offices in other Group companies, who are also managers, are, for the purpose of the Policy, *Executives* or *Senior Managers*, depending on the role held and, unless otherwise resolved by the Board of Directors of Pirelli & C. which classifies them as KMs.

**Directors with no specific offices:** are the Directors of Pirelli & C. other than those holding special offices. Directors not holding special offices in other Group companies, who are also managers, are, for the purpose of the Policy, *Executives* or *Senior Managers*, depending on the role held and unless otherwise resolved by the Board of Directors of Pirelli & C., which classifies them as KMs.

**Directors holding specific offices to whom specific duties are also delegated:** the Directors of Pirelli & C. holding the office of Executive Vice Chairman and Chief Executive Officer, Executive Vice Chairman (if appointed), Deputy-CEO and Chief Executive Officer (if appointed).

**Annual Total Direct Compensation on Target:** means the sum total of the following components, regardless of whether they were disbursed by Pirelli & C. or by another Group company:

- (i) gross annual base salary of the remuneration;
- (ii) annual variable short-term incentive (STI), if target objectives are achieved;
- (iii) medium-long term variable component consisting of;
  - a. annual value of the long-term incentive (LTI) plan if multi-year target objectives are achieved;
  - b. *pro-quota* value of the STI accrued and deferred, to be paid if the underlying conditions are met;
  - c. an additional value of an equal or higher amount in respect of the *pro-quota* of the STI accrued and deferred, to be paid if the underlying conditions are met.

**Shareholders' Meeting:** means the meeting of the shareholders of Pirelli & C..

**Remuneration Committee:** the Remuneration Committee of Pirelli & C..

**Board of Directors:** indicates the Board of Directors of Pirelli & C..

**General Manager(s):** the persons chosen by the Pirelli & C. Board of Directors to be assigned extensive powers of business segment management. The subjects holding the office of General Manager in other Group companies are, for

the purpose of the Policy, Executives or Senior Manager, depending on the role held and unless otherwise resolved by the Board of Directors of Pirelli & C., which classifies them as KMs.

**KMs:** executives, chosen by the Pirelli & C. Board of Directors in accordance with the procedure confirmed and adopted by Board resolution passed on 22 June 2020, having the power or responsibility for planning, directing and controlling the Company's activities or the power to make decisions that can impact its evolution or future prospects and, more generally, those of Pirelli. In accordance with the procedure, in any case all employees holding the following positions must be classified as KMs: (i) General Manager; (ii) Executive Vice President; (iii) Manager responsible for the preparation of financial and corporate documents; (iv) Company Secretary.

**Executives:** managers of the Italian companies or employees of the Group's foreign companies with a position or role that is comparable to that of an Italian manager.

The **Pirelli Group** or **Pirelli** or the **Group:** means all the companies included in the Pirelli & C. consolidation scope.

**Management:** means all Directors holding specific offices, General Managers, KMs, Senior Managers and Executives.

**2020-2022 LTI Plan:** means the Long-Term Incentive plan relating to the three-year period 2020-2022 supporting achievement of the objectives set by the 2020-2022 Strategic Plan approved by the Board of Directors' meeting of 19 February 2020 and, subsequently, by the Shareholders' Meeting held on 18 June 2020, as subsequently amended by the Board of Directors' meeting of 31 March 2021 (amendment approved by the Shareholders' Meeting of June 15, 2021) and amended by the Board of Directors' meeting of March 17, 2022 (amendment approved by the Shareholders' Meeting of June 18, 2022).

**2021-2023 LTI Plan:** means the Long-Term Incentive plan for the three-year period 2021-2023 approved by the Board of Directors' meeting of 31 March 2021 and, subsequently, by the Shareholders' Meeting held on 15 June 2021, in support of the achievement of the new objectives set by the 2021-2022/2025 Strategic Plan, as subsequently amended by the Board of Directors' meeting of March 17, 2022 (amendment approved by the Shareholders' Meeting of June 18, 2022).

**2022-2024 LTI Plan:** means the Long-Term Incentive plan relating to the three-year period 2022-2024, approved by the Board of Directors' meeting of 17 March 2022 and, subsequently, by the Shareholders' Meeting held on 18 May 2022, to support the achievement of the objectives set by the 2021-2022/2025 Strategic Plan.

**2023-2025 LTI Plan:** means the Long-Term Incentive plan relating to the three-year period 2023-2025, approved by

the Board of Directors' meeting of April 5, 2023, to support the achievement of the objectives set by the 2023-2025 Strategic Plan.

**2021-2022/2025 Strategic Plan:** means the business plan approved by the Pirelli & C. Board of Directors on 31 March 2021.

**2023-2025 Strategic Plan:** the business plan approved by the Board of Directors of Pirelli & C. by the first half of 2023.

**GAR:** means the gross annual base remuneration of the compensation for those employed by a Pirelli Group company.

**Senior Managers:** means the persons to whom the following shall first report, except where they are KMs (i) Directors holding special offices to whom specific duties have been attributed; (ii) General Managers, where the work of the Senior Manager significantly impacts business results.

**Statutory Auditors:** members of the Board of Statutory Auditors of Pirelli & C.

The **Company** or **Pirelli & C.:** means Pirelli & C. S.p.A.

**STI:** means the annual variable component of remuneration that can be achieved if the predefined corporate objectives are achieved, as more fully described in paragraphs 2, 4, 5 and 6.

**Top Management:** means all Directors with specific responsibilities, General Managers and KMs.

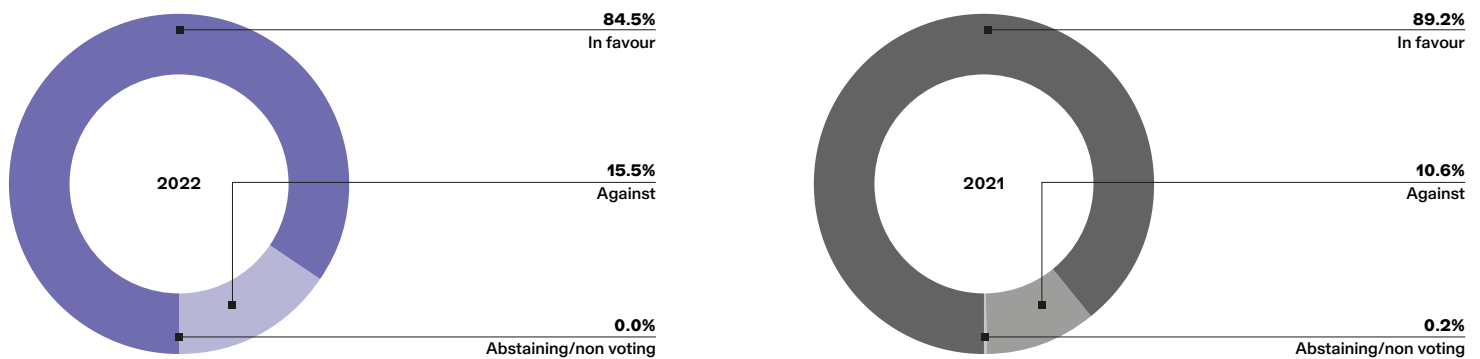
# REPORT ON COMPENSATION PAID IN 2022

## I. ILLUSTRATION OF REMUNERATION COMPONENTS

The Report on Compensation Paid sets out the Policy implemented by the Pirelli Group during the 2022 financial year with regard to remuneration and provides information on the final remuneration of the various categories of people concerned, without prejudice to the transparency obligations contained by other applicable legal or regulatory provisions, highlighting its compliance with the Policy on remuneration approved the previous year ("**2022 Policy**").

The subject appointed to carry out the external audit of the financial statements verifies that the Directors have prepared the Report on Compensation paid. The Shareholders' Meeting deliberates on the second section of the Report with an advisory vote.

In implementing the 2022 Policy, the Company took into account the vote cast by the Shareholders' Meeting held on 18 May 2022, which voted in favour of the Report on Compensation Paid in 2021. The chart below shows the result of the advisory vote in 2022 on the compensation paid in 2021 and in 2021 on the compensation paid in 2020.



## 1.1. TOTAL REMUNERATION

**FIXED REMUNERATION** The remuneration of the Directors not holding special offices for 2022 includes the remuneration for the office and additional remuneration for participation in the board Committees, as resolved by the Board of Directors on 22 June 2020.

Chairman Ning Gaoning, who resigned from his post on 8 October 2022, was paid remuneration *pro-quota* for his main office of 308,767 euros gross and, again *pro-quota*, the remuneration for the office of Director and his participation in the Strategies Committee, determined by the Board of Directors on 22 June 2020<sup>140</sup>.

Chairman Li Fanrong, co-opted by the Board of Directors on 11 October 2022 to replace Ning Gaoning, and who will remain in office until the next Shareholders' Meeting to be convened, has stated his intention not to receive any remuneration from the Company for the offices held. Consequently, the Board of Directors resolved not to allocate any remuneration envisaged by the 2022 Remuneration Policy for the offices held by the Chairman Li Fanrong.

The Executive Vice Chairman and Chief Executive Officer was paid the gross annual fixed component for his main office of 2,400,000 euros and remuneration for the office of Director, Chairman of the Strategies Committee and Chairman of the Appointments and Succession Committee as resolved by the Board of Directors on 22 June 2020.

The remuneration paid to the Deputy-CEO for the year 2022 includes the gross annual fixed component for the main office, of 1,100,000 euros, determined by the Board of Directors on 15 June 2021, and the remuneration for the office of Director and member of the Strategies Committee as resolved by the Board on 22 June 2020.

The General Manager Operations was paid gross annual remuneration of 750,000 euros, in line with the resolution of the Board of Directors, after consulting the Remuneration Committee.

The KMs received gross annual remuneration, in line with that determined by the Executive Vice Chairman and Chief Executive Officer, amounting to an aggregate amount of 2,681,635 euros<sup>141</sup>.

The Statutory Auditors appointed by the Shareholders' Meeting of 15 June 2021 were paid a remuneration of 90,000 euros for the Chairman and 75,000 for the Standing Auditors. The Statutory Auditor appointed to the Supervisory Body also received gross annual remuneration of 40,000 euros, established by the Board of Directors on 22 June 2020.

The fixed remuneration amounts are shown in the respective columns of Table 1.

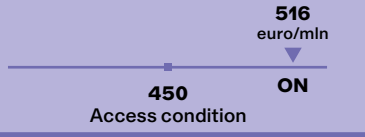
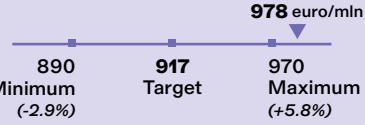

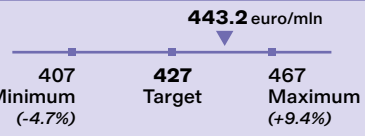
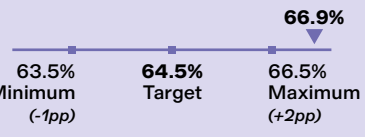
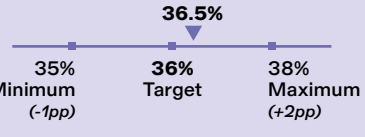
For further details, see paragraphs 3, 4 and 5 of the 2022 Policy.

<sup>140</sup> Remuneration transferred to employer company.

<sup>141</sup> As of 31 December 2022, in addition to the General Manager Operations, 7 KMs were in office. The aggregate amount of remuneration shown includes, *pro-rata temporis*, the remuneration received by 2 KMs qualified as such as of 23 February (Pierangelo Misani) and 14 November 2022 (Antonio Paccioretti) respectively.

**VARIABLE REMUNERATION** Management remuneration obtained in 2022 contributed to the sustainability of the Company's long-term results thanks to the variable components (both short and medium-long term) represented by the STI plan, including the company deferral/matching mechanism and the 2020-2022 LTI Plan.

**ANNUAL VARIABLE REMUNERATION STI** With reference to the 2022 STI Plan, the table below summarises the final figures of the performance targets for the year in relation to the targets set.

Group Net Cash Flow (before dividends)		<b>ON/OFF</b> condition	
<b>WEIGHT</b>			
Group EBIT Adj.			<b>35%</b>
Group Net Cash Flow (before dividends)			<b>30%</b>
Group Net Result			<b>20%</b>
Eco & Safety Rev.			<b>10%</b>
Diversity and Inclusion Women Hirings*			<b>5%</b>

\* Represents the percentage of female hires out of total hires during the year for the white collar population.

It should be noted that at the meeting held on 22 February 2023, on a proposal from the Remuneration Committee and taking into account the favourable opinion of the Board of Statutory Auditors, the Board of Directors agreed to adjust the Net Result objective alone to an extent that is less than proportional to the negative effects generated by factors deriving from the escalation of the Russian-Ukrainian crisis.

The above took place applying the criteria for adjusting only the quantification of the objectives included in the 2022 STI Plan, approved *ex ante* by the Board of Directors and included in the 2022 Policy, to protect the objectives of the plans themselves and in order to ensure alignment between corporate objectives and the objectives underlying the incentive systems.

In light of the results achieved, the payout percentage accrued by each beneficiary in respect of the 2022 STI plan stands at the values shown in the table below.

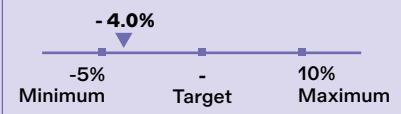

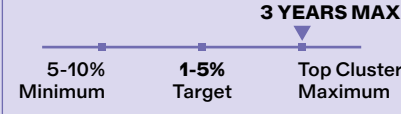
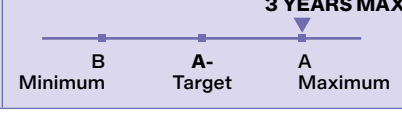
% ACHIEVED ON FIXED COMPONENT			
Executive Vice Chairman and CEO	Minimum	80%	<b>230%</b>
	Target	125%	
	Maximum	250%	
Deputy-CEO	Minimum	65%	<b>184%</b>
	Target	100%	
	Maximum	200%	
General Manager Operations	Minimum	50%	<b>138%</b>
	Target	75%	
	Maximum	150%	
KM	Minimum	35%	<b>92%</b>
	Target	50%	
	Maximum	100%	

Note that the amounts accrued under the 2022 STI shall be paid in accordance with the following procedures and mechanisms, in accordance with the 2022 Policy:

- the Executive Vice Chairman and Chief Executive Officer and the Deputy-CEO shall be paid 75% of the accrued incentive upfront while payment of the remaining 25% shall be deferred for 12 months and assigned for risk/opportunity as it is subject to achievement of the 2023 STI targets as defined in the 2023 Policy. For this reason, neither the deferral quota nor any company matching are shown in the “Bonuses and other incentives” column of Table 1. Also note that, in accordance with the 2021 Remuneration Policy and based on the level of achievement of the 2022 STI results, the 2021 STI portions that had been deferred together with the company matching component (both components shown in the “Bonuses and other incentives” column of Table 1) are also disbursed;
- the General Manager Operations and the KMs are instead subject to the co-investment mechanism as defined in the 2022 Policy, which provides for the deferral of a portion of the accrued incentive that can vary from a minimum of 25% to a maximum of 50%, depending on the individual choice. This deferred portion will be paid in 2026 subject to continued employment up to 31 December 2025, together with a company matching component that can vary from a minimum of 1 to a maximum of 1.5 times the deferred amount. Since the amount of the deferred portion and the company matching are already determined as they are not subject to further performance conditions, both components are shown in the “Bonuses and other incentives” column of Table 1.

For further details, see paragraphs 2, 4 and 5 of the 2022 Policy and paragraphs 2 and 4 of the 2021 Policy.

**MEDIUM-LONG TERM VARIABLE REMUNERATION (LTI)** With reference to the 2020-2022 LTI Plan, the table below summarises the final figures of the performance targets for the three-year period in relation to the targets set. Note that the Plan did not provide for an ON/OFF condition.

		WEIGHT
Relative TSR	 <p>-4.0%</p> <p>-5% Minimum      - Target      10% Maximum</p>	<b>40%</b>
Group Net Cash Flow (before dividends)	 <p>1,196 euro/mln</p> <p>910 Minimum (-5%)      960 Target      1,040 Maximum (+8%)</p>	<b>40%</b>
Dow Jones Index	 <p>3 YEARS MAX</p> <p>5-10% Minimum      1-5% Target      Top Cluster Maximum</p>	<b>10%</b>
CDP Ranking	 <p>3 YEARS MAX</p> <p>B Minimum      A- Target      A Maximum</p>	<b>10%</b>

In light of the results achieved, the payout percentage accrued by each beneficiary in respect of the 2020-2022 LTI plan stands at the values shown in the table below.

% ACHIEVED ON FIXED COMPONENT			
Executive Vice Chairman and CEO	Minimum	157,5%	<b>427%</b>
	Target	210%	
	Maximum	600%	
Deputy-CEO <sup>(1)</sup>	Minimum	135%	<b>230%</b>
	Target	180%	
	Maximum	480%	
General Manager Operations	Minimum	135%	<b>346%</b>
	Target	180%	
	Maximum	480%	
KM <sup>(1)</sup>	Minimum	112,5%	<b>267%</b>
	Target	150%	
	Maximum	390%	

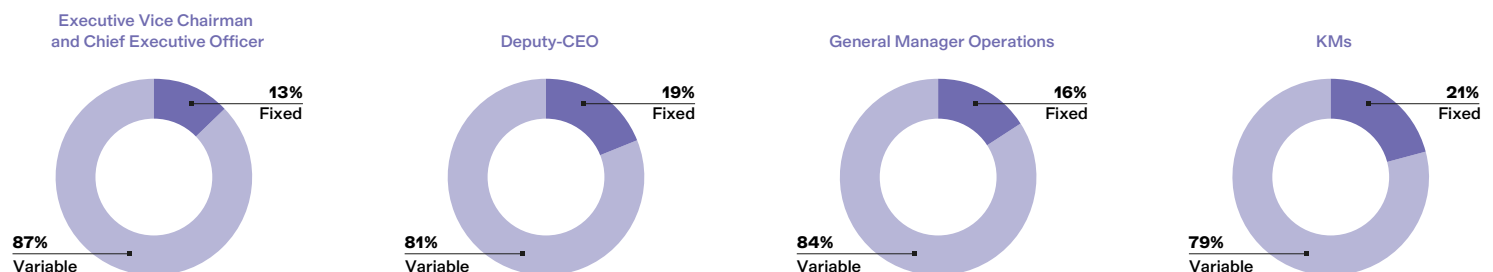
<sup>(1)</sup> It should be noted that the Deputy-CEO and 1 KM participate in the 2020-2022 LTI Plan *pro rata temporis* for the years 2021 and 2022 only.

Note that for the 2020-2022 LTI plan, the Board of Directors did not apply any of the criteria for adjusting the final balance of the plan's objectives, as the conditions were not met. Also note that these criteria had been approved ex ante by the Board of Directors at its meeting held on 17 March 2022 in order to take into account any negative impacts caused by the worsening of the reference geopolitical and macroeconomic scenario.

Note furthermore that, for the TSR objective, according to the resolution of the Shareholders' Meeting held on 15 June 2021, on the basis of a proposal from the Remuneration Committee and taking into account the favourable opinion of the Board of Statutory Auditors, the Board of Directors approved the methodology identified by the Company (the suitability of which has been validated by an independent expert) to normalise the effects of the acquisition of Cooper by Goodyear (a company included in the reference panel for the TSR target) which took place at the beginning of 2021.

Note that the amounts accrued over three years under the 2020-2022 LTI plan are disbursed in a single payment in accordance with the 2020 Policy.

The aforementioned amounts for the STI and LTI plans are shown under the respective items of Tables 1 and 2. Finally, the following graph shows the proportion of fixed and variable remuneration<sup>142</sup> achieved in relation to the 2022 results for STI and of 2020-2022 results for LTI for top management figures.



**OTHER REMUNERATION** It should be noted that for the Deputy-CEO, the General Manager Operations, KMs and more generally other selected Senior Managers and Executives, Pirelli has introduced non-competition agreements to protect the Group's strategic and operational know-how.

On the other hand, it should be noted that the Executive Vice Chairman and Chief Executive Officer is not subject to a non-competition agreement.

<sup>142</sup> Corresponding for the fixed part to the items represented in the "Fixed remuneration" and "Remuneration for participation in committees" columns and for the variable part in the "Bonuses and other incentives" column of Table 1.



For further details, see paragraph 9 of the 2022 Policy and Table 1 for further details of the other remuneration.

#### 1.2. INDEMNITY IN THE EVENT OF TERMINATION OF OFFICE AND/OR TERMINATION OF EMPLOYMENT DURING THE YEAR 2022

In 2022 there were no cases of termination of office of directors or members of the Board of Statutory Auditors and/or termination of employment of General Managers or KMs leading to the allocation of indemnities and/or other benefits.

#### 1.3. EXCEPTIONS TO THE 2022 POLICY

It should be noted that there were no exceptions to the 2022 Policy for Directors (including Directors holding specific

offices), General Managers, KMs and members of the Board of Statutory Auditors.

#### 1.4. CLAWBACK CLAUSES

It should also be noted that during the year the conditions for the application of the mechanisms for *ex post* repayment of the variable component (clawback clause) envisaged by the STI annual and LTI multi-year incentive plans did not occur.

#### 1.5. COMPARISON INFORMATION

Below is a summary of the comparative information for the last four years: (i) remuneration of each of the individuals for whom the information in this section of the report is provided by name, (ii) the Company's results, (iii) the average remuneration of the employees of Pirelli & C. S.p.A.

## ANNUAL VARIATION IN REMUNERATION AND PERFORMANCE

Values in €	2022	2022 VS 2021	2021 VS 2020	2020 VS 2019	2019 VS 2018	2018 VS 2017
<b>Executive Vice Chairman and Chief Executive Officer</b>	<i>Actual Total Cash</i> <sup>(1)</sup>	<i>Change</i>				
Marco Tronchetti Provera	19,966,260	167%	234%	-47%	-11%	-
<b>Deputy-CEO</b>	<i>Actual Total Cash</i> <sup>(1)</sup>	<i>Change</i>				
Giorgio Luca Bruno <sup>(2)</sup>	6,350,535	176%	-	-	-	-
<b>General Manager Operations</b>	<i>Actual Total Cash</i> <sup>(1)</sup>	<i>Change</i>				
Andrea Casaluci	4,721,343	69%	292%	-33%	23%	-

<b>Board of Directors Name</b>	<b>Office</b>	<i>Actual Total Cash</i> <sup>(1)</sup>	<i>Change</i>				
Ning Gaoning <sup>(3)</sup>	Chairman (outgoing)	405,258	-23%	20%	-11%	148%	-
Li Fanrong <sup>(4)</sup>	Chairman	0	-	-	-	-	-
Yang Xingqiang	Director	34,305	-64%	20%	-12%	0%	-
Bai Xinping	Director	155,000	0%	20%	-11%	0%	-
Tao Haisu	Director	100,000	0%	22%	-9%	0%	-
Haitao Zhang	Director	95,000	0%	100%	-	-	-
Paola Boromei	Director	95,000	0%	100%	-	-	-
Domenico De Sole	Director	145,000	0%	19%	-19%	0%	-
Roberto Diacetti	Director	95,000	0%	100%	-	-	-
Giovanni Lo Storto	Director	175,000	0%	38%	15%	58%	-
Marisa Pappalardo	Director	200,000	0%	58%	27%	0%	-
Giovanni Tronchetti Provera	Director	886,376	69%	92%	3%	23%	-
Fan Xiaohua	Director	130,000	0%	34%	8%	0%	-
Wei Yin Tao	Director	95,000	0%	20%	-12%	0%	-
Yang Shihao	Director	60,695	-	-	-	-	-

<b>Board of Directors Name</b>	<b>Office</b>	<i>Actual Total Cash</i> <sup>(1)</sup>	<i>Change</i>				
Riccardo Foglia Taverna	Chairman	90,000	85%	-	-	-	-
Antonella Carù	Standing auditor	115,000	6%	8%	0%	3%	-
Alberto Villani	Standing auditor	75,000	18%	27%	0%	0%	-
Francesca Meneghel	Standing auditor	75,000	85%	-	-	-	-
Teresa Naddeo	Standing auditor	75,000	85%	-	-	-	-

<b>Results</b>	<i>Actual Result</i>	<i>Change</i>				
Relative TSR <sup>(5)</sup>	-	8.3 p.p.	2.3 p.p.	-12.1 p.p.	-8.3 p.p.	8,4%
Group Adjusted EBIT (mln euros)	978	20%	62.8%	-45.4%	-4.0%	9,0%

<b>Average remuneration of employees</b>	<i>Actual Total Cash</i> <sup>(1)</sup>	<i>Change</i>				
Employees of Pirelli & C. S.p.A. active at 31/12	151,836	40%	38.6%	-11%	-3%	-29,2%

<sup>(1)</sup> Corresponds to the sum of "Fixed remuneration", "Fees for participation in committees" and "Bonuses and other incentives" of Table 1

<sup>(2)</sup> Appointed as of 15 June 2021

<sup>(3)</sup> Appointed Chairman in 2018

<sup>(4)</sup> Co-opted on 11 October 2022

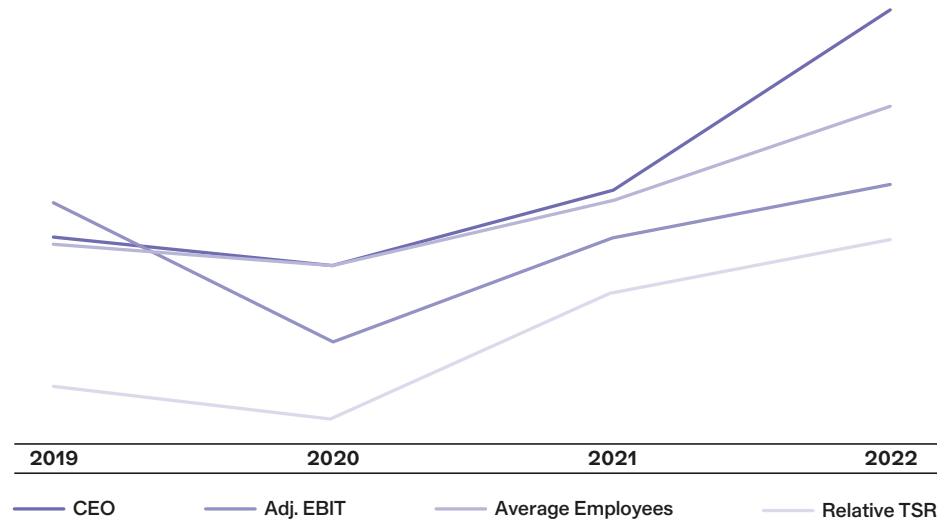
<sup>(5)</sup> Calculated as [(average share value 2nd half year n - average share value 2nd half year n-1) / average share value 2nd half year n-1].

The percentages indicated represent, for each year, the difference in percentage points between Pirelli's TSR and the peers' average: Nokian, Michelin, Continental, Goodyear and Bridgestone.

Goodyear's TSR was normalised following the acquisition of Cooper.

The values for previous years have been aligned with the above formula.

The graph below shows the changes to the Executive Vice Chairman and Chief Executive Officer remuneration, to the average remuneration of Pirelli & C. S.p.A employees and the Group's Relative TSR and Adjusted EBIT performance. Please note that the values are not represented in scale.



## 2. THE “TABLE”: REMUNERATION PAID TO MEMBERS OF THE ADMINISTRATIVE AND CONTROL BODIES, GENERAL MANAGERS AND KEY MANAGERS.

The following tables set out:

- by name, the remuneration paid to Directors, Statutory Auditors and General Managers;
- in aggregate form, that of KMs<sup>143</sup>. As of 31 December 2022, in addition to the General Manager Operations (Andrea Casaluci), 7 KMs were in office.

Remuneration is reported on an accruals basis and the notes to the tables indicate the office for which the remuneration is received (for example, where a director is a member of more than one Board Committee) and the company Pirelli & C. S.p.A. or subsidiary and/or investee company thereof paying it (not for remuneration waived or transferred to the Company).

The tables include all those individuals who held the aforementioned positions during all or even only part of the 2022 year<sup>144</sup>. Non-monetary benefits, where received, are also identified on an accruals basis, and reported according to the “taxable income criterion” of the benefit assigned.

<sup>143</sup> Point b) of Section II of Scheme 7-bis of Annex 3 A of the so-called Issuers' Regulations provides that the so-called Report on compensation paid is structured into two parts:

\*a) the remuneration of members of the administrative and control bodies and the General Managers;

b) the remuneration of any other key managers who have received, in the reporting year, total remuneration (obtained by adding their salary and any remuneration based on financial instruments) that exceeded the highest total remuneration attributed to the persons indicated in point a).

For Key Managers with strategic responsibilities other than those indicated in point b) information is provided at aggregate level in special tables, indicating the number of persons to whom it refers in place of names\*.

<sup>144</sup> In this case the remuneration is shown *pro rata temporis*.

FIRST AND LAST NAME	OFFICE	PERIOD OFFICE HELD	EXPIRY OF TERM OF OFFICE	FIXED REMUNERATION	REMUNERATION FOR MEMBERSHIP OF COMMITTEES
<b>Marco Tronchetti Provera</b>	Executive Vice Chairman and CEO	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>2,465,000</b>	<b>100,000</b>
Of which remuneration in Pirelli & C. S.p.A.				2,465,000 <sup>(1)</sup>	100,000 <sup>(2)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Ning Gaoning</b>	Chairman	01/01/2022 - 08/10/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>358,942</b>	<b>46,316</b>
Of which remuneration in Pirelli & C. S.p.A.				358,942 <sup>(5)</sup>	46,316 <sup>(6)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Li Fanrong</b>	Chairman	11/10/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>0</b>	<b>0</b>
Of which remuneration in Pirelli & C. S.p.A.				0 <sup>(8)</sup>	0
Of which remuneration by subsidiary and affiliated Companies					
<b>Yang Xingqiang</b>	Director	01/01/2022 - 10/05/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>23,472</b>	<b>10,833</b>
Of which remuneration in Pirelli & C. S.p.A.				23,472 <sup>(9)</sup>	10,833 <sup>(10)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Bai Xiping</b>	Director	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>65,000</b>	<b>90,000</b>
Of which remuneration in Pirelli & C. S.p.A.				65,000 <sup>(9)</sup>	90,000 <sup>(11)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Paola Boromei</b>	Director	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>65,000</b>	<b>30,000</b>
Of which remuneration in Pirelli & C. S.p.A.				65,000 <sup>(9)</sup>	30,000 <sup>(12)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Giorgio Luca Bruno</b>	Deputy-CEO	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>1,165,000</b>	<b>30,000</b>
Of which remuneration in Pirelli & C. S.p.A.				1,165,000 <sup>(13)</sup>	30,000 <sup>(10)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Domenico De Sole</b>	Director	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>65,000</b>	<b>80,000</b>
Of which remuneration in Pirelli & C. S.p.A.				65,000 <sup>(9)</sup>	80,000 <sup>(17)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Roberto Diacetti</b>	Director	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>65,000</b>	<b>30,000</b>
Of which remuneration in Pirelli & C. S.p.A.				65,000 <sup>(9)</sup>	30,000 <sup>(18)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Fan Xiaohua</b>	Director	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>65,000</b>	<b>65,000</b>
Of which remuneration in Pirelli & C. S.p.A.				65,000 <sup>(9)</sup>	65,000 <sup>(19)</sup>
Of which remuneration by subsidiary and affiliated Companies					

	VARIABLE NON-EQUITY REMUNERATION		NON-MONETARY BENEFITS	OTHER REMUNERATION	TOTAL	FAIR VALUE OF EQUITY REMUNERATION	END OF EMPLOYMENT OR OFFICE INDEMNITY
	BONUS AND OTHER INCENTIVES	PROFIT SHARING					
	17,401,260	0	670,490	0	20,636,750	0	0
	17,401,260 <sup>(3)</sup>		670,490 <sup>(4)</sup>		20,636,750		
	0	0	0	0	405,258	0	0
					405,258 <sup>(7)</sup>		
	0	0	0	0	0	0	0
					0 <sup>(8)</sup>		
	0	0	0	0	34,305	0	0
					34,305 <sup>(7)</sup>		
	0	0	0	0	155,000	0	0
					155,000 <sup>(7)</sup>		
	0	0	0	0	95,000	0	0
					95,000		
	5,155,535	0	13,337	110,000	6,473,872	0	0
	5,155,535 <sup>(14)</sup>		13,337 <sup>(15)</sup>	110,000 <sup>(16)</sup>	6,473,872		
	0	0	0	0	145,000	0	0
					145,000		
	0	0	0	0	95,000	0	0
					95,000		
	0	0	0	0	130,000	0	0
					130,000		

FIRST AND LAST NAME	OFFICE	PERIOD OFFICE HELD	EXPIRY OF TERM OF OFFICE	FIXED REMUNERATION	REMUNERATION FOR MEMBERSHIP OF COMMITTEES
<b>Giovanni Lo Storto</b>	Director	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>65,000</b>	<b>110,000</b>
Of which remuneration in Pirelli & C. S.p.A.				65,000 <sup>(9)</sup>	110,000 <sup>(20)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Marisa Pappalardo</b>	Director	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>65,000</b>	<b>135,000</b>
Of which remuneration in Pirelli & C. S.p.A.				65,000 <sup>(9)</sup>	135,000 <sup>(21)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Tao Haisu</b>	Director	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>65,000</b>	<b>35,000</b>
Of which remuneration in Pirelli & C. S.p.A.				65,000 <sup>(9)</sup>	35,000 <sup>(22)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Giovanni Tronchetti Provera</b>	Director	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>315,000</b>	<b>30,000</b>
Of which remuneration in Pirelli & C. S.p.A.				65,000 <sup>(9)</sup>	30,000 <sup>(23)</sup>
Of which remuneration by subsidiary and affiliated Companies				250,000 <sup>(24)</sup>	
<b>Wei Yin Tao</b>	Director	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>65,000</b>	<b>30,000</b>
Of which remuneration in Pirelli & C. S.p.A.				65,000 <sup>(9)</sup>	30,000 <sup>(10)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Haitao Zhang</b>	Director	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>65,000</b>	<b>30,000</b>
Of which remuneration in Pirelli & C. S.p.A.				65,000 <sup>(9)</sup>	30,000 <sup>(18)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Yang Shihao</b>	Director	10/05/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2022	<b>41,528</b>	<b>19,167</b>
Of which remuneration in Pirelli & C. S.p.A.				41,528 <sup>(9)</sup>	19,167 <sup>(10)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Andrea Casaluci</b>	General Manager Operations			<b>750,000</b>	<b>0</b>
Of which remuneration in Pirelli & C. S.p.A.					
Of which remuneration by subsidiary and affiliated Companies				750,000	
<b>n, 7 Dirigenti con responsabilità strategica</b>	(30)			<b>2,681,635</b>	<b>40,000</b>
Of which remuneration in Pirelli & C. S.p.A.				1,826,250	40,000 <sup>(31)</sup>
Of which remuneration by subsidiary and affiliated Companies				855,385	
<b>Riccardo Foglia Taverna</b>	Chairman of the Board of Statutory Auditors	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2023	<b>90,000</b>	<b>0</b>
Of which remuneration in Pirelli & C. S.p.A.				90,000	
Of which remuneration by subsidiary and affiliated Companies					
<b>Francesca Meneghel</b>	Standing auditor	01/01/2021 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2023	<b>75,000</b>	<b>0</b>
Of which remuneration in Pirelli & C. S.p.A.				75,000	
Of which remuneration by subsidiary and affiliated Companies					

	VARIABLE NON-EQUITY REMUNERATION		NON-MONETARY BENEFITS	OTHER REMUNERATION	TOTAL	FAIR VALUE OF EQUITY REMUNERATION	END OF EMPLOYMENT OR OFFICE INDEMNITY
	BONUS AND OTHER INCENTIVES	PROFIT SHARING					
	0	0	0	0	175,000	0	0
					175,000		
	0	0	0	0	200,000	0	0
					200,000		
	0	0	0	0	100,000	0	0
					100,000		
	541,376	0	14,851	0.00	901,227	0	0
					95,000		
	541,376 <sup>(25)</sup>		14,851 <sup>(26)</sup>		806,227		
	0	0	0	0	95,000	0	0
					95,000		
	0	0	0	0	95,000	0	0
					95,000 <sup>(7)</sup>		
	0	0	0	0	60,695	0	0
					60,695 <sup>(7)</sup>		
	3,971,343	0.00	16,933	75,000	4,813,276	0	0
	3,971,343 <sup>(27)</sup>		16,933 <sup>(28)</sup>	75,000 <sup>(29)</sup>	4,813,276		
	10,394,500	0.00	94,820	575,313	13,786,268	0	0
	6,485,040 <sup>(32)</sup>		65,510 <sup>(33)</sup>	446,563 <sup>(34)</sup>	8,863,363		
	3,909,460 <sup>(35)</sup>		29,310 <sup>(33)</sup>	128,750 <sup>(34)</sup>	4,922,905		
	0	0	0	0	90,000	0	0
					90,000		
	0	0	0	0	75,000	0	0
					75,000		

FIRST AND LAST NAME	OFFICE	PERIOD OFFICE HELD	EXPIRY OF TERM OF OFFICE	FIXED REMUNERATION	REMUNERATION FOR MEMBERSHIP OF COMMITTEES
<b>Teresa Naddeo</b>	Standing auditor	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2023	<b>75,000</b>	<b>0</b>
Of which remuneration in Pirelli & C. S.p.A.				75,000	
Of which remuneration by subsidiary and affiliated Companies					
<b>Antonella Carù</b>	Standing auditor	01/01/2021 - 31/12/2021	AGM to approve the financial statements for the year to 31 December 2023	<b>75,000</b>	<b>40,000</b>
Of which remuneration in Pirelli & C. S.p.A.				75,000	40,000 <sup>(31)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Alberto Villani</b>	Standing auditor	01/01/2022 - 31/12/2022	AGM to approve the financial statements for the year to 31 December 2023	<b>75,000</b>	<b>0</b>
Of which remuneration in Pirelli & C. S.p.A.				75,000	
Of which remuneration by subsidiary and affiliated Companies					
* * * * *					
<b>Total remuneration in Pirelli &amp; C. S.p.A.</b>				<b>6,985,192</b>	<b>951,316</b>
<b>Total remuneration by subsidiary and affiliated Companies</b>				<b>1,855,385</b>	<b>0</b>
<b>Total</b>				<b>8,840,577</b>	<b>951,316</b>

<sup>(1)</sup> Of which: euro 65,000 as a Director of Pirelli & C. S.p.A. and euro 2.4 million as Executive Vice Chairman and Chief Executive Officer of Pirelli & C. S.p.A.

<sup>(2)</sup> Of which euro 50,000 as Chairman of the Appointments and Successions Committee of Pirelli & C. S.p.A. and euro 50,000 as Chairman of the Strategies Committee of Pirelli & C. S.p.A.

<sup>(3)</sup> The amount includes: 75% of the 2022 STI incentive paid out (upfront amount), 25% of the 2021 STI incentive deferred together with the company matching component due to the level of achievement of the results of the 2022 STI and the total value of the 2020-2022 LTI Plan amounting to 10.25 million euros (see the table below for details of the amounts). Note that the 2020-2022 LTI Plan is the last "closed" cycle that provides for disbursement of the whole three-year incentive in a single payment at the end of the performance period. As of the 2021-2023 LTI cycle, the allocations will be annual (rolling) with an annualised incentive opportunity.

<sup>(4)</sup> Of which: euro 666,292 for insurance policies in line with the provisions of the 2022 Remuneration Policy, and euro 4,198 for a company car.

<sup>(5)</sup> Of which euro 308,767 as a Chairman of Pirelli & C. S.p.A. and euro 50,175 as a Director of Pirelli & C. S.p.A.

<sup>(6)</sup> Of which euro 23,158 as member of the Appointments and Successions Committee of Pirelli & C. S.p.A. and euro 23,158 as member of the Strategies Committee of Pirelli & C. S.p.A.

<sup>(7)</sup> Remuneration transferred to employer company.

<sup>(8)</sup> Chairman Li Farong, co-opted by the Board of Directors on 11 October 2022, stated his intention not to receive any remuneration for the offices held at Pirelli & C. S.p.A. For completeness, it should be pointed out that Chairman Li Farong is a member of the Strategies Committee and the Appointments and Succession Committee.

<sup>(9)</sup> As a Director of Pirelli & C. S.p.A.

<sup>(10)</sup> As a member of the Strategies Committee of Pirelli & C. S.p.A.

<sup>(11)</sup> Of which: euro 30,000 as a member of the Remuneration Committee of Pirelli & C. S.p.A., euro 30,000 as a member of the Appointments and Successions Committee of Pirelli & C. S.p.A., and euro 30,000 as a member of the Strategies Committee of Pirelli & C. S.p.A.

<sup>(12)</sup> As member of the Remuneration Committee of Pirelli & C. S.p.A.

<sup>(13)</sup> Of which euro 65,000 as a Director of Pirelli & C. S.p.A. and euro 1.1 million as Deputy-CEO of Pirelli & C. S.p.A.

<sup>(14)</sup> The amount includes: 75% of the 2022 STI incentive paid out (upfront amount), 25% of the 2021 STI incentive deferred together with the company matching component due to the level of achievement of the results of 2022 STI and the total value of the LTI 2020-2022 Plan amounting to 2.53 million euros (see the table below for details of the amounts). Note that the 2020-2022 LTI Plan is the last "closed" cycle that provides for disbursement of the whole three-year incentive in a single payment at the end of the performance period (the amount accrued by Mr Bruno relates *pro-rata temporis* to the two-year period 2021-2022, when he participated in the Plan). As of the 2021-2023 LTI cycle, the allocations will be annual (rolling) with an annualised incentive opportunity.

<sup>(15)</sup> Of which: euro 3,131 for insurance policies, euro 6,870 for a company car and euro 3,336 for health insurance.

<sup>(16)</sup> The amount refers to the payment during the employment contract of part of the consideration for the non-competition agreement.

<sup>(17)</sup> Of which: Euro 30,000 as member of the Strategies Committee of Pirelli & C. S.p.A. and Euro 50,000 as member of the Related-Party Transactions Committee of Pirelli & C. S.p.A. ("RPT Committee").

<sup>(18)</sup> As member of the Audit, Risks, Sustainability and Corporate Governance Committee of Pirelli & C. S.p.A. ("ARSCGC").

<sup>(19)</sup> Of which: Euro 35,000 as Chairman of the ARSCGC and Euro 30,000 as member of the Remuneration Committee of Pirelli & C. S.p.A.

<sup>(20)</sup> Of which: Euro 30,000 as a member of the ARSCGC, Euro 30,000 as a member of the Strategies Committee of Pirelli & C. S.p.A., and Euro 50,000 as a member of the RPT Committee.



	VARIABLE NON-EQUITY REMUNERATION		NON-MONETARY BENEFITS	OTHER REMUNERATION	TOTAL	FAIR VALUE OF EQUITY REMUNERATION	END OF EMPLOYMENT OR OFFICE INDEMNITY
	BONUS AND OTHER INCENTIVES	PROFIT SHARING					
	0	0	0	0	75,000	0	0
					75,000		
	0	0	0	0	115,000	0	0
					115,000		
	0	0	0	0	75,000	0	0
					75,000		
	<b>29,041,835</b>	<b>0</b>	<b>749,337</b>	<b>556,563</b>	<b>38,284,243</b>	<b>0</b>	<b>0</b>
	<b>8,422,179</b>	<b>0</b>	<b>61,094</b>	<b>203,750</b>	<b>10,542,408</b>	<b>0</b>	<b>0</b>
	<b>37,464,014</b>	<b>0</b>	<b>810,431</b>	<b>760,313</b>	<b>48,826,651</b>	<b>0</b>	<b>0</b>

<sup>(21)</sup> Of which: Euro 30,000 as member of the ARSCGC, Euro 30,000 as member of the Remuneration Committee of Pirelli & C. S.p.A. and Euro 75,000 as Chairman of the RPT Committee.

<sup>(22)</sup> As Chairman of the Remuneration Committee of Pirelli & C. S.p.A.

<sup>(23)</sup> As a member of the Appointments and Successions Committee of Pirelli & C. S.p.A.

<sup>(24)</sup> As a Senior Manager of Pirelli Tyre S.p.A..

<sup>(25)</sup> The amount includes the full amount of the accrued 2022 STI incentive (including the deferred portion), the company matching component that will be paid at the end of the deferral period (3 years) and the total value of the 2020-2022 LTI Plan of Euro 345,600 (see table below for details of the amounts). Note that the 2020-2022 LTI Plan is the last "closed" cycle that provides for disbursement of the whole three-year incentive in a single payment at the end of the performance period. As of the 2021-2023 LTI cycle, the allocations will be annual (rolling) with an annualised incentive opportunity.

<sup>(26)</sup> Of which: Euro 700 for insurance policies, Euro 3,615 for a company car, Euro 7,200 for supplementary pension contributions and Euro 3,336 for health insurance.

<sup>(27)</sup> The amount includes the full amount of the accrued 2022 STI incentive (including the deferred portion), the company matching component that will be paid at the end of the deferral period (3 years) and the total value of the 2020-2022 LTI Plan of 2,59 million euros (see table below for details of the amounts). Note that the 2020-2022 LTI Plan is the last "closed" cycle that provides for disbursement of the whole three-year incentive in a single payment at the end of the performance period. As of the 2021-2023 LTI cycle, the allocations will be annual (rolling) with an annualised incentive opportunity.

<sup>(28)</sup> Of which: Euro 3,688 for a company car, Euro 7,200 for supplementary pension contributions, Euro 3,336 for health insurance and Euro 2,709 for insurance policies.

<sup>(29)</sup> The amount is for payment during the employment contract of a portion of the fee for the non-competition agreement.

<sup>(30)</sup> As of 31 December 2022, 7 KMs had been identified, including 2 represented *pro-rata temporis* as of 23 February 2022 and 14 November 2022 respectively. It should be noted that the remuneration paid to the General Manager Operations is not included in this item, as it is indicated separately in the table.

<sup>(31)</sup> As a member of the Supervisory Body.

<sup>(32)</sup> The amount includes, for the respective holders, the full amount of the accrued 2022 STI incentive (including the deferred portion), the company matching component that will be paid out at the end of the deferral period (3 years) and the total value of the 2020-2022 LTI Plan of 4.41 million euros (see table below for details of the amounts). Note that the 2020-2022 LTI Plan is the last "closed" cycle that provides for disbursement of the whole three-year incentive in a single payment at the end of the performance period. As of the 2021-2023 LTI cycle, the allocations will be annual (rolling) with an annualised incentive opportunity.

<sup>(33)</sup> The amounts, for the respective holders, are for a company car, supplementary pension contributions, health insurance and insurance policies.

<sup>(34)</sup> The amounts refer, for the respective holders, to payment during the employment contract of a portion of the consideration for the non-competition agreement, a retention bonus agreed before the qualification as KM, a welcome bonus, a one-off bonus and a reimbursement for school fees.

<sup>(35)</sup> The amount includes, for the respective holders, the full amount of the accrued 2022 STI incentive (including the deferred portion) and the company matching component that will be paid out at the end of the deferral period (3 years) and the total value of the 2020-2022 LTI Plan of 2.43 million euros (see table below for details of the amounts). Note that the 2020-2022 LTI Plan is the last "closed" cycle that provides for disbursement of the whole three-year incentive in a single payment at the end of the performance period. As of the 2021-2023 LTI cycle, the allocations will be annual (rolling) with an annualised incentive opportunity.

### 3. MONETARY INCENTIVE PLANS FOR MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGERS AND KEY MANAGERS

For a description of Pirelli's monetary incentive plans, please refer to the Remuneration Policy for 2022.

FIRST AND LAST NAME	OFFICE	PLAN	BONUS FOR THE YEAR			BONUS FOR THE PREVIOUS YEARS			OTHER BONUSES
			PAYABLE/ PAID OUT	DEFERRED	DEFERMENT PERIOD	NO LONGER PAYABLE	PAYABLE /PAID OUT	STILL DEFERRED	
Marco Tronchetti Provera	Executive Vice Chairman and CEO	2021 STI	-	-	-	-	3,000,000 <sup>(1)</sup>	-	-
		2022 STI	4,148,460 <sup>(2)</sup>	1,382,820 <sup>(3)</sup>	1 year	-	-	-	-
		2020-2022 LTI Plan	10,252,800 <sup>(4)</sup>	-	-	-	-	-	-
		2021-2023 LTI Plan	-	-	-	-	-	-	-
		2022-2024 LTI Plan	-	-	-	-	-	-	-
Giorgio Luca Bruno	Deputy-CEO	2021 STI	-	-	-	-	1,100,000 <sup>(4)</sup>	-	-
		2022 STI	1,521,135 <sup>(2)</sup>	507,045 <sup>(3)</sup>	1 year	-	-	-	-
		2020-2022 LTI Plan	2,534,400 <sup>(5)</sup>	-	-	-	-	-	-
		2021-2023 LTI Plan	-	-	-	-	-	-	-
		2022-2024 LTI Plan	-	-	-	-	-	-	-
Giovanni Tronchetti Provera	Director <sup>(6)</sup>	2021 STI	-	-	-	-	-	94,500 <sup>(7)</sup>	-
		2022 STI	103,040 <sup>(8)</sup>	92,736 <sup>(9)</sup>	3 years	-	-	-	-
		2020-2022 LTI Plan	345,600 <sup>(4)</sup>	-	-	-	-	-	-
		2021-2023 LTI Plan	-	-	-	-	-	-	-
		2022-2024 LTI Plan	-	-	-	-	-	-	-
Andrea Casaluci	General Manager Operations	2021 STI	-	-	-	-	-	1,406,250 <sup>(7)</sup>	-
		2022 STI	725,970 <sup>(8)</sup>	653,373 <sup>(9)</sup>	3 years	-	-	-	-
		2020-2022 LTI Plan	2,592,000 <sup>(4)</sup>	-	-	-	-	-	-
		2021-2023 LTI Plan	-	-	-	-	-	-	-
		2022-2024 LTI Plan	-	-	-	-	-	-	-
No. 7 Key Managers	(12)	2021 STI	-	-	-	-	-	2,135,060 <sup>(10)</sup>	165,750 <sup>(13)</sup>
		2022 STI	1,592,582 <sup>(8)</sup>	1,963,418 <sup>(9)</sup>	3 years	-	-	-	
		2020-2022 LTI Plan	6,838,500 <sup>(11)</sup>	-	-	-	-	-	
		2021-2023 LTI Plan	-	-	-	-	-	-	
		2022-2024 LTI Plan	-	-	-	-	-	-	

FIRST AND LAST NAME	OFFICE	PLAN	BONUS FOR THE YEAR			BONUS FOR THE PREVIOUS YEARS			OTHER BONUSES
			PAYABLE/ PAID OUT	DEFERRED	DEFERMENT PERIOD	NO LONGER PAYABLE	PAYABLE /PAID OUT	STILL DEFERRED	
(I) Remuneration in the Company that has prepared the financial statements		2021 STI	-	-	-	-	4,100,000	1,510,060	150,000
		2022 STI	6,838,103	2,793,097	1 year 3 years	-	-	-	
		2020-2022 LTI Plan	17,200,500	-	-	-	-	-	
		2021-2023 LTI Plan	-	-	-	-	-	-	
		2022-2024 LTI Plan	-	-	-	-	-	-	
(II) Remuneration from Subsidiary and Affiliated Companies		2021 STI	-	-	-	-	-	2,125,750	15,750
		2022 STI	1,253,084	1,806,295	3 years	-	-	-	
		2020-2022 LTI Plan	5,362,800	-	-	-	-	-	
		2021-2023 LTI Plan	-	-	-	-	-	-	
		2022-2024 LTI Plan	-	-	-	-	-	-	
<b>(III) Total</b>			<b>30,654,487</b>	<b>4,599,392</b>	<b>-</b>	<b>-</b>	<b>4,100,000</b>	<b>3,635,810</b>	<b>165,750</b>

<sup>(1)</sup>The amount refers to the sum of the deferred portion of the 2021 STI (25%) and the respective company matching component paid out for achievement of the 2022 STI objectives as defined in the 2021 Policy. This amount is shown in the "Bonuses and other incentives" column of Table 1.

<sup>(2)</sup>The amount in the "Payable/Paid out Year Bonus" column refers to the 75% of the 2022 STI paid out immediately (upfront amount). This amount is shown in the "Bonuses and other incentives" column of Table 1.

<sup>(3)</sup>The amount in the "Deferred Year Bonus" column refers to 25% of the 2022 STI deferred and assigned to risk/opportunity subject to the results of the 2023 STI. This amount is not shown in the "Bonuses and other incentives" column of Table 1.

<sup>(4)</sup>The amount in the "Payable/Paid out Year Bonus" column refers to the 2020-2022 LTI Plan, which is the last "closed" incentive plan and therefore corresponds to the whole three-year incentive. This amount is shown in the "Bonuses and other incentives" column of Table 1. Note that as of the 2021-2023 LTI cycle, the allocations will be annual (rolling) with an annualised incentive opportunity.

<sup>(5)</sup>The amount in the "Payable/Paid out Year Bonus" column refers to the 2020-2022 LTI Plan, which is the last "closed" incentive plan and therefore corresponds to the whole three-year incentive (in particular, the amount accrued by Mr Bruno refers *pro-rata temporis* to the two-year period 2021-2022, when he participated in the Plan). This amount is shown in the "Bonuses and other incentives" column of Table 1. Note that as of the 2021-2023 LTI cycle, the allocations will be annual (rolling) with an annualised incentive opportunity.

<sup>(6)</sup>Giovanni Tronchetti Provera is included in the LTI and STI variable incentive plans as Senior Manager of Pirelli Tyre S.p.A..

<sup>(7)</sup>The amount in the "Previous Years Bonuses Still Deferred" column refers to the sum of the deferred 2021 STI portion and the company matching component, which will be paid at the end of the deferral period (3 years). This amount is not shown in the "Bonuses and other incentives" column of Table 1.

<sup>(8)</sup>The amount in the "Payable/Paid out Year Bonus" column refers to the portion of the 2022 STI paid out immediately (upfront amount) based on personal choice. This amount is shown in the "Bonuses and other incentives" column of Table 1.

<sup>(9)</sup>The amount in the "Deferred Year Bonus" column refers to the sum of the deferred 2022 STI portion and the company matching component, which will be paid at the end of the deferral period (3 years). This amount is shown in the "Bonuses and other incentives" column of Table 1.

<sup>(10)</sup>The amount in the "Previous Years Bonuses Still Deferred" column refers to the sum of the deferred 2021 STI portion and the company matching component, which will be paid at the end of the deferral period (3 years) to all KMs included in the Report on Compensation Paid for the 2021 financial year. This amount is not shown in the "Bonuses and other incentives" column of Table 1.

<sup>(11)</sup>The amount in the "Payable/Paid out Year Bonus" column refers to the 2020-2022 LTI Plan, which is the last "closed" incentive plan and therefore corresponds to the whole three-year incentive (the amount accrued by a single KM refers *pro-rata temporis* to the two-year period 2021-2022, when he participated in the Plan). This amount is shown in the "Bonuses and other incentives" column of Table 1. Note that as of the 2021-2023 LTI cycle, the allocations will be annual (rolling) with an annualised incentive opportunity.

<sup>(12)</sup>As of 31 December 2022, 7 KMs had been identified, including 1 who joined the Group as of 14 November 2022 and is not therefore a holder of the 2021 STI, 2022 STI and 2020-2022 LTI Plans. It should be noted that the remuneration paid to the General Manager Operations is not included in this item, as it is indicated separately in the table.

<sup>(13)</sup>The amount refers, for the respective holders, to a retention bonus agreed before the qualification as KM, a welcome bonus and a one-off bonus. This amount is shown in the "Other remuneration" column in Table 1.

#### 4. TABLE OF EQUITY INVESTMENTS OF THE MEMBERS OF THE ADMINISTRATIVE AND CONTROL BODIES, GENERAL MANAGERS AND KEY MANAGERS.

The table below provides disclosures on any equity investments held in Pirelli & C. S.p.A. and in its subsidiary companies, by those who, even for a fraction of the year, have held the position of:

- member of the Board of Directors;
- member of the Board of Statutory Auditors;
- General Manager;
- KM.

In particular, it indicates, for each member of the Board of Directors and Board of Statutory Auditors and General Managers, by name, and cumulatively for KMs, with regard to each company in which shares are held, the number of shares, by category:

- held at the end of the prior year;
- purchased during the reporting year;
- sold during the reporting year;
- held at the end of the reporting period.

In this regard, the title of possession and the manner in which it is held are also specified.

It includes all the persons who, during the reporting year, held positions as members of the administrative and control bodies, General Manager or as KM, even for a fraction of the year.

##### 1) EQUITY INVESTMENTS OF THE MEMBERS OF THE ADMINISTRATIVE AND CONTROL BODIES AND GENERAL MANAGERS

FIRST AND LAST NAME	OFFICE	INVESTEES COMPANY	NO. OF SHARES OWNED AT 31.12.2021	NO. OF SHARES PURCHASED/SUBSCRIBED	NO. OF SHARES SOLD	NO. OF SHARES OWNED AT 31.12.2022
Marco Tronchetti Provera <sup>(i)</sup>	Executive Vice Chairman and Chief Executive Officer	Pirelli & C. S.p.A.	100,959,399	40,000,000 <sup>(ii)</sup>	-	140,959,399 <sup>(iii)</sup>
Giorgio Luca Bruno	Director	Pirelli & C. S.p.A.	500 <sup>(iv)</sup>	-	-	500 <sup>(iv)</sup>

(i) Shares held by the indirect subsidiary Camfin S.p.A.

(ii) Shares acquired by Camfin S.p.A. on 7 October 2021 following completion of the share capital increase of Camfin S.p.A. fully subscribed by Longmarch Holding S.à.r.l. through the contribution of 40,000,000 Pirelli shares.

(iii) For the sake of completeness, it should be noted that Camfin S.p.A. informed the market that it had taken out instruments called "Call Spreads" with major financial institutions, the original maturity of which was extended from September 2022 to September 2023, on 29 June 2021, with an underlying equivalent to approximately 4.6% of Pirelli's share capital.

(iv) Shares purchased when the Company was listed on 4 October 2017.

##### 2) EQUITY INVESTMENTS OF OTHER KEY MANAGERS

NUMBER OF KEY MANAGERS	INVESTEES COMPANY	NO. OF SHARES OWNED AT 31.12.2021	NO. OF SHARES PURCHASED/SUBSCRIBED	NO. OF SHARES SOLD	NO. OF SHARES OWNED AT 31.12.2022
-	-	-	-	-	-





# CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

	Note	12/31/2022		12/31/2021	
			of which related parties (note 43)		of which related parties (note 43)
Property, plant and equipment	9	3,399,628		3,288,914	
Intangible assets	10	5,382,837		5,485,665	
Investments in associates and joint ventures	11	80,227		80,886	
Other financial assets at fair value through other Comprehensive Income	12	48,419		56,907	
Deferred tax assets	13	176,969		137,643	
Other receivables	15	231,151	6,926	362,944	6,664
Tax receivables	16	9,055		27,564	
Other assets	22	120,481		153,205	
Derivative financial instruments	27	26,430		4,612	
<b>Non-current assets</b>		<b>9,475,197</b>		<b>9,598,340</b>	
Inventories	17	1,457,711		1,092,162	
Trade receivables	14	636,446	11,029	659,209	19,474
Other receivables	15	741,238	111,272	470,577	105,942
Other financial assets at fair value through Income Statement	18	246,884		113,901	
Cash and cash equivalents	19	1,289,744		1,884,649	
Tax receivables	16	27,649		17,773	
Derivative financial instruments	27	22,681		46,562	
<b>Current assets</b>		<b>4,422,353</b>		<b>4,284,833</b>	
<b>Total Assets</b>		<b>13,897,550</b>		<b>13,883,173</b>	
<b>Equity attributable to the owners of the Parent Company:</b>	<b>20.1</b>	<b>5,323,794</b>		<b>4,908,112</b>	
Share capital		1,904,375		1,904,375	
Reserves		3,001,659		2,700,941	
Net income / (loss)		417,760		302,796	
<b>Equity attributable to non-controlling interests:</b>	<b>20.2</b>	<b>130,034</b>		<b>134,527</b>	
Reserves		111,894		115,730	
Net income / (loss)		18,140		18,797	
<b>Total Equity</b>	<b>20</b>	<b>5,453,828</b>		<b>5,042,639</b>	
Borrowings from banks and other financial institutions	23	3,690,111	10,444	3,789,369	13,210
Other payables	25	74,574	212	76,485	212
Provisions for liabilities and charges	21	101,676	21,843	81,170	22,028
Deferred tax liabilities	13	1,041,848		1,033,892	
Provisions for employee benefit obligations	22	180,558	6,735	220,598	7,157
Tax payables	26	12,780		11,512	
Derivative financial instruments	27	-		3,519	
<b>Non-current liabilities</b>		<b>5,101,547</b>		<b>5,216,545</b>	
Borrowings from banks and other financial institutions	23	800,389	2,979	1,489,249	2,751
Trade payables	24	1,973,296	166,372	1,626,367	144,122
Other payables	25	405,578	37,386	314,203	13,376
Provisions for liabilities and charges	21	41,250		43,594	
Tax payables	26	102,104		134,388	
Derivative financial instruments	27	19,558		16,188	
<b>Current liabilities</b>		<b>3,342,175</b>		<b>3,623,989</b>	
<b>Total Liabilities and Equity</b>		<b>13,897,550</b>		<b>13,883,173</b>	



CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	Note	2022		2021	
			of which related parties (note 43)		of which related parties (note 43)
<b>Revenues from sales and services</b>	<b>29</b>	<b>6,615,727</b>	44,972	<b>5,331,450</b>	23,659
Other income	<b>30</b>	330,913	63,602	303,868	56,294
Changes in inventories of unfinished, semi-finished and finished products		212,222		157,813	
Raw materials and consumables used (net of change in inventories)		(2,419,274)	(17,603)	(1,820,615)	(3,577)
Personnel expenses	<b>31</b>	(1,178,609)	(15,244)	(1,101,913)	(23,085)
- of which non-recurring events		-		(2,537)	
Amortisation, depreciation and impairment	<b>32</b>	(566,689)		(517,192)	
Other costs	<b>33</b>	(2,208,788)	(340,884)	(1,770,518)	(312,465)
Net impairment of financial assets	<b>34</b>	4,075		(7,950)	
Increases in fixed assets due to internal works		1,905		2,111	
<b>Operating income/(loss)</b>		<b>791,482</b>		<b>577,054</b>	
Net income/(loss) from equity investments	<b>35</b>	5,848		3,978	
- share of net income/(loss) of associates and joint ventures		2,920	2,920	1,697	1,697
- gains on equity investments		-		27	
- losses on equity investments		(123)		(20)	
- dividends		3,051		2,274	
Financial income	<b>36</b>	101,987	3,480	35,000	3,651
Financial expenses	<b>37</b>	(303,683)	(1,825)	(179,281)	(1,505)
<b>Net income / (loss) before taxes</b>		<b>595,634</b>		<b>436,751</b>	
Taxes	<b>38</b>	(159,734)		(115,158)	
- of which non-recurring events		-		23,223	
<b>Net income / (loss)</b>		<b>435,900</b>		<b>321,593</b>	
<b>Attributable to:</b>					
Owners of the Parent Company		417,760		302,796	
Non-controlling interests		18,140		18,797	
<b>Total earnings / (losses) per share (in euro per basic share)</b>	<b>39</b>	<b>0.418</b>		<b>0.303</b>	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

	Note	2022	2021
<b>A</b>			
<b>Total Net income / (loss)</b>		<b>435,900</b>	<b>321,593</b>
- Remeasurement of employee benefits	<b>22</b>	(27,546)	91,168
- Tax effect		7,329	(30,173)
- Fair value adjustment of other financial assets at fair value through Other Comprehensive Income	<b>12</b>	(8,477)	13,764
<b>B</b>			
<b>Total items that may not be reclassified to Income Statement</b>		<b>(28,694)</b>	<b>74,759</b>
Exchange rate differences from translation of foreign Financial Statements			
- Gains / (losses)	<b>20</b>	58,713	119,201
- (Gains) / losses reclassified to Income Statement	<b>35</b>	-	-
- Tax effect		-	-
Fair value adjustment of derivatives designated as cash flow hedges:			
- Gains / (losses)	<b>27</b>	56,510	95,523
- (Gains) / losses reclassified to Income Statement	<b>27</b>	951	(72,380)
- Tax effect		(13,301)	(4,638)
Cost of hedging			
- Gains / (losses)	<b>27</b>	(119)	1,175
- (Gains) / losses reclassified to Income Statement	<b>27</b>	(1,477)	(6,870)
- Tax effect		136	878
Share of other Comprehensive Income related to associates and joint ventures, net of taxes	<b>11</b>	(2,183)	6,694
<b>C</b>			
<b>Total items reclassified / that may be reclassified to Income Statement</b>		<b>99,230</b>	<b>139,583</b>
<b>D</b>			
<b>Total other Comprehensive Income (B+C)</b>		<b>70,536</b>	<b>214,342</b>
<b>A+D</b>			
<b>Total Comprehensive Income / (loss)</b>		<b>506,436</b>	<b>535,935</b>
<b>Attributable to:</b>			
- Owners of the Parent Company		486,523	505,837
- Non-controlling interests		19,913	30,098

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 12/31/2022

(in thousands of euro)

	Attributable to the Parent Company (note 20.1)					Non-controlling interests (note 20.2)	Total (note 20)
	Share Capital	Translation reserve	Other O.C.I. reserves *	Other reserves/ retained earnings	Total attributable to the Parent Company		
<b>Total at 12/31/2021</b>	<b>1,904,375</b>	<b>(565,143)</b>	<b>(1,408)</b>	<b>3,570,288</b>	<b>4,908,112</b>	<b>134,527</b>	<b>5,042,639</b>
Other components of Comprehensive Income	-	54,757	14,006	-	68,763	1,773	70,536
Net income / (loss)	-	-	-	417,760	417,760	18,140	435,900
<b>Total comprehensive income / (loss)</b>	<b>-</b>	<b>54,757</b>	<b>14,006</b>	<b>417,760</b>	<b>486,523</b>	<b>19,913</b>	<b>506,436</b>
Dividends approved	-	-	-	(161,000)	(161,000)	(24,396)	(185,396)
Effects of hyperinflation accounting in Turkey	-	-	-	16,868	16,868	-	16,868
Effects of hyperinflation accounting in Argentina	-	-	-	72,149	72,149	-	72,149
Other	-	-	170	972	1,142	(10)	1,132
<b>Total at 12/31/2022</b>	<b>1,904,375</b>	<b>(510,386)</b>	<b>12,768</b>	<b>3,917,037</b>	<b>5,323,794</b>	<b>130,034</b>	<b>5,453,828</b>

BREAKDOWN OF OTHER O.C.I. RESERVES\*

(in thousands of euro)

	Reserve for fair value adjustment of financial assets at fair value through other Comprehensive Income	Reserve for cost of hedging	Reserve for cash flow hedge	Remeasurement of employee benefits	Tax effect	Other O.C.I. reserves
<b>Total at 12/31/2021</b>	<b>(2,597)</b>	<b>1,595</b>	<b>(3,085)</b>	<b>66,107</b>	<b>(63,428)</b>	<b>(1,408)</b>
Other components of Comprehensive Income	(8,477)	(1,595)	57,461	(27,546)	(5,837)	14,006
Other changes	-	-	-	142	28	170
<b>Total at 12/31/2022</b>	<b>(11,074)</b>	<b>-</b>	<b>54,376</b>	<b>38,703</b>	<b>(69,237)</b>	<b>12,768</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 12/31/2021

(in thousands of euro)

	Attributable to the Parent Company (note 20.1)					Non-controlling interests (note 20.2)	Total (note 20)
	Share Capital	Translation reserve	Other O.C.I. reserves *	Other reserves/retained earnings	Total attributable to the Parent Company		
<b>Total at 12/31/2020</b>	<b>1,904,375</b>	<b>(679,737)</b>	<b>(89,893)</b>	<b>3,312,673</b>	<b>4,447,418</b>	<b>104,432</b>	<b>4,551,850</b>
Other components of Comprehensive Income	-	114,594	88,447	-	203,041	11,301	214,342
Net income / (loss)	-	-	-	302,796	302,796	18,797	321,593
<b>Total comprehensive income / (loss)</b>	<b>-</b>	<b>114,594</b>	<b>88,447</b>	<b>302,796</b>	<b>505,837</b>	<b>30,098</b>	<b>535,935</b>
Dividends approved	-	-	-	(80,000)	(80,000)	-	(80,000)
Effects of hyperinflation accounting in Argentina	-	-	-	33,647	33,647	-	33,647
Other	-	-	38	1,172	1,210	(3)	1,207
<b>Total at 12/31/2021</b>	<b>1,904,375</b>	<b>(565,143)</b>	<b>(1,408)</b>	<b>3,570,288</b>	<b>4,908,112</b>	<b>134,527</b>	<b>5,042,639</b>

BREAKDOWN OF OTHER O.C.I. RESERVES\*

(in thousands of euro)

	Reserve for fair value adjustment of financial assets at fair value through Other Comprehensive Income	Reserve for cost of hedging	Reserve for cash flow hedge	Remeasurement of employee benefits	Tax effect	Other O.C.I. reserves
<b>Total at 12/31/2020</b>	<b>(16,357)</b>	<b>7,290</b>	<b>(26,228)</b>	<b>(25,104)</b>	<b>(29,494)</b>	<b>(89,893)</b>
Other components of Comprehensive Income	13,764	(5,695)	23,143	91,168	(33,933)	88,447
Other changes	(4)	-	-	43	(1)	38
<b>Total at 12/31/2021</b>	<b>(2,597)</b>	<b>1,595</b>	<b>(3,085)</b>	<b>66,107</b>	<b>(63,428)</b>	<b>(1,408)</b>

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euro)

	Note	2022		2021	
			of which related parties (note 43)		of which related parties (note 43)
Net income / (loss) before taxes		595,634		436,751	
Reversal of amortisation, depreciation, impairment losses and restatement of property, plant and equipment and intangible assets	32	566,689		517,192	
Reversal of Financial (income) / expenses	36/37	201,696		144,281	
Reversal of Dividends	35	(3,051)		(2,274)	
Reversal of gains / (losses) on equity investments	35	123		(7)	
Reversal of share of net result from associates and joint ventures	35	(2,920)	(2,920)	(1,697)	(1,697)
Reversal of accruals to provisions and other accruals		141,283		133,963	
Net Taxes paid	38	(205,455)		(125,634)	
Change in Inventories		(342,322)		(222,495)	
Change in Trade receivables		37,376	8,858	(51,352)	(6,359)
Change in Trade payables		272,842	16,317	214,512	19,478
Change in Other receivables		(50,502)	(7,391)	23,745	(1,197)
Change in Other payables		27,900	(2,559)	(59,096)	(5,158)
Uses of Provisions for employee benefit obligations		(89,471)	-	(48,751)	(3,017)
Uses of Provisions for liabilities and charges		(18,176)		(40,064)	
<b>A Net cash flow provided by / (used in) operating activities</b>		<b>1,131,646</b>		<b>919,074</b>	
Investments in owned tangible assets		(303,491)		(256,092)	
Disposal of owned tangible assets		4,098		8,534	
Investments in intangible assets		(31,912)		(30,579)	
Disposal of intangible assets		277		243	
(Investments) in other financial assets at fair value through Other Comprehensive Income		-		(450)	
Loss of control in subsidiaries		-		4,407	
Disposals of equity investments in associates and J.V.		1,330		-	
Change in Financial receivables from associates and joint ventures		(150)	(287)	15,272	15,272
Dividends received	35	3,230	30	2,274	
<b>B Net cash flow provided by / (used in) investing activities</b>		<b>(326,618)</b>		<b>(256,391)</b>	
Change in Borrowings from banks and other financial institutions due to draw downs	23	1,324,067		886,242	
Change in Borrowings from banks and other financial institutions due to repayments and other	23	(2,113,830)		(1,649,448)	
Change in Financial receivables / Other current financial assets at fair value through Income Statement		(141,761)		(21,079)	
Financial income / (expenses)		(173,261)		(115,071)	
Dividends paid		(185,395)		(79,935)	
Repayment of principal and payment of interest for lease liabilities		(114,513)	(948)	(105,355)	(3,830)
<b>C Net cash flow provided by / (used in) financing activities</b>		<b>(1,404,693)</b>		<b>(1,084,646)</b>	
<b>D Total cash flow provided / (used) during the period (A+B+C)</b>		<b>(599,665)</b>		<b>(421,963)</b>	
<b>E Cash and cash equivalents at the beginning of the financial year</b>		<b>1,883,544</b>		<b>2,269,683</b>	
<b>F Exchange rate differences from translation of cash and cash equivalents</b>		(491)		35,824	
<b>G Cash and cash equivalents at the end of the period (D+E+F) (*)</b>	19	<b>1,283,388</b>		<b>1,883,544</b>	
<b>(*) of which:</b>					
cash and cash equivalents		1,289,744		1,884,649	
bank overdrafts		(6,356)		(1,105)	

# EXPLANATORY NOTES

## 1. GENERAL INFORMATION

Pirelli & C. S.p.A. is a company whose legal status is governed by the laws of the Italian Republic.

Founded in 1872, Pirelli & C. S.p.A. is - also by way of its subsidiaries in Italy and abroad - a Pure Consumer Tyre Company (which includes tyres for automobiles, motorcycles and bicycles), with a particular focus on the High Value tyre market, that is, products created to reach the highest levels of performance, safety, quietness and road adherence.

The registered Head Office of the Company is located in Milan, Italy at *Viale Piero e Alberto Pirelli n. 25*.

These Consolidated Financial Statements have been prepared using the euro as the reporting currency, with all values rounded to the nearest thousand euro, unless otherwise indicated.

The audit of the Consolidated Financial Statements has been entrusted to PricewaterhouseCoopers S.p.A. pursuant to Legislative Decree No. 39 of January 27, 2010, and pursuant to the resolution of the Shareholders' Meeting of August 1, 2017, which conferred the mandate to the aforesaid company for each of the nine financial years with closings from December 31, 2017 to December 31, 2025.

Pirelli & C. S.p.A. is directly controlled by Marco Polo International Italy S.r.l., which in turn, through the China National Chemical Corporation ("*ChemChina*") and other subsidiaries of the latter, is indirectly controlled by Sinochem Holdings Corporation Ltd., a Chinese state-owned enterprise (SOE) controlled by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) of the People's Republic of China.

As of the date of the commencement of trading on the stock exchange (October 4, 2017), there are no entities that exercise management and coordination activities over the Company.

The Board of Directors approved these Consolidated Financial Statements on April 5, 2023 and authorised their publication on April 12, 2023.

## 2. BASIS OF PRESENTATION

### INFORMATION ON THE MACROECONOMIC ENVIRONMENT

The year 2022 was characterised by a highly volatile macroeconomic environment due to the difficult geo-political scenario (Russian-Ukrainian conflict), high inflation, difficulties along the supply chain and lockdowns in China. The restrictive interventions by the central banks, in an attempt to curb inflationary effects, led to a generalised increase in the cost of money with an impact on the Group's cost of debt.

The Group has worked to ensure business continuity and to guarantee its level of service to its customers, and has countered the increases in the costs of raw material and inflation in the costs of production factors resulting from the aforesaid macroeconomic environment, thanks to the internal levers: improvement in the price/mix and in the internal efficiency plan, in addition to measures to contain energy costs through price negotiations with the Group's suppliers.

With specific reference to the Chinese market, it should be noted that the effects of lockdowns in the country to counter COVID-19, led to a drop in volumes in China, particularly during the second and fourth quarters, as a result of a contraction in demand. With regard to activities in Russia, reference should be made to the section "*Activities in Russia*" in this document.

For further details on the performance in 2022, reference should be made to the section "*Group Performance and Results*" in the Directors' Report on Operations, while for information on the management of risks arising from the external environment, reference should be made to the section "*Risk Factors and Uncertainty*" in the same aforesaid document.

The macroeconomic scenario is expected to be uncertain and volatile in 2023 as well. The most updated forecasts available at the beginning of the year were taken into account in the formulation of the forecast results for 2023 presented to the market on February 22, 2023. The same results were taken into account in the estimations and assumptions, particularly when assessing the recoverability of goodwill and of other intangible assets with an indefinite useful life, and the recoverability of tangible assets in Russia.

These impacts are described in the Explanatory Notes to which reference should be made for further details.

### FINANCIAL STATEMENTS

The Consolidated Financial Statements at December 31, 2022 consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and the Explanatory Notes which are accompanied by the Directors' Report on Operations.

This document has not been prepared pursuant to the EU Delegated Regulation 2019/815 (ESEF Regulation), which was adopted with the implementation of the Transparency Directive. This document which has been prepared pursuant to the ESEF Regulation, is available (in Italian only) on the website of the authorised eMarket Storage mechanism (emarketstorage.com) and on the Company's website [www.pirelli.com](http://www.pirelli.com).

The format adopted for the Statement of Financial Position provides for the distinction of assets and liabilities according to whether they are current or non-current.

The Group has opted to present the components of

gains/losses for the financial year in a separate Income Statement, rather than include these components directly in the Statement of Comprehensive Income. The Income Statement format adopted provides for the classification of costs by nature.

The Group has opted to present the tax effects and the reclassifications to the Income Statement of the gains/losses which had been recognised under Other Comprehensive Income in previous financial years, directly in the Statement of Comprehensive Income and not in the Explanatory Notes.

The Statement of Changes in Equity includes, in addition to the total gains/losses for the period, the amounts from transactions with equity holders and the movements which occurred in the reserves during the financial year.

In the Statement of Cash Flow, the financial flows from operating activities are reported using the indirect method, whereby the gains or losses for the financial year are adjusted for the effects of non-monetary transactions, any deferrals or accruals of past or future operating collections or payments and any income or expense items related to financial flows arising from investing or financing activities.

#### SCOPE OF CONSOLIDATION

The scope of consolidation includes the subsidiaries, associates and agreements for joint arrangements.

Subsidiaries are defined as all the companies over which the Group contemporarily holds:

- the power of decision making, or the capacity to direct the relevant activities of the subsidiary, that is activities that have a significant influence on the results of the subsidiary;
- exposure or the right to the variable (positive or negative) results from the investment in the entity;
- the capacity to utilise its decision making power to determine the amounts for results arising from the investment in the entity.

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements as of the date when control is assumed until such time when control ceases to exist. The share of equity and of the results attributable to non-controlling interests, are separately reported in the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income and in Equity, respectively.

Associates are all companies over which the Group is able to exercise significant influence as defined by IAS 28 – Investments in Associates and Joint Ventures. This influence is legally presumed to exist when the Group holds a percentage

of voting rights of between 20% and 50%, or when - even in the case of a lower share of voting rights – it has the power to participate in determining financial and operating policies by virtue of specific legal relationships, such as, for example, the participation in Shareholders' agreements together with other forms of significant exercise of governance rights.

Joint arrangements are agreements whereby two or more parties have joint control under a contract. Joint control is the shared control of a business activity, established by agreement which exists only when decisions relative to the activity require the unanimous consent of all parties who share control. These agreements may give rise to joint ventures or joint operations.

A joint venture is an agreement for the joint control of an entity whereby the parties that have joint control, have rights to the net assets of the said entity. Joint ventures are distinguished from joint operations which instead are configured as agreements which give the parties of the agreement, which have joint control of the initiative, the rights to the individual assets and the obligations of the individual liabilities relative to the agreement. The Group does not currently have any agreements in place for joint operations.

Changes which occurred in the scope of consolidation are summarised as follows:

- the exit from the Focus Investment S.p.A. shareholding structure on March 9, 2022;
- the disposal, approved by the Board of Directors on November 11, 2021, of the 20% stake held in the Joint Stock Company, the Kirov Tyre Plant which took place on May 23, 2022;
- incorporation on October 10, 2022 of Pirelli Tyre MEAL DMCC which is wholly owned by Pirelli Asia Pte Ltd.;
- incorporation on October 19, 2022 of E-VOLUTION Tyre South Africa (Pty) Ltd. which is wholly owned by Pirelli Tyre (Pty) Ltd.;
- incorporation on October 27, 2022 of NewCo Micromobility S.r.l., which is wholly owned by Pirelli Tyre S.p.A.;
- incorporation on December 15, 2022 of Latam Servicios Industriales S.A., which is 95% owned by Pirelli Neumaticos S.A.I.C., and 5% owned by Pirelli Pneus Ltda.

It should also be noted that effective as of December 17, 2022, the Dutch companies Pirelli Tyres Nederland B.V. and E-VOLUTION Tyre B.V. were merged by incorporation into Pirelli China Tyre N.V. Lastly, effective as of January 1, 2022, the Spanish company Tyre & Fleet S.L. was merged by incorporation into the company Pirelli Neumaticos S.A..

## INFORMATION ON SUBSIDIARIES

The Consolidated Financial Statements include the assets and liabilities of 89 legal entities. The following is a list of the significant subsidiaries:

	Headquarters	12/31/2022		12/31/2021	
		% Group	% non-controlling interests	% Group	% non-controlling interests
Pirelli Tyre Co. Ltd.	Yanzhou (China)	90.00%	10.00%	90.00%	10.00%
Pirelli Deutschland GmbH	Breuberg/Odenwald (Germany)	100.00%		100.00%	
Pirelli Tyre S.p.A.	Milan (Italy)	100.00%		100.00%	
Pirelli Industrie Pneumatici S.r.l.	Settimo Torinese (Italy)	100.00%		100.00%	
Pirelli International Treasury S.p.A.	Milan (Italy)	100.00%		100.00%	
Pirelli Neumaticos S.A. de C.V.	Silao (Mexico)	100.00%		100.00%	
Pirelli Pneus Ltda.	Santo André (Brazil)	100.00%		100.00%	
Pirelli Comercial de Pneus Brasil Ltda	Sao Paulo (Brazil)	100.00%		100.00%	
Pirelli UK Tyres Ltd.	Burton-on-Trent (United Kingdom)	100.00%		100.00%	
Pirelli Tire LLC	Rome (USA)	100.00%		100.00%	
Pirelli Neumaticos S.A.I.C.	Buenos Aires (Argentina)	100.00%		100.00%	
S.C. Pirelli Tyres Romania S.r.l.	Slatina (Romania)	100.00%		100.00%	
Limited Liability Company Pirelli Tyre Russia	Moscow (Russia)	65.00%	35.00%	65.00%	35.00%

The complete list of subsidiaries is contained in the attachment, “*Scope of Consolidation – Companies Consolidated on a Line-by-line Basis*”.

Non-controlling interests in the subsidiaries of the Group are not relevant either individually or in aggregate form.

### CONSOLIDATION PRINCIPLES

For consolidation purposes, the financial statements of the companies included in the Scope of Consolidation were used, which were prepared at the reporting date of the Financial Statements of the Parent Company and appropriately adjusted in order to render them compliant with the IAS/IFRS accounting standards applied by the Group.

The financial statements expressed in foreign currencies have been translated into euro by applying period-end exchange rates for the items in the Statement of Financial Position, and at average exchange rates for the items of the Income Statement, with the exception of the financial statements of companies operating in hyperinflationary countries, whose Income Statements have been translated at period-end exchange rates.

The differences arising from the conversion of the opening equity at period-end exchange rates are recorded in the translation reserve, together with the difference arising from the translation of the results for the period at period-end exchange rates, compared to the average exchange rate. The translation reserve is reversed to the Income Statement at the time of the disposal of the company which generated the reserve.

The criteria for consolidation can be summarised as follows:

- subsidiaries are consolidated using the line-by-line method on the basis of which:
  - the assets and liabilities, costs and revenues of the Financial Statements of subsidiaries are assumed in their entirety, regardless of the percentage of investment held;
  - the carrying amount of investments is de-recognised against the relative equity shares;
  - equity and income related transactions between fully consolidated companies, including dividends distributed within the Group, are eliminated;
  - non-controlling interests are reported under the appropriate equity item, and similarly, the share of gains



or losses attributable to non-controlling interests is reported separately in the Income Statement;

- at the time of disposal of the subsidiary and the consequent loss of control, any goodwill allocable to the subsidiary in determining the capital gains or losses arising from the disposal, is taken into account;
  - in the case of an investment stake acquired after the assumption of control, any difference between the acquisition cost and the corresponding fraction of equity acquired, is recognised in equity. Similarly, the effects arising from the disposal of non-controlling interests without the loss of control, are also recognised in equity.
- investments in associates and joint ventures are evaluated using the equity method, whereby the carrying amount of the investments is adjusted to take into account:
- the investor's share of the post-acquisition results of the associate or joint venture;
  - the pertinent share of gains and losses which are reported directly in the equity of the subsidiary, in accordance with the applicable accounting standards;
  - the dividends paid by the subsidiary;
  - when the Group's share in the losses, if any, of the associate/joint venture exceeds the carrying amount of the investment in the Financial Statements, and the carrying amount of the investment is reset to zero, and the Group's share of any further losses, if any, is then recognised under "*Provisions for liabilities and charges*", to the extent to which the Group is contractually or implicitly obligated to cover the losses;
  - the margins resulting from sales carried out by subsidiaries to joint ventures or associates which are eliminated only to the extent of the ownership stake in the acquiring company.

### 3. ADOPTED ACCOUNTING STANDARDS

Pursuant to Regulation No. 1606 issued by the European Parliament and the European Council in July 2002, the Consolidated Financial Statements of the Pirelli & C. Group have been prepared in accordance with the International Financial Reporting Standards ("*IFRS*") in force, as issued by the International Accounting Standards Board ("*IASB*"), and approved by the European Union at December 31, 2022, as well as the provisions emanated in the implementation of Article 9 of Legislative Decree no. 38/2005. The terms IFRS and IAS signifies the IFRS and IAS international accounting standards in force as issued by the International Accounting Standards Board ("*IASB*"), and approved by the European Union at December 31, 2022 and all the interpretations of the International Financial Reporting Interpretations Committee ("*IFRIC*"), formerly the Standing Interpretations Committee ("*SIC*").

The Consolidated Financial Statements have been prepared using the historical costs method with the exception of the following items which have been measured at fair value:

- derivative financial instruments;

- pension fund assets;
- other financial assets at fair value through Other Comprehensive Income;
- other financial assets at fair value through the Income Statement.

### BUSINESS COMBINATIONS

Corporate acquisitions are accounted for using the acquisition method.

When a controlling interest in a company is acquired, goodwill is calculated as the difference between:

- the fair value of the consideration plus any non-controlling interests in the acquired company, measured at fair value (if this option is chosen for the acquisition in question) or in proportion to the non-controlling interest's share of the net assets of the acquired company;
- the fair value of the assets acquired and the liabilities assumed.

In cases where the aforesaid difference is negative, the difference is immediately recognised in the Income Statement under income.

In the case of the acquisition of the control of a company in which a non-controlling interest is already held (acquisition in phases - step acquisition), the previously held investment is measured at fair value, and the effects of this adjustment is recognised in the Income Statement.

The costs of business combination operations are recognised in the Income Statement.

Contingent considerations, that is, the acquirer's obligations to transfer additional assets or shares to the seller if certain future events occur, or specific conditions are fulfilled, are recognised at fair value at the acquisition date as part of the consideration transferred in exchange for the acquisition. Any subsequent changes in the fair value of these agreements are recognised in the Income Statement.

### INTANGIBLE ASSETS

Intangible assets refer to assets without an identifiable physical form, which are controlled by the Group and are capable of producing future economic benefits.

Intangible assets with finite useful lives are measured at cost, net of amortisation and net of any accumulated impairment and include costs for services provided by third parties.

Amortisation is calculated on a straight-line basis and begins when the asset becomes available for use or is capable of operating in the manner intended by management, and ceases on the date when the asset is classified as held for sale or is de-recognised.

Capital gains and capital losses arising from the divestment or disposal of an intangible asset are determined as the difference between the net proceeds from disposal and the carrying amount of the asset.

## GOODWILL

Goodwill is an intangible asset with an indefinite useful life and is therefore not subject to amortisation. Goodwill is subject to an evaluation aimed at identifying any impairment, at least annually or whenever there are indicators of impairment.

## TRADEMARKS AND LICENSES

Trademarks and licenses for which the conditions for classification as intangible assets with an indefinite useful life have not been met, are measured at cost, net of amortisation and net of any accumulated impairment. This cost is amortised for whichever period is shorter between, the duration of the contract and the useful life of the asset. Instead, the trademarks for which the conditions for classification as intangible assets with an indefinite useful life have been met, are not systematically amortised, and are subjected to an impairment test at least once a year.

## SOFTWARE

Software license costs, including incidental expenses, are capitalised and recorded in the Financial Statements net of amortisation and net of any accumulated impairment. Software is amortised on the basis of its useful life.

Software as a service (“SaaS”), for which the Group does not control the underlying software, but only holds the right to access the software on a third-party cloud infrastructure, is not capitalised.

## CUSTOMER RELATIONSHIPS

Customer relationships mainly refer to intangible assets acquired in a business combination, and are recognised in the Financial Statements at their fair value at the purchase date, and amortised on the basis of their useful life.

## TECHNOLOGY

The value of Technology refers mainly to product, process and product development technology acquired in a business

combination. It is recognised in the Financial Statements at fair value at the date of acquisition, and is amortised on the basis of its useful life.

## RESEARCH AND DEVELOPMENT COSTS

Research costs refer to product innovation, innovation in production processes and research into new materials. These are expensed as they are incurred. There were no development costs that satisfied the requisites for capitalisation as provided for by IAS 38.

## OWNED TANGIBLE ASSETS

Property, plant and equipment are recognised at their purchase cost or production cost, including any directly attributable incidental expenses.

Any costs incurred subsequent to the acquisition the assets and any cost for replacing any parts or portions of the assets recognised in this category, are capitalised only if they increase the future financial benefits inherent to the respective asset. All other costs are recognised in the Income Statement as they are incurred. When the cost of replacing any parts or portions of the asset is capitalised, the residual value of the replaced parts is recognised in the Income Statement.

Property, plant and equipment are measured at cost, net of depreciation and net of any accumulated impairment, except for land which is not depreciated but is valued at cost net of any accumulated impairment.

Depreciation is accounted for starting from the month in which the asset is available for use, or is potentially capable of providing the financial benefits associated with it.

Depreciation is recognised on a monthly straight-line basis at rates that allow assets to be depreciated until the end of their useful life or, in the case of disposals, until the last month of use.

**Depreciation rates** were as follows:

Buildings	3% - 10%
Plants	7% - 20%
Machinery	5% - 20%
Equipment	10% - 33%
Furniture	10% - 33%
Motor vehicles	10% - 25%

The Group annually revises the expected useful life of property, plant and equipment.

Leasehold improvements are classified as tangible assets, consistent with the nature of the cost incurred. The depreciation period corresponds to whichever is shorter between the remaining useful life of the tangible asset and the remaining duration of the lease contract.

Spare parts of significant value are capitalised and depreciated on the basis of the useful life of the respective asset.

Any decommissioning costs are estimated and added to the cost of property, plant and equipment, as a counter-entry to the provisions for liabilities and charges, if the requirements for setting up a provision for liabilities and charges are met. They are then depreciated for the duration of the remaining useful life of the respective asset.

Property, plant and equipment are de-recognised from the Statement of Financial Position at the time of their disposal or their permanent retirement from use and, as a consequence, no future financial benefits can be expected to be derived from their disposal or use.

Any capital gains or capital losses arising from the divestment or disposal of property, plant and equipment are determined as the difference between the net proceeds from disposal, and the carrying amount of the asset.

Property, plant and equipment in progress are recognised at cost, net of any impairment. When property, plant and equipment in progress are ready for use, they are reclassified to the relevant category, and begin to be depreciated based on the basis of their useful Group lives.

#### RIGHT OF USE

As of the date on which the assets which are the subject of a lease contract become available for use by the Group, lease contracts are accounted for as a right of use under non-current assets with a counter-entry under financial liabilities.

The cost of lease payments is separated into its components as a financial expense which is recognised in the Income Statement for the period of the duration of the contract and as the repayment of the principal which is recorded as a reduction of the financial liability.

The right of use is depreciated on a monthly straight-line basis, for whichever period is shorter, between the useful life of the asset and the duration of the contract.

Right of use and financial liabilities are initially measured at the present value of future payments.

The present value of financial liabilities for lease contracts includes the following payments:

- fixed payments;
- variable payments based on an index or rate;
- the exercise price of a redemption option, in the event that the exercise of the option is considered reasonably certain;
- the payment of penalties for the termination of the contract, if the exercise of the option to terminate the contract is considered reasonably certain;
- optional payments subsequent to the non-cancellable period, if the extension of the contract beyond the non-cancellable period is considered reasonably certain.

Future payments are discounted using the incremental borrowing rate. This rate consists of the risk-free rate of the country in which the contract is negotiated and is based on the duration of the contract. It is then adjusted according to the Group's credit spread and the local credit spread.

The right of use is valued at cost, and is composed of the following elements:

- initial amount of the financial liability;
- payments made before the start of the contract net of the leasing incentives received;
- directly attributable incidental expenses;
- estimated costs for decommissioning or restatement.

Lease payments associated with the following types of lease contracts are recorded in the Income Statement on a linear basis for the duration of the respective contracts:

- contracts with a duration of less than twelve months for all asset classes;
- lease contracts for which the underlying asset is configured as a low-value asset, that is, the unit value of the underlying assets is not greater than euro 8 thousand when new;
- contracts for which the payment for the right of use of the underlying asset varies, according to changes in the facts or circumstances (not based on an index or a rate), that were not foreseeable at the start date.

Low-value contracts are mainly relative to the following categories of goods:

- computers, telephones and tablets;
- office and multi-function printers;
- other electronic devices.

## IMPAIRMENT OF ASSETS

**PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT OF USE** In the presence of specific indicators of impairment, and at least on an annual basis, intangible assets with an indefinite useful life including goodwill, property, plant and equipment, intangible assets and right of use are subject to an impairment test.

The test consists of an estimate of the recoverable amount for the asset compared to its carrying amount.

The recoverable amount of an asset corresponds to the higher amount between the fair value less the costs of sale, and the value in use.

It is not necessary to estimate both amounts in order to verify the absence of any impairment, as it is sufficient that one of the two configured amounts is higher than the carrying amount.

The value in use for property plant and equipment and intangible assets, is the present value of the estimated future cash flows originating from the use of the asset, plus those

deriving from its disposal at the end of its useful life, net of taxes and the application of a discount rate, which reflects the current market assessment of the time-value of money and the risks specific to the asset.

For the right of use, the value in use is the present value of the estimated future cash flows originating from the right of use for the period of duration of the lease contract, and of the outgoing right of use which is to be replaced in accordance with the terms of the lease contract (for example, the cost of acquiring an asset to replace the one that is leased).

If the recoverable amount of an asset is lower than the carrying amount, the latter is reduced and adjusted to the recoverable amount. This reduction in value constitutes an impairment which is then recorded in the Income Statement.

For the purpose of assessing any impairment, assets are aggregated at the lowest level at which their independent cash flows are separately identifiable (cash generating units).

With specific reference to goodwill, for the purpose of the impairment test, the allocation is made at "Consumer Activities" CGU Group level. The latter represents the minimum level at which goodwill is monitored for internal management control purposes.

In the presence of indications that any impairment recognised in previous financial years for property, plant and equipment or intangible assets other than goodwill or right of use, may no longer exist or may have been reduced, the recoverable amount for the activity is estimated again, and if it results as higher than the net carrying amount, then the net carrying amount is increased up to the recoverable amount.

The restatement of a value must not exceed the carrying amount that would have been determined (net of impairment, depreciation or amortisation) had no impairment been detected in previous financial years.

The restatement of the value of an asset other than goodwill is recognised in the Income Statement.

Any impairment which has been detected for goodwill cannot be restated in subsequent financial years.

Any loss due to the impairment of any goodwill recorded in the interim (half-yearly) Financial Statements cannot be restated in the Income Statement in subsequent financial years.

## INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Following the application of the equity method, in the presence of the indication of an impairment, the value of investments in associates and joint ventures must be compared with the recoverable amount (the so-called impairment test). The recoverable amount corresponds to the higher amount between the fair value less the costs of sale, and the value in use.

For the purposes of impairment testing, the fair value of an investment in an associate or joint venture with shares listed

on an active share market, is always equal to its market value. In the case of investments in unlisted companies, the fair value is determined by resorting to estimates based on the best available information.

The value in use of an associate or joint venture is determined by estimating the discounted future net operating cash flows, net of the net financial position of the company in question at the date of the estimate (the so-called Discounted Cash Flow - Asset Side method).

If there are indications that an impairment loss recognised in previous years may no longer exist or may have decreased, the recoverable amount of the investment is re-estimated and, if it is higher than the value of the investment, the latter is increased up to the recoverable amount.

The restatement of a value may not exceed the value of the investment that would have been determined (net of impairment) had no impairment been recognised in previous financial years.

The restatement of the value of investments in associates and joint ventures is recognised in the Income Statement.

#### OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

The equity instruments for which the Group - at the time of their initial detection - exercised the irrevocable option to present the gains and losses arising from the changes in their fair value in equity (FVOCI), fall under this evaluation category, as these are financial assets that do not belong to the Group's usual activity. They are classified as non-current assets under the item "Other financial assets at fair value through Other Comprehensive Income".

They are initially recognised at fair value, including the transaction costs directly attributable to the acquisition.

They are subsequently measured at their fair value, and any gains and losses arising from any changes in their fair value were recognised in a specific equity reserve. These reserves were not reversed to the Income Statement. In the event of the disposal of the financial asset, the amount suspended in equity is reclassified to retained earnings.

Dividends deriving from these financial assets are recognised in the Income Statement when the right to collect is established.

#### OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT (FVPL)

The items which fall under this evaluation category are:

- equity instruments for which the Group - at the time of their initial detection - did not exercise the irrevocable option to present the gains and losses arising from the changes in their fair value in equity. They are classified as non-current assets under the item "Other financial assets at Fair Value through the Income Statement";
- debt instruments for which the Group's asset management business model provides, that the sale of the

debt instruments and the cash flows associated with the financial asset, represent the payment of the outstanding principal. They are classified as current assets under item "Other financial assets at Fair Value through the Income Statement";

- derivative instruments, with the exception of those designated as hedging instruments.

These are initially recognised at fair value. Transaction costs directly attributable to their acquisition are recognised in the Income Statement.

They are subsequently measured at fair value, and any gains or losses arising from any changes in their fair value are recognised in the Income Statement.

#### INVENTORIES

Inventories are valued either at cost or their estimated realisable value, whichever is lower.

Costs are determined as follows:

- raw materials: their purchase cost is calculated by using the FIFO method;
- finished and semi-finished products: are calculated on the basis of direct costs of materials, labour and indirect costs.

The cost of inventories includes the transfer, from Other Comprehensive Income, of gains and losses arising from qualified cash flow hedging transactions related to the purchase of raw materials, typically natural rubber.

The cost is increased by incremental expenses in the same way as described for property, plant and equipment.

Their realisable value represents the estimated selling price, net of all costs estimated for the completion of the asset and any sales and distribution costs that will be incurred.

Provisions for the impairment of inventories considered to be obsolete or slow-moving are calculated by taking their estimated future use and their realisable value into account.

#### RECEIVABLES

Receivables are initially recorded at their fair value, which normally corresponds to the agreed consideration or to the present value of the amount that will be collected. They are subsequently measured at amortised cost, which is reduced in the case of impairment. Amortised cost is calculated by using the effective interest rate method, which is equivalent to the discount rate which, when applied to future cash flows, renders the present carrying amount of such cash flows equal to the initial fair value. Receivables, in currencies other than the functional currency, of the individual companies, are adjusted to the period-end exchange rates with a counter-entry in the Income Statement.

Receivables are de-recognised when the right to receive cash flows is extinguished, when all the risks and benefits connected with holding the receivable have essentially been

transferred, or in cases when the receivable is considered definitively irrecoverable after all the necessary recovery procedures have been completed.

#### IMPAIRMENT OF RECEIVABLES

For trade receivables, the Group applies a simplified approach, by calculating the expected losses over the life of receivables from the moment of initial recognition. The Group uses a matrix based on historical experience, linked to the ageing of the receivables themselves and the credit rating of the customers, adjusted to take into account forecast factors specific to certain creditors. Trade receivables are grouped on the basis of similar risk characteristics. This grouping is based on the original credit maturity date and on the customer's credit rating, as attributed by independent market assessors. For financial receivables, the calculation of the impairment is made with reference to expected losses for the next twelve months. These calculations are based on a matrix which includes the credit ratings of customers provided by independent assessors. In the event of any significant increase in credit risk subsequent to the original date of the receivable, the expected loss is calculated for the entire life of the receivable. The Group assumes that the credit risk of a financial instrument has not increased significantly after its initial recognition, if it is determined that the financial instrument has a low credit risk at the reporting date of the financial statements. The Group assesses whether there has been a significant increase in credit risk when the customer's credit rating, as attributed by independent assessors, undergoes a change that shows an increase in the probability of default. The Group considers that a financial asset is in default when internal or external information indicates that it is improbable that the Group will receive the full expired contractual amount (for example, when receivables have been referred to the legal department).

#### PAYABLES

Payables are initially recorded at their fair value, which normally corresponds to the agreed consideration or to the present value of the amount that will be paid. They are subsequently measured at the amortised cost. The amortised cost is calculated by using the effective interest rate method, which is equivalent to the discount rate which, when applied to future cash flows, renders the present value of such cash flows equal to their initial fair value. Payables, in currencies other than the functional currency, of the individual companies are adjusted to the period-end exchange rates with a counter-entry in the Income Statement.

Payables are de-recognised from Financial Statements when the specific contractual obligation is extinguished. In the event of a change in a financial liability that does not entail its de-recognition, the gain or loss resulting from the change is calculated by discounting the change in the contractual cash flows using the original effective interest rate, and is immediately recognised in the Income Statement.

The fair value of the debt component of a convertible bond is equal to the fair value of a liability issued on substantially equivalent market terms, without the right of conversion. This component is subsequently measured at the amortised cost

until its extinguishment, at the time of conversion or until the maturity of the bonds. The residual portion, up to the value equal to the amount collected, is recognised as a component of equity. Issuance costs are allocated proportionally to the debt component and to the equity component.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank deposits, postal deposits, cash and cash equivalents and other forms of short-term investment with an original maturity of three months or less that are readily convertible into a given amount of money, and are subject to an insignificant risk of change in value.

Overdrafts are classified under financial payables as current liabilities.

The amounts included in cash and cash equivalents are measured at their fair value and any relative changes are recognised in the Income Statement.

For the purposes of the presentation in the Consolidated Cash Flow Statement, cash and cash equivalents are represented by the liquid equivalents as defined above, net of current account overdrafts.

#### CONTINGENT ASSETS

Any contingent assets, which arise as a result of past events and whose realisation depends on the occurrence or non-occurrence of unforeseeable future events, are not recognised in the financial statements unless the realisation of revenue is virtually certain.

#### CONTINGENT LIABILITIES

Contingent liabilities, that is, contingent or present obligations that are not probable or cannot be reliably measured, are not recognised in the Financial Statements but are disclosed, unless the possibility of an outflow of economic resources is remote.

#### PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges include the accruals for current obligations (legal or implicit) arising from a past event, the fulfilment of which will probably require the use of resources, whose amounts can be reliably estimated. Changes in estimates are recognised in the Income Statement for the financial year in which the change occurs. If the effect of discounting is significant, provisions are stated at their present value. An accrual to a provision for restructuring is recognised only if, in addition to meeting the requisite conditions for the provisions for liabilities and charges, there exists a detailed formal restructuring plan so that any concerned third parties can maintain a valid expectation that the restructuring will take place.

#### EMPLOYEE BENEFITS

Employee benefits paid after the termination of the employment relationship under defined benefit plans and other long-term benefits are subject to actuarial evaluations. The liability recognised in the Financial Statements is representative of the present value of the Group's obligation, net of the fair value of any plan assets. For defined benefit

plans, the actuarial gains and losses arising from adjustments based on past experience and from any changes in the actuarial assumptions are fully recognised in Other Comprehensive Income. For other long-term benefits, the actuarial gains and losses are immediately recognised in the Income Statement.

The provision for employees' leaving indemnities (TFR) for Italian companies with at least 50 employees, is considered a defined benefit plan only for the amounts accrued prior to January 1, 2007 (and not yet paid at the reporting date), while amounts accrued after that date qualify as a defined benefit plan.

The net interest calculated on net liabilities is classified under financial expenses.

Costs relative to the defined contribution plans are recognised in the Income Statement as they are incurred.

In the event that the plan assets of defined benefits outweigh the liabilities, the asset is recognised to the extent that the financial benefit, in the form of a reimbursement or a reduction in future contributions, and is available to the Group in accordance with the regulations of the plan itself, and pursuant to the provisions in force in the jurisdiction in which the plan operates.

In the case of the purchase of qualifying insurance policies through the use of plan assets, any additional contributions requested by the insurance company are recognised in Other Comprehensive Income.

Insurance policies are recognised in the Financial Statements as plan assets, and are measured on the same basis as the liabilities to which they refer.

#### STRUMENTI FINANZIARI DERIVATI DESIGNATI COME STRUMENTI DI COPERTURA

In accordance with the provisions of IFRS 9, derivative financial instruments are accounted for in accordance with the methods established for hedge accounting only when:

- the hedged items and the hedging instruments meet the eligibility requirements;
- at the beginning of the hedging relationship, there is the formal designation and documentation of the hedging relationship of the Group's objectives for the management of risk, and of the strategy for implementing the hedge cover;
- the hedging relationship meets all the following efficiency requirements:
  - there is a financial relationship between the hedged item and the hedging instrument;
  - the effect of credit risk is not dominant compared to any changes associated with the hedged risk;
  - the hedge ratio defined in the hedging relationship is respected, also by way of rebalancing measures, and is coherent with the risk management strategy adopted by the Group.

These derivative instruments are measured at fair value.

The following accounting treatments are applied on the basis of the type of coverage:

- Fair value hedge – if a derivative financial instrument is designated as a hedge against exposure to any changes in the fair value of an asset or liability attributable to a specific risk, the gain or loss arising from any subsequent changes in the fair value of the hedging instrument is recognised in the Income Statement. For the portion attributable to the hedged risk, the gain or loss on the hedged item modifies the carrying amount of that asset or liability (basis adjustment), and it too is recognised in the Income Statement;
- Cash flow hedge – if a derivative financial instrument is designated as a hedge against exposure to the variability of the cash flows of an asset or liability recognised in the Financial Statements, or against a highly probable future transaction, the effective portion of the change in the fair value of the hedging instrument is recognised directly in Other Comprehensive Income, while the ineffective portion is immediately recognised in the Income Statement. The amounts recognised directly in Other Comprehensive Income are reclassified to the Income Statement for the financial year in which the hedged item produces an effect on the Income Statement. If the hedge of a highly probable future transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the amounts that are suspended in Other Comprehensive Income are included in the initial value of the non-financial asset or non-financial liability.

When future transactions are hedged by forward contracts, the Group may designate to hedge accounting;

- the full fair value (including forward points): the effective portion of the changes in the fair value of the entire derivative instrument is recognised under Other Comprehensive Income (cash flow hedge reserve);
- the single spot component (excluding forward points): the effective portion of the changes in the fair value of the single spot component, is recognised under Other Comprehensive Income in the cash flow hedge reserve, while change in the forward points relative to the hedged item is recorded in the cost of hedging reserve, always under Other Comprehensive Income.

When a hedging instrument matures or is sold, terminated early, exercised, or no longer meets the conditions to be designated as a hedge, hedge accounting is discontinued. The fair value adjustments accumulated under Other Comprehensive Income (either in the cash flow hedge reserve or in the cost of hedging reserve) remain suspended under Other Comprehensive Income until the hedged item manifests its effects in the Income Statement. They are subsequently reclassified to the Income Statement, for the financial years during which the acquired asset or the assumed liability manifests an effect on the Income Statement. If it is expected that the hedged item will not generate any effect on the Income Statement, the fair value adjustments accumulated

under Other Comprehensive Income (both in the cash flow hedge reserve and in the cost of hedging reserve) are immediately recognised in the Income Statement. For the derivative instruments that do not satisfy the prerequisites provided for by IFRS 9 for the adoption of hedge accounting, reference should be made to the paragraph *“Financial assets at fair value through the Income Statement”*. The acquisitions and sales of derivative financial instruments are recorded at the settlement date.

The hedging of net investments in foreign assets (net investment hedges) is accounted for in a similar manner to cash flow hedges.

Gains or losses on the hedging instrument relative to the effective portion of the hedge are recognised in Other Comprehensive Income, while those relative to the ineffective portion are immediately recognised in the Income Statement.

Gains and losses accumulated in Other Comprehensive Income are reclassified to the Income Statement when the foreign operation is disposed of in whole or in part.

#### DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified on the basis of the hierarchy of levels as provided for by IFRS 13, which reflects the significance of the inputs used in determining their fair value. The levels are defined as follows:

- level 1 – unadjusted prices quoted on an active market for assets or liabilities subject to evaluation;
- level 2 – inputs other than the quoted prices referred to in the previous point, which are observable on the market either directly (as in the case of prices), or indirectly (because they are derived from prices);
- level 3 – inputs that are not based on observable market data.

The fair value of financial instruments that are traded on active markets is based on prices published at the reporting date. The market prices used for financial assets are the bid price, while for financial liabilities they are the ask price.

The fair value of financial instruments that are not traded on active markets is determined by using evaluation techniques that are widespread in the financial sector, and that maximise the use of available and observable market data:

- market prices for similar instruments;
- the fair value of interest rate swaps is calculated by discounting estimated future cash flows based on observable yield curves;
- the fair value of foreign exchange derivatives (forward contracts) is determined by using the forward exchange rate at the reporting date of the Financial Statements;
- the fair value of cross currency interest rate swaps is calculated by discounting the estimated future cash flows based on observable yield curves and converting them into euro using the exchange rate at the reporting date of the Financial Statements;

- the fair value of natural rubber futures is determined by using the closing price of the contract at the reporting date of the Financial Statements.

#### INCOME TAXES

Current taxes are determined on the basis of a realistic forecast of the tax expenses payable in accordance with the applicable tax regulations of the country.

The Group periodically evaluates the choices it has made when determining taxes with reference to situations where the tax legislation in force lends itself to interpretation, and if deemed appropriate, adjusts its exposure to the tax authorities on the basis of the taxes it expects to pay. Any interest and penalties accrued on these taxes are recognised under Income tax in the Income Statement.

Deferred taxes are calculated according to the temporary differences which exist between the asset and liability amounts in the Financial Statements and their tax value (global allocation method), and are classified under non-current assets and liabilities.

Deferred tax assets on tax losses carried forward, as well as on temporary differences, are only recognised when there is a likelihood of future recovery.

Current and deferred tax assets and liabilities are offset when income taxes are applied by the same tax authority and when there is a legal right to offset. Deferred tax assets and liabilities are determined at the tax rates that are expected to be applicable to taxable income in the respective jurisdictions of the countries in which the Group operates, for the financial years during which the temporary differences will arise or be extinguished.

With regard to temporary taxable differences associated with investments in subsidiaries, associates and joint ventures, the relative deferred tax liabilities are not recognised in cases where the investing entity is able to control the reversal of the temporary differences and it is likely that it will not occur in the foreseeable future.

Deferred taxes are not discounted.

Deferred tax assets and liabilities are credited or debited to Other Comprehensive Income if they refer to items that were credited or debited directly to under Other Comprehensive Income during the financial year or during previous financial years.

#### INDIRECT TAXES

Costs, revenues, assets and liabilities are recognised net of indirect taxes, such as value added tax, with the following exceptions:

- the tax is non-deductible: in such cases, it is recognised as part of the purchase cost of the asset or part of the cost is recognised in the Income Statement;
- the trade receivables and trade payables, which include the applicable indirect tax.



The net amount of indirect taxes to be recovered or paid is recognised under other receivables or other payables, respectively.

## EQUITY

**TREASURY SHARES** Treasury shares are classified as a reduction in equity.

If they are sold, reissued or cancelled, the resulting earnings or losses are recognised in equity.

**COSTS OF CAPITAL TRANSACTIONS** Costs that are directly attributable to the capital transactions of the Parent Company are accounted for as a reduction in equity.

### SHARE BASED PAYMENTS (CASH SETTLED)

Additional cash settled benefits granted to some of the Group's executives are recognised under Provisions for employee benefit obligations as a counter-entry to "Personnel expenses". This cost is estimated to be equal to the fair value and is accounted for over the duration of the plan in accordance with the vesting conditions at the reporting date. The estimate is revised at each reporting date up until the settlement date.

### RECOGNITION OF REVENUES

Revenues are recognised in the amount that reflects the consideration to which the Group believes it is entitled to in exchange for the transfer of goods and/or services to its customers. The variable considerations that the Group considers to be payable to direct or indirect customers are recognised as a reduction to revenues.

The Group generally acts as the principal for most of the agreements that generate revenues. However, there are contracts with customers in which the Group acts as an agent and these revenues are recognised net of costs incurred under the commercial agreements.

**PRODUCT SALES** Revenues from product sales are recognised when the performance obligations towards customers have been satisfied. A performance obligation is deemed to have been fulfilled when the control of goods has been transferred to the customer, that is, generally when the goods are delivered to the customer.

If the products are ready to be delivered, but delivery is postponed to a future date, sales revenues are recognised only if control of the products has been transferred to the customer. Control is considered to have been transferred to the customer when the following conditions have been met:

- the reasons for delivering at a future date are real (for example; the customer has requested delivery at a future date in writing);
- the products in the warehouse are separately identified as being owned by the customer;
- the products are ready to be physically delivered to the customer;
- it is not possible for the Group to use the product or to deliver it to other customers.

Retrospective discounts are applied to product sales based on the achievement of the objectives defined within commercial agreements. Sales revenues are recognised net of these discounts, which are estimated on the basis of historical experience using the expected value method, and for amounts which are not expected to be reversed.

Sales do not include a financial component, in that the average terms of payment applied to customers fall within the standard commercial terms for the country in which the sales occur.

**PROVISION OF SERVICES** Revenues from services rendered are recognised when the rendered service has been completed, or based on the stage of completion of the service, at the reporting date.

**ROYALTIES** Royalties are recognised over time on an accrual basis, according to the provisions of the relevant agreement which provides for the transfer to the customer of the right of access to the intellectual property. The amounts for royalties are estimated using the output method. Royalties invoiced for each period directly correlate with the value transferred to the customer.

### FINANCIAL INCOME AND EXPENSES

Financial income and expenses are recognised on an accrual basis.

### DIVIDENDS

Dividends are recognised when the right to collect is established, which normally corresponds to a resolution approved by the Shareholders for the distribution of dividends.

### GOVERNMENT GRANTS

Government grants are recognised on an accrual basis in relation to costs incurred when there is a formal resolution which approves the grant, and when the right to the grant is assured, as it is reasonably certain that the Group will comply with the conditions for obtaining the grant, and that the grant will be received.

Government capital grants are recognised as deferred income under "other payables", and classified as current or non-current for the long-term and short-term portion of these grants, respectively. Deferred income is then recognised under "other income" in the Income Statement on a straight-line basis over the useful life of the asset to which the grant relates.

Government operating grants are recognised in the Income Statement under "other income".

### EARNINGS/(LOSSES) PER SHARE

Earnings/(losses) per share - basic: basic earnings/(losses) per share are calculated by dividing the net income/(loss) attributable to the Group by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

Earnings/(losses) per share - diluted: diluted earnings/(losses) per share are calculated by dividing the net income/(loss)

attributable to the Group by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares. For the purposes of calculating diluted earnings/(losses) per share, the weighted average number of shares outstanding is adjusted by assuming the exercise by all assignees of the rights, which could potentially have a dilutive effect, while the Group's net income/(loss) is adjusted to take into account any effects, net of taxes, of the exercise of these rights.

#### OPERATING SEGMENTS

The operating segment is one part of the Group that engages in business activities that generate revenues and costs, the operating results of which are periodically reviewed by the Chief Executive Officer, in his role as Chief Operating Decision Maker (CODM), for the purposes of taking decisions on the resources to be allocated to the segment, and the evaluation of the results for which financial information is made available.

The activity carried out by the Group is identifiable as a single operating "Consumer Activities" segment.

#### TRANSACTIONS IN FOREIGN CURRENCY

Transactions in a foreign currency are recorded at the prevailing exchange rates on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the prevailing exchange rates at the reporting date. Exchange rate differences arising from the extinguishment of monetary items or their translation at exchange rates which are different than those of their initial recognition for the financial year, or different to those at the end of the previous financial year, are recognised in the Income Statement.

If the conditions for the designation of inter-company monetary items such as "*Net Investment in Foreign Operations*" are met, the translation differences from foreign exchange rates, starting from the date of the designation, are recognised directly in the Consolidated Statement of Comprehensive Income.

#### ACCOUNTING STANDARDS FOR HYPERINFLATIONARY COUNTRIES

Companies, operating in countries where the cumulative inflation rate over a three-year period approximates or exceeds 100%, adopt inflation accounting and discontinue it in the event that the cumulative inflation rate over a three-year period falls below 100%.

Group companies operating in hyperinflationary countries, restate the values for the non-monetary assets and liabilities present in their respective original Financial Statements, in order to eliminate the distorting effects caused by the loss of purchasing power of the currency, with a counter-entry under Financial income/(expenses).

The inflation rate used to implement inflation accounting corresponds to the consumer price index.

Gains or losses on the net monetary position are recognised in the Income Statement.

The financial statements of companies prepared in currencies other than the euro which operate in hyperinflation countries, are translated into euro by applying the period-end exchange rates to the items of both the Statement of Financial Position and the Income Statement.

During the course of the third quarter of 2018, the inflation rate accumulated over the preceding three year period in Argentina exceeded 100%. This, together with other characteristics of the country's economy, prompted the Group to adopt, as of July 1, 2018, the accounting standard IAS 29 - Financial Reporting in Hyperinflationary Economies for the Argentine subsidiary Pirelli Neumaticos S.A.I.C. The same accounting principle has been applied, as of December 15, 2022, to the newly incorporated Argentine subsidiary Latam Servicios Industriales S.A.

During the course of the second quarter of 2022, the inflation rate accumulated over the preceding three year period in Turkey exceeded 100%. This, together with other characteristics of the country's economy, prompted the Group to adopt, as of June 30, 2022, the accounting standard IAS 29 - Financial Reporting in Hyperinflationary Economies for the Turkish subsidiaries Pirelli Otomobil Lastikleri A.S. and Pirelli Lastikleri Dis Ticaret A.S.

#### ENVIRONMENTAL CERTIFICATES AND CONTRACTS FOR THE SUPPLY OF ENERGY

In some European countries, the Group receives greenhouse gas emission allowances free of charge, consistent with the provisions of the European Emission Trading Schemes. These allowances are received on an annual basis and must be delivered to the relevant national authority on the basis of the actual emissions produced in the country.

If the allowances received free of charge are not sufficient to cover the actual emissions produced in the country, the Group purchases the shortfall in allowances which are recognised at cost among prepaid expenses.

Costs associated with greenhouse gas emissions are recognised on an accrual basis, in proportion to the emissions produced in the relevant country during the financial year, and are recognised under other costs with a balancing entry in a provision for risks and charges.

Prepaid expenses, corresponding to the purchase of certificates, are eliminated, as a contra-entry to the reduction of the provision for risks and charges, when the Group's certificates are delivered to the competent authority.

The Group also purchases renewable energy certificates of differing types depending on the regulations applicable in the country of consumption, (for example, Guarantees of Origin - GO in the European Union, Renewable Energy Certificates - REC in the United States, Renewable Energy Guarantee of Origin - REGO in the United Kingdom, International Renewable Energy Certificates - IREC in the remaining countries where Pirelli operates), which are instruments that certify the renewable origin of the electrical energy sources, to offset the electricity consumption of the Group's

companies. The relative associated cost is recognised under other costs.

With reference to electrical energy supply contracts, the Group holds the option to fix the purchase price for predefined periods (monthly, quarterly, yearly). The purpose of these contracts is to meet the Group's own energy purchase needs, and therefore these contracts do not fall within the scope of IFRS 9. The purchase cost of energy is recognised in the Income Statement on an accrual basis, including the cost for the certificate of origin for the energy purchased.

### 3.1 APPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS IN FORCE AS OF JANUARY 1, 2022

Pursuant to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the IFRS standards which entered into force as of January 1, 2022 were as follows:

- Amendments to IFRS 3 - Business Combinations  
These amendments are designed to: (i) complete the update to the references to the Conceptual Framework for Financial Reporting contained in the accounting standard; (ii) provide clarification on the assumptions for the recognition, at the acquisition date, of the provisions, contingent liabilities and tax liabilities assumed as part of a Business Combination transaction; (iii) clarify that contingent assets cannot be recognised as part of a Business Combination transaction.  
There were no impacts on the Group's Financial Statements as a result of these amendments.
- Amendments to IAS 16 – Property, Plant and Equipment - Proceeds before Intended Use  
These amendments prohibit the deduction of amounts received from the sale of products from the cost of property, plant and equipment, while the asset is being prepared for its intended use. Revenue from the sale of products and the relative production cost must be recognised in the Income Statement.  
There were no impacts on the Group's Financial Statements as a result of these amendments.
- Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract  
These amendments specify that the costs to be taken into account when measuring onerous contracts are both the incremental costs for the performance of the contract (for example, direct labour and materials) and the portion of other costs that relate directly the performance of the contract (for example, an allocation of the portion of the depreciation of the assets used for the performance of the contract).  
There were no impacts on the Group's Financial Statements as a result of these amendments.
- Annual Improvements (2018 - 2020 cycle) issued in May 2020  
These amendments are limited to some standards (IFRS 1 – First-time Adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IAS 41 – Agriculture, and explanatory examples for IFRS 16 -

Leases) which clarify the wording or correct omissions conflicts between the requirements of the IFRS standards. There were no impacts on the Group's Financial Statements as a result of these amendments.

### 3.2 INTERNATIONAL ACCOUNTING STANDARDS AND/OR INTERPRETATIONS ISSUED BUT NOT YET IN FORCE IN 2022

Pursuant to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors - the new standards and interpretations that were issued but had not yet entered into force, or had not yet been approved by the European Union at December 31, 2022 and which therefore were not applicable, along with any expected impacts on the Consolidated Financial Statements.

None of these standards and interpretations were adopted in advance by the Group.

- Amendments to IAS 1 – Presentation of Financial Statements - Classification of Liabilities as Current or Non-current  
The amendments clarify the criteria to be applied in classifying liabilities as current or non-current and specify that the classification of a liability is not affected by the probability that settlement of the liability will be delayed for 12 months following the financial year in which it is incurred. The Group's intention to liquidate in the short-term had no impact on their classification. These amendments, which were expected to enter into force on January 1, 2023, have not yet been approved by the European Union. No impacts on the classification of financial liabilities are expected as a result of these amendments.
- Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies  
These amendments provide guidance on the application of materiality judgements to accounting standard disclosures in a way that is more useful; particularly:
  - the requirement to disclose “*significant*” accounting standards has been replaced with the requirement to disclose “*material*” accounting standards;
  - guidance has been added on how to apply the concept of materiality to accounting standard disclosures.

In assessing the materiality of accounting policy disclosures, an entity must also take into account, the size of the transactions, other events or conditions and their nature. These amendments, approved by the European Union, entered into force on January 1, 2023. No impacts on the disclosures in the Group's Financial Statements are expected as a result of these amendments.

- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors  
These amendments introduce a new definition for “*accounting estimates*”, by distinguishing them more clearly from accounting policies, and provide guidance for determining whether changes should be treated as

changes in estimates, changes in accounting standards or errors.

These amendments, approved by the European Union, entered into force on January 1, 2023. No impacts on the Group's Financial Statements are expected as a result of these amendments.

→ Amendments to IAS 12 - Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These amendments eliminate the possibility of not recognising deferred taxes at the time of the initial recognition of transactions that give rise to temporary taxable and deductible differences (e.g., lease contracts).

With reference to lease contracts, these amendments also clarify that, when lease payments are deductible for tax purposes, it is a matter of judgement (after considering the applicable tax law) whether such deductions are attributable for tax purposes to the lease liability recognised in the Financial Statements, or to the related right of use. If the tax deductions are allocated to the right of use, the tax values of the right of use and the lease liability are the same as their carrying amounts, and no temporary differences arise at initial recognition. However, if tax deductions are allocated to the lease liability, the tax values of the right of use and the lease liability are zero, giving rise to temporary taxable and deductible differences, respectively. Even if the gross temporary differences are equal, a deferred tax liability and a deferred tax asset must nevertheless be recognised.

These amendments, approved by the European Union, entered into force on January 1, 2023. No impacts on the Group's Financial Statements are expected as a result of these amendments.

→ IFRS 17 - Insurance Contracts

The IFRS 17, which replaces IFRS 4 - Insurance Contracts, provides a definition of the accounting for insurance contracts issued and reinsurance contracts held.

The provisions of IFRS 17, approved by the European Union, entered into force on January 1, 2023. No impacts on the Group's Financial Statements are expected as a result of these amendments.

→ Amendments to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 Comparative Information

These amendments allow for the elimination of one-off classification differences in comparative information from the previous financial year, at the time of the initial application of the IFRS 17 and IFRS 9 financial instruments. The optional classification overlay introduced by this amendment allows the comparative information presented at the initial application of IFRS 17 and IFRS 9, to be more useful.

These amendments, approved by the European Union, entered into force on January 1, 2023. No impacts on the Group's Financial Statements are expected as a result of these amendments.

→ Amendments to IAS 1 — Presentation of Financial Statements - Non-current Liabilities with Covenants

These amendments specify that the covenants to be

complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require the company to disclose information about such covenants in the Financial Statements.

These amendments, which will enter into force on January 1, 2024, have not yet been approved by the European Union. No impacts on the classification of financial liabilities and in terms of disclosure are expected as a result of these amendments.

→ Amendments to FRS 16 Leases - Lease Liability in a Sale and Leaseback

These amendments specify the requirements for accounting for a sale and leaseback after the transaction date.

In particular, in the subsequent valuation of the liability arising from the leasing contract, the seller-lessee determines the "lease payments" and "revised lease payments" in such a way that no gain or loss is recognised that relates to the retained right of use

These amendments, which will enter into force on January 1, 2024, have not yet been approved by the European Union. No impacts on the Group's Financial Statements are expected as a result of these amendments.

#### 4. FINANCIAL RISK MANAGEMENT POLICIES

The financial risks to which the Group is exposed are mainly related to foreign exchange rate fluctuations, interest rates fluctuations, the price of financial assets held in portfolio, the ability of its customers to meet their obligations to the Group (credit risk), and the procurement of financial resources on the market (liquidity risk).

Financial risk management is an integral part of the management of the Group's activities, and is performed centrally in accordance with the guidelines issued by the Finance Department, as part of the risk management strategies which more generally defined by the Risk Management Committee.

#### 4.1 TYPES OF FINANCIAL RISKS

##### EXCHANGE RATE RISK

The different geographical distribution of the Group's production and commercial activities entails an exposure to exchange rate risk, both transactional and translational.

**A) TRANSACTIONAL EXCHANGE RATE RISK** This risk is generated by the commercial and financial transactions executed by the individual companies in currencies other than the functional currency of the company executing the transaction. Fluctuations in the exchange rate between the time when the commercial/financial relationship originates and the time when the transaction is finalised (collection/payment), can result in exchange rate gains or losses.

The Group aims to minimise the impact of transactional risk associated with volatility. In order to achieve this objective,

the Group's procedures provide that the Operating Units are responsible for the collection of all information inherent to positions subject to transactional risk, for which hedging in the form of forward contracts is entered into with the Group Treasury.

The positions subject to managed exchange rate risk are mainly represented by receivables and payables in foreign currencies.

The Group Treasury is responsible for hedging the resulting net positions for each currency and, in accordance with the pre-established guidelines and restrictions, it in turn closes out all risk positions by negotiating hedging derivative contracts, typically forward contracts, on the market.

For these contracts, the Group did not consider it necessary to activate the hedge accounting option as provided for by IFRS 9, in that the recognition of the effects, on the Income Statement and on the Statement of Financial Position, of the hedging strategy for transactional exchange rate risk is in any case substantially guaranteed, even without the Group availing itself of the aforementioned option.

With reference to some loans denominated in foreign currencies, the Group has entered into derivative contracts (cross currency interest rate swaps), in order to hedge not only interest rate risk but also transactional exchange rate risk, for which hedge accounting has been activated pursuant to the requirements of IFRS 9.

It should also be noted that, as part of the annual and three-year planning process, the Group formulates exchange rate forecasts for these time periods based on the best information available on the market. Fluctuations in the exchange rate between the time when the forecast is made, and the time when the commercial or financial transaction originates, represents the transactional risk for future transactions.

From time to time the Group evaluates the opportunity to

carry out hedging transactions on future transactions, for which it typically makes use of either forward buy or sell transactions or optional risk reversal transactions, (e.g., zero cost collars). If the requirements, as provided for by IFRS 9 are met, hedge accounting is activated.

The impacts on the Group's equity and Income Statement, arising from changes in the exchange rates calculated on outstanding hedging instruments at December 31, 2022, are described in Note 27, "Derivative Financial Instruments".

**B) TRANSLATIONAL EXCHANGE RATE RISK** The Group holds controlling interests in companies that prepare their Financial Statements in currencies other than the euro, which is the currency used to prepare the Consolidated Financial Statements. This exposes the Group to translational exchange rate risk, which arises from the conversion into euro of the assets and liabilities of these subsidiaries. The main exposures to translational exchange rate risk are constantly monitored. At present, in order to mitigate the exposure to the risk generated by changes in the fair value of a net investment in a foreign operation (or rather, an equity investment in the Brazilian company, Pirelli Comercial de Pneus Brasil Ltda.), which is recognised in the Financial Statements at historical cost and denominated in Brazilian real (BRL), a portion of the Brazilian subsidiary's equity has been hedged.

At December 31, 2022 approximately 36.5% of the total consolidated equity was expressed in euro (approximately 36.3% at December 31, 2021). The most significant currencies for the Group other than the euro were the Brazilian real (10.6%; 8.5% at December 31, 2021), the Turkish lira (0.7%; 0.4% at December 31, 2021), the Chinese renminbi (13.4%; 17.7% at December 31, 2021), the Romanian leu (11.8%; 12.5% at December 31, 2021), the Russian rouble (2.9%; 2.2% at December 31, 2021); the British pound sterling (3.4%; 4.0% at December 31, 2021), the Argentine peso (3.6%; 2.5% at December 31, 2021); the US dollar (5.0%; 4.4% at December 31, 2021) and the Mexican peso (10.8%; 10.1% at December 31, 2021).

The effects on consolidated equity which derive from a hypothetical appreciation / depreciation of the euro against the above listed currencies - all other conditions being equal, were as follows:

(in thousands of euro)

	Appreciation of 10%		Depreciation of 10%	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Brazilian Real	64,084	47,609	(52,432)	(38,953)
Turkish Lira	4,344	2,013	(3,554)	(1,647)
Chinese Renmimbi	81,367	98,871	(66,573)	(80,894)
Romanian Leu	71,367	70,086	(58,392)	(57,343)
Russian Rouble	17,385	12,061	(14,224)	(9,868)
British Pound Sterling	20,533	22,528	(16,800)	(18,432)
Argentinian Peso	21,569	13,767	(17,647)	(11,264)
US Dollar	30,158	24,675	(24,675)	(20,189)
Mexican Peso	65,604	56,501	(53,676)	(46,228)
<b>Total on consolidated equity</b>	<b>376,411</b>	<b>348,111</b>	<b>(307,973)</b>	<b>(284,818)</b>

It should be noted that, during the course of 2022, the Turkish lira and the Argentine peso suffered a depreciation of more than -10%. For information on the effect on equity, reference should be made to Note 20, "Equity".

#### INTEREST RATE RISK

Interest rate risk is represented by the exposure to variability in the fair value or the future cash flows of financial assets or liabilities, due to changes in market interest rates. The Group evaluates, based on market conditions, whether to enter into derivative contracts in order to hedge interest rate risk, for which hedge accounting is activated when the conditions as provided for by IFRS 9 are met.

The table below shows the effects on the net income/(loss) resulting from an increase or decrease of 0.50% in the level of interest rates of all currencies to which the Group is exposed – all other conditions being equal:

(in thousands of euro)

	+0.50%		-0.50%	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Impact on Net income/(loss)	(8,573)	(5,986)	8,573	5,986

The effects on the Group's equity resulting from changes in the EURIBOR rates, calculated on the hedging instruments for interest rates which were outstanding at December 31, 2022, are described in Note 27, "Derivative Financial Instruments".

#### PRICE RISK ASSOCIATED WITH FINANCIAL ASSETS

The Group's exposure to price risk is limited to the volatility of financial assets such as listed equity securities and bonds or financial assets indirectly associated with listed equity securities, which amounted to approximately 1.47% of the total consolidated assets at December 31, 2022 (0.74% at December 31, 2021). These assets were classified as other financial assets at fair value through Other Comprehensive Income and other financial assets at fair value through the Income Statement.

No derivatives were put in place to limit the volatility risk for these assets.

Financial assets are subdivided as follows:

- financial assets at fair value through Other Comprehensive Income which consisted of listed equity securities which amounted to euro 16,570 thousand (euro 21,855 thousand at December 31, 2021), and securities indirectly associated with listed equity securities (Fin. Priv. S.r.l.), which amounted to euro 18,865 thousand (euro 21,171 thousand at December 31, 2021);
- financial assets at fair value through the Income Statement which amounted to euro 169,328 thousand and consisted of Argentine dollar-linked bonds (euro 85,912 thousand at December 31, 2021).

Financial assets at fair value through other Comprehensive Income constituted 12.0% of the total financial assets subject to price risk (25.2% at December 31, 2021). A change of +5% in the price of the aforesaid listed securities, all other conditions being equal, would result in a positive change to the Company's equity of euro 828 thousand (a positive change of euro 1,093 thousand at December 31, 2021 while a change of -5% in the price of the aforesaid listed equities, all other conditions being equal, would result in a negative change to the Company's equity of euro 828 thousand (a negative change of euro 1,093 thousand to the Group's equity at December 31, 2021).

Financial assets at fair value through the Income Statement constituted 59.0% of the total financial assets subject to price risk (50.3% at December 31, 2021). A change of +5% in the price of the aforesaid listed securities, all other conditions being equal, would result in a positive change to the Group's net income of euro 9,366 thousand (euro 4,041 thousand at December 31, 2021), while a change of -5% in the price of the aforesaid listed equities, all other conditions being equal, would result in a negative change to the Group's net income of euro 6,172 thousand (euro 3,882 thousand at December 31, 2021).

#### CREDIT RISK

Credit risk represents the Group's exposure to potential losses arising from the non-fulfilment of the commercial and financial obligations undertaken by counterparties. As regards these commercial counterparties, in order to limit this risk, Pirelli has put in place procedures to assess the potential and financial creditworthiness of customers, to

monitor expected cash flows and to take any recovery action. The aim of these procedures is to define customer credit limits, whereby in the event that those limits are exceeded, the rule to withhold further supplies is activated. In some cases customers are asked to provide guarantees, mainly bank guarantees issued by parties of the highest credit or personal standing. Less frequently, mortgage guarantees may be requested.

Other instruments used for commercial credit risk management is the taking out of insurance policies. For over 10 years a master agreement has been in place, which was recently renewed for the 2023-2024 two-year period, with a leading insurance company with an AA credit rating according to Standard & Poors, for the worldwide coverage of credit risk mainly related to sales in the Replacement channel (the coverage ratio at December 31, 2022 exceeded 70%).

However, as regards the financial counterparties for the management of its temporary cash surpluses, or for trading in derivative instruments, the Group deals only with entities of the highest credit standing. Pirelli does not hold public debt instruments from any European country, and constantly monitors its net credit exposure to the banking system and, does not have any significant concentrations of credit risk.

Expected losses on trade receivables are calculated throughout the life of the receivables, starting from the moment of initial recognition, using a matrix linked to the customer's credit rating and credit ageing which is adjusted to take into account forecasting factors specific to certain creditors as well as the presence of any collateral and other credit enhancement instruments, such as the insurance policies mentioned above. The calculation of expected losses is based on (i) a matrix which includes the credit ratings of customers provided by independent market assessors, and on (ii) the value of receivables, which takes the collateral and related insurance coverage into account. The customer rating considers, among other things, the effects of exogenous risks that could include, should customers be exposed to them in the specific markets in which they operate, risks related to Covid 19 and climate change, determining the probability of default used in the calculation and impacting the ceiling levels granted by the insurance company to each counterparty.

The bad debt provision at December 31, 2022 was calculated according to the method described above, and was composed as follows:

(in thousands of euro)

	<b>Current</b>	<b>Past due &gt; 30 days</b>	<b>Past due &gt; 90 days</b>	<b>Past due &gt; 180 days</b>	<b>Total</b>
<i>Expected loss rate</i>	2.3%	11.4%	11.9%	60.3%	10.7%
Exposure net of credit enhancements	514,616	35,547	18,454	85,649	654,267
Bad debt provision	(11,949)	(4,038)	(2,203)	(51,687)	(69,877)

The position at December 31, 2021 was as follows:

(in thousands of euro)

	<b>Current</b>	<b>Past due &gt; 30 days</b>	<b>Past due &gt; 90 days</b>	<b>Past due &gt; 180 days</b>	<b>Total</b>
<i>Expected loss rate</i>	3.0%	6.2%	10.6%	64.2%	10.9%
Exposure net of credit enhancements	518,807	53,413	13,964	81,945	668,129
Bad debt provision	(15,621)	(3,302)	(1,477)	(52,580)	(72,979)

At December 31, 2022, the exposure gross of credit enhancements amounted to euro 998,424 thousand. The bad debt provision, which was calculated without taking into account the presence of any collateral securities and other credit enhancement instruments, amounted to euro 73,327 thousand.

The difference between the exposure gross of credit enhancements amounting to euro 998,424 thousand and the value of the trade receivables amounting to euro 706,323 thousand reported in Note 14, "Trade Receivables", was mainly due to credit notes to be issued that were not taken into account in the calculation of the bad debt provision.

#### LIQUIDITY RISK

Liquidity risk represents the risk that the Company's available financial resources may be insufficient to meet its financial and commercial obligations pursuant to contractual terms and conditions and within the due time.

The main instruments used by the Group to manage liquidity risk are constituted by one-year and three-year financial plans as well as treasury plans, in order to allow for the complete and correct detection and measurement of cash inflows and outflows. The differences between the plans and the final data are subjected to constant analysis.

The Group has implemented a centralised system for the management of collection and payment flows in compliance with the various local currency and tax regulations. The negotiation and management of banking relationships is carried out centrally, in order to ensure hedging for short and medium-term financial needs at the lowest possible cost. Even the procurement of medium to long-term resources on the capital market is optimised through centralised management.

The prudent management of the aforementioned risk requires the maintenance of an adequate level of cash or cash equivalents and/or highly liquid short-term securities, and the availability of funds obtainable through an adequate amount of committed credit facilities and/or the possibility of resorting to the capital market and diversifying products and maturities to seize the best opportunities available.

Furthermore, the Group has adopted an extremely prudent approach to the maturities of its financial debt, refinancing them well in advance in order to minimise the risks associated with liquidity crises or market shut-downs.



At December 31, 2022 the Group had, a liquidity margin of euro 2,536,628 thousand, calculated as the sum of cash and cash equivalents and other financial assets at fair value through the Income Statement current, to the amount of euro 1,536,628 thousand (euro 1,998,550 thousand at December 31, 2021) and unused credit facilities to the amount of euro 1,000,000 thousand (euro 700,000 thousand at December 31, 2021). The above-mentioned liquidity margin is sufficient to cover financial debt maturities until the end of the first quarter of 2025.

**Maturities for Financial Liabilities at December 31, 2022** were composed as follows:

(in thousands of euro)

	within 1 year	1 to 2 years	2 to 5 years	over 5 years	Total
Trade payables	1,973,296	-	-	-	1,973,296
Other payables	405,578	13,403	19,808	41,363	480,152
Derivative financial instruments	19,558	-	-	-	19,558
Borrowings from banks and other financial institutions	928,676	1,593,769	2,180,563	193,316	4,896,324
<i>of which lease liabilities</i>	<i>108,469</i>	<i>93,235</i>	<i>196,159</i>	<i>193,316</i>	<i>591,179</i>
	<b>3,327,108</b>	<b>1,607,172</b>	<b>2,200,371</b>	<b>234,679</b>	<b>7,369,330</b>

**Maturities for Financial Liabilities at December 31, 2021** were composed as follows:

(in thousands of euro)

	within 1 year	1 to 2 years	2 to 5 years	over 5 years	Total
Trade payables	1,626,367	-	-	-	1,626,367
Other payables	314,203	11,509	26,310	38,666	390,688
Derivative financial instruments	18,936	1,769	148	-	20,853
Borrowings from banks and other financial institutions	1,543,592	1,220,559	2,535,452	226,980	5,526,585
<i>of which lease liabilities</i>	<i>98,638</i>	<i>86,353</i>	<i>193,246</i>	<i>226,980</i>	<i>605,218</i>
	<b>3,503,098</b>	<b>1,233,838</b>	<b>2,561,910</b>	<b>265,646</b>	<b>7,564,493</b>

## 5. INFORMATION ON FAIR VALUE

### 5.1 FAIR VALUE MEASUREMENT

The following table shows **assets and liabilities measured at fair value at December 31, 2022**, subdivided into three levels:

(in thousands of euro)

	Note	Carrying amount at 12/31/2022	Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS:</b>					
<b>Financial assets at fair value through Income Statement:</b>					
Other current financial assets at fair value through Income Statement	18	246,884	169,328	77,556	-
Current derivative financial instruments	27	15,313	-	15,313	-
<b>Derivative hedging instruments:</b>					
Current derivative financial instruments	27	7,368	-	7,368	-
Non-current derivative financial instruments	27	26,430	-	26,430	-
<b>Other financial assets at fair value through Other Comprehensive Income:</b>					
Securities and shares		46,644	16,570	18,865	11,209
Investment funds		1,775	-	1,775	-
	12	48,419	16,570	20,640	11,209
<b>TOTAL ASSETS</b>		<b>344,414</b>	<b>185,898</b>	<b>147,307</b>	<b>11,209</b>
<b>FINANCIAL LIABILITIES:</b>					
<b>Financial assets at fair value through Income Statement:</b>					
Current derivative financial instruments	27	(19,558)	-	(19,558)	-
<b>TOTAL LIABILITIES</b>		<b>(19,558)</b>	<b>-</b>	<b>(19,558)</b>	<b>-</b>

The following table shows **assets and liabilities measured at fair value at December 31, 2021**, subdivided into the three levels defined above:

(in thousands of euro)

	Note	Carrying amount at 12/31/2021	Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS:</b>					
<b>Financial assets at fair value through Income Statement:</b>					
Other current financial assets at fair value through Income Statement	18	113,901	85,912	27,989	-
Current derivative financial instruments	27	17,345	-	17,345	-
<b>Derivative hedging instruments:</b>					
Current derivative financial instruments	27	29,217	-	29,217	-
Non-current derivative financial instruments	27	4,612	-	4,612	-
<b>Other financial assets at fair value through Other Comprehensive Income:</b>					
Securities and shares		54,082	21,855	21,171	11,056
Investment funds		2,825	-	2,825	-
	12	56,907	21,855	23,996	11,056
<b>TOTAL ASSETS</b>		<b>221,982</b>	<b>107,767</b>	<b>103,159</b>	<b>11,056</b>
<b>FINANCIAL LIABILITIES:</b>					
<b>Financial assets at fair value through Income Statement:</b>					
Current derivative financial instruments	27	(15,209)	-	(15,209)	-
<b>Derivative hedging instruments:</b>					
Current derivative financial instruments	27	(979)	(77)	(902)	-
Non-current derivative financial instruments	27	(3,519)	-	(3,519)	-
<b>TOTAL LIABILITIES</b>		<b>(19,707)</b>	<b>(77)</b>	<b>(19,630)</b>	<b>-</b>

The following table shows **changes in the financial assets classified as level 3, that occurred during 2022:**

(in thousands of euro)

<b>Opening balance 01/01/2022</b>	<b>11,056</b>
Translation differences	(11)
Fair value adjustments through Other Comprehensive Income	164
<b>Closing balance 12/31/2022</b>	<b>11,209</b>

These financial assets are mainly represented by equity investments in the *Istituto Europeo di Oncologia* (European Institute of Oncology) (euro 8,139 thousand), Telco S.r.l (euro 450 thousand), Genextra (euro 629 thousand) and Ticom I LP (euro 186 thousand).

The **fair value adjustments through Other Comprehensive Income** equalled a positive amount of euro 164 thousand, and mainly refers to the fair value adjustment of the investment in the *Istituto Europeo di Oncologia* (European Institute of Oncology).

During the course of 2022 there were no transfers from level 1 to level 2 or vice versa, nor from level 3 to other levels and vice versa.

The financial instruments included in level 1, are mainly comprised of equity investments classified as financial assets at fair value through Other Comprehensive Income.

## 5.2 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The table below shows the carrying amounts for each class of financial assets and liabilities as identified by IFRS 9:

(in thousands of euro)

	Note	Carrying amount at 12/31/2022	Carrying amount at 12/31/2021
<b>FINANCIAL ASSETS</b>			
<b>Financial assets at fair value through Income Statement</b>			
Other financial assets at fair value through Income Statement	18	246,884	113,901
Current derivative financial instruments	27	15,313	17,345
		262,197	131,246
<b>Financial assets at amortised cost</b>			
Other non-current receivables	15	276,645	362,944
Current trade receivables	14	636,446	659,209
Other current receivables	15	695,744	470,577
Cash and cash equivalents	19	1,289,744	1,884,649
		2,898,579	3,377,379
<b>Financial assets at fair value through Other Comprehensive Income (FVOCI)</b>			
Other financial assets at fair value through Other Comprehensive Income	12	48,419	56,907
<b>Financial hedging derivative instruments</b>			
Current derivative financial instruments	27	7,368	29,217
Non-current financial derivative instruments	27	26,430	4,612
<b>TOTAL FINANCIAL ASSETS</b>		<b>3,242,993</b>	<b>3,599,361</b>

	Note	Carrying amount at 12/31/2022	Carrying amount at 12/31/2021
<b>FINANCIAL LIABILITIES</b>			
<b>Financial liabilities at fair value through Income Statement</b>			
Current derivative financial instruments	27	19,558	15,209
<b>Financial liabilities valued at amortised cost</b>			
Non-current borrowings from banks and other financial institutions (excl. lease liabilities)	23	3,293,614	3,376,573
Other non-current payables	25	74,574	76,485
Current borrowings from banks and other financial institutions (excl. lease liabilities)	23	711,401	1,397,638
Current trade payables	24	1,973,296	1,626,367
Other current payables	25	405,578	314,203
		6,458,463	6,791,266
<b>Lease liabilities</b>			
Non-current lease liabilities	23	396,497	412,796
Current lease liabilities	23	88,988	91,611
		485,485	504,407
<b>Derivative financial hedging instruments</b>			
Non-current derivative financial instruments	27	-	3,519
Current derivative financial instruments	27	-	979
		-	4,498
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>6,963,506</b>	<b>7,315,380</b>

## 6. CAPITAL MANAGEMENT POLICY

The Group's objective is to maximise the return on net invested capital while maintaining the ability to operate over time, guaranteeing adequate returns for shareholders and benefits for other stakeholders, foreseeing a gradual deleverage of the Group's financial structure to be achieved over the short to medium-term period, as reported in the "Outlook for 2023" section of the *Directors' Report on Operations*.

The main indicator that the Group uses for capital management is the R.O.I.C., which is calculated as the ratio between the EBIT adjusted net of tax effects and the average net invested capital, which does not include "Investments in associates and joint ventures", "Other financial assets at fair value through Other Comprehensive Income", "Other non-current financial assets at fair value through the Income Statement", "Other non-current assets", the intangible assets relative to assets recognised as a consequence of Business Combinations, the deferred tax liabilities relative to the latter and the "Provisions for employee benefit obligations current and non-current".

R.O.I.C. for the 2022 financial year equalled 20.3%, compared to 17.6% for 2021, thanks to the improved operating performance.

## 7. ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated Financial Statements entails the necessity of *Management* in making estimates and assumptions which, under certain circumstances are based on difficult and subjective evaluations and estimates based on historical experience, as well as assumptions that are from time to time considered reasonable and realistic in light of the circumstances. It is possible that the actual results could therefore differ from these estimates. The estimates and assumptions are reviewed periodically and the effects of any changes made to them are reflected in the Income Statement for the period in which the estimate is revised. If such estimates and assumptions, based on the best valuation available at the time, should differ from actual circumstances, they are consequentially modified for the period in which the change of circumstances occurred. The estimates and assumptions refer mainly to assessments of the recoverability of goodwill and other intangible assets with an indefinite useful life, to the definition of the useful lives of property, plant and equipment and intangible assets, to the recoverability of receivables, to the determination of taxes (current and deferred), to the evaluation of pension plans and other post-employment benefits and to the recognition/valuation of the provisions for liabilities and charges.

### GOODWILL

In accordance with the accounting standards adopted for the preparation of the Financial Statements, goodwill is tested annually in order to ascertain the existence of any impairment. Specifically, testing involves the allocation of goodwill to the groups of cash generating units (which for the Group coincide with the business sector or the Consumer Activities), and the subsequent determination of the relative recoverable amount, being the higher amount between the fair value and the value in use.

If the recoverable amount proves to be lower than the carrying amount of the group of cash generating units to which goodwill has been allocated, the goodwill allocated to them is impaired.

The value configuration used to determine the recoverable amount for Consumer Activities at December 31, 2022 is the value in use, which corresponds to the present value of the future financial cash flows which are expected to be generated by the group of CGUs, using a discount rate that reflects the specific risks of the group of CGUs at the valuation date.

The key assumptions used by management were the estimated future increases in sales, operating cash flows and growth rate of operating cash flows beyond the explicit forecast period for the purposes of estimating the terminal value and the weighted average cost of capital (discount rate).

### PIRELLI BRAND (INTANGIBLE ASSET WITH AN INDEFINITE USEFUL LIFE)

The Pirelli Brand is an intangible asset with an indefinite useful life not subject to amortisation, but pursuant to IAS 36, is tested for impairment on an annual basis or more

frequently, if specific events or circumstances arise that may indicate an impairment.

The configuration of the recoverable amount for impairment testing purposes at December 31, 2022, was the fair value calculated on the basis of the income approach (the so-called Level 3 of the IFRS 13 hierarchy – Fair Value Measurement).

The key assumptions used by management were the estimated future increases in sales and operating cash flows and the relative growth rates beyond the explicit forecast period for the purposes of estimating the terminal value and the discount rate, which is based on the weighted average cost of capital plus a premium determined according to the riskiness of the specific asset.

### OWNED TANGIBLE ASSETS

In accordance with the relevant accounting fixed assets are tested, in order to ascertain whether there has been any impairment when there are indicators that signal that difficulties are to be expected for the recovery of their relative net carrying amount, through their use. The verification of the existence of the aforesaid impairment indicators requires that the Directors make subjective judgements based on the information available from both internal and external sources as well as on historical experience. Also if it is determined that a potential impairment may have been generated, the impairment is calculated using the suitable evaluation techniques. The correct identification of the indicators of a potential impairment, as well as the estimates used to determine the impairment, depend on a subjective evaluation as well as on factors that may change over time which influence the valuations and estimates made by Management.

### RIGHT OF USE AND LEASE LIABILITIES

As regards the estimates and assumptions used for the determination of lease liabilities and the right of use, the application of IFRS 16 has introduced some elements of professional judgement as well as the use of assumptions and estimates in relation to the lease term and the definition of the incremental borrowing rate.

The main ones are summarised as follows:

- contract renewal clauses are taken into account for the purposes of determining the duration of the contract, that is, when the Group has the option to exercise these clauses without the need to obtain the consent of the other party, and when their exercise is considered reasonably certain. In the case of clauses which provide for multiple renewals that can be exercised unilaterally by the Group, only the first extension period is considered;
- automatic renewal clauses in contracts, in which both parties have the right to terminate the contract, are not taken into account for the purposes of determining the duration of the contract, as the ability to extend the duration is not under the unilateral control of the Group, and the penalty to which the lessor could be exposed to is not significant. However, in the event that the lessor is exposed to a significant penalty, the Group evaluates the

inclusion of the renewal option in the determination of the duration of the contract. This assessment is also made by taking into account the degree of customisation of the leased asset. If customisation is high, the lessor may incur a significant penalty if it opposes renewal;

- early termination clauses: such clauses are not taken into account when determining the duration of the contract, if they are exercisable only by the lessor and not by both parties. In cases where they can be unilaterally exercised by the Group, specific assessments are made on a contract by contract basis, (for example, the Group is already negotiating a new contract or has already given notice to the lessor);
- the incremental borrowing rate is the risk-free rate of the country in which the contract is traded, and is based on the duration of the contract itself. It is then adjusted according to the Group's credit spread and the local credit spread.

#### INCOME TAXES (CURRENT AND DEFERRED)

Income taxes (current and deferred) are determined in each country in which the Group operates according to a prudent interpretation of the tax regulations in force. This process sometimes involves complex estimates in determining taxable income and temporary deductible and taxable differences between carrying amounts and tax amounts. Specifically, deferred tax assets are recognised to the extent to which it is probable that future taxable income will be available against which they can be recovered. The assessment of the recoverability of deferred tax assets, recorded in relation both to tax losses that may be used in subsequent financial years and to temporary deductible differences, takes into account the estimate of future taxable income and is based on prudent tax planning. With regard to situations in which the applicable tax legislation in force lends itself to interpretation,

if the Group considers it probable (greater than 50%), that the tax authority will accept the tax treatment adopted, the net income/(loss) before tax is determined in accordance with the tax treatment applied in the tax return. If this is not the case, the effect of any uncertainty is reflected in the determination of the net income/(loss) before tax. The probability refers to the likelihood that the tax authority will not accept the tax treatment adopted, and not to the likelihood of the assessment.

#### PENSION FUNDS

Some of the companies of the Group have put in place, pension plans, health insurance plans and other defined benefit plans for their employees, primarily in the United Kingdom and the United States. These funds were closed to new participants, and therefore the actuarial risk refers only to past obligations. Management, through the use of a leading actuarial services firm, utilises actuarial assumptions to calculate the liabilities and assets servicing these pension plans. The actuarial assumptions of a financial nature concern the discount rate, the rate of inflation and the trend in medical costs. The actuarial assumptions of a demographic nature are essentially concerned with mortality rates. The Group has identified discount rates which it has deemed are balanced, given their context.

#### PROVISIONS FOR LIABILITIES AND CHARGES

In view of the legal and tax risks relative to indirect taxes, provisions for the risk of unfavourable outcomes have been recognised. The value of provisions recognised in the Financial Statements for these risks represents the best estimate made by Management, for potential legal and tax disputes concerning a wide range of issues that are subject to the jurisdiction of various countries.

## 8. OPERATING SEGMENTS

IFRS 8 - Operating segments, defines an operating segment as a component:

- which involves entrepreneurial activities which generate revenues and costs;
- whose operating results are periodically reviewed by the Chief Executive Officer, in his role as Chief Operating Decision Maker (CODM);
- for which separate Income Statement, Statement of Financial Position and Financial Statements data is available.

For the purposes of IFRS 8, the activities performed by Consumer Activities are identifiable in a single operating sector.

Revenues from **sales and services according to geographical region** were as follows:

(in thousands of euro)

	2022	2021
Europe and Turkey	2,441,632	2,058,539
North America	1,592,083	1,145,656
APAC	1,093,058	1,018,817
South America	902,247	667,567
Russia, Nordics and MEAI	586,707	440,871
<b>Total</b>	<b>6,615,727</b>	<b>5,331,450</b>

**Non-current assets by geographic region** allocated on the basis of the country where the assets are located, were as follows:

(in thousands of euro)

	12/31/2022		12/31/2021	
Europe and Turkey	5,211,800	59.34%	5,352,217	61.00%
North America	510,105	5.81%	416,304	4.74%
APAC	515,141	5.87%	539,778	6.15%
South America	463,592	5.28%	384,362	4.38%
Russia, Nordics and MEAI	197,198	2.25%	198,153	2.26%
Non-current unallocated assets	1,884,629	21.45%	1,883,765	21.47%
<b>Total</b>	<b>8,782,465</b>	<b>100.00%</b>	<b>8,774,579</b>	<b>100.00%</b>

The **non-current allocated assets** reported in the preceding table consist of property, plant and equipment and intangible assets, excluding goodwill. The **non-current unallocated assets** are relative to goodwill.



## 9. PROPERTY, PLANT AND EQUIPMENT

Their composition was as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
<b>Total Net Value:</b>	<b>3,399,628</b>	<b>3,288,914</b>
- Owned tangible assets	2,952,780	2,823,765
- Right of use	446,848	465,149

### 9.1 OWNED TANGIBLE ASSETS

Their composition and changes were as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Gross Value	Accumulated Depreciation	Net Value	Gross Value	Accumulated Depreciation	Net Value
Land	147,977	-	<b>147,977</b>	144,121	-	<b>144,121</b>
Buildings	909,178	(234,420)	<b>674,758</b>	848,138	(196,180)	<b>651,958</b>
Plants and machinery	2,979,444	(1,149,033)	<b>1,830,411</b>	2,704,531	(949,926)	<b>1,754,605</b>
Industrial and trade equipment	667,978	(438,739)	<b>229,239</b>	574,926	(361,250)	<b>213,676</b>
Other assets	141,941	(71,546)	<b>70,395</b>	124,286	(64,881)	<b>59,405</b>
<b>Total</b>	<b>4,846,518</b>	<b>(1,893,738)</b>	<b>2,952,780</b>	<b>4,396,002</b>	<b>(1,572,237)</b>	<b>2,823,765</b>

### NET VALUE

(in thousands of euro)

	12/31/2021	Hyperinflation Argentina and Turkey	Currency translation differences	Increases	Decreases	Depreciation	Devaluation	Recl./Other	12/31/2022
Land	<b>144,121</b>	1,498	1,585	145	-	-	-	628	<b>147,977</b>
Buildings	<b>651,958</b>	6,156	18,566	34,907	(54)	(36,392)	(414)	31	<b>674,758</b>
Plants and machinery	<b>1,754,605</b>	25,685	33,634	230,810	(1,680)	(193,564)	(19,679)	600	<b>1,830,411</b>
Industrial and trade equipment	<b>213,676</b>	7,464	6,368	77,918	(1,124)	(74,876)	(582)	395	<b>229,239</b>
Other assets	<b>59,405</b>	3,711	(1,602)	22,033	(318)	(9,830)	(7)	(2,997)	<b>70,395</b>
<b>Total</b>	<b>2,823,765</b>	<b>44,514</b>	<b>58,551</b>	<b>365,813</b>	<b>(3,176)</b>	<b>(314,662)</b>	<b>(20,682)</b>	<b>(1,343)</b>	<b>2,952,780</b>

## NET VALUE

(in thousands of euro)

	12/31/2020	Hyperinflation Argentina and Turkey	Currency translation differences	Increases	Decreases	Depreciation	Devaluation	Recl./Other	12/31/2021
Land	147,406	(831)	(2,412)	-	(39)	-	-	(3)	144,121
Buildings	636,696	3,777	20,956	26,456	(287)	(33,798)	(1,882)	40	651,958
Plants and machinery	1,695,154	7,023	45,514	188,405	(1,924)	(176,971)	(2,505)	(91)	1,754,605
Industrial and trade equipment	197,246	4,835	4,176	79,239	(1,789)	(70,229)	(1,278)	1,476	213,676
Other assets	49,253	2,410	131	20,875	(330)	(9,879)	(46)	(3,009)	59,405
<b>Total</b>	<b>2,725,755</b>	<b>17,214</b>	<b>68,365</b>	<b>314,975</b>	<b>(4,369)</b>	<b>(290,877)</b>	<b>(5,711)</b>	<b>(1,587)</b>	<b>2,823,765</b>

The item **Hyperinflation Argentina and Turkey** refers to the revaluation of the assets held by the Argentine and Turkish subsidiaries as a consequence of the application of the IAS 29 accounting standard - Financial Reporting in Hyperinflationary Economies, (euro 30,003 thousand for Argentina and euro 14,511 thousand for Turkey). This effect was partially offset by negative **currency translation differences** (euro 20,365 thousand for Argentina and euro 2,915 thousand for Turkey).

**Increases**, totalling euro 365,813 thousand, were primarily aimed at the High Value segment, at the continuous improvement in the mix and quality in all manufacturing plants, and at increasing production capacity in Mexico, and Romania.

The ratio of investments to depreciation for 2022 was equal to 1.16, (1.08 for the financial year 2021).

The item **devaluation** refers mainly to plants and machinery in operation in the subsidiary in Russia. It should also be noted that the protracted direct effects of the Russia-Ukraine crisis on the operating activities located in Russia, represented an impairment indicator, and therefore the relative tangible fixed assets belonging to the Kirov and Voronezh factories, which represent two separate cash generating units, were subjected to an impairment test. The value configuration used to determine the recoverable amount at December 31, 2022 was the value in use, which corresponds to the present value of the future cash flows which are expected to be associated with the two CGUs, using a rate, equal to 25%, that reflects the risks specific to the assets at the valuation date.

The recoverable amount for the Kirov CGU was found to be euro 14 million lower than the carrying amount, and therefore the impairment was recognised in the Income Statement.

**Property, plant and equipment in progress** at December 31, 2022 included in the individual fixed asset categories amounted to euro 240,255 thousand, (euro 183,468 thousand at December 31, 2021). The main projects included under property, plant and equipment in progress were the initiation of new projects to increase production capacity, the constant technological upgrading of the manufacturing plants and machinery, which is also aimed at increasing their safety from an EHS (Environmental, Health and Safety) perspective, and the investments in machinery for the development of new product lines and the improvement of existing products. These investments were concentrated in Mexico, Romania, China and Italy.

It should be noted that the companies of the Group did not pledge any property, plant and equipment as collateral.

## 9.2 RIGHT OF USE

The net value of the assets for which the Group has entered into lease contracts, is detailed as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Right of use land	17,992	17,312
Right of use buildings	349,257	366,512
Right of use plants and machinery	23,179	27,382
Right of use other assets	56,420	53,943
<b>Total net right of use</b>	<b>446,848</b>	<b>465,149</b>

The item **right of use buildings** mainly refers to contracts relative to offices, warehouses and points of sale.

The item **right of use other assets** mainly refers to contracts relative to motor vehicles and transport equipment. These contracts also include the service component (non-lease component).

Lease contracts are negotiated on an individual basis and include a wide variety of terms and conditions.

Increases in the right of use for the 2022 financial year, also including remeasurements, amounted to euro 79,746 thousand (euro 122,416 thousand for 2021). These increases refer mainly to new contracts for logistics warehouses in the USA and Australia and to industrial equipment in Mexico and Romania.

In reference to remeasurements, the following impacts are indicated for 2022:

- contracts for the lease of several sales outlets in Germany were extended and the relative rental fees were revised, with a corresponding increase in the right of use of euro 4,265 thousand;
- contracts for the lease of offices and warehouses in Germany were extended for 5 and 1.5 years respectively, with a corresponding increase in the right of use of euro 2,981 thousand;
- rental rates for an office building in Italy were adjusted for inflation, with a corresponding increase in the right of use of euro 2,301 thousand.

**Depreciation of the right of use** recognised in the Income Statement and included under the item “*Depreciation, Amortisation and Impairments*” (Note 32), was composed as follows:

(in thousands of euro)

	2022	2021
Land	1,320	1,154
Buildings	67,955	61,014
Plants and machinery	6,789	7,374
Other assets	19,748	18,866
<b>Total depreciation of right of use</b>	<b>95,812</b>	<b>88,408</b>

For interest on lease liabilities, reference should be made to Note 37, “*Financial Expenses*”.

Information on costs relative to lease contracts with a duration of less than twelve months, lease contracts for assets with a low unit value and lease contracts with variable lease payments, is included in Note 33, “*Other Costs*”.

## 10. INTANGIBLE ASSETS

Their composition and changes were as follows:

### NET VALUE

(in thousands of euro)

	12/31/2021	Currency translation differences	Increase	Decrease	Amortisation	Impairment	Recl./Other	12/31/2022
Concessions, licenses and trademarks - finite useful life	<b>72,588</b>	(66)	880	-	(3,689)	-	(2)	<b>69,711</b>
Pirelli Brand - indefinite useful life	<b>2,270,000</b>	-	-	-	-	-	-	<b>2,270,000</b>
Goodwill	<b>1,883,765</b>	864	-	-	-	-	-	<b>1,884,629</b>
Customer relationships	<b>239,639</b>	(773)	-	-	(34,577)	-	-	<b>204,289</b>
Technology	<b>968,617</b>	-	-	-	(76,850)	-	-	<b>891,767</b>
Software applications	<b>39,568</b>	239	27,311	(132)	(16,946)	(697)	277	<b>49,620</b>
Patents and design patent rights	<b>10,194</b>	-	3,676	-	(1,413)	-	-	<b>12,457</b>
Other intangible assets	<b>1,294</b>	34	45	(145)	(318)	(462)	(84)	<b>364</b>
<b>Total</b>	<b>5,485,665</b>	<b>298</b>	<b>31,912</b>	<b>(277)</b>	<b>(133,793)</b>	<b>(1,159)</b>	<b>191</b>	<b>5,382,837</b>

### NET VALUE

(in thousands of euro)

	12/31/2020	Currency translation differences	Increase	Decrease	Amortisation	Recl./Other	12/31/2021
Concessions, licenses and trademarks - finite useful life	<b>73,694</b>	2,375	303	-	(3,872)	88	<b>72,588</b>
Pirelli Brand - indefinite useful life	<b>2,270,000</b>	-	-	-	-	-	<b>2,270,000</b>
Goodwill	<b>1,883,945</b>	57	-	(237)	-	-	<b>1,883,765</b>
Customer relationships	<b>273,870</b>	189	180	-	(34,607)	7	<b>239,639</b>
Technology	<b>1,045,467</b>	-	-	-	(76,850)	-	<b>968,617</b>
Software applications	<b>26,181</b>	(9)	26,548	-	(12,669)	(483)	<b>39,568</b>
Patents and design patent rights	<b>7,689</b>	-	3,548	-	(1,043)	-	<b>10,194</b>
Other intangible assets	<b>1,187</b>	(11)	-	(5)	(352)	475	<b>1,294</b>
<b>Total</b>	<b>5,582,033</b>	<b>2,601</b>	<b>30,579</b>	<b>(242)</b>	<b>(129,393)</b>	<b>87</b>	<b>5,485,665</b>

Intangible assets were composed as follows:

- the Pirelli Brand (indefinite useful life) to the amount of euro 2,270,000 thousand. It should be noted that the evaluation of the useful life of brands is based on a series of factors including the competitive environment, market share, history of the Brand, life cycles of the underlying product, operating plans and the macroeconomic environment of the countries in which the related products are sold. Specifically, the useful life of the Pirelli Brand was assessed as indefinite on the basis of its history of over one hundred and fifty years of success (established in 1872), and on the intention and ability of the Group to continue investing in order to support and maintain the Brand;
- the Metzeler Brand (useful life of 20 years) to the amount of euro 44,220 thousand included under the item "Concessions, licenses and trademarks - finite useful life";
- Customer relationships (useful life of 10-20 years) which mainly includes the value of commercial relationships for both the Original Equipment and Replacement channel;
- Technology which includes the value of both product and process technologies as well the value of the *In-Process R&D* (being formed at the time of the acquisition of the Group in 2015 by Marco Polo Industrial Holding

S.p.A.) amounted to euro 846,767 thousand and euro 45,000 thousand respectively. The useful life of product and process Technology was determined to be 20 years, while the useful life for In-Process R&D was 10 years;

- Goodwill to the amount of euro 1,884,629 thousand, of which euro 1,877,363 thousand was recorded at the time of acquisition of the Group in September 2015. The remainder refers to the goodwill determined as part of the acquisition of the company JMC Pneus Comercio Importação e Exportação Ltda. which occurred in 2018.

During the course of 2022, investments were also made in application software (a total increase of euro 27,311 thousand) as part of the Digitalisation Programme to transform the Group's key processes. For more information on the Programme, reference should be made to the section Group Performance and Results in the Directors' Report on Operations.

**IMPAIRMENT TESTING OF GOODWILL** Pursuant to IAS 36, goodwill is not subject to amortisation, but is tested for impairment annually, or more frequently if specific events or circumstances arise that may suggest an impairment.

Goodwill, which amounted to euro 1,884,629 thousand was allocated to the "Consumer Activities" CGU group, which represents the sole business segment in which the Group operates and considers to be the minimum level at which goodwill is monitored, for internal management control purposes.

The impairment test consists of comparing the recoverable amount for Consumer Assets with their carrying amount, including its operating assets and goodwill.

The value configuration used to determine the recoverable amount for Consumer Activities at December 31, 2022 is the value in use, which corresponds to the present value of the future financial flows which are expected to be generated by the group of CGUs, using a discount rate that reflects the risks specific to the group of CGUs at the valuation date.

The forecasts are based on the flows of the EBITDA adjusted of the 2023 Management Plan approved on February 22, 2023 by the Board of Directors of Pirelli & C. S.p.A. which was prepared on the basis of the new market environment and, in particular, including the indirect effects of the Russia-Ukraine conflict (mainly attributable to inflation in sales prices and in the costs of production factors). The figures for 2023 have been adjusted downwards to take into account, the consensus estimates of analysts, which were updated following the presentation of the Plan, as externally sourced evidence, and for the years 2024 – 2025, the consensus estimates of analysts were used.

With reference to the impact on flows attributable to climate-change issues, it should be noted that:

- thanks to its technological leadership, the Group expects positive results in the short-term from the marketing of tyres that include technological solutions capable

of minimising the environmental impact. Instead, with reference to the risks deriving from climate change (physical and transitional), no material impact is expected in the short and medium-term, while there are elements of uncertainty in the long-term (>2030). For more information, reference should be made to the "Information on Climate Change" section of this document;

- the estimates of equity analysts, on which the flows used in the impairment test are based, do not forecast long-term negative effects from climate change and include a positive growth rate beyond the explicit forecast period;
- in estimating the terminal value, a higher level of investments than that forecast by analysts was prudently used to take into account any acceleration in investments related to energy efficiency, consistent with the decarbonisation strategy adopted by the Group;
- the capitalisation rate (WACC - g) is consistent with the consensus estimates of analysts, and therefore captures consensus market expectations with regard to risks of a systematic nature and not related to flows projected beyond the explicit forecast period.

Pursuant to IAS 36.44, the flows used are sterilised of cash flows relative to expansion investments, restructuring expenses and correlated benefits, which at December 31, 2022, the Company had not yet done so.

The flows used for the purpose of determining the recoverable amount, which are based on the consensus estimates of analysts, assume, for the explicit forecast period, an average compound annual growth rate (CAGR) for revenues of 2.1%, which is calculated against the revenues recorded for 2022, and an average EBITDA margin adjusted of 21.3%, with a CAGR for the EBITDA adjusted of 3%, compared to the absolute value recorded for 2022.

The impairment test at December 31, 2022 was performed using the assistance of an independent third-party professional.

The discount rates, defined as the weighted average cost of capital (WACC) net of taxes, which were applied to the prospective cash flows equalled 8.34%, while the growth rate of operating cash flows, for the purpose of estimating the terminal value (g) was equal to 0.50%. The capitalisation rate for operating cash flows (WACC - g) was therefore equal to 7.84%, consistent with the long-term projections of analysts.

Based on the results of the impairments tests carried out, no impairment emerged.

The recoverable amount is greater than the carrying amount for Consumer Activities (12%), while, in order for the value in use to be equal to the carrying amount, a downward change in the key parameters is necessary, specifically:

- an increase in the discount rate of 92 basis points for the explicit forecast period and in the terminal value;
- a negative annual growth rate beyond the explicit "g" forecast period of -111 basis points;

- a decrease in the average EBITDA margin adjusted of 152 basis points for the explicit forecast period and in the terminal value.

#### IMPAIRMENT TESTING OF THE PIRELLI BRAND (INTANGIBLE ASSET WITH AN INDEFINITE USEFUL LIFE):

The Pirelli Brand, valued at euro 2,270,000 thousand is an intangible asset with an indefinite useful life, and as such is not subject to amortisation, but pursuant to IAS 36, is tested for impairment annually or more frequently, if specific events or circumstances arise that may suggest an impairment.

The impairment test at December 31, 2022 was performed using the assistance of an independent third-party professional.

The configuration of the recoverable amount for impairment testing purposes at December 31, 2022 was the fair value, calculated on the basis of the income approach (the so-called Level 3 of the IFRS 13 hierarchy – Fair Value measurement). The fair value estimate is therefore based on:

- the same flows used for goodwill impairment testing purposes, that is, the forecasts made by management, which with reference to 2023 are based on the 2023 Management Plan, adjusted downwards to take into account, the consensus estimates of analysts as externally sourced evidence, and for the years 2024 - 2025, the consensus estimates of analysts were used, but without the sterilisation of the effects of expansion investments. The average compound annual growth rate (CAGR), for revenues for the explicit forecast period, used in the determination of the recoverable amount, which is calculated against the revenues recorded for 2022, was equal to 3% while the average EBITDA margin adjusted for the period used in the determination of the recoverable amount was equal to 21.4%, with a CAGR for

the EBITDA adjusted of 4.2%, compared to the absolute value recorded for 2022;

- a sum-of-parts valuation criterion which also takes into account the contribution of royalties from the Prometeon Tyre Group for the use of the Pirelli trademark in relation to the Industrial segment (as in the existing contracts);
- the excess earnings attributable to the Pirelli Brand which are derived by deducting the notional rent or royalty rate of the Group's operating assets other than the Brand, expressed at fair value, from the prospective operating income;
- a discount rate of 10.30%, which includes a premium compared to the WACC, which is determined according to the riskiness of the specific asset and the growth rate "g" in the terminal value which is equal to 0.5%;
- the TAB (Tax Amortisation Benefit) that is, the tax benefit that could potentially benefit the market participant which acquired the asset separately, as a result of the possibility of amortising the asset for tax purposes.

For the purposes of impairment testing, the recoverable amount of the Pirelli Brand *cum* TAB was compared with the carrying amount (*cum* TAB) and no impairment emerged.

The recoverable amount is greater than the carrying amount of the Brand (17%), while, in order for the fair value to be equal to the carrying amount, a downward change in the key parameters is necessary, in particular:

- a decrease in revenues of 410 basis points for the explicit forecast period and in the terminal value;
- a decrease in the EBITDA margin adjusted of 67 basis points for the explicit forecast period and in the terminal value;
- an increase in the discount rate of 142 basis points in the explicit forecast period and in the terminal value;
- a decrease in the growth rate "g" of 203 basis points for beyond the explicit forecast period.

## II. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The changes in investments in associates and joint ventures were as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Associates	JV	Total	Associates	JV	Total
<b>Opening balance</b>	<b>9,018</b>	<b>71,868</b>	<b>80,886</b>	<b>8,395</b>	<b>64,193</b>	<b>72,588</b>
Decrease	(1,451)	-	(1,451)	-	-	-
Distribution of dividends	(178)	-	(178)	(186)	-	(186)
Share of net income / (loss)	190	2,730	2,920	716	981	1,697
Share of other components recognised in Equity	-	(2,183)	(2,183)	-	6,694	6,694
Other	233	-	233	93	-	93
<b>Closing balance</b>	<b>7,812</b>	<b>72,415</b>	<b>80,227</b>	<b>9,018</b>	<b>71,868</b>	<b>80,886</b>

### II.1 INVESTMENTS IN ASSOCIATES

The details were as follows:

(in thousands of euro)

	12/31/2021	Decrease	Distribution of dividends	Share of net income / (loss)	Other	12/31/2022
Eurostazioni S.p.A.	<b>6,575</b>	-	-	46	-	<b>6,621</b>
Joint Stock Company Kirov Tyre Plant	<b>1,339</b>	(1,451)	-	(124)	236	-
Investments in other associates	<b>1,104</b>	-	(178)	268	(3)	<b>1,191</b>
<b>Total</b>	<b>9,018</b>	<b>(1,451)</b>	<b>(178)</b>	<b>190</b>	<b>233</b>	<b>7,812</b>

The investments in associated companies evaluated using the equity method, were not relevant in terms of the impact on total consolidated assets, either individually or in aggregate form.

### II.2 INVESTMENTS IN JOINT VENTURES

The details were as follows:

(in thousands of euro)

	12/31/2021	Share of net income / (loss)	Share of other components recognised in Equity	12/31/2022
Xushen Tyre (Shanghai) Co., Ltd.	<b>57,676</b>	2,308	(1,717)	<b>58,267</b>
PT Evoluzione Tyres	<b>14,192</b>	422	(466)	<b>14,148</b>
<b>Total</b>	<b>71,868</b>	<b>2,730</b>	<b>(2,183)</b>	<b>72,415</b>

The Group holds:

- a 49% stake in the company Xushen Tyre (Shanghai) Co., Ltd. a joint venture which, through the company Jining Shenzhou Tyre Co., Ltd. owns a Consumer tyre manufacturing plant in China. The plant provides the necessary production flexibility for the High Value segment, given the evolution of the Chinese market, the

expected developments in the electric car segment and the increasing share of homologations obtained for the Original Equipment channel in China, Japan and Korea. As announced on August 1, 2018, the joint venture agreement relative to Xushen Tyre (Shanghai) Co., Ltd. provides for a for a Call Option in favour of Pirelli Tyre S.p.A., exercisable from January 1, 2021 until March 31, 2026, which - if exercised - would allow Pirelli Tyre S.p.A. to increase its stake in the company to up to 70%. Pirelli Tyre S.p.A. has notified the shareholders of Xushen Tyre (Shanghai) Co., Ltd. of its intention to not exercise the option until December 31, 2023, without prejudice to the right to exercise the option thereafter, and in any case, by March 31, 2026;

- an investment of 63.04% in PT Evoluzione Tyres, an entity which operates in Indonesia and is active in the production of tyres for motorcycles. Even though the company is 63.04% owned as a result of the contractual agreements between Shareholders, it falls under the definition of a joint venture in that the governance regulations explicitly provide for the unanimous approval of significant business decisions.

The investments in joint ventures were not relevant in terms of their impact on the total consolidated assets.

## 12. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The movements in other financial assets at fair value through Other Comprehensive Income amounted to euro 48,419 thousand at December 31, 2022 (euro 56,907 thousand at December 31, 2021, and were as follows:

(in thousands of euro)

<b>Opening balance at 01/01/2022</b>	<b>56,907</b>
Translation differences	(11)
Fair Value adjustment through Other Comprehensive income	(8,477)
<b>Closing balance 12/31/2022</b>	<b>48,419</b>

The composition of the item by individual security is as follows:

(in thousands of euro)

	<b>12/31/2022</b>	<b>12/31/2021</b>
<b>Listed securities</b>		
RCS MediaGroup S.p.A.	16,570	21,855
<b>Total</b>	<b>16,570</b>	<b>21,855</b>
<b>Unlisted securities</b>		
Fin. Priv. S.r.l.	18,865	21,171
Fondo Anastasia	1,775	2,825
Istituto Europeo di Oncologia S.r.l.	8,139	8,006
Ticom I LP	186	193
Telco S.r.l.	450	450
Other companies	2,434	2,407
<b>Total</b>	<b>31,849</b>	<b>35,052</b>
<b>Total other financial assets at Fair Value through Other Comprehensive Income</b>	<b>48,419</b>	<b>56,907</b>



The **fair value adjustments through Other Comprehensive Income** amounted to a net loss of euro 8,477 thousand, and mainly refers to the RCS MediaGroup S.p.A. (negative to the amount of euro 5,285 thousand), to Fin. Priv. S.r.l. (negative to the amount of euro 2,306 thousand) and to Fondo Comune di Investimento Anastasia (negative to the amount of euro 1,050 thousand). For listed securities, the fair value corresponds to the stock market price at December 31, 2022. For unlisted securities, the fair value was determined by using estimates based on the best available information.

### 13. DEFERRED TAX ASSETS AND LIABILITIES

Their composition is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Deferred tax assets	176,969	137,643
Deferred tax liabilities	(1,041,848)	(1,033,892)
<b>Total</b>	<b>(864,879)</b>	<b>(896,249)</b>

Deferred tax assets and deferred tax liabilities are offset when the deferred taxes refer to the same legal entity and the same taxation authority.

The item **deferred tax liabilities** mainly refers to the difference between the tax value and the carrying amount of assets identified at the date of acquisition of the Pirelli Group by Marco Polo Industrial Holding S.p.A., recorded in the Consolidated Financial Statements following the merger by incorporation of the Parent company, Marco Polo Industrial Holding S.p.A. into Pirelli, which took place during the course of 2016.

Their composition, gross of the offsets carried out, was as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
<b>Deferred tax assets</b>	<b>343,197</b>	<b>330,936</b>
- of which within 12 months	208,657	210,568
- of which beyond 12 months	134,540	120,368
<b>Deferred tax liabilities</b>	<b>(1,208,076)</b>	<b>(1,227,185)</b>
- of which within 12 months	(187,805)	(111,378)
- of which beyond 12 months	(1,020,271)	(1,115,807)
<b>Total</b>	<b>(864,879)</b>	<b>(896,249)</b>

The composition of deferred taxes, relative to temporary differences and tax losses carried forward, is shown in the following table:

(in thousands of euro)

	12/31/2022	12/31/2021
<b>Deferred tax assets</b>		
Provisions for liabilities and charges	80,189	54,262
Property, plant and equipment	15,018	9,825
Leases	-	2,129
Provision for employee benefit obligations	38,281	43,869
Inventories	44,236	37,902
Tax losses carried forward	85,085	53,647
Trade receivables and other receivables	43,725	38,866
Trade payables and other payables	3,949	5,071
Other	32,714	85,365
<b>Total</b>	<b>343,197</b>	<b>330,936</b>
<b>Deferred tax liabilities</b>		
Intangible assets	(939,366)	(975,326)
Property, plant and equipment	(159,001)	(157,851)
Leases	(717)	-
Provision for employee benefit obligations	(32,371)	(37,605)
Derivatives	(12,343)	-
Other	(64,278)	(56,403)
<b>Total</b>	<b>(1,208,076)</b>	<b>(1,227,185)</b>

The item **“Other”** relative to **deferred tax assets**, mainly includes deferred tax assets recognised on surplus non-deducted interest expenses (euro 5,417 thousand) and on the ACE benefit, (Allowance for Corporate Equity) (euro 23,237 thousand).

The item **“Other”** relative to **deferred tax liabilities**, mainly includes deferred tax liabilities recognised on the undistributed gains of the subsidiaries for which distribution in future financial years is probable (euro 48,515 thousand).

The tax effect of gains and losses recognised directly in equity was negative to the amount of euro 5,836 thousand (negative to the amount of euro 33,933 thousand for 2021), and is reported in the Statement of Comprehensive Income. These changes were mainly due to tax effects connected to actuarial gains/losses on employee benefits, and to the fair value adjustment of cash flow hedge derivatives.

At December 31, 2022 the value of deferred tax assets not recognised on tax losses amounted to euro 81,908 thousand, while those related to temporary differences amounted to euro 31,126 thousand. This latter item mainly includes deferred tax assets not recognised on interest payables. Deferred tax assets were not recognised, in that no taxable income is expected to justify their recovery.

The amounts for tax losses according to their expiry date, against which deferred tax assets have not been not recognised, is shown below:

(in thousands of euro)

Year of expiry	12/31/2022	12/31/2021
2022	-	2,295
2023	5,121	5,121
2024	1,280	1,280
2025	2,540	2,563
2026	5,073	5,073
2027	3,736	3,731
2028	809	779
2029	28	26
2030	5	5
With no expiry date	292,587	276,211
<b>Total</b>	<b>311,179</b>	<b>297,084</b>

Of the total tax losses with no expiry date, euro 287,293 thousand refers to losses attributable to subsidiaries in the UK, Spain and Brazil.

#### 14. TRADE RECEIVABLES

Trade receivables were analysed as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Total	Non-current	Current	Total	Non-current	Current
Trade receivables	706,323	-	706,323	732,188	-	732,188
Bad debt provision	(69,877)	-	(69,877)	(72,979)	-	(72,979)
<b>Total</b>	<b>636,446</b>	<b>-</b>	<b>636,446</b>	<b>659,209</b>	<b>-</b>	<b>659,209</b>

The gross value of trade receivables amounted to euro 706,323 thousand (euro 732,188 thousand at December 31, 2021). At the reporting date, receivables which were past due by more than 30 days gross of credit notes to be issued and net of credit enhancement instruments, amounted to 21% of the total exposure (22% at December 31, 2021).

Receivables which were past due and not yet due were evaluated in accordance to the Group's policy described in the section on the adopted accounting standards.

The item impaired receivables includes both significant individual positions subject to individual impairment and positions with similar credit risk characteristics which were grouped together and impaired on a collective basis. The calculation of the impairment is based on (i) a matrix which includes the credit ratings of customers, provided by independent market assessors and on (ii) the value of receivables, which takes the collateral and related insurance coverage into account. The customer rating considers, among other things, the effects of exogenous risks that include, should customers be exposed to them in the specific markets in which they operate, risks related to Covid 19 and climate change, determining the probability of default used in the calculation and impacting the ceiling levels granted by the insurance company to each counterparty.

The **changes in the bad debt provision** were as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
<b>Opening balance</b>	<b>72,979</b>	<b>66,345</b>
Translation differences	3,889	917
Accruals	8,982	14,089
Decreases	(1,806)	(1,212)
Releases	(14,167)	(7,160)
<b>Closing balance</b>	<b>69,877</b>	<b>72,979</b>

**Accruals** to the bad debt provision are recognised net of releases, in the Income Statement under “*Net Impairment of Financial Assets*” (Note 34).

The carrying amount for trade receivables is considered to approximate their fair value.

Of the fully impaired trade receivables which were subject to legal action, it is estimated that an amount not exceeding 10% of their gross value might be recovered.

## 15. OTHER RECEIVABLES

Other receivables were analysed as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Total	Non-current	Current	Total	Non-current	Current
Financial receivables	386,229	114,000	272,229	352,658	269,658	83,000
Trade accruals and deferrals	42,303	7,195	35,108	39,633	6,709	32,924
Receivables from employees	4,994	436	4,558	3,977	708	3,269
Receivables from social security and welfare institutions	689	-	689	781	-	781
Receivables from tax authorities not related to income taxes	436,647	83,278	353,369	356,936	64,851	292,085
Other receivables	113,367	35,475	77,892	89,366	29,152	60,214
	<b>984,229</b>	<b>240,384</b>	<b>743,845</b>	<b>843,351</b>	<b>371,078</b>	<b>472,273</b>
Bad debt provision for other receivables and financial receivables	(11,840)	(9,233)	(2,607)	(9,830)	(8,134)	(1,696)
<b>Total</b>	<b>972,389</b>	<b>231,151</b>	<b>741,238</b>	<b>833,521</b>	<b>362,944</b>	<b>470,577</b>

**Financial receivables non-current** (euro 114,000 thousand) refers mainly to euro 63,087 thousand, the sum as guarantees for tax and legal disputes in relation to the subsidiary Pirelli Pneus Ltda. (Brazil) and remunerated at market rates, to euro 13,228 thousand, the sum deposited into escrow accounts in favour of the pension funds of Pirelli UK Ltd., to euro 14,464 thousand in contributions paid in cash at the time of signing an association in participation contract and to euro 6,926 thousand in loans, disbursed in favour of the Indonesian joint venture PT Evoluzione Tyres.

**Financial receivables current** (euro 272,229 thousand) refers mainly to euro 170,826 thousand the sum deposited in escrow accounts in favour of the pension funds of Pirelli UK Ltd. and Pirelli UK Tyres Ltd., and to euro 79,024 thousand for the short-term portion of loans granted to the Jining Shenzhou Tyre Co., Ltd. joint

venture, for which there was no significant increase in credit risk compared to the date of disbursement.

The item **bad debt provision for other receivables and financial receivables** (euro 11,840 thousand) mainly includes euro 10,545 thousand relative to the impairment of financial receivables.

The item **receivables from tax authorities not related to income taxes** (euro 436.647 thousand compared to euro 356,936 thousand for 2021) is mainly comprised of receivables for IVA (value added tax) and other indirect taxes whose recovery is expected in future financial years.

**Other receivables non-current** (euro 35,475 thousand) refers mainly to amounts deposited as guarantees for legal and tax disputes for the Brazilian companies (euro 32,048 thousand).

**Other receivables current** (euro 77.892 thousand) includes:

- advances to suppliers amounting to euro 28,824 thousand;
- receivables from associates and joint ventures to the amount of euro 7,930 thousand, mainly for royalties and the sale of materials and moulds;
- receivables from the Prometeon Group to the amount of euro 19,023 thousand mainly for royalties;
- receivables to the amount of euro 4,875 thousand in yet to be collected state grants.

For other receivables - current and non-current the carrying amount is considered to approximate their fair value.

## 16. TAX RECEIVABLES

**Tax receivables** refers to income taxes which amounted to euro 36,704 thousand (of which euro 9,055 thousand was non-current) compared to euro 45,337 thousand at December 31, 2021 (of which euro 27,564 thousand was non-current). In more detail, it mainly refers to receivables for advances paid on taxes for the financial year and to income tax receivables from previous financial years recorded by the Brazilian companies.

For the previous financial year, **non-current tax receivables** included tax credits for Pirelli Pneus Ltda., which had amounted to euro 23,223 thousand for income taxes unduly incurred in previous years by the Brazilian affiliate, and recognised following the 2021 decision of the Federal Supreme Court (“STF”). Specifically, this decision established the unconstitutionality of including the monetary adjustments - calculated on the basis of the SELIC system (Special System for Settlement and Custody) – applied to tax credits for taxes paid but not owed, when calculating income tax (“IRPJ”) and social security contributions on net income (“CSSL”).

The change in non-current tax receivables compared to the previous financial year, is essentially due to the adjustment carried out in 2022 of the tax returns of previous years, which led to the restatement of other tax receivables from the tax authorities for indirect taxes (“PIS COFIN”) which had originally been used to offset the unduly incurred income taxes as specified above. As a result of this adjustment, the previously recognised receivable was reclassified to tax receivables not related to income taxes.

## 17. INVENTORIES

The following is an inventories analysis:

(in thousands of euro)

	12/31/2022	12/31/2021
Raw and auxiliary materials and consumables	302,609	176,795
Sundry materials	10,854	6,354
Unfinished and semi-finished products	85,542	69,413
Finished products	1,056,359	838,186
Advances to suppliers	2,347	1,414
<b>Total</b>	<b>1,457,711</b>	<b>1,092,162</b>

The restatement of the value of inventories, which was recognised net of impairments, amounted to euro 788 thousand (a restatement of euro 1,549 thousand for 2021).

The increase in the value of inventories compared to December 31, 2021 was attributable to an increase in both finished products, whose percentage of sales remained stable compared to the previous financial year, and in raw materials which were impacted by the effects of inflation and the measures implemented during the first nine months of the year, to mitigate supply chain risks.

Inventories were not subject to any guarantee restrictions.

## 18. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT - CURRENT

Other financial assets at fair value through the Income Statement - current amounted to euro 246,884 thousand at December 31, 2022 compared to euro 113,901 thousand at December 31, 2021.

The amount at December 31, 2022 included euro 169,328 thousand relative to investments made by the Argentine affiliate in listed dollar-linked bond instruments, to mitigate the effects of the devaluation of the local currency. For unlisted securities, the fair value was determined by using estimates based on the best available information.

This increase, compared to the previous financial year, mainly refers to the combined effect of higher cash investments in bond instruments made by the Argentine subsidiary, and the positive change in the market value of the same securities, during the course of 2022.

Changes in fair value for the period were recognised in the Income Statement as "*Financial Income*", Note 36.

## 19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents went from euro 1,884,649 thousand at December 31, 2021 to euro 1,289,744 thousand at December 31, 2022, and refer to bank current account balances and short-term bank deposits.

Details of the change in the balance are provided in the Consolidated Cash Flow Statement.

These were concentrated in the treasury centres of the Group, and in companies that generate liquidity and use it locally. They are mainly deployed, in accordance with risk diversification principles and minimum rating levels, in the market for short-term deposits, with banking counterparties at interest rates that are consistent with the prevailing market conditions. The credit risk associated with cash and cash equivalents is considered to be limited as the counterparties are leading national and international banks.

For the Statement of Cash Flow, the balance of cash and cash equivalents was recorded net of bank overdrafts, to the amount of euro 6,356 thousand at December 31, 2022 (euro 1,105 thousand at December 31, 2021).

## 20. EQUITY

### 20.1 ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY

**Equity attributable to the Owners of the Parent Company** went from euro 4,908,112 thousand at December 31, 2021 to euro 5,323,794 thousand at December 31, 2022.

The subscribed and paid up **share capital** at December 31, 2022 amounted to euro 1,904,375 thousand and was represented by 1,000,000,000 registered ordinary shares without indication of their nominal value.

The **translation reserve**, generated by the conversion into euro of the financial statements of subsidiaries that use a currency other than the euro as their functional currency, was negative to the amount of euro 510,386 thousand at December 31, 2022. Movements for the financial year included a positive change of euro 54,757 thousand mainly, related to the subsidiaries in Mexico, Brazil and the USA, which was partly offset by a negative change in China, the UK and Argentina.

**Changes in other reserves through Other Comprehensive Income** went from a negative euro 1,408 thousand at December 31, 2021 to a positive euro 12,768 thousand at December 31, 2022, mainly due to the positive effect of the cash flow hedge reserve (euro 57,461 thousand), which was partially offset by actuarial losses on pension funds (negative to the amount of euro 27,404 thousand), by financial assets at fair value through Other Comprehensive Income (negative to the amount of euro 8,477 thousand) and by the tax effect, (negative to the amount of euro 5,809 thousand).

**Other reserves/retained earnings** went from euro 3,570,288 thousand at December 31, 2021 to euro 3,917,037 thousand at December 31, 2022, essentially due to the net result for the financial year (positive to the amount of euro 417,760 thousand), to hyperinflation in Argentina and Turkey (positive to the amount of euro 72,149 thousand and euro 16,868 thousand, respectively, partially offset by a negative translation reserve of euro 47,531 thousand and euro 5,365 thousand, respectively) and to approved dividends (negative to the amount of euro 161,000 thousand).

### 20.2 ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

**Equity attributable to Non-Controlling Interests** went from euro 134,527 thousand at December 31, 2021 to euro 130,034 thousand at December 31, 2022, a slight decrease in that dividends paid out to minority shareholders (euro 24,396 thousand) exceeded the positive change mainly due to the results for the financial year which amounted to euro 18,140 thousand, and to exchange rate gains to the amount of euro 1,773 thousand.

## 21. PROVISIONS FOR LIABILITIES AND CHARGES

**Movements in the non-current portion of provisions** that occurred during the period are shown below:

### PROVISION FOR LIABILITIES AND CHARGES - NON-CURRENT PORTION

(in thousands of euro)

	12/31/2021	Currency translation differences	Increases	Uses	Releases	Reclass.	12/31/2022
Provision for labour disputes	12,858	1,071	7,221	(3,042)	(1,193)	-	16,915
Provision for tax risks not related to income taxes	4,137	130	570	26	-	-	4,863
Provision for environmental risks	9,672	64	21,716	(183)	(289)	583	31,563
Provision for restructuring and reorganisation	1,359	-	10	(1,336)	(33)	-	-
Provision for other risks and expenses	53,144	(199)	10,749	(1,373)	(135)	(13,851)	48,335
<b>Total</b>	<b>81,170</b>	<b>1,066</b>	<b>40,266</b>	<b>(5,908)</b>	<b>(1,650)</b>	<b>(13,268)</b>	<b>101,676</b>

**Increases** mainly refers to accruals to the provisions for labour disputes particularly for the Brazilian subsidiaries to the amount of euro 6,039 thousand, and to accruals to the provisions for expenses relative to the environmental remediation of disused areas in Italy and Brazil. With regard to other risks, the increase for the financial year mainly refers to the STI (Short Term Incentive) and LTI (2021-2023 and 2022-2024 Long Term Incentive) Plans for Directors, and reflects the improved performances in the underlying parameters of the plans.

**Uses** were mainly attributable to labour disputes, rationalisation measures in Italy and occupational diseases.

**Reclassifications** refers mainly to the reclassification from non-current provisions to other payables, of the portion of the 2020-2022 LTI Plan accrued in previous years, which will be paid out during the first half-year of 2023, and the reclassification to the current portion of provisions related to insurance risks.

**Movements in the current portion of provisions** that occurred during the period, are shown below:

#### PROVISION FOR LIABILITIES AND CHARGES - CURRENT PORTION

(in thousands of euro)

	12/31/2021	Currency translation differences	Increases	Uses	Releases	Reclass.	12/31/2022
Provision for labour disputes	223	(35)	100	-	(79)	-	209
Provision for tax risks not related to income taxes	3,490	444	599	-	(1,711)	-	2,822
Provision for environmental risks	3,110	-	-	(144)	(600)	-	2,366
Provision for restructuring and reorganisation	3,531	513	-	(2,268)	(20)	-	1,756
Provisions for product claims and warranties	11,594	820	967	(227)	(411)	-	12,743
Provision for other risks and expenses	21,646	(112)	10,985	(12,485)	(2,057)	3,377	21,354
<b>Total</b>	<b>43,594</b>	<b>1,630</b>	<b>12,651</b>	<b>(15,124)</b>	<b>(4,878)</b>	<b>3,377</b>	<b>41,250</b>

**Increases** relative to the provisions for other risks were mainly attributable to the purchase of greenhouse gas emission allowances, consistent with the provisions of the European Emission Trading Schemes to the amount of euro 5,813 thousand, and to commercial risks.

**Uses** refers to greenhouse gas emission allowances, consistent with the provisions of the European Emission Trading Schemes to the amount of euro 5,547 thousand, to insurance risks and to rationalisation measures in Brazil.

## 22. PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS AND OTHER ASSETS

#### PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS AND OTHER ASSETS - NON-CURRENT PORTION

The item is composed as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Pension funds in surplus	120,481	153,205
<b>Total other assets</b>	<b>120,481</b>	<b>153,205</b>
Pension funds in deficit	70,171	85,493
Employees' leaving indemnities (TFR - Italian companies)	20,064	26,123
Healthcare plans	13,075	15,597
Other benefits	77,248	93,385
<b>Total provisions for employee benefit obligations</b>	<b>180,558</b>	<b>220,598</b>



## PENSION FUNDS

The following table shows the **composition of pension funds at December 31, 2022:**

(in thousands of euro)

	12/31/2022							
	Germany	Sweden	Total unfunded pension funds	USA	UK	Switzerland	Total funded pension funds	Total
Present value of liabilities	63,611	2,108	<b>65,719</b>	86,967	722,365	32,191	<b>841,523</b>	<b>907,242</b>
Fair value of plan assets				(83,436)	(842,846)	(31,270)	<b>(957,552)</b>	<b>(957,552)</b>
<b>Total Assets in surplus</b>					<b>(120,481)</b>		<b>(120,481)</b>	<b>(120,481)</b>
<b>Total Liabilities in deficit</b>	<b>63,611</b>	<b>2,108</b>	<b>65,719</b>	<b>3,531</b>		<b>921</b>	<b>4,452</b>	<b>70,171</b>
<b>Total pension funds</b>								<b>(50,310)</b>

The following table shows the **composition of pension funds at December 31, 2021:**

(in thousands of euro)

	12/31/2021							
	Germany	Sweden	Total unfunded pension funds	USA	UK	Switzerland	Total funded pension funds	Total
Present value of liabilities	75,005	2,957	<b>77,962</b>	105,578	1,203,187	34,203	<b>1,342,968</b>	<b>1,420,930</b>
Fair value of plan assets				(100,942)	(1,356,392)	(31,308)	<b>(1,488,642)</b>	<b>(1,488,642)</b>
<b>Total Assets in surplus</b>					<b>(153,205)</b>		<b>(153,205)</b>	<b>(153,205)</b>
<b>Total Liabilities in deficit</b>	<b>75,005</b>	<b>2,957</b>	<b>77,962</b>	<b>4,636</b>		<b>2,895</b>	<b>7,531</b>	<b>85,493</b>
<b>Total pension funds</b>								<b>(67,712)</b>

The characteristics of the main pension funds in place at December 31, 2022 were as follows:

- **Germany:** this is an unfunded defined benefits plan based on final salary. This fund guaranteed a pension in addition to the state pension. The plan was closed in October 1982. Consequently the participants to this plan are employees whose employment had begun prior to that date;
- **USA:** this is a funded defined benefits plan based on final salary, and is administered through a Trust. This fund guaranteed a pension in addition to the state pension. The plan was closed in 2001 and frozen in 2003 for employees who then transferred to a defined contribution scheme. All participants to this plan have since retired;
- **UK:** these are funded defined benefits plans based on salary trends. This fund guarantees a pension in addition to the state pension and is administered through a Trust. These plans, managed by the subsidiary Pirelli Tyres Ltd. were closed in 2001 to new participants and frozen during the course of 2010 for employees hired prior to 2001, who were then offered a transfer to a defined contribution plan. The plan was operated by the subsidiary Pirelli UK Ltd., and included the employees in the Cables and Systems sector which was sold in 2005, and was already frozen in 2005 at the date of the disposal. The surplus recognised at December 31, 2022 relative to provisions still outstanding was equal to the recoverable amount, assuming the gradual extinguishment of the plan liabilities over time. All the participants of the plan are non-active;
- **Sweden:** this a defined benefits plan (ITP2), which is closed to new participants. The only participants are retired employees and the recipients of deferred pensions. It is based on percentages applied to different wage and salary ranges. All the participants of the plan are non-active;
- **Switzerland:** these are funded defined benefit plans that guarantee a pension in addition to the state pension and are open to new employees. They are based on final salary reduced by a fixed amount.

**Movements for 2022 in the defined benefits pension funds** (refers to funded and unfunded pension funds), were as follows:

(in thousands of euro)

	Present value of gross liabilities	Fair value of plan assets	Impact of minimum funding requirement/ asset ceiling	Total
Opening balance at January 1, 2022	1,420,930	(1,488,642)		(67,712)
Currency translation differences	(38,305)	45,564	4	7,263
Movements through Income Statement:				
- current service costs	1,244	-		1,244
- past service costs	94	-		94
- interest expense / (income)	24,549	(26,529)		(1,980)
	<b>25,887</b>	<b>(26,529)</b>	-	<b>(642)</b>
Remeasurements recognised in equity:				
- actuarial (gains) / losses from change in demographic assumptions	(2,933)	-		(2,933)
- actuarial (gains) / losses from change in financial assumptions	(484,721)	-		(484,721)
- experience adjustment (gains) / losses	50,329	-		50,329
- return on plan assets, net of interest income	-	469,181		469,181
- change in asset ceiling			224	224
	<b>(437,325)</b>	<b>469,181</b>	<b>224</b>	<b>32,080</b>
Employer contributions	-	(20,196)		(20,196)
Employee contributions	567	(567)		-
Benefits paid	(64,824)	59,415		(5,409)
Employer settlement payment	-	-		-
Other	84	4,222		4,306
<b>Closing balance at December 31, 2022</b>	<b>907,014</b>	<b>(957,552)</b>	<b>228</b>	<b>(50,310)</b>

**Movements for 2021 in the defined benefits pension funds** (refers to funded and unfunded pension funds), were as follows:

(in thousands of euro)

	<b>Present value of gross liabilities</b>	<b>Fair value of plan assets</b>	<b>Total</b>
Opening balance at January 1, 2021	1,440,546	(1,372,310)	68,236
Currency translation differences	92,720	(97,026)	(4,306)
Movements through Income Statement:			
- current service costs	1,421	-	1,421
- past service costs	1,417	-	1,417
- interest expense / (income)	19,674	(19,543)	131
	<b>22,512</b>	<b>(19,543)</b>	<b>2,969</b>
Remeasurements recognised in equity:			
- actuarial (gains) / losses from change in demographic assumptions	41,117	-	41,117
- actuarial (gains) / losses from change in financial assumptions	(4,894)	-	(4,894)
- experience adjustment (gains) / losses	(10,760)	-	(10,760)
- return on plan assets, net of interest income	-	(114,269)	(114,269)
	<b>25,463</b>	<b>(114,269)</b>	<b>(88,806)</b>
Employer contributions	-	(43,533)	(43,533)
Employee contributions	525	(525)	-
Benefits paid	(74,912)	69,424	(5,488)
Employer settlement payment	(86,048)	86,048	-
Other	124	3,092	3,216
<b>Closing balance at December 31, 2021</b>	<b>1,420,930</b>	<b>(1,488,642)</b>	<b>(67,712)</b>

Current and past service costs are included under “*Personnel Expenses*” (Note 31), and net interest payables are included under “*Financial Expenses*” (Note 37).

The following table shows the **composition of funded pension fund assets**:

(in thousands of euro)

	12/31/2022				12/31/2021			
	listed	unlisted	total	%	listed	unlisted	total	%
Shares	36,903	138,495	175,398	18.3%	50,045	320,610	370,655	24.9%
Bonds	388,683	45,547	434,230	45.3%	426,173	101,428	527,601	35.4%
Insurance policies	2,190	2,967	5,157	0.5%	3,101	4,914	8,015	0.5%
Deposits	194,809	54,340	249,149	26.0%	275,109	34,433	309,542	20.8%
Balanced funds	10,063	43,140	53,203	5.6%	489	192,147	192,636	12.9%
Real Estate	6,498	51,374	57,872	6.0%	-	53,199	53,199	3.6%
Derivatives	(6,990)	(10,468)	(17,458)	-1.7%	(9,640)	32,246	22,606	1.6%
Other	-	-	-	0.0%	4,388	-	4,388	0.3%
<b>Total</b>	<b>632,156</b>	<b>325,395</b>	<b>957,551</b>	<b>100.0%</b>	<b>749,665</b>	<b>738,977</b>	<b>1,488,642</b>	<b>100.0%</b>

The main risks to which the Group is exposed in relation to the pension funds are detailed as follows:

- volatility of plan assets: in order to be able to balance liabilities, the investment strategy cannot limit its horizons exclusively to risk free assets. This implies that some investments, such as listed securities represent high volatility in the short-term, and this exposes the plans to the risk of short-term declines in asset values and consequently increased imbalances. However, this risk is mitigated by diversifying investments into numerous investment classes, through different investment managers, through different investment styles and with exposures to multiple factors which are not perfectly correlated to each other. Moreover, the investments are continuously revised in response to market conditions, and adjusted in order to maintain the overall risk at acceptable levels;
- changes in bond yields and expected inflation: expectations of falling bond yields and/or rising inflation which leads to an increase in the value of liabilities. The plans reduce this risk through investments in liability hedging assets. In the United Kingdom, the protection guaranteed by a portfolio of this type has been built up over the years, and as of the second quarter of 2014 it had reached a coverage of between 100% and 115% of the value of the liabilities covered by the assets;
- life expectancies: an increase in life expectancies leads to an increase in the value of the plan liabilities. The UK plans completed a process during the course of 2016 that allowed them, through longevity swaps entered into with a pool of insurers, to cover approximately 50% of this risk. However, prudent assumptions are used to assess residual risks and the adequacy of these assumptions is reviewed periodically.

In the UK the management of the plan assets has been delegated, under the supervision and within a precise mandate attributed by the Trustees, to a Fiduciary Manager who operates in accordance with a Liability Driven Investment (LDI) model, that is, using the liability benchmark so as to minimise the volatility (and therefore the risk) of the deficit, which has in fact been reduced to more than one third of the levels which existed prior to its introduction (at the beginning of 2011).

The key parameters of this mandate were as follows:

- an asset mix managed dynamically over time, rather than the allocation of a fixed strategy;
- hedged coverage of approximately 100%-115% of the interest rate and inflation risk - expressed as the percentage of the value of the assets - through the use of debt instruments (government bonds) and derivatives;
- the management of exchange rate risk, with the objective of hedging at least 70% of the exposure to the foreign currencies in the portfolio, through the use of forward contracts.

In the UK, the funding arrangements and funding policies are revised every three years. The next funding evaluation is expected in 2023. In the United States funding evaluations are carried out on an annual basis.

The contributions which are expected to be paid into unfunded pension funds during the 2023 financial year amount to euro 5,345 thousand, while for funded pension funds the amount expected is euro 21,511 thousand.

#### EMPLOYEES' LEAVING INDEMNITIES (TFR)

**Movements for the year** in the provision for employees' leaving indemnities were as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
<b>Opening balance</b>	<b>26,123</b>	<b>31,486</b>
Movements through Income Statement:		
- current service cost	53	52
- interest expense	279	204
Remeasurements recognised in equity:		
- actuarial (gains) / losses arising from changes in financial assumptions	(5,179)	336
- effect of experience adjustments	-	(1,365)
Liquidation/advances	(619)	(4,248)
Other	(593)	(342)
<b>Closing balance</b>	<b>20,064</b>	<b>26,123</b>

The current service cost, for services rendered by employees, is included in the item "Personnel Expenses" (Note 31) and interest payables are included in the item "Financial Expenses" (Note 37).

#### HEALTHCARE PLANS

This item refers exclusively to the healthcare plan in place in the United States.

(in thousands of euro)

	USA
Liabilities recognised in the Financial Statements at 12/31/2022	13,075
Liabilities recognised in the Financial Statements at 12/31/2021	15,597

Movements for the period were as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
<b>Opening balance</b>	<b>15,597</b>	<b>16,026</b>
Translation differences	1,010	1,262
Movements through Income Statement:		
- current service cost	1	1
- interest expense	405	340
Remeasurements recognised in equity:		
- actuarial / (gains) losses arising from changes in financial assumptions	(2,299)	(415)
- actuarial / (gains) losses arising from changes in demographic assumptions	-	57
- effect of experience adjustments	(680)	(735)
Benefits paid	(959)	(939)
<b>Closing balance</b>	<b>13,075</b>	<b>15,597</b>

The service cost is included under “Personnel Expenses” (Note 31), and interest payables are included under “Financial Expenses” (Note 37).

The contributions which are expected to be paid into the healthcare plan during the 2023 financial year amount to euro 1,429 thousand.

#### ADDITIONAL INFORMATION ON POST-EMPLOYMENT BENEFITS

Net actuarial losses accrued during 2022 and recorded directly in Other Comprehensive Income amounted to euro 27,546 thousand, (net actuarial gains at December 31, 2021 had amounted to euro 91,168 thousand).

The main actuarial assumptions used at **December 31, 2022** were the following:

	Italy	Germany	Sweden	UK	USA	Switzerland
Discount rate	4.05%	4.10%	3.90%	4.95%	5.20%	2.30%
Inflation rate	2.50%	2.25%	1.90%	3.39%	N/A	1.75%

The main actuarial assumptions used at **December 31, 2021** were the following:

	Italy	Germany	Sweden	UK	USA	Switzerland
Discount rate	0.90%	1.00%	1.55%	1.80%	2.55%	0.40%
Inflation rate	1.70%	1.50%	2.25%	3.56%	N/A	0.50%

The following table presents an analysis of the payment deadlines relative to post-employment benefits:

(in thousands of euro)

	within 1 year	1 to 2 years	3 to 5 years	6 to 10 years	Total
Pension funds	61,496	62,139	187,420	319,354	630,409
Employees' leaving indemnities (TFR)	2,067	1,937	5,943	8,594	18,541
Healthcare plans	1,429	1,394	3,935	5,366	12,124
<b>Total</b>	<b>64,992</b>	<b>65,470</b>	<b>197,298</b>	<b>333,314</b>	<b>661,074</b>

The weighted average duration of post-employment benefit obligations equalled 11.30 years for pension funds (15.23 years at December 31, 2021), 7.38 years for employees' leaving indemnities (8.44 years at December 31, 2021) and 6.84 years for medical assistance plans (8.22 years at December 31, 2021).

The following table shows a sensitivity analysis for the actuarial assumptions of significance at the end of the financial year:

(in %)

	Impact on post employment benefits				
	Change in assumptions	Increase in assumptions		Decrease in assumptions	
Discount rate	0.25%	decrease of	2.72%	increase of	2.86%
Inflation rate (only UK plans)	0.25%	increase of	2.17%	decrease of	2.19%

At the end of 2021 the situation was as follows:

(in %)

	Impact on post employment benefits				
	Change in assumptions	Incremento dell'ipotesi		Decrease in assumptions	
Discount rate	0.25%	decrease of	3.72%	increase of	3.87%
Inflation rate (only UK plans)	0.25%	increase of	2.97%	decrease of	2.91%

The sole purpose of the above analysis is to estimate the change in the liability, as the discount rate and the UK inflation rate change in respect of the central assumption for the rates themselves, instead of referring to an alternative set of assumptions.

This sensitivity analysis on the liability for post-employment benefits is based on the same methodology used to calculate the liability recognised in the Financial Statements.

## OTHER LONG TERM BENEFITS

The composition of other benefits was as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Long Term Incentive plans	27,976	52,571
Jubilee awards	16,495	18,650
Leaving indemnities	14,075	9,513
Other long-term benefits	18,702	12,651
<b>Total</b>	<b>77,248</b>	<b>93,385</b>

The item **“Long-Term Incentive Plans”** refers to the amount earmarked for the 2021-2023 and 2022-2024 three-year monetary Long-Term Incentive Plans intended for the Group’s management. This decrease in the Long Term Incentive Plans compared to the previous year, was mainly due to the reclassification of the provisions for employee benefit obligations to payables to employees under **“Other payables”** (Note 24) for the portion related to the LTI 2020 - 2022 which will be paid out during the first half-year of 2023.

## 23. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Borrowings from banks and other financial institutions were as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Total	Non-current	Current	Total	Non-current	Current
Bonds	713,097	490,452	222,645	1,453,762	1,453,762	-
Borrowings from banks	3,239,972	2,803,122	436,850	3,269,732	1,922,771	1,346,961
Borrowings from other financial institutions	41,382	-	41,382	34,390	-	34,390
Lease liabilities	485,485	396,497	88,988	504,407	412,796	91,611
Accrued financial expenses and deferred financial income	9,384	-	9,384	13,787	-	13,787
Other financial payables	1,180	40	1,140	2,540	40	2,500
<b>Total</b>	<b>4,490,500</b>	<b>3,690,111</b>	<b>800,389</b>	<b>5,278,618</b>	<b>3,789,369</b>	<b>1,489,249</b>

The item **bonds** refers to:

- the senior unsecured guaranteed equity-linked non-interest-bearing bond loan (**“convertible bond loan”**) with a nominal value of euro 500 million maturing on December 22, 2025. This bond loan, reserved for institutional investors, was issued by Pirelli & C. S.p.A. on December 22, 2020, guaranteed by Pirelli Tyre S.p.A., and admitted for trading on the Vienna MTF, a multilateral trading facility operated by the Vienna Stock Exchange. The bond loan is convertible, at the discretion of the bondholders, into new ordinary shares of the Company at the price of euro 6.1395 per share (originally euro 6.235 per share), subject to further anti-dilutive adjustments as provided for in the loan regulations. At December 31, 2022, the component recorded under financial payables non-current amounted to euro 470.5 million. The difference in the nominal value refers to the fair value of the option held by the subscribers of the loan and their option to convert the bond loan into new ordinary shares of the Company at a predefined price. This value was recognised at inception under equity reserves to the amount of euro 41.2 million;
- the **“Schuldschein”** loan with a floating interest rate (EURIBOR + spread) for a total nominal amount of euro 243 million, classified in the amount of euro 20 million as non-current financial payables (maturing July



2025), and in the amount of euro 223 million as current financial payables (maturing July 2023). The loan, signed by leading market players, was composed of a euro 423 million tranche with a five-year maturity and a euro 20 million tranche with a seven year maturity. Of the euro 423 million tranche, a portion to the amount of euro 200 million was repaid in advance in January 2022. In December 2022, the Company sent out a notice to the subscribers of Schuldschein loan for the early redemption of the remaining euro 223 million of the five-year tranche, which was fully repaid in January 2023. For the purpose of providing complete information, it should be noted that the loan, placed on July 26, 2018, also included a tranche of euro 82 million with an original maturity date of July 31, 2021, that was repaid in advance in January 2021.

On October 25, 2022, the unrated bond loan for the nominal amount of euro 553 million was repaid in advance at par, as contractually provided for by the Issuer Call Option regulations. This bond loan (originally for euro 600 million which was partially repurchased for the total amount of euro 47 million during the last quarter of 2018), with original maturity in January 2023, was placed on January 22, 2018 with a fixed coupon of 1.375% and a maturity of five years. The loan, placed with international institutional investors, had been issued as part of the EMTN (Euro Medium Term Note) programme approved by the Board of Directors at the end of 2017, signed on January 10, 2018 and updated on December 19, 2018.

The **carrying amount for the item bonds** was determined as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Nominal value	743,000	1,496,000
Equity component of the convertible bond loan	(41,791)	(41,791)
Transaction costs	(14,957)	(14,957)
Bond loan discount	(2,988)	(2,988)
Amortisation of the effective interest rate	13,433	9,282
Non-monetary interest on convertible bond loan	16,400	8,216
<b>Total</b>	<b>713,097</b>	<b>1,453,762</b>

The item **borrowings from banks**, which amounted to euro 3,239,972 thousand, is subdivided as follows:

(in thousands of euro)

	12/31/2022					
	Due Date	Interest rate	Notional	Balance	Non- current	Current
Club Deal EUR 1.6bn ESG 2022 5y	02/22/2027	Euribor + spread	600,000	597,635	597,635	-
Club Deal EUR 800m ESG 2020 5y	04/02/2025	Euribor + spread	800,000	797,212	797,212	-
Club Deal EUR 400m ESG 2022 19m	01/29/2024	Euribor + spread	400,000	399,696	399,696	-
Bilateral 600m 2019 5y facility	02/14/2024	Euribor + spread	600,000	598,893	598,893	-
Bilateral 125m 2019 4y facility	08/07/2023	Euribor + spread	125,000	124,925	-	124,925
Bilateral ESG 400m 2021 3y facility	12/27/2024	Euribor + spread	400,000	399,205	399,205	-
Payables to local banks				322,406	10,481	311,925
<b>Total</b>				<b>3,239,972</b>	<b>2,803,122</b>	<b>436,850</b>

It mainly refers to:

- the use of the unsecured “Club Deal EUR 1.6bn ESG 2022 5y” financing by Pirelli & C. S.p.A. to the amount

of euro 597,635 thousand, classified under non-current financial payables. This financing facility, with a floating interest rate (EURIBOR + spread), signed on February 21, 2022, with a pool of leading Italian and international banks and maturing in five years, is composed of three tranches, for a total of euro 1.6 billion distributed as follows:

- a Pirelli & C. S.p.A. term loan with a nominal value of euro 600,000 thousand which was fully drawn, and a revolving cash credit facility for euro 100,000 thousand, which was unused at December 31, 2022;
- a Pirelli International Treasury S.p.A. revolving cash credit facility to the amount of euro 900,000 thousand, which was unused at December 31, 2022.

The financing is guaranteed by Pirelli Tyre S.p.A. This facility, which is geared to the Group's ESG objectives, contributed to the early repayment of the debt, in February 2022 relative to the unsecured financing ("*Facilities*"), to the amount of euro 949,182 thousand as of December 31, 2021 (USD 1,079 million), which had a contractual maturity date of June 2022. The new financing also increased the revolving credit capacity from euro 700,000 thousand for the previous facility, to euro 1 billion for the new revolving credit facility;

- the "*Club Deal EUR 800m ESG 2020 5y*" financing for euro 797,212 thousand relative to the euro 800 million credit facility with a floating interest rate (EURIBOR + spread), guaranteed by Pirelli Tyre S.p.A., signed on March 31, 2020 with a pool of leading Italian and international banks, with a 5 year maturity (classified under non-current financial payables). This bank credit facility consists of a so-called "*sustainable*" tranche of euro 600 million, which is geared towards the Group's financial and environmental sustainability objectives (sustainable KPIs), as well as a so-called "*circular economy*" tranche, which is geared to the Group's circular economy objectives. It should be noted that following the first reporting of the sustainable KPIs, and having achieved the objectives for the year, the Group is benefiting from the relative incentives to reduce the cost of the credit facility for the "*sustainable*" tranche. Accounting for the circular economy tranche is instead expected to occur only in 2023;
- euro 399,696 thousand relative to the euro 400 million "*Club Deal EUR 400m ESG 2022 19m*" financing at a floating rate (EURIBOR + spread), signed on June 27, 2022 with a pool of leading international banks and maturing in 19 months (classified under non-current financial payables). The facility is geared to the objective of reducing absolute greenhouse gas emissions from purchased raw materials (Scope 3) which was validated by the Science Based Target initiative (SBTi) and contained in the first "*Sustainability Linked Financing Framework*" published by Pirelli in May 2022;
- euro 723,818 thousand relative to two bilateral loans granted to Pirelli & C. S.p.A. by leading banks, of which a nominal euro 600 million (the "*Bilateral 600m 2019 5y facility*" financing maturing in February 2024 with a floating rate (EURIBOR + spread), was guaranteed by Pirelli Tyre S.p.A. (classified under non-current financial

payables), and euro 125 million (the "*Bilateral 125m 2019 4y facility*" financing) maturing in August 2023 at a floating rate (EURIBOR + spread) was classified under current financial payables. It should be noted that the euro 100 million bilateral loan with original maturity in December 2022, was repaid on December 29, 2022;

- euro 399,205 thousand related to the bilateral financing for a nominal amount of euro 400 million granted in December 2021 to Pirelli & C. S.p.A. by a leading bank (the "*Bilateral ESG 400m 2021 3y facility*" financing), maturing in three years and guaranteed by Pirelli Tyre S.p.A. The loan, which bears a floating rate (EURIBOR + spread), is geared to certain Group sustainability targets and is classified among non-current financial payables;
- euro 219,765 thousand (euro 180,362 thousand at December 31, 2021) relative to loans disbursed in Brazil by local and international banking institutions and entirely classified under borrowings from banks current;
- borrowings from banks and the use of credit facilities in local currency at local level in Russia, (equivalent to euro 42,204 thousand, of which euro 10,481 thousand was classified under borrowings from banks non-current), in China (equivalent to euro 42,505 thousand classified under borrowings from banks current) and in Turkey, (equivalent to euro 7,038 thousand and classified under borrowings from banks current).

At December 31, 2022 the Group had a liquidity margin equal to euro 2,536,628 thousand, composed of euro 1,000,000 thousand in the form of non-utilised committed credit facilities and of euro 1,289,744 thousand in cash and cash equivalents, in addition to financial assets at fair value through the Income Statement to the amount of euro 246,884 thousand. The liquidity margin guarantees coverage for maturities for borrowings from banks and other financial institutions, until the end of the first quarter of 2025.

The item **lease liabilities** represents the financial liabilities relative to leasing contracts. This change compared to the previous financial year, refers to increases in the right of use during the financial year arising from the signing of new contracts and from the remeasurement of existing contracts, which were more than compensated by lease payments.

Non-discounted future payments for lease contracts, for which the exercise of extension options is not considered to be reasonably certain, and which were therefore not included in the item lease liabilities, amounted to euro 126,170 thousand at December 31, 2022 (euro 115,473 thousand at December 31, 2021).

**Accrued financial expenses and deferred financial income** (euro 9,384 thousand) mainly refers to the accrual of interest matured on bond loans to the amount of euro 2,002 thousand (euro 8,510 thousand at December 31, 2021), and to accrued interest on borrowings from banks to the amount of euro 6,640 thousand (euro 3,618 thousand at December 31, 2021).

The **change in total borrowings from banks and other financial institutions for 2022** is composed as follows:

(in thousands of euro)

<b>Borrowings from banks and other financial institutions at December 31, 2021</b>	<b>5,278,618</b>
Bond repayment "EMTN program"	(553,000)
Bond repayment "Schuldschein"	(200,000)
Repayment of unsecured financing (Facilities)	(960,280)
Repayment of bilateral facilities	(100,000)
Transaction cost	(4,477)
Issuance of unsecured "Club Deal EUR 1.6bn ESG 2022 5y" financing.	600,000
Issuance of "Club Deal EUR 400m ESG 2022 19m" financing	400,000
Financial inflows for the local credit facilities of Group companies	327,369
Financial outflows for the local credit facilities of Group companies	(296,052)
Repayment of lease liabilities	(114,513)
<b>Cash changes</b>	<b>(900,953)</b>
Amortised cost for the period	16,350
Translation differences and other changes for the period	2,250
Increases in lease liabilities	75,953
Remeasurement and early termination	18,282
<b>Non-cash changes</b>	<b>112,835</b>
<b>Borrowings from banks and other financial institutions at December 31, 2022</b>	<b>4,490,500</b>

The **change in total borrowings from banks and other financial institutions for 2021** is shown below:

(in thousands of euro)

<b>Borrowings from banks and other financial institutions at December 31, 2020</b>	<b>5,854,553</b>
Bond repayment "EMTN program"	(82,000)
Drawdowns of unsecured financing (Facilities)	368,549
Repayments of unsecured financing (Facilities)	(1,337,656)
Issuance of bilateral facilities	500,000
Financial inflows for the local credit facilities of Group companies	30,501
Financial outflows for the local credit facilities of Group companies	(229,791)
Repayment of lease liabilities	(105,355)
<b>Cash changes</b>	<b>(855,752)</b>
Amortised cost for the period	26,289
Translation differences and other changes for the period	112,728
Increases in lease liabilities	108,702
Remeasurement and early termination	32,098
<b>Non-cash changes</b>	<b>279,817</b>
<b>Borrowings from banks and other financial institutions at December 31, 2021</b>	<b>5,278,618</b>

At December 31, 2022 there were no financial payables secured by collateral guarantees (pledges and mortgages).

For current financial payables, it is considered that their carrying amount approximates their relative fair value.

For non-current financial payables, their fair value is shown below, compared with their carrying amount:

(in thousands of euro)

	12/31/2022		12/31/2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	490,452	462,098	1,453,762	1,469,529
Borrowings from banks	2,803,122	2,817,306	1,922,771	1,926,002
Other financial payables	396,537	396,537	412,836	412,836
<b>Total non-current financial payables</b>	<b>3,690,111</b>	<b>3,675,941</b>	<b>3,789,369</b>	<b>3,808,367</b>

The fair value of the debt component of the convertible bond of the "Schuldschein" loan and of current borrowings from banks, was calculated by discounting each expected debt cash flow at the market swap-rate for the currency and the relevant maturity date, increased by the Group's credit rating for other debt instruments similar by nature and technical characteristics, which therefore placed it at level 2 of the hierarchy as provided for by IFRS 13 - Fair Value Measurement.

The **apportionment of borrowings from banks and other financial institutions according to the currency of origin for the debt**, was as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
EUR	4,020,618	3,884,307
USD (US Dollar)	256,445	1,159,808
CNY (Chinese Renmimbi)	63,167	75,408
RUR (Russian Rouble)	45,305	68,354
RON (Romanian Leu)	3,112	929
BRL (Brazilian Real)	34,554	31,690
SEK (Swedish Krona)	25,467	23,823
GBP (British Pound Sterling)	21,879	25,091
TRY (Turkish Lira)	8,533	950
JPY (Japanese Yen)	640	1,168
MXN (Mexican Peso)	3,067	465
Other Currencies	7,713	6,625
<b>Total</b>	<b>4,490,500</b>	<b>5,278,618</b>

At December 31, 2022 interest rate derivatives were outstanding for floating rate debt.

Considering the effects of hedging derivatives, the Group's exposure to changes in interest rates on financial payables, both in terms of the type of interest rate and in terms of the date of the renegotiation of the same (resetting), was subdivided between:

- floating rate payables to the amount of euro 2,941,800 thousand, whose interest rate is subject to a reset during the course of 2023;
- fixed rate payables to the amount of euro 1,487,243 thousand, whose interest rate is not subject to any reset until the natural maturity of the debt to which it refers (euro 589,813 thousand with maturity in the next twelve months and euro 897,430 thousand euro with maturity beyond twelve months).

At December 31, 2022, the cost of year-on-year debt (calculated as the average over the last twelve months) stood at 4.04%, compared to 2.38% at December 31, 2021. This increase reflected in particular the rise in interest rates and costs, which reflected the scarceness of liquidity in the financial markets, for hedging risk in Brazil and Russia. Net of this effect, the average cost of debt would have stood at 3.49%. This increase was partially offset by the reduction in the Parent Company's financial expenses, thanks to the improvement of the contractually provided financial conditions in order to reduce the Group's financial leverage.

In reference to the existence of financial covenants, it should be noted that

- (i) the "Schuldschein" loan,
- (ii) the bilateral euro 600 million credit facility granted to Pirelli & C. S.p.A. during the course of the first quarter of 2019, (the "Bilateral 600m 2019 5y facility"),
- (iii) the bilateral euro 125 million facility granted to Pirelli & C. S.p.A. during the course of the third quarter of 2019, (the "Bilateral 125m 2019 4y facility") and,
- (iv) the "Club Deal EUR 800m ESG 2020 5y" financing signed on March 31, 2020,

require the compliance with a maximum ratio between net indebtedness and the gross operating margin ("Total Net Leverage"), as reported in the Consolidated Financial Statements of Pirelli & C. S.p.A. The obligation to comply

with these financial covenants will cease upon reaching the specified levels of Total Net Leverage identified in the relevant contracts.

For the sake of completeness, it should be noted that the obligation to comply with the financial covenants imposed for the “Club Deal EUR 1.6bn ESG 2022 5y” financing and the “Bilateral ESG 400m 2021 3y facility” financing, was ceased due to Pirelli & C. being awarded a BBB- credit rating by S&P Global Ratings and Fitch Ratings.

For all of the loans indicated above, any failure to comply with the financial covenant is identified as a default or non-fulfilment event.

Specifically, any such default or non-fulfilment event will have the following consequences, if the lending banks exercise their remedies: (i) for the “Schuldschein” loan, individually and independently if requested by each lending bank for its own portion, in the early repayment of the loan only for such portion; (ii) for both the “Bilateral 600m 2019 5y facility” financing and the “Bilateral 125m 2019 4y facility” financing, if requested by the sole lending bank that granted the financing, the termination of the agreement and early repayment for the full amount disbursed; and (iii) for the “Club Deal EUR 800m ESG 2020 5y” financing, only if requested by a number of the lending banks representing at least 50% of the total commitment (or at least 60% if an additional lending bank is added to the current four), the termination of the contract and early repayment of the loan.

It should be noted that at December 31, 2022 no default or non-fulfilment event had occurred.

The “Club Deal EUR 1.6 bn ESG 2022 5y” financing, the “Schuldschein” loan, the “Bilateral 600m 2019 5y facility” financing, the “Bilateral 125m 2019 4 facility” financing, the “Club Deal EUR 800m ESG 2020 5y” financing and the “Bilateral ESG 400m 2021 3y facility” also provide for Negative Pledge clauses and/or other customary provisions whose terms are consistent with market standards for each of the above mentioned types of credit facility.

The other outstanding financial payables at December 31, 2022 were not subject to financial covenants.

## 24. TRADE PAYABLES

Trade payables were composed as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Total	Non-current	Current	Total	Non-current	Current
Trade payables	1,867,567	-	1,867,567	1,516,488	-	1,516,488
Bill and notes payable	105,729	-	105,729	109,879	-	109,879
<b>Total</b>	<b>1,973,296</b>	<b>-</b>	<b>1,973,296</b>	<b>1,626,367</b>	<b>-</b>	<b>1,626,367</b>

For trade payables, it is considered that their carrying amount approximates their relative fair value.

The increase in trade payables, compared to the previous financial year, was consistent with the growth of the business. Trade payables represented 29.8% of sales, a slight decrease compared to the previous financial year, due to the combined effect of the high level of investments during the fourth quarter of 2022, and the reduction in raw material inventories during the same period.

## 25. OTHER PAYABLES

Other payables were as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Total	Non-current	Current	Total	Non-current	Current
Accrued expenses and deferred income	67,870	42,125	25,745	75,142	45,877	29,265
Tax payables not related to income taxes	93,431	6,539	86,892	82,449	5,410	77,039
Payables to employees	191,312	3,588	187,724	128,810	3,927	124,883
Payables to social security and welfare institutions	68,203	21,276	46,927	61,345	20,368	40,977
Dividends approved	147	-	147	152	-	152
Contract liabilities	7,977	12	7,965	4,434	12	4,422
Other payables	51,212	1,034	50,178	38,356	891	37,465
<b>Total Other payables</b>	<b>480,152</b>	<b>74,574</b>	<b>405,578</b>	<b>390,688</b>	<b>76,485</b>	<b>314,203</b>

**Accrued expenses and deferred income non-current** refers to euro 39,566 thousand in capital contributions received for investments made mainly in Romania, whose benefits are recognised in the Income Statement in proportion to the costs for which the contribution was disbursed.

**Accrued expenses and deferred income current** includes euro 5,812 thousand for various trade initiatives realised in Germany and Brazil, euro 11,614 thousand in government grants and tax incentives received mainly in Italy and Romania and euro 1,116 thousand for insurance costs coverage in some European countries.

The item **tax payables not related to income taxes** is mainly comprised of IVA payables (value added tax) and other indirect taxes, withholding taxes for employees and other taxes not related to income.

The item **payables to employees** mainly includes amounts matured during the period but not yet paid. The increase compared to the previous financial year mainly refers to the STI (Short Term Incentive) and LTI (2020–2022 Long Term Incentive) Plans.

The item **liabilities from contracts with customers** refers to advanced payments received from customers for which the performance obligation has not yet been completed, pursuant to the provisions of IFRS 15.

The item **other payables** (euro 51,212 thousand) mainly includes:

- euro 24,723 thousand in payables to Directors, Auditors and supervisory bodies;
- euro 6,343 thousand for payables for customs duties, import and transport costs;
- euro 5,171 thousand in payables to representatives, agents, professionals and consultants.

## 26. TAX PAYABLES

**Tax payables** were for the most part for national and regional income taxes in different countries and amounted to euro 114,884 thousand, (of which euro 12,780 thousand was for non-current payables), compared to euro 145,900 thousand at December 31, 2021, (of which euro 11,512 thousand was for non-current payables). Income tax payables included the assessments made by Management with respect to the possible effects of uncertainty regarding the treatment of income taxes.

## 27. DERIVATIVE FINANCIAL INSTRUMENTS

The item includes the fair value measurement of derivative instruments. The **details** are as follows:

(in thousands of euro)

	12/31/2022				12/31/2021			
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Non-current assets	Current assets	Non-current liabilities	Current liabilities
<b>Derivative Financial Instruments not in Hedge Accounting</b>								
Foreign exchange derivatives - commercial positions	-	4,390	-	(4,512)	-	7,713	-	(5,856)
Foreign exchange derivatives - included in net financial position	-	10,923	-	(15,046)	-	9,633	-	(9,353)
<b>Derivative Financial Instruments in Hedge Accounting</b>								
<b>- cash flow hedge:</b>								
Interest rate derivatives - included in net financial position	26,430	3,300	-	-	4,612	-	(3,519)	(979)
Other derivatives - included in net financial position	-	-	-	-	-	29,216	-	-
<b>- net investment hedge</b>								
Foreign exchange derivatives - investment in a foreign operation	-	4,068	-	-	-	-	-	-
	<b>26,430</b>	<b>22,681</b>	<b>-</b>	<b>(19,558)</b>	<b>4,612</b>	<b>46,562</b>	<b>(3,519)</b>	<b>(16,188)</b>
Total derivatives included in net financial position	26,430	14,223	-	(15,046)	4,612	38,849	(3,519)	(10,332)



The **composition of the items according to the type of derivative instrument** is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
<b>Current assets</b>		
Forward foreign exchange contracts - fair value recognised in the Income Statement	15,312	17,346
Interest rate swaps - cash flow hedge	3,300	-
Cross currency interest rate swaps - cash flow hedge	-	29,216
Forward foreign exchange contracts - net investment hedge	4,068	-
<b>Total current assets</b>	<b>22,681</b>	<b>46,562</b>
<b>Non-current assets</b>		
Interest rate swaps - cash flow hedge	26,430	4,612
<b>Total non-current assets</b>	<b>26,430</b>	<b>4,612</b>
<b>Current liabilities</b>		
Forward foreign exchange contracts - fair value recognised in the Income Statement	(19,558)	(15,209)
Interest rate swaps - cash flow hedge	-	(979)
<b>Total current liabilities</b>	<b>(19,558)</b>	<b>(16,188)</b>
<b>Non-current liabilities</b>		
Interest rate swaps - cash flow hedge	-	(3,519)
<b>Total non-current liabilities</b>	<b>-</b>	<b>(3,519)</b>

**DERIVATIVE FINANCIAL INSTRUMENTS NOT IN HEDGE ACCOUNTING** The value of **exchange rate derivatives** included in current assets and liabilities corresponds to the fair value measurement of forward currency buy/sell contracts outstanding at the closing date for the period. These are transactions which mirror the commercial and financial transactions of the Group, and for which the hedge accounting option has not been adopted. Their fair value was determined by using the forward exchange rate at the reporting date.

**DERIVATIVE FINANCIAL INSTRUMENTS IN HEDGE ACCOUNTING** The value of **interest rate derivatives** recognised under non-current assets to the amount of euro 26,430 thousand and under current assets to the amount of euro 3,300 thousand, refers to the fair value of 11 interest rate swaps:

Derivative	Hedged element	Notional amount (Euro million)	Start date	Maturity	
IRS	Term loan in EUR	62.5	August 2019	August 2023	receive floating / pay fixed
IRS	Schuldschein	180.0	July 2020	July 2023	receive floating / pay fixed
IRS	Schuldschein	20.0	July 2020	July 2025	receive floating / pay fixed
IRS fwd start	Term loan in EUR	500.0	February 2023	February 2026	receive floating / pay fixed
<b>Total</b>		<b>762.5</b>			

For these derivatives, cash flow hedge accounting was adopted. Hedged items are:

- future interest flows on floating rate liabilities in EUR;
- future interest flows for the “Schuldschein” loan (refer to Note 23).

During the first quarter of 2022, the IRS forward start pre-hedge receive floating EURIBOR / pay fixed EURIBOR were closed early. The accumulated positive reserve at the date, amounting to euro 22,079 thousand was not reversed to the Income Statement, in that the hedged future transaction was considered highly probable.

It should be noted that in January 2023, the future transaction took the form of a sustainability-linked bond for a total nominal amount of euro 600 million (reference should be made to the section *“Significant Events Subsequent to the End of the Financial Year”*).

The change in the fair value for the period was positive to the amount of euro 49,827 thousand (euro 17,732 thousand relative to the Interest Rate Swaps in pre-hedge and euro 32,095 thousand relative to other Interest Rate Swaps). This change was entirely suspended in Other Comprehensive Income, while net interest expenses to the amount of euro 2,084 thousand were reversed to the Income Statement under *“Financial Expenses”* (Note 37), correcting the financial expenses recognised on the hedged liability.

A change of +0.5% in the EURIBOR curve, all other conditions being equal, would result in a positive change of euro 5,662 thousand in the equity of the Group, while a change of -0.5% in the same EURIBOR curve, all other conditions being equal, would result in a negative change of euro 5,689 thousand in the equity of the Group. Both amounts are reported net of the tax effect.

Hedging relationships relative to any IRS are considered prospectively effective when the following conditions are met:

- there exists a financial relationship between the hedging instrument and the hedged item, in that the characteristics of the hedging instrument (the nominal interest rate, the reset of the interest rate and the frequency of interest liquidation), are substantially aligned with those of the hedged item. As a consequence, any changes in the fair value of the hedging instrument regularly offsets that of the hedged item;
- the effect of credit risk is not predominant within the hedging relationship. Based on the Group's operating policy, derivatives are traded only with financial counterparties with an elevated credit standing, and the credit quality of the outstanding derivatives portfolio is constantly monitored;
- the designated hedge ratio is aligned with that used for financial risk management purposes and is equal to 100% (1:1).

The ineffectiveness of the hedging relationship is calculated at each reporting date using the Dollar Offset method, which involves comparing any changes in the risk-adjusted fair value of the hedging instrument with changes in the risk-free fair value of the hedged item, by identifying a hypothetical derivative with the same characteristics as the underlying financial liability.

The possible causes of ineffectiveness are as follows:

- the application of credit risk adjustments only to the hedging instrument but not to the hedged item;
- the hedged item incorporates a floor that is not reflected in the hedging instrument;
- the misalignment between the effective contractual conditions of the future transaction and those of the hedging instrument.

With reference to other derivatives in hedge accounting, following the early repayment of the unsecured loan (*“Facilities”*) for USD 1,079 million (refer to Note 23), the pay floating EURIBOR / receive floating LIBOR CCIRS were in part extinguished early, and in part discontinued (current assets to the amount of euro 29,216 thousand at December 31, 2021).

The positive fair value reserve which amounted to euro 4,178 thousand (positive cash flow hedge reserve of euro 2,702 thousand and positive cost of hedging reserve of euro 1,477 thousand) was entirely reversed to the Income Statement:

- gains of euro 7,302 thousand which offset the net losses on exchange rates recognised on the hedged liability;
- net interest income to the amount of euro 82 thousand to correct financial expenses recognised on the hedged liability;
- costs due to ineffectiveness to the amount of euro 3,206 thousand.

For the CCIRS held in the portfolio until their natural maturity (June 2022), hedge accounting was discontinued at the same time as the financing was repaid, and the positive change in their fair value of euro 48,130 thousand was entirely reversed to the Income Statement. This positive change was offset by a negative change in the fair value of the FX contracts entered into to hedge the CCIRS, for which hedge accounting was not adopted. These effects are included in *“Fair value measurement of exchange rate derivatives”* under *“Financial Expenses”*.

For further details reference should be made to Note 37, *“Financial Expenses”*.

The value of **exchange rate derivatives** included under current assets in the amount of euro 4,068 thousand includes the fair value measurement of forward currency sells outstanding at the closing date of the period, entered into in order to mitigate the exposure to risk generated by changes in the fair value of a net investment in a foreign operation (i.e., an equity investment in a Brazilian company, Pirelli Comercial de Pneus Brasil Ltda.) recognised at historical cost and denominated in Brazilian real (BRL). The hedged item is represented by a portion of the equity of the Brazilian subsidiary to the amount of reais 372,556 thousand. The hedging instrument is represented by four FX forward contracts, designated in their entirety as hedging instruments.

The amount recognised in Other Comprehensive Income for the period was a positive euro 4,068 thousand.

The hedging relationship is considered perfectly effective, in that the exposure arising from the foreign currency

investment (hedged item) is greater than the notional amount for the derivative instruments (hedging instruments).

## 28. COMMITMENTS AND RISKS

### COMMITMENTS FOR THE PURCHASE OF TANGIBLE AND INTANGIBLE ASSETS

The commitments to purchase property, plant and equipment and intangible assets amounted to euro 166,992 thousand and euro 5,842 thousand respectively and refer mainly to subsidiaries in Romania, Mexico, Italy, Germany, Brazil and China.

### COMMITMENTS FOR LEASE CONTRACTS

At December 31, 2022, the total amount for non-discounted future payments for lease contracts not yet in force and against which no financial debt was recognised, equalled euro 9,954 thousand, and mainly refers to a rental contract for a warehouse in Germany.

### COMMITMENTS FOR THE PURCHASE OF EQUITY INVESTMENTS/FUND SHARES

These refer to commitments to purchase shares in Equinox Two S.C.A., a private equity company, for a countervalue of up to euro 2,158 thousand maximum.

### OTHER RISKS

#### LITIGATION AGAINST THE COMPANIES OF THE PRYSMIAN GROUP BEFORE THE COURT OF MILAN A

case is currently pending before the Court of Milan (resulting from the joining of two separate proceedings - see below) as a result of the decision issued on April 2, 2014 by the European Commission (as confirmed in the final instance by the Court of Justice of the European Union on October 28, 2020), at the conclusion of the antitrust investigation commenced in relation to alleged conduct of restricting competition in the European high voltage electric cables market. The decision had imposed a sanction on Prysmian Cavi e Sistemi S.r.l. ("Prysmian CS") as it was directly involved in the cartel, a portion of which (euro 67 million) Pirelli, despite not having been found to be directly involved in the activities of the cartel, had been held to be jointly and severally liable with Prysmian CS, based solely on the application of the so-called parental liability principle, since during part of the period of the infraction, the share capital of Prysmian CS was held, either directly or indirectly by Pirelli.

On December 31, 2020, Pirelli proceeded to pay its share of the aforementioned sanction to the European Commission (corresponding to 50% of the sanction, plus interest), for which it had previously made appropriate provisions.

Pending the outcome of the aforementioned EU Court proceedings, in November 2014, Pirelli brought an action before the Court of Milan in order to obtain an assessment and declaratory judgement of the obligation of Prysmian CS to hold Pirelli harmless and indemnified against any claim relating to the alleged anti-competitive cartel in the energy cables sector, including the sanction imposed by the European Commission.

Prysmian CS filed an appearance in the aforementioned proceedings requesting the dismissal of Pirelli's claims, as well as, by way of a counterclaim, as well as to be held indemnified by Pirelli in relation to the consequences arising from or in any way connected to the Decision of the European Commission. The proceedings had been suspended pending the final ruling of the EU Courts and were resumed by Pirelli on November 30, 2020 following the ruling of the Court of Justice.

In October 2019, Pirelli brought a further action before the Court of Milan against Prysmian CS and Prysmian S.p.A. requesting the assessment and declaratory judgement of Prysmian CS's obligation to indemnify and also hold Pirelli harmless from any charges, expenses, costs and/or damages resulting from claims by private and/or public third parties (including authorities other than the European Commission) relative to, connected with and/or consequential to the facts that were subject to the decision of the European Commission, as well as the consequent order that Prysmian CS reimburse any charges, expenses, costs or damages incurred or suffered by Pirelli.

In these proceedings, Pirelli also requested that Prysmian CS and Prysmian S.p.A. be held liable for certain unlawful conduct connected with the abovementioned anti-competitive cartel and accordingly, that they be ordered to pay compensation for all damages suffered and to be suffered by Pirelli.

Lastly, Pirelli requested the assessment and declaratory judgement on the joint and several liability of Prysmian S.p.A. with Prysmian CS in relation to the amounts that will be paid in this new action and in the action commenced in November 2014, if they should not be satisfied by the latter.

Prysmian CS and Prysmian S.p.A. entered an appearance in the above proceedings in November 2020, seeking the dismissal of Pirelli's claims and, by way of a counter-claim, to be held harmless and indemnified by Pirelli in relation to any consequences arising from claims by private and/or public third parties relating to, connected with and/or consequential to the facts which are the subject of the decision of the European Commission.

In April 2021, the two judgments were joined.

Based on careful analyses supported by authoritative external legal opinions, the assessment of the risk related to the disputes described above is such as to not require the allocation of any specific provision in the Consolidated Financial Statements at December 31, 2022.

#### OTHER DISPUTES SUBSEQUENT TO THE EUROPEAN COMMISSION DECISION

In November, 2015, a number of companies of Prysmian Group served Pirelli with a summons in the action for the compensation of damages brought before the London High Court of Justice against them and other defendants of the Decision of the European Commission of April 2, 2014, by National Grid and Scottish Power, the companies who claim to have been harmed by the cartel. Specifically, the companies of the Prysmian Group have

requested that Goldman Sachs and Pirelli, the latter due to its role as Parent Company for part of the period of the cartel, hold them harmless with respect to any obligations to pay damages (as yet unquantifiable) to the National Grid and Scottish Power. As the aforementioned action, brought before the Court of Milan in November 2014, is still pending, Pirelli has challenged the lack of jurisdiction of the London High Court of Justice claiming that, that any decision on the merits must be referred to the Court that had previously heard the case. In April 2016, the High Court of Justice, at the request of Pirelli and the companies in the Prysmian Group, suspended the proceedings until a final judgment was passed that would settle the Italian proceedings already pending.

In April 2019, before the Court of Milan, Terna S.p.A. - Rete Elettrica Nazionale ("Terna") jointly and severally sued Pirelli, three Prysmian Group companies and another company of the aforementioned European Commission decision, in order to obtain compensation for the damage allegedly suffered as a consequence of the anti-competitive conduct, currently quantified by the plaintiff as euro 199.9 million. Pirelli appeared in court contesting Terna's claims, and like the other defendants and against them, filed a counterclaim for damages in the unlikely event that it is held jointly and severally liable for the anti-competitive cartel.

In October 2021, the Judge dismissed from the proceedings, the portion of the litigation consisting of the indemnity cross-claims between Pirelli, on one side, and Prysmian CS and Prysmian S.p.A., on the other, ordering their joinder with the proceedings pending between the two parties before the Court of Milan (see above).

Lastly, also in April 2019, the Electricity & Water Authority of Bahrain, GCC Interconnection Authority, Kuwait Ministry of Electricity and Water and Oman Electricity Transmission Company, served a writ of summons against Pirelli, some of the Prysmian Group companies and other defendants of the aforementioned decision of the European Commission, suing them jointly and severally to obtain compensation for the damages allegedly suffered as a result of the alleged anti-competitive conduct. These proceedings were brought before the Court of Amsterdam, who with its ruling dated November 25, 2020, upheld the objection raised by Pirelli and excluded its own jurisdiction over Pirelli. In February 2021, the plaintiffs appealed against this ruling before the Amsterdam Court of Appeal and the related proceedings are ongoing.

Based on careful analyses supported by authoritative external legal opinions, the assessment of the risk related to the disputes described above is such as to not require the allocation of any specific provision in the Consolidated Financial Statements at December 31, 2022.

## TAX DISPUTES

### BRAZIL

The subsidiaries Pirelli Pneus Ltda. and Pirelli Comercial de Pneus Brasil Ltda. are involved in certain disputes and tax proceedings. The most significant are described below:

### LITIGATION CONCERNING THE IPI TAX RATE APPLICABLE TO SPECIFIC TYPES OF TYRES

The subsidiary Pirelli Pneus Ltda. is party to a tax dispute with the Brazilian tax authorities concerning the IPI tax rate (*Imposto sobre Produtos Industrializados* or tax on industrialised products) particularly with reference to the tax rate applicable to the production and importation of tyres for the Sports Utility Vehicle (SUV), vans and other industrial transportation vehicles (such as, for example, trucks). According to statements by the Brazilian tax authorities in the tax assessment notices issued during the course of 2015, 2017 and 2021 the aforementioned tyres should have been subjected to the IPI tax rate for the production and importation of tyres for cars – with an applicable rate of 15% - instead of the 2% rate applied by Pirelli Pneus Ltda., as is required for the production and importation of tyres destined for heavy industrial use vehicles. To date, the dispute is pending before the competent tax commissions. The Group maintains that it has a good chance of winning. This position is also supported by an appraisal prepared by a Brazilian government institution (the INT - *National Institute of Technology*) specifically commissioned by Pirelli Pneus Ltda., who concluded their analysis by comparing the tyres discussed, in light of their similar characteristics, with those used for heavy industrial vehicles.

The risk is estimated at approximately euro 38 million, inclusive of tax, interests and penalties.

The risk of losing the case has not been assessed as probable and, therefore, as a result no liability has been accrued in the Financial Statements for this dispute.

### LITIGATION CONCERNING TRANSFER PRICING APPLIED TO SOME INTRA-GROUP TRANSACTIONS

Pirelli Pneus Ltda. is involved in a dispute with the Brazilian tax authorities for income tax purposes (*IRPJ - Imposto sobre a renda das pessoas jurídicas*) and social security contributions (*CSLL - Contribuição Social sobre o Lucro Líquido*) due from the company for the 2008, 2011 and 2012 tax periods, deriving from the application of transfer pricing regulations to import transactions with related parties. Based on the notices of the assessment served on the company during the course of 2013, 2015 and 2016, the Brazilian tax authorities are mainly contesting the incorrect application by the company, of the methodology provided for by the administrative practice in force at the time (*IN - Instrução Normativa 243*), for the assessment of transfer prices applied to the importation of goods from related parties. To date, the dispute filed by the company is pending before the competent administrative-judicial courts. The Group maintains that it has a good chance of winning and, in this regard, Pirelli Pneus Ltda. has already obtained a favourable ruling from the administrative court, which has recognised the company's arguments by reducing the amount originally contested by the Brazilian tax authorities.

In light of the above, the risk is estimated at approximately euro 16 million inclusive of taxes, sanctions and interest.

The risk of losing the case has not been assessed as probable and, therefore, as a result no liability has been accrued in the Financial Statements for this dispute.

#### LITIGATION CONCERNING THE IPI TAX WITH RESPECT TO THE SALE OF TYRES TO THE AUTOMOTIVE SECTOR

Pirelli Pneus Ltda. is also party to a dispute concerning the IPI tax rate, (Imposto sobre Produtos Industrializados or tax on industrialised products), concerning the sale of components to companies operating in the automotive sector. According to the Brazilian tax authorities in a notice of assessment issued in 2013, Pirelli Pneus Ltda. was not entitled to benefit, with reference to its secondary office located in the city of Ibirité in the Federal State of Minas Gerais, from the IPI exemption provided for by law in the case of sales of particular components to companies operating in the automotive sector. The dispute is under discussion before the competent administrative-judicial courts, however the Group maintains that it has well founded reasons to object to the tax administration's claim.

The risk is estimated at approximately euro 19 million, inclusive of tax, interests and penalties.

The risk of losing the case has not been assessed as probable and, therefore, as a result no liability has been accrued in the Financial Statements for this dispute.

#### LITIGATION CONCERNING THE TAX IMPACT DERIVING FROM THE SO CALLED "PLANO VERÃO"

Pirelli Pneus Ltda. is involved in a dispute over taxes with the Brazilian tax authorities, which, in the company's opinion, levied more tax than was actually due - for the period from 1989 to 1994 - following the so called "*Plano Verão*", an economic measure introduced by the then Brazilian government, in order to control the hyperinflation that was affecting the country, by freezing prices. However, the difference between the actual and the indexed inflation had the effect of creating significant distortions in the financial statements of companies and ultimately, the amount of taxes paid by them. Pirelli Pneus Ltda. used the actual inflation rate for its financial statement assessments, and, at the same time, initiated legal proceedings to assert its arguments regarding the correct amount of taxes due. During the course of the aforementioned proceedings, Pirelli Pneus Ltda. first adhered to an amnesty for tax disputes in order to settle the dispute in question and, only subsequently, on the basis of a ruling with binding effect *erga omnes* by the Brazilian Supreme Court, did it request the annulment of the effects of the amnesty, to which it had previously adhered.

Proceedings are underway before the competent judicial courts and the risk is estimated to be up to a maximum euro 30 million, inclusive of taxes, interest and sanctions.

The risk of losing the case has not been assessed as probable and, therefore, as a result no liability has been accrued in the Financial Statements for this dispute.

#### LITIGATION REGARDING THE PIS AND COFINS TAX BASE

Pirelli Pneus Ltda. is party to an important tax dispute regarding federal taxes, namely the PIS - *Programa de Integração Social*, the COFINS tax - *Contribuição para Financiamento de Seguridade Social* and the ICMS state value added tax. Specifically, Pirelli Pneus Ltda. is a party to a dispute concerning the methods for calculating the tax base for PIS and COFINS taxes and the right to deduct the ICMS reported on invoices, based on the tax authorities' interpretation provided in the *Solução - COSIT Internal Consultation Solution No. 13*.

Proceedings are underway before the competent jurisdictions with the risk estimated as being up to a maximum euro 17 million, inclusive of taxes, interest and sanctions.

The risk of losing the case has not been assessed as probable and, therefore, as a result no liability has been accrued in the Financial Statements for this dispute.

#### LITIGATION CONCERNING "ICMS SUBSTITUIÇÃO TRIBUTÁRIA" (TAX SUBSTITUTION)

Pirelli Comercial de Pneus Brasil Ltda. has become involved in a new dispute concerning ICMS (*Imposto sobre Circulação de Mercadorias e Serviços*) tax credits. According to the claims made in a notice of assessment issued during 2022 by the Brazilian tax authorities for the 2018 and 2019 tax periods, Pirelli Comercial de Pneus Brasil Ltda. used ICMS credits without prior formal approval from the Brazilian tax authorities.

Proceedings are under way before the competent administrative bodies and the risk is estimated at approximately euro 24 million, inclusive of tax, interest and sanctions.

The risk of losing the case has not been assessed as probable and, therefore, as a result no liability has been accrued in the Financial Statements for this dispute.

## 29. REVENUES FROM SALES AND SERVICES

Revenues from sales and services were as follows:

(in thousands of euro)

	2022	2021
Revenues from the sales of goods	6,426,636	5,192,948
Revenues from services	189,091	138,502
<b>Total</b>	<b>6,615,727</b>	<b>5,331,450</b>

These revenues refer to contracts with customers.

For further information on the performance of revenues from sales and services, refer to the section “Group Performance and Results” in the Directors’ Report on Operations which is an integral part of this document.

## 30. OTHER INCOME

The item is composed as follows:

(in thousands of euro)

	2022	2021
Sales of Industrial products	151,373	145,247
Other income from the Prometeon Group	42,259	40,836
Recoveries and reimbursements	22,488	21,557
Government grants	15,554	13,578
Gains on disposal of property, plant and equipment	2,892	1,794
Rent income	3,501	3,307
Income from subleases of right of use assets	1,042	867
Other income	91,804	76,682
<b>Total</b>	<b>330,913</b>	<b>303,868</b>

The item **sales of industrial products** mainly refers to revenues generated by the sale of tyres for trucks and agricultural vehicles, purchased mainly from the Prometeon Group, and which are sold by the distribution network controlled by the Pirelli Group.

The item **other income from the Prometeon Group** includes:

- euro 24,023 thousand for the license agreement for the use of the Pirelli trademark;
- euro 10,406 thousand for the license agreement for know-how;
- euro 7,139 thousand for services rendered;
- euro 692 thousand for the sales of raw materials, semi-finished and finished products.

The item **recoveries and reimbursements** includes, in particular:

- tax refunds and customs duty refunds totalling euro 2,381 thousand, received mainly by the Brazilian subsidiary;
- tax refunds totalling euro 6,321 thousand arising from tax concessions obtained in Germany on excise duties on electricity and gas, to the amount of euro 3,003 thousand and customs duty refunds obtained in the

- United States, to the amount of euro 2,314 thousand;
- income from the sale of tyres and scrap materials carried out in the United Kingdom for a total of euro 1,246 thousand;
  - income from the sale of tyres for testing and the recovery of transport expenses in Germany to the amount of euro 1,744 thousand.

The item **other** includes income related to the sale of goods and services in connection with sports events linked to sponsorship agreements, to the amount of euro 35,382 thousand and royalties from third parties, excluding the Prometeon Group, to the amount of euro 17,539 thousand.

### 31. PERSONNEL EXPENSES

The item is composed as follows:

(in thousands of euro)

	2022	2021
Wages and salaries	918,164	861,638
Social security and welfare contributions	177,112	165,302
Costs for employee leaving indemnities and similar	11,709	8,627
Costs for defined contribution pension funds	24,602	23,461
Costs for defined benefit pension funds	1,187	2,299
Costs for jubilee awards	10,285	10,495
Costs for defined contribution healthcare plans	2,838	2,847
Other costs	32,712	27,244
<b>Total</b>	<b>1,178,609</b>	<b>1,101,913</b>

### 32. DEPRECIATION, AMORTISATION AND IMPAIRMENTS

The item is composed as follows:

(in thousands of euro)

	2022	2021
Amortisation	133,793	129,393
Depreciation (excl. right of use)	314,662	290,877
Depreciation of right of use	95,812	88,408
Impairment of property, plant and equipment and intang.assets (excl. right of use)	21,841	5,711
Impairment of right of use	581	2,803
<b>Total</b>	<b>566,689</b>	<b>517,192</b>

For the composition of the depreciation of the right of use, reference should be made to Note 9.2, "Right of Use".

### 33. OTHER COSTS

The item is subdivided as follows:

(in thousands of euro)

	2022	2021
Selling costs	485,619	323,545
Purchases of goods for resale	455,936	395,301
Advertising	225,032	207,794
Fluids and energy	278,485	180,815
Warehouse operating costs	72,592	69,281
IT expenses	61,112	55,752
Consultants	57,884	49,076
Maintenance	66,067	57,278
Insurance	34,604	32,471
Leases and rentals	37,271	31,073
Outsourcing	38,148	41,495
Stamp duties, levies and local taxes	40,475	28,944
Other provisions accruals for liabilities and charges	47,103	40,675
Travel expenses	30,857	20,721
Remuneration for Key Managers	29,068	28,194
Cleaning expenses	18,009	16,174
Canteen	20,994	18,228
Security expenses	11,837	10,950
Waste disposal	11,263	9,887
Telephone expenses	5,397	5,232
Other	181,035	147,632
<b>Total</b>	<b>2,208,788</b>	<b>1,770,518</b>

The total increase in this item is broadly consistent with that of revenues, as well as with the general increase in prices, and is mainly reflected in the items “selling costs”, “purchases of goods for resale” and “fluids and energy”.

The item **fluids and energy** includes the cost of purchasing greenhouse gas emission allowances and renewable energy certificates.

The item **leases and rentals** is composed as follows:

- euro 17,357 thousand for lease contracts with a duration of less than twelve months (euro 13,935 thousand for 2021);
- euro 12,911 thousand for lease contracts with variable payments not based on an index or a rate (euro 10,411 thousand at December 31, 2021);
- euro 7,003 thousand for lease contracts for assets with a low unit value (euro 6,727 thousand at December 31, 2021).



The item **other** also includes, labour provided by third parties to the amount of euro 28,453 thousand, (euro 25,648 thousand for 2021), expenses for the testing of technology to the amount of euro 18,039 thousand (euro 17,780 thousand for 2021), and transport costs for materials to the amount of euro 19,623 thousand (euro 16,816 thousand in 2021).

### 34. NET IMPAIRMENT OF FINANCIAL ASSETS

This item which was positive to the amount of euro 4,075 thousand, compared to a loss of euro 7,950 thousand for 2021, mainly includes the restatement, net of impairment for the year, of impairment losses recognised in previous financial years for trade receivables to the amount of euro 5,185 thousand (a net impairment of euro 7,906 thousand for 2021).

### 35. RESULT FROM INVESTMENTS

#### 35.1 NET INCOME/(LOSS) FROM EQUITY INVESTMENTS

The share of the net income/(loss) from equity investments in associates and joint ventures, which is evaluated using the equity method, was positive to the amount of euro 2,920 thousand and mainly refers to the investment in the joint venture Xushen Tyre (Shanghai) Co., Ltd. which was positive to the amount of euro 2,308 thousand (a loss of euro 68 thousand for 2021), and in the joint venture PT Evoluzione Tyres in Indonesia, which was positive to the amount of euro 422 thousand (a net income of euro 1,049 thousand for 2021).

#### 35.2 DIVIDENDS

For 2022, dividends amounted to euro 3,051 thousand, and mainly included dividends received from the RCS MediaGroup S.p.A. (euro 1,482 thousand) and from Fin. Priv. S.r.l. (euro 1,471 thousand). For 2021, dividends had amounted to euro 2,274 thousand.

### 36. FINANCIAL INCOME

The item is composed as follows:

(in thousands of euro)

	2022	2021
Interest income	38,686	21,453
Other financial income	3,725	1,767
Net interest on provision for employee benefit obligations	848	-
Fair value measurement of other financial assets	58,728	11,499
Fair value measurement of other derivatives	-	281
<b>Total</b>	<b>101,987</b>	<b>35,000</b>

**Interest income** which totalled euro 38,686 thousand, mainly included:

- euro 17,400 thousand in interest receivables from financial institutions, associates and joint ventures;
- euro 9,334 thousand in interest on fixed-income securities;
- euro 3,496 thousand in interest on other types of securities;
- euro 4,659 thousand in interest on CCIRS for which hedge accounting was discontinued;
- euro 2,926 thousand in interest accrued on security deposits provided by the Brazilian subsidiaries as a guarantee for legal and tax disputes.

The item **other financial income** amounted to euro 3,725 thousand and includes interest matured on tax credits by the Brazilian subsidiaries.

The **fair value measurement of other financial assets** was positive to the amount of euro 58,728 thousand and refers to the fair value measurement of dollar-linked bond instruments in which the Argentine subsidiary has invested in order to mitigate the effects of depreciation on the local currency. The exchange rate component of the fair value valuation of dollar-linked bond instruments amounted to euro 43,472 thousand, and partially offset the combined effect of euro 47,179 thousand comprised on the one hand, of the Argentine net monetary loss of euro 24,819 thousand and on the other hand, of the effect of the Argentine subsidiary's net losses on exchange rates which amounted to euro 22,360 thousand. Reference should be made to Note 37, "Financial Expenses" for further details.

### 37. FINANCIAL EXPENSES

The item is composed as follows:

(in thousands of euro)

	2022	2021
Interest expenses	103,671	102,764
Commissions	18,304	12,601
Net monetary loss	22,250	15,024
Other financial expenses	12,202	6,297
Interest expenses on lease liabilities	21,461	19,529
Net losses on exchange rates	15,834	2,339
Net interest on provisions for employee benefit obligations	-	1,241
Fair value measurement of exchange rate derivatives	109,515	19,486
Fair value measurements of other derivatives	446	-
<b>Total</b>	<b>303,683</b>	<b>179,281</b>

**Interest expenses** which totalled euro 103,671 thousand included:

- euro 36,662 thousand for bank credit facilities held by Pirelli & C. S.p.A.;
- euro 21,707 thousand in financial expenses relative to bond loans, of which euro 8,381 thousand is relative to non-monetary interest on the convertible bond loan, euro 9,510 thousand is relative to the unrated bond loan, and euro 3,816 thousand is relative to the "Schuldschein" loans, all of which were issued by Pirelli & C. S.p.A.;
- euro 2,002 thousand in net interest payables which includes interest on Cross Currency Interest Rate Swaps and Interest Rate Swaps, for which hedge accounting has been adopted, to rectify the flow of financial expenses for the bank credit facilities and bond loans mentioned in the preceding points. For further details reference should be made to Note 27, "Derivative Financial Instruments";
- euro 3,117 thousand in net interest payables on Cross Currency Interest Rate Swaps for which hedge accounting has been discontinued;
- euro 23,698 thousand in financial expenses related to bank loans held by foreign subsidiaries.

The item **commissions** includes, in particular, euro 5,203 thousand in costs for the assignment of receivables with non-recourse clauses, mainly in South America, Italy and Germany and euro 13,101 thousand relative to expenses for sureties and other bank commissions.

The item **net monetary loss** refers to the effect on monetary items deriving from the application of IAS 29 - Financial Reporting in Hyperinflationary Economies, by the Argentine subsidiary Pirelli Neumaticos SAIC to the amount of euro 24,819 thousand and by the Turkish subsidiaries Pirelli Otomobil Lastikleri A.S. and Pirelli Lastikleri Dis Ticaret A.S., to the positive amount of euro 2,569 thousand (reference should be made to Note 41 for further details).

The item **net losses on exchange rates** which amounted to euro 15,834 thousand (gains amounted to euro 770,793 thousand and losses amounted to euro 786,627 thousand) refers to, the adjustment of period-end exchange rates for items expressed in currencies other than the functional currency and still outstanding at the closing date of the Consolidated Financial Statements, and to the net gains realised on items closed during the course of the period. It also includes income to the amount of euro 7,302 thousand relative to the exchange rate component of the fair value valuation of the cross currency interest rate swaps, for which cash flow hedge accounting was adopted, to offset the losses on exchange rates recorded on the hedged liability.

The item **fair value measurement of exchange rate derivatives** refers to forward foreign exchange buy/sell transactions to hedge commercial and financial transactions, in accordance with the Group's exchange rate risk management policy. For transactions still open at period-end, the fair value is determined by applying the forward exchange rate at the reporting date. The measurement at fair value is composed of two elements: the interest component, which is tied to the interest rate differential between the currencies covered by the individual hedges, equal to a net cost of euro 88,167 thousand (an increase of euro 69,788 thousand compared to previous year, mainly due to the increased interest rate differential in Russia and Brazil), and the exchange rate component, equal to a net loss of euro 21,348 thousand.

When comparing the net losses on exchange rates of euro 15,834 thousand, recognised on receivables and payables in currencies other than the functional currency in the various subsidiaries, with the fair value measurement of the exchange rate component of exchange rate derivatives used for hedging, which amounted to a net cost of euro 21,348 thousand, the result is a negative difference of euro 37,182 thousand. This imbalance was partially offset by the positive measurement at fair value of the other financial assets of the Argentine subsidiary Pirelli Neumaticos SAIC, to the amount of euro 22,360 thousand. Reference should be made to Note 36, "*Financial Income*" for further details. Net of the aforementioned Argentine effect, therefore, the imbalance would be a negative euro 14,822 thousand.

The exchange rate component of the fair value measurement of the cross currency interest rate swaps, for which cash flow hedge accounting was adopted, was positive to the amount of euro 7,302 thousand, and was classified under the item net gains on exchange rates, to offset the losses on exchange rates recorded on the hedged liability (refer to Note 36, "*Financial Income*").

### 38. TAXES

Taxes were composed as follows:

(in thousands of euro)

	2022	2021
Current taxes	182,193	143,910
Deferred taxes	(22,459)	(28,752)
<b>Total</b>	<b>159,734</b>	<b>115,158</b>

**Taxes** in 2022 amounted to euro 159.734 thousand against a net income before tax of euro 595,634 thousand, compared to the amount of euro 115,158 thousand in 2021 against a net income before tax of euro 436,751 thousand. The tax rate for 2022 stood at 26.8% compared to 26.4% for 2021.

The reconciliation between theoretical and effective taxes is as follows:

(in thousands of euro)

	2022	2021
<b>A) Net income/(loss) before taxes</b>	<b>595,634</b>	<b>436,751</b>
<b>B) Theoretical taxes</b>	<b>159,463</b>	<b>112,279</b>
Main causes for changes between estimated and effective taxes:		
Taxes incentives	(21,035)	(18,008)
Non-deductible costs	16,082	15,913
Non-recoverable withholding taxes	(569)	2,282
Other	5,793	2,692
<b>C) Effective taxes</b>	<b>159,734</b>	<b>115,158</b>
Theoretical tax rate (B/A)	26.8%	25.7%
Effective tax rate (C/A)	26.8%	26.4%

The negative impact on the tax rate resulting from non-deductible costs and from other items, was substantially offset by tax incentives.

The Group's theoretical tax burden is calculated by taking into account the nominal tax rates of the countries where the Group's main companies operate, as shown below:

	2022	2021
<b>Europe and Turkey</b>		
Italy	27.90%	27.90%
Germany	30.00%	30.00%
Romania	16.00%	16.00%
Great Britain	19.00%	19.00%
Turkey	23.00%	25.00%
<b>Russia, Nordics and MEAI</b>		
Russia	20.00%	20.00%
<b>North America</b>		
USA	25.00%	25.00%
Mexico	30.00%	30.00%
<b>South America</b>		
Argentina	35.00%	35.00%
Brazil	34.00%	34.00%
<b>APAC</b>		
China	25.00%	25.00%

The following table shows the incidence of taxes paid during the financial year, which amounted to euro 205,455 thousand (euro 125,633 thousand in 2021), by geographic region:

- 36% Europe and Turkey (29% in 2021);
- 24% APAC (30% in 2021);
- 14% Russia , Nordics and MEAI (7% in 2021)
- 13% South America (22% in 2021);
- 13% North America (12% in 2021).

Taxes paid refers to the total amount of income taxes effectively paid during the tax period by the companies of the Group in their respective jurisdictions of tax residence, to income tax advances paid in 2022, to income taxes paid during the course of 2022 but relative to previous financial years (e.g.; income tax balances relative to 2021), or payments relative to tax assessments for previous financial years. Taxes paid also include withholding taxes incurred on cross-border payments such as dividends, interest and royalties which have been reported in the jurisdiction of the percipient's tax residence.

### 39. EARNINGS/(LOSSES) PER SHARE

Basic earnings/(loss) per share are calculated by dividing the earnings/(losses) attributable to the Group by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

(in thousands of euro)

	2022	2021
Net income/(loss) attributable to the Parent Company	417,760	302,796
Weighted average number of ordinary shares outstanding (in thousands)	1,000,000	1,000,000
<b>Earnings /(losses) per ordinary share (in euro per share)</b>	<b>0.418</b>	<b>0.303</b>

It should be noted that basic and diluted earnings/(losses) per share are the same. It should also be noted that the option to convert the shares of the bond loan has no dilutive effect, as the average market price of the shares was lower than the exercise price of the option itself during 2022.

### 40. DIVIDENDS PER SHARE

During the course of 2022, Pirelli & C. S.p.A. distributed to its shareholders, from the 2021 results, a unit dividend of euro 0.161 per ordinary share equal to a total dividend pay-out of euro 161 million before withholding taxes.

### 41. HYPERINFLATION

Based on the provisions of the Group's accounting standards, hyperinflation accounting was adopted by the Argentine subsidiaries, Pirelli Neumaticos SAIC and Latam Servicios Industriales SA as of July 1, 2018 and December 15, 2022 respectively and by the Turkish subsidiaries Pirelli Otomobil Lastikleri A.S. and Pirelli Lastikleri Dis Ticaret A.S., as of June 30, 2022.

For the Argentine companies, the price index used for the application of hyperinflation accounting was the National Consumer Price Index (CPI) published by the National Institute of Statistics and Census (INDEC), equal to an official annual value of 94.75%.

For the Turkish companies, the price index used was the National Consumer Price Index (TUFE) published by the Turkish Statistical Institute (TUIK), equal to an official annual value of 64.27%.

Net losses on the net monetary position were recorded in the Income Statement as "*Financial Expenses*" (Note 37), to the amount of euro 22,250 thousand.

#### 42. NON-RECURRING EVENTS

During the course of 2002, there were no non-recurring events and transactions pursuant to CONSOB Notice No. DEM/6064293 of 28 July 2006. Information on the impact on the financial results for the 2021 financial year is show below:

(in millions of euro)

	<b>2022</b>	<b>2021</b>
<b>Personnel expenses:</b>		
- UK pension fund buy-out	-	(2.5)
<b>Impact on operating income</b>	-	<b>(2.5)</b>
<b>Impact on net income/(loss) before taxes</b>	-	<b>(2.5)</b>
<b>Taxes:</b>		
- Tax receivables Brazil	-	23.2
<b>Impact on net income/(loss)</b>	-	<b>20.7</b>

### 43. RELATED PARTY TRANSACTIONS

Related party transactions, including intra-group transactions, do not qualify as either atypical or unusual, but are part of the ordinary course of business for companies of the Group. Such transactions, when not settled under standard conditions, or dictated by specific regulatory conditions, are in any case regulated by conditions consistent with those of the market and carried out in compliance with the provisions contained in the Procedure for Related Party Transactions which the Company has adopted.

The following table summarises the items from the Statement of Financial Position, the Income Statement and the Cash Flow Statement that include related party transactions and their relative impact.

#### STATEMENT OF FINANCIAL POSITION

(in millions of euro)

	12/31/2022	of which related parties	% incidence	12/31/2021	of which related parties	% incidence
<b>Non current assets</b>						
Other receivables	231.2	6.9	3.0%	362.9	6.7	1.8%
<b>Current assets</b>						
Trade receivables	636.4	11.0	1.7%	659.2	19.5	3.0%
Other receivables	741.2	111.3	15.0%	470.6	105.9	22.5%
<b>Non-current liabilities</b>						
Borrowings from banks and other financial institutions	3,690.1	10.4	0.3%	3,789.4	13.2	0.3%
Other payables	74.6	0.2	0.3%	76.5	0.2	0.3%
Provisions for liabilities and charges	101.7	21.8	21.5%	81.2	22.0	27.1%
Provisions for employee benefit obligations	180.6	6.7	3.7%	220.6	7.2	3.2%
<b>Current liabilities</b>						
Borrowings from banks and other financial institutions	800.4	3.0	0.4%	1,489.2	2.8	0.2%
Trade payables	1,973.3	166.4	8.4%	1,626.4	144.1	8.9%
Other payables	405.6	37.4	9.2%	314.2	13.4	4.3%

#### INCOME STATEMENT

(in millions of euro)

	2022	of which related parties	% incidence	2021	of which related parties	% incidence
Revenue from sales and services	6,615.7	45.0	0.7%	5,331.5	23.7	0.4%
Other income	330.9	63.6	19.2%	303.9	56.3	18.5%
Raw materials and consumables used (net of changes in inventories)	(2,419.3)	(17.6)	0.7%	(1,820.6)	(3.6)	0.2%
Personnel expenses	(1,178.6)	(15.2)	1.3%	(1,101.9)	(23.1)	2.1%
Other costs	(2,208.8)	(340.9)	15.4%	(1,770.5)	(312.5)	17.6%
Financial income	102.0	3.5	3.4%	35.0	3.7	10.4%
Financial expenses	(303.7)	(1.8)	0.6%	(179.3)	(1.5)	0.8%
Net income / (loss) from equity investments	5.8	2.9	n.a.	4.0	1.7	n.a.

## CASH FLOW

(in millions of euro)

	2022	of which related parties	% incidence	2021	of which related parties	% incidence
<b>Net cash flow operating activities:</b>						
Change in Trade receivables	37.4	8.9	n.a.	(51.4)	(6.4)	n.a.
Change in Trade payables	272.8	16.3	n.a.	214.5	19.5	n.a.
Change in Other receivables	(50.5)	(7.4)	n.a.	23.7	(1.2)	n.a.
Change in Other payables	27.9	(2.6)	n.a.	(59.1)	(5.2)	n.a.
Uses of Provisions for employee benefit obligations	(89.5)	-	n.a.	(48.8)	(3.0)	n.a.
<b>Net cash flow investing activities:</b>						
Change in Financial receivables from associates and J.V.	(0.2)	(0.3)	n.a.	15.3	15.3	n.a.
<b>Net cash flow financing activities:</b>						
Repayment of principal and payment of interest for lease obligations	(114.5)	(0.9)	n.a.	(105.4)	(3.8)	n.a.

The types of Related Party Transactions are detailed below:

## STATEMENT OF FINANCIAL POSITION

(in millions of euro)

	12/31/2022			12/31/2021		
	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers
Other non-current receivables	6.9	-	-	6.7	-	-
<i>of which financial</i>	6.9	-	-	6.7	-	-
Trade receivables	9.2	1.8	-	14.7	4.8	-
Other current receivables	87.0	24.3	-	92.4	13.5	-
<i>of which financial</i>	79.0	-	-	81.4	-	-
Borrowings from banks and other financial institutions non-current	10.4	-	-	13.0	0.2	-
Other non-current payables	-	-	0.2	-	-	0.2
Provisions for liabilities and charges non-current	-	-	21.8	-	-	22.0
Provisions for employee benefit obligations non-current	-	-	6.7	-	-	7.2
Borrowings from banks and other financial institutions current	2.3	0.7	-	2.3	0.5	-
Trade payables	34.0	132.4	-	26.9	117.2	-
Other current payables	-	0.8	36.6	-	1.5	11.9



	2022			2021		
	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers
Revenues from sales and services	42.2	2.8	-	20.9	2.8	-
Other income	14.3	49.3	-	8.4	47.9	-
Raw materials and consumables used (net of change in inventories)	(2.4)	(15.2)	-	(1.1)	(2.5)	-
Personnel expenses	-	-	(15.2)	-	-	(23.1)
Other costs	(163.0)	(148.7)	(29.1)	(137.5)	(146.8)	(28.2)
Financial income	3.4	0.1	-	3.7	-	-
Financial expenses	(0.3)	(1.5)	-	(0.4)	(1.1)	-
Net income/ (loss) from equity investments	2.9	-	-	1.7	-	-

### TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES

**TRANSACTIONS - STATEMENT OF FINANCIAL POSITION** The item **other non-current receivables** refers to a loan granted by Pirelli Tyre S.p.A. to the Indonesian joint venture PT Evoluzione Tyres.

The item **trade receivables** includes receivables for services rendered mainly to the Chinese joint venture Jining Shenzhou Tyre Co., Ltd.

The item **other current receivables** mainly refers to:

- receivables for the royalties of Pirelli Tyre S.p.A. from PT Evoluzione Tyres and Jining Shenzhou Tyre Co., Ltd. to the amount of euro 1.4 million and euro 1.9 million each respectively;
- receivables for the sale of raw materials from Jining Shenzhou Tyre Co., Ltd. to the amount of euro 2.6 million;
- service fee receivables of the Pirelli Tyre Co., Ltd. from the Jining Shenzhou Tyre Co., Ltd. to the amount of euro 1.2 million.

The financial portion refers to a loan granted by Pirelli Tyre Co., Ltd. to the Jining Shenzhou Tyre Co., Ltd.

The item **borrowings from banks and other financial institutions non-current** refers to the payables of the company Pirelli Deutschland GmbH to Industriekraftwerk Breuberg GmbH for machinery hire and the payables of Pirelli Tyre Co., Ltd. to the Jining Shenzhou Tyre Co., Ltd.

The item **borrowings from banks and other financial institutions current** refers to a portion of the aforementioned short-term debt.

The item **trade payables** mainly refers to payables for the purchase of energy from Industriekraftwerk Breuberg GmbH to the amount of euro 25.9 million and payables to the Jining Shenzhou Tyre Co., Ltd. to the amount of euro 4.6 million.

**TRANSACTIONS - INCOME STATEMENT** The item **revenues from sales and services** mainly refers to the sales of materials and semi-finished products to the Jining Shenzhou Tyre Co., Ltd. to the amount of euro 41.5 million.

The item **other income** refers to royalties to the amount of euro 7.1 million and the charge-back of expenses to the amount of euro 5.8 million.

The item **other costs** mainly refers to costs for:

- the purchase of tyres from Jining Shenzhou Tyre Co., Ltd. to the amount of euro 65.6 million;
- the purchase of Motorcycle products from PT Evoluzione Tyres to the amount of euro 52.6 million;
- the purchase of energy and the hiring of machines from Industriekraftwerk Breuberg GmbH to the amount of euro 27,7 million.

The item **financial income** refers to interest on loans disbursed to the two joint ventures.

#### OTHER RELATED-PARTY TRANSACTIONS

The transactions detailed below refer mainly to transactions with the Aeolus Tyre Co., Ltd. and to transactions with the Prometeon Group, both of which are subject to the control of the direct Parent company or indirect Parent companies of Pirelli & C. S.p.A.

#### TRANSACTIONS - STATEMENT OF FINANCIAL POSITION

The item **trade receivables** refers to receivables from companies of the Prometeon Group.

The item **other current receivables** refers to receivables from companies of the Prometeon Group to the amount of euro 19 million and from the Aeolus Tyre Co., Ltd. to the amount of euro 6.2 million mainly for royalties.

The item **borrowings from banks and other financial institutions current** refers to payable of Pirelli Otomobil Lastikleri A.S. for machine hire from Prometeon Turkey Endüstriyel ve Ticari Lastikler A.S.

The item **trade payables** mainly refers to payables to companies of the Prometeon Group.

**TRANSACTIONS - INCOME STATEMENT** The item **other income** includes royalties charged to the Aeolus Tyre Co., Ltd. to the amount of euro 7 million per year. The item also includes income from companies of the Prometeon Group mainly relative to:

- royalties recorded in respect of the license agreement for the use of the Pirelli trademark to the amount of euro 24 million;
- the sales of raw materials, finished and semi-finished products for a total amount of euro 0.7 million;
- the licence agreement for know-how charged by Pirelli Tyre S.p.A. to the amount of euro 10.4 million;
- the Long Term Service Agreement to the amount of euro 2.6 million of which euro 2.1 million was earned by Pirelli Sistemi Informativi;
- logistics services for a total amount of euro 2.9 million of which euro 0.8 million was carried out by Pirelli Sistemi Informativi S.r.l. and 0.7 million was carried out by the Spanish company Pirelli Neumaticos S.A. - Sociedad Unipersonal.

The item **raw and consumable materials used** refers to costs payable to companies of the Prometeon Group for

the purchase of direct materials/consumables/compounds, of which euro 2 million were costs of the Brazilian company Pirelli Pneus Ltda.

The item **other costs** includes contributions to the Hangar Bicocca Foundation and the Pirelli Foundation to the amount of euro 0.7 million, and costs payable to companies of the Prometeon Group mainly for:

- the purchase of truck products for a total amount of euro 95.5 million of which euro 88.8 million was carried out by the Brazilian company Comercial e Importadora de Pneus Ltda. and subsequently resold to retail customers, and euro 5 million by the German company Driver Reifen und KFZ-Technik GmbH;
- the purchase of Car/Motorcycle and semi-finished products for a total amount of euro 40.3 million of which euro 40.1 million was carried out by the Turkish company, Pirelli Otomobil Lastikleri A.S. in respect of the Off-Take contract;
- costs incurred by Pirelli Otomobil Lastikleri A.S. for the purchase of energy amounting to euro 3.5 million.

The item **financial expenses** refers to the aforesaid interest relative to machine hire.

#### REMUNERATION FOR DIRECTORS AND KEY MANAGERS

Remuneration for Directors and Key Managers can be summarised as follows:

- the Statement of Financial Position items **provisions for liabilities and charges non-current** and **provisions for employee benefit obligations non-current**, include provisions for the monetary three-year 2021-2023 and 2022-2024 Long Term Incentive Plans to the amount of euro 8.6 million (euro 18.9 million at December 31, 2021), provisions for the Short Term Incentive Plan to the amount of euro 5.9 million (euro 3.1 million at December 31, 2021), as well as severance indemnities to the amount of euro 14.2 million (euro 7.2 million at December 31, 2021);
- the Statement of Financial Position item **other current payables** includes the short-term portion relative to the Short Term Incentive Plan and payables for the 2020-2022 Long Term Incentive Plan;
- the items **personnel expenses** and **other costs** include euro 6.1 million relative to employees' leaving indemnities (TFR) and severance indemnities (euro 5.9 million for 2021), as well as provisions for short-term benefits to the amount of euro 14.2 million (euro 14.6 million for 2021) and for long-term benefits, to the amount of euro 12.5 million (euro 14.7 million for 2021).

#### 44. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

On **January 11, 2023**, Pirelli placed its first sustainability-linked bond with investors for a total nominal amount of euro 600 million, with demand equal to almost six times the offer, which amounted to approximately euro 3.5 billion. The issue of the first benchmark-size sustainability-linked bond of this type placed by a global tyre company, as well as the first carried out since

Pirelli obtained its investment grade rating from S&P Global and Fitch Ratings, testifies to the Company's commitment to further integrate sustainability into its business strategy, and is linked to the 2025 targets of reducing absolute greenhouse gas emissions (Scopes 1 and 2) and emissions from purchased raw materials (Scope 3). The transaction, which took place within the framework of the EMTN Programme (Euro Medium Term Note Programme) which was approved by the Board of Directors on February 23, 2022, offers an effective yield at maturity of 4.317% (145 basis points above the mid swap), and allows for the optimisation of the debt structure, by extending maturities and diversifying sources. These securities are listed on the Luxembourg Stock Exchange.

On **February 7, 2023** Pirelli was confirmed as amongst the best companies at global level for sustainability obtaining "Top 1%" ranking, the highest recognition in the 2023 Sustainability Yearbook published by S&P Global, after examining the sustainability profile of more than 13,000 companies. This result follows the score recorded by Pirelli in the 2022 Corporate Sustainability Assessment for the Dow Jones Sustainability Index of S&P Global, where the Company had obtained the Top Score of 86 points (revised from the initial 85), the highest in the ATX Auto Components sector of the Dow Jones Sustainability World and European Index.

On **February 14, 2023**, Pirelli announced that Bai Xinping had resigned as a Director of the Company, effective as of February 22, 2023, following the assumption of new professional responsibilities within the Sinochem Group. Bai Xinping has received Pirelli's sincere thanks for his contribution during more than seven years in office. On **February 22, 2023**, the Board of Directors co-opted Wang Feng to replace Bai Xinping, and also proceeded to appoint him as a member of the Remuneration Committee, the Nominations and Successions Committee and the Strategies Committee, roles previously held by Bai Xinping.

Wang Feng – who was qualified by the Board as a non-executive Director – and will remain in office until the next Shareholders' Meeting, does not possess the requisites to qualify as independent pursuant to the Corporate Governance Code, and at the date of the appointment did not hold shares and/or other financial instruments issued by Pirelli.

On **February 22, 2023**, Pirelli announced that the shareholder CNRC had announced that it will submit the notification required by Legislative Decree 21/2012 (the Golden Power Regulation) regarding the renewal of the Shareholders' Agreement signed on May 16, 2022 by and between, amongst others, the CNRC, Marco Polo International S.r.l., Camfin S.p.A. and Marco Tronchetti Provera & C. S.p.A., which will become effective with the convening of the Shareholders' Meeting for the approval of the Financial Statements at December 31, 2022.

## 45. OTHER INFORMATION

### INFORMATION ON CLIMATE CHANGE

The Sustainability Plan at 2025 and at 2030 is fully integrated into the Company's Industrial Plan. The targets of the Plan are

designed to be aligned with the materiality of the Company impacts on the economy, the environment, society and human rights and in support of the United Nations 2030 agenda for Sustainable Development Goals.

The Plan addresses the risks relative to climate change, by forecasting targets and performances at the level of:

- **production processes**, in terms of reducing absolute CO<sub>2</sub> emissions, by increasing the share of electricity from renewable sources and increasing efficiency in the use of natural resources;
- **products**, through the evolution of the ranges of products, with a lower environmental impact throughout their respective life cycles, which at the same time ensure greater driving safety;
- **raw materials**, in terms of increasing the proportion of recycled and renewable materials used in new product lines;
- **the supply chain**, by monitoring and reducing absolute CO<sub>2</sub> emissions that are associated, particularly, with raw materials suppliers.

The achievement of these objectives foresees specific measures that include:

- the purchase of certificates of origin for electrical energy, that is, documents that certify the renewable origin of the energy sources used, which are recorded under other costs;
- investment projects for new products and for increased energy efficiency, which had already begun in 2021, and which were therefore included in the increases to property, plant and equipment. With reference to investments for new products, it should be noted that the assets currently in use for tyre production do not need to be replaced but will be subject to improvements. With regard to projects to achieve energy efficiency, mainly improvements and the purchase of additional components to existing assets are planned. Therefore, it should be noted that these investments do not impact the measurement of the useful lives of the fixed assets currently in use and the recoverability of their carrying amount at December 31, 2022;
- research and development costs for the development of new products and operating costs for improving energy efficiency. During 2022 the new IP Code labelled tyres placed on the market by Pirelli worldwide, with parameters consistent with the highest ratings (A or B) in European labelling for rolling resistance, (an environmental aspect with an indirect impact on vehicle CO<sub>2</sub> emissions), equalled 50% of the total.

With regard to the impact on the financial structure, it should be noted that at December 31, 2022, financing geared to sustainability indexes accounted for almost 55% of the Group's total gross debt (excluding lease liabilities). Specifically, "sustainable" bank facilities amounted to euro 3.2 billion, of which euro 2.2 billion resulted as used at December 31, 2022, and euro 1.0 billion was available in the form of a committed revolving credit facility. For further information,

reference should be made to Note 23, “*Borrowings from Banks and Other Financial Institutions*”.

With regard to risks linked to climate change, Pirelli monitors these elements of uncertainty along its value chain through sensitivity analyses and risk assessments, to assess and quantify the financial impacts (risks and opportunities) linked to climate change and water stress, and to put in place appropriate prevention and mitigation measures to protect its business. One instrument to support these analyses is the Group’s Climate Change and Water Stress Risk Assessment, which is updated bi-annually to integrate these analyses with forecasts for the medium to long-term time frame, with respect to the Intergovernmental Panel on Climate Change (IPCC) climate scenarios, which represent a projection of global temperature increases at the end of the century of between 1.5°C (RCP2.6) and >4°C (RCP8.5) and International Energy Agency (IEA) projections for energy transition (Stated Policies Scenario (STEPS), Announced Pledges Scenario (APS) and Net Zero by 2050 (NZE)).

Pirelli carries out, on a regular basis, a risk analysis on climate change and water stress, assessing both physical (acute and chronic) and transitional elements of uncertainty.

As regards the physical risks, the potential impacts are projected over a time frame up to 2050, with respect to the different climate scenarios of the Intergovernmental Panel on Climate Change, by assessing the potential number of business interruption days both for the Pirelli production plants and along the supply chain. In terms of potential criticalities, assessed according to the Enterprise Risk Management scale, there were no significant impacts in the short-medium term (2023-2030), while elements of uncertainty persist on the 2050 timescale. Instead, as far as transition risks are concerned, the Group assessed, amongst other things, the introduction and/or tightening of current CO<sub>2</sub> emission pricing schemes in the countries in which it operates. The possible impacts, linked to an increase in production costs, were estimated based on the different CO<sub>2</sub> emissions price developments arising from both the forecasts published by the IEA for the STEPS, APS, NZE scenarios and the three possible carbon intensity pathways of the Group. No material impact emerged with regard to the short (2023) and medium-term, while there were elements of uncertainty with regard to the long-term (>2030), especially if the NZE and APS scenarios were to occur.

At December 31, 2022, no risks of probable losses had emerged that would require specific provisions to be accrued in the Financial Statements.

With reference to the impact of climate-change on the impairment testing of goodwill and of assets with an indefinite useful life (Brand), reference should be made to Note 10, “*Intangible Assets*”.

With regard to the declarations of a non-financial nature and in particular to risks related to climate change, as well as to sustainable development goals and to the main international commitments for sustainability, reference should be made to the relevant sections of the Directors’ Report on Operations

and the Report on Responsible Value Chain Management, particularly the section “*Adherence to the Task Force on Climate-related Financial Disclosure (TCFD)*” in this Annual Report, and to Pirelli’s public responses to the CDP Climate Change 2022 questionnaire.

#### ACTIVITIES IN RUSSIA

As already announced with the publication of the results of the first quarter of 2022 on May 10, 2022, Pirelli has suspended investments in its factories in Russia, with the exception of those intended for the safety of carrying out operations. In 2022, Russia accounted for 4% of turnover and for 11% of total capacity.

In compliance with **international sanctions** imposed by the EU, which include a ban on imports of Russian finished products into the EU and a ban on the export of some raw materials to Russia, starting from the second half-year of 2022 Pirelli has:

- geared **production** towards the domestic market;
- identified **alternative sources for import/export** streams, with the gradual activation of sourcing supplies of finished products from Turkey and Romania, to replace Russian exports to European markets and the use of mainly local suppliers of raw materials to replace European suppliers;
- diversified its logistics **service providers** in order to ensure the continuity of supplies of finished products and raw materials;
- guaranteed its financial support through local banks.

At December 31, 2022, the Statement of Financial Position of the sub-consolidated entity which aggregates the subsidiaries situated in Russia was mainly composed of:

- non-current assets to the amount of euro 186.0 million (euro 178.0 million at December 31, 2021), of which euro 174.1 million was related to property, plant and equipment and intangible assets (euro 169.3 million at December 31, 2021);
- inventories to the amount of euro 54.0 million;
- trade receivables and other receivables to the amount of euro 65.1 million, of which euro 2.9 million were from other Group companies;
- tax receivables to the amount of euro 11.2 million;
- cash and cash equivalents to the amount of euro 11.1 million;
- borrowings from banks and other financial institutions to the amount of euro 98.3 million which included payables to the Group to the amount of euro 52.8 million;
- trade payables and other payables to the amount of euro 68.9 million, of which euro 8.5 million was to other companies of the Group.

At the date of this document, guarantees had been issued by Pirelli Tyre S.p.A. for the financial and trade payables of the Russian subsidiaries to third parties and other companies of the Group.

Total equity amounted to euro 144.5 million, of which euro 93.9 million was attributable to the Parent Company and euro 50.6 million attributable to non-controlling interests.

Revenues for 2022 from net sales on the Russian market amounted to euro 262.4 million, with an operating income adjusted to the amount of euro 59.3 million.

#### RESEARCH AND DEVELOPMENT EXPENSES

Research & Development expenses for 2022 amounted to euro 264 million and represented 4% of sales, and refer to expenses for product and process innovation, as well as for the development of new materials. The portion allocated to research and development for High Value activities amounted to euro 247 million and equalled 5.3% of High Value revenues. For further details, reference should be made to the section “*Research and Development Activities*” in the Directors’ Report on Operations, which is an integral part of this document.

#### REMUNERATION FOR DIRECTORS AND STATUTORY AUDITORS

The remuneration paid to the Directors and Statutory Auditors was as follows:

(in thousands of euro)

	2022	2021
Directors	29,068	28,194
Statutory Auditors	390	377
<b>Total</b>	<b>29,458</b>	<b>28,571</b>

#### EMPLOYEES - AVERAGE HEADCOUNTS

The average headcounts for employees, sub-divided by category, for the companies included in the scope of consolidation were as follows:

	2022	2021
Executives and white collar staff	6,025	5,934
Blue collar staff	23,465	23,221
Temporary workers	1,724	1,488
<b>Total</b>	<b>31,214</b>	<b>30,643</b>

## REMUNERATION FOR INDEPENDENT AUDITING FIRMS

Pursuant to the applicable regulations, total fees for the 2022 financial year for auditing and non-audit services rendered by the company PricewaterhouseCoopers S.p.A. and by entities belonging to its network, are shown below:

(in thousands of euro)

	Company that provided the service	Company that received the service	Partial fees	Total fees	
Independent auditing services	PricewaterhouseCoopers S.p.A.	Pirelli & C. S.p.A.	89		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	1,500		
	Network PricewaterhouseCoopers	Subsidiaries	1,457	<b>3,046</b>	<b>85%</b>
Independent certification services (1)	PricewaterhouseCoopers S.p.A.	Pirelli & C. S.p.A.	212		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	152		
	Network PricewaterhouseCoopers	Subsidiaries	33	<b>397</b>	<b>11%</b>
Independent services other than auditing	PricewaterhouseCoopers S.p.A.	Pirelli & C. S.p.A.	140		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	-		
	Network PricewaterhouseCoopers	Subsidiaries	-	<b>140</b>	<b>4%</b>
				<b>3,583</b>	<b>100%</b>

(1) the item "Independent certification services" indicates the amounts paid for other services that require the issuance of an auditor's report, as well as the amounts paid for the so-called certification services, as they are concomitant with the statutory auditing services.

## INFORMATION REQUIRED BY LAW NO. 124/2017 ART. 1 PARAGRAPHS 125-129

It should be noted that during the course of the financial year, that the company Pirelli Tyre S.p.A. has:

- received approximately euro 1.5 million for the agreement signed during the 2019 financial year with MiSE (the Ministry of Economic Development, now the Ministry for Enterprises and Made in Italy), to subsidise three Research and Development projects, for up to a maximum of euro 6.3 million in total;
- obtained a concession decree from MiSE granting a subsidy for a Research and Development project in the field of Digital Solutions for up to a maximum of euro 2.6 million;
- obtained, within the framework of the PNRR (National Recovery and Resilience Plan), a concession decree from the MUR (Ministry of Universities and Research), granting a subsidy for Research and Development activities in connection to the "National Centre for Sustainable Mobility - MOST" initiative, for up to a maximum of euro 1.2 million;
- obtained eligibility, under the Framework for State Aid - COVID-19 (Artt. 54 - 61 of the Relaunch Decree, as amended by Art. 62 of Legislative Decree 104/2020), for subsidies for 14 applications, for an overall total of approximately euro 102 thousand in non-repayable grants.

For the purpose of providing complete information, it should be noted that during the 2018 financial year, Pirelli Tyre S.p.A. received from M.I.U.R. - *Ministero dell'Istruzione, dell'Università e della Ricerca* (the Ministry of Education, Universities and Research) - a subsidised loan to the amount of euro 5,305 thousand with a duration of 5 years and an interest rate of 0.50% per annum, granted as an incentive to carry out a Research and Development project for the advancement of innovative materials in the tyre manufacturing process.

Pirelli & C. S.p.A. instead obtained, again within the PNRR framework, a concession decree from MUR (the Ministry of Universities and Research), granting a subsidy for Research and Development activities as part of the Innovation Ecosystem, "MUSA - Multilayered Urban Sustainability Action" initiative for up to a maximum of euro 0.4 million.

## ATYPICAL AND/OR UNUSUAL OPERATIONS

Pursuant to CONSOB Notice No. 6064293 of July 28, 2006, it should be noted that during the course of the 2022 financial year, that no atypical and/or unusual transactions as defined in the aforesaid Notice, were carried out by the Company.

## EXCHANGE RATES

The main exchange rates used for consolidation were as follows:

(local currency vs euro)

	Period-end Exchanges Rates		Change in %	Average Exchange Rates		Change in %
	12/31/2022	12/31/2021		2022	2021	
Swedish Krona	<b>11.1283</b>	10.2269	8.81%	<b>10.6326</b>	10.1449	4.81%
Australian Dollar	<b>1.5693</b>	1.5615	0.50%	<b>1.5167</b>	1.5749	(3.70%)
Canadian Dollar	<b>1.4440</b>	1.4393	0.33%	<b>1.3695</b>	1.4826	(7.63%)
Singaporean Dollar	<b>1.4300</b>	1.5279	(6.41%)	<b>1.4512</b>	1.5891	(8.68%)
US Dollar	<b>1.0666</b>	1.1326	(5.83%)	<b>1.0531</b>	1.1827	(10.97%)
Taiwan Dollar	<b>32.7766</b>	31.3436	4.57%	<b>31.4352</b>	33.0389	(4.85%)
Swiss Franc	<b>0.9847</b>	1.0331	(4.68%)	<b>1.0047</b>	1.0812	(7.07%)
Egyptian Pound	<b>26.4357</b>	17.8708	47.93%	<b>20.3224</b>	18.6428	9.01%
Turkish Lira	<b>19.9349</b>	14.6823	35.78%	<b>19.9349</b>	10.4698	90.40%
Romanian Leu	<b>4.9474</b>	4.9481	(0.01%)	<b>4.9313</b>	4.9208	0.21%
Argentinian Peso	<b>188.9589</b>	116.3407	62.42%	<b>188.9589</b>	116.3407	62.42%
Mexican Peso	<b>20.7073</b>	23.3129	(11.18%)	<b>21.1915</b>	23.9812	(11.63%)
South African Rand	<b>18.0986</b>	18.0625	0.20%	<b>17.2086</b>	17.4766	(1.53%)
Brazilian Real	<b>5.5694</b>	6.3210	(11.89%)	<b>5.4468</b>	6.3782	(14.60%)
Chinese Renminbi	<b>7.4284</b>	7.2211	2.87%	<b>7.0829</b>	7.6305	(7.18%)
Russian Rouble	<b>75.6553</b>	84.0695	(10.01%)	<b>71.4929</b>	87.0941	(17.91%)
British Pound Sterling	<b>0.8869</b>	0.8403	5.55%	<b>0.8528</b>	0.8596	(0.80%)
Japanese Yen	<b>140.6600</b>	130.3800	7.88%	<b>138.0274</b>	129.8767	6.28%

## NET FINANCIAL POSITION

(Alternative Performance Indicator not provided for by the accounting standards).

(in thousands of euro)

	Note	12/31/2022		12/31/2021	
			of which related parties (note 43)		of which related parties (note 43)
Current borrowings from banks and other financial institutions	23	800,389	2,979	1,489,249	2,751
Current derivative financial instruments (liabilities)	27	15,046		10,331	
Non-current borrowings from banks and other financial institutions	23	3,690,111	10,444	3,789,369	13,210
Non-current derivative financial instruments (liabilities)	27	-		3,519	
<b>Total gross debt</b>		<b>4,505,546</b>		<b>5,292,468</b>	
Cash and cash equivalents	19	(1,289,744)		(1,884,649)	
Other financial assets at fair value through Income Statement	18	(246,884)		(113,901)	
Current financial receivables**	15	(270,916)	(79,024)	(81,819)	(81,402)
Current derivative financial instruments (assets)	27	(14,223)		(38,849)	
<b>Net financial debt *</b>		<b>2,683,779</b>		<b>3,173,250</b>	
Non-current derivative financial instruments (assets)	27	(26,430)		(4,612)	
Non-current financial receivables**	15	(104,767)	(6,926)	(261,522)	(6,664)
<b>Total net financial (liquidity) / debt position</b>		<b>2,552,582</b>		<b>2,907,116</b>	

\* Pursuant to CONSOB Notice of July 28, 2006 and in compliance with the ESMA guidelines regarding disclosure requirements pursuant to the Prospectus Regulation applicable from May 05, 2021.

\*\* The item "financial receivables" is reported net of the relative provisions for impairment which amounted to euro 10,545 thousand at December 31, 2022 (euro 9,315 thousand at December 31, 2021).



Net financial debt is summarised below based on the format provided by the ESMA guidelines:

(in thousands of euro)

	<b>12/31/2022</b>	<b>12/31/2021</b>
Cash and cash equivalents	(1,289,744)	(1,884,649)
Other current financial assets	(532,023)	(234,569)
<i>of which Current financial receivables</i>	<i>(270,916)</i>	<i>(81,819)</i>
<i>of which Current derivative financial instruments (assets)</i>	<i>(14,223)</i>	<i>(38,849)</i>
<i>of which Other financial assets at fair value through Income Statement</i>	<i>(246,884)</i>	<i>(113,901)</i>
<b>Liquidity</b>	<b>(1,821,767)</b>	<b>(2,119,218)</b>
Current borrowings from banks and other financial institutions	800,389	1,489,249
Current derivative financial instruments (liabilities)	15,046	10,331
<b>Current financial debt</b>	<b>815,435</b>	<b>1,499,580</b>
<b>Current net financial debt</b>	<b>(1,006,332)</b>	<b>(619,638)</b>
Non-current borrowings from banks and other financial institutions	3,690,111	3,789,369
Non-current derivative financial instruments (liabilities)	-	3,519
<b>Non current financial debt</b>	<b>3,690,111</b>	<b>3,792,888</b>
<b>Net financial debt *</b>	<b>2,683,779</b>	<b>3,173,250</b>

\* Pursuant to CONSOB Notice of July 28, 2006 and in compliance with the ESMA guidelines regarding disclosure requirements pursuant to the Prospectus Regulation applicable from May 5, 2021.

SCOPE OF CONSOLIDATION

COMPANIES CONSOLIDATED LINE-BY-LINE

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
<b>Europe</b>						
<b>Austria</b>						
Pirelli GmbH	Agent	Wien	Euro	726,728	100.00%	Pirelli Tyre (Suisse) S.A.
<b>Belgium</b>						
Pirelli Tyres Belux S.A.	Agent	Brussels	Euro	700,000	99.996%	Pirelli Tyre (Suisse) S.A.
					0.004%	Pneus Pirelli S.A.S.
<b>France</b>						
Pneus Pirelli S.A.S.	Distributor	Villepinte	Euro	1,515,858	100.00%	Pirelli Tyre S.p.A.
<b>Germany</b>						
Deutsche Pirelli Reifen Holding GmbH	Holding	Breuberg / Odenwald	Euro	7,694,943	100.00%	Pirelli Tyre S.p.A.
Driver Handelssysteme GmbH	Service provider	Breuberg / Odenwald	Euro	26,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
Pirelli Deutschland GmbH	Manufacturer and distributor	Breuberg / Odenwald	Euro	23,959,100	100.00%	Deutsche Pirelli Reifen Holding GmbH
Pirelli Personal Service GmbH	Service provider	Breuberg / Odenwald	Euro	25,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
PK Grundstuecksverwaltungs GmbH	Dormant	Hoechst / Odenwald	Euro	26,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
Driver Reifen und KFZ-Technik GmbH (ex Pneomobil Reifen und KFZ-Technik GmbH)	Distribution chain	Breuberg / Odenwald	Euro	259,225	100.00%	Deutsche Pirelli Reifen Holding GmbH
<b>Greece</b>						
Elastika Pirelli C.S.A.	Distributor	Elliniko-Argyroupoli	Euro	11,630,000	99.90%	Pirelli Tyre S.p.A.
					0.10%	Pirelli Tyre (Suisse) S.A.
Pirelli Hellas S.A. (in liquidation)	Under liquidation	Athens	US \$	22,050,000	79.86%	Pirelli Tyre S.p.A.
The Experts in Wheels - Driver Hellas C. S.A.	Service provider	Elliniko-Argyroupoli	Euro	100,000	73.20%	Elastika Pirelli C.S.A.

COMPANIES CONSOLIDATED LINE-BY-LINE

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
<b>Italy</b>						
Driver Italia S.p.A.	Service provider	Milan	Euro	350,000	71.21%	Pirelli Tyre S.p.A.
Driver Servizi Retail S.p.A.	Service provider	Milan	Euro	120,000	100.00%	Pirelli Tyre S.p.A.
HB Servizi S.r.l.	Service provider	Milan	Euro	10,000	100.00%	Pirelli & C. S.p.A.
Maristel S.r.l.	Service provider	Milan	Euro	50,000	100.00%	Pirelli & C. S.p.A.
NewCo Micromobility S.r.l.	Service provider	Milan	Euro	10,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Digital Solutions S.r.l.	Service provider	Milan	Euro	500,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Industrie Pneumatici S.r.l.	Manufacturer	Settimo Torinese (To)	Euro	40,000,000	100.00%	Pirelli Tyre S.p.A.
Pirelli International Treasury S.p.A.	Financial	Milan	Euro	125,000,000	70.00%	Pirelli Tyre S.p.A.
					30.00%	Pirelli & C. S.p.A.
Pirelli Servizi Amministrazione e Tesoreria S.p.A.	Service provider	Milan	Euro	2,047,000	100.00%	Pirelli & C. S.p.A.
Pirelli Sistemi Informativi S.r.l.	Service provider	Milan	Euro	1,010,000	100.00%	Pirelli & C. S.p.A.
Pirelli Tyre S.p.A.	Principal	Milan	Euro	558,154,000	100.00%	Pirelli & C. S.p.A.
Poliambulatorio Bicocca S.r.l.	Service provider	Milan	Euro	10,000	100.00%	Pirelli Tyre S.p.A.
Servizi Aziendali Pirelli S.C.p.A.	Service provider	Milan	Euro	104,000	90.35%	Pirelli & C. S.p.A.
					2.95%	Pirelli Tyre S.p.A.
					0.95%	Poliambulatorio Bicocca S.r.l.
					0.98%	Pirelli International Treasury S.p.A.
					0.95%	Driver Italia S.p.A.
					0.98%	Pirelli Industrie Pneumatici S.r.l.
					0.95%	Pirelli Servizi Amministrazione e Tesoreria S.p.A.
					0.95%	Pirelli Sistemi Informativi S.r.l.
					0.95%	HB Servizi S.r.l.
<b>The Netherlands</b>						
Pirelli China Tyre N.V.	Holding	Rotterdam	Euro	38,045,000	100.00%	Pirelli Tyre S.p.A.
<b>Poland</b>						
Driver Polska Sp. z o.o.	Service provider	Warsaw	Pol. Zloty	100,000	68.50%	Pirelli Polska Sp. z o.o.
Pirelli Polska Sp. z o.o.	Distributor	Warsaw	Pol. Zloty	625,771	100.00%	Pirelli Tyre S.p.A.

COMPANIES CONSOLIDATED LINE-BY-LINE

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
<b>United Kingdom</b>						
CTC 2008 Ltd.	Dormant	Burton-on-Trent	British Pound Sterling	100,000	100.00%	Pirelli UK Tyres Ltd.
Pirelli Cif Trustees Ltd.	Trustees	Burton-on-Trent	British Pound Sterling	4	25.00%	Pirelli General Executive Pension Trustees Ltd.
					25.00%	Pirelli General & Overseas Pension Trustees Ltd.
					25.00%	Pirelli Tyres Executive Pension Trustees Ltd.
					25.00%	Pirelli Tyres Pension Trustees Ltd.
Pirelli International Limited (ex Pirelli International plc)	Dormant	Burton-on-Trent	Euro	5,000,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Motorsport Services Ltd.	Service provider	Burton-on-Trent	British Pound Sterling	1	100.00%	Pirelli UK Ltd.
Pirelli General Executive Pension Trustees Ltd.	Trustees	Burton-on-Trent	British Pound Sterling	1	100.00%	Pirelli UK Ltd.
Pirelli General & Overseas Pension Trustees Ltd.	Trustees	Burton-on-Trent	British Pound Sterling	1	100.00%	Pirelli UK Ltd.
Pirelli Tyres Executive Pension Trustees Ltd.	Trustees	Burton-on-Trent	British Pound Sterling	1	100.00%	Pirelli Tyres Ltd.
Pirelli Tyres Ltd.	Dormant	Burton-on-Trent	British Pound Sterling	16,000,000	100.00%	Pirelli UK Tyres Ltd.
Pirelli Tyres Pension Trustees Ltd.	Trustees	Burton-on-Trent	British Pound Sterling	1	100.00%	Pirelli Tyres Ltd.
Pirelli UK Ltd.	Holding	Burton-on-Trent	British Pound Sterling	163,991,278	100.00%	Pirelli & C. S.p.A.
Pirelli UK Tyres Ltd.	Manufacturer and distributor	Burton-on-Trent	British Pound Sterling	85,000,000	100.00%	Pirelli Tyre S.p.A.
<b>Slovakia</b>						
Pirelli Slovakia S.R.O.	Distributor	Bratislava	Euro	6,639	100.00%	Pirelli Tyre S.p.A.
<b>Romania</b>						
Pirelli & C. Eco Technology RO S.r.l.	Service provider	Slatina	Rom. Leu	20,002,000	99.995%	Pirelli Tyre S.p.A.
					0.005%	Pirelli Tyres Romania S.r.l.
Pirelli Tyres Romania S.r.l.	Manufacturer and distributor	Slatina	Rom. Leu	2,189,797,300	100.00%	Pirelli Tyre S.p.A.
<b>Russia</b>						
Closed Joint Stock Company "Voronezh Tyre Plant"	Manufacturer	Voronezh	Russian Rouble	1,520,000,000	100.00%	Limited Liability Company Pirelli Tyre Russia
Limited Liability Company Pirelli Tyre Services	Service provider	Moscow	Russian Rouble	54,685,259	95.00%	Pirelli Tyre (Suisse) S.A.
					5.00%	Pirelli Tyre S.p.A.
Limited Liability Company "Industrial Complex "Kirov Tyre"	Manufacturer	Kirov	Russian Rouble	348,423,221	100.00%	Limited Liability Company Pirelli Tyre Russia
Limited Liability Company Pirelli Tyre Russia	Manufacturer and distributor	Moscow	Russian Rouble	6,153,846	65.00%	Pirelli Tyre (Pty) Ltd.

COMPANIES CONSOLIDATED LINE-BY-LINE

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
<b>Spain</b>						
Euro Driver Car S.L.	Service provider	Valencia	Euro	960,000	58.44%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Neumaticos Arco Iris, S.A.	Service provider	Valencia	Euro	302,303	66.20%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Pirelli Neumaticos S.A. - Sociedad Unipersonal	Distributor	Valencia	Euro	25,075,907	100.00%	Pirelli Tyre S.p.A.
<b>Sweden</b>						
Dackia Aktiebolag	Distribution chain	Stockholm	Swed. Krona	31,000,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Tyre Nordic Aktiebolag	Distributor	Stockholm	Swed. Krona	950,000	100.00%	Pirelli Tyre S.p.A.
<b>Switzerland</b>						
Driver (Suisse) S.A.	Service provider	Bioggio	Swiss Franc	100,000	100.00%	Pirelli Tyre (Suisse) S.A.
Pirelli Group Reinsurance Company S.A.	Group reinsurance	Basel	Swiss Franc	3,000,000	100.00%	Pirelli & C. S.p.A.
Pirelli Tyre (Suisse) S.A.	Distributor / Distribution chain	Basel	Swiss Franc	1,000,000	100.00%	Pirelli Tyre S.p.A.
<b>Turkey</b>						
Pirelli Lastikleri Dis Ticaret A.S.	Service provider	Istanbul	Turkish Lira	50,000	100.00%	Pirelli Otomobil Lastikleri A.S.
Pirelli Otomobil Lastikleri A.S.	Manufacturer and distributor	Istanbul	Turkish Lira	190,000,000	100.00%	Pirelli Tyre S.p.A.
<b>Hungary</b>						
Pirelli Hungary Tyre Trading and Services Ltd.	Distributor	Budapest	Hun. Forint	3,000,000	100.00%	Pirelli Tyre S.p.A.
<b>North America</b>						
<b>Canada</b>						
Pirelli Tire Inc.	Agent	St-Laurent (Quebec)	Can. \$	6,000,000	100.00%	Pirelli Tyre (Suisse) S.A.
<b>U.S.A.</b>						
Pirelli North America Inc.	Holding	New York (New York)	US \$	10	100.00%	Pirelli Tyre S.p.A.
Pirelli Tire LLC	Manufacturer and distributor	Rome (Georgia)	US \$	1	100.00%	Pirelli North America Inc.
Prestige Stores LLC	Dormant	Los Angeles (California)	US \$	10	100.00%	Pirelli Tire LLC

COMPANIES CONSOLIDATED LINE-BY-LINE

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
<b>Central/South America</b>						
<b>Argentina</b>						
Pirelli Neumaticos S.A.I.C.	Manufacturer and distributor	Buenos Aires	Arg. Peso	2,948,055,176	99.83%	Pirelli Tyre S.p.A.
					0.17%	Pirelli Pneus Ltda.
Latam Servicios Industriales S.A.	Service provider	Buenos Aires	Arg. Peso	100,000	95.00%	Pirelli Neumaticos S.A.I.C.
					5.00%	Pirelli Pneus Ltda.
<b>Brazil</b>						
Comercial e Importadora de Pneus Ltda..	Distribution chain	Sao Paulo	Bra. Real	381,473,982	100.00%	Pirelli Comercial de Pneus Brasil Ltda.
Pirelli Comercial de Pneus Brasil Ltda.	Distributor	Sao Paulo	Bra. Real	1,149,296,303	85.00%	Pirelli Tyre S.p.A.
					15.00%	Pirelli Latam Participações Ltda.
Pirelli Latam Participações Ltda.	Holding	Sao Paulo	Bra. Real	470,635,252	100.00%	Pirelli Tyre S.p.A.
Pirelli Ltda.	Service provider	Santo André	Bra. Real	14,000,000	100.00%	Pirelli & C. S.p.A.
Pirelli Pneus Ltda.	Manufacturer and distributor	Campinas (Sao Paulo)	Bra. Real	1,983,585,394	85.03%	Pirelli Tyre S.p.A.
					14.97%	Pirelli Latam Participações Ltda.
Comércio e Importação Multimarcas de Pneus Ltda.	Dormant	Sao Paulo	Bra. Real	3,691,500	85.00%	Pirelli Tyre S.p.A.
					15.00%	Pirelli Latam Participações Ltda.
C.P.Complexo Automotivo de Testes, Eventos e Entretenimento Ltda.	Service provider	Elias Fausto (Sao Paulo)	Bra. Real	89,812,000	60.00%	Pirelli Pneus Ltda.
					40.00%	Pirelli Comercial de Pneus Brasil Ltda.
TLM - Total Logistic Management Serviços de Logistica Ltda.	Service provider	Santo André	Bra. Real	3,074,417	99.99%	Pirelli Pneus Ltda.
					0.01%	Pirelli Ltda.
<b>Chile</b>						
Pirelli Neumaticos Chile Ltda.	Distributor	Santiago	US \$	3,520,000	85.25%	Pirelli Comercial de Pneus Brasil Ltda.
					14.73%	Pirelli Latam Participações Ltda.
					0.02%	Pirelli Ltda.
<b>Colombia</b>						
Pirelli Tyre Colombia S.A.S.	Distributor	Santa Fe De Bogota	Col. Peso/000	1,863,222,000	85.00%	Pirelli Comercial de Pneus Brasil Ltda.
					15.00%	Pirelli Latam Participações Ltda.
<b>Mexico</b>						
Pirelli Neumaticos S.A. de C.V.	Manufacturer and distributor	Silao	Mex. Peso	11,595,773,848	99.83%	Pirelli Tyre S.p.A.
					0.17%	Pirelli Latam Participações Ltda.

COMPANIES CONSOLIDATED LINE-BY-LINE

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
<b>Africa</b>						
<b>Egypt</b>						
Pirelli Egypt Tyre Trading S.A.E.	Holding	Giza	Egy. Pound	84,250,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Egypt Consumer Tyre Distribution S.A.E.	Distributor	Giza	Egy. Pound	89,000,000	99.89%	Pirelli Egypt Tyre Trading S.A.E.
					0.06%	Pirelli Tyre S.p.A.
					0.06%	Pirelli Tyre (Suisse) S.A.
<b>South Africa</b>						
Pirelli Tyre (Pty) Ltd.	Distributor	Gauteng 2090	S.A. Rand	9	100.00%	Pirelli Tyre S.p.A.
E-VOLUTION Tyre South Africa (PTY) Ltd.	Holding	Gauteng 2090	S.A. Rand	100	100.00%	Pirelli Tyre (Pty) Ltd.
<b>Oceania</b>						
<b>Australia</b>						
Pirelli Tyres Australia Pty Ltd.	Distributor	Pymont (NSW)	Aus. \$	150,000	100.00%	Pirelli Tyre (Suisse) S.A.
<b>Asia</b>						
<b>China</b>						
Pirelli Logistics (Yanzhou) Co., Ltd.	Service provider	Jining	Chinese Yuan	5,000,000	100.00%	Pirelli Tyre Co., Ltd.
Pirelli Taiwan Co., Ltd. (in liquidation)	Agent	New Taipei City	N.T. \$	10,000,000	100.00%	Pirelli Tyre (Suisse) S.A.
Pirelli Trading (Beijing) Co., Ltd.	Service provider	Beijing	Chinese Yuan	4,200,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Tyre (Jiaozuo) Co., Ltd.	Manufacturer	Jiaozuo	Chinese Yuan	350,000,000	80.00%	Pirelli Tyre S.p.A.
Pirelli Tyre Co., Ltd.	Manufacturer and distributor	Yanzhou	Chinese Yuan	2,471,150,000	90.00%	Pirelli China Tyre N.V.
Pirelli Tyre Trading (Shanghai) Co., Ltd.	Service provider	Shanghai	US \$	700,000	100.00%	Pirelli China Tyre N.V.
<b>Korea</b>						
Pirelli Korea Ltd.	Distributor	Seoul	Korean Won	100,000,000	100.00%	Pirelli Asia Pte Ltd.
<b>United Arab Emirates</b>						
Pirelli Tyre MEAI DMCC	Distributor	Dubai	AED	50,000	100.00%	Pirelli Asia Pte Ltd.
<b>Japan</b>						
Pirelli Japan Kabushiki Kaisha	Distributor	Tokyo	Jap. Yen	2,200,000,000	100.00%	Pirelli Tyre S.p.A.
<b>Singapore</b>						
Pirelli Asia Pte Ltd.	Distributor	Singapore	Sing. \$	2	100.00%	Pirelli Tyre (Suisse) S.A.

## INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
<b>Europe</b>						
<b>Germany</b>						
Industriekraftwerk Breuberg GmbH	Electricity generation	Hoechst / Odenwald	Euro	1,533,876	26.00%	Pirelli Deutschland GmbH
<b>Greece</b>						
Eco Elastika S.A.	Tyre	Athens	Euro	60,000	20.00%	Elastika Pirelli C.S.A.
<b>Italy</b>						
Consorzio per la Ricerca di Materiali Avanzati (CORIMAV)	Financial	Milan	Euro	103,500	100.00%	Pirelli & C. S.p.A.
Eurostazioni S.p.A.	Financial	Rome	Euro	160,000,000	32.71%	Pirelli & C. S.p.A.
<b>Poland</b>						
Centrum Utylizacji Opon Organizacja Odzysku S.A.	Tyre	Warsaw	Pln	1,008,000,00	20.00%	Pirelli Polska Sp. z o.o.
<b>Slovakia</b>						
ELT Management Company Slovakia S.R.O.	Tyre	Bratislava	Euro	132,000,00	20.00%	Pirelli Slovakia S.R.O.
<b>Romania</b>						
S.C. Eco Anvelope S.A.	Tyre	Bucarest	Rom. Leu	160,000	20.00%	S.C. Pirelli Tyres Romania S.r.l.
<b>Spain</b>						
Signus Ecovalor S.L.	Tyre	Madrid	Euro	200,000	20.00%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
<b>Asia</b>						
<b>China</b>						
Xushen Tyre (Shanghai) Co, Ltd	Tyre	Shanghai	Chinese Yuan	1,050,000,000	49.00%	Pirelli Tyre S.p.A.
Jining Shenzhou Tyre Co, Ltd	Tyre	Jining City	Chinese Yuan	1,050,000,000	100.00%	Xushen Tyre (Shanghai) Co, Ltd
<b>Indonesia</b>						
PT Evoluzione Tyres	Tyre	Subang	Rupees	1,313,238,780,000	63.04%	Pirelli Tyre S.p.A.







PIRELLI & C. S.P.A.  
SEPARATE  
FINANCIAL  
STATEMENTS  
AT DECEMBER 31, 2022

## STATEMENT OF FINANCIAL POSITION

(in euro)

	Note	12/31/2022		12/31/2021	
			of which related parties (Note 39)		of which related parties (Note 39)
Property, plant and equipment	8	66,257,632		69,988,482	
Intangible assets	9	2,279,105,345		2,276,388,200	
Investments in subsidiaries	10	4,624,548,537		4,632,419,637	
Investments in associates	11	6,374,500		6,374,501	
Other financial assets at fair value through other comprehensive income	12	46,339,548		54,817,356	
Other receivables	13	611,841	-	2,000,566,023	2,000,000,000
Derivative financial instruments	17	26,069,768	26,069,768	4,382,882	4,382,882
<b>Non-current assets</b>		<b>7,049,307,171</b>		<b>9,044,937,082</b>	
Trade receivables	14	43,998,674	42,901,414	40,115,549	39,313,992
Other receivables	13	2,215,171,633	2,200,674,916	792,729,529	781,788,854
Cash and cash equivalents	15	36,115		40,217	
Tax receivables	16	97,981,425	97,445,841	65,074,474	64,524,862
Derivative financial instruments	17	3,297,794	3,297,794	5,132,143	5,132,143
<b>Current assets</b>		<b>2,360,485,641</b>		<b>903,091,911</b>	
<b>Total assets</b>		<b>9,409,792,812</b>		<b>9,948,028,993</b>	
Shareholders' equity:					
- Share capital		1,904,374,936		1,904,374,936	
- Other reserves		2,221,332,158		2,187,923,539	
- Retained earnings reserve		559,833,511		504,214,886	
- Net income of the year		252,485,607		216,618,625	
<b>Total shareholders' equity</b>	18	<b>4,938,026,212</b>		<b>4,813,131,985</b>	
Borrowings from banks and other financial institutions	19	3,318,862,779		3,410,178,031	
Other payables	23	354,820	211,511	821,950	211,512
Provisions for liabilities and charges	20	39,061,812	21,842,562	30,604,390	22,028,088
Provision for deferred tax liabilities	24	592,549,059		526,016,984	
Employee benefit obligations	21	13,104,639	3,016,050	21,442,451	3,707,657
Derivative financial instruments	17	-	-	3,554,179	3,554,179
<b>Non-current liabilities</b>		<b>3,963,933,109</b>		<b>3,992,617,984</b>	
Borrowings from banks and other financial institutions	19	363,155,814	-	1,070,540,924	1,186,589
Trade payables	22	25,548,576	4,557,210	18,386,788	2,854,236
Other payables	23	73,608,589	36,536,630	38,602,730	15,310,925
Provisions for liabilities and charges	20	25,135,738		509,463	
Tax payables	25	20,353,208	20,124,321	13,565,489	13,336,607
Derivative financial instruments	17	31,566	31,566	673,630	673,630
<b>Current liabilities</b>		<b>507,833,491</b>		<b>1,142,279,024</b>	
<b>Total Liabilities and Equity</b>		<b>9,409,792,812</b>		<b>9,948,028,993</b>	

INCOME STATEMENT

(in euro)

	Note	2022		2021	
			of which related parties (Note 39)		of which related parties (Note 39)
Revenues from sales and services	27	68,321,749	68,282,024	69,600,631	69,476,717
Other income	28	111,838,735	105,847,048	107,345,247	104,371,766
Raw materials and consumables used	29	(385,916)	(21,200)	(213,962)	
Personnel expenses	30	(62,086,223)	(7,420,158)	(72,790,903)	(14,395,169)
Amortisation, depreciation and impairment	31	(9,696,166)		(9,362,065)	
Other costs	32	(111,636,220)	(42,336,246)	(114,063,118)	(41,247,192)
Net impairment loss on financial assets	33	(48,137)		(91,749)	
<b>Operating income (loss)</b>		<b>(3,692,178)</b>		<b>(19,575,918)</b>	
Net income (loss) from equity investments	34	277,295,790		230,262,609	
- gains on equity investments		-		-	
- losses on equity investments		(32,471,101)	(32,471,101)	(1,246,000)	(1,246,000)
- dividends		309,766,891	306,814,396	231,508,609	229,311,733
Financial income	35	30,773,281	30,336,630	33,642,838	31,957,128
Financial expenses	36	(68,690,826)	(8,736,753)	(79,622,905)	(2,826,774)
<b>Net income (loss) before taxes</b>		<b>235,686,067</b>		<b>164,706,624</b>	
Taxes	37	16,799,540		51,912,001	
<b>Total net income of the year</b>		<b>252,485,607</b>		<b>216,618,625</b>	

STATEMENT OF COMPREHENSIVE INCOME

(in euro)

		Note	2022	2021
<b>A</b>	<b>Net income of the year</b>		<b>252,485,607</b>	<b>216,618,625</b>
	- Remeasurement of employee benefits	21	320,681	(80,709)
	- Tax effect		(123,881)	19,370
	- Fair value adjustment of other financial assets at fair value through other comprehensive income	12	(8,477,808)	13,763,515
<b>B</b>	<b>Total items that may not be reclassified to income statement</b>		<b>(8,281,008)</b>	<b>13,702,176</b>
	Fair value adjustment of derivatives designated as cash flow hedge:			
	- Gains / (losses) for the year	17	57,732,239	95,022,233
	- (Gains) / losses reclassified to income statement	17	(2,310,568)	(76,129,810)
	- Tax effect		(13,301,201)	(4,534,181)
	<b>Cost of hedging</b>			
	- Gains / (losses) for the year	17	(120,571)	1,149,212
	- (Gains) / losses reclassified to income statement	17	(446,326)	(4,801,545)
	- Tax effect		136,055	876,560
<b>C</b>	<b>Total items reclassified / that may be reclassified to income statement</b>		<b>41,689,628</b>	<b>11,582,469</b>
<b>D</b>	<b>Total other components of comprehensive income (B+C)</b>		<b>33,408,620</b>	<b>25,284,645</b>
<b>A+D</b>	<b>Total comprehensive income / (loss) for the financial year</b>		<b>285,894,227</b>	<b>241,903,270</b>

STATEMENT OF CHANGES IN EQUITY

(in euro)

	Share Capital	Legal Reserve	Share Premium Reserve	Concentration Reserve	Other Reserves	Other O.C.I. Reserves (*)	Merger Reserve	Reserve from results carried forward	Net result of the year	Total
<b>Total at 12/31/2020</b>	<b>1,904,374,936</b>	<b>380,874,988</b>	<b>630,380,599</b>	<b>12,466,897</b>	<b>133,734,599</b>	<b>(17,744,141)</b>	<b>1,022,927,715</b>	<b>540,084,129</b>	<b>43,956,054</b>	<b>4,651,055,776</b>
Dividend distribution as per resolution of June 15, 2021	-	-	-	-	-	-	-	(36,043,946)	(43,956,054)	(80,000,000)
Other components of comprehensive income	-	-	-	-	-	25,284,645	-	-	-	25,284,645
Result for the year	-	-	-	-	-	-	-	-	216,618,625	216,618,625
<i>Total comprehensive income/(loss) for the year</i>	-	-	-	-	-	25,284,645	-	-	216,618,625	241,903,270
Other changes	-	-	-	-	-	(1,764)	-	174,703	-	172,939
<b>Total at 12/31/2021</b>	<b>1,904,374,936</b>	<b>380,874,988</b>	<b>630,380,599</b>	<b>12,466,897</b>	<b>133,734,599</b>	<b>7,538,741</b>	<b>1,022,927,715</b>	<b>504,214,886</b>	<b>216,618,625</b>	<b>4,813,131,985</b>
Dividend distribution as per resolution of May 18, 2022	-	-	-	-	-	-	-	-	(161,000,000)	(161,000,000)
Result carried forward	-	-	-	-	-	-	-	55,618,625	(55,618,625)	-
Other components of comprehensive income	-	-	-	-	-	33,408,620	-	-	-	33,408,620
Result for the year	-	-	-	-	-	-	-	-	252,485,607	252,485,607
<i>Total comprehensive income/(loss) for the year</i>	-	-	-	-	-	33,408,620	-	-	252,485,607	285,894,227
<b>Total at 12/31/2022</b>	<b>1,904,374,936</b>	<b>380,874,988</b>	<b>630,380,599</b>	<b>12,466,897</b>	<b>133,734,599</b>	<b>40,947,360</b>	<b>1,022,927,715</b>	<b>559,833,511</b>	<b>252,485,607</b>	<b>4,938,026,212</b>

	BREAKDOWN OF OTHER O.C.I. RESERVES *					
	Reserve for fair value adjustment of financial assets at fair value through other comprehensive income	Reserve for cost of hedging	Cash flow hedge reserve	Reserve Remeasurement for employee benefit	Tax effect	Total other O.C.I. Reserves
<b>Balance at 12/31/2020</b>	<b>(5,491,844)</b>	<b>4,219,231</b>	<b>(22,883,888)</b>	<b>1,905,300</b>	<b>4,507,060</b>	<b>(17,744,141)</b>
Other components of comprehensive income	13,763,515	(3,652,333)	18,892,424	(80,709)	(3,638,251)	25,284,645
Other changes	(1,764)	-	-	-	-	(1,764)
<b>Balance at 12/31/2021</b>	<b>8,269,907</b>	<b>566,898</b>	<b>(3,991,464)</b>	<b>1,824,591</b>	<b>868,809</b>	<b>7,538,741</b>
Other components of comprehensive income	(8,477,808)	(566,898)	55,421,671	320,681	(13,289,027)	33,408,620
<b>Balance at 12/31/2022</b>	<b>(207,901)</b>	<b>-</b>	<b>51,430,207</b>	<b>2,145,272</b>	<b>(12,420,218)</b>	<b>40,947,360</b>

## CASH FLOW STATEMENT

(in euro)

	Note	2022	of which related parties (Note 39)	2021	of which related parties (Note 39)
Net income (loss) before taxes		235,686,067		164,706,624	
Reversals of amortisation, depreciation, impairment losses	31	9,696,166		9,362,065	
Reversal of accruals	32	27,456,296		35,195,093	
Reversal of (Financial income)/financial expenses	36	37,917,544	(21,599,877)	45,980,067	(29,130,354)
Reversal of Dividends	34	(309,766,891)	(306,814,396)	(231,508,609)	(229,311,733)
Reversal of (gain)/losses on investments	34	32,471,101	32,471,101	1,246,000	1,246,000
Reversal of (Gains)/losses from sales of property, plant and equipment	28	(742)		(395)	
Change in Trade receivables	14	(3,931,262)	(3,587,422)	40,360,358	37,340,862
Change in Trade payables	22	6,569,732	1,702,975	(11,702,230)	(225,819)
Change in Other receivables	13	(1,806,201)	403,000	(3,050,692)	923,721
Change in Other payables	23	8,824,839	21,225,705	13,574,345	8,735,075
Change in Tax receivables/Tax payables	16	43,923,433	(26,133,265)	19,133,970	(31,575,870)
Use of Provisions for employee benefit obligations	21	(105,872)	-	(2,981,095)	(1,697,946)
Use of Other provisions	20	(1,117,641)		(1,663,189)	
<b>A Net cash flows provided by/(used in) operating activities</b>		<b>85,816,570</b>		<b>78,652,311</b>	
Investments in property, plant and equipment	8	(649,416)		(252,277)	
Disposal of property, plant and equipment	8	742		5,000,395	
Investments in intangible assets	9	(4,196,832)		(2,015,819)	
Reimbursement of other non current financial assets at fair value through other comprehensive income	12	-		5,142	
Dividends received	34	309,766,891	306,814,396	231,508,609	229,311,733
<b>B Net cash provided/(used) by investment activities</b>		<b>304,921,385</b>		<b>234,246,050</b>	
Change in Financial receivables	13	579,297,000	580,705,000	372,070,333	372,109,827
Financial income	35	30,665,824	30,326,528	27,131,633	28,107,646
Change in Borrowings from banks and other financial institutions due to draw down	19	1,000,000,000		868,549,294	
Change in Borrowings from banks and other financial institutions due to repayments	19	(1,817,761,540)		(1,419,656,199)	
Dividends paid	18	(161,004,188)		(79,929,783)	
Financial expenses	36	(14,360,605)	20,683,970	(75,385,176)	(3,724,512)
Repayment of principal and payment of interest for lease liabilities	19	(7,578,547)		(7,380,095)	
<b>C Net cash provided/(used) by financing activities</b>		<b>(390,742,057)</b>		<b>(314,599,994)</b>	
<b>D Total net cash generated/(used) in the year (A+B+C)</b>		<b>(4,102)</b>		<b>(1,701,632)</b>	
<b>E Opening balance of Cash and cash equivalents</b>		<b>40,217</b>		<b>1,741,849</b>	
<b>F Closing balance of Cash and cash equivalents (D+E)</b>		<b>36,115</b>		<b>40,217</b>	



# EXPLANATORY NOTES

## I. GENERAL INFORMATION

Pirelli & C. S.p.A. (hereinafter also the “Company” or the “Parent Company”) is a corporation organized under the laws of the Republic of Italy.

Founded in 1872, it is a holding company that manages, coordinates and funds the activities of subsidiaries (hereinafter Pirelli Group).

The registered office of the Company is in Viale Piero e Alberto Pirelli 25 – Milan.

The audit of the financial statements is entrusted to PricewaterhouseCoopers S.p.A. pursuant to Legislative Decree January 27, 2010 no. 39 and in execution of the resolution of the shareholders’ meeting of August 1, 2017, which assigned the mandate to this company for each of the nine financial years ending from December 31, 2017 to December 31, 2025.

Pirelli & C. S.p.A. is directly controlled by Marco Polo International Italy S.r.l. which in turn, through China National Chemical Corporation (“ChemChina”) and other subsidiaries of the latter, is indirectly controlled by Sinochem Holdings Corporation Ltd, a company of State-owned Chinese law (State-owned enterprise or SOE) controlled by the State-owned Assets Supervision and Administrative Commission of the State Council (SASAC) of the People’s Republic of China.

Since the start date of trading on the Stock Exchange (October 4, 2017), there have been no entities that exercise management and coordination activities over the Company.

On April 5, 2023, the Board of Directors authorized publication of these Annual Financial Statements (“Annual Financial Statements or Separate Financial Statements”).

### SIGNIFICANT EVENTS 2022

On **February 21, 2022**, Pirelli finalized the signing of a 5-year multicurrency banking line of euro 1.6 billion with a pool of leading national and international banks.

The line, based on the Group’s ESG objectives, has made it possible to optimize the debt profile by lengthening its maturity.

On **February 23, 2022**, the BoD of Pirelli approved, as part of the refinancing and optimization strategy of the company’s financial structure, a new EMTN (Euro Medium Term Note) program for the issue of senior unsecured non-convertible bonds for a maximum value of euro 2 billion to

replace the previous euro 2 billion EMTN program, approved on December 21, 2017.

As part of this program, the BoD authorized on the same date, the issue of one or more bonds, to be placed with institutional investors, for a total maximum amount of up to euro one billion. In light of the changed market conditions, on **June 22, 2022**, Pirelli updated this authorization, revoking the resolution and simultaneously approving a new one for the issue, again as part of the EMTN program, of non-convertible bonds to be placed with institutional investors up to to euro 1 billion to be completed by May 2023.

On **May 18, 2022**, the Pirelli Shareholders’ Meeting (convened on **April 13, 2022**), which was attended by 83.68% of the capital with voting rights, approved - with over 99.9% of the capital represented - the 2021 financial statements, resolving the distribution of a dividend of euro 0.161 per ordinary share equal to total dividends of euro 161 million gross of withholding taxes. The dividend was paid on May 25, 2022 (ex-dividend date May 23 and record date May 24).

On **May 23, 2022**, with reference to the non-interest bearing senior unsecured guaranteed equity - linked bond called “EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025”, Pirelli & C. SpA announced that - following the resolution of the Shareholders’ Meeting of May 18, 2022 for the distribution of a dividend of euro 0.161 per ordinary share - the conversion price of the bonds was changed from euro 6.235 to euro 6.1395, in accordance with the regulation of the bond, with effect from May 23, 2022.

On **June 22, 2022**, the Board of Pirelli approved the subscription with a selected pool of international banks of a sustainability-linked credit line for an amount of up to euro 400 million with a 19-month maturity to further optimize the financial structure of the Group. The line is parametrized to the Pirelli objective of reducing absolute greenhouse gas emissions from raw materials purchased (Scope 3), validated by the Science Based Targets initiative (SBTi). This KPI is among those identified within the first Pirelli “Sustainability-linked financing Framework” (the document that contains the company’s guidelines and commitments towards its stakeholders in the field of sustainable finance).

On **October 25, 2022**, Pirelli repaid in advance and in full the bond “Euro 600,000,000 1.375 per cent. Guaranteed Notes due 25 January 2023” (ISIN: XS1757843146) listed on the Luxembourg Stock Exchange, the residual amount of which was equal to euro 553 million. As envisaged by the Issuer Call option of the regulation, the repayment - carried out using the Company’s available cash - was at par plus the interest accrued up to the early repayment date.

## 2. BASIS FOR PREPARATION

These Financial Statements have been prepared on a going concern assumption since the Directors have verified the absence of financial, operational or other types of indicators that could indicate critical issues regarding the ability of the Company to meet its obligations in the foreseeable future and in particular in the next 12 months. The description of the ways in which the Company manages financial risks, is contained in Chapter 4 Financial risk management policy and Chapter 6 Capital management policy of these Notes.

In application of Legislative Decree of February 28, 2005, no. 38, "Exercise of the options provided for by article 5 of regulation (EC) no. 1606/2002 on international accounting standards", issuers are required to prepare not only the consolidated financial statements but also the financial statements of the Company in compliance with the international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB) and published in the Official Journal of the European Community (GUCE).

IFRS include all International Financial Reporting Standards, International Accounting Standards (IAS), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC).

The financial statements have been prepared on the basis of the historical cost criterion with the exception of the following items valued at fair value:

- derivative financial instruments;
- other financial assets at fair value recorded in the other components of the comprehensive income statement;
- other financial assets at fair value through the income statement.

### FINANCIAL STATEMENTS

The separate Financial Statements at December 31, 2022 consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Explanatory Notes, and are accompanied by the Directors' Report on Operations.

The format adopted for the Statement of Financial Position classifies assets and liabilities as current and non-current.

The Company has opted to present the components of profit/loss for the year in a separate Income Statement, rather than include these components directly in the Comprehensive Income Statement. The income statement format adopted classifies costs by nature.

The Company opted for the presentation of the tax effects and reclassifications to the income statement of profits/losses recorded as Other Comprehensive Income in previous years directly in the Statement of Comprehensive Income and not in the Notes.

The Statement of Changes in Equity includes, in addition to the total gains/losses of the period, the amounts from transactions with equity holders and the changes in reserves during the year.

In the Statement of Cash Flows, the cash flows deriving from operating activities are presented using the indirect method, according to which the profit or loss for the year is adjusted by the effects of non-monetary items, by any deferment or accrual of past or future operating receipts or payments, and by any revenue or cost items connected with the cash flows arising from investing activities or financing activities.

It shall also be noted that the Group has applied the provisions of Consob Resolution no. 15519 of July 27, 2006 in regard to the formats of financial statements and Consob Notice no. 6064293 of July 28, 2006 in regard to corporate disclosure.

In order to provide greater clarity and comparability of the financial statement items, the amount of the corresponding items of the previous year were adjusted where necessary.

All amounts included in the Notes, unless otherwise specified, are in euro thousands.

## 3. ACCOUNTING STANDARDS

The accounting standards used in the preparation of separate financial statements are the same as those used for the purposes of preparing the consolidated financial statements where applicable, except as indicated below.

### INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates are recorded at cost, net of any impairment losses.

In the presence of specific impairment indicators, the value of investments in subsidiaries and associates, determined based on the historical cost basis, is tested for impairment.

The main indicators are as follows:

- the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets (inclusive of any associates goodwill) expressed in the consolidated financial statements;
- the dividend distributed by the investee exceeds the total comprehensive income of the investee company in the year to which the dividend refers;
- the operating result achieved by the investee company is significantly lower than the amount envisaged in the management plan;

- there are expectations of significantly decreasing operating results for future years;
- existence of changes in the technological, market, economic or regulatory environment in which the investee operates that may generate significant negative economic effects on the company's results.

The impairment test consists of comparing the carrying amount and the recoverable value of the investment.

If the loss attributable to the Company exceeds the carrying amount of the investment and the investor is obliged to fulfill legal or implicit obligations of the investee company, or in any case, to cover the losses, any excess with respect to the carrying amount is recognized in a specific liability provision under provisions for risks and charges.

If the recoverable amount of an investment is lower than the carrying amount, the latter is reduced to the recoverable amount. This reduction constitutes an impairment loss recorded in the Income Statement.

The recoverable amount of an investment is identified as the greater of fair value, less costs to sell, and value in use.

For the purposes of impairment testing, the fair value of an investment in a subsidiary or associate with shares listed on an active market is always equivalent to its market value, irrespective of the percentage of ownership. In the case of investments in unlisted companies, the fair value is determined using estimates based on the best information available.

For the purposes of determining the value in use of a subsidiary and associated company, an estimate is made of the future net operating cash flows discounted, net of the net financial position of the company considered at the reference date of the estimate (Discounted Cash Flow criterion – Asset side). The value in use reflects the effects of factors that may be entity specific, factors that may not be applicable to any entity.

If the reason for impairment ceases to exist, the carrying amount of the investment is recorded in the Income Statement, up to the original cost.

#### IMPAIRMENT OF FINANCIAL RECEIVABLES FROM SUBSIDIARIES AND ASSOCIATES

The calculation of the impairment of financial receivables from subsidiaries and associates is made with reference to the expected losses in the following twelve months. This calculation is based on a matrix that includes the ratings of companies provided by independent market operators. In the event of a significant increase in the credit risk subsequent to the origin date of the receivable, the expected loss is calculated with reference to the entire life of the receivable. The Company assumes that the credit risk related to a financial instrument has not increased significantly after initial recognition, if it is determined that the financial instrument has a low credit risk at the reporting date.

The Company assesses whether there has been a significant increase in credit risk when the counterparty rating, attributed by independent market operators, undergoes a change that shows an increase in the probability of default. The Company considers a financial asset in default when internal or external information indicates that it is unlikely that the Company will receive the entire contracted amount overdue.

#### DIVIDENDS

Dividend income is recorded in the Income Statement when the right to receive payment is established, which normally corresponds to the resolution approved by the Shareholders' Meeting for the distribution of dividends.

#### 3.1 ACCOUNTING STANDARDS AND INTERPRETATIONS ENDORSED AND IN FORCE FROM JANUARY 1, 2022

In accordance with IAS 8 "Accounting standards, changes in accounting estimates and errors", the IFRS effective from January 1, 2022 are indicated below:

- Amendments to IFRS 3 - Business Combinations  
These amendments are aimed at: (i) completing the update of the references to the Conceptual Framework for Financial Reporting present in the accounting standard; (ii) providing clarifications on the conditions for the recognition, at the acquisition date, of provisions, contingent liabilities and tax liabilities assumed in the context of a business combination transaction; (iii) specifying that contingent assets cannot be recognized as part of a business combination transaction.  
There are no impacts on the Company's financial statements as a result of these amendments.
- Amendments to IAS 16 - Property, plant and machinery - Fees received before intended use  
These amendments prohibit the deduction of amounts received from the sale of products from the cost of property, plant and equipment, while the asset is being prepared for its intended use. The proceeds from the sale of the products, and the related production cost must be recorded in the Income Statement.  
There were no impacts on the Company's financial statements as a result of these amendments.
- Amendments to IAS 37 - Provisions, contingent liabilities and contingent assets - Onerous contracts - Costs of fulfilling a contract  
These amendments specify that the costs to be taken into consideration when evaluating onerous contracts are both the incremental costs for the fulfillment of the contract (for example direct labor and materials) and a share of other costs that relate directly to the fulfillment of the contract (for example, a breakdown of the depreciation rate of the assets used for the fulfillment of the contract).  
There were no impacts on the Company's financial statements as a result of these amendments.

→ Annual Improvements (cycle 2018 – 2020) issued in May 2020

These are amendments limited to some standards (IFRS 1 First-time adoption of IFRS, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative examples of IFRS 16 Leases) that clarify the formulation or correct omissions or conflicts between the requirements of IFRS.

There were no impacts on the Company's financial statements as a result of these amendments.

### 3.2 INTERNATIONAL ACCOUNTING STANDARDS AND/OR INTERPRETATIONS ISSUED BUT NOT YET IN FORCE IN 2022

Pursuant to IAS 8 "Accounting standards, changes in accounting estimates and errors", the following are the new Standards or Interpretations that have been issued but have not yet come into force or have not yet been endorsed by the European Union at December 31, 2022, and which are therefore not applicable, and the foreseeable impacts on the Separate Financial Statements.

None of these Standards and Interpretations have been adopted by the Group, and thus by the Company in advance.

→ Amendments to IAS 1 - Presentation of Financial Statements - Classification of liabilities as current or non-current

The amendments clarify the criteria that must be applied for the classification of liabilities as current or non-current and specify that the classification of a liability is not influenced by the probability that the settlement of the liabilities be deferred by twelve months following the reference year. The Group's intention to liquidate in the short term has no impact on the classification. These amendments, which are expected to come into force January 1, 2023. No impacts are expected on the classification of financial liabilities following these amendments.

→ Amendments to IAS 1 Presentation of the financial statements and IFRS Practice Statement 2: Disclosure on accounting standards

These amendments provide a guide for the application of materiality judgments to disclosure on accounting standards so that they are more useful; in particular:

- the obligation to indicate the "significant" accounting standards has been replaced with the obligation to indicate the "relevant" ones;
- a guide has been added on how to apply the concept of relevance to disclosures on accounting standards.

In assessing the relevance of disclosures on accounting standards, entities must consider the amount of transactions, other events or conditions and their nature. Said amendments have been endorsed by the European Union and will be applicable from January 1, 2023. No impacts on the disclosures of the Company's Financial Statements are foreseen as a result of these amendments.

→ Amendments to IAS 8 - Accounting standards, changes in accounting estimates and errors

These amendments introduce a new definition of "accounting estimates", distinguishing them more clearly from accounting standards, and provide guidance for determining whether changes should be treated as changes in estimates, changes in accounting standards or errors.

Said amendments have been endorsed by the European Union and will be applicable from January 1, 2023. No impacts on the Company's financial statements are foreseen as a result of these amendments.

→ Amendments to IAS 12 Income taxes – deferred tax assets and liabilities deriving from a single transaction

These amendments eliminate the possibility of not recording deferred taxes at the time of the initial recognition of transactions that give rise to taxable and deductible temporary differences (e.g. lease contracts).

With reference to lease contracts, these amendments also clarify that, when lease payments are deductible for tax purposes, it is a matter of judgement (after considering the applicable tax law) whether such deductions are attributable for tax purposes to the recorded lease liability or to the related right of use. If the tax deductions are attributed to the right of use, the tax values of the right of use and the lease liability are equal to their carrying amounts, and no temporary differences arise at the time of initial recognition. However, if the tax deductions are attributed to the lease liability, the tax values of the right of use and the lease liability are null, giving rise to taxable and deductible temporary differences, respectively. Even if the gross temporary differences are the same, a deferred tax liability and a deferred tax asset must still be recorded.

These amendments, endorsed by the European Union, will be applicable from January 1, 2023. No impacts on the Company's financial statements are foreseen as a result of these amendments.

→ IFRS 17 – Insurance contracts

IFRS 17, which replaces IFRS 4 "Insurance contracts", defines the accounting of insurance contracts issued and reinsurance contracts held.

The provisions of IFRS 17, endorsed by the European Union, will enter into force on January 1, 2023. No impacts on the Company's financial statements are expected from the entry into force of this standard.

→ Amendments to IFRS 17 – First-time application of IFRS 17 and IFRS 9 Comparative information

These amendments make it possible to overcome the one-off classification differences of the comparative information of the previous year at the time of the first application of IFRS 17 and IFRS 9 Financial Instruments. The optional classification overlay introduced by this amendment makes it possible to make the comparative information presented at the time of first-time adoption of IFRS 17 and IFRS 9 more useful.

These amendments, endorsed by the European Union, will enter into force on January 1, 2023. No impacts are expected on the Company's financial statements as a result of these amendments.

→ Amendments to IAS 1 - Presentation of financial statements - non-current liabilities with covenants

These amendments specify that the covenants to be respected after the reporting date do not affect the classification of the debt as current or non-current at the reporting date. The amendments instead require the company to provide information on these covenants in the notes to the financial statements.

These amendments, which will come into force on January 1, 2024, have not yet been approved by the European Union. No impacts are expected on the classification of financial liabilities and in terms of disclosure following these amendments.

→ Amendments to IFRS 16 Leases: Lease liabilities in a sale and leaseback transaction

These amendments specify the requirements for accounting for a sale and a leaseback after the date of the transaction.

In particular, in the subsequent measurement of the liability deriving from the leasing contract, the seller-lessee determines the "lease payments" and the "revised lease payments" in such a way as not to record gains or losses that refer to the right of use maintained.

These amendments, which will come into force on January 1, 2024, have not yet been approved by the European Union. No impacts on the Company's financial statements are foreseen as a result of these amendments.

#### 4. FINANCIAL RISK MANAGEMENT POLICY

The measurement and management of the financial risks of Pirelli & C. S.p.A. are consistent with as defined by the Group policies.

The Pirelli Group is exposed to financial risks. These are principally associated with foreign exchange rates, fluctuations in interest rates, the price of financial assets held as investments, the ability of customers to meet their obligations to the Group (credit risk), and raising funds on the market (liquidity risk).

Financial risk management is an integral part of Group business management and is handled directly by the headquarters in accordance with guidelines issued by the Finance Department on the basis of general risk management strategies defined by the Managerial Risk Committee.

The main financial risk categories to which the Company is exposed are shown below:

#### EXCHANGE RATE RISK

This risk is generated by the commercial and financial transactions that are executed in currencies other than euro. Exchange rate fluctuations between the time when the commercial or financial relationship is established and when the transaction is completed (collection or payment) may generate foreign exchange gains or losses.

The Group aims to minimize the impact of transaction exchange rate risk related to volatility. To achieve this objective, Group procedures make the Operating Units responsible for collecting complete information about the assets and liabilities that are subject to transaction exchange rate risk. This risk is hedged with forward contracts made with the Group Treasury.

The items subject to exchange rate risk are mainly represented by receivables and payables denominated in foreign currency.

The Group Treasury is responsible for hedging the net position for each currency and, in accordance with established guidelines and restrictions, it closes all risk positions by trading derivative contracts on the market, which typically take the form of forward contracts.

The Group has decided not to opt for hedge accounting pursuant to IFRS 9, insofar as the representation of the economic and financial effects of the hedging strategy on foreign exchange rate risk is still substantially guaranteed even without adopting such option.

Furthermore, it shall be noted that as part of the annual and three-year planning process, exchange rate forecasts are made using the best information available on the market. The fluctuation in exchange rates between the time when the forecast is made and the time when the commercial or financial transaction occurs represents the exchange rate risk on future transactions.

From time to time, the Group assesses the need to engage in hedging transactions on future transactions for which it typically uses both forward and optional purchase or sale transactions such as risk reversal (e.g. zero cost collar). Hedge accounting in accordance with IFRS 9 is referred to when the conditions are met.

With reference to some foreign currency loans, the Company enters into derivative contracts, cross currency interest rate swaps, to hedge for which hedge accounting is activated in compliance with the requirements of IFRS 9.

The effects on the shareholders' equity and on the income statement of the Company deriving from changes in exchange rates calculated on the hedging instruments in place at December 31, 2022 are described in note 17 "Derivative financial instruments".

### INTEREST RATE RISK

Interest rate risk is represented by the exposure to variability of the fair value or future cash flows of financial assets or liabilities due to changes in market interest rates.

The Group assesses based on market circumstances whether to enter into derivative contracts, typically interest rate swaps, to hedge for which hedge accounting is activated when the conditions set out in IFRS 9 are fulfilled.

The following is an outline of the effects on the Company's net result arising from an increase or decrease of 0.50% in the level of interest rates, with all other conditions being equal:

(in thousands of euro)

	+0.5%		-0.5%	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Impact on Net income (loss)	(10,292)	(7,020)	10,292	7,020

The effects on the Company shareholders' equity resulting from changes in the EURIBOR rate calculated on the interest rate hedging instruments outstanding at December 31, 2022 are described in note 17 "Derivative financial instruments".

### PRICE RISK ASSOCIATED WITH FINANCIAL ASSETS

The Company is exposed to price risk, which is limited to the volatility of financial assets such as listed and unlisted stocks and bonds; these assets are classified as financial assets at fair value recorded as other components of the statement of comprehensive income.

Derivatives hedges are not set up to limit the volatility of these assets.

Financial assets at fair value recorded as other components of the statement of comprehensive income consist of listed securities amounted to euro 16,570 thousand (euro 21,855 thousand at December 31, 2021) and those represented by securities indirectly associated with listed shares (Fin. Priv. S.r.l.) amounted to euro 18,864 thousand (euro 21,172 thousand at December 31, 2021); these financial assets represent 76% of total financial assets subject to price risk; a +5% price change in the above listed securities, other things being equal, would result in a positive change of euro 828 thousand of the Company's shareholders' equity (positive for euro 1,093 thousand at December 31, 2021), while a -5% negative change of these listed securities, other things being equal, would result in a negative change of euro 828 thousand of the Company's shareholders' equity (negative for euro 1,093 thousand at December 31, 2021).

### CREDIT RISK

Credit risk represents the Company's exposure to contingent losses resulting from default by commercial and financial counterparties.

The Company's exposure to commercial and financial obligations is mainly towards Group companies.

To limit the risk for commercial obligations towards third parties, the Company has implemented procedures to evaluate its customers' potential and financial solidity, for the monitoring of expected cash flows and taking credit recovery action if necessary. The Company operates only with highly rated financial counterparties for the management of its temporary cash surpluses and constantly monitors its exposure to individual counterparties.

The Company does not hold public debt instruments from any European country, and constantly monitors its net credit exposure to the banking system.

Liquidity is deposited according to risk diversification principles and in compliance with minimum rating levels.

## LIQUIDITY RISK

Liquidity risk represents the risk that the financial resources available are insufficient to meet the financial and commercial obligations pursuant to the contractual terms and conditions.

The principal instruments used by the Group to manage liquidity risk are comprised by its annual and three-year financial and cash-pooling plans. These allow complete and fair detection and measurement of incoming and outgoing cash flows. The differences between plans and actual data are constantly analyzed.

The Group has implemented a centralized cash pooling system for the management of collection and payment flows in compliance with various local currency and tax laws. Banking relationships are negotiated and managed centrally, in order to ensure coverage of short and medium-term financial needs at the lowest possible cost. The procurement of medium and long-term resources on the capital market is also streamlined through centralized management.

Prudent management of the risk described above requires maintaining an adequate level of cash or cash equivalents and/or highly liquid short-term financial instruments, and the availability of funds through an adequate amount of committed credit facilities and/or recourse to the capital market, while diversifying the products and their maturities to seize the best available opportunities.

Furthermore, the Group adopts an extremely prudent approach with respect to the maturities of its financial debt, with refinancing well in advance in order to minimize the risks associated with liquidity crises or market shut-downs.

At December 31, 2022, the Company had, aside from cash equal to euro 36 thousand (euro 40 thousand at December 31, 2021), unused credit facilities equal to euro 100,000 thousand (euro 700,000 thousand at December 31, 2021).

The **maturities of financial liabilities at December 31, 2022** may be broken down as follows:

(in thousands of euro)

	12/31/2022				
	up to 1 year	from 1 to 2 years	from 2 to 5 years	over 5 years	Total
Payables to banks and other lenders	473,269	1,497,226	2,005,024	11,231	3,986,750
<i>of which lease liabilities:</i>	<i>7,469</i>	<i>7,173</i>	<i>20,720</i>	<i>11,231</i>	<i>46,593</i>
Trade payables	25,549	-	-	-	25,549
Other payables	73,609	355	-	-	73,963
Derivative financial instruments	32	-	-	-	31
<b>Total</b>	<b>572,458</b>	<b>1,497,581</b>	<b>2,005,024</b>	<b>11,231</b>	<b>4,086,293</b>

The **maturities of financial liabilities at December 31, 2021** may be broken down as follows:

(in thousands of euro)

	12/31/2021				
	up to 1 year	from 1 to 2 years	from 2 to 5 years	over 5 years	Total
Payables to banks and other lenders	1,091,588	1,138,943	2,358,358	18,819	4,607,707
<i>of which lease liabilities:</i>	<i>7,187</i>	<i>6,916</i>	<i>19,277</i>	<i>16,834</i>	<i>50,214</i>
Trade payables	18,387	-	-	-	18,387
Other payables	38,603	822	-	-	39,425
Derivative financial instruments	3,196	1,908	300	-	5,404
<b>Total</b>	<b>1,151,774</b>	<b>1,141,673</b>	<b>2,358,658</b>	<b>18,819</b>	<b>4,670,923</b>

## 5. INFORMATION ON FAIR VALUE

### 5.1 FAIR VALUE MEASUREMENT

In relation to financial instruments measured at fair value, the following table shows the classification of these instruments on the basis of the hierarchy of levels pursuant to IFRS 13, reflecting the significance of the inputs used in determining the fair value. The levels are as follows:

- level 1 – unadjusted quotations recorded on an active market for assets or liabilities subject to valuation;
- level 2 – inputs different from the quoted prices referred to at the preceding level, which are observable on the market either directly (as in the case of prices) or indirectly (because they are derived from prices);
- level 3 – inputs that are not based on observable market data.

The following table shows **assets measured at fair value as at December 31, 2022**, divided into the three levels defined above:

(in thousands of euro)

	Note	12/31/2022	Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>					
<b>Other financial assets at fair value through income statement</b>					
Current derivative financial instruments	17	16	-	16	-
<b>Other financial assets at fair value through other comprehensive income</b>					
Equities and shares	12	44,564	16,570	18,864	9,130
Investment funds	12	1,776	-	1,776	-
<b>Derivative hedging instruments</b>					
Non-current derivative financial instruments	17	26,070	-	26,070	-
Current derivative financial instruments	17	3,281	-	3,281	-
<b>TOTAL ASSETS</b>		<b>75,707</b>	<b>16,570</b>	<b>50,007</b>	<b>9,130</b>
<b>FINANCIAL LIABILITIES</b>					
<b>Financial liabilities at fair value through profit or loss</b>					
Current derivative financial instruments	17	(32)	-	(32)	-
<b>Derivative hedging instruments</b>					
Non-current derivative financial instruments	17	-	-	-	-
Current derivative financial instruments	17	-	-	-	-
<b>TOTAL LIABILITIES</b>		<b>(32)</b>	<b>-</b>	<b>(32)</b>	<b>-</b>



The breakdown at December 31, 2021 was as follows:

(in thousands of euro)

	Note	12/31/2021	Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>					
<b>Other financial assets at fair value through income statement</b>					
Current derivative financial instruments	17	14	-	14	-
<b>Other financial assets at fair value through other comprehensive income</b>					
Equities and shares	12	51,993	21,855	21,172	8,966
Investment funds	12	2,825	-	2,825	-
<b>Derivative hedging instruments</b>					
Non-current derivative financial instruments	17	4,383	-	4,383	-
Current derivative financial instruments	17	5,118	-	5,118	-
<b>TOTAL ASSETS</b>		<b>64,332</b>	<b>21,855</b>	<b>33,511</b>	<b>8,966</b>
<b>FINANCIAL LIABILITIES</b>					
<b>Financial liabilities at fair value through profit or loss</b>					
Current derivative financial instruments	17	(4)	-	(4)	-
<b>Derivative hedging instruments</b>					
Non-current derivative financial instruments	17	(670)	-	(670)	-
Current derivative financial instruments	17	(3,554)	-	(3,554)	-
<b>TOTAL LIABILITIES</b>		<b>(4,228)</b>	-	<b>(4,228)</b>	-

The following table shows the **changes of financial assets that occurred in level 3**:

(in thousands of euro)

	12/31/2022	12/31/2021
<b>Opening balance</b>	<b>8,966</b>	<b>8,309</b>
Fair value adjustments through other comprehensive income	164	657
<b>Closing balance</b>	<b>9,130</b>	<b>8,966</b>

These financial assets mainly consist of the equity investment in Istituto Europeo di Oncologia (European Institute of Oncology) (euro 8,140 thousand).

In the year ended December 31, 2022, there were no transfers from level 1 to level 2 and vice versa, nor from level 3 to other levels and vice versa.

The fair value of financial instruments traded on active markets is based on the price quotations published at the reporting date of the Financial Statements. These instruments, included in level 1, primarily comprise equity investments classified as financial assets at fair value through other comprehensive income.

The fair value of financial instruments not traded on active markets (e.g. derivatives) is determined by the use of evaluation techniques widely used in the financial sector, which maximize the utilization of observable and available market data:

- market prices for similar instruments;
- the fair value of interest rate swaps is calculated by discounting estimated future cash flows based on observable yield curves;
- the fair value of cross currency interest rate swaps is calculated by discounting estimated future cash flows based on observable yield curves;
- the fair value of foreign exchange derivatives (forward contracts) is determined by using the forward exchange rate at the reporting date.

## 5.2 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The following are the carrying amounts for each class of financial asset and liability identified by IFRS 9:

(in thousands of euro)

	Note	12/31/2022	12/31/2021
<b>FINANCIAL ASSETS</b>			
<b>Financial assets at fair value through Income Statement</b>			
Current derivative financial instruments	17	16	14
<b>Financial assets at amortized cost</b>			
Other non-current receivables	13	612	2,000,566
Current trade receivables	14	43,999	40,116
Other current receivables	13	2,215,172	792,730
Cash and cash equivalents	15	36	40
		<b>2,259,819</b>	<b>2,833,451</b>
<b>Financial assets at fair value through Other Comprehensive Income</b>			
Financial assets at fair value through Other Comprehensive Income	12	46,340	54,817
<b>Derivative hedging instruments</b>			
Current derivative financial instruments	17	3,281	5,118
Non-current derivative financial instruments	17	26,070	4,383
		<b>29,351</b>	<b>9,501</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>2,335,526</b>	<b>2,897,783</b>
<b>FINANCIAL LIABILITIES</b>			
<b>Financial liabilities at fair value through Income Statement</b>			
Current derivative financial instruments	17	32	4
<b>Financial liabilities at amortized cost</b>			
Non-current borrowings from banks and other financial institutions (excl. Lease payables)	19	3,283,092	3,371,179
Current borrowings from banks and other financial institutions (excl. Lease payables)	19	357,015	1,064,767
Current trade payables	22	25,549	18,387
Other non-current payables	23	355	822
Other current payables	23	73,609	38,603
		<b>3,739,620</b>	<b>4,493,757</b>
<b>Lease payables</b>			
Non-current lease payables	19	35,770	38,999
Current lease payables	19	6,141	5,774
		<b>41,911</b>	<b>44,773</b>
<b>Derivative hedging instruments</b>			
Current derivative financial instruments	17	-	670
Non-current derivative financial instruments	17	-	3,554
		<b>-</b>	<b>4,224</b>
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>3,781,563</b>	<b>4,542,758</b>

## 6. CAPITAL MANAGEMENT POLICY

The Company's objective is to maximize the return on net invested capital while maintaining the ability to operate over time, ensuring adequate returns for its shareholders and benefits for the other stakeholders, with progressive deleverage of the financial structure in the short/medium term, as also outlined in the section relating to the "Outlook in 2023" in the Directors' Report on Operations.

## 7. ESTIMATES AND ASSUMPTIONS

The preparation of the Separate Financial Statements entails Management making estimates and assumptions which, under certain circumstances, are based on difficult and subjective assessments and estimates that are based on historical experience, and assumptions that are periodically considered reasonable and realistic in light of the circumstances. Therefore, the actual results achieved may differ from said estimates. Estimates and assumptions are reviewed periodically and the effects of any changes made to them are reflected in the Income Statement in the period in which the estimate is revised. If such estimates and assumptions, based on the best evaluation currently available, should differ from actual circumstances, they will be modified accordingly in the period of the change of the circumstances. The estimates and assumptions mainly refer to the valuation of the recoverability of other intangible assets with indefinite useful life and of the investments in subsidiaries, to the determination of payables for leasing and rights of use, to the determination of taxes (current and deferred), and to the recognition/valuation of provisions for risks and charges.

### PIRELLI BRAND (INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE)

The Pirelli Brand is an intangible asset with indefinite useful life not subject to amortization, but, pursuant to IAS 36, to impairment annually or more frequently, if specific events or circumstances occur which may lead to the presumption of impairment.

The recoverable value configuration for the purposes of the impairment test at December 31, 2022 is the Fair Value, calculated on the basis of the income approach (Level 3 of the hierarchy of IFRS 13 – Fair Value measurement).

The key assumptions used by management are the estimate of future increases in sales and operating cash flows and related growth rates beyond the explicit forecast period, in order to estimate the terminal value and the discount rate, which is based on the weighted average cost of capital plus a premium determined according to the riskiness of the specific asset.

### RIGHTS OF USE AND LEASE PAYABLES

With regard to the estimates and assumptions used to determine lease payables and rights of use, the application of IFRS 16 introduced some elements of professional

judgement and the use of assumptions and estimates in relation to the lease term, to the definition of the incremental borrowing rate. The main ones are summarized as follows:

- the contract renewal clauses are considered for the purposes of determining the duration of the contract when the Company has the option of exercising them without the need to obtain the consent of the counterparty and when their exercise is deemed reasonably certain. In the case of clauses which provide for multiple renewals that can be exercised unilaterally by the Company, only the first extension period has been considered;
- the automatic renewal clauses of contracts in which both parties have the right to terminate the contract have not been considered for the purposes of determining the duration of the contract, as the ability to extend the duration of the same is not under the unilateral control of the Company and the penalties to which the lessor could be exposed to is not significant. However, in the event that the lessor is exposed to a significant penalty, the Company considers including a renewal option in determining the duration of the contract. This assessment is also carried out considering the degree of customization of the asset subject to leasing: if the customization is high, the lessor may incur a significant penalty if opposing the renewal;
- early termination clauses in contracts: these clauses are not considered in determining the duration of the contract if they can only be exercised by the lessor or by both parties. If they are unilaterally exercised by the Company, specific assessments are contractually conducted (for example, the Company is already negotiating a new contract or has already given notice to the lessor);
- the incremental borrowing rate consists of the risk-free rate of the country in which the contract is negotiated and is based on the duration of the contract. It is then adjusted on the basis of the Group's credit spread and local credit spread.

### INVESTMENTS IN SUBSIDIARIES

Investments are assessed to establish whether there was a decrease in value, to be recorded with impairment, if there are indications that it will be difficult to recover their net accounting value. To establish the presence of said indications, Directors must make subjective assessments on the basis of information available within the Company and the market, as well as historical experience.

Moreover, if it is determined that a potential impairment loss may be generated, the Company calculates this loss using appropriate measurement techniques. The proper identification of elements indicating the existence of a potential impairment loss, and the estimates for calculating the amount of such losses, depend on factors that may vary over time, affecting the assessments and estimates made by Directors. In particular, the key assumptions used by management are estimates of future increases in sales, operating cash flows, growth rate of operating cash flows beyond the explicit forecast period for the purpose of estimating the terminal value, and the weighted average cost of capital (discount rate).

## PROVISIONS FOR LIABILITIES AND CHARGES

Provisions representing the risk of losing are recognized against the legal and tax risks associated with indirect taxes. The value of the provisions recorded in the Financial Statements relating to these risks represents the best estimate at the date made by the management in the face of legal and tax disputes concerning a wide range of issues that are subject to the jurisdiction of various states. This estimate involves the adoption of assumptions that depend on factors that may change over time and that could therefore, have significant effects with respect to the current estimates made by management for the preparation of the Separate Financial Statements.

## INCOME TAXES (CURRENT AND DEFERRED)

Income taxes (current and deferred) are determined according to a prudent interpretation of the tax regulations in force. This process sometimes involves complex estimates in determining taxable income and temporary deductible and taxable differences between accounting and tax values. In particular, deferred tax assets are recorded to the extent that it is probable that future taxable income will be available against which they can be recovered. The assessment of the recoverability of deferred tax assets, recorded in relation both to tax losses that may be used in subsequent years and to temporary deductible differences, takes into account the estimate of future taxable income and is based on prudent tax planning. With regard to situations in which the tax legislation in force lends itself to interpretation, if the Group considers it probable (greater than 50%) that the tax authority will accept the tax treatment adopted, the pre-tax result is determined in accordance with the tax treatment applied in the tax return. Otherwise, the effect of uncertainty is reflected in the determination of the pre-tax result. The probability refers to the fact that the tax authority does not accept the tax treatment adopted, and not to the probability of the assessment.

## 8. PROPERTY, PLANT AND EQUIPMENT

The composition was as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
- Tangible assets	31,283	32,433
- Rights of use	34,975	37,555
<b>Net Value</b>	<b>66,258</b>	<b>69,988</b>

### 8.1 PROPERTY, PLANT AND EQUIPMENT

The breakdown and changes are as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Gross Value	Accumulated Depreciation	Net Value	Gross Value	Accumulated Depreciation	Net Value
Land	5,245	-	<b>5,245</b>	5,245	-	<b>5,245</b>
Buildings	44,313	(24,484)	<b>19,829</b>	44,273	(23,180)	<b>21,093</b>
Plant and machinery	3,208	(2,020)	<b>1,187</b>	2,848	(1,916)	<b>931</b>
Industrial and trade equipment	1,893	(1,489)	<b>404</b>	1,891	(1,250)	<b>641</b>
Other assets	14,799	(10,182)	<b>4,618</b>	14,653	(10,130)	<b>4,523</b>
<b>Total</b>	<b>69,457</b>	<b>(38,174)</b>	<b>31,283</b>	<b>68,909</b>	<b>(36,476)</b>	<b>32,433</b>

(in thousands of euro)

NET VALUE	12/31/2021	Increases	Decreases	Reclassif.	Depreciation	12/31/2022
Land	5,245	-	-	-	-	5,245
Buildings	21,092	41	-	-	(1,304)	19,829
Plant and machinery	931	360	-	-	(104)	1,187
Industrial and trade equipment	641	2	-	-	(239)	404
Other assets	4,524	244	-	-	(150)	4,618
<b>Total</b>	<b>32,433</b>	<b>647</b>	-	-	<b>(1,797)</b>	<b>31,283</b>

(in thousands of euro)

NET VALUE	12/31/2020	Increases	Decreases	Reclassif.	Depreciation	12/31/2021
Land	5,245	-	-	-	-	5,245
Buildings	22,313	93	-	-	(1,314)	21,092
Plant and machinery	967	60	-	-	(96)	931
Industrial and trade equipment	880	-	-	-	(239)	641
Other assets	4,583	54	-	-	(113)	4,524
<b>Total</b>	<b>33,988</b>	<b>207</b>	-	-	<b>(1,762)</b>	<b>32,433</b>

There were no significant increases and divestments in 2022.

Financial expenses were not capitalized on property, plant and equipment.

## 8.2 RIGHTS OF USE

The net value of the assets for which the Company has stipulated a lease contract is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Rights of use Buildings	33,913	36,384
Rights of use Other assets	1,062	1,171
<b>Net value</b>	<b>34,975</b>	<b>37,555</b>

**Rights of use on buildings** mainly refer to contracts relating to offices.

**Rights of use on other assets** mainly refer to contracts relating to motor vehicles. These contracts also include the service component (non-lease component).

Lease contracts are negotiated on an individual basis and include a wide variety of terms and conditions.

The increases in rights of use in 2022, also including remeasurement, amounted to euro 3,497 thousand (euro 1,034 thousand in 2021) and refer to vehicle and property lease contracts.

There were no reassessments or changes to significant contracts in 2022.

**Amortization of rights of use** recorded in the income statement and included in the item “amortization, depreciation and impairment” (note 31) are as follows:

(in thousands of euro)

	2022	2021
Buildings	5,052	4,928
Other assets	776	772
<b>Total depreciation of right of use</b>	<b>5,828</b>	<b>5,700</b>

For interest expense recorded in connection with lease contracts, refer to the information in note 36 “Financial expenses”.

For information on costs for lease contracts with a duration of less than twelve months, lease contracts for low unit value goods and lease contracts with variable fees, refer to note 32 “Other costs”.

For information on lease payables, refer to note 19 “Borrowings from banks and other lenders”.

## 9. INTANGIBLE ASSETS

The items in question and the related changes are detailed as follows:

(in thousands of euro)

	12/31/2021	Increase	Transfers	Amortisation	12/31/2022
Pirelli Brand - indefinite life	2,270,000	-	-	-	2,270,000
Software licenses	608	526	-	(279)	855
Other intangible assets	5,193	833	587	(1,793)	4,820
Assets under construction	587	3,430	(587)	-	3,430
<b>Total</b>	<b>2,276,388</b>	<b>4,789</b>	<b>-</b>	<b>(2,072)</b>	<b>2,279,105</b>

(in thousands of euro)

	12/31/2020	Increase	Transfers	Amortisation	12/31/2021
Pirelli Brand - indefinite life	2,270,000	-	-	-	2,270,000
Software licenses	567	209	90	(258)	608
Other intangible assets	2,962	3,738	135	(1,642)	5,193
Assets under construction	225	587	(225)	-	587
<b>Total</b>	<b>2,273,754</b>	<b>4,534</b>	<b>-</b>	<b>(1,900)</b>	<b>2,276,388</b>

The Pirelli Brand (asset with indefinite useful life) for euro 2,270,000 thousand, originated following the allocation of the merger deficit, generated following the incorporation of the parent company Marco Polo Industrial Holding S.p.A. in 2016. The allocation of the deficit was made consistently with the consolidated financial statements as a result of the completion of the Purchase Price Allocation.

The valuation of the useful life of the brands is based on a series of factors including the competitive environment, market share, history of the brand, life cycles of the underlying product, operational plans and macroeconomic environment of the countries in which the related products are sold. In particular, the useful life of the Pirelli Brand was assessed indefinitely on the basis of its history of one hundred fifty years of success (established in 1872) and the intention and ability of the Group to continue investing in order to support and maintain the brand.

The **increases** in the year mainly refer to the enhancement of the information systems aimed at creating a new integrated operating model.

No impairment was carried out in 2022.

#### IMPAIRMENT TEST OF THE PIRELLI BRAND (ASSET WITH INDEFINITE USEFUL LIFE)

The Pirelli Brand, amounting to euro 2,270,000 thousand, is an intangible asset with indefinite useful life and therefore not subject to amortization, but, pursuant to IAS 36, to impairment annually or more frequently, if specific events or circumstances occur which may lead to the presumption of impairment.

The impairment test at December 31, 2022 was performed using the assistance of an independent third-party professional.

The configuration of the recoverable amount for impairment testing purposes at December 31, 2022 was the fair value, calculated on the basis of the income approach (the so-called Level 3 of the IFRS 13 hierarchy – Fair Value measurement).

The fair value estimate considers future cash flows based on management forecasts which, with reference to 2023, move from the adjusted EBITDA flows of the 2023 management plan approved on February 22, 2023 by the Board of Directors of Pirelli & C. S.p.A., drafted on basis of the new market context and in particular including the indirect effects of the Russia-Ukraine conflict (mainly attributable to the inflation of sales prices and the cost of production factors). The data for 2023 have been adjusted downwards to take into account the analysts' consensus estimates updated after the presentation of the plan, as evidence coming from outside and with reference to the years 2024 - 2025 was used.

With reference to the impacts on flows attributable to climate-change issues, it should be noted that:

- thanks to its technological leadership, the Group expects positive results in the short term from the marketing of tyres that include technological solutions capable of minimizing the environmental impact. On the other hand, with reference to the risks deriving from climate change (physical and transitional), no material impacts are expected in the short and medium term, while there are elements of uncertainty in the long term (>2030). For further information, please refer to the paragraph "Information relating to climate change" contained in the explanatory notes of the Consolidated Financial Statements;
- the estimates of the equity analysts, on which the flows used in the impairment test are based, do not envisage negative long-term effects deriving from climate change and include, beyond the explicit forecast period used, a positive growth rate;

- in the estimate of the terminal value, prudential use was made of a higher level of investments than that expected by analysts to consider any acceleration of investments relating to energy efficiency in line with the decarbonization strategy adopted by the Group;
- the capitalization rate (WACC - g) is in line with the consensus of analysts and therefore captures market consensus expectations with regard to risks of a systematic nature and not connected to flows projected beyond the explicit forecast period.

The flows used to determine the recoverable value, which are based on consensus estimates by analysts, consider, for the explicit forecast period, a cumulative average annual growth rate (CAGR) of revenues, calculated with respect to the revenues recorded in 2022, equal to 2.1% and an average adjusted Ebitda margin for the period equal to 21.3% with a CAGR of the adjusted Ebitda of 3% compared to the absolute value recorded in 2022.

Furthermore, the estimate of the fair value is based on:

- a sum-of-parts valuation criterion which also takes into account the contribution of royalties from the Prometeon Tyre Group for the use of the Pirelli trademark in relation to the Industrial segment (as in the existing contracts);
- the excess earnings attributable to the Pirelli Brand which are derived by deducting the notional rent or royalty rate of the Group's operating assets other than the Brand, expressed at fair value, from the prospective operating income;
- a discount rate of 10.30%, which includes a premium compared to the WACC, which is determined according to the riskiness of the specific asset and the growth rate "g" in the terminal value which is equal to 0.5%;
- the TAB (Tax Amortisation Benefit) that is, the tax benefit that could potentially benefit the market participant which acquired the asset separately, as a result of the possibility of amortising the asset for tax purposes.

For the purposes of the impairment test, the recoverable value of the Pirelli Brand *cum* TAB is compared with the respective carrying amount (*cum* TAB) and no impairment has emerged.

The recoverable value is higher than the carrying amount of the Brand (17%) while, in order for the Fair Value to be equal to the carrying amount, a downward change of the key parameters is necessary and in particular:

- a decrease in revenues of 410 basis points for the explicit forecast period and in the terminal value;
- a decrease in the EBITDA margin adjusted of 67 basis points for the explicit forecast period and in the terminal value;
- an increase in the discount rate of 142 basis points in the explicit forecast period and in the terminal value;
- a decrease in the growth rate "g" of 203 basis points for beyond the explicit forecast period.



## 10. INVESTMENTS IN SUBSIDIARIES

At December 31, 2022, this item amounted to euro 4,624,549 thousand compared to euro 4,632,420 thousand at December 31, 2021, and the breakdown is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
HB Servizi S.r.l.	230	230
Maristel S.p.A.	1,315	1,315
Pirelli Group Reinsurance Company S.A.	6,346	6,346
Pirelli Ltda	8,420	8,420
Pirelli Servizi Amministrazione e Tesoreria S.p.A.	3,238	3,238
Pirelli Sistemi Informativi S.r.l.	1,655	1,655
Pirelli Tyre S.p.A.	4,528,245	4,528,245
Pirelli UK Ltd.	-	7,871
Pirelli International Treasury S.p.A.	75,000	75,000
Servizi Aziendali Pirelli S.C.p.A.	100	100
<b>Total investments in subsidiaries</b>	<b>4,624,549</b>	<b>4,632,420</b>

Below are the changes during the year:

(in thousands of euro)

	12/31/2022	12/31/2021
<b>Opening balance</b>	<b>4,632,420</b>	<b>4,633,666</b>
Write-downs	(7,871)	(1,246)
<b>Closing balance</b>	<b>4,624,549</b>	<b>4,632,420</b>

The company checks the recorded values of its investments and the existence of impairment indicators on the basis of as set out in paragraph 3 - Accounting standards – Investments in subsidiaries and associates.

Following the verification of the indicators, the subsidiaries on which it was necessary to carry out the test were Pirelli UK Ltd and Pirelli Ltda.

With specific reference to the investment in the subsidiary Pirelli UK Ltd, the cost of the investment was deemed to be entirely unrecoverable and consequently the company recorded an impairment of euro 7,871 thousand equal to the net book value of the entire investment.

The impairment test of the investment in the subsidiary Pirelli Ltda did not give rise to any impairment.

Further details are set out in the Annexes to the Explanatory Notes.

## II. INVESTMENTS IN ASSOCIATED COMPANIES

At December 31, 2022, this item amounted to euro 6,375 thousand of euro, unchanged compared to December 31, 2021, and the breakdown is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Consorzio per le Ricerche sui Materiali Avanzati (CORIMAV)	104	104
Eurostazioni S.p.A. - Roma	6,271	6,271
<b>Total investment in associates</b>	<b>6,375</b>	<b>6,375</b>

On March 9, 2022, the company exited the shareholding structure of Focus Investments S.p.A.. The change did not generate any impact, as the value of the equity investment was almost zero. No additional changes occurred during the year. Further details are set out in the Annexes to the Explanatory Notes.

## 12. OTHER FINANCIAL ASSETS AT FAIR VALUE RECORDED IN THE OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME (FVOCI)

Other financial assets at fair value recorded in the other components of the statement of comprehensive income amounted to euro 46,339 thousand at December 31, 2022 (euro 54,817 thousand at December 31, 2021). The breakdown of the item for each security is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
<b>Listed securities</b>		
RCS Mediagroup S.p.A. - Milano	16,570	21,855
<b>Unlisted securities</b>		
Fin. Priv Srl	18,864	21,171
Fondo Comune di Investimento Immobiliare Anastasia	1,776	2,825
Istituto Europeo di Oncologia S.r.l.	8,140	8,006
Other companies	989	960
<b>Total financial assets at fair value through other comprehensive income</b>	<b>46,339</b>	<b>54,817</b>

The changes in the year are shown below:

(in thousands of euro)

<b>Opening balance</b>	<b>54,817</b>
Adjustment to fair value recognized in other comprehensive income	(8,478)
<b>Closing balance</b>	<b>46,339</b>

The **fair value adjustments in the other components of the statement of comprehensive income** mainly refer to the investments in RCS MediaGroup S.p.A. (negative for euro 5,285 thousand), in Fin.Priv. S.r.l. (negative for euro 2,307 thousand), in Genextra S.p.A. (negative for euro 6 thousand), in Istituto Europeo di Oncologia (positive for euro 133 thousand), in Fondo Comune di investimento Anastasia (negative for euro 1,049 thousand) and in Nomisma - Società di Studi Economici S.p.A. (positive for euro 37 thousand).

For listed securities, the fair value corresponds to the Stock Exchange listing at December 31, 2022. For unlisted securities and real estate funds, the fair value was estimated according to available information.

### 13. OTHER RECEIVABLES

The breakdown of other receivables is as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Total	Non-current	Current	Total	Non-current	Current
Other receivables from subsidiaries	977	-	977	1,380	-	1,380
Financial receivables from subsidiaries	2,199,401	-	2,199,401	2,780,305	2,000,000	780,305
Guarantee deposits	340	340	-	281	281	-
Other receivables from third parties	6,999	272	6,727	6,489	285	6,204
Receivables from tax authorities for taxes not related to income	6,771	-	6,771	4,583	-	4,583
Financial accrued interest income	271	-	271	72	-	72
Financial prepaid expenses	1,025	-	1,025	186	-	186
<b>Total other receivables</b>	<b>2,215,784</b>	<b>612</b>	<b>2,215,172</b>	<b>2,793,296</b>	<b>2,000,566</b>	<b>792,730</b>

**Financial receivables from subsidiaries** include a loan of euro 2,000 million with Pirelli International Treasury S.p.A. accessed on January 31, 2020 with maturity January 31, 2023, the short-term use of a long-term credit line (with maturity January 31, 2023) disbursed in favor of Pirelli International Treasury S.p.A. for an amount of euro 189 million, the receivable for interest accrued not yet paid on the same lines for euro 9,911 thousand and the relation with Pirelli International Treasury S.p.A. relating to the interest-bearing current account, regulated at interest rates market for euro 489 thousand (at December 31, 2021 equal to euro 384 thousand). On the renewals of the credit lines granted to Pirelli International Treasury S.p.A. please refer to paragraph 42 - Significant events subsequent to the end of the year.

For the purposes of applying the IFRS 9 accounting standard in relation to loans to Group companies, management has made an estimate of the expected credit losses in the 12 months following the closing of the financial statements. The analysis takes into consideration qualitative, quantitative, historical, and prospective information to determine whether the intra-group loan has a credit risk at December 31, 2022. Referring to a probability of default of a loan from the Pirelli & C. Group and considering the financial position of subsidiaries, Pirelli & C. management concluded that any impairment required by the standard would be of an immaterial amount.

**Receivables from the tax authorities for taxes not related to income** for euro 6,771 thousand mainly refer to receivables for VAT, which increased compared to the previous year.

**Accrued financial assets** mainly refer to portions of interest accrued but not yet collected, on interest rate swap derivative contracts.

**Deferred financial assets** relate mainly to the commissions on the revolving and term loan credit line.

The carrying amount of financial receivables and other receivables approximates their fair value.

## 14. TRADE RECEIVABLES

Trade receivables amounted to euro 43,999 thousand compared to euro 40,116 thousand of the previous year and the breakdown is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Receivables from subsidiaries	42,782	39,115
Receivables from associates	3	3
Receivables from other companies	1,421	1,732
<b>Total receivables - gross amount</b>	<b>44,206</b>	<b>40,850</b>
Provision for bad debt	(207)	(734)
<b>Total receivables</b>	<b>43,999</b>	<b>40,116</b>

Below is the breakdown of trade receivables, gross of the provision for bad debts based on the currency in which they are expressed:

(in thousands of euro)

	12/31/2022	% of total trade receivables	12/31/2021	% of total trade receivables
EUR	40,355	91%	33,760	82%
USD (Dollar USA)	325	1%	906	2%
RUB (Ruble Russia)	610	1%	650	2%
CHF	2,916	7%	5,534	14%
<b>Total</b>	<b>44,206</b>	<b>100%</b>	<b>40,850</b>	<b>100%</b>

**Receivables from subsidiaries** at December 31, 2022 mainly include the amounts that Pirelli & C. S.p.A. charges for services rendered through Corporate functions and charge-backs of costs. The aforementioned receivables are due within the financial year and do not show past due balances of significant amount.

**Receivables from other companies** of euro 1,421 thousand (euro 1,732 thousand at December 31, 2021), shown gross of the provision for bad debts of euro 207 thousand, are past due for euro 566 thousand.

Past due receivables and receivables due have been valued in accordance with the Group policies described in the paragraph relating to credit risk management in the "Financial risk management policy".

Impaired receivables include both significant positions impaired separately, and positions with similar characteristics in terms of credit risk, grouped and impaired on a collective basis.

The change in the provision for bad debts is shown below:

(in thousands of euro)

	12/31/2022	12/31/2021
<b>Opening balance</b>	<b>734</b>	<b>643</b>
Accruals	48	91
Utilizations/reversals	(575)	-
<b>Closing balance</b>	<b>207</b>	<b>734</b>

**Accruals** to the provision for bad debts are recorded in the Income Statement as “Impairment of financial assets” (note 33).

For trade receivables, the carrying amount is considered to approximate the applicable fair value.

#### 15. CASH AND CASH EQUIVALENTS

At December 31, 2022, they amounted to euro 36 thousand, against euro 40 thousand at December 31, 2021 and refer to balances of bank accounts in euro repayable on demand.

The credit risk associated with cash and cash equivalents is to be considered limited because the counterparties are represented by leading national and international banking institutions.

The value of cash and cash equivalents is considered to be aligned with the respective fair value.

#### 16. TAX RECEIVABLES

At December 31, 2022, they amount to euro 97,981 thousand (euro 65,074 thousand at December 31, 2021). The amount mainly includes receivables from Group companies participating in the tax consolidation for euro 97,450 thousand (euro 64,525 thousand at December 31, 2021). The increase compared to the previous year substantially depends on the greater contribution of the positive taxable result by the subsidiary Pirelli Tyre S.p.A..

#### 17. DERIVATIVE FINANCIAL INSTRUMENTS

The item includes the fair value of derivative instruments. The breakdown is as follows:

(in thousands of euro)

	12/31/2022				12/31/2021			
	Non Current Assets	Current Assets	Non Current Liabilities	Current Liabilities	Non Current Assets	Current Assets	Non Current Liabilities	Current Liabilities
<b>Without adoption of hedge accounting</b>								
Forex instruments - trade positions	-	16	-	(32)	-	9	-	(4)
Forex instruments - included in net financial position	-	-	-	-	-	5	-	-
Derivatives for interest rate - included in net financial position	-	-	-	-	-	-	-	-
<b>In hedge accounting</b>								
<b>- cash flow hedge:</b>								
Derivatives for interest rate - included in net financial position	26,070	3,281	-	-	4,383	-	(3,554)	(670)
Other derivatives instruments - included in net financial position	-	-	-	-	-	5,118	-	-
<b>Total derivative instruments</b>	<b>26,070</b>	<b>3,298</b>	<b>-</b>	<b>(32)</b>	<b>4,383</b>	<b>5,132</b>	<b>(3,554)</b>	<b>(674)</b>

The above derivatives are intercompany derivatives stipulated mainly with the Group's treasury company, Pirelli International Treasury S.p.A..

## DERIVATIVE FINANCIAL INSTRUMENTS IN HEDGE ACCOUNTING

The value of **derivatives on interest rates**, recorded as non-current assets for euro 26,070 thousand and current assets for euro 3,281 thousand, refers to the fair value measurement of 8 interest rate swaps with the following characteristics:

Derivative	Hedged element	Notional amount	Start date	Maturity	
IRS	Term loan in EUR	62.5	August 2019	August 2023	receive floating / pay fix
IRS	Schuldschein	180.0	July 2020	July 2023	receive floating / pay fix
IRS	Schuldschein	20.0	July 2020	July 2025	receive floating / pay fix
IRS forward start	Term loan in EUR	500.0	February 2023	February 2026	receive floating / pay fix
<b>Total</b>		<b>762.5</b>			

For these derivatives, cash flow hedge accounting was adopted. Items subjected to hedge accounting are:

- 1) future interest flows on liabilities in euro at floating rate;
- 2) future interest flows on the Schuldschein loan (see note 19).

In the first quarter of 2022, the IRS forward start pre hedge receive floating EURIBOR / pay fix EURIBOR were closed early. The positive reserve accumulated at the date, amounting to euro 22,079 thousand, was not reversed in the income statement as the future transaction being hedged was considered highly probable.

It should be noted that in January 2023, the future transaction took the form of a sustainability-linked bond for a total nominal amount of euro 600 million (see the paragraph "significant events subsequent to the end of the year").

The change in fair value for the period is positive for euro 49,479 thousand (euro 17,732 thousand relating to pre-hedged IRS and euro 31,747 thousand relating to other IRS). This change was entirely suspended as Other Comprehensive Income, while net interest expense of euro 1,792 thousand was reversed to the income statement under the item "Financial expenses" (note 36), correcting the financial expenses recognized on the liability hedged.

A +0.5% change in the EURIBOR curve, other things being equal, would result in a positive change net of the tax effect of euro 5,621 thousand in the Company's shareholders' equity, while a -0.5% change in the same curve would result in a negative change net of the tax effect of euro 5,649 thousand in the Company's shareholders' equity.

Hedging relationships relating to IRS are considered effective prospectively as the following conditions are met:

- there is an economic relationship between the hedging instrument and the hedged item, as the characteristics of the hedging instrument (nominal interest rate, reset of the interest rate and frequency of the payment of interest) are substantially in line with those of the hedged item. As a consequence, changes in the fair value of the hedging instrument regularly offset those of the hedged item;
- the effect of credit risk is not predominant within the hedging relationship: based on the Group's operating rules, derivatives are traded only with high standing banking counterparties and the credit quality of the existing derivatives portfolio is constantly monitored;
- the designated hedge ratio is in line with the one used for financial risk management and is 100% (1:1).

The ineffectiveness of the hedging relationship is calculated at each reporting date with the Dollar Offset method, which provides for the comparison of changes in the fair value risk adjusted of the hedging instrument with changes in the fair value risk free of the hedged item, through the identification of a hypothetical derivative with the same characteristics of the underlying financial liability.

Possible causes of ineffectiveness are as follows:

- application of adjustment for credit risk only to the hedging instrument but not to the hedged item;
- the hedged item incorporates a floor that is not reflected in the hedging instrument;
- misalignment between the actual contractual conditions of the future transaction and those of the hedging instrument.

With reference to **other derivatives**, following the early repayment of the unsecured loan (“Facilities”) for USD 1,079 million (see note 19), the CCIRS pay floating EURIBOR / receive floating LIBOR were partially repaid early and partially discontinued (current assets of euro 5,118 thousand at December 31, 2021).

The positive fair value reserve of euro 4,549 thousand (positive cash flow hedge reserve of euro 4,103 thousand and positive cost of hedging reserve of euro 466 thousand) was entirely reversed to the income statement:

- profits of euro 7,302 thousand to offset net realized exchange rate losses recorded on the hedged liability;
- net interest income of euro 231 thousand to correct the financial expenses recorded on the hedged liability;
- ineffectiveness costs for euro 2,984 thousand.

For the CCIRS held in the portfolio until natural maturity (June 2022), hedge accounting was discontinued at the same time as loan repayment and the positive change in fair value of euro 48,130 thousand was entirely reversed to the income statement. This positive change was offset by a negative change in the fair value of FX contracts negotiated to hedge the CCIRS, for which hedge accounting was not adopted. These effects are included in “financial expenses – fair value measurement of derivatives”.

For further details, see note 36 “Financial expenses”.

## 18. SHAREHOLDERS' EQUITY

Equity amounted to euro 4,938,026 thousand (euro 4,813,132 thousand at December 31, 2021).

The statement of changes in equity is shown in the main financial statements.

The change is essentially due to the net result for the year (positive for euro 252,486 thousand), the adjustment to the fair value of derivatives designated as cash flow hedges net of the tax effect (positive for 41,690 thousand), the adjustment to the fair value of financial assets at fair value recorded as other components of the statement of comprehensive income (negative for euro 8,478 thousand) and the distribution of dividends for euro 161,000 thousand.

## SHARE CAPITAL

The share capital at December 31, 2022, fully subscribed and paid-in, amounts to euro 1,904,374,935.66 divided into 1,000,000,000 ordinary shares without nominal value and unchanged compared to December 31, 2021.

## LEGAL RESERVE

The legal reserve at December 31, 2022 amounted to euro 380,875 thousand, unchanged compared to December 31, 2021, having already reached the limit set by art. 2430 Civil Code.

## SHARE PREMIUM RESERVE

At December 31, 2022, the share premium reserve amounted to euro 630,381 thousand and unchanged compared to December 31, 2021.

## CONCENTRATION RESERVE

At December 31, 2022, concentration reserves amounted to euro 12,467 thousand and unchanged compared to December 31, 2021.

## OTHER RESERVES

At December 31, 2022, other reserves amounted to euro 133,735 thousand and unchanged compared to December 31, 2021. Other reserves include the reserve of euro 41,200 thousand created in 2020 to include in equity the component relating to the fair value of the option sold to the subscribers of the convertible bond.

## OTHER O.C.I. RESERVES

At December 31, 2022, Other O.C.I. reserves were positive for euro 40,947 thousand and refer to the cash flow hedge reserve, net of the tax effect (positive for euro 39,087 thousand), to the employee benefit remeasurement reserve (positive for euro 2,068 thousand) and to the reserve for the fair value adjustment of financial assets at fair value through comprehensive income (negative for euro 208 thousand).

## MERGER RESERVE

At December 31, 2022, the merger reserve amounted to euro 1,022,928 thousand, unchanged compared to December 31, 2021. The reserve was generated following the merger by incorporation of Marco Polo Industrial Holding S.p.A. in Pirelli & C. S.p.A. in 2016.

## RESERVE FROM RESULTS CARRIED FORWARD

The reserve from results carried forward amounted to euro 559,834 thousand compared to a 504,215 at December 31, 2021. The increase is attributable in part to the residual result carried forward from the previous year, as per meeting resolution of May 18, 2022.

In accordance with the provisions of article 2427, no. 7-bis of the Italian Civil Code, in the following table each item of equity is indicated analytically, with indication of its origin, possibility of use and distributability, as well as of its use in previous years.

(in thousands of euro)

	Amount	Possible use	Available portion	Summary of reserves uses in the last 3 previous years
Share capital	1,904,375			
Share premium reserve	630,381	A, B, C	630,381	-
Legal reserve	380,875	B	380,875	-
Other reserves				
- Concentration reserve	12,467	A, B, C	12,467	-
- Convertible bond loan reserve	41,200	A	41,200	-
- Other reserves	92,535	A, B	92,535	-
- Other O.C.I. reserves	40,947	-	-	-
- Merger reserve	1,022,928	A, B, C	1,022,928	-
Retained earnings	559,834	A, B, C	559,834	(36,044)
<b>Total</b>	<b>4,685,542</b>		<b>2,740,219</b>	<b>(36,044)</b>
Non distributable			514,610	
Residual quota available			2,225,610	

A to increase the share capital  
B to cover losses  
C to distribute to the shareholders

## 19. BORROWINGS FROM BANKS AND OTHER LENDERS

The breakdown of the item borrowings from banks and other lenders is as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Total	Not currents	Currents	Total	Not currents	Currents
Bonds	713,098	490,452	222,646	1,453,762	1,453,762	-
Borrowings from banks	2,917,566	2,792,641	124,925	2,967,539	1,917,417	1,050,122
Lease liabilities	41,911	35,770	6,141	44,773	38,999	5,774
Other financial payables	780	-	780	1,984	-	1,984
Accrued liabilities	8,664	-	8,664	12,661	-	12,661
<b>Total borrowings from banks &amp; other financial institutions</b>	<b>3,682,019</b>	<b>3,318,863</b>	<b>363,156</b>	<b>4,480,719</b>	<b>3,410,178</b>	<b>1,070,541</b>

The item **bonds** refers to:

- a non-interest-bearing senior unsecured guaranteed equity-linked bond ("convertible bond"), for a nominal value of euro 500 million maturing on December 22, 2025. The bond, reserved for institutional investors, issued by Pirelli & C. S.p.A. on December 22, 2020, guaranteed by Pirelli Tyre S.p.A. and admitted to trading on



the Vienna MTF, multilateral trading facility managed by the Vienna Stock Exchange. The bond is convertible, at the discretion of the bondholders, into new ordinary shares of the Company at a price of euro 6.1395 per share (originally euro 6.235 per share), subject to additional anti-dilutive adjustments envisaged by the loan regulations. At December 31, 2022, the component recorded under non-current financial payables was equal to euro 470.5 million. The difference with the nominal value refers to the fair value of the option, determined on the placement date, held by the subscribers of the loan and of their option to convert the bond into new ordinary shares of the Company at a pre-set price. This value was accounted for at inception under equity reserves for euro 41.2 million;

- floating rate "Schuldschein" loan (Euribor + spread) for a total nominal value of euro 243 million, euro 20 million classified under non-current financial payables (maturity July 2025) and euro 223 million under current financial payables (maturity July 2023). The loan, subscribed by leading market operators, consists of a tranche of euro 423 million with 5-year maturity and a tranche of euro 20 million with 7-year maturity. Of the tranche of euro 423 million, a portion of euro 200 million was repaid in advance in January 2022. In December 2022, the Company sent the subscribers of the Schuldschein a notice for the early repayment of the remaining euro 223 million of the 5-year tranche, fully repaid in January 2023. For completeness, it is recalled that the loan, placed on July 26, 2018, also included a tranche of euro 82 million with original maturity on July 31, 2021 repaid early in January 2021;
- On October 25, 2022, the unrated bond was repaid in advance at par, as contractually envisaged by the Issuer Call clause, for a nominal amount of euro 553 million. This bond (originally equal to euro 600 million partially repurchased for a total amount of euro 47 million during the last quarter of 2018) with original maturity January 2023, was placed on January 22, 2018 with fixed coupon of 1.375% and maturity of 5 years. The loan, placed with international institutional investors, was issued under the EMTN program approved by the Board of Directors at the end of 2017, subscribed on January 10, 2018 and updated on December 19, 2018.

The carrying amount of the item bonds was determined as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Nominal value	743,000	1,496,000
Equity convertible bond component	(41,791)	(41,791)
Transaction costs	(14,957)	(14,957)
Bond discount	(2,988)	(2,988)
Amortisation of effective interest rate	13,433	9,282
Non- monetary interest convertible bond loan	16,400	8,216
<b>Total</b>	<b>713,097</b>	<b>1,453,762</b>

Below are the changes of the item bonds:

(in thousands of euro)

<b>Bonds as at 12/31/2021</b>	<b>1,453,762</b>
Bond repayment "EMTN program"	(553,000)
Bond repayment "Schuldschein"	(200,000)
Non-cash interest convertible bond	8,185
Amortised cost of the year	4,150
<b>Bonds as at 12/31/2022</b>	<b>713,097</b>

The change in the item bonds relating to the previous year is shown below:

(in thousands of euro)

<b>Bonds as at 12/31/2020</b>	<b>1,524,500</b>
Transactions costs	(262)
Bond repayments (EMTN program)	(82,000)
Non-cash interest convertible bond	8,020
Amortised cost of the year	3,504
<b>Bonds as at 12/31/2021</b>	<b>1,453,762</b>

The breakdown of the item **borrowings from banks**, which amounted to Euro 2,917,566 thousand, is as follows:

(in thousands of euro)

	Due Date	Interest rate	Notional	12/31/2022		
				Balance	Non- current	Current
Club Deal EUR 1,6 bln. ESG 2022 5y	2/22/2027	Euribor + spread	600,000	597,635	597,635	-
Club Deal EUR 800 mln. ESG 2020 5y	4/2/2025	Euribor + spread	800,000	797,212	797,212	-
Club Deal EUR 400 mln. ESG 2022 19m	1/29/2024	Euribor + spread	400,000	399,696	399,696	-
Bilateral 600m 2019 5y borrowing	2/14/2024	Euribor + spread	600,000	598,893	598,893	-
Bilateral 125m 2019 4y borrowing	8/7/2023	Euribor + spread	125,000	124,925	-	124,925
Bilateral ESG 400m 2021 3y borrowing	12/27/2024	Euribor + spread	400,000	399,205	399,205	-
<b>Total borrowings from banks</b>				<b>2,917,566</b>	<b>2,792,641</b>	<b>124,925</b>

and they mainly refer to:

- Use of the unsecured loan “Club Deal EUR 1.6 bln ESG 2022 5y” by Pirelli & C. S.p.A. for euro 597,635 thousand and classified under non-current financial payables. The floating rate credit line (Euribor + spread), subscribed on February 21, 2022, with a pool of leading Italian and international banks and with a 5-year maturity consists of three tranches for a total of euro 1.6 billion, distributed as follows:
  - Pirelli & C. S.p.A. term loan with nominal value of euro 600,000 thousand fully used and revolving cash credit facility of euro 100,000 thousand, unused at December 31, 2022;
  - Pirelli International Treasury S.p.A. revolving cash credit facility of euro 900,000 thousand, unused at December 31, 2022.
- The loan is guaranteed by Pirelli Tyre S.p.A.. This line, parametrized to the Group’s ESG objectives, contributed to the early repayment in February 2022 of the debt relating to the unsecured loan (“Facilities”) for a value of euro 949,182 thousand at December 31, 2021 (USD 1,079 million), with contract expiry in June 2022. The new loan also made it possible to increase the capacity in terms of the revolving credit line, which rose from euro 700,000 thousand for the previous credit line to euro 1 billion for the new revolving credit line;
- “Club Deal EUR 800m ESG 2020 5y” for euro 797,212 thousand relating to the credit line of euro 800 million at floating rate (Euribor + spread), guaranteed by Pirelli Tyre S.p.A. and stipulated on March 31, 2020 with a pool of leading Italian and international banks and with a 5-year maturity (classified as non-current financial payables). The bank line consists of a “sustainable” tranche for an amount of euro 600 million, i.e. parametrized to the Group’s economic and environmental sustainability objectives (sustainable KPI) and a “circular economy” tranche, i.e. parametrized to the Group’s circular economy objectives. It should be noted that following the first

reporting of sustainable KPIs and having achieved the objectives for the year, the Group is benefiting from the related incentives to reduce the cost of the credit line on the “sustainable” tranche. The reporting of the “circular economy” tranche is instead foreseen only in 2023;

- euro 399,696 thousand relating to the “Club Deal EUR 400m ESG 2022 19m” credit line of euro 400 million at floating rate (Euribor + spread), subscribed on June 27, 2022 with a pool of leading international banks and maturing in 19 months (classified as non-current financial payables). The bank line is parametrized to the objective of reducing absolute greenhouse gas emissions from raw materials purchased (Scope 3) validated by the Science Based Target initiative (SBTi) and contained in the first “Sustainability Linked Financing Framework” published by Pirelli in May 2022;
- euro 723,818 thousand relating to two bilateral loans disbursed in favor of Pirelli & C. S.p.A. by leading banks, of which a nominal value of euro 600 million (the loan “Linea bilaterale 600m 2019 5y”) maturing February 2024 at floating rate (Euribor + spread) and guaranteed by Pirelli Tyre S.p.A. (classified as non-current financial payables), and euro 125 million (the loan “Linea bilaterale 125m 2019 4y”) maturing August 2023 at floating rate (Euribor + spread) and classified as current financial payables. It is noted that on December 29, 2022, the bilateral loan of euro 100 million with original maturity December 2022 was repaid;
- euro 399,205 thousand relating to the bilateral loan for a nominal amount of euro 400 million disbursed in December 2021 in favor of Pirelli & C. S.p.A. by a leading bank (the loan “Linea bilaterale ESG 400m 2021 3y”), with 3-year maturity and guaranteed by Pirelli Tyre S.p.A.. The loan, at variable rate (Euribor + spread), is parametrized to certain Group sustainability targets and is classified as non-current financial payables.

At December 31, 2022, the Company had a liquidity margin equal to euro 100,036 thousand composed of euro 100,000 thousand of unused committed credit lines, and euro 36 thousand in cash.

Below are the changes in payables to banks:

(in thousands of euro)

<b>Borrowings from banks at 12/31/2021</b>	<b>2,967,539</b>
Reimbursements of unsecured financing (Facilities)	(960,280)
Reimbursements of bilateral borrowings	(100,000)
Issuance of the unsecured “Club Deal EUR 1.6 bn ESG 2022 5y” financing	600,000
Issuance of the unsecured “Club Deal EUR 400m ESG 2022 19m” financing	400,000
Transactions costs	(3,277)
Amortised cost of the year	6,277
Translation differences	7,307
<b>Borrowings from banks at 12/31/2022</b>	<b>2,917,566</b>

The change in total payables to banks for the previous year is shown below:

(in thousands of euro)

<b>Borrowings from banks at 12/31/2020</b>	<b>3,336,716</b>
Drawdown of unsecured financing (Facilities)	368,549
Reimbursements of unsecured financing (Facilities)	(1,337,656)
New bilateral borrowings	500,000
Transactions costs	(1,275)
Amortised cost of the year	14,243
Translation differences	86,962
<b>Borrowings from banks at 12/31/2021</b>	<b>2,967,539</b>

**Lease liabilities** represent financial liabilities relating to the application of IFRS 16 starting from January 1, 2019.

Below are the changes in lease liabilities:

(in thousands of euro)

<b>Lease liabilities as at 12/31/2021</b>	<b>44,773</b>
Increase of lease obligations	1,079
Remeasurement and early termination	2,165
Cash outflow for lease obligations - principal amount	(6,106)
<b>Lease liabilities as at 12/31/2022</b>	<b>41,911</b>

The change in total lease payables for the previous year is shown below:

(in thousands of euro)

<b>Lease liabilities as at 12/31/2020</b>	<b>49,708</b>
Increase of lease obligations	667
Remeasurement and early termination	205
Cash outflow for lease obligations - principal amount	(5,807)
<b>Lease liabilities as at 12/31/2021</b>	<b>44,773</b>

Non-discounted future payments for lease contracts for which the exercise of extension options is not considered reasonably certain amounted to euro 54,623 thousand at December 31, 2022 and are not included in this item (euro 50,936 thousand at December 31, 2021).

The item **other financial payables** includes the payable to shareholders for euro 780 thousand following the squeeze out operation.

**Accrued financial expenses** (euro 8,664 thousand) mainly refers to the accrual of interest on loans from banks for euro 6,640 thousand (euro 3,618 thousand at December 31, 2021), and to the accrued interest matured on bonds for euro 2,002 thousand (euro 8,510 thousand at December 31, 2021).

At December 31, 2022, there are no financial payables secured by collateral (pledges and mortgages).

For current financial payables, it is maintained that the book value is approximately the fair value. The table below compares the fair value of non-current financial payables with their carrying amount:

(in thousands of euro)

	12/31/2022		12/31/2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	490,452	462,098	1,453,762	1,469,529
Borrowings from banks	2,792,641	2,806,825	1,917,417	1,925,000
Lease payables	35,770	35,770	38,999	38,999
<b>Total borrowings from banks and other financial institutions - non current</b>	<b>3,318,863</b>	<b>3,304,693</b>	<b>3,410,178</b>	<b>3,433,528</b>

The fair value of the debt component of the convertible bond, of the Schuldschein loan and of payables to banks was calculated by discounting each expected borrowings cash flow at the market swap rate for the currency and at the maturity date, increased by the Group's creditworthiness for debt instruments similar by nature and technical characteristics, which therefore places it at level 2 of the hierarchy as provided for by IFRS 13 – Fair Value Measurement.

The distribution of borrowings from banks and other lenders by currency of origin of the payable at December 31, 2022 and December 31, 2021 is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
EUR	3,682,019	3,529,236
USD (Dollar USA)	-	951,483
<b>Total</b>	<b>3,682,019</b>	<b>4,480,719</b>

At December 31, 2022 there are interest rate hedging derivatives in place.

Considering the effects of the hedging derivatives, the Group's exposure to fluctuations in interest rates on financial payables, both in terms of the type of interest rate and their resetting, is as follows:

- floating-rate payables for euro 2,898,035 thousand, the interest rate of which is subject to redetermination in 2023;
- fixed-rate payables for euro 732,628 thousand, the interest rate of which is not subject to redetermination until the natural maturity of the reference debt (euro 242,177 thousand maturity in the next twelve months and euro 490,452 thousand maturity beyond twelve months).

With reference to the presence of financial covenants, it is noted that

- (i) the "Schuldschein" loan,
- (ii) the euro 600 million bilateral line granted to Pirelli & C. S.p.A. during the first quarter of 2019 (the loan "Linea bilaterale 600m 2019 5y"),
- (iii) the bilateral line of euro 125 million granted to Pirelli & C. S.p.A. during the third quarter of 2019 (the loan "Linea bilaterale 125m 2019 4y") and
- (iv) the "Club Deal EUR 800m ESG 2020 5y" subscribed on March 31, 2020,

provide for compliance with a maximum ratio between net debt and gross operating margin ("Total Net Leverage"), as resulting from the consolidated financial statements of Pirelli & C. S.p.A. The obligation to comply with these financial covenants will cease upon reaching certain levels of Total Net Leverage identified in the relevant contracts.

For the sake of completeness, it is noted that the obligation to comply with the financial covenants envisaged by the Club Deal EUR 1.6 bln ESG 2022 5y and by the loan Linea bilaterale ESG 400m 2021 3y has ceased due to the attribution to Pirelli & C. S.p.A. of the public credit rating of BBB- by S&P Global Ratings and Fitch Ratings.

In all the loans indicated above, failure to comply with the financial covenant is identified as an event of default.

Specifically, this event of default will have the consequence, in cases of exercise of the relative remedies by the lending banks (i) as part of the Schuldschein loan, individually and independently if requested by each lending bank for its portion, the early repayment of the loan only for said portion; (ii) as part of both the loan "Linea bilaterale 600m 2019 5y", and the loan "Linea bilaterale 125m 2019 4y", if requested by the only bank that granted said loan, the termination of the contract and the early repayment for the entire amount disbursed; and (iii) as part of the "Club Deal EUR 800m ESG 2020 5y", only if requested by a number of lending banks that represents at least 50% of the total commitment (or at least 60% if an additional lending bank is added to the current four), the termination of the contract and early repayment of the loan.

It is noted that at December 31, 2022, no event of default or non-fulfilment has occurred.

The "Club Deal EUR 1.6 bln ESG 2022 5y", the "Schuldschein" loan, the loan "Linea bilaterale 600m 2019 5y", the loan "Linea bilaterale 125m 2019 4y", the "Club Deal EUR 800m ESG 2020 5y" and the "Linea bilaterale ESG 400m 2021 3y" also envisage Negative Pledge clauses and/or other usual provisions the terms of which are in line with market standards for each of the above types of credit facility.

The other outstanding financial payables at December 31, 2022 did not contain financial covenants.

#### NET FINANCIAL POSITION (ALTERNATIVE PERFORMANCE INDICATOR NOT REQUIRED BY IFRS ACCOUNTING STANDARDS)

The table below shows the breakdown of the net financial position and net financial debt at December 31, 2022 and December 31, 2021, determined in accordance with the provisions of Consob communication DEM/6064293 of July 28, 2006 and in compliance with the ESMA guidelines on disclosure obligations pursuant to the prospectus regulation applicable from May 5, 2021:

(in thousands of euro)

	Note	12/31/2022	of which related parties (note 39)	12/31/2021	of which related parties (note 39)
Current borrowings from banks and other financial institutions	19	363,156	-	1,070,541	1,187
Current derivative financial instruments (liabilities)	17	-	-	670	670
Non-current borrowings from banks and other financial institutions	19	3,318,863	-	3,410,178	-
Non-current derivative financial instruments (liabilities)	17	-	-	3,554	3,554
<b>Total gross debt</b>		<b>3,682,019</b>		<b>4,484,943</b>	
Cash and cash equivalents	15	(36)	-	(40)	-
Current financial receivables and other assets	13	(2,200,697)	(2,199,672)	(780,563)	(780,378)
Derivative financial instruments - assets	17	(3,281)	(3,281)	(5,123)	(5,123)
<b>Net financial debt *</b>		<b>1,478,005</b>		<b>3,699,215</b>	
Non-current financial receivables and other assets	13	(340)		(2,000,280)	(2,000,000)
Derivative financial instruments	17	(26,070)	(26,070)	(4,383)	(4,383)
<b>Total net financial (liquidity)/debt position</b>		<b>1,451,595</b>		<b>1,694,552</b>	

\* Pursuant to CONSOB Notice of July 28, 2006 and in compliance with the ESMA guidelines regarding disclosure requirements pursuant to the Prospectus Regulation applicable from May 5, 2021.

Net financial debt is restated below based on the outline provided by the ESMA guidelines:

(in thousands of euro)

	12/31/2022	12/31/2021
Cash and cash equivalents	(36)	(40)
Other current financial asset	(2,203,978)	(785,686)
<i>of which current financial receivables</i>	(2,200,697)	(780,563)
<i>of which Current derivative financial instruments (assets)</i>	(3,281)	(5,123)
<b>Liquidity</b>	<b>(2,204,014)</b>	<b>(785,726)</b>
Current borrowings from banks and other financial institutions	363,156	1,070,541
Current derivative financial instruments (liabilities)	-	670
<b>Current financial debt</b>	<b>363,156</b>	<b>1,071,211</b>
<b>Current net financial debt</b>	<b>(1,840,858)</b>	<b>285,485</b>
Non-current borrowings from banks and other financial institutions	3,318,863	3,410,178
Non-current derivative financial instruments (liabilities)	-	3,554
<b>Non current financial debt</b>	<b>3,318,863</b>	<b>3,413,732</b>
<b>Net financial debt*</b>	<b>1,478,005</b>	<b>3,699,217</b>

\* Pursuant to CONSOB Notice of July 28, 2006 and in compliance with the ESMA guidelines regarding disclosure requirements pursuant to the Prospectus Regulation applicable from May 5, 2021.

## 20. PROVISIONS FOR LIABILITIES AND CHARGES

The following is a detail of changes of the item in question:

(in thousands of euro)

	12/31/2021	Increases	Uses	Reversals	Reclass	12/31/2022
Provision for employees controversies	1,702	-	(609)	(596)	-	497
Provision for tax risks	1,141	-	-	-	-	1,141
Provision for environmental risks	5,382	10,000	(16)	-	-	15,366
Provision for other risks and charges	22,379	10,288	-	(135)	(10,474)	22,058
<b>Provision for liabilities and charges - non current portion</b>	<b>30,604</b>	<b>20,288</b>	<b>(625)</b>	<b>(731)</b>	<b>(10,474)</b>	<b>39,062</b>
Provision for losses of subsidiaries	-	24,600	-	-	-	24,600
Provision for other risks and charges	509	518	(491)	-	-	536
<b>Provision for liabilities and charges - current portion</b>	<b>509</b>	<b>25,118</b>	<b>(491)</b>	<b>-</b>	<b>-</b>	<b>25,136</b>
<b>Total Provisions for risks and charges</b>	<b>31,113</b>	<b>45,406</b>	<b>(1,116)</b>	<b>(731)</b>	<b>(10,474)</b>	<b>64,198</b>

The **increases of provision for liabilities and charges** mainly refer to:

- provisions of euro 10,000 thousand for charges related to environmental remediation of brownfield sites;
- provisions totalling euro 10,288 thousand for STI (Short term Incentive) and LTI (Long term Incentive 2021-2023 and 2022-2024) incentive plans of the Directors;
- provision to cover the losses of investee companies of euro 24,600 thousand, which refers to the subsidiary Pirelli UK Ltd.

**Uses** are mainly attributable to labor disputes.

The **reclassifications** mainly concern the reclassification from non-current provisions to payables to directors of the portion of the 2020-2022 LTI plan set aside in previous years, which will be paid in the first half of 2023.

## 21. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations amounted to euro 13,105 thousand (euro 21,442 thousand at December 31, 2021), and the breakdown is as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Total	Non current	Current	Total	Non current	Current
Employee leaving indemnities (TFR)	1,562	1,562	-	1,997	1,997	-
Other benefits	11,543	11,543	-	19,445	19,445	-
<b>Total employees' benefit obligation</b>	<b>13,105</b>	<b>13,105</b>	-	<b>21,442</b>	<b>21,442</b>	-

### EMPLOYEES' LEAVING INDEMNITIES (TFR)

The changes in the year 2022 for Employees' leaving indemnities are the following:

(in thousands of euro)

	12/31/2022	12/31/2021
<b>Opening balance</b>	<b>1,997</b>	<b>2,518</b>
Movements through income statement:		
- interest expense	18	15
Remeasurements recognised in equity:		
- actuarial (gains) or losses arising from changes in financial assumption	(321)	21
- increase related to prior year experience	-	60
Indemnities, advance payments, relocations, payment to funds	(132)	(617)
<b>Total employees' leaving indemnities (TFR)</b>	<b>1,562</b>	<b>1,997</b>

Net actuarial gains accrued in 2022, recognized directly in Other Comprehensive Income, amount to euro 321 thousand and are related to the change in the economic parameters of reference (discount rate and inflation rate) and to the adjustments based on past experience.

In accordance with national legislation, the amount due to each employee accrues based on the service provided and is paid when the employee leaves the company. The treatment due to the termination of the employment relationship is calculated based on its duration and the taxable remuneration of each employee. The liability, annually revalued on the basis of the official cost of living and statutory interest rate, is not associated with any



accrual condition or period, nor with any financial funding obligation; therefore, there is no activity at the service of the provision.

The discipline was supplemented by Legislative Decree no. 252/2005 and by Law no. 296/2006 (Finanziaria 2007) which, for companies with at least 50 employees, has established that the portions accrued since 2007 be allocated, on the employees' option, either to the INPS Treasury Fund or to supplementary pension schemes, assuming the nature of "Defined contribution plan". In any case, for all companies, the revaluations of the amounts outstanding at the option dates are still accounted for under staff severance indemnities as well as, for companies with less than 50 employees, also the portions accrued and not allocated to supplementary pensions.

The main actuarial assumptions used at December 31, 2022 are as follows:

	<b>2022</b>
Discount rate	4.1%
Inflation rate	2.5%

The main actuarial assumptions used at December 31, 2021 were as follows:

	<b>2021</b>
Discount rate	0.9%
Inflation rate	1.7%

Hired employees at December 31, 2022 amounted to 387 units (357 units at December 31, 2021).

In other conditions being equal, a hypothetical change of 0.25% in the discount rate would result in a decrease in liabilities equal to 1.56%, in the case of an increase (1.80% at December 31, 2021), and an increase in liabilities of 1.59%, in the case of a decrease (1.86% at December 31, 2021).

#### OTHER EMPLOYEE BENEFITS

The breakdown of other benefits is as follows:

(in thousands of euro)

	<b>12/31/2022</b>			<b>12/31/2021</b>		
	<b>Total</b>	<b>Non current</b>	<b>Current</b>	<b>Total</b>	<b>Non current</b>	<b>Current</b>
Long-term incentive plans	6,315	6,315	-	15,672	15,672	-
Jubilee awards	1,436	1,436	-	1,761	1,761	-
Other benefits	3,792	3,792	-	2,013	2,013	-
<b>Total</b>	<b>11,543</b>	<b>11,543</b>	<b>-</b>	<b>19,445</b>	<b>19,445</b>	<b>-</b>

The item "**Long-term incentive plans**" relates to the amount set aside for the three-year monetary incentive plans Long Term Incentive 2021-2023 and 2022-2024 intended for Group management. The decrease compared to the previous year is attributable to the reclassification from non-current provisions to payables to employees of the portion of the LTI 2020-2022 plan set aside in previous years, which will be paid in the first half of 2023.

The item "**Other benefits – non-current portion**" refers to the short-term incentive plan for employees.

## 22. TRADE PAYABLES

The breakdown of trade payables is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
Payables to subsidiaries	4,433	2,783
Payables to associates	105	72
Payables to other companies	21,011	15,532
<b>Total trade payables</b>	<b>25,549</b>	<b>18,387</b>

The carrying amount of trade payables is considered to approximate their fair value.

## 23. OTHER PAYABLES

The breakdown of other payables is as follows:

(in thousands of euro)

	12/31/2022			12/31/2021		
	Total	Non-current	Current	Total	Non-current	Current
Payables to subsidiaries	6,382	-	6,382	4,718	-	4,718
Payables to social security and welfare institutions	4,899	-	4,899	5,323	-	5,323
Payables to employees	30,923	-	30,923	13,415	-	13,415
Other payables	31,745	355	31,390	15,927	822	15,105
Accrued liabilities	-	-	-	27	-	27
Deferred income	15	-	15	15	-	15
<b>Total other payable</b>	<b>73,964</b>	<b>355</b>	<b>73,609</b>	<b>39,425</b>	<b>822</b>	<b>38,603</b>

**Payables to subsidiaries** mainly refer to receivables related to VAT consolidation.

**Payables to pension and social security institutions** mainly consist of contributions to be paid to the INPS (National Social Welfare Institute).

**Payables to employees** refer to the remuneration to be paid to employees. The increase compared to the previous year mainly refers to the reclassification from non-current employee benefit obligations to payables to employees of the portion of the LI 2020-2022 plan set aside in previous years and of the deferred portion of the STI incentive plan (Short term incentive), which will be paid in the first half of 2023.

**Other payables** mainly include payables for compensation to be paid to directors and auditors, for withholding taxes on income from self-employed and employed work. The increase compared to the previous year mainly refers to the reclassification from non-current risk provisions to payables to directors of the portion of the LI 2020-2022 plan set aside in previous years and of the deferred portion of the STI incentive plan (Short term incentive), which will be paid in the first half of 2023.

For **other current payables** it is considered that the carrying amount approximates their fair value.

## 24. DEFERRED TAX LIABILITIES

Deferred tax liabilities amounted to euro 592,549 thousand at December 31, 2022 (euro 526,017 thousand at December 31, 2021).

The breakdown of deferred tax liabilities gross of offsetting is as follows:

(in thousands of euro)

	12/31/2022	12/31/2021
<b>Deferred tax assets</b>	<b>53,201</b>	<b>107,313</b>
- of which within 12 months	37,356	87,405
- of which over 12 months	15,845	19,908
<b>Provision for deferred tax liabilities</b>	<b>(645,750)</b>	<b>(633,330)</b>
- of which within 12 months	(12,420)	-
- of which over 12 months	(633,330)	(633,330)
<b>Total</b>	<b>(592,549)</b>	<b>(526,017)</b>

The breakdown of deferred taxes, relating to temporary differences and tax losses carried forward is shown in the following table:

(in thousands of euro)

	12/31/2022	12/31/2021
<b>Deferred tax assets</b>		
Provision for risk and charges	8,503	5,695
Employees provision	2,961	4,775
Provision for bad debt	38	126
Tax losses carried forward	9,209	13,153
ACE Benefit	23,846	69,985
Interests	5,138	11,282
Derivatives	-	822
Other	3,506	1,476
<b>Total deferred tax assets</b>	<b>53,201</b>	<b>107,313</b>
<b>Provision for deferred tax liabilities</b>		
Brand Pirelli	(633,330)	(633,330)
Exchange differences not realised	(12,343)	-
Employees provision	(77)	-
<b>Total provision for deferred tax liabilities</b>	<b>(645,750)</b>	<b>(633,330)</b>
<b>Total</b>	<b>(592,549)</b>	<b>(526,017)</b>

At December 31, 2022, the value of unrecognized deferred tax assets relating to temporary differences amounted to euro 25,856 thousand (unchanged compared to December 31, 2021).

The tax effect of gains and losses recorded directly as Other Comprehensive Income was negative for euro 13,289 thousand (negative for euro 3,638 thousand in 2021), and is disclosed in the Comprehensive income statement; these changes were mainly due to the tax effects associated with actuarial gains/losses on employee benefits obligations and to the adjustment of derivatives in cash flow hedges to their fair value.

## 25. TAX PAYABLES

These amounted to euro 20,353 thousand (euro 13,565 thousand at December 31, 2021) and mainly include payables to subsidiaries that adhere to the tax consolidation, which arose following the transfer of withholding taxes incurred abroad (WHT).

## 26. COMMITMENTS AND RISKS

### LEASE CONTRACT COMMITMENTS

At December 31, 2022, the total of future non-discounted payments for lease contracts not yet in force and for which no financial payable was recorded amounted to euro 408 thousand.

### LITIGATION AGAINST THE COMPANIES OF THE PRYSMIAN GROUP BEFORE THE COURT OF MILAN

A judgement (resulting from the joining of two separate proceedings – see below) is currently pending before the Court of Milan following the decision issued on April 2, 2014 by the European Commission (as confirmed in the final instance by the Court of Justice of the European Union on October 28, 2020) at the conclusion of the antitrust investigation in relation to restrictive practices of competition in the European market for high voltage electric cables. This decision had imposed a sanction against Prysmian Cavi e Sistemi S.r.l. (Prysmian CS) as directly involved in the cartel, of which a part (euro 67 million), Pirelli, despite having been found to not have been involved directly in the activities of said cartel, was held as being jointly liable with Prysmian CS, based solely on the application of the principle of parental liability, in that during part of the period of the infringement, the capital of Prysmian CS was directly or indirectly held by Pirelli.

On December 31, 2020, Pirelli paid its portion of the aforementioned sanction in favor of the European Commission (corresponding to 50% of this sanction, plus interest), in relation to which it had previously made the appropriate provisions.

Pending the definition of the aforementioned Community proceeding, in November 2014, Pirelli took action before the Court of Milan in order to obtain the ascertainment and declaration of the obligation of Prysmian CS to hold it free from any claim relating to the alleged anti-competitive agreement in the energy cables sector, including the penalty imposed by the European Commission.

Prysmian CS appeared in the aforementioned judgement, requesting the rejection of Pirelli's claims, and as counter-

claim, to be indemnified by Pirelli in relation to the consequences deriving from or related to the decision of the European Commission. The judgement had been suspended pending the definitive sentence of the EU judges and was resumed by Pirelli on November 30, 2020 following the sentence of the Court of Justice.

In October 2019, Pirelli took further action before the Court of Milan against Prysmian CS and Prysmian S.p.A. requesting the assessment and declaration of the obligation of Prysmian CS to indemnify and release it also from any charge, expense, cost and/or damage resulting from claims of private and/or public third parties (including authorities other than the European Commission) relating, connected and/or consequential to the facts covered by the decision of the European Commission, as well as the consequent conviction of Prysmian CS to reimburse any charge, expense, cost or damage incurred or suffered by Pirelli.

On this occasion, Pirelli also requested to ascertain the liability of Prysmian CS and Prysmian S.p.A. in relation to certain illegal conduct connected to the aforementioned anti-competitive agreement, carried out by the same and, as a result, the conviction to compensation for all damages suffered and being suffered by Pirelli.

Lastly, Pirelli requested the ascertainment and declaration of the joint liability of Prysmian S.p.A. with Prysmian CS in relation to the amounts that will be paid both in this new judgement and in the one in November 2014 and that may not be settled by the latter.

Prysmian CS and Prysmian S.p.A. appeared in the aforementioned judgement in November 2020, requesting the rejection of Pirelli's claims and, as counter-claim, to be held harmless and indemnified by Pirelli in relation to any consequences deriving from claims of private and/or public third parties relating, connected and/or consequential to the facts covered by the decision of the European Commission.

In April 2021, the two judgements were combined.

On the basis of thorough analysis supported by authoritative external legal opinions, the evaluation of the risk relative to the disputes described above is such as to not require the allocation of any specific provision in the Separate Financial Statements at December 31, 2022.

### OTHER LITIGATION CONSEQUENT TO THE EUROPEAN COMMISSION DECISION

In November 2015, some companies of the Prysmian Group notified Pirelli of proceedings for the recovery of damages before the High Court of Justice of London against them and other recipients of the European Commission Decision of April 2, 2014 by National Grid and Scottish Power, companies that claim to have been injured by the cartel. Specifically, the companies of the Prysmian Group requested that Goldman Sachs and Pirelli, the latter based on the role of parent company for a part of the period of the cartel, hold them harmless in respect of any obligations to pay any damages claims (to date unquantified) by National Grid and Scottish

Power. As the aforementioned legal action is pending before the Court of Milan, filed in November 2014, Pirelli challenged the lack of jurisdiction of the High Court of Justice of London claiming that, that any decision on the merits should be assigned to the Court previously referred to. In April 2016, the High Court of Justice, at the request of Pirelli and the companies of the Prysmian Group, suspended the proceedings until the final passing of judgement that will define the Italian judgement already pending.

In April 2019, Terna S.p.A. – Rete Elettrica Nazionale (“Terna”) summoned Pirelli, three Prysmian Group companies and another company of the aforementioned European Commission decision, before the Court of Milan, to obtain compensation for the damage allegedly suffered as a result of the anti-competitive conduct, quantified by the claimant at euro 199.9 million. Pirelli appeared in court contesting the claims made by Terna and filing, like the other defendants and against them, a counter-claim in recourse for the denied case in which it was held jointly liable for the anti-competitive agreement. In October 2021, the Judge removed from the proceedings the fragment of the dispute consisting of the “cross” indemnity requests mutually made between Pirelli, on the one hand, and Prysmian CS and Prysmian S.p.A., arranging for a meeting with the pending judgement between them before the Court of Milan (see above).

Lastly, also in April 2019, the Electricity and Water Authority of Bahrain, the GCC Interconnection Authority, the Kuwait Ministry of Electricity and Water and the Oman Electricity Transmission Company, served a summons against Pirelli, some Prysmian Group companies and others recipients of the aforementioned European Commission Decision, jointly agreeing with each other to obtain compensation for the damage allegedly suffered as a result of the alleged anti-competitive conduct. These proceedings were brought before the Court of Amsterdam, which, with its ruling of November 25, 2020, upheld the objection raised by Pirelli and excluded its jurisdiction over Pirelli itself. In February 2021, the claimants appealed against said sentence before the Amsterdam Court of Appeal and the related proceedings are in progress.

On the basis of thorough analysis supported by authoritative external legal opinions, the evaluation of the risk relative to the disputes described above is such as to not require the allocation of any specific provision in the Separate Financial Statements at December 31, 2022.

## INCOME STATEMENT

### 27. REVENUES FROM SALES AND SERVICES

Revenues from sales and services amounted to euro 68,322 thousand for 2022 compared to euro 69,601 thousand in 2021 and the breakdown is as follows:

(in thousands of euro)

	<b>2022</b>	<b>2021</b>
Sales of services to subsidiaries	67,900	69,141
Sales of services to other companies	422	460
<b>Total revenues from sales and services</b>	<b>68,322</b>	<b>69,601</b>

Revenues from subsidiaries refer to services provided by the central functions.

## 28. OTHER INCOME

Other income amounted to euro 111,839 thousand in 2022 (euro 107,345 thousand in 2021), and the breakdown is as follows:

(in thousands of euro)

	2022	2021
Other income from subsidiaries	105,828	104,328
Other revenues from third parties	6,011	3,017
<b>Other income from other companies</b>	<b>111,839</b>	<b>107,345</b>

Other revenues from subsidiaries mainly include royalties accrued with Group companies for the use of the brand (euro 96,137 thousand in 2022 compared to euro 77,474 thousand in 2021). The increase in royalties compared to the previous year is offset by the reduction in the charge-back of costs to Group companies.

Other revenues from other companies include royalties paid by other companies for the use of the Pirelli brand (euro 3,003 thousand in 2022 compared to euro 2,029 thousand in 2021).

## 29. RAW MATERIALS AND CONSUMABLES USED

They amounted to euro 386 thousand in 2022 (euro 214 thousand in 2021) and include purchases of advertising material, fuels and various materials.

## 30. PERSONNEL COSTS

Personnel costs amounted to euro 62,086 thousand (euro 72,791 thousand in 2021), and the breakdown is as follows:

(in thousands of euro)

	2022	2021
Wages and salaries	49,338	57,229
Social security and welfare contributions	9,789	10,809
Employee leaving indemnities	1,597	1,963
Retirement and similar obligations	614	602
Other costs	748	2,188
<b>Total</b>	<b>62,086</b>	<b>72,791</b>

The average staff headcount is the following:

→ Executives	83
→ White collars	285
→ Workers	4

### 31. AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

The breakdown of the item is as follows:

(in thousands of euro)

	2022	2021
Amortisation - intangible assets	2,072	1,900
Depreciation - property, plant and equipment (excl. Depreciation of Right of Use)	1,796	1,762
Depreciation of right of use	5,828	5,700
<b>Total depreciation, amortisation and impairments</b>	<b>9,696</b>	<b>9,362</b>

For the breakdown of the amortization of the rights of use, see note 8.2 - Rights of use.

### 32. OTHER COSTS

The breakdown of other costs is the following:

(in thousands of euro)

	2022	2021
Remuneration of Directors and supervisory bodies	29,598	28,671
Advertising and sponsorship	24,929	38,690
Consultancy and collaboration services	16,114	13,560
Accruals to provisions	10,000	5,017
IT expenses	8,773	7,409
Membership fees and contributions	3,372	2,953
Insurance premiums	3,129	3,103
Travel expenses	2,721	1,928
Security service	1,895	1,712
Property maintenance	1,836	1,809
Energy, gas and water expenses	1,627	1,217
Patents and trademarks expenses	888	803
Rental and lease instalments	833	359
Cleaning and property ordinary maintenance expenses	512	817
Legal and notarial expenses	283	776
Other	5,126	5,239
<b>Total other costs</b>	<b>111,636</b>	<b>114,063</b>

The item **Leases and rentals** includes costs relating to the application of the accounting standard IFRS 16, in particular:

- euro 55 thousand for lease contracts with a duration of less than twelve months (euro 113 thousand at December 31, 2021);
- euro 199 thousand for lease contracts for low unit value assets (euro 132 thousand in 2021).

### 33. NET IMPAIRMENT OF FINANCIAL ASSETS

The item, negative for euro 48 thousand, mainly includes the net impairment of trade receivables. In 2021, the net impairment of trade receivables amounted to euro 92 thousand.

### 34. RESULT FROM INVESTMENTS

#### 34.1 GAINS ON EQUITY INVESTMENTS

No gains from equity investments were recorded in the year 2022, in line with the previous year.

#### 34.2 LOSSES ON EQUITY INVESTMENTS

In 2022, a write-down of 7,871 thousand was recognized on the equity investment in Pirelli UK Ltd and a provision was made to the loss coverage provision of the aforementioned investee for euro 24,600 thousand.

In 2021, impairment of 1,246 thousand of the investment in the subsidiary Pirelli Ltda was recorded.

#### 34.3 DIVIDENDS

They amounted to euro 309,767 thousand in 2022 compared to euro 231,509 thousand in 2021, and the breakdown is as follows:

(in thousands of euro)

	2022	2021
From subsidiaries:		
- Pirelli Tyre S.p.A. - Italy	300,000	220,000
- Pirelli Group Reinsurance Company SA - Switzerland	979	2,290
- Pirelli Sistemi Informativi S.r.l. - Italy	200	500
- Pirelli International Treasury S.p.A. - Italy	5,635	6,522
From other financial assets:		
- RCS S.p.A. - Italy	1,482	741
- Fin. Priv. S.r.l. - Italy	1,471	1,292
- Genextra S.p.A. - Italy	-	154
- Tiglio I - Italy	-	10
<b>Total</b>	<b>309,767</b>	<b>231,509</b>

The higher amount of dividends from subsidiaries received in 2022 compared to 2021 is essentially attributable to the higher dividends distributed by the subsidiary Pirelli Tyre S.p.A..



### 35. FINANCIAL INCOME

The breakdown of the item is as follows:

(in thousands of euro)

	2022	2021
Interest and other financial income	30,560	28,874
Valuation at fair value of derivatives	-	4,769
Net gains on exchange rates	213	-
<b>Total financial income</b>	<b>30,773</b>	<b>33,643</b>

The item **interest and other financial income** includes euro 25,678 thousand of interest accrued on loans disbursed in 2022 to subsidiaries and euro 4,659 thousand relating to interest on CCIRS for which hedge accounting has been discontinued.

**Net exchange rate gains** amounted to euro 213 thousand in 2022 and refer to the adjustment to the year-end exchange rate of the items expressed in the currency other than the functional one still in effect at the closing date of the financial statements and the exchange rate differences on items closed during the year.

They also include gains for euro 7,302 thousand due to the exchange rate component of the fair value valuation of the cross currency interest rate swaps, for which hedge accounting of the cash flow hedge type was adopted, to offset exchange rate losses recorded on the hedged liability.

### 36. FINANCIAL EXPENSES

The breakdown of the item is as follows:

(in thousands of euro)

	2022	2021
Interest and other financial expenses	61,902	71,989
Commissions	868	2,988
Interest expenses on lease liability	1,472	1,572
Net interest on employee benefit obligations	32	24
Net exchange rate losses	-	3,050
Valuation at fair value of derivatives	4,417	-
<b>Total financial expenses</b>	<b>68,691</b>	<b>79,623</b>

**Interest and other financial expenses** for a total of euro 61,902 thousand include:

- euro 35,647 thousand for the bank loan lines held;
- euro 21,707 thousand of financial expenses related to bonds, of which euro 8,381 thousand related to unrated bonds, euro 3,816 thousand related to the Schuldschein loan and euro 9,510 thousand related to the senior unsecured guaranteed equity-linked bond;
- euro 1,480 thousand for net interest expense, including interest on Cross Currency Interest Rate Swap and Interest Rate Swaps. for which hedge accounting was adopted, to adjust the flow of financial expenses of the bank lines and bonds referred to in the previous points. For further details, refer to as reported in note 17 "Derivative financial instruments";
- euro 2,817 thousand relating to interest expense on Cross Currency Interest Rate Swaps for which hedge accounting was discontinued.

The item **valuation at fair value of derivatives** mainly refers to the purchase/sale of the forward exchange rate hedge contracts to cover commercial and financial transactions in accordance with the exchange rate risk management policy of the Group. For transactions still open at the end of the financial year, the fair value was determined using the forward exchange rate at the closing date of the Company's financial statements.

### 37. TAXES

The breakdown of taxes is as follows:

(in thousands of euro)

	2022	2021
Current taxes	(70,043)	(49,953)
Deferred taxes	53,243	(1,959)
<b>Total income taxes</b>	<b>(16,800)</b>	<b>(51,912)</b>

Current taxes for the year 2022 were positive for euro 70,043 thousand compared to euro 49,953 thousand in the previous year and mainly include income from tax consolidation. The increase compared to the previous year is essentially attributable to the higher taxable income of the subsidiary Pirelli Tyre.

Deferred tax assets/liabilities were negative for 53,243 (positive for euro 1,959 thousand in the previous year) and mainly refer to the use of deferred assets.

The table below shows the reconciliation of the effective tax rate with the theoretical rate of the Parent Company:

(in thousands of euro)

	2022	2021
<b>A) Profit/(loss) before taxes</b>	235,686	164,707
<b>B) Theoretical taxes</b>	<b>56,565</b>	<b>39,530</b>
<i>Main causes that give rise to changes between theoretical and effective taxes:</i>		
Dividends and gains from investments not subject to taxation	(70,627)	(52,784)
Tax incentives	(16)	-
Loss on investments	7,793	299
Non-deductible costs	1,298	(2,830)
Uses losses previous years - deferred assets not activated	-	(11,282)
Deferred tax assets on previous tax losses and other temporary differences	(11,813)	(24,845)
<b>C) Effective taxes</b>	<b>(16,800)</b>	<b>(51,912)</b>
Theoretical tax rate (B/A)	24%	24%
Effective tax rate (C/A)	-7.1%	-31.5%

## TAX CONSOLIDATION

It shall be noted that starting from 2004, the Company exercised the option for consolidated taxation as consolidator, pursuant to article 117 and following of the TUIR, with regulation of relations arising from adhesion to consolidation through a special Regulation, which involves a common procedure for the application of laws and regulations.

Said regulation was updated in subsequent years as a result of amendments made within the companies participating in the agreement and the related shareholding structure, as well as in light of the corrective and supplementary interventions of the relevant legislation.

The above amendments particularly concerned the remuneration of the tax losses used by the companies adhering to the consolidation. The adoption of the consolidation makes it possible to compensate, with regard to the parent company Pirelli & C. S.p.A., the taxable income or loss of the same parent company with those of its resident subsidiaries which have exercised the option, given that the tax losses accrued during periods prior to the introduction of Group taxation can be used by those companies which are eligible.

## 38. NON-RECURRING EXPENSES AND INCOME

Pursuant to Consob Communication no. DEM/6064293 of July 28, 2006, no non-recurring events were recorded in 2022.

## 39. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties mainly include transactions with subsidiaries relating to:

- services (technical, organizational, general) provided by head office;
- charge-back of royalties for the use of the brand;
- financial transactions.

All the transactions listed above are part of the ordinary management of relations between the Parent Company and the subsidiaries.

Transactions with related parties also include the fees paid to Directors and Key Managers.

The statement below shows a summary of the Balance Sheet and the Income Statement that include transactions with related parties and their impact:

(in thousands of euro)

	12/31/2022	of which related parties	% share	12/31/2021	of which related parties	% share
<b>BALANCE SHEET</b>						
<b>Non current assets</b>						
Other receivables	612	-	0.0%	2,000,566	2,000,000	100.0%
Derivative financial instruments	26,070	26,070	100.0%	4,383	4,383	0.0%
<b>Current assets</b>						
Trade receivables	43,999	42,901	97.5%	40,116	39,314	98.0%
Other receivables	2,215,172	2,200,675	99.3%	792,730	781,789	98.6%
Tax receivables	97,981	97,446	99.5%	65,074	64,525	99.2%
Derivative financial instruments	3,298	3,298	100.0%	5,132	5,132	100.0%
<b>Non-current liabilities</b>						
Other payables	355	212	59.6%	822	212	25.7%
Provision for liabilities and charges	39,062	21,843	55.9%	30,604	22,028	72.0%
Employee benefit obligations	13,105	3,016	23.0%	21,442	3,708	17.3%
Derivative financial instruments	-	-	0.0%	3,554	3,554	100.0%
<b>Current liabilities</b>						
Payables to banks and other financial lenders	363,156	-	0.0%	1,070,541	1,187	0.1%
Trade payables	25,549	4,557	17.8%	18,387	2,854	15.5%
Other payables	73,609	36,537	49.6%	38,603	15,311	39.7%
Tax payables	20,353	20,124	98.9%	13,565	13,337	98.3%
Derivative financial instruments	32	32	100.0%	674	674	100.0%

(in thousands of euro)

	2022	of which related parties	% share	2021	of which related parties	% share
<b>INCOME STATEMENT</b>						
Revenues from sales and services	68,322	68,282	99.9%	69,601	69,477	99.8%
Other income	111,839	105,847	94.6%	107,345	104,372	97.2%
Raw materials and consumables used	(386)	(21)	5.5%	(214)	-	0.0%
Personnel expenses	(62,086)	(7,420)	12.0%	(72,791)	(14,395)	19.8%
Other costs	(111,636)	(42,336)	37.9%	(114,063)	(41,247)	36.2%
Losses on equity investments	(32,471)	(32,471)	100.0%	(1,246)	(1,246)	100.0%
Dividends	309,767	306,814	99.0%	231,509	229,312	99.1%
Financial income	30,773	30,337	98.6%	33,643	31,957	95.0%
Financial expenses	(68,691)	(8,737)	12.7%	(79,623)	(2,827)	3.6%

The equity and economic effects of transactions with related parties for the year ended December 31, 2022 are detailed below.

(in thousands of euro)

	<b>Subsidiaries</b>	<b>Associates</b>	<b>Other related parties</b>	<b>Directors and Key Managers</b>	<b>Total 12/31/2022</b>
Derivative financial instruments (non current assets)	26,070	-	-	-	26,070
Trade receivables	42,782	3	116	-	42,901
Other current receivables	2,200,675	-	-	-	2,200,675
Tax receivables	97,446	-	-	-	97,446
Derivative financial instruments (current assets)	3,298	-	-	-	3,298
Other payables (Non-current liabilities)	-	-	-	212	212
Provision for liabilities and charges (Non-current liabilities)	-	-	-	21,843	21,843
Employee benefit obligations (Non-current liabilities)	-	-	-	3,016	3,016
Trade payables	4,434	105	18	-	4,557
Other payables (current liabilities)	6,382	-	1	30,154	36,537
Tax payables	20,124	-	-	-	20,124
Derivative financial instruments (current liabilities)	32	-	-	-	32

(in thousands of euro)

	<b>Subsidiaries</b>	<b>Associates</b>	<b>Other related parties</b>	<b>Directors and Key Managers</b>	<b>Total 2022</b>
Revenues from sales and services	67,900	-	382	-	68,282
Other income	105,828	-	19	-	105,847
Raw materials and other consumables used	(21)	-	-	-	(21)
Personnel expenses	-	-	-	(7,420)	(7,420)
Other costs	(12,875)	(339)	(54)	(29,068)	(42,336)
Losses from investments	(32,471)	-	-	-	(32,471)
Dividends	306,814	-	-	-	306,814
Financial income	30,337	-	-	-	30,337
Financial expenses	(8,737)	-	-	-	(8,737)

Below is a breakdown of the equity and economic effects of transactions with related parties for the previous year:

(in thousands of euro)

	<b>Subsidiaries</b>	<b>Associates</b>	<b>Other related parties</b>	<b>Directors and Key Managers</b>	<b>Total 12/31/2021</b>
Other non current receivables	2,000,000	-	-	-	2,000,000
Derivative financial instruments (non current assets)	4,383	-	-	-	4,383
Trade receivables	39,115	3	195	-	39,314
Other current receivables	781,789	-	-	-	781,789
Tax receivables	64,525	-	-	-	64,525
Derivative financial instruments (current assets)	5,132	-	-	-	5,132
Other payables (Non-current liabilities)	-	-	-	212	212
Provision for liabilities and charges (Non-current liabilities)	-	-	-	22,028	22,028
Employee benefit obligations (Non-current liabilities)	-	-	-	3,708	3,708
Derivative financial instruments (non-current liabilities)	3,554	-	-	-	3,554
Payables to banks and other lenders (current liabilities)	1,187	-	-	-	1,187
Trade payables	2,783	72	-	-	2,854
Other payables (current liabilities)	4,718	-	1	10,591	15,311
Tax payables	13,337	-	-	-	13,337
Derivative financial instruments (current liabilities)	674	-	-	-	674

(in thousands of euro)

	<b>Subsidiaries</b>	<b>Associates</b>	<b>Other related parties</b>	<b>Directors and Key Managers</b>	<b>Total 2021</b>
Revenues from sales and services	69,141	-	336	-	69,477
Other income	104,328	-	43	-	104,372
Personnel expenses	-	-	-	(14,395)	(14,395)
Other costs	(12,651)	(252)	(150)	(28,194)	(41,247)
Losses from investments	(1,246)	-	-	-	(1,246)
Dividends	229,312	-	-	-	229,312
Financial income	31,957	-	-	-	31,957
Financial expenses	(2,827)	-	-	-	(2,827)

## TRANSACTIONS WITH SUBSIDIARIES

**TRANSACTIONS – BALANCE SHEET** **Other non-current receivables** were nil at December 31, 2022 (euro 2,000,000 thousand at December 31, 2021). The amount for 2021 refers to credit lines granted to Pirelli International Treasury S.p.A. with maturity in 2023. The decrease compared to the previous year is due to the reclassification in the item **other current receivables**.

**Derivative financial instruments (non-current assets)** for euro 26,070 thousand refer to hedging transactions with Pirelli International Treasury S.p.A..

**Trade receivables** from subsidiaries amounted to euro 42,782 thousand (euro 39,115 thousand at December 31, 2021) and mainly refer to receivables for services/provisions provided to Group companies (euro 37,519 thousand from Pirelli Tyre S.p.A., euro 2,926 thousand from Pirelli Group Reinsurance Company SA, euro 742 thousand from Limited Liability Company Pirelli Tyre Russia, euro 286 thousand from Pirelli Sistemi Informativi S.r.l..

**Other current receivables** amounted to euro 2,200,675 thousand (euro 781,789 thousand at December 31, 2021) and refer for euro 2,199,183 thousand to the loan and related interest accrued but not yet paid with Pirelli International Treasury S.p.A., for euro 1,001 thousand to VAT receivables transferred from subsidiaries (of which euro 412 thousand from Pirelli Sistemi Informativi S.r.l., euro 317 thousand from Pirelli Industrie Pneumatici S.r.l. and euro 225 thousand from Pirelli Servizi Amministrazione e Tesoreria S.p.A.), euro 489 thousand to the intragroup current account with Pirelli International Treasury S.p.A..

**Tax receivables** amounted to euro 97,446 thousand (euro 64,525 thousand at December 31, 2021) and refer to receivables from Group companies that adhere to tax consolidation (mainly euro 93,858 thousand from Pirelli Tyre S.p.A., euro 2,982 thousand from Pirelli International Treasury S.p.A., euro 459 thousand from Pirelli Industrie Pneumatici S.r.l., euro 82 thousand from Pirelli Sistemi Informativi S.r.l.).

**Derivative financial instruments (current assets)** for euro 3,298 thousand (euro 5,132 thousand at December 31, 2021) refer to hedging transactions with Pirelli International Treasury S.p.A..

**Derivative financial instruments (non-current liabilities)** were nil at December 31, 2022 (euro 3,554 thousand at December 31, 2021). The amount at the end of 2021 refers to the valuation of the existing IRS with Pirelli International Treasury S.p.A..

**Borrowings banks and other lenders (current)** were nil at December 31, 2022 (euro 1,187 thousand at December 31, 2021). The amount at the end of 2021 mainly refers to the accrued liability with Pirelli International Treasury S.p.A. on the interest rate swap hedging transactions existing at December 31, 2021.

**Trade payables** amounted to euro 4,434 thousand (euro 2,783 thousand at December 31, 2021) and mainly refer to payables for the provision of services. These payables mainly refer for euro 1,946 thousand to Pirelli Tyre S.p.A. and for euro 1,268 thousand to HB Servizi S.r.l..

**Other payables (current liabilities)** to subsidiaries amounted to euro 6,382 thousand (euro 4,718 thousand at December 31, 2021) and mainly refer to payables with Group companies that adhere to the VAT consolidation. The main ones are: euro 6,277 thousand to Pirelli Tyre S.p.A., euro 45 thousand to Driver Servizi Retail S.p.A..

**Tax payables** amounted to euro 20,124 thousand (euro 13,337 thousand at December 31, 2021) and refer to payables to subsidiaries that adhere to tax consolidation (euro 14,730 thousand to Pirelli Tyre S.p.A., euro 5,490 thousand to Pirelli International Treasury S.p.A.).

The amount of euro 32 thousand (euro 674 thousand at December 31, 2021) of **derivative financial instruments – current liabilities** refers to hedging transactions with Pirelli International Treasury S.p.A..

**TRANSACTIONS – INCOME STATEMENT** **Revenues from sales and services** to subsidiaries amounted to euro 67,900 thousand in 2022 (euro 69,141 thousand in 2021) and mainly refer to service contracts. The main transactions with subsidiaries are: euro 65,686 thousand with Pirelli Tyre S.p.A., euro 886 thousand with Pirelli Servizi Amministrazione e Tesoreria S.p.A., euro 449 thousand with Pirelli Sistemi Informativi S.r.l., euro 390 thousand with Pirelli International Treasury S.p.A..

**Other income** from subsidiaries amounting to euro 105,828 thousand in 2022 (euro 104,328 thousand in 2021) mainly refer to: royalties (euro 86,759 thousand from Pirelli Tyre S.p.A., euro 5,218 thousand from Pirelli Group Reinsurance Company SA, euro 4,151 thousands from Limited Liability Company Pirelli Tyre Russia); other recoveries (euro 7,285 thousand from Pirelli Tyre S.p.A., euro 690 thousand from Pirelli Tire LLC., euro 339 thousand from Pirelli Latam Participações Ltda).

**Other costs** to subsidiaries for euro 12,875 thousand in 2022 (euro 12,651 thousand in 2021) mainly refer to charges for services and miscellaneous costs (euro 5,020 thousand HB Servizi S.r.l., euro 2,966 thousand Pirelli Sistemi Informativi S.r.l., euro 2,465 thousand Pirelli Tyre S.p.A., euro 1,168 thousand Pirelli Servizi Amministrazione e Tesoreria S.p.A.).

The item **losses from investments** shows the impairment of the investment in Pirelli UK Ltd.

**Dividends** for euro 306,814 thousand in 2022 (euro 229,312 thousand in 2021) refer to dividends collected during the year (euro 300,000 thousand from Pirelli Tyre S.p.A., euro 5,636 thousand from Pirelli International Treasury S.p.A., euro 979 thousand from Pirelli Group Reinsurance Company SA and euro 200 thousand from Pirelli Sistemi Informativi S.r.l.).

**Financial income** for euro 30,337 thousand in 2022 (euro 31,957 thousand in 2021) mainly refers to interest income on receivables from Pirelli International Treasury S.p.A..

**Financial expenses** for euro 8,737 thousand in 2021 (euro 2,827 thousand in 2021) mainly refer to net expenses on derivatives with Pirelli International Treasury S.p.A..

#### TRANSACTIONS WITH ASSOCIATED COMPANIES

**TRANSACTIONS – BALANCE SHEET Trade payables** to associated companies amounted to euro 105 thousand in 2022 (euro 72 thousand in 2021) and refer to payables to the Consortium for the Research on Advanced Materials (CORIMAV).

**TRANSACTIONS – INCOME STATEMENT Other costs** to associated companies amounted to euro 339 thousand in 2022 (euro 252 thousand in 2021) and refer to relations with the Consortium for Research on Advanced Materials (CORIMAV).

#### TRANSACTIONS WITH OTHER RELATED PARTIES

**TRANSACTIONS – BALANCE SHEET Trade receivables** from other related parties for euro 116 thousand in 2022 (euro 195 thousand in 2021) include commercial relations with the Prometeon Group.

**Trade payables** amounted to euro 18 thousand (nil at December 31, 2021) and mainly refer to payables for consultancy from related parties.

**TRANSACTIONS – INCOME STATEMENT Revenues from sales and services** from other related parties for euro 382 thousand in 2022 (euro 336 thousand in 2021) refer to the service/performance contract with Prometeon Tyre Group S.r.l..

**Other income** with other related parties for euro 19 thousand refers to service contracts with Marco Tronchetti Provera & C. S.p.A..

**Other costs** with other related parties for euro 54 thousand in 2022 refer to consultancy from related parties.

#### TRANSACTIONS WITH DIRECTORS AND KEY MANAGERS

Equity and economic transactions regarding Directors and Key Managers can be detailed as follows.

The balance sheet items **provisions for risks and liabilities** and **employee benefit obligations (non-current liabilities)** include the long-term benefits relating to the three-year monetary incentive plans Long Term Incentive 2021-2023 and 2022-2024 for euro 6,989 thousand, the short-term benefits terms relating to the Short Term Incentive plan for euro 3,842 thousand, as well as end-of-term indemnity for euro 14,028 thousand.

The balance sheet item **other current payables** includes the short-term portion relating to the Long Term Incentive and Short term Incentive plans.

The income statement items **personnel costs** and **other costs** include euro 5,932 thousand relating to employees' severance indemnities and end-of-term indemnity (euro 5,749 thousand in 2021), as well as short-term benefits for euro 11,866 thousand (euro 11,143 thousand in 2021) and long-term benefits for euro 9,609 thousand (euro 11,725 thousand in 2021).

## 40. OTHER INFORMATION

### DIRECTORS AND AUDITORS' FEES

The fees due to Directors of Pirelli & C. S.p.A. amounted to euro 29,068 thousand in 2022 (euro 28,194 thousand in 2021). The fees due to the Statutory Auditors for the function performed at Pirelli & C. S.p.A. amounted to euro 430 thousand in 2022 (euro 377 thousand in 2021).

### INDEPENDENT AUDITORS' FEES

For the fees for the 2022 financial year for the auditing activities and other services rendered by the independent auditors PricewaterhouseCoopers S.p.A., reference is made to the information contained in the explanatory notes to the Consolidated Financial Statements.

### DISCLOSURE REQUESTED BY LAW

#### NO. 124/2017 ARTICLE 1 PARAGRAPHS 125-129

Pirelli & C. S.p.A. obtained, within the PNRR framework, a decree granting the subsidy from the MUR (Ministry of Universities and Research) for the facilitation of Research and Development activities as part of the Ecosystem for Innovation "MUSA - Multilayered Urban Sustainability Action" of up to a maximum of euro 0.4 million.

Any information referring to the subsidiaries of Pirelli & C. S.p.A. are included in the consolidated financial statements.

## 41. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication no. 6064293 of July 28, 2006, the Company certifies that no atypical and/or unusual transactions as defined in said Communication were carried out in 2022.

## 42. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

On **January 11, 2023**, Pirelli placed its first sustainability-linked bond with investors for a total nominal amount of euro 600 million, with demand equal to almost six times the offer, which amounted to approximately euro 3.5 billion. The issue of the first benchmark-size sustainability-linked bond of this type placed by a global tyre company, as well as the



first carried out since Pirelli obtained its investment grade rating from S&P Global and Fitch Ratings, testifies to the Company's commitment to further integrate sustainability into its business strategy, and is linked to the 2025 targets of reducing absolute greenhouse gas emissions (Scopes 1 and 2) and emissions from purchased raw materials (Scope 3). The transaction, which took place within the framework of the EMTN Programme (Euro Medium Term Note Programme) which was approved by the Board of Directors on February 23, 2022, offers an effective yield at maturity of 4.317% (145 basis points above the mid swap), and allows for the optimisation of the debt structure, by extending maturities and diversifying sources. These securities are listed on the Luxembourg Stock Exchange.

On **January 31, 2023**, Pirelli International Treasury S.p.A. was granted new uncommitted facility credit lines: a euro 1.7 billion term loan maturing on January 31, 2025 and a euro 1 billion revolving credit facility maturing on January 31, 2024.

On **February 7, 2023** Pirelli was confirmed as amongst the best companies at global level for sustainability obtaining

"*Top 1%*" ranking, the highest recognition in the 2022 Sustainability Yearbook published by S&P Global, after examining the sustainability profile of more than 13,000 companies. This result follows the score recorded by Pirelli in the 2022 Corporate Sustainability Assessment for the Dow Jones Sustainability Index of S&P Global, where the Company had obtained the Top Score of 86 points (revised from the initial 85), the highest in the ATX Auto Components sector of the Dow Jones Sustainability World and European Index.

On **February 22, 2023**, Pirelli announced that the shareholder CNRC had announced that it will submit the notification required by Legislative Decree 21/2012 (the Golden Power Regulation) regarding the renewal of the Shareholders' Agreement signed on May 16, 2022 by and between, amongst others, the CNRC, Marco Polo International S.r.l., Camfin S.p.A. and Marco Tronchetti Provera & C. S.p.A., which will become effective with the convening of the Shareholders' Meeting for the approval of the Financial Statements at December 31, 2022.

# ANNEXES TO THE NOTES

## MOVEMENTS OF INVESTMENTS IN SUBSIDIARIES FROM 12/31/2021 TO 12/31/2022

(in thousands of euro)

	12/31/2021				CHANGES		12/31/2022			
	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct	Number of shares	(€/thousand)	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct
<b>INVESTMENTS IN SUBSIDIARIES</b>										
<b>ITALY</b>										
<b>Unlisted:</b>										
Pirelli Servizi Amministrazione e Tesoreria S.p.A. - Milan	2,047,000	3,238	100	100	-	-	2,047,000	3,238	100	100
Maristel S.r.l. - Milan	1 share	1,315	100	100	-	-	1 share	1,315	100	100
Pirelli International Treasury SpA - Milan	37,500,000	75,000	100	30	-	-	37,500,000	75,000	100	30
Pirelli Sistemi Informativi S.r.l. - Milan	1 share	1,655	100	100	-	-	1 share	1,655	100	100
Pirelli Tyre S.p.A. - Milan	558,154,000	4,528,245	100	100	-	-	558,154,000	4,528,245	100	100
Servizi Aziendali Pirelli S.C.p.A. - Milan	93,964	100	100	90	-	-	93,964	100	100	90
HB Servizi Srl - Milan	1 share	230	100	100	-	-	1 share	230	100	100
<b>Total investments in Italian subsidiaries</b>		4,609,783				-		4,609,783		

	12/31/2021				CHANGES		12/31/2022			
	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct	Number of shares	(€/thousand)	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct
<b>FOREIGN COMPANIES</b>										
<b>Brazil</b>										
Pirelli Ltda - Sao Paulo	13,999,991	8,420	100	100	-	-	13,999,991	8,420	100	100
Pirelli Latam Participações Ltda.	1	-	-	-	-	-	1	-	-	-
<b>UK</b>										
Pirelli UK Ltd. - London - ordinary	163,991,278	7,871	100	100	-	(7,871)	163,991,278	-	100	100
<b>Switzerland</b>										
Pirelli Group Reinsurance Company S.A.	300,000	6,346	100	100	-	-	300,000	6,346	100	100
<b>Total investments in foreign subsidiaries</b>		22,637				(7,871)		14,766		
<b>Total investments in subsidiaries</b>		4,632,420				(7,871)		4,624,549		

MOVEMENTS OF INVESTMENTS IN ASSOCIATES  
FROM 12/31/2021 TO 12/31/2022

(in thousands of euro)

	12/31/2021				CHANGES		12/31/2022			
	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct	Number of shares	(€/thousand)	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct
<b>INVESTMENTS IN ASSOCIATES</b>										
<b>ITALY</b>										
<b>Unlisted:</b>										
Consorzio per le Ricerche sui Materiali Avanzati (CORIMAV) -Milan	1 share	104	100	100	-	-	1 share	104	100	100
Eurostazioni S.p.A. - Rome	52,333,333	6,271	33	33	-	-	52,333,333	6,271	33	33
Focus Investments S.p.A.	111,111	-	8	8	(111,111)	-	-	-	-	-
<b>Total unlisted companies</b>		6,375				-		6,375		
<b>Total investments in associates - Italy</b>		6,375				-		6,375		
<b>Total investments in associates</b>		6,375				-		6,375		

MOVEMENTS OF OTHER FINANCIAL ASSETS AT FAIR VALUE  
THROUGH OTHER COMPREHENSIVE INCOME  
FROM 12/31/2021 TO 12/31/2022 (Continue)

(in thousands of euro)

	12/31/2021				CHANGES		12/31/2022			
	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct	Number of shares	(€/thousand)	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct
<b>INVESTMENTS IN OTHER COMPANIES</b>										
<b>ITALIAN LISTED COMPANIES</b>										
RCS Mediagroup S.p.A. - Milan	24,694,918	21,855	4.7	4.7	-	(5,285)	24,694,918	16,570	4.7	4.7
<b>Total other Italian listed companies</b>		21,855				(5,285)		16,570		
<b>Total other listed companies</b>		21,855				(5,285)		16,570		

	12/31/2021				CHANGES		12/31/2022			
	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct	Number of shares	(€/thousand)	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct
<b>ITALIAN UNLISTED COMPANIES</b>										
Aree Urbane S.r.l. (in liquidazione) - Milan	1 share	-	-	-	-	-	1 share	-	-	-
C.I.R.A. - Centro Italiano di Ricerche Aerospaziali S.c.p.A. - Capua (CE)	30	-	0.1	0.1	-	-	30	-	0.1	0.1
Alitalia Compagnia Aerea Italiana S.p.A. - Rome	1,162,098,622	-	1.4	1.4	-	-	1,162,098,622	-	1.4	1.4
CEFRIEL - Società Consortile a Responsabilità limitata	1 share	-	4.9	4.9	-	-	1 share	-	4.9	4.9
Consorzio DIXIT (in liquidazione) - Milan	1 share	-	14.3	14.3	-	-	1 share	-	14.3	14.3
MIP Politecnico di Milano - Graduate School of Business società consortile per azioni già Consorzio per L'Innovazione nella Gestione di Azienda - Mip - (Master Imprese Politecnico) Milan	12,000	-	2.9	2.9	-	-	12,000	-	2.9	2.9
Consorzio Milano Ricerche - Milan	1 share	-	9.0	9.0	-	-	1 share	-	9.0	9.0
Società Generale per la Progettazione Consulenze e Partecipazioni (ex Italconsult) S.p.A. - Rome	1,100	-	3.7	3.7	-	-	1,100	-	3.7	3.7
F.C. Internazionale Milano S.p.A. - Milan	55,805,625	-	0.4	0.4	-	-	55,805,625	-	0.4	0.4
Fin. Priv. S.r.l. - Milan	1 share	21,171	14.3	14.3	-	(2,307)	1 share	18,864	14.3	14.3
Istituto Europeo di Oncologia S.r.l. - Milan	1 share	8,006	6.1	6.1	-	134	1 share	8,140	6.1	6.1
Nomisma - Società di Studi Economici S.p.A. - Bologna	959,429	323	3.3	3.3	-	37	959,429	360	3.3	3.3
Tiglio I S.r.l. - Milan	1 share	2	0.6	0.6	-	(1)	1 share	1	0.6	0.6
Genextra S.p.A.	592,450	635	0.6	0.6	-	(6)	592,450	629	0.6	0.6
<b>Total other Italian unlisted companies</b>		30,138				(2,144)		27,994		

MOVEMENTS OF OTHER FINANCIAL ASSETS AT FAIR VALUE  
THROUGH OTHER COMPREHENSIVE INCOME  
FROM 12/31/2021 TO 12/31/2022

(in thousands of euro)

	12/31/2021				CHANGES		12/31/2022			
	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct	Number of shares	(€/thousand)	Number of shares	Carrying amount (€/thousand)	% of total investments	of which direct
<b>FOREIGN COMPANIES</b>										
<b>Libia</b>										
Libyan-Italian Joint Company - ordinary shares B	300	-	1.0	1.0	-	-	300	-	1.0	1.0
<b>UK</b>										
Eca International	100	-	2.8	2.8	-	-	100	-	2.8	2.8
<b>Total other foreign companies</b>		-				-		-		
<b>OTHER PORTFOLIO SECURITIES</b>										
Fondo Comune di Investimento Immobiliare - Anastasia	53 shares	2,825	-	-	-	(1,049)	53 shares	1,776	-	-
<b>TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>		2,824				(1,049)		1,776		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME</b>		54,817				(8,478)		46,339		

LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES  
(PURSUANT TO ART. 2427 OF THE CIVIL CODE)

(in thousands of euro)

	Legal address	Carrying amount	Share %	Share capital	Attributable equity	Attributable net income (loss)
<b>INVESTMENTS IN SUBSIDIARIES - ITALY</b>						
Pirelli Servizi Amministrazioni e Tesoreria S.p.A.	Milan	3,237	100%	2,047	3,178	193
Maristel S.p.A.	Milan	1,315	100%	50	3,260	56
Pirelli Sistemi Informativi S.r.l.	Milan	1,656	100%	1,010	2,830	468
Pirelli Tyre S.p.A.	Milan	4,528,245	100%	558,154	2,011,350	564,134
Servizi Aziendali Pirelli S.c.p.a.	Milan	100	91.3%	104	470	31
HB Servizi S.r.l	Milan	230	100%	10	578	186
Pirelli International Treasury S.p.A.	Milan	75,000	30%	125,000	73,802	(1,966)
<b>Total investments in subsidiaries - Italy</b>		<b>4,609,783</b>				
<b>INVESTMENTS IN FOREIGN SUBSIDIARIES</b>						
<b>Switzerland</b>						
Pirelli Group Reinsurance Company S.A.	Lugano	6,346	100%	3,047	16,352	2,770
<b>Brasil</b>						
Pirelli Ltda	Sao Paulo	8,420	100%	2,514	(7,036)	(6,381)
<b>UK</b>						
Pirelli UK Ltd.	London	0	100%	184,897	(24,572)	(3,624)
<b>Total investments in foreign subsidiaries</b>		<b>14,766</b>				
<b>Total investments in subsidiaries</b>		<b>4,624,549</b>				
<b>INVESTMENTS IN ASSOCIATES - ITALY</b>						
Consortium for the Research into Advanced Materials (CORIMAV)	Milan	104	100%	104	104	-
Eurostazioni S.p.A. *	Rome	6,271	32.7%	16,000	6,621	46
<b>Total investments in associates - Italy</b>		<b>6,375</b>				
<b>Total investments in associates</b>		<b>6,375</b>				

\* balance sheet at July 31, 2022

# **Report of the Board of Statutory Auditors to the Shareholders' Meeting**

**pursuant to art. 153 of the Consolidated Law on Finance  
(TUF) and art. 2429 of the Italian Civil Code**

Dear Shareholders,

The Board of Statutory Auditors of Pirelli & C. S.p.A. ("**Pirelli**" or the "**Company**") (which, pursuant to Legislative Decree no. 39 of 27 January 2010, also acts as the Internal Control and Audit Committee), pursuant to Article 153 of Legislative Decree no. 58 of 24 February 1998 ("**TUF**") and the applicable provisions of the Italian Civil Code, as well as the applicable reference legislation, is called on to report to the Shareholders' Meeting convened to approve the financial statements of the Company for the year ending on 31 December 2022 ("**Financial Statements**"), on the supervisory activities carried out during the financial year and on any omissions and misconduct it might have detected. The Board of Statutory Auditors may also make proposals regarding the financial statements and their approval and other matters under its responsibility.

The Board of Statutory Auditors, as of the date of drafting and publication of this report ("**Report**"), has been constantly informed and updated about the current and foreseeable effects, direct and indirect, in both qualitative and quantitative terms, of the Russia-Ukraine crisis on business activities, exposures to affected markets, supply chains, the financial situation and economic results reported in the Directors' Report on Operations and the Financial Statements and Consolidated Financial Statements of Pirelli ("**Consolidated Financial Statements**", jointly with the Financial Statements "**Financial Statements**"); the Board of Statutory Auditors has obtained information about the effects on the Group of the restrictive measures adopted by the EU in the context of the Russia-Ukraine crisis. The Board of Statutory Auditors confirms that the Company has put in place all the functional safeguards to comply with the restrictive measures, as required by Consob's Warning Notice 3/2022.

The Board of Statutory Auditors has also been continually informed of the actions taken to monitor the situation and the social, economic and financial effects, both for Pirelli and its subsidiaries ("**Group**") of which it is the parent company, of the ongoing health emergency associated with the spread, from January 2020, of the Sars-Cov-2 virus ("**COVID-19**"). The considerations made are set out in a specific paragraph of the Directors' Report on Operations.

During the year, the Board of Statutory Auditors carried out its supervisory activities as required by the law in force, taking account of the provisions of European Regulation 537/2014, the standards of conduct for the Boards of Statutory Auditors of listed companies, as recommended in the document issued by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (the Italian national association of chartered accountants and auditors) last updated in April 2018 ("**Standards of Conduct**"), and the Consob provisions on company controls and the activities of the Boards of Statutory Auditors and the indications contained in the current Corporate Governance Code for listed companies, to which Pirelli has adhered.

This took place - as well as through the attendance of all or some of the Statutory Auditors at meetings of the Board of Directors and its committees - also by means of the constant exchange of information between the Board of Statutory Auditors and the relevant corporate administrative, audit and compliance departments in charge of risk control and management, and with the Supervisory Body created pursuant to legislative decree no. 231 of 8 June 2001, as well as with the members of the boards of statutory auditors of the principal subsidiaries and with the firm appointed as external auditor.



## **APPOINTMENT AND COMPOSITION OF THE BOARD OF STATUTORY AUDITORS**

The Board of Statutory Auditors in office as of the date of the Report was appointed by the Shareholders' Meeting of 15 June 2021 for the financial years 2021-2023 (and, therefore, will expire with the approval of the financial statements for the year ending 31 December 2023). It is composed of the Standing Auditors Riccardo Foglia Taverna (Chairman), Francesca Meneghel, Teresa Naddeo, Antonella Carù and Alberto Villani, and the Alternate Auditors Marco Taglioretti, Franca Brusco and Maria Sardelli.<sup>1</sup>

Pursuant to article 148, paragraph 3 of the TUF, and the provisions of the Corporate Governance Code for listed companies, to which - as previously mentioned - Pirelli has resolved to adhere, the Board of Statutory Auditors checked that as of 31 December 2022 its serving members had retained the requirements of independence (that they already ascertained to possess at the time of their appointment, together with the correct application of the criteria and the ascertainment procedures adopted by the Board of Directors to assess the independence of Directors). For more details in this regard see paragraph "Self-assessment process for the Board of Statutory Auditors".

## **ADHESION TO CODES OF CONDUCT**

As anticipated, Pirelli has decided to adhere to the Corporate Governance Code approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, as well as the most recent recommendations of the Corporate Governance Committee.

The Board of Statutory Auditors has assessed the effective and correct application of corporate governance rules provided herein by the Company and ensured that these are implemented in the corporate governance model currently in force - described in the Report on the Corporate Governance and Share Ownership (as described in more detail below) - that is substantively in line with the principles contained in both codes of conduct mentioned above. Furthermore, the Board of Statutory Auditors concurred with the Board of Directors' assessment that the current provisions of the Bylaws and corporate governance practices followed by the Company are adequate to achieve the Company's interest.

## **COMMENTS ON THE 2022 FINANCIAL STATEMENTS AND ON TRANSACTIONS OF MAJOR IMPORTANCE CARRIED OUT DURING THE YEAR**

It should be noted that Pirelli's Financial Statements have been drawn up based on the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, in force on 31 December 2022 and in accordance with the instructions issued in implementation of article 9 of legislative decree 38/2005. The Financial Statements also include the notice required by law 124/2017 (art. 1, subsections 125-129).

The Board of Statutory Auditors also specifically checked that: (i) the data and information contained

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<sup>1</sup> The appointment was made by applying the list voting mechanism that allowed the so-called "minorities" to elect their own representatives on the Board of Statutory Auditors. In addition, shareholders were provided with a document by the outgoing Board of Statutory Auditors drawn up in accordance with the Rules of Conduct.

in the integrated financial statements<sup>2</sup> of Pirelli (“**Integrated Financial Statements**”) are coded based on the provisions of the ESEF XBRL 2021 taxonomy in force and that (ii) the directors, based on the assessments carried out on compliance or non-compliance of the Integrated Financial Statements with Delegated Regulation (EU) 2019/815, implementing the delegation contained in Directive 2004/109/CE, as amended by Directive 2013/50/EU, and with the provisions of article 2423 of the Civil Code, have made the declarations required by law.

The principal risks and uncertainties are summarised in the Directors' Report on Operations, and there is a section on the outlook for the coming year.

The Company's Financial Statements are composed of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Explanatory Notes.

The Financial Statements are accompanied by the Directors' Report on Operations, and the Integrated Financial Statements include the Report on the Corporate Governance and Share Ownership, prepared pursuant to article 123-*bis* of the Consolidated Law on Finance, as well as the Report on Responsible Management of the Value Chain (which constitutes the Consolidated Non-Financial Disclosure pursuant to Legislative Decree 254 of 30 December 2016) drawn up by the Company in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2021, "In accordance with" option, SASB Auto Parts Sustainability Accounting Standard, following the process suggested by the principles of the AA1000 APS (materiality, inclusivity and responsiveness), and considering the integrated reporting principles contained in the Framework of the International Integrated Reporting Council (IIRC). Furthermore, this report considers the priorities highlighted by the European Securities and Markets Authority (ESMA) in circular ESMA32-63-1186 and includes the assessments required by the European Taxonomy Regulation in its areas of application (EU Regulation 2020/852 of 18 June 2020 and related Delegated Regulations (EU) 2021/2178 and (EU) 2021/2139). The third-party certifications appear at the end of the 2022 Annual Report. It should be noted that the assurance activities carried out by the auditing firm PricewaterhouseCoopers S.p.A. (“**PWC**”) in connection with the latter entail the verification of the preparation and publication of the information required by Reg. 852/20, in compliance with the indications given by Assirevi to the auditing firms in Research Document No. 243 of February 2022, entitled "Auditor's activities on disclosures pursuant to Article 8 of Regulation 2020/852 - Taxonomy Regulation". The Integrated Financial Statements also include the Report on the remuneration policy and the compensation paid, comprising the 2023 remuneration policy (“**2023 Policy**”) and the report on compensation paid in 2022.

Pirelli's 2022 Financial Statements include statements of compliance by the CEO and by the Manager responsible for the preparation of the corporate financial documents (“**Manager Responsible**”).

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<sup>2</sup> Integrated Financial Statements is understood to mean a document including the Directors' Report on Operations, the Report on Responsible Management of the Value Chain, the Report on the Corporate Governance and Share Ownership, the Report on the remuneration policy and the compensation paid, the Consolidated Financial Statements, the Financial Statements, Resolutions and Certifications.

Pirelli's 2022 Consolidated Financial Statements present the following summary data:

Revenues	€ 6,615.7 million
Operating income (EBIT)	€ 791.5 million
Adjusted EBIT	€ 977.8 million
Consolidated net profit	€ 435.9 million

Net financial debt was equivalent to 2,552.6 million euros, compared to 2,907.1 million euros at 31 December 2021.

Parent company Pirelli closed the financial year with positive net income to the amount of 252.5 million euros (216.6 million euros in 2021).

Events of major importance are accounted for in detail in the Directors' Report on Operations. The following events, in particular, should be noted:

- On **28 January 2022**, Pirelli celebrated the 150th anniversary of its foundation on 28 January 1872 with an event held at the Piccolo Teatro di Milano.
- On **1 February 2022**, Pirelli was confirmed as "Gold Class" in the Sustainability Yearbook 2022 published by S&P Global.
- On **21 February 2022** Pirelli finalised the signing of a 1.6 billion euros 5-year multicurrency bank credit line with a pool of leading Italian and international banks. The credit line, which is parametrised to the Group's ESG objectives, has allowed the debt profile to be optimised by delaying its maturity.
- On **23 February 2022**, Pirelli announced that it had been assigned an "investment grade" rating by S&P Global Ratings and Fitch Ratings. The assignment follows the company's request for a public rating, in line with the objectives of optimising the conditions of access to the credit market. In particular, Fitch Ratings has assigned Pirelli an Investment Grade BBB- rating with a stable outlook, emphasising, among other things, the solidity of the company's operating margins and its ability to generate cash flow, which mean that a significant reduction in debt over the next two or three years can be envisaged. The agency highlighted Pirelli's leadership in the premium segment, its consolidated know-how in high-performance products, its exposure to less volatile after-market activities than in the standard segment and its brand awareness. S&P Global Ratings assigned an Investment Grade BBB- rating with a stable outlook, highlighting, among other things, Pirelli's solid position in the Premium and Prestige markets, its ability to efficiently utilise its manufacturing facilities, reflected in an EBITDA margin above the sector average, and the agency's expectation of continued debt reduction through careful management of solid free cash flow.

- On **23 February 2022**, in the context of the Company's refinancing and financial structure optimisation strategy, the Board of Directors of Pirelli approved a new EMTN (Euro Medium Term Note) programme for the issue of non-convertible, senior unsecured bonds for a maximum value of 2 billion euros to replace the previous EMTN programme of 2 billion euros, approved on 21 December 2017. In the context of this programme, on the same date the Board of Directors authorised one or more bond issues to be placed with institutional investors for a maximum total amount of up to 1 billion euros. In light of the changed market conditions, on 22 June 2022 Pirelli updated this authorisation, revoking the resolution and simultaneously approving a new one for the issue, again as part of the EMTN programme, of non-convertible bond loans to be placed with institutional investors by May 2023 for up to 1 billion euros.
- On **4 March 2022**, Pirelli announced the donation of 500 thousand euros to Ukrainian refugees affected by the war, while also making a bank account available to employees to collect their donations.
- On **9 May 2022**, Pirelli announced that the Science Based Targets initiative (SBTi) had validated the upgrade of Pirelli's greenhouse gas emission reduction targets. By the end of 2021, the Company had achieved the previous targets validated by the SBTi for Scopes 1 and 2 four years early. The new targets envisage actions consistent with maintaining global warming "within 1.5°C", compared to the previous scenario which envisaged remaining "well below 2°C". In particular, SBTi validated the Pirelli targets of a 42% reduction in absolute greenhouse gas emissions (Scope 1 and 2) by 2025 compared to 2015 and a 9% decrease in those from purchased raw materials by 2025 compared to 2018 (Scope 3).
- On **10 May 2022**, the Board of Directors of Pirelli co-opted Yang Shihao to replace Yang Xingqiang, who had resigned on **28 April 2022**. The Board of Directors also appointed Yang Shihao (qualified by the Board as a non-executive, non independent director) as a member of the Strategies Committee. Yang Shihao will remain in office until the next shareholders' meeting.
- On **18 May 2022**, the Shareholders' Meeting of Pirelli (convened on **13 April 2022**) approved the 2021 financial statements, resolving to distribute a dividend of 0.161 euros per ordinary share, equal to a total dividend payout of 161 million euros before withholding taxes. The dividend was paid on 25 May 2022 (with a coupon date of 23 May and a record date of 24 May). The Shareholders' Meeting also approved the Remuneration Policy for 2022 and voted in favour of the Report on Compensation Paid in the financial year 2021. The Shareholders' Meeting also approved the adoption of the Monetary Incentive Plan for the three-year period 2022-2024 for all Group management. Lastly, the Shareholders' Meeting approved the possible adjustment mechanisms of the sole quantification of objectives included in the three-year monetary incentive plans for 2020-2022 and 2021-2023, in line with what had previously been set out in the 2022 remuneration policy.
- On **23 May 2022**, with reference to the interest-free senior unsecured guaranteed equity-linked bond loan called "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", Pirelli announced that - following the resolution of the Shareholders' Meeting of 18 May 2022 to

distribute a dividend of 0.161 euros per ordinary share - the conversion price of the bonds was changed from 6.235 euros to 6.1395 euros, in accordance with the regulation of the bond loan itself, with effect from 23 May 2022.

- On **22 June 2022**, Pirelli's Board of Directors approved the underwriting of a sustainability-linked credit line with a select pool of international banks, for a total value of up to 400 million euros, with a 19-month maturity, to further optimisation of the Group's financial structure. The credit line is parametrised to the Pirelli objective of reducing absolute greenhouse gas emissions from purchased raw materials (Scope 3), validated by the Science Based Targets initiative (SBTi). This KPI is among those identified in Pirelli's first "Sustainability-linked financing Framework" (the document that contains the company's guidelines and commitments towards its stakeholders in the field of sustainable finance).
- On **11 October 2022**, the Board of Directors of Pirelli co-opted Li Fanrong to replace Ning Gaoning who - as announced on **8 October 2022** - resigned from the Board of Directors following the termination of his office as Chairman of Sinochem Holdings Corporation Ltd. The Board of Directors also appointed the non-executive director Li Fanrong as Chairman, assigning him the legal representation of the company as well as all other powers assigned according to the current Bylaws, without prejudice to the powers and prerogatives of the Board of Directors. Li Fanrong's appointment as a member of the Strategies Committee and the Appointments and Succession Committee was also approved. Li Fanrong, who will remain in office until the next shareholders' meeting, does not meet the independence requirements established by law and by the Corporate Governance Code.
- On 25 October 2022, Pirelli repaid early and in full the "Euro 600,000,000 1.375 per cent. Guaranteed Notes due 25 January 2023" (ISIN: XS1757843146) bond loan listed on the Luxembourg Stock Exchange, the residual amount of which was 553 million euros. As envisaged by the Issuer Call option of the regulation, the repayment - made using the Company's available cash - was at par plus the interest accrued up to the early repayment date.
- On **29 October 2022**, Pirelli announced the start of the 114 million euro investment – envisaged in the 2021-2022|2025 business plan to be implemented in the two-year period 2022/2023 – aimed at further increasing the High Value production of the Mexican production site. Once fully operational, the investment will allow production capacity to be increased by over one million pieces to a total of 8.5 million tyres by 2025 (from 7.2 million at the end of 2022), with an expansion of the production area from 16,000 to over 220,000 square metres. Increased production and further improvement of the mix will create 400 new jobs to reach a total of 3,200 people once fully operational.
- On **10 December 2022**, Pirelli was again officially included in the Dow Jones Sustainability Indexes, both World and Europe, as part of the index review conducted annually by S&P Global. The confirmation follows the announcement of the global industry Top Score achieved by Pirelli on **21 October 2022** for the ATX Auto Components segment in the context of the S&P Global Corporate Sustainability Assessment 2022.

- In **December 2022**, Pirelli was confirmed, for the fifth consecutive year, as a global leader in the fight against climate change, achieving a place in the 2022 Climate A list drawn up by CDP, the international non-profit organisation that collects, disseminates and promotes information on environmental issues.

#### SIGNIFICANT EVENTS THAT OCCURRED AFTER THE CLOSURE OF THE FINANCIAL YEAR

The most significant events that occurred after the close of the financial year are detailed in the Directors' Report on Operations and the Financial Statements.

Note in particular that:

- On **11 January 2023**, Pirelli placed its first sustainability-linked bond with institutional investors for a total nominal amount of 600 million euros. The transaction, which took place under the EMTN (Euro Medium Term Note) Programme approved by the Board of Directors on 23 February 2022, offers an actual yield to maturity of 4.317% (145 basis points above the mid swap) and allows the debt structure to be optimised, extending maturities and diversifying sources. The securities are listed on the Luxembourg Stock Exchange.
- On **7 February 2023**, Pirelli was confirmed among the best companies globally in terms of sustainability, achieving the "Top 1%" title, the highest recognition in the 2023 Sustainability Yearbook published by S&P Global.
- On **14 February 2023**, Pirelli announced that it had received the resignation of Bai Xinping from the position of Director of the Company, effective 22 February 2023. On **22 February 2023**, the Board of Directors co-opted Wang Feng and appointed him as a member of the Remuneration Committee, the Appointments and Succession Committee and the Strategies Committee. Wang Feng - named by the Board of Directors as a non-executive director - will remain in office until the next shareholders' meeting; he does not meet the independence requirements established by law and by the Corporate Governance Code.
- On **22 February 2023**, Pirelli announced that the shareholder CNRC would submit the notification required pursuant to Decree Law 21/2012 (Golden Power Regulation) in relation to the renewal of the shareholders' agreement signed on 16 May 2022 by, among others, CNRC, Marco Polo International S.r.l., Camfin S.p.A. and Marco Tronchetti Provera & C. S.p.A., which will come into force when the Shareholders' Meeting is convened for the approval of the financial statements at 31 December 2022.

#### UNUSUAL OR EXCEPTIONAL TRANSACTIONS

We are unaware of any atypical or unusual transactions during the year, as defined by Consob in Decision DEM/6064293 of 28 July 2006.

## INTRAGROUP OR RELATED PARTY TRANSACTIONS

Pursuant to article 2391-*bis* of the Italian Civil Code and Consob resolution 17221 of 12 March 2010 on the "Regulation of related-party transactions", as subsequently updated and amended ("**Consob Regulation**"), the Board of Directors approved the "Procedure for related-party transactions" ("**RPT Procedure**"), subject to the favourable opinion of the Related-Party Transactions Committee ("**RPT Committee**"). The RPT Procedure was updated during the year ("**Amendments to the RPT Procedure**") in order to take into account the new organisational structure which provides for the role of the Chief Financial Officer to be superseded.

In this context, the Board of Statutory Auditors, in accordance with the supervisory tasks required by current legislation, expressed its favourable opinion on the RPT Committee's proposal to the Board of Directors regarding the Amendments to the RPT Procedure and monitored the compliance of the RPT Procedure with the principles set out in the Consob Regulation. Pursuant to article 4, paragraph 6, of the Consob Regulation, it should be noted that the RPT Procedure adopted by the Company and currently in force is coherent with the principles contained in said Regulation, and is published on the Company's website ([www.pirelli.com](http://www.pirelli.com)).

During the financial year 2022, transactions were carried out with related parties, both companies within the Pirelli Group and outside the Pirelli Group.

The transactions with Group companies, the effects of which are reported in the Financial Statements, are ordinary in that they are essentially made up of the reciprocal provision of services (technical, organisational, general) provided by the headquarters to the subsidiaries and of royalties charged for the use of patents to the Group companies that benefit from them. They were regulated applying normal conditions determined using standard parameters that reflect the actual use made of the services, and were carried out in the interests of the Company, since they were aimed at rationalising the use of the Group's resources.

The Board of Statutory Auditors attended the meetings of the RPT Committee during which the Committee expressed a favourable opinion of some related party transactions of "lesser importance", after having considered the interest of the Company in the completion of the transaction and the expediency and substantial correctness of their conditions. Regarding such transactions, we have always expressed the view that they were in the interests of the Company.

The Board of Statutory Auditors received periodic communications from the Company regarding related-party transactions not examined by the RPT Committee, noting that they were of an ordinary nature (i.e. they were part of normal business operations or related financial activities) and/or concluded at market equivalent or standard terms and/or intragroup and were in the interest of the Company.

The effects of the aforementioned transactions for the 2022 financial year are fully reflected in the Financial Statements.

The Board of Statutory Auditors monitored compliance with the RPT Procedure and the correctness of the process followed by the Board of Directors and the relevant RPT Committee regarding the

qualification of related parties and we have nothing to report.

The transactions with related parties are detailed in the notes to the Company's Financial Statements, including information on the consequent effects on the Income Statement and the Statement of Financial Position. The Board of Statutory Auditors deems the information on transactions with related parties provided in the Financial Statements to be adequate.

#### IMPAIRMENT TEST PROCEDURE

The Board of Directors, as provided for in the joint Banca d'Italia/Consob/ISVAP document of 3 March 2010, independently, and before the approval of the related periodic financial report by the Board of Directors, resolved that the impairment test procedure complied with the prescriptions of international accounting standard IAS 36, after said procedure had been approved by the Audit, Risks, Sustainability and Corporate Governance Committee and the Board of Statutory Auditors; this occurred, in particular, in the meetings:

- (i) of 22 July 2022, therefore autonomously and prior to the meeting of 4 August 2022 for the approval of the half-yearly financial report at 30 June 2022, due to the new post-war context in Ukraine and the decrease in the stock market capitalisation at 30 June 2022 to below shareholders' equity;
- (ii) of 22 February 2023, therefore, independently and prior to the meeting of 5 April 2023 for the approval of the draft Financial Statements at 31 December 2022.

In both cases, the Company carried out an impairment test on the goodwill allocated to the group of Consumer Business cash generating units and to the Pirelli brand with the assistance of a highly qualified independent expert.

Information on the assessment process conducted with the assistance of the aforesaid expert, and on its outcomes, is provided in the explanatory notes to the Financial Statements.

The Board of Statutory Auditors deems the procedure adopted by the Company for the preparation of the Financial Statements as at 31 December 2022 adequate and the related information comprehensive.

#### SUPERVISORY ACTIVITY PURSUANT TO LEGISLATIVE DECREE 39/2010 "EXTERNAL AUDITORS"

The Board of Statutory Auditors, also in collaboration with the Audit, Risks, Sustainability and Corporate Governance Committee and pursuant to changes to the regulations introduced by legislative decree no. 135 of 17 July 2016, supervised:

- the financial reporting process;
- the effectiveness of the internal control, internal audit and risk management systems;
- the external audit of the annual and consolidated accounts;



- the independence of the external auditor, in particular with regard to the provision of non-auditing services;
- the results of the external audit with specific reference to the additional report pursuant to article 11 of European Regulation 537/2014.

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#### SUPERVISING THE FINANCIAL REPORTING PROCESS

The Board of Statutory Auditors, having verified that there are adequate rules and processes

governing the "formulation" and "dissemination" of financial information, considers that the financial reporting information process is adequate, and believes that there are no issues to raise with the Shareholders' Meeting in this regard.

In addition to the annual and half-year reports, the Company voluntarily publishes the additional periodic financial information specified in article 82-ter of Consob Regulation 11971/99 ("interim reports on operations") for the periods that end on 31 March and 30 September each year.

In relation to the single electronic reporting format for annual financial reports (so-called ESEF), in line with the provisions of Directive 2013/50/EU, amending Directive 2004/109/EC, and Delegated Regulation (EU) 2019/815, the Integrated Financial Statements as at 31 December 2022 have been prepared in accordance with the ESEF format.

In compliance with the provisions of the regulatory legislation, the Company has drawn up the Integrated Financial Statements in XHTML format (European Single Electronic Format - ESEF). The items of the consolidated financial statements and the notes to the consolidated financial statements have been tagged in accordance with the taxonomy provided by Delegated Regulation (EU) 2019/815. The Company has used the ESEF XBRL 2021 taxonomy as a reference taxonomy for these Integrated Financial Statements, which are therefore to be considered ESEF compliant.

#### SUPERVISING THE NON-FINANCIAL REPORTING PROCESS

The Board of Statutory Auditors has monitored compliance with the provisions contained in legislative decree no. 254 of 30 December 2016 with reference to the non-financial declaration (the "NFD"), also verifying that there are adequate rules and processes governing the process of "formulating" and "disseminating" non-financial information, and considers that the non-financial reporting information process is adequate, and believes that there are no issues to raise with the Shareholders' Meeting in this regard.

In particular, the Board of Statutory Auditors acknowledged that the Company has adopted a structured system to monitor the content of the NFD which includes: (i) a dedicated operating procedure to ensure adequate reporting of information of a non-financial nature; (ii) a control system to ensure greater assurance that the principal non-financial information is reported correctly; (iii)

checks of the data of a non-financial nature in the NFD, after appropriate highlighting and verification;  
 (iv) signature of a letter of attestation by the senior management on the non-financial data included in the paragraphs on this subject in the NFD.

The Company did not avail itself of its right pursuant to article 3, paragraph 8 of legislative decree no 254 of 30 December 2016 to omit information concerning imminent developments and transactions being negotiated.

#### SUPERVISING THE EFFECTIVENESS OF THE INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS, AND THE EXTERNAL AUDIT OF THE ANNUAL SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The Board of Statutory Auditors, also in collaboration with the Audit, Risks, Sustainability and Corporate Governance Committee, met with the Head of Internal Audit once every quarter. At those meetings, information was provided on the results of the audits designed to ascertain the adequacy and operational effectiveness of the Internal Control System, compliance with the laws and the business procedures and processes, as well as on the implementation of the related improvement plans. The Board of Statutory Auditors confirmed the efficiency and adequacy of the internal control system and also received the Audit Plan for the financial year, its final results and the risk analysis, expressing a favourable opinion of their approval by the Board, where requested. During the meetings it was also constantly updated about the application of the "Whistleblowing" procedure in the Pirelli Group.

Furthermore, every six months it received the reports of the Audit, Risks, Sustainability and Corporate Governance Committee and the Supervisory Body on the activities they had undertaken.

In light of the changes to the organisational structure, the Board of Statutory Auditors was able to verify the appropriateness of the procedure adopted to appoint the new Manager Responsible, therefore expressing its favourable opinion, after assessing that the requirements of the Bylaws were met, on the appointment of Mr Fabio Bocchio as the new Manager Responsible. The Board of Statutory Auditors also took note of the report made by the Manager Responsible who, when the draft financial statements were being approved, confirmed the adequacy and appropriateness of the powers and resources conferred on him by the Board of Directors, and also confirmed that he had been given direct access to all the information necessary to produce accounting data, without needing to obtain any authorisation. The Board of Statutory Auditors also acknowledged that the Manager Responsible had reported that he had participated in the development of internal flows of information for accounting purposes and had approved all corporate procedures which impacted the Company's profitability, financial position and/or assets and liabilities.

The Board of Statutory Auditors confirmed that at present there is no need for measures to guarantee the effectiveness and impartiality of the corporate departments involved in the internal control and risk management system and, specifically, other than the Internal Audit department (mentioned above), the Compliance and Rules department, the Tax Risk Officer, the Enterprise Risk Management and the Information Security.

Accordingly, the Board of Statutory Auditors expresses a positive opinion of the adequacy of the internal control and risk governance system as a whole, and has no issues to raise with the Shareholders' Meeting in this regard.

The Board of Statutory Auditors also met with the external auditor at least once every quarter. No fundamental issues or significant shortcomings in the internal control system related to the financial reporting process arose in these meetings, also with regard to the provisions set out in article 19, paragraph 3 of legislative decree no. 39 of 27 January 2010.

In particular, it should be noted that the Board of Statutory Auditors found that the controls specified in law 262/2005 on the Financial Statements evidenced that the administrative-accounting procedures had been applied correctly. The prescribed controls on the application of the control framework for the NFD evidenced that the internal procedures had also been applied correctly.

The Board of Statutory Auditors assessed the updates received on the activities carried out by the Information Security office following the launch of the Transformation Program in this area and the initiatives undertaken to manage any cyber security risks.

The Board of Statutory Auditors considered that no "significant shortcomings" in the internal control system for the financial reporting process and the NFD emerged in the letters of recommendations to the management drafted by the external auditor.

The firm appointed to undertake the external audit of the accounts of the Company is PricewaterhouseCoopers S.p.A. ("**PWC**"). The appointment as external auditor of the accounts was made by the Shareholders' Meeting, on the reasoned proposal of the control body, in its meeting on 1 August 2017, for the nine year period 2017/2025, pursuant to the applicable provisions for listed companies (the appointment was effective from 4 October 2017, the date Pirelli's shares were admitted to trading). PWC was also appointed as external auditor of the accounts of the principal Pirelli Group companies in Italy and abroad.

Pursuant to article 14 of legislative decree no. 39 of 27 January 2010, and article 10 of Regulation (EU) 537/2014, on 6 April 2023 PWC issued its Reports on the separate and consolidated financial statements as at 31 December 2022. On the same date, the auditing firm issued its Additional report for the internal control and audit committee, drafted pursuant to article 11 of Regulation (EU) 537/2014. On the same date, PWC issued its Report on the consolidated non-financial disclosure pursuant to article 3, paragraph 10 of legislative decree no. 254 of 30 December 2016.

The texts of the aforementioned reports – drafted in accordance with the applicable legal provisions – do not contain any elements to bring to the attention of the Shareholders' Meeting.

#### SUPERVISING THE INDEPENDENCE OF THE EXTERNAL AUDITOR, IN PARTICULAR WITH REGARD TO THE PROVISION OF NON-AUDITING SERVICES

The Board of Statutory Auditors monitored the independence of the external auditor and in particular

received periodic evidence of non-audit work assigned to PWC, also by virtue of specific regulatory provisions.

Regarding the independence of the external auditor, a structured procedure has been issued at Group level. In line with the provisions of legislative decree no. 39 of 27 January 2010, this sets out that no Pirelli Group company may assign tasks other than the external audit of the accounts to companies that are members of the network of the appointed external auditor without the prior express authorisation of the Board of Statutory Auditors, which, with the help of the relevant corporate structures, has the responsibility of checking that the proposed assignment is not listed as not permitted by article 5 of Regulation (EU) no. 537/2014, and that in any event, given its characteristics (considering the payment planned, the nature of the service and the reasons for the assignment), said assignment complies with the principles of independence of the external auditor and has no impact on the independence of the external auditor.

In a letter dated 6 April 2023, PWC confirmed its independence pursuant to article 6, paragraph 2) of Regulation EU 537/2014 and paragraph 17, letter a) of International Audit Standard (IAS) 260.

During the 2022 financial year, PWC and its network carried out the activities summarised below for the Group. These activities were the object of assignments approved by the Board of Statutory Auditors where they do not relate to tasks assigned before the Company was listed:

#### 2022 EXTERNAL AUDITOR FEES

<i>(in thousands of euro)</i>	Company that provided the service	Company that received the service	Partial fees	Total fees	
Independent auditing services	PricewaterhouseCoopers S.p.A.	Pirelli & C. S.p.A.	89		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	1.500		
	Network PricewaterhouseCoopers	Subsidiaries	1.457	3.046	85%
Independent certification services (1)	PricewaterhouseCoopers S.p.A.	Pirelli & C. S.p.A.	212		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	152		
	Network PricewaterhouseCoopers	Subsidiaries	33	397	11%
Independent services other than auditing	PricewaterhouseCoopers S.p.A.	Pirelli & C. S.p.A.	140		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	-		
	Network PricewaterhouseCoopers	Subsidiaries	-	140	4%
				<b>3.583</b>	<b>100%</b>

(1) the term "independent certification services" indicates the amounts paid for other services that require the issuance of an auditor's report, as well as the amounts paid for the so-called certification services, as they are concomitant with the statutory auditing services

The Board of Statutory Auditors considers the fees mentioned above to be adequate to the size, complexity and characteristics of the work carried out, and also considers that the non-audit assignments (and their fees) are not such as to have an impact on the independence of the external auditor.

In this latter regard, it should be noted that the Board of Directors, after having obtained the assessment of the Audit, Risks, Sustainability and Corporate Governance Committee, was in agreement with the Statutory Auditors' opinion.

We would like to remind you that pursuant to Regulation (EU) no. 537/2014, the Board of Statutory Auditors, as the Internal Control and Audit Committee, is required to monitor the assignments other than auditing attributed to the external auditor in order to comply with the limit of 70% of the average

fees paid in the last three financial years for the external audit. The Company has launched a procedure to comply with the aforementioned standard.

The Board of Statutory Auditors notes:

- that it assessed the adequacy of these procedures which are adequate to allow the Board of Statutory Auditors to understand the reasons for the proposal to assign a service other than an external audit and to possess all the data required to carry out the assessments;
- that it shared with the auditing firm the methodological system used for the calculation and periodic update of the aforementioned fee cap and payments made to the auditing firm for non-audit tasks carried out, and that said methodological system is deemed adequate for the purpose of monitoring compliance with the independence requirements of the auditing firm itself, and
- that the remuneration received by PWC during 2022 for services other than external auditing do not exceed 70% of the average remuneration for the external audit carried out at Pirelli and received in the three-year period 2019-2021.

#### ORGANISATIONAL STRUCTURE

The Board of Statutory Auditors considered the Company's organisational structure to be adequate for the needs of the Company and appropriate to ensure that the principles of correct administration are respected.

The Report on the Corporate Governance and Share Ownership describes in detail the types of powers conferred on the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera and the Deputy-CEO and indicates the matters reserved to the competence of the Board of Directors of Pirelli.

It should be noted that on 5 April 2023 the Board of Directors confirmed its preceding assessments regarding the absence of a subject that exercises direction and coordination of the Company pursuant to article 2497 of the Italian Civil Code, without prejudice to the right of the parent company to include Pirelli within its own consolidation perimeter for accounting purposes.

It is useful to note that Pirelli exercises direction and coordination activity on numerous subsidiaries, having made the communications required by article 2497-*bis* of the Italian Civil Code. The Company imparted instructions to the subsidiaries regarding compliance with the provisions pursuant to article 114 of the TUF that Board of Statutory Auditors deems adequate.

#### REMUNERATION OF THE DIRECTORS, GENERAL MANAGER AND KEY MANAGERS WITH STRATEGIC RESPONSIBILITIES

During 2022, the Board of Statutory Auditors has expressed the opinions required by law regarding

proposals for the remuneration of directors holding special offices, pursuant to the provisions of article 2389 of the Italian Civil Code.

In particular, the Board of Statutory Auditors:

- at the Board of Directors' meeting of 23 February 2022, it expressed its favourable opinion on the approval of the 2022 STI Plan;
- at the Board of Directors' meeting of 17 March 2022, it expressed its favourable opinion on the approval of the 2022-2024 LTI Plan and the approval of the 2022 remuneration report (made up of the 2022 Policy and the Report on Compensation Paid in 2021), as well as the related Directors' Reports to the Shareholders' Meeting on compensation.

In addition, following the close of the 2022 financial year, the Board of Statutory Auditors:

- at the Board of Directors' meeting of 22 February 2023, expressed its favourable opinion on the approval of the 2023 STI Plan;
- at the Board of Directors' meeting of 5 April 2023, expressed its favourable opinion on the approval of the 2022-2024 LTI Plan and the approval of the 2023 remuneration report (made up of the 2023 Policy and the Report on Compensation Paid in 2022), as well as the related Directors' Reports to the Shareholders' Meeting on compensation.

For more details see the Report on the Remuneration Policy and on Compensation Paid.

#### FURTHER ACTIVITIES OF THE BOARD OF STATUTORY AUDITORS AND INFORMATION REQUIRED BY CONSOB

In exercising its duties, the Board of Statutory Auditors, as prescribed in article 149 of the TUF, monitored:

- observance of the law and the deed of incorporation;
- compliance with the principles of correct administration;
- the adequacy, for those aspects within its remit, of the organisational structure of the Company, the internal control system and the administrative-accounting system, and of the reliability of the latter to correctly represent operations;
- as already pointed out, how the corporate governance rules contained in the codes of conduct which the Company, in a notice to the public, declares that it complies with are actually implemented. In this respect, it should be noted that, pursuant to article 123-bis of the TUF, the Company has, also for the 2022 financial year, drafted its annual Report on the Corporate Governance and Share Ownership which provides information on (i) the corporate governance practices actually applied by the Company, over and above the obligations specified in the legal or regulatory provisions, (ii) the principal features of the risk and internal control systems that exist in relation to the financial reporting process, including the consolidate financial

reports, (iii) how the Shareholders' Meeting functions, including its principal powers and shareholders' rights and how they are exercised, (iv) the composition and operation of the administration and control bodies and their committees, and the other information specified in article 123-bis of the TUF;

- the adequacy of the instructions imparted by the Company to its subsidiaries pursuant to article 114, paragraph 2 of the TUF, having ascertained that the Company is able to promptly and regularly fulfil the disclosure obligations set out in law and in the EU regulations, as prescribed in the aforementioned article, also by collecting information from the heads of the organisational departments, and periodic meetings with the external auditor, to exchange significant data and information. In this regard, we have no particular comments to make.

It should also be noted that the Directors' Report on Operations includes a paragraph containing a description of the principal features of the internal control and risk management system in relation to the financial reporting process, including the reporting of consolidated financial information.

The Board of Statutory Auditors notes:

- that the Directors' Report on Operations complies with the current laws, reflecting the resolutions made by the administrative body and the results in the Financial Statements, and contains adequate information on operations during the year and on intra-group transactions. The section containing the report on transactions with related parties has been included in the explanatory notes to the Financial Statements, in compliance with the IFRS standards;
- that the explanatory notes comply with the current standards indicating the criteria used in determining the items of the Financial Statements and in the value adjustments, and that the Financial Statements have been drafted in accordance with the structure and frameworks imposed by the current standards. In application of Consob's provisions, the effects of relations with related parties on the Company's profitability, financial position, assets and liabilities and cash flows;
- that Directors and/or Senior Managers of the Parent Company are members of the Boards of Directors of the principal subsidiary companies to guarantee coordinated direction and an adequate flow of information, also supported by suitable accounting information.

It should also be noted that the Board of Statutory Auditors:

- received information from the Directors at least once every quarter concerning their activity and the transactions carried out by the Company having the greatest impact on its strategy, earnings, financial position and equity, and that it received this information in compliance with the specific procedure approved by the Board of Directors. The Board of Statutory Auditors can give reasonable assurance that the resolved and executed transactions comply with the law and the Bylaws, and are not manifestly imprudent, reckless or in conflict of interest, or in violation of the resolutions passed by the Shareholders' Meeting, or capable of compromising the integrity of the company's assets;

- received from the Supervisory Body, of which Standing Auditor Ms. Antonella Carù is a member, information about the results of its own control activity, which did not reveal anomalies or misconduct;
- held periodic meetings with representatives of the external auditor in order to exchange significant data and information for the performance of its duties, as prescribed in article 2409-*septies* of the Italian Civil Code and in article 150, paragraph 3 of the TUF. In this regard, it should be noted that no significant data and information were identified which would require a mention in this Report;
- obtained information from the corresponding bodies of the main subsidiaries with regard to their management and control systems and their general operating performance (pursuant to paragraph 1 and 2 of article 151 of the TUF);
- expressed a favourable opinion on the appointment - to replace Mr Giorgio Luca Bruno - of Mr Fabio Bocchio as the Manager Responsible following the organisational structure streamlining process, as resolved by the Board of Directors on 3 November 2022;
- issued a favourable opinion pursuant to article 2386 of the Italian Civil Code on the appointment by co-optation (i) of Director Yang Shihao, which took place on 10 May 2022; (ii) of the Chairman of the Board of Directors Li Fanrong, which took place on 11 October 2022 and most recently (iii) of Director Wang Feng, which took place on 22 February 2023;
- received the annual report from the Company's Data Protection Officer which showed the Company is fully compliant with privacy legislation;
- took part in the meetings of the Related-Party Transactions Committee during which opinions were expressed on the performance of Related-Party Transactions, meeting the requirements set out in the relevant Consob Regulation and the procedure adopted by the Company in particular:
  - (i) it supervised compliance with the aforesaid procedure and with the provisions of laws and regulations on related-party transactions and the correctness of the process followed by the Board and the relevant Committee on the subject of defining related parties and had no comments to make in this respect; (ii) it periodically received detailed information from the Company on transactions carried out with related parties that were "not intragroup" and (iii) it made a positive assessment of the compliance of minor transactions examined by the Related-Party Transactions Committee with the interests of the Company;
- approved the content of the amendments to the RPT Procedure, approved by the Board of Directors to take into account the changes made to the organisational structure.

During the 2022 financial year the Board of Statutory Auditors did not receive any complaints or reports pursuant to article 2408 of the Italian Civil Code.

The Board of Statutory Auditors acknowledges that two requests for information were received from



Consob pursuant to article 115, paragraph 1, letter a) of Legislative Decree No. 58/98, addressed, respectively, to the Company and to the Board of Statutory Auditors, which were answered within the required terms. No further requests for clarification and/or additional documents were received from Consob.

With regard to the external auditor, the Board of Statutory Auditors noted that PWC:

- issued its report pursuant to article 14 of legislative decree no. 39/ of 27 January 2010 and article no. 10 of Regulation (EU) 537/2014 on 6 April 2023. This containing its unqualified opinion stating that the separate and consolidated financial statements provide a truthful and accurate representation of the equity and financial position of Pirelli and of the Group as at 31 December 2022, and of the economic results and cash flow for the financial year that closed on that date, in compliance with applicable accounting standards, and provided evidence of key aspects of their audit;
- issued a coherence opinion indicating that the Report on Operations accompanying the Financial Statements as at 31 December 2022, and some specific information contained in the Report on the Corporate Governance and Share Ownership, as laid down in article 123-*bis*, paragraph 4, of the TUF have been drafted in compliance with current legislation;
- as regards possible significant errors in the Report on Operations, stated that, based on the knowledge and understanding of the company and its market that it had acquired in the course of the audit activities, it had no matters to raise;
- confirmed the Company's statement regarding the fact that no other assignments have been given to persons or entities with on-going relationships with the external auditor itself;
- issued a judgement on compliance with the provisions of Delegated Regulation (EU) 815/2019, which shows that the Financial Statements were prepared in XHTML format and that the Consolidated Financial Statements were tagged in compliance with the provisions of the Regulation;
- on 6 April 2023, provided the Board of Statutory Auditors with the Additional Report referred to in article 11 of regulation EU 537/2014, indicating that there were no significant shortcomings in the internal control system in relation to the financial reporting process that needed to be brought to the attention of persons responsible for "governance" activities;
- on 6 April 2023, pursuant to article 3, paragraph 10 of legislative decree no. 254 of 30 December 2016, issued the Report on responsible management of the value chain (consolidated non-financial disclosure pursuant to legislative decree no. 254, of 30 December 2016), concluding that no elements had come to PWC's attention that led it to believe that the group's NFD for the year to 31 December 2022 had not been drawn up, in all significant aspects, in accordance with the requirements set out in legislative decree 254/2016 and the GRI Standards;
- annexed to the Additional report, the external auditor provided the Board of Statutory Auditors,

pursuant to article 6 of Regulation EU 537/2014, with a statement from which no situations emerge that could compromise the independence of the external auditor (for more details concerning the provision of non-auditing services, see the paragraph entitled “supervising the independence of the external auditor, in particular with regard to the provision of non-auditing services” in this Report).

The Board of Statutory Auditors also took note of the Transparency Report drafted by the external auditor and published on its web site, pursuant to article 18 of legislative decree 39/2010.

Furthermore, with regard to the corporate bodies, the Board of Statutory Auditors noted that the current Board of Directors – the mandate of which will expire with the Shareholders' Meeting called to approve the Financial Statements for the year – as of the date of the Report is composed of 15 Directors, 13 of whom qualified as non-executive directors and, of these, 8 deemed to possess the requirements of independence specified in the Corporate Governance Code and the TUF.

The whole Board of Statutory Auditors is entitled to participate in the activities of the Audit, Risks, Sustainability and Corporate Governance Committee, the Remuneration Committee and the Related-Party Transactions Committee; the Chairman is invited to attend meetings of the Appointments and Succession Committee and Strategies Committee, as representative. The Board of Statutory Auditors is also entitled to attend the Shareholders' Meeting.

At the date of the Report:

- the Audit, Risk, Sustainability and Corporate Governance Committee is composed of five Directors, the majority of whom are independent (the Chairman is an independent Director). During 2022, it met six times;
- the Remuneration Committee is composed of five Directors, the majority of whom are independent (the Chairman is an independent Director). During 2022, it met three times;
- the Related-Party Transactions Committee is composed of three Directors, all independent. During 2022, it met four times;
- the Appointments and Succession Committee is composed of four Directors, one of whom is the executive Director. It did not meet during 2022;
- the Strategies Committee is composed of eight Directors, including the Executive Director, the Deputy-CEO and three independent Directors. It did not meet during 2022.

The Board of Statutory Auditors attended eight meetings of the Board of Directors and, also through its Chairman, the meetings of the board Committees, also in its capacity as Internal Control and Audit Committee pursuant to article 19 of legislative decree no. 39 of 27 January 2010. In particular, the Board of Statutory Auditors attended six meetings of the Risk and Corporate Governance Committee, three meetings of the Remuneration Committee, four meetings of the Related-Party Transactions Committee and one Shareholders' Meeting.

In addition, the Board of Statutory Auditors attended the induction sessions organised by the Company.

The percentage attendance figures of the single members of the Board of Statutory Auditors at the meetings of the above bodies are provided in the Report on the Corporate Governance and Share Ownership.

Finally, the Statutory Auditors acknowledge:

- that they have monitored fulfilment of the requirements linked to the "Market Abuse" and "Investor Protection" regulations on the subject of corporate information and internal dealing, with particular reference to the handling of inside information and the procedure for the dissemination of press releases and information to the public;
- that they periodically ascertained, from their appointment and most recently in their meeting on 16 March 2023, as recommended by the Corporate Governance Code, that members fulfil the same independence requirements - where applicable - as those required of directors in the aforementioned Codes of Conduct. The composition of the Board of Statutory Auditors is adequate to ensure the independence and professionalism of its function in every respect - as also emerged from the outcome of the last self-assessment undergone by the Board of Statutory Auditors;
- that they have found that the criteria and procedures to ascertain the independence requirements adopted by the Board of Directors to annually check the independence of its members are correctly applied, and have no comments to make on this point;
- that they have determined that the Directors' report on the Company's Financial Statements describes the principle risks and uncertainties to which the Company is exposed;
- that, with reference to the provisions of article 15 of Consob Regulation 20249 of 28 December 2017 concerning market discipline, they have ascertained that the organisation of the company and the procedures adopted enable Pirelli to ensure that the companies it controls and which are constituted in and regulated by the laws of States that are not members of the European Union subject to respecting the aforementioned Consob provisions, have administrative-accounting systems appropriate to regularly provide the senior management and external auditor of the Company with the information on its profitability, financial position and assets and liabilities needed to draw up the consolidated financial statements. The subsidiaries set up in and regulated by the laws of States that are not members of the European Union which, as of 31 December 2022, are of significant importance under article 15 of Consob Market Regulation are listed in detail by the Company in the Report on Operations.

During the course of its supervisory activities, and on the basis of the information obtained

from the external auditor, no omissions, misconduct, irregularities or significant facts were found

which are worthy of being reported or mentioned in this Report.

The activities described above, conducted both collectively and individually, have been documented in the minutes of the 11 meetings of the Board of Statutory Auditors held during 2022.

#### BOARD OF STATUTORY AUDITORS SELF-ASSESSMENT PROCESS

In 2022, the Board of Statutory Auditors – in continuity with the previous financial year and as recommended by the Standards of Conduct – conducted a self-assessment with the assistance of an independent consulting firm.

This process was carried out through individual interviews, based on a questionnaire containing questions on the suitability, size, composition and operation of the Board of Statutory Auditors in order to attest that the body is operating correctly and effectively and that its composition is adequate and the related outcomes were discussed and agreed upon by the Board of Statutory Auditors during a dedicated meeting held on 16 March 2023.

The Board of Statutory Auditors reports that the self-assessment for 2022 confirmed the broadly positive picture seen in the previous financial year and previous terms on the composition and operation of the Board of Statutory Auditors. It is acknowledged that the Company has put the Board of Statutory Auditors in a position to keep abreast of the business and dynamics of the Group, guaranteeing the efficient performance of its work.

#### BOARD OF DIRECTORS SELF-ASSESSMENT PROCESS

The Board of Statutory Auditors notes that the Board of Directors carried out the process to evaluate its operation and the operation of its Committees (board performance evaluation) for the 2022 financial year.

#### PROPOSALS TO THE SHAREHOLDERS' MEETING

##### **Financial Statements at 31 December 2022**

The Board of Statutory Auditors expresses its favourable opinion on the approval of the Financial Statements for the year ending on 31 December 2022 and has no objections to raise regarding the proposal made

- a) to approve the Company's Financial Statements for the year ended 31 December 2022, as presented by the Board of Directors as a whole, in the individual entries and with the proposed provisions, showing a profit of 252,485,607.00 euros;
- b) to distribute to shareholders a dividend, gross of withholding taxes, of 0.218 euros for each of the 1,000,000,000 outstanding ordinary shares, for a total of 218,000,000 euros;
- c) to carry forward the remaining profits, amounting to 34,485,607.00 euros;
- d) to authorise the Directors to allocate to profits carried forward the balance of the rounding that may be determined at the time of payment of the dividend;

- e) to establish, for the case in which, before the ex-dividend date, the number of outstanding ordinary shares changes following the bond conversion of the equity-linked bond named “EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025”, that the abovementioned dividend unit remains unchanged and that the amount required for the distribution of any new shares is taken from the item “Reserve retained earnings”.

#### **Remuneration policy and compensation paid**

Please note that the Board of Statutory Auditors expressed a favourable opinion of the Remuneration Policy for the 2023 financial year subject to the binding vote of the Shareholders’ Meeting and the Report on Compensation Paid in the 2022 financial year, subject to the advisory vote of the Shareholders’ Meeting. Therefore, it has no objections.

#### **Three-year monetary incentive plan for the Pirelli group’s management**

We inform you that the Board of Statutory Auditors has expressed a favourable opinion, to the extent of its competence, on the adoption of the new 2023-2025 LTI plan and has no objections.

#### **Other issues submitted to the shareholders’ meeting for approval**

Regarding the other issues submitted to you for approval (appointment of the Board of Directors and “Directors and Officers Liability Insurance” Policy), the Board of Statutory Auditors has no comments to make.

\*\*\*\*

Pursuant to article 144-*quinquiesdecies* of the Issuers’ Regulation, duly approved by Consob with resolution 11971/99, as subsequently amended and supplemented, the list of offices held by members of the Board of Statutory Auditors in the companies listed in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code is published by Consob on its website ([www.consob.it](http://www.consob.it)).

It should be noted that article 144-*quaterdecies* (Consob reporting obligations) of the Issuers’ Regulation establishes that a person who is a member of the controlling body of just one issuer is not subject to the reporting obligations provided by said article, and therefore, in that case, they do not appear in the lists published by Consob.

The Company lists the main positions held by the members of the Board of Statutory Auditors in its Report on the Corporate Governance and Share Ownership.

The Board of Statutory Auditors here acknowledges that all its members were in full compliance of the aforementioned regulatory provisions laid down by Consob governing the “maximum number of positions to be held”.

Milan, 6 April 2023

For the Board of Statutory Auditors

The Chairman, Mr Riccardo Foglia Taverna







# RESOLUTIONS

# PROPOSAL FOR APPROVAL OF THE FINANCIAL STATEMENTS AND ALLOCATION OF THE RESULT FOR THE YEAR

Shareholders,

The year ended December 31, 2022 closed with a profit of euro 252,485,607.00.

Considering that following the shareholders' meeting resolutions adopted in 2017, the legal reserve was completed and reached the limit established by article 2430 of the Civil Code, the Board of Directors proposes the distribution of a dividend, gross of withholding taxes, of euro 0.218 for each of the 1,000,000,000 outstanding ordinary shares and the carry-forward of the remaining profit of euro 34,485,607.00.

The aforementioned proposal is in line with the dividend policy approved by the Board of Directors on March 31, 2021, which provides for a distribution equal to ~50% of the consolidated net result in the period 2021-2022.

The proposed dividend was calculated taking into account the number of shares currently outstanding. This number may vary following any requests for conversion of the "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025". In this case, the Board proposes to withdraw any necessary amounts from the item "Retained earnings reserve".

If you agree with our proposal, we request that you adopt the following

## RESOLUTIONS

"The Shareholders' Meeting,

- having examined the annual report at December 31, 2022;
- having acknowledged the report of the Board of Statutory Auditors;
- having acknowledged the report of the Independent Auditors;

## RESOLVES

- a) to approve the Company's financial statements for the year ended December 31, 2022, as presented by the Board of Directors as a whole, in the individual entries and with the proposed provisions, showing a profit of euro 252,485,607.00;

- b) to distribute to shareholders a dividend, gross of withholding taxes, of euro 0.218 for each of the 1,000,000,000 outstanding ordinary shares, for a total of euro 218,000,000;
- c) to carry forward the remaining profit of euro 34,485,607.00;
- d) to authorize the Directors to allocate to retained earnings the balance of the rounding that may be determined at the time of payment of the dividend;
- e) to establish, in the event that before the ex-dividend date, the number of outstanding ordinary shares changes following the eventual conversion of the "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", that the unit dividend referred to above will remain unchanged and that the amount necessary for distribution to any new shares will taken from the item "Retained earnings reserve".

The dividend for the year 2022 will be paid as from July 26, 2023, with ex dividend date on July 24, 2023 (record date July 25, 2023).





# CERTIFICATIONS

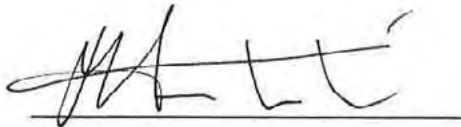
**CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS  
PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE 58 OF  
FEBRUARY 24, 1998, AND PURSUANT TO ARTICLE 81-TER OF CONSOB  
REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED**

1. The undersigned Marco Tronchetti Provera, in his capacity as Executive Vice Chairman and Chief Executive Officer, and Fabio Bocchio, in his capacity as Corporate Financial Reporting Manager of Pirelli & C. S.p.A. hereby certify pursuant to, *inter alia*, Article 154-bis, clauses 3 and 4, of Legislative Decree 58 of February 24, 1998:
  - a. the adequacy in relation to the characteristics of the company and
  - b. the effective application of the administrative and accounting procedures for preparation of the consolidated financial statements, during the period January 1, 2022 – December 31, 2022.
  
2. In this regard it should be noted that the adequacy of the administrative and accounting procedures for preparation of the consolidated financial statements for the year ended December 31, 2022 was determined on the basis of an assessment of the internal control system. This assessment was based on a specific process defined in accordance with the criteria laid down in the “Internal Control – Integrated Framework” guidelines issued by the “Committee of Sponsoring Organizations of the Treadway Commission” (COSO), which is a reference framework generally accepted at the international level.
  
3. We also certify that:
  - 3.1. the consolidated financial statements:
    - a. were prepared in accordance with the applicable international accounting standards recognised in the European Union under the terms of Regulation (EC) 1606/2002 of the European Parliament and Council, of July 19, 2002;
    - b. correspond to the information in the account ledgers and books;
    - c. give a true and fair view of the assets, liabilities, income, expenses and financial position of the reporting entity and of the Group of companies included in the scope of consolidation.

3.2. The report on operations includes a reliable analysis of the performance and results of operations, and of the situation of the reporting entity and of the Group of companies included in the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

April 5, 2023

The Executive Vice Chairman and  
Chief Executive Officer



(Marco Tronchetti Provera)

The Corporate Financial Reporting Manager



(Fabio Bocchio)



**PIRELLI & C SPA**

**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE  
WITH ARTICLE 14 OF LEGISLATIVE DECREE 39/2010 AND  
ARTICLE 10 OF REGULATION (EU) 537/2014**

**CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**





## **Independent auditor's report**

*in accordance with article 14 of Legislative Decree 39/2010 and article 10 of Regulation (EU) 537/2014*

To the shareholders of Pirelli & C SpA

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of Pirelli & C SpA and its subsidiaries (Pirelli group), which comprise the statement of financial position as of 31 December 2022, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Pirelli group as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in section Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of this report. We are independent of Pirelli & C SpA (the Company) based on ethic and independence regulations and standards applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **PricewaterhouseCoopers SpA**

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.800.000,00 I.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissant 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Franca 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelaudolfo 9 Tel. 0444 393311

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**Key audit matter**

**Audit procedures to address the key audit matter**

**Recoverability of brands with indefinite useful life and goodwill**

*Note 10 “Intangible assets”*

As of 31 December 2022 the indefinite-lived intangible assets Pirelli brand and goodwill amount to € 2,270 million and € 1,885 million, respectively.

Recoverability of the carrying amount of Pirelli brand and goodwill were tested for impairment at the year-end, in accordance with IAS36 – “Impairment of Assets”.

The recoverable amount of Pirelli brand is measured using its fair value less cost to sell, based on an income approach. This requires the use of estimates of future earnings attributable to the brand, net of the contribution assigned to the other operating assets (multi-period excess earnings method) and discount rate.

The recoverable amount of goodwill, entirely allocated to the the group of cash generating units (“CGU”) “Consumer segment”, which represents the sole sector of activity of Pirelli group, is measured using its value in use, calculated based on the expected future cash flows of the Consumer segment.

The recoverable amount of Pirelli Brand is compared with its carrying amount. The recoverable amount of the Consumer segment is compared with the carrying amount of segment assets and liabilities, including brand and goodwill.

Considering the magnitude of the carrying amounts and the subjective judgment in some of the assumptions used for the calculation of the recoverable amounts, the impairment test of the carrying amounts of Pirelli brand and goodwill represented a key matter in the audit of the consolidated financial statements.

We have performed an understanding and evaluation of the internal controls in place over the impairment testing of brand and goodwill.

We have tested the operating effectiveness of such controls.

We have performed, with the support of PwC experts, the following audit procedures:

- assessment over the adequacy of the impairment testing process in accordance with the requirement of the accounting standard;
- assessment of the key assumptions used when determining the fair value of Pirelli brand, with focus to future earnings attributable to the brand, net of the contribution assigned to the other operating assets (multi-period excess earnings method) and discount rate, including benchmarking and sensitivity analysis;
- assessment of the allocation of goodwill to CGUs;
- assessment of the key assumptions used when determining the value in use of the Consumer segment, to which the goodwill is allocated, with focus to expected cash flow projections and discount rate, including benchmarking e sensitivity analysis;
- testing of the accuracy of the carrying amounts of assets and liabilities directly attributable to the Consumer segment;
- testing the mathematical accuracy of the calculation model used;
- assessment of variances between projections used in previous years and actual results to evaluate reliability and coherence with market trends.

We have tested the accuracy and completeness of the disclosure presented in the notes to the consolidated financial statements.



**Key audit matter**

**Audit procedures to address the key audit matter**

**Revenue recognition**

*Note 3 "Adopted Accounting Standards"*

The recognition of revenues, amounting to € 6,616 million in 2022, represented a key matter in the audit of the consolidated financial statements, also considering the magnitude and the high volume of sales transactions carried out through a global distribution network, different sales channels and logistic platforms.

We have carried out our procedures to verifying existence, completeness, accuracy and cut off of sales transactions.

We have performed, with the support of PwC specialists, the following audit procedures:

- for the main revenue streams identified using the requirements of IFRS15, we have performed an understanding and evaluation of the internal controls over the revenue recognition process and a validation of relevant controls;
- we have tested the proper recognition of revenue through testing samples of sales transactions, obtaining appropriate supporting evidence with specific attention to key contractual terms regulating the various performance obligations;
- we have performed external confirmation procedures over accounts receivable balances with the objective of validating trade receivable balances recorded in the consolidated accounts;
- we have tested samples of sales returns transactions, credit notes and year-end accruals.

We have tested the accuracy and completeness of the disclosure presented in the notes to the consolidated financial statements.



### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the group ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management intends either to liquidate Pirelli & C SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the group financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional scepticism throughout the audit. Furthermore:

- we identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we design and perform audit procedures responsive to those risks; we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;



- we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group internal control;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report.

***Additional Disclosures required by article 10 of Regulation (EU) 537/2014***

We were appointed by the shareholders of Pirelli & C SpA at the general meeting held on 1 August 2017 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2017 through 31 December 2025.



We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared in accordance with article 11 of the aforementioned Regulation.

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### ***Report on Compliance with other Laws and Regulations***

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#### ***Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 815/2019***

Management of Pirelli & C SpA is responsible for the application of the provisions of the Commission Delegated Regulation (EU) 815/2019 concerning the regulatory technical standards for the specification of a single electronic reporting format ESEF – European Single Electronic Format (Commission Delegated Regulation) to the consolidated financial statements, to be included in the annual report.

We have performed the procedures required under auditing standard (SA Italia) 700B to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

#### ***Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree 39/2010 and article 123-bis, paragraph 4, of Legislative Decree 58/1998***

Management of Pirelli & C SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Pirelli group as of 31 December 2022, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the report on operations and of the specific information included in the



report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/1998 with the consolidated financial statements of the Pirelli group as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Pirelli group as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/2010, issued on the basis of our knowledge and understanding of the group obtained in the course of the audit, we have nothing to report.

***Statement in accordance with article 4 of Consob Regulation implementing Legislative Decree 254/2016***

Management of Pirelli & C SpA is responsible for the preparation of the non-financial disclosure in accordance with Legislative Decree 254/2016. We have verified that the non-financial disclosure was approved by the board of directors.

In accordance with article 3, paragraph 10, of Legislative Decree 254/2016, the non-financial disclosure is subject to separate audit reporting by our firm.

Milan, 6 April 2023

PricewaterhouseCoopers SpA

*Signed by*

Paolo Caccini  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*

**CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS  
PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE 58 OF  
FEBRUARY 24, 1998, AND PURSUANT TO ARTICLE 81-TER OF CONSOB  
REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED**

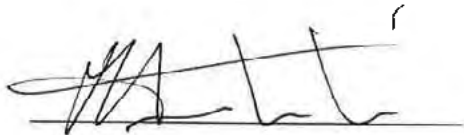
1. The undersigned Marco Tronchetti Provera, in his capacity as Executive Vice Chairman and Chief Executive Officer, and Fabio Bocchio, in his capacity as Corporate Financial Reporting Manager of Pirelli & C. S.p.A. hereby certify pursuant to, *inter alia*, Article 154-bis, clauses 3 and 4, of Legislative Decree 58 of February 24, 1998:
  - a. the adequacy in relation to the characteristics of the company and
  - b. the effective application of the administrative and accounting procedures for preparation of the separate financial statements, during the period January 1, 2022 – December 31, 2022.
2. In this regard it should be noted that the adequacy of the administrative and accounting procedures for preparation of the separate financial statements for the year ended December 31, 2022 was determined on the basis of an assessment of the internal control system. This assessment was based on a specific process defined in accordance with the criteria laid down in the “Internal Control – Integrated Framework” guidelines issued by the “Committee of Sponsoring Organizations of the Treadway Commission” (COSO), which is a reference framework generally accepted at the international level.
3. We also certify that:
  - 3.1. the separate financial statements:
    - a. were prepared in accordance with the applicable international accounting standards recognised in the European Union under the terms of Regulation (EC) 1606/2002 of the European Parliament and Council, of July 19, 2002;
    - b. correspond to the information in the account ledgers and books;
    - c. give a true and fair view of the assets, liabilities, income, expenses and financial position of the reporting entity and of the Group of companies included in the scope of consolidation.



3.2. The report on operations includes a reliable analysis of the performance and results of operations, and of the situation of the reporting entity, together with a description of the principal risks and uncertainties to which they are exposed.

April 5, 2023

The Executive Vice Chairman and  
Chief Executive Officer



(Marco Tronchetti Provera)

The Corporate Financial Reporting Manager



(Fabio Bocchio)



**PIRELLI & C SPA**

**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE  
WITH ARTICLE 14 OF LEGISLATIVE DECREE 39/2010 AND  
ARTICLE 10 OF REGULATION (EU) 537/2014**

**SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**



## **Independent auditor's report**

*in accordance with article 14 of Legislative Decree 39/2010 and article 10 of Regulation (EU) 537/2014*

To the shareholders of Pirelli & C SpA

### **Report on the Audit of the Separate Financial Statements**

#### **Opinion**

We have audited the separate financial statements of Pirelli & C SpA (the "Company"), which comprise the statement of financial position as of 31 December 2022, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in section Auditor's Responsibilities for the Audit of the Separate Financial Statements of this report. We are independent of the Company based on ethic and independence regulations and standards applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **PricewaterhouseCoopers SpA**

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**Key audit matter**

**Audit procedures to address the key audit matter**

**Recoverability of brands with indefinite useful life**

*Note 9 "Intangible assets"*

As of 31 December 2022 the indefinite-lived intangible asset Pirelli brand amounts to € 2,270 million.

Recoverability of the carrying amount of Pirelli brand was tested for impairment at the year-end, in accordance with IAS36 – "Impairment of Assets".

The recoverable amount of Pirelli brand is measured using its fair value less cost to sell, based on an income approach. This requires the use of estimates of future earnings attributable to the brand, net of the contribution assigned to the other operating assets (multi-period excess earnings method) and discount rate.

The recoverable amount of Pirelli brand is compared with its carrying amount.

Considering the magnitude of the carrying amount and the subjective judgment in some of the assumptions used for the calculation of the fair value less cost to sell, the impairment test of Pirelli brand represented a key matter in the audit of the separate financial statements.

We have performed an understanding and evaluation of the internal controls in place over the impairment testing of the Pirelli brand. We have tested the operating effectiveness of such controls.

We have performed, with the support of PwC experts, the following audit procedures:

- assessment over the adequacy of the impairment testing process in accordance with the requirement of the accounting standard;
- assessment of the key assumptions used when determining the fair value of Pirelli brand, with focus to future earnings attributable to the brand, net of the contribution assigned to the other operating assets (multi-period excess earnings method) and discount rate, including benchmarking and sensitivity analysis;
- testing the mathematical accuracy of the calculation model used;
- assessment of variances between projections used in previous years and actual results to evaluate the reliability and coherence with market trends.

We have tested the accuracy and completeness of the disclosure presented in the notes to the separate financial statements.



### ***Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements***

Management is responsible for the preparation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company ability to continue as a going concern and, in preparing the separate financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the separate financial statements, management uses the going concern basis of accounting unless management intends either to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Separate Financial Statements***

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional scepticism throughout the audit. Furthermore:

- we identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error; we design and perform audit procedures responsive to those risks; we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company internal control;



- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our report.

***Additional Disclosures required by article 10 of Regulation (EU) 537/2014***

We were appointed by the shareholders of Pirelli & C SpA at the general meeting held on 1 August 2017 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2017 through 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared in accordance with article 11 of the aforementioned Regulation.



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## ***Report on Compliance with other Laws and Regulations***

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### ***Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 815/2019***

Management of Pirelli & C SpA is responsible for the application of the provisions of Commission Delegated Regulation (EU) 815/2019 concerning the regulatory technical standards for the specification of a single electronic reporting format ESEF - European Single Electronic Format (Commission Delegated Regulation) to the separate financial statements, to be included in the annual report.

We have performed the procedures required under auditing standard (SA Italia) 700B to express an opinion on the compliance of the separate financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the separate financial statements have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

### ***Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree 39/2010 and article 123-bis, paragraph 4, of Legislative Decree 58/1998***

Management of Pirelli & C SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Pirelli & C SpA as of 31 December 2022, including their consistency with the relevant separate financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/1998 with the separate financial statements of the Company as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatement, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the separate financial statements of the Company as of 31 December 2022 and are prepared in compliance with the law.



With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/2010, issued on the basis of our knowledge and understanding of the Company obtained in the course of the audit, we have nothing to report.

Milan, 6 April 2023

PricewaterhouseCoopers SpA

*Signed by*

Paolo Caccini  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*





GRI CONTENT INDEX

<b>STATEMENT OF USE</b>	Pirelli has reported in accordance with the GRI Standards for the period 01/01/2022 - 31/12/2022.
<b>GRI 1 USED</b>	GRI 1: Foundation 2021
<b>APPLICABLE GRI SECTOR STANDARD(S)</b>	NA

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	PAGE	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION

**GENERAL DISCLOSURES**

<b>GRI 2: GENERAL DISCLOSURES 2021</b>	2-1 Organizational details	Corporate website (www.pirelli.com) Pirelli and its Management Model Report on the Corporate Governance and Share Ownership of Pirelli & C SpA - Glossary Company Profile Significant shareholdings of capital Scope of consolidation - Companies consolidated line-by-line	Corporate website (www.pirelli.com) 99-100, 228-229, 229-230, 231, 416-421	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.		
	2-2 Entities included in the organization's sustainability reporting	Methodological note Scope of Reporting Scope of consolidation - Companies consolidated line-by-line	98-99, 154, 416-421			
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	2-4 Restatements of information	Methodological note	98-99			
	2-5 External assurance	Methodological note Independent auditor's report on the consolidated non-financial disclosure	98-99, 553-557			
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	2-8 Workers who are not employees	Pirelli employees around the world	179-185			
	2-9 Governance structure and composition	Model of Corporate Governance Role of the Board of Directors Functioning of Committees Pirelli and its Management Model Diversity Policies Diversity, equity and inclusion	230, 236, 246-247, 99-100, 240, 185-190			
	2-10 Nomination and selection of the highest governance body	Corporate website (www.pirelli.com) Pirelli and its Management Model Appointment and Replacement Induction Program	Corporate website (www.pirelli.com) 99-100, 236-237, 241			
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	2-16 Communication of critical concerns	System of Internal Control And Risk Management - Audit, Risks, Sustainability And Corporate Governance Committee	252		Confidentiality constraints	Pirelli do not disclose this information for Business related constraints
	2-17 Collective knowledge of the highest governance body	Corporate website (www.pirelli.com) Pirelli and its Management Model Induction Program	Corporate website (www.pirelli.com) 99-100, 241			
	2-18 Evaluation of the performance of the highest governance body	Board of Directors Self-Assessment Process	242-243			
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<b>TALENT ACQUISITION, DEVELOPMENT AND RETENTION</b>						
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-3 Management of material topics	Employer Branding Development	191, 191-192			
<b>GRI 401: EMPLOYMENT 2016</b>	401-1 New employee hires and employee turnover	Employee flows by geographic area, gender and age bracket	183-185			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Supplementary Pension Plans, Supplementary Health Plans and other Social Benefits	199-200			
	401-3 Parental leave	Diversity, equity and inclusion	185-190			
<b>GRI 402: LABOR/ MANAGEMENT RELATIONS 2016</b>	402-1 Minimum notice periods regarding operational changes	Industrial Relations	198-200			
<b>OCCUPATIONAL HEALTH AND SAFETY</b>						
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-3 Management of material topics	Occupational health, safety and hygiene	200-207			
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018</b>	403-1 Occupational health and safety management system	Model Management System	200, 201-202			
	403-2 Hazard identification, risk assessment, and incident investigation	Safety Culture and Training Monitoring of Health and Safety Performance and Main Indicators	202-203, 203-207			
	403-3 Occupational health services	Safety Culture and Training Monitoring of Health and Safety Performance and Main Indicators	202-203, 203-207			
	403-4 Worker participation, consultation, and communication on occupational health and safety	Model Management System	200, 201-202			
	403-5 Worker training on occupational health and safety	Safety Culture and Training	202-203			
	403-6 Promotion of worker health	Welfare and initiatives for the internal community Safety Culture and Training	197-198, 202-203			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	The ESG Elements in the Procurement Process Product: Eco & Safety Performance Targets Safety Culture and Training	128-129, 149-152, 202-203			
	403-8 Workers covered by an occupational health and safety management system	Model Management System	200, 201-202	a. iii	Information unavailable/incomplete	number of contractors not available
	403-9 Work-related injuries	Monitoring of Health and Safety Performance and Main Indicators	203-207	a. v, b. v	Confidentiality Constraints	Pirelli do not disclose this information for Business related constraints
	403-10 Work-related ill health	Monitoring of Health and Safety Performance and Main Indicators	203-207			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	PAGE	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
<b>TRAINING AND DEVELOPMENT</b>						
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-3 Management of material topics	Development Training Training on Sustainability and Corporate Governance	191-192, 192-195, 194			
<b>GRI 404: TRAINING AND EDUCATION 2016</b>	404-1 Average hours of training per year per employee	Statistics on Pirelli Training	195			
	404-2 Programs for upgrading employee skills and transition assistance programs	Talent Development Training	192, 195			
	404-3 Percentage of employees receiving regular performance and career development reviews	Performance Management	191-192			
<b>DIVERSITY, EQUITY AND INCLUSION &amp; HUMAN RIGHTS</b>						
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-3 Management of material topics	Impact Materiality Main Policies Respect for Human Rights Diversity, equity and inclusion Our Suppliers Compliance with Legislative- Contractual Requirements on Overtime, Rest Periods, Association and Bargaining, Equal Opportunities and Non- Discrimination, Prohibition of Child and Forced Labour	101-108, 110-111, 176-177, 185-190, 127-139, 198-199			
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016</b>	405-1 Diversity of governance bodies and employees	Pirelli employees around the world Diversity Policies Composition	179-185, 240, 237-240			
	405-2 Ratio of basic salary and remuneration of women to men	Diversity, equity and inclusion	185-190			
<b>DIVERSITY, EQUITY AND INCLUSION &amp; HUMAN RIGHTS</b>						
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-3 Management of material topics	Impact Materiality Diversity, equity and inclusion Main Policies Respect for Human Rights Our Suppliers Compliance with Legislative- Contractual Requirements on Overtime, Rest Periods, Association and Bargaining, Equal Opportunities and Non- Discrimination, Prohibition of Child and Forced Labour	101-108, 185-190, 110-111, 176-177, 127-139, 198-199			
<b>GRI 406: NON- DISCRIMINATION 2016</b>	406-1 Incidents of discrimination and corrective actions taken	Diversity, equity and inclusion Focus: Reporting Procedure - Whistleblowing Policy	185-190, 113-115			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	PAGE	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
<b>HUMAN RIGHTS &amp; RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN</b>						
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-3 Management of material topics	Main Policies Respect for Human Rights Diversity, equity and inclusion Our Suppliers Compliance with Legislative- Contractual Requirements on Overtime, Rest Periods, Association and Bargaining, Equal Opportunities and Non- Discrimination, Prohibition of Child and Forced Labour	110-111, 176-177, 185-190, 127-139, 198-199			
<b>GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016</b>	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	The ESG Elements in the Procurement Process Focus: ESG On-Site Audits Respect for Human Rights Compliance with Legislative- Contractual Requirements on Overtime, Rest Periods, Association and Bargaining, Equal Opportunities and Non- Discrimination, Prohibition of Child and Forced Labour	128-129, 129-131, 176-177, 198-199			
<b>HUMAN RIGHTS &amp; RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN</b>						
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-3 Management of material topics	Main Policies Respect for Human Rights Diversity, equity and inclusion Our Suppliers Compliance with Legislative- Contractual Requirements on Overtime, Rest Periods, Association and Bargaining, Equal Opportunities and Non- Discrimination, Prohibition of Child and Forced Labour	110-111, 176-177, 185-190, 127-139, 198-199			
<b>GRI 408: CHILD LABOR 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	The ESG Elements in the Procurement Process Focus: ESG On-Site Audits Respect for Human Rights Compliance with Legislative- Contractual Requirements on Overtime, Rest Periods, Association and Bargaining, Equal Opportunities and Non- Discrimination, Prohibition of Child and Forced Labour	128-129, 129-131, 176-177, 198-199			
<b>HUMAN RIGHTS &amp; RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN</b>						
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-3 Management of material topics	Main Policies Respect for Human Rights Diversity, equity and inclusion Our Suppliers Compliance with Legislative- Contractual Requirements on Overtime, Rest Periods, Association and Bargaining, Equal Opportunities and Non- Discrimination, Prohibition of Child and Forced Labour	110-111, 176-177, 185-190, 127-139, 198-199			
<b>GRI 409: FORCED OR COMPULSORY LABOR 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	The ESG Elements in the Procurement Process Focus: ESG On-Site Audits Respect for Human Rights Compliance with Legislative- Contractual Requirements on Overtime, Rest Periods, Association and Bargaining, Equal Opportunities and Non- Discrimination, Prohibition of Child and Forced Labour	128-129, 129-131, 176-177, 198-199			
<b>GRI 410: SECURITY PRACTICES 2016</b>	410-1 Security personnel trained in human rights policies or procedures				Information unavailable/incomplete	% of security personnel trained on human rights currently not available

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	PAGE	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
<b>HUMAN RIGHTS</b>						
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-3 Management of material topics	Main Policies Respect for Human Rights Diversity, equity and inclusion Our Suppliers Compliance with Legislative- Contractual Requirements on Overtime, Rest Periods, Association and Bargaining, Equal Opportunities and Non- Discrimination, Prohibition of Child and Forced Labour	110-111, 176-177, 185-190, 127-139, 198-199			
<b>GRI 411: RIGHTS OF INDIGENOUS PEOPLES 2016</b>	411-1 Incidents of violations involving rights of indigenous peoples	Focus: Reporting Procedure - Whistleblowing Policy	113-115			
<b>CORPORATE CITIZENSHIP</b>						
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-3 Management of material topics	Sharing of Added Value Company initiatives for the external community	116-117, 215-219			
<b>GRI 413: LOCAL COMMUNITIES 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	Stakeholder engagement Respect for Human Rights Sustainability of the Natural Rubber Supply Chain Water Management Compliance with Legislative- Contractual Requirements on Overtime, Rest Periods, Association and Bargaining, Equal Opportunities and Non- Discrimination, Prohibition of Child and Forced Labour Biodiversity, The Pirelli Group Environmental Strategy and Footprint External Community, Company initiatives for the external community	110, 176-177, 132-133, 161-163, 198-199, 143-144, 144-147, 208-215, 215-219		Information unavailable/ incomplete	information currently unavailable
	413-2 Operations with significant actual and potential negative impacts on local communities	Respect for Human Rights Sustainability of the Natural Rubber Supply Chain, Biodiversity, The Pirelli Group Environmental Strategy and Footprint, Water Management, External Community, Company initiatives for the external community	176-177, 132-133, 143-144, 144-147, 161-163, 208-215, 215-219			
<b>RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN</b>						
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-3 Management of material topics	Our Suppliers Respect for Human Rights Policy on Conflict Minerals	127-139, 176-177, 134-136			
<b>GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016</b>	414-1 New suppliers that were screened using social criteria	The ESG Elements in the Procurement Process Focus: ESG On-Site Audits	128-129, 129-131			
	414-2 Negative social impacts in the supply chain and actions taken	Risk factors and uncertainty Focus: ESG On-Site Audits	83-90, 129-131			
<b>GRI 415: PUBLIC POLICY 2016</b>	415-1 Political contributions	Contributions for the benefit of the External Community	116-117			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	PAGE	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
<b>BUSINESS ETHICS AND INTEGRITY &amp; PRODUCT QUALITY AND SAFETY</b>						
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-3 Management of material topics	Product Safety, Performance and Eco-Sustainability Product: Research and Development of Raw Materials Product: Eco & Safety Performance Targets Tyre Wear and TRWP Management of End-of-Life Tyres Pirelli and its Management Model Main Policies Compliance Programmes, Anti-Corruption, Privacy, Trade Compliance, Antitrust, Compliance with Laws And Regulations Compliance Focus: Reporting Procedure - Whistleblowing Policy	123-125, 148-149, 149-152, 152-153, 153, 99-100, 110-111, 111-112, 127, 113-115			
<b>GRI 416: CUSTOMER HEALTH AND SAFETY 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	Product Safety, Performance and Eco-Sustainability The ESG Elements in the Procurement Process	123-125, 128-129			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Compliance	127			
<b>GRI 417: MARKETING AND LABELING 2016</b>	417-1 Requirements for product and service information and labeling	Transparency, Information and Customer Training Quality and Product Certification Product: Eco & Safety Performance Targets Management of End-of-Life Tyres Product: Research and Development of Raw Materials	121-122, 126-127, 149-152, 153, 148-149			
	417-2 Incidents of non-compliance concerning product and service information and labeling	Compliance	127			
	417-3 Incidents of non-compliance concerning marketing communications	Compliance	127			
<b>CYBERSECURITY</b>						
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-3 Management of material topics	Information and Cyber Security	112-113			
<b>GRI 418: CUSTOMER PRIVACY 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Compliance Programmes, Anti-Corruption, Privacy, Trade Compliance, Antitrust, Compliance with Laws And Regulations	111-112			

SASB CONTENT INDEX  
SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) - AUTO PARTS

TOPIC	ACCOUNTING METRIC	PAGE NUMBER	SASB CODE
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	154-156	TR-AP-130a.1
Waste Management	(1) Total amount of waste from manufacturing, (2) percentage hazardous, (3) percentage recycled	163-165	TR-AP-150a.1
Product Safety	Number of recalls issued, total units recalled	127	TR-AP-250a.1.
Design for Fuel Efficiency	Revenue from products designed to increase fuel efficiency and/or reduce emissions	56	TR-AP-410a.1.
Materials Sourcing	Description of the management of risks associated with the use of critical materials	134-136	TR-AP-440a.1.
Materials Efficiency	Percentage of products sold that are recyclable	153	TR-AP-440b.1.
	Percentage of input materials from recycled or remanufactured content	158	TR-AP-440b.2.
Competitive Behavior	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	112	TR-AP-520a.1.

ACTIVITY METRICS	PAGE NUMBER	SASB CODE
Number of parts produced	NA	TR-AP-000.A
Weight of parts produced	154	TR-AP-000.B
Area of manufacturing plants	56	TR-AP-000.C

UNGC PRINCIPLES SUMMARY TABLE

AREAS OF THE GLOBAL COMPACT	GLOBAL COMPACT PRINCIPLES	DIRECTLY RELEVANT GRI INDICATORS	INDIRECTLY RELEVANT GRI INDICATORS
HUMAN RIGHTS	<b>Principle 1</b> – Business should promote and respect internationally proclaimed human rights in their respective spheres of influence.	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 414: Supplier Social Assessment Disclosure 2-25: Processes to remediate negative impacts	Disclosure 413: Local Communities
	<b>Principle 2</b> – Business should ensure that they are not, albeit indirectly, complicit in human rights abuses.	Disclosure 410: Security Practices Disclosure 414: Supplier Social Assessment	
LABOUR STANDARDS	<b>Principle 3</b> – Businesses should uphold the freedom of association of workers and recognise the right to collective bargaining.	Disclosure 402: Labour/Management Relations Disclosure 403: Occupational Health and Safety Disclosure 407: Freedom of Association and Collective Bargaining Disclosure 410: Security Practices Disclosure 2-23: Policy commitments Disclosure 2-30: Collective Bargaining Agreements	
	<b>Principle 4</b> – Business should uphold the elimination of all forms of forced and compulsory labour.	Disclosure 409: Forced or Compulsory Labor Disclosure 410: Security Practices	
	<b>Principle 5</b> – Business should uphold the effective elimination of child labour.	Disclosure 408: Child Labor Disclosure 410: Security Practices	
	<b>Principle 6</b> – Business should uphold the elimination of discrimination in respect of employment and occupation.	Disclosure 401: Employment Disclosure 404: Training and Education Disclosure 405: Diversity and Equal Opportunity Disclosure 406: Non-Discrimination Disclosure 410: Security Practices Disclosure 2-7: Employees	Disclosure 202: Market Presence Disclosure 401: Employment Disclosure 414: Supplier Social Assessment Disclosure 2-30: Collective Bargaining Agreements
ENVIRONMENT	<b>Principle 7</b> – Businesses should support a precautionary approach to environmental challenges.	Disclosure 2-23: Policy commitments Disclosure 201: Economic Performance	Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water and Effluents Disclosure 304: Biodiversity Disclosure 305: Emissions Disclosure 306: Effluents and Waste Disclosure 307: Environmental Compliance
	<b>Principle 8</b> – Business should undertake initiatives to promote greater environmental responsibility.	Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water and Effluents Disclosure 304: Biodiversity Disclosure 305: Emissions Disclosure 306: Effluents and Waste Disclosure 308: Supplier Environmental Assessment Disclosure 2-25: Processes to remediate negative impacts	Disclosure 201: Economic Performance
	<b>Principle 9</b> – Businesses should encourage the development and diffusion of environmentally friendly technologies.	Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water and Effluents Disclosure 305: Emissions	
ANTI-CORRUPTION	<b>Principle 10</b> – Businesses should work against corruption in all its forms, including extortion and bribery.	Disclosure 205: Anti-Corruption Disclosure 2-23: Policy Commitments Disclosure 2-26: Mechanism for seeking Advice and raising Concerns	Disclosure 205: Anti-Corruption Disclosure 2-23: Policy Commitments Disclosure 2-26: Mechanism for seeking Advice and raising Concerns

SDGs SUMMARY TABLE

SUSTAINABLE DEVELOPMENT GOALS (SDGs)	PARAGRAPHS DESCRIBING THE GROUP'S ACTIVITIES IN SUPPORT OF THE SDGs AND RELEVANT TARGETS (FROM SUSTAINABILITY PLAN 2025-2030)
<b>1 - NO POVERTY</b>	Company Initiatives for the External Community (Social Solidarity pp. 217-218)
<b>2 - ZERO HUNGER</b>	Company Initiatives for the External Community (Social Solidarity pp. 217-218)
<b>3 - GOOD HEALTH AND WELL-BEING</b>	Welfare and Initiatives for the Internal Community (pp. 197-198) Occupational Health, Safety and Hygiene (pp. 200-207) Company Initiatives for the External Community (Road Safety pp. 215-216, Sport and Inclusion pp. 217, Health p. 218)  Target: → Accident Frequency Index: ≤ 0.1 by 2025
<b>4 - QUALITY EDUCATION</b>	Training (pp. 192-195) Company Initiatives for the External Community (Training pp. 216-217, Culture and Social Value pp. 218-219)  Target: → Training: training on Diversity, Equity and Inclusion and Human Rights
<b>5 - GENDER EQUALITY</b>	Diversity, Equity and Inclusion (pp. 185-190)
<b>6 - CLEAN WATER AND SANITATION</b>	Water Management (pp. 161-163)  Target: → Specific water withdrawal: -43% by 2025 compared to 2015
<b>7 - AFFORDABLE AND CLEAN ENERGY</b>	Joining the Task Force on Climate-Related Financial Disclosures (TCFD) (pp. 141-143) Energy Management (pp. 154-156) Management of Greenhouse Gas Emissions and Carbon Action Plan (pp. 156-158)  Targets: → Specific Energy Consumption: -10% by 2025 compared to 2019 → Renewable Electricity purchased at Group level: 100% by 2025 → Group Carbon Neutrality by 2030
<b>8 - DECENT WORK AND ECONOMIC GROWTH</b>	Our Suppliers (pp. 127-139) Internal Community (pp. 179-207)
<b>9 - INDUSTRY, INNOVATION AND INFRASTRUCTURE</b>	Company Initiatives for the External Community (Training pp. 216-217)  Target: → For new product segments, by 2025: > 40% renewable materials, > 8% recycled materials and < 40% fossil-based materials; by 2030: > 60% renewable materials, > 12% recycled materials and < 30% fossil-based materials
<b>10 - REDUCED INEQUALITIES</b>	Diversity, Equity and Inclusion (pp. 185-190)
<b>11 - SUSTAINABLE CITIES AND COMMUNITIES</b>	Main International Commitments for Sustainability (WBCSD pp. 212-213) Company Initiatives for the External Community (Road Safety pp. 215-216, Social Solidarity pp. 217-218)  Targets: → Absolute CO <sub>2</sub> Emissions: -42% by 2025 compared to 2015 → Group Carbon Neutrality by 2030 → Eco & Safety Performance Revenues: > 66% on total car tyres revenues e > 71% on High Value revenues by 2025 → Raw Materials Suppliers Absolute CO <sub>2</sub> Emissions: -8.6% by 2025 compared to 2018 → Evolution of the total product range, by 2025: → more than 70% of new products will be in Rolling Resistance Class A/B; → more than 90% of new products will be in Wet Grip Class A/B.
<b>12 - RESPONSIBLE CONSUMPTION AND PRODUCTION</b>	Joining the Task Force on Climate-Related Financial Disclosures (TCFD) (pp. 141-143) Energy Management (pp. 154-156) Management of Greenhouse Gas Emissions and Carbon Action Plan (pp. 156-158) Water Management (pp. 161-163) Waste Management (pp. 163-165) Company Initiatives for the External Community (Environmental Initiatives p. 218)  Targets: → Specific Energy Consumption: -10% by 2025 compared to 2019 → Absolute CO <sub>2</sub> Emissions: -42% by 2025 compared to 2015 → Renewable Electricity purchased at Group level: 100% by 2025 → Group Carbon Neutrality by 2030 → Water Specific Withdrawal: -43% by 2025 compared to 2015 → Waste Recovery: ≥ 98% by 2025



SUSTAINABLE DEVELOPMENT GOALS (SDGs)	PARAGRAPHS DESCRIBING THE GROUP'S ACTIVITIES IN SUPPORT OF THE SDGs AND RELEVANT TARGETS (FROM SUSTAINABILITY PLAN 2025-2030)
<b>13 - CLIMATE ACTION</b>	<p>CDP Supply Chain (pp. 136)            Joining the Task Force on Climate-Related Financial Disclosures (TCFD) (pp. 141-143)            Management of Greenhouse Gas Emissions and Carbon Action Plan (pp. 156-158)            Main International Commitments for Sustainability (International Commitments against Climate Change pp. 214-215)</p> <p><b>Targets:</b></p> <ul style="list-style-type: none"> <li>→ Specific Energy Consumption: -10% by 2025 compared to 2019</li> <li>→ Absolute CO<sub>2</sub> Emissions: -42% by 2025 compared to 2015</li> <li>→ Renewable Electricity purchased at Group level: 100% by 2025</li> <li>→ Group Carbon Neutrality by 2030</li> <li>→ Eco &amp; Safety Performance Revenues: &gt; 66% on total car tyres revenues e &gt; 71% on High Value revenues by 2025</li> <li>→ Evolution of the total product range, by 2025:               <ul style="list-style-type: none"> <li>→ more than 70% of new products will be in Rolling Resistance Class A/B;</li> <li>→ more than 90% of new products will be in Wet Grip Class A/B;</li> </ul> </li> </ul>
<b>14 - LIFE BELOW WATER</b>	Water Management (pp. 161-163)
<b>15- LIFE ON LAND</b>	Sustainability of the Natural Rubber Supply Chain (pp. 132-133) Company Initiatives for the External Community (Environmental Initiatives p. 218)
<b>16- PEACE, JUSTICE AND STRONG INSTITUTIONS</b>	Compliance Programmes, Anti-Corruption, Privacy, Trade Compliance, Antitrust, Compliance with Laws And Regulations (pp. 111-112)
<b>17 - PARTNERSHIPS FOR THE GOALS</b>	Sustainability of the Natural Rubber Supply Chain (pp. 132-133) Main International Commitments for Sustainability (WBCSD pp. 212-213) Company Initiatives for the External Community (Road Safety pp. 215-216)

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

	TOPICS FROM D. LGS 254/2016	REFERENCE PARAGRAPH	PAGE NUMBER
<b>ENVIRONMENTAL ASPECTS</b>	<b>Use of Energy Resources (from renewables and non-renewables)</b>	<ul style="list-style-type: none"> <li>Risks Related To Environmental Issues</li> <li>Energy Management</li> </ul>	87, 154-156
	<b>Use of Water Resources</b>	<ul style="list-style-type: none"> <li>Risks Related To Environmental Issues</li> <li>Emerging risks related to climate change and water stress</li> <li>Water Management</li> </ul>	87, 89, 161-163
	<b>Greenhouse Gas Emissions and Air-Polluting Emissions</b>	<ul style="list-style-type: none"> <li>Emerging risks related to climate change and water stress</li> <li>Joining the Task Force on Climate-Related Financial Disclosures (TCFD)</li> <li>Management Of Greenhouse Gas Emissions and Carbon Action Plan</li> <li>Solvents</li> <li>NO<sub>x</sub> Emissions</li> <li>Other Emissions and Environmental Aspects</li> </ul>	89, 141-143, 156-158, 165, 165-166, 166
<b>SOCIAL ASPECTS</b>	<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>Employee Health and Safety Risks</li> <li>Occupational Health, Safety and Hygiene</li> </ul>	87, 200-207
	<b>Training and Development</b>	<ul style="list-style-type: none"> <li>Risks associated with Human Resources</li> <li>Development</li> <li>Training</li> </ul>	86-87, 191-192, 192-195
	<b>Welfare</b>	<ul style="list-style-type: none"> <li>Welfare and Initiatives for the Internal Community</li> </ul>	197-198
	<b>Dialogue with Employees</b>	<ul style="list-style-type: none"> <li>Litigation Risks</li> <li>Listening &amp; Engagement</li> <li>Industrial Relations</li> </ul>	87, 195-197, 198-200
	<b>Actions for Gender Equality</b>	<ul style="list-style-type: none"> <li>Diversity, Equity and Inclusion</li> <li>Diversity Policies</li> </ul>	185-190, 240
	<b>Respect for Human Rights: Measures Taken and Prevention</b>	<ul style="list-style-type: none"> <li>Risks relative to Corporate Social and Environmental Responsibility, and Business Ethics</li> <li>Respect for Human Rights</li> <li>Diversity, Equity and Inclusion</li> </ul>	88-89, 176-177, 185-190
<b>GOVERNANCE ASPECTS</b>	<b>Fight against Active and Passive Corruption</b>	<ul style="list-style-type: none"> <li>Risks Relative to Social and Environmental Responsibility and Business Ethics</li> <li>Compliance Programmes, Anti-Corruption, Privacy, Trade Compliance, Antitrust, Compliance with Laws And Regulations</li> </ul>	88-89, 111-112



**PIRELLI & C SPA**

**INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED  
NON-FINANCIAL DISCLOSURE IN ACCORDANCE WITH  
ARTICLE 3, PARAGRAPH 10, OF LEGISLATIVE DECREE  
254/2016 AND ARTICLE 5 OF CONSOB REGULATION  
20267/2018**

**CONSOLIDATED NON-FINANCIAL DISCLOSURE FOR THE YEAR  
ENDED 31 DECEMBER 2022**



## **Independent auditor's report on the consolidated non-financial disclosure**

*In accordance with article 3, paragraph 10, of Legislative Decree 254/2016 and article 5 of CONSOB regulation 20267/2018*

To the board of directors of Pirelli & SpA

In accordance with article 3, paragraph 10, of Legislative Decree 254/2016 (the Decree) and article 5 of CONSOB Regulation 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial disclosure of Pirelli & C SpA and its subsidiaries (the Pirelli group) for the year ended 31 December 2022 prepared in accordance with article 4 of the Decree, and included in section "Report on Responsible Management of the Value Chain" of the Pirelli annual report 2022 (NFD). The NFD was approved by the board of directors on 5 April 2023.

Our review does not extend to the information set out in the paragraph "The European Regulation on the Taxonomy of sustainable economic activities" of the NFD, required by article 8 of European Regulation 2020/852.

### **Responsibilities of the directors and the board of statutory auditors for the NFD**

The directors are responsible for the preparation of the NFD in accordance with articles 3 and 4 of the Decree, with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2021 by the GRI - Global Reporting Initiative (GRI Standards) and with the SASB indicators (Sustainability Accounting Standards), international standards issued by the International Sustainability Standards Board, with reference to the "Auto-parts" industry, identified by them as the reporting standards, and with the process suggested by AA1000APS (AccountAbility Principles Standards).

The directors are also responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFD that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for identifying the content of the NFD, within the matters contained in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the group and to the extent necessary to ensure an understanding of the group's activities, its performance, its results and related impacts.

Finally, the directors are responsible for defining the business and organisational model of the group and, with reference to the matters identified and reported in the NFD, for the policies adopted by the group and for the identification and management of risks generated and/or faced by the group.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the compliance with the Decree.

#### **PricewaterhouseCoopers SpA**

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### ***Auditor's Independence and Quality Control***

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

### ***Auditor's responsibilities***

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFD with the Decree, with the GRI Standards and SASB and with the process suggested by AA1000APS. We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (“ISAE 3000 Revised”), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements.

The standard requires that we plan and perform procedures to obtain limited assurance that the NFD is free from material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFD were based on our professional judgement and consisted of interviews, primarily of company personnel responsible for the preparation of the information presented in the NFD, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

1. analysis of the relevant matters reported in the NFD relating to the activities and characteristics of the group, to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted and considering AA1000SES (Stakeholder Engagement Standard);
2. analysis and assessment of the criteria used to identify the consolidation area, to assess the compliance with the Decree;
3. comparison of the financial information reported in the NFD with the information reported in the consolidated financial statements of Pirelli group;
4. understanding of the following matters:
  - a. business and organisational model of the group with reference to the management of the matters specified by article 3 of the Decree;
  - b. policies adopted by the group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
  - c. key risks generated and/or faced with reference to the matters specified in article 3 of the Decree.



With reference to these matters, we compared the information obtained with the information presented in the NFD and carried out the procedures described under point 6 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFD.

In detail, we held meetings and interviews with the management of Pirelli & C SpA and with the personnel of Pirelli Deutschland GmbH and Pirelli Neumáticos SA de CV and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFD;

6. analysis of policies and procedures in place and of the coherence of the sustainability management model compared to UNI ISO 26000 principles, among which: governance, human rights, relationship and work conditions, and environment.

Moreover, for material information, considering the activities and characteristics of the group:

- at a group level,
  - a) with reference to the qualitative information included in the NFD, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
  - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information.
- for the industrial sites located in Breuberg (Germany) and Silao (Mexico), which were selected on the basis of their activities, their contribution to the performance indicators at consolidated level and their location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

### **Conclusion**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFD of Pirelli group for the year ended 31 December 2022 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree, with the GRI Standards and with the SASB selected indicators with reference to the “Auto-parts” industry, and with the principles of inclusivity, materiality and responsiveness of AA1000APS, as described in the Methodological note of the “Report on the Responsible Management of the Value Chain”.



Our conclusions on the NFD of Pirelli group do not extend to the information set out in paragraph “The European Regulation on the Taxonomy of sustainable economic activities” of the NFD, required by article 8 of European Regulation 2020/852.

Milan, 6 April 2023

PricewaterhouseCoopers SpA

*Signed by*

Paolo Caccini  
(Partner)

Paolo Bersani  
(Authorized signatory)

*This report has been translated from the Italian original solely for the convenience of international readers.*

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In line with Pirelli's Green Sourcing Policy, the planning phase or this report included an analysis of the environmental impact of the material used with the help of the supplier chosen, which has been certified by way of an environmental management system. Thanks to this approach, in order to carry out this project, we have used FSC® certified paper, vegetable-based inks, and water-based paints. The final package is made out of recyclable cardboard and polypropylene.

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