— 2023
ANNUAL REPORT

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CORPORATE BODIES

The Board of Directors[1]

Chairman	Jiao Jian
Executive Vice Chairman	Marco Tronchetti Provera
Chief Executive Officer	Andrea Casaluci
Director	Chen Aihua
Director	Zhang Haitao
Director	Chen Qian
Independent Director	Alberto Bradanini
Independent Director	Michele Carpinelli
Independent Director	Domenico De Sole
Independent Director	Fan Xiaohua
Independent Director	Marisa Pappalardo
Independent Director	Grace Tang
Independent Director	Roberto Diacetti
Independent Director	Paola Boromei
Independent Director	Giovanni Lo Storto

Secretary of the Board Alberto Bastanzio

Board of Statutory Auditors[2]

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

1 Appointment: July 31, 2023. Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2025.

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

Audit, Risk, Sustainability and Corporate Governance Committee

Chairman - Independent Director	Fan Xiaohua
Independent Director	Giovanni Lo Storto
Independent Director	Roberto Diacetti
Independent Director	Michele Carpinelli
	Chen Aihua

Committee for Related Party Transactions

Chairman - Independent Director	Marisa Pappalardo
Independent Director	Giovanni Lo Storto
Independent Director	Michele Carpinelli

Nominations and Successions Committee

Chairman	Marco Tronchetti Provera
Independent Director	Domenico De Sole
	Chen Aihua
	Zhang Haitao

Remuneration Committee

Chairman - Independent Director	Grace Tang
Independent Director	Michele Carpinelli
Independent Director	Paola Boromei
Independent Director	Alberto Bradanini
	Chen Aihua

Strategies Committee

Chairman	Marco Tronchetti Provera
	Jiao Jian
	Andrea Casaluci
Independent Director	Domenico De Sole
Independent Director	Alberto Bradanini
Independent Director	Roberto Diacetti
	Chen Qian
	Zhang Haitao

Sustainability Committee

Chairman	Marco Tronchetti Provera
	Jiao Jian
	Andrea Casaluci
Independent Director	Giovanni Lo Storto

Corporate General Manager[3]	Francesco Tanzi
Manager responsible for the preparation of the Corporate Financial Documents	Fabio Bocchio[4]
Independent Auditing Firm[5]	PricewaterhouseCoopers S.p.A.

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

[3] Appointment: August 3, 2023.

[4] Appointed by the Board of Directors' Meeting on August 3, 2023.

[5] 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.

PRESENTATION OF 2023 INTEGRATED ANNUAL REPORT

The 2023 integrated annual report[6] 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. They 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.

Pirelli's commitment to engaging and valuing its people has continued, the engagement survey in all group factories found an Engagement Index of 85 percent, highlighting a high level of engagement and cohesion. The number of women in managerial positions is increasing, rising globally in one year from 24.5% to 27%, the number of women in executive positions is also on the rise. The total workforce stands at 31,072 resources (229 fewer than in 2022 and 382 more than in 2021).

The focus on health and safety protection led to a further decline in the accident frequency index, which dropped by 15% in 2023 compared to 2022 and 1.98% compared to 2021 (1.69 in 2023 compared to 1.98 in 2022 and 2.07 in 2021).

With a view to putting people at the center along the entire value chain, in November 2023 Pirelli also activated a training course on Business and Human Rights that involved 100% of the Group's Raw Materials suppliers, and all Capital Goods suppliers considered continuous and strategic.

In 2023, the management of the business produced an adjusted EBIT[7] of €1,001.8 million (€977.8 million in 2022) with a margin of 15.1% (14.8% in 2022). 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 (~€985m the target implied by the November target) and an adjusted Return on Net Invested Capital (ROIC) of 20.3% (~21% for the November target, 20.3% for the 2022 figure).

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[6] 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

[7] 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

Important steps were taken in the area of sustainable finance: in 2023, Pirelli - the first company in the global tire industry - placed a 600-million-euro sustainability-linked bond with more than 190 international investors in 2023, with demand almost 6 times the supply.

The Company's **production capital**, which includes a geographically diversified production structure with 18 plants in 12 countries on five continents, is managed with a view to environmental efficiency and respect for biodiversity, with targets in terms of reducing water withdrawal, energy consumption, CO_2 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).

In 2023, a methodology was developed to analyse the state of biodiversity in the natural areas surrounding Pirelli's production facilities, as well as the **impacts and dependencies** on these areas. All of Pirelli's **operating locations** around the world were assessed against the four core criteria of the **TNFD LEAP** ***framework (Locate, Evaluate, Assess, Prepare)***[8]**.**

Pirelli's commitment to protecting the sustainability of natural rubber also continued, with Pirelli producing the world's first tires with Forest Stewardship Council (FSC)-certified natural rubber and rayon as early as 2021. In addition to the ongoing commitment to the traceability of natural rubber, the implementation of the three-year project in partnership with BMW GROUP and the NGO BirdLife International in the Hutan Harapan area (Sumatra Island-Indonesia) continued, with the goal of conserving 2,700 hectares of rainforest and its biodiversity and improving the living conditions of the local population dedicated to natural rubber production.

The decarbonisation plan for the group's value chain continued, in line with the 2030 'carbon neutrality' target. In terms of absolute CO_2 emissions, after having obtained an upgrade of its Science Based Target in line with the 1.5°C scenario, Pirelli formalised its commitment to SBTi Net Zero.

There was significant growth in the use of renewable electricity. In particular, 100% of the electricity purchased in Latam in 2023 is certified renewable, in addition to the 100% certified renewable electricity purchased in Europe as of 2021 and in North America as of 2022. Globally, 80% of the total electricity used is from renewable sources (compared to 74% in 2022 and 62% in 2021), with absolute group CO_2 emissions down 17% from 2022 and 51% compared to 2015 (base year of the Science Based Target for group sites - Scopes 1 and 2). Absolute supply chain emissions decreased by 10.2% compared to 2022 and slightly more than 18% compared to 2018 (base year of the Science Based Target for Supply Chain - Scope 3). Positive results were also achieved through direct engagement with suppliers.

With reference to the Product accounting for more than 90% of absolute emissions from raw materials, and the involvement of suppliers in the CDP Supply chain programme, with a response rate of 88% (82% in 2022).

With reference to the Product - research and development activities contribute substantially to improving environmental efficiency along the entire product life cycle, from innovative raw materials

[8] Beta framework v0.4, released in March 2023

to the process, from distribution to use, and through to the end of life of the tyre. Research and development expenditure amounted to €288.5 million in 2023 (4.3% of total revenues), of which €269.4 million was allocated to High Value activities (5.4% of High Value revenues).

Heavy investment in innovation also fuels Pirelli's intellectual property assets, as it has a portfolio of active patents grouped into around 720 families covering product, process and materials innovations and CyberTM Tyre technologies, as well as being a globally recognised brand.

Relevant was the R&D efforts on innovative, renewable and recycled materials, which, among other things, enabled an acceleration in the use of silica from rice husk, a bio-circulating material that reached 10% of the total silica used in 2023 (compared to 5% in 2022 and 1% in 2021).

In turn, Pirelli's Eco & Safety Performance products, which combine performance and respect for the environment, at the end of 2023 represent 72%[9] of total car tyre turnover (67% in 2022 and 63% in 2021). By restricting the scope of the analysis to High Value products[10], the percentage of Eco & Safety Performance products rises to 78% (73.2% in 2022 and 68.4% in 2021).

In addition, in 2023, 55% of the new IP Codes[11] 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_2 emissions), in line with Pirelli's target of 70% by 2025. 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), also rose to 98% of the total (93% in 2022).

The average rolling resistance of Pirelli tyres worldwide improved by 2% compared to 2022 and by 15.8% compared to 2015.

Regarding the tyre wear rate, the new product lines launched in the last three years showed an average improvement of 22% compared to the previous generation.

From product to market - Transparency towards consumers is one of the central elements: Pirelli has created a new logo identifying tyres containing at least 50% bio-based and recycled materials. An example of this is the Pirelli P Zero E, Pirelli's Perfect Fit for premium and prestige electric vehicles that need dedicated tyres with specific grip, rolling resistance and wear performance. The new Pirelli P Zero has been awarded triple class A in the European label on all measurements (rolling resistance, wet braking, noise) and contains more than 55% natural and recycled materials, a claim with third-party validation. The tyre life cycle analysis, conducted by Pirelli and validated by third party, shows a 24% reduction in CO_2 equivalent emissions compared to a previous generation Pirelli

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[9] Figure obtained by weighing the value of sales of Eco & Safety Performance tyres 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.

[10] 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).

[11] Identification Product Codes.

tyre. Furthermore, tyre wear (expressed in g/1000km) has been reduced by 42% compared to the previous generation, thanks to virtualisation processes and new materials.

P Zero E, eco-design, sustainable materials and Elect technology were also the focus of engagement and training of European Dealer Customers as part of the workshop dedicated to them in 2023.

Even in motorsport, which in 2023 saw Pirelli confirmed as Formula One's Global Tyre Partner until at least 2027, sustainability is among the key elements of the partnership and will see all tires used in FIA Formula One World Championship events certified FSC® (Forest Stewardship Council®) starting in 2024.

Pirelli's sustainable performance in 2023 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 and Automotive Sector Top Score globally, followed by the Sustainability Yearbook 2024'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" as well as being awarded "Prime" status by ISS ESG, which includes it among the sector leaders for ESG risk mitigation, and "ESG Top Rated" recognition by Sustainalytics.

The reporting of Sustainability strategy and performance 2023 is prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2021, Comprehensive "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 32-193237008-1793 of 25 October 2023 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 2023 concludes with third-party assurances.

The Financial Statements and Consolidated Financial Statements of Pirelli & C. S.p.A. (hereinafter referred to as the "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.

DIRECTORS' REPORT ON OPERATIONS

AT DECEMBER 31, 2023

MACROECONOMIC AND MARKET SCENARIO

Economic Overview

Global economic performance in 2023 showed slower growth compared to 2022, (+2.7% growth in global GDP, compared to +3.1% for 2022) due to rising interest rates in a high inflation environment (5.6% in 2023).

Economic Growth, Year-On-Year Percentage Change in GDP

	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2023	2022
EU	1.1	0.5	0.0	0.3	0.5	3.5
US	1.7	2.4	2.9	3.1	2.5	1.9
China	4.5	6.3	4.9	5.2	5.2	3.0
Brazil	3.7	3.4	2.5	2.6	3.0	3.1
Russia	-1.8	4.9	5.5	6.2	3.6	-1.2
World	2.4	3.0	2.6	2.7	2.7	3.1

Note: Percentage change compared to the same period of the previous year. Preliminary data for 2023 for the EU, the US and China and estimates for the other countries and regions. Source: National statistics offices and S&P Global Market Intelligence, February 2024.

Consumer Prices, Change in Year-on-Year Percentages

	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2023	2022
EU	9.4	7.2	5.7	3.4	6.4	9.2
US	5.8	4.0	3.5	3.2	4.1	8.0
China	1.3	0.1	-0.1	-0.3	0.2	2.0
Brazil	5.3	3.8	4.6	4.7	4.6	9.3
Russia	8.6	2.7	5.1	7.2	5.9	13.7
World	6.9	5.3	4.9	4.4	5.6	7.6

Source: National statistics offices and S&P Global Market Intelligence for World estimate, February 2024.

Europe recorded a strong slowdown in growth (+0.5% for 2023, compared to +3.5% for 2022), as a result of weak demand which had been impacted by a restrictive monetary policy, (an interest rate increase of 200 basis points during the year, following the 425 basis point rise in 2022).

The performance of the US economy was better than expected (+2.5% for 2023, compared to +1.9% for 2022), due to the resilience of the labour market and the fall in inflation which supported consumer spending. The slowdown in inflation (4.1% for 2023, compared to 8.0% for 2022), allowed the Federal Reserve to keep interest rates unchanged since the end of July, following the 100 basis point hikes during the first half-year of 2023.

Economic growth in China (+5.2% for 2023, compared to +3.0% for 2022), was supported by consumer spending and the industrial sector, as well as by a series of government measures aimed at stabilising the real estate sector, which had been hit by a prolonged crisis.

In Brazil, GDP growth reached +3.0% for 2023, driven by strong growth in household consumer spending, despite a restrictive monetary policy with interest rates at 13.75% until the end of July, and by the positive performance of the agricultural sector. The fall in inflation (to an average of 4.6% for 2023, from 9.3% in 2022), allowed the central bank to take the first step towards normalising its monetary policy, by cutting the benchmark interest rate by 200 basis points between August and December to then bring it to 11.75% at the end of the year, with interest rates however, still on the rise in real terms.

Russian economic performance (GDP of +3.6% for 2023, -1.2% in 2022), had benefited from the expansion of the manufacturing sector thanks to domestic demand, and to new export opportunities to China, India and other Central Asian countries. Following the abrupt depreciation of the rouble during the summer months, which had led the Russian central bank to raise interest rates from 7.5% to 16%, inflation however, accelerated again during the fourth quarter of 2023 (+7.2%), bringing the average for 2023 to +5.9%.

Exchange Rates

Diverging market expectations for inflation and the monetary policies of central banks, were the key factors that drove the exchange rate dynamics in 2023.

	1Q		2Q		3Q		4Q		Full year average	
Key Exchange Rates	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
US$ per euro	1.07	1.12	1.09	1.07	1.09	1.01	1.08	1.02	1.08	1.05
Chinese renminbi per US$	6.85	6.35	7.01	6.61	7.17	6.83	7.15	7.06	7.05	6.73
Brazilian real per US$	5.20	5.24	4.95	4.93	4.88	5.25	4.95	5.25	5.00	5.17
Russian rouble per US$	72.80	87.37	81.04	66.36	94.13	59.40	92.79	63.05	85.26	67.89

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

The narrowing of differences in interest rates between the US and the Eurozone, led to strengthening of the euro against the US dollar. The euro averaged US$ 1.08 during 2023, having appreciated by +2.7 % compared to the same period in 2022 (US$ 1.05).

The easing of monetary policy in China to support the economy weakened the renminbi, which averaged 7.05 against the US dollar during 2023, with a depreciation of -4.5% compared to the same period in 2022 (renminbi at 6.73), and a depreciation of -7.0% against the euro.

The Brazilian real strengthened further in 2023, both against the US dollar (+3.5%, to an average of 5.00 Brazilian real, compared to 5.17 for the previous year), and against the euro (+0.8% compared to the same period in 2022). The appreciation of the real was supported by a broad interest rate differential, compared to the US and the Eurozone, and by better than expected economic growth.

The Russian rouble experienced a negative trend, depreciating by approximately -20% against the US dollar (to an average of 85.26 for 2023, from 67.89 for the same period in 2022), and by approximately -22% against the euro. Following a gradual depreciation since the beginning of the year, the effect of the decline in exports, due to both international sanctions and the drop in demand for natural gas from Europe, the rouble stabilised during the fourth quarter due to both the effect of the rate hike by the central bank, and the reintroduction of controls on capital.

Raw Materials Prices

During the course 2023, raw materials prices continued their path to normalisation, following the peaks reached in 2022 in the wake of the Russian-Ukrainian crisis.

Raw Materials Prices

	1Q			2Q			3Q			4Q			Annual average		
	2023	**2022**	% chg.	**2023**	**2022**	% chg.	**2023**	**2022**	% chg.	**2023**	**2022**	% chg.	**2023**	**2022**	% chg.
Brent (US$ / barrel)	82.2	97.4	-16%	78.0	111.8	-30%	86.1	97.7	-12%	82.8	88.6	-7%	82.3	98.9	-17%
European natural gas (€ / MWh)	53	100	-47%	35	101	-66%	34	205	-83%	43	124	-65%	41	133	-69%
Butadiene (€ / tonne)	970	1,067	-9%	937	1,353	-31%	722	1,380	-48%	772	1,203	-36%	850	1,251	-32%
Natural rubber TSR20 (US$ / tonne)	1,373	1,772	-23%	1,345	1,654	-19%	1,338	1,467	-9%	1,454	1,299	12%	1,378	1,548	-11%

Note: Data are averages for the period. Source: Reuters, ICIS.

Brent crude averaged US$ 82.3 per barrel, a drop of -17% from US$ 98.9 in 2022. Expectations of production cuts by the OPEC+ countries announced in the third quarter, as well as the start of the conflict in the Gaza Strip in early October, briefly pushed Brent prices above US$ 90 per barrel. They fell back during the fourth quarter, due in particular to increased oil production in the USA, and a fall in global demand.

Natural gas prices (TTF) fell during 2023, averaging euro 41 per MWh (megawatt-hour), a decline of -69% compared to euro 133 for the corresponding period of 2022, a price which reflected the interruption of gas flows from Russia. Prices decreased during 2023 due to the increased use of liquefied natural gas (LNG), high European stockpile levels and the increased production of electricity from renewable sources in Europe.

The price of butadiene fell during 2023, due to the decrease in the price of natural gas, lower logistics costs and the prospects of a slowdown in global growth. Its average price stood at euro 850 per tonne, a drop of -32% compared to 2022.

The average price for natural rubber recorded a decline of -11% during 2023, compared to 2022, to US$ 1,378 per tonne (US$ 1,548 per tonne for 2022), despite a price increase during the fourth quarter on expectations of stronger demand from China, and a reduction in supply from producing countries such as Thailand and Indonesia, due to adverse weather conditions.

Trends in Car Tyre Markets

During the course of 2023, the global car tyre market recorded volumes that were consistent with those of 2022.

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

- +5% for the Original Equipment channel (+6% for the fourth quarter), thanks to a strong recovery in volumes in APAC and Europe during the fourth quarter;

- -2% for the Replacement channel (+3% for the fourth quarter), due to a fall in demand in Europe and North America, partially offset by a growing APAC market, and a positive fourth quarter in each Region.

Demand was more resilient for Car ≥18" which grew by +5% compared to 2022 (+8% for Original Equipment, +3% for Replacement), with a positive fourth quarter for both channels, particularly in the Europe and APAC regions.

Market demand was weak for Car ≤17" which recorded a -1% decline compared to 2022, (+4% for Original Equipment, -3% for Replacement).

Trends in Car Tyre Markets

% change year-on-year	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2023
Total Car Tyre Market					
Total	**-3.7**	**1.1**	**-1.2**	**4.1**	**0.0**
Original Equipment	4.7	12.2	-0.7	6.1	5.4
Replacement	-6.7	-2.7	-1.4	3.3	-2.0
Market ≥ 18"					
Total	**2.7**	**7.2**	**1.4**	**7.2**	**4.6**
Original Equipment	7.4	15.2	-0.2	8.4	7.6
Replacement	-0.3	2.0	2.4	6.3	2.6
Market ≤ 17"					
Total	**-5.5**	**-0.6**	**-1.9**	**3.2**	**-1.3**
Original Equipment	3.5	10.8	-1.0	5.0	4.4
Replacement	-8.1	-3.7	-2.2	2.6	-3.0

Source: Pirelli estimates.

SIGNIFICANT EVENTS OF 2023

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 equalling almost six times the offer, it amounted to approximately euro 3.5 billion. This issue was the first benchmark-size sustainability-linked bond placed by a global tyre company, as well as the first carried out since Pirelli had obtained its investment grade rating from S&P Global and Fitch Ratings, and is testimony to the Company's commitment to further integrate sustainability into its business strategy. The transaction, which took place as part of the EMTN Programme (Euro Medium Term Note Programme), was approved by the Board of Directors on February 23, 2022, and offered a 4.25% coupon. These securities are listed on the Luxembourg Stock Exchange.

On **February 7, 2023**, Pirelli was confirmed as being amongst the best companies at global level for sustainability, obtaining a *"Top 1%"* ranking, the highest recognition in the 2023 Sustainability Yearbook, which is published by S&P Global and which examines the sustainability profile of more than 13,000 companies. This result comes after 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 and Automotive sector of the Dow Jones Sustainability World and European Index.

On **February 22, 2023**, the Board of Directors co-opted Wang Feng to replace Bai Xinping, whose resignation was tendered on February 14, 2023, and also proceeded to appoint him as a member of the Remuneration Committee, the Nominations and Successions Committee and the Strategies Committee, the roles previously held by Bai Xinping.

On **March 6, 2023**, subsequent to that which had already been disclosed to the market on **February 22, 2023**, the China National Tire & Rubber Corporation, Ltd. ("**CNRC**") notified the Presidency of the Council of Ministers, pursuant to Legislative Decree 21/2012 (the "**Golden Power Regulation**"), of the agreement to renew the Shareholders' Agreement (the "**Agreement**" – of which an updated extract is available on the Company's website), which concerns, amongst other things, the corporate governance of Pirelli, and which had been entered into on May 16, 2022 by and between, amongst others, the CNRC, Marco Polo International Italy S.r.l., Camfin S.p.A. and Marco Tronchetti Provera & C. S.p.A.

On **June 18, 2023**, Pirelli announced - in relation to the proceedings pursuant to the Golden Power Regulation concerning the renewal of the Agreement (the "**Golden Power Proceedings**") – that on June 16, 2023, it had received notice of the provision with which the Council of Ministers had exercised its special powers pursuant to Legislative Decree No**.** 21/2012 (the "**Provision**"). The Provision provides for a series of stipulations aimed at setting up a network of measures which will collectively operate to protect the autonomy of Pirelli and its management, as well as to protect the technologies and information owned by the Company, which are of strategic importance.

On **June 29, 2023**, the Shareholders' Meeting, with more than 99.9% of the capital represented, approved, the Financial Statements for the 2022 financial year, which closed with a net income for the Parent Company of euro 252.5 million and a consolidated net income of euro 435.9 million, and unanimously resolved to distribute a dividend of euro 0.218 per ordinary share, amounting to a total dividend pay-out of euro 218 million.

The Shareholders' Meeting also approved - with the unanimous vote of the attendant capital - to postpone the discussion of the additional items on the agenda, including the renewal of the Board of Directors, to the Shareholders' Meeting of July 31, 2023 (convened on June 20, following the Golden Power Proceedings).

On **July 4, 2023,** Pirelli had announced that it had signed an agreement to acquire 100% of Hevea-Tec, Brazil's largest independent operator in natural rubber processing. With the acquisition of Hevea-Tec, for a countervalue in terms of the Enterprise Value of approximately euro 21 million, Pirelli will increase its market share of the natural rubber supply in LatAm, ensuring itself a continuity of supply in the Region and, therefore, greater efficiency. The transaction, will enable the start-up of innovative natural rubber projects with the aim of increasing the use of non-fossil materials in tyres, consistent with the Company's objectives, and will allow further improvement in the control of the natural rubber supply chain as well as the reduction of CO_2 emissions, thanks to a *"local for local"* supply chain and the launch of new FSC certification projects. The closing of the transaction took place on January 3, 2024.

On **July 24, 2023**, Pirelli - with reference to the *"EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025"* - announced, following the resolution of the Shareholders' Meeting of June 29, 2023, to distribute a dividend of euro 0.218 per ordinary share, that the conversion price of the bonds had been changed from euro 6.1395 to euro 6.0173 in accordance with the regulations of the bond loan itself.

On **July 27, 2023**, Pirelli's Board of Directors approved certain amendments to the Articles of Association in compliance with the requirements of the Golden Power Provision.

In particular, these amendments concern:

- the introduction of a new paragraph 3.3, with the following wording: *"In any case, in relation to the Board's resolutions concerning the Company's strategically important assets as identified by the Prime Ministerial Decree of June 16, 2023, under which special powers were exercised pursuant to and for the purposes of Article 2 of Legislative Decree No. 21 of March 15, 2012, converted, with amendments, by Law No. 56 of May 11, 2012, the proposal is reserved for the Chief Executive Officer and any decision contrary to the same shall only be adopted with the vote of at least 4/5th of the Board of Directors"*;

- the introduction of a new paragraph 11.10, with the following wording: *"In relation to Board's resolutions concerning the appointment and removal from office of Key Managers, and therefore (i) the General Manager, (ii) the Manager responsible for the preparation of the Corporate Financial Documents, (iii) the Secretary of the Company's Board of Directors and, in general (iv) the managers qualified pursuant to the corporate procedure for Executive Vice Chairman, the* *proposal is reserved for the Chief Executive Officer and any decision contrary to the same shall only be adopted with the vote of at least 4/5th of the Board of Directors"*; and,

- the amendment of Section 12.8 in order to recall the Articles of Association that require a qualified majority for the adoption of certain resolutions.

On **July 31, 2023**, the Shareholders' Meeting appointed the Board of Directors for the 2023-2024-2025 financial years - on the basis of the lists submitted on **July 7, 2023** - the Board of Directors set the number of members at 15, of which nine are independent. The following were appointed as Directors of the Company: Jiao Jian (appointed Chairman of the Board of Directors by the Shareholders' Meeting), Marco Tronchetti Provera, Andrea Casaluci, Chen Aihua, Zhang Haitao, Chen Qian, Alberto Bradanini, Michele Carpinelli, Domenico De Sole, Fan Xiaohua, Marisa Pappalardo, Grace Tang, (drawn from the list presented by Marco Polo International Italy S.r.l., also on behalf of Camfin S.p.A.), Roberto Diacetti, Paola Boromei and Giovanni Lo Storto, (drawn from the list presented by a group of savings management companies and institutional investors).

The Shareholders' Meeting also approved the remuneration policy for 2023, and expressed its favourable opinion on the Report on remunerations paid for the 2022 financial year. The Shareholders' Meeting also approved the adoption of the 2023-2025 three-year monetary (LTI) Long Term Incentive Plan for the management sector of the Pirelli Group, as well as the Directors and Officers Liability Insurance Policy.

On **August 3, 2023**, the Board of Directors appointed Marco Tronchetti Provera as Executive Vice Chairman, attributing to him the powers relative to general strategies and the supervision of the implementation of the Industrial Plan, and appointed Andrea Casaluci as Chief Executive Officer, conferring to him the powers for the operational management of Pirelli. Chairman, Jiao Jian was attributed the legal representation of the Company and the other powers provided for by the current Articles of Association.

The Board of Directors, has also established - also for the purpose of implementing one of the requirements of the Golden Power Provision - the Corporate General Management Department, entrusting its management to Francesco Tanzi.

The Board of Directors - taking into account the new composition of the Board of Directors - proceeded to appoint the members of the Board Committees - confirmed all the previous Committees and introduced the Sustainability Committee, with its focus on sustainability issues connected to the exercise of the Company's business activities. For more details on the composition of the Board Committees, reference should be made to the website www.pirelli.com.

Lastly, the Board of Directors, after obtaining the favourable opinion of the Board of Statutory Auditors, confirmed Fabio Bocchio as the Manager responsible for the preparation of the Corporate Financial Documents, and Carlo Secchi (Chairman), Antonella Carù and Alberto Bastanzio as members of the Supervisory Board, in continuity with the previous mandate which expired together with the Board that had appointed him.

On **August 3, 2023**, Pirelli announced that it had signed the renewal of its preventive agreement with the Agenzia delle Entrate (the Italian Tax Authorities), to continue to benefit from the tax concessions of the Patent Box, with the exclusion of corporate trademarks, for the 2020-2024 fiscal years. The tax benefit for the 2020-2022 three-year period was approximately euro 41 million, in addition to the benefit for 2023 of approximately euro 21 million. The effect on cash flow will be spread through 2023 to 2025, without any significant impact on cash flow for 2023.

On **October 3, 2023** Pirelli - in compliance with the provisions of Article 129 of the CONSOB Issuers' Regulation 11971/99 - announced the termination, due to its expiry on September 29, 2023, of the Shareholders' Agreement between the Silk Road Fund Co., Ltd. and the China National Tire & Rubber Corporation, Ltd., named the *"Amended and Restated Acting-in-concert Agreement",* which contained Shareholder Agreements concerning Pirelli & C. S.p.A.

On **October 10, 2023**, Pirelli announced that it had extended its presence in Formula One, as a Global Tyre Partner, up until at least 2027, with the possibility of an extension by one season. As part of the renewal of this agreement, at the end of which Pirelli will have been a supplier for 18 consecutive years, Pirelli will also be the sole supplier for the FIA Formula One World Championship, as well as for the Formula Two and Formula Three Championships. Pirelli will also support the environmental sustainability targets set by Formula One, which has committed to becoming Net Zero Carbon by 2030. As of 2024, in fact, all tyres used in FIA Formula One World Championship races will be certified by the FSC® (Forest Stewardship Council®). This certification ensures the full traceability of raw materials from forests through the entire supply chain, and guarantees that the plantations from which the natural components for tyres are sourced, are managed in a way that preserves their biological diversity, and benefits the lives of local communities and workers while promoting their economic sustainability.

On **October 26, 2023**, Pirelli and the Public Investment Fund (PIF) of Saudi Arabia announced that they had signed a joint venture ("JV") agreement for the construction of a tyre factory in Saudi Arabia. The PIF will hold a 75% stake in the JV while Pirelli will hold the remaining 25%, and will be a strategic and technological partner to support the development of the project, providing technical and marketing assistance. The total investment in the JV amounts to approximately US$ 550 million. For Pirelli, whose maximum outlay will be US$ 56 million, the project will have a neutral impact on the Company's deleverage targets for 2025. The plant is expected to start production in 2026, and will have an annual production capacity of approximately 3.5 million tyres. The JV will produce high quality tyres for the Car segment under the Pirelli Brand, and in addition, will produce and market tyres under a new local brand for the national and regional market.

On **December 9, 2023,** Pirelli was confirmed as being included in the Dow Jones Sustainability World and European Indexes, following the index review conducted annually by S&P Global.

Pirelli obtained the highest score in several management areas, including Business Ethics, innovation, attention to human rights and health and safety, and climate change management. Top scores were also obtained for the reduction of CO_2 emissions reduction, attention to supplier codes of conduct, biodiversity management, the environmental sustainability of products and cyber security. These results earned Pirelli an overall score of 84 points (revised from the initial 83 points), the highest score in the Auto Components and Automotive sectors at a global level, which was significantly higher than the sector average of 26 points in the case of Automotive Components, and of 33 points for the Automotive sector.

On **December 22, 2023**, Pirelli signed an agreement with a selected pool of international banks, for a committed revolving credit facility to the amount of euro 500 million, maturing in four years in December 2027. The new credit facility, obtained as part of the usual management and optimisation of the financial structure, allowed for the strengthening of the liquidity margin. Under the agreement signed with the pool of banks, Pirelli will be able to parameterise the new credit facility to the new and more challenging Science Based Targets - in keeping with its Commitment to Net Zero - which the Company will define as part of its new Industrial Plan, after having achieved the decarbonisation targets initially set for 2025 two years ahead of schedule.

GROUP PERFORMANCE AND RESULTS

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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Despite the difficult economic, geopolitical and market environment, Pirelli closed 2023 with results that exceeded the targets announced last November 9, which for profitability and cash generation, were revised upwards during the year. These results underline the resilience of the business model, and reflect the implementation of the key programmes of the Industrial Plan.

On the **Commercial** front:

- the reinforced positioning of the Car **High Value** segment, particularly for Car ≥19", Specialities and electric vehicles. During the course of the year, Pirelli recorded volume growth consistent with the market (equal to +5%) for Car ≥18'', gaining market share for the Replacement channel, thanks to an increase in volumes that exceeded that of the market (+4% for Pirelli, +3% for the market). For Original Equipment Car ≥18" (+6% for Pirelli volumes, +8% for the market), Pirelli continued with its strategy of focusing on higher tyre rim diameters (≥19" volumes grew by approximately +4 percentage points and accounted for 82% of Original Equipment ≥18" volumes), and on electric vehicles (which accounted for approximately 25% of Original Equipment ≥19" volumes, and which grew by +4 percentage points compared to 2022);

- a reduction in exposure to the **Standard** segment (-8% for Pirelli Car ≤17" volumes, compared to -1% for the market).

For Pirelli, the differing trends between ≥18" and ≤17" resulted in overall Car volumes dropping slightly year-on-year, compared to an unchanged overall market (-1% for Pirelli, against a stable market).

On the **Innovation** front:

- approximately 344 new technical homologations were obtained for the Car sector, concentrated mainly in ≥19" and Specialties;

- for electric vehicles Pirelli can count on a portfolio of approximately 500 homologations at global level, and a market share for Prestige and Premium Original Equipment which is 1.5 times higher than for internal combustion engines in the same segment, thanks also to the introduction of the P Zero E, which features a concentration of technology and sustainability. This new tyre was awarded a Triple A Class rating under European labelling, (for rolling resistance, braking in wet conditions and noise), and contains more than 55% of natural and recycled materials;

- strengthened positioning of the SUV segment, with the launch of the Scorpion MS, a high-performance all-season tyre;

- renewal of the Formula One contract until 2027, with the additional possibility of extending the collaboration for a further season. In addition, beginning from 2024, Pirelli will supply tyres that are increasingly more sustainable and FSC™ certified;

- for the two-wheel business sector, expansion of the range to meet the different needs of consumers. For Motorbikes, the renewal of the Diablo range had already been completed during the first half-year with the introduction of the **Diablo Supercorsa**, the result of twenty years of experience in the FIM Superbike World Championship. In addition, as of 2024, Pirelli will be the official supplier of the Road to Moto GP™ project for the Moto2™ and Moto3™ classes. For Cycling, three new products were launched: two of which are high performance products with low rolling resistance, and one which is suitable for all surfaces.

The **Competitiveness Programme** achieved gross benefits of euro 92 million, consistent with expectations and the project development schedules. These benefits concerned:

- the cost of the product, with the modularity and design-to-cost programmes;

- manufacturing, through the implementation of Industrial IoT and flexible factory 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**:

- plant saturation levels stood at approximately 86% in view of reduced production levels in China and Russia, with 94% for High Value;

- the programme to decarbonise manufacturing plants through the use of renewable energy sources and energy efficiency programmes continued;

- lastly, thanks to the acquisition - announced on July 4 and completed in January 2024 - of Hevea-Tec, Brazil's largest independent natural rubber processing company, Pirelli will increase its market share of the supply of natural rubber in South America.

For the **Digitisation Programme**:

- following the adoption of the CRM, the new B2B e-commerce platform for integrated and digitalised business management, it was activated in the main markets of the Europe, North America, LatAm and APAC regions (excluding China);

- coverage of the main factories with Industrial Internet of Things (IioT) technology in order to improve the efficiency of the production processes, continued;

- the centralisation of information into a single Big Data Lake was completed, while the new IT Service Model project to digitalise operational IT processes, extend support coverage globally and increase the levels of service on the new platforms, continued;

- the strategy for launching Generative AI was developed through a new organisational model, a new governance process and a technological ecosystem based on key emerging technologies: AWS, Microsoft (ChatGPT) and Google;

- the design of an ecosystem and the creation of a multi-year roadmap for the digitisation of the processes for sustainability.

On the **Sustainability** front, during the course of 2023 Pirelli further improved its performance. In keeping with the objective of carbon neutrality in 2030, the plan to decarbonise the value chain continued. In terms of absolute CO_2 emissions, after having obtained an upgrade from the Science Based Targets initiative (SBTi) for its own SBT to be consistent with 1.5°C, Pirelli formalised its commitment to SBTi's Net Zero standard.

Of significance was the growth in the use of renewable electricity. In 2023, 100% of the electricity purchased in LatAm was certified to be from renewable sources, as is already the case since 2021 in Europe and since 2022 in North America. At a global level, 80% of the total electricity used was from renewable sources (62% in 2021 and 74% in 2022), with a decrease in the absolute CO_2 emissions of the Group of -17% compared to 2022, and of -51% compared to 2015 (base year of the Science Based Target for Group sites - Scopes 1 and 2). Absolute emissions from the supply chain decreased by -10.2% compared to 2022, and by -18.0% compared to 2018 (base year of the Science Based Target for the supply chain - Scope 3).

Positive results were also achieved through the direct engagement with suppliers, which accounted for more than 90% of absolute emissions from raw materials, and the involvement of suppliers in the CDP (Carbon Disclosure Project) supply chain programme, with an 88% response rate (82% in 2022).

On the product front, the percentage of new IP Codes (Product Code identification) placed on the market, that conformed to the highest classes (A or B) of European labelling in terms of rolling resistance (an environmental aspect with an indirect impact on vehicle CO_2 emissions), rose to 55% of the total (50% in 2022), consistent with Pirelli's target of 70% by 2025. In addition, the percentage of new IP Codes produced globally with values that conformed to European labelling classes A/B for grip on wet surfaces (an aspect with a direct impact on safety), including for grip on the ice (ICE pictogram), rose to 98% of the total (93% in 2022). Revenues from Eco & Safety Performance tyres[12] also grew, and reached 72% of total sales for Car (67% in 2022). The average rolling resistance for Pirelli tyres on the world market, improved by +2% compared to 2022, and by +16% compared to 2015.

The R&D commitment to innovative, renewable and recycled materials was significant, which among other things led to an acceleration in the use of silica from rice husks, with an increase in volumes of approximately +10% in total silica consumption (a +5% increase compared to 2022).

Transparency towards consumers is among the central elements: Pirelli has in fact created a new logo which identifies tyres containing at least 50% of bio-based and recycled materials. An example of this is the new Pirelli P Zero E and the Pirelli Perfect Fit for Premium and Prestige electric vehicles, which require dedicated tyres with specific grip and rolling performance and wear resistance. The new Pirelli P Zero was awarded the Triple A Class rating under European labelling for all sizes (for rolling resistance, braking in wet conditions and noise), and contains more than 55% of natural origin and recycled materials[13], a claim that has been validated by a third party. An analysis of the life cycle of the tyre, conducted by Pirelli and validated by Bureau Veritas, shows a -24% reduction in CO_2 equivalent emissions, compared to a previous generation Pirelli tyre[14]. In addition, tyre wear (expressed in g/1000km) has been reduced by -42% compared to the previous generation[15], thanks to the processes for virtualisation and new materials.

In motorsports, Pirelli was confirmed as the Global Tyre Partner for Formula One until at least 2027, a partnership that includes sustainability among its key elements. Starting in 2024, all tyres used in the FIA Formula One World Championship will be FSC® (Forest Stewardship Council®) certified.

This proactive commitment to the protection of biodiversity, continued in 2023 with the development of a methodology to analyse the state of biodiversity in the natural areas surrounding Pirelli's production plants, as well as the impacts and dependencies in these areas. All of Pirelli's operating sites around the world, were assessed according to the four fundamental criteria of the TNFD LEAP framework (Locate, Evaluate, Assess, Prepare)[16].

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

13 Thanks to a combination of physical segregation and mass balance. Depending on the tyre size, the content of *"bio-based & recycled"* materials varies between 29-31% and 25-27% respectively. The materials of natural origin are natural rubber, textile reinforcements, natural origin chemicals, bio-resins and lignin, while the recycled materials are metal reinforcements, chemical products and - through a mass balance approach - synthetic rubber, silica and carbon black. In accordance with ISO 14021.

14 Size 235/45R18 (IP 42865) compared to the same size as the previous generation product (PZ4 IP 27429), in accordance with ISO 14067 and ISO 14026 as verified by Bureau Veritas.

15 Figures certified by DEKRA.

16 Beta framework v0.4, published in March 2023.

In the area of sustainable finance, in 2023, Pirelli - the first company in the global tyre sector to do so - placed a sustainability-linked bond for euro 600 million with more than 190 international investors, with demand equal to almost six times the offer.

In 2023, Pirelli also confirmed its commitment to the recruitment and development of its own people by consolidating programmes already activated and continuing programmes to develop talent, and an environment that is attentive to diversity and inclusion. The presence of women in management positions has increased globally, reaching 27% in 2023 (24.5% in 2022). The attention to the protection of health and safety, has led to a further decrease in the accident frequency index, which was down by -15% in 2023 compared to 2022, and by -19% compared to 2021, (1.69 in 2023, compared to 1.98 in 2022 and 2.07 in 2021).

Pirelli's sustainability performance in 2023, again received excellent ratings from the main Sustainable Finance indexes. Following the annual review of the Dow Jones Sustainability Indexes by S&P Global, the company recorded the Top Score in the worldwide Auto Components and Automotive Sector, followed by the highest ranking of *"Top 1%"* in the 2024 Sustainability Yearbook. Pirelli was also reconfirmed as a leader in the fight against climate change, and was placed on the CDP *"Climate A List"*, as well as being awarded *"Prime"* status by the ISS ESG, which included Pirelli among the sector leaders for ESG risk mitigation, and the *"ESG Top Rated"* badge by Sustainalytics.

Activities in Russia

Pirelli operates in Russia in compliance with international sanctions, and as already disclosed to the market, has suspended investments in its factories in that country, with the exception of those intended for the safety and security of carrying out operations. During 2023, Russia accounted for approximately 4% of turnover for the Group.

Pirelli's results for 2023 were characterised by:

- **net sales** which equalled euro **6,650.1** million, and exceeded the euro 6.6 billion target, bolstered by the strong improvement in the price/mix (+8.6% compared, to the target of approximately +8%), which more than offset the decline in volumes (-1.8%, a target of approximately -2%), and exchange rate depreciation (-6.3%, consistent with expectations);

- **EBIT adjusted** which equalled euro **1,001.8** million, (euro 985 million was implied by the guidance in November), had increased by +2.5% compared to euro 977.8 million for 2022, with profitability at 15.1% (a target of approximately 15%), supported by the contribution of internal levers (price/mix and efficiencies), which more than offset the impact of raw materials, inflation and the exchange rate effect;

- **net income/loss** which amounted to an income of euro **495.9** million (euro 435.9 million for 2022), reflected the improved operational performance and the benefits derived from the Patent

Box. **Net income/(loss) adjusted** which amounted to an income of euro **595.4** million (euro 570.4 million for 2022), net of one-off, non-recurring and restructuring expenses, of the amortisation of intangible assets detected during the PPA and of the benefit from the Patent Box for the 2020-2022 three-year period;

- **Net Financial Position** which at December 31, 2023 showed a debt of euro 2,261.7 million (a debt of euro 2,552.6 million at December 31, 2022), with a cash generation before dividends of euro 508.9 million for 2023, an improvement compared to the target of approximately euro 450/470 million. Cash generation before dividends does not include the impact of the acquisition of Hevea-Tec finalised at the beginning of January 2024, which is instead present in the 2023 targets mentioned above;

- a **liquidity margin** equal to euro **2,981.6** million which covers debt maturities until the first quarter of 2028;

- **ROIC** (net of goodwill and the intangible components of the PPA) which equalled 20.3%, in line compared to the figure for 2022 (20.3%) and to the target for 2023 (approximately 20%).

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

(in millions of euro)	**2023**	**2022**
Net sales	**6,650.1**	**6,615.7**
EBITDA adjusted (°)	**1,446.1**	**1,408.3**
% of net sales	21.7%	21.3%
EBITDA	**1,366.3**	**1,335.7**
% of net sales	20.5%	20.2%
EBIT adjusted	**1,001.8**	**977.8**
% of net sales	15.1%	14.8%
Adjustments: - amortisation of intangible assets included in PPA	(113.7)	(113.7)
- one-off, non-recurring and restructuring expenses	(79.8)	(72.6)
EBIT	**808.3**	**791.5**
% of net sales	12.2%	12.0%
Net income/(loss) from equity investments	15.9	5.8
Financial income/(expenses)	(194.1)	(201.7)
Net income/(loss) before taxes	**630.1**	**595.6**
Taxes	(134.2)	(159.7)
Tax rate %	21.3%	26.8%
Net income/(loss)	**495.9**	**435.9**
Earnings/(loss) per share (in euro per basic share)	0.48	0.42
Net income/(loss) adjusted	595.4	570.4
Net income/(loss) attributable to owners of the Parent Company	479.1	417.8

(°) The adjustments refer to one-off, non-recurring and restructuring expenses to the amount of euro 79.8 million (euro 72.6 million for 2022).

(in millions of euro)		**12/31/2023**	**12/31/2022**
Fixed assets		**8,812.1**	**8,911.1**
	Inventories	1,371.4	1,457.7
	Trade receivables	649.4	636.5
	Trade payables	(1,999.4)	(1,973.3)
Operating net working capital		**21.4**	**120.9**
% of net sales		0.3%	1.8%
	Other receivables/other payables	45.8	42.3
Net working capital		**67.2**	**163.2**
% of net sales		1.0%	2.5%
Net invested capital		**8,879.3**	**9,074.3**
Equity		**5,619.6**	**5,453.8**
Provisions		998.0	1,067.9
Net financial (liquidity)/debt position		**2,261.7**	**2,552.6**
Equity attributable to owners of the Parent Company		5,494.4	5,323.8
Investments in intangible and owned tangible assets (CapEx)		405.7	397.7
Increases in right of use		101.2	79.7
Research and development expenses		288.5	263.9
% of net sales		4.3%	4.0%
Research and development expenses - High Value		269.4	247.1
% of High Value sales		5.4%	5.3%
Employees (headcount at end of period)		31,072	31,301
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)		1 Q		2 Q		3 Q		4 Q		Total year	
		2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Net sales		**1,699.7**	1,521.1	**1,737.8**	1,675.9	**1,722.7**	1,836.3	**1,489.9**	1,582.4	**6,650.1**	6,615.7
	yoy	11.7%		3.7%		-6.2%		-5.8%		0.5%	
	*organic yoy **	12.0%		9.1%		2.2%		4.8%		6.8%	
EBITDA adjusted		**359.7**	333.1	**379.4**	362.2	**376.7**	383.9	**330.3**	329.1	**1,446.1**	1,408.3
	% of net sales	21.2%	21.9%	21.8%	21.6%	21.9%	20.9%	22.2%	20.8%	21.7%	21.3%
EBITDA		**350.7**	325.6	**367.9**	350.2	**368.3**	367.4	**279.4**	292.5	**1,366.3**	1,335.7
	% of net sales	20.6%	21.4%	21.2%	20.9%	21.4%	20.0%	18.8%	18.5%	20.5%	20.2%
EBIT adjusted		**248.1**	228.5	**269.3**	253.1	**265.1**	271.9	**219.3**	224.3	**1,001.8**	977.8
	% of net sales	14.6%	15.0%	15.5%	15.1%	15.4%	14.8%	14.7%	14.2%	15.1%	14.8%
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)
- one-off, non-recurring and restructuring expenses		(9.0)	(7.5)	(11.5)	(12.0)	(8.4)	(16.5)	(50.9)	(36.6)	(79.8)	(72.6)
EBIT		**210.7**	192.6	**229.3**	212.6	**228.3**	227.0	**140.0**	159.3	**808.3**	791.5
	% of net sales	12.4%	12.7%	13.2%	12.7%	13.3%	12.4%	9.4%	10.1%	12.2%	12.0%
Net income/(loss) from equity investments		2.3	0.8	3.9	1.5	2.7	0.8	7.0	2.7	15.9	5.8
Financial income/(expenses)		(52.2)	(43.6)	(54.7)	(46.0)	(43.3)	(55.5)	(43.9)	(56.6)	(194.1)	(201.7)
Net income/(loss) before taxes		**160.8**	149.8	**178.5**	168.1	**187.7**	172.3	**103.1**	105.4	**630.1**	595.6
Taxes		(45.8)	(40.0)	(50.9)	(44.9)	(19.3)	(46.0)	(18.2)	(28.8)	(134.2)	(159.7)
Tax rate %		28.5%	26.7%	28.5%	26.7%	10.3%	26.7%	17.7%	27.3%	21.3%	26.8%
Net income/(loss)		**115.0**	109.8	**127.6**	123.2	**168.4**	126.3	**84.9**	76.6	**495.9**	435.9

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

Net sales amounted to euro 6,650.1 million, growth of +0.5% compared to 2022, +6.8% excluding the combined impact of the exchange rate effect and the adoption of hyperinflation accounting (totalling -6.3%).

High Value sales accounted for 75% of total Group revenues (71% in 2022).

The following table shows the **changes in net sales performance** compared to the same period of the previous year:

	2023				
	1Q	**2Q**	**3Q**	**4Q**	**Total year**
Volume	-3.1%	-1.1%	-4.6%	2.1%	-1.8%
Price/mix	15.1%	10.2%	6.8%	2.7%	8.6%
Change on a like-for-like basis	**12.0%**	**9.1%**	**2.2%**	**4.8%**	**6.8%**
Exchange rate effect /Hyperinflation accounting in Argentina and Turkey	-0.3%	-5.4%	-8.4%	-10.6%	(6.3%)
Total change	**11.7%**	**3.7%**	**-6.2%**	**-5.8%**	**0.5%**

The decline in **volumes** (-1.8%) during 2023, reflected the strategy of reducing exposure to the Standard market segment with its lower profitability (-8% for Car ≤17", compared to -1% for the market). Positioning in the High Value segment was confirmed, with volume growth for Car ≥18'' of +5%, consistent with the market but with a differing trend for each channel: a gain in market share for Replacement (+4%, compared to +3% for the market), and a selective strategy for Original Equipment (+6%, compared to +8% for the market).

The **price/mix** improved considerably: +8.6%, thanks to:

- price increases to counter inflation in the cost of production factors, and;
- an improved product mix, this latter linked to the gradual migration from Standard to High Value, and to the improvement in the mix within both segments.

The negative impact of the **exchange rate effect**: -6.3%, as a result of the weakening of the US dollar, the renminbi and the currencies of emerging countries against the euro.

Net sales totalled euro 1,489.9 million for the fourth quarter, with organic growth of +4.8% compared to the same period of 2022, -5.8% including the impact of the exchange rate effect. Specifically, Pirelli recorded:

- **volumes** (for Car and Motorcycle) which had increased by +2.1%, (-4.6% for the third quarter, -1.1% for the second quarter, and -3.1% for the first quarter). In the Car segment, growth was +3.3%, substantially consistent with that of the market (+4%), led by High Value (+5% for Pirelli Car ≥18'', compared to +7% for the market), where Pirelli strengthened its positioning in the ≥18'' Replacement market (+7% for Pirelli, compared to +6% for the market), while selectivity continued for Original Equipment ≥18'' (+4% for Pirelli, compared to +8% for the market), in favour of higher tyre rim diameters and EVs. Standard (Car ≤17'') was stable, compared to +3% for the market;
- improvement in the **price/mix** by +2.7%, due to the effect of price increases carried out in the preceding quarters, and to improvement in the product mix;

- a negative **exchange rate effect** (-10.6%), which was impacted by the depreciation of the main currencies against the euro, and the application of hyperinflation accounting (-5.1% for the US dollar, -5.8% for the Chinese renminbi, and -36.3% for the Russian rouble).

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

	2023			2022
(in millions of euro)		%	*YoY*	%
Europe	2,591.9	38.9%	*-0.5%*	39.4%
North America	1,714.9	25.8%	*7.7%*	24.1%
APAC	1,114.6	16.8%	*2.0%*	16.5%
South America	795.5	12.0%	*-11.8%*	13.6%
Russia and MEAI	433.2	6.5%	*2.1%*	6.4%
Total	**6,650.1**	**100.0%**	***0.5%***	**100.0%**

EBITDA adjusted amounted to euro 1,446.1 million (euro 1,408.3 million for 2022), with a margin of 21.7% (21.3% for 2022), which reflected the dynamics described in the following paragraph in terms of EBIT adjusted.

EBIT adjusted for 2023 amounted to euro 1,001.8 million (euro 977.8 million for 2022), with an EBIT margin adjusted of 15.1%, an improvement compared to 14.8% for 2022. The contribution of internal levers (price/mix and efficiencies), more than offset the negativity of the external environment.

More specifically, the growth of the EBIT adjusted reflected the positive contribution of the **price/mix** (euro +486.2 million) and **efficiencies** (euro +92.0 million), which more than compensated:

- the **decline in volumes** (euro -51.4 million), the increase in the cost of **raw materials** (euro -15.8 million including the impact of the relative exchange rate effect), the negative impact of **inflation in the costs of production factors** (euro -230.0 million) and the **negative exchange rate effect** (euro -193.5 million);

- as well as increased **amortisation and depreciation** (euro -32.0 million) and **other costs** (euro -31.5 million), mainly related to Marketing and Research and Development activities, and to the reduction in inventories.

EBIT adjusted for the fourth quarter amounted to euro 219.3 million, which was substantially consistent with euro 224.3 million for the fourth quarter of 2022, thanks to the contribution of the **price/mix** (euro +37.6 million) and efficiencies (euro +30.6 million), which together with lower costs for raw materials (euro +61.2 million), more than compensated for **inflation in the costs of production factors** (euro -50.1 million) and the **exchange rate effect** (euro -79.0 million). The impact of **volumes** was positive (euro +13.2 million), which helped reduce the impact of higher **amortisation and depreciation** (euro -5.8 million) and of **other costs** (euro -12.7 million).

The **EBIT margin adjusted for the fourth quarter** equalled 14.7%, an improvement of +0.5 percentage points compared to the fourth quarter of 2022 (14.2%), but lower than in previous quarters due to the seasonal nature of the business.

(in millions of euro)	1 Q	2 Q	3 Q	4 Q	Total year
2022 EBIT adjusted	**228.5**	**253.1**	**271.9**	**224.3**	**977.8**
- Internal levers:					
Volumes	(20.4)	(8.2)	(36.0)	13.2	(51.4)
Price/mix	198.3	146.6	103.7	37.6	486.2
Amortisation and depreciation	(6.3)	(9.7)	(10.2)	(5.8)	(32.0)
Efficiencies	9.8	20.6	31.0	30.6	92.0
Other	(0.2)	(13.6)	(5.0)	(12.7)	(31.5)
- External levers:					
Cost of production factors (commodities)	(77.6)	(21.6)	22.2	61.2	(15.8)
Cost of production factors (labour/energy/other)	(68.6)	(62.2)	(49.1)	(50.1)	(230.0)
Exchange rate effect	(15.4)	(35.7)	(63.4)	(79.0)	(193.5)
Total change	**19.6**	**16.2**	**(6.8)**	**(5.0)**	**24.0**
2023 EBIT adjusted	**248.1**	**269.3**	**265.1**	**219.3**	**1,001.8**

EBIT for 2023 amounted to euro 808.3 million (euro 791.5 million for 2022), and included the amortisation of intangible assets identified during the PPA to the amount of euro 113.7 million, consistent with 2022, and one-off, non-recurring and restructuring expenses to the amount of euro 79.8 million mainly related to the continuation of structural rationalisation measures and to the impairment, to the amount of euro 24.6 million, of assets located in the Russian subsidiary.

Net income/(loss) from equity investments amounted to an income of euro 15.9 million, (positive to the amount of euro 5.8 million for 2022), and mainly refers to the pro-rata result of the investment in the joint venture Xushen Tyre (Shanghai) Co., Ltd, which was positive to the amount of euro 9.5 million (positive to the amount of euro 2.3 million for 2022), and in the joint venture PT Evoluzione Tyres in Indonesia, which was positive to the amount of euro 0.8 million (positive to the amount of euro 0.4 million for 2022). Net income/(loss) from equity investments also included euro 4.3 million in dividends received from non-controlling interests (euro 3.1 million in 2022).

Net financial expenses for 2023 amounted to euro 194.1 million, a slight decrease compared to euro 201.7 million for the previous twelve months. This difference was primarily linked to the increase in financial expenses for debt, as a consequence of rising interest rates especially in the Eurozone, which was offset by a higher fair value measurement of other financial assets held in Argentina for the purposes of financial risk management.

At December 31, 2023, the **cost of debt**, calculated as the average cost of debt for the last twelve months, stood at 5.08%, having increased by 104 basis points compared to December 31, 2022 (4.04%). This increase was mainly due to the aforementioned rising interest rates in the Eurozone.

Taxes for 2023 amounted to euro 134.2 million against a net income before taxes of euro 630.1 million, at a tax rate of 21.3%. The amount for taxes includes the benefit recorded as of the third quarter, from the application of the subsidised Patent Box taxation regime as a result of the preventive agreement signed on August 3, 2023, with the Agenzia delle Entrate (the Italian Tax

Authorities), which equalled euro 41.4 million for the 2020-2022 three-year period, in addition to the benefit for the 2023 financial year which amounted to euro 20.9 million.

Net income/(loss) amounted to an income of euro 495.9 million, compared to an income of euro 435.9 million in 2022.

Net income/(loss) adjusted amounted to an income of euro 595.4 million, (an income of euro 570.4 million for 2022) calculated by excluding from the net income, not only the adjustments to the operating income, but also their tax effect and the Patent Box benefit for the 2020-2022 three-year period. The following table shows the calculations:

(in millions of euro)	2023	2022
Net income/(loss)	**495.9**	**435.9**
Amortisation of intangible assets included in PPA	113.7	113.7
One-off, non-recurring and restructuring expenses	79.8	72.6
Taxes	(94.0)	(51.8)
Net income/(loss) adjusted	**595.4**	**570.4**

Net income/(loss) attributable to the owners of the Parent Company amounted to an income of euro 479.1 million, compared to an income of euro 417.8 million in 2022.

Equity went from euro 5,453.8 million at December 31, 2022 to euro 5,619.6 million at December 31, 2023.

Equity attributable to the owners of the Parent Company at December 31, 2023 equalled euro 5,494.4 million, compared to euro 5,323.8 million at December 31, 2022.

This change is shown in the table below:

(in millions of euro)	Group	Non-controlling interests	Total
Equity at 12/31/2022	**5,323.8**	**130.0**	**5,453.8**
Translation differences	(156.9)	(17.3)	(174.2)
Net income/(loss)	479.1	16.8	495.9
Fair value adjustment of financial assets / derivative instruments	(12.5)	-	(12.5)
Actuarial gains/(losses) on employee benefits	(22.6)	-	(22.6)
Dividends approved	(218.0)	(4.9)	(222.9)
Effect of hyperinflation in Turkey	16.1	-	16.1
Effect of hyperinflation in Argentina	86.7	-	86.7
Other	(1.3)	0.6	(0.7)
Total changes	**170.6**	**(4.8)**	**165.8**
Equity at 12/31/2023	**5,494.4**	**125.2**	**5,619.6**

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
Equity of Pirelli & C. S.p.A. at 12/31/2023	**1,904.4**	**2,803.4**	**242.9**	**4,950.7**
Net income/(loss) of consolidated companies (before consolidation adjustments)	-	-	508.8	508.8
Share capital and reserves of consolidated companies (before consolidation adjustments)	-	4,634.6	-	4,634.6
Consolidation adjustments:				
- carrying amount of equity investments in consolidated companies	-	(4,596.3)	-	(4,596.3)
- intragroup dividends	-	278.6	(278.6)	0.0
- other	-	(9.4)	6.0	(3.4)
Consolidated equity of the Group at 12/31/2023	**1,904.4**	**3,110.9**	**479.1**	**5,494.4**

Net financial position showed a debt of euro 2,261.7 million, compared to a debt of euro 2,552.6 million at December 31, 2022. It was composed as follows:

(in millions of euro)	12/31/2023	12/31/2022
Current borrowings from banks and other financial institutions	789.5	800.4
- of which lease liabilities	*99.1*	*89.0*
Current derivative financial instruments (liabilities)	18.2	15.0
Non-current borrowings from banks and other financial institutions	3,174.7	3,690.1
- of which lease liabilities	*383.4*	*396.5*
Non-current derivative financial instruments (liabilities)	-	-
Total gross debt	**3,982.4**	**4,505.5**
Cash and cash equivalents	(1,252.8)	(1,289.7)
Other financial assets at fair value through Income Statement	(228.8)	(246.9)
Current financial receivables **	(106.1)	(270.9)
Current derivative financial instruments (assets)	(7.3)	(14.2)
Net financial debt *	**2,387.4**	**2,683.8**
Non-current derivative financial instruments (assets)	(12.9)	(26.4)
Non-current financial receivables **	(112.8)	(104.8)
Total net financial (liquidity) / debt position	**2,261.7**	**2,552.6**

* 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 11.0 million at December 31, 2023 (euro 10.5 million at December 31, 2022).

The **structure of gross debt** which amounted to euro 3,982.4 million, was as follows:

(in millions of euro)	12/31/2023	Maturity date					
		within 1 year	between 1 and 2	between 2 and 3	between 3 and 4	between 4 and 5	more than 5 years
Convertible bond	480.2	-	480.2	-	-	-	-
Bond SLB EUR 600m 4.25% due 01/28	594.9	-	-	-	-	594.9	-
Schuldschein	20.0	-	20.0	-	-	-	-
Bilateral EUR 300m ESG 2023 2.5y facility	299.5	-	-	299.5	-	-	-
Bilateral EUR 400m ESG 2021 3y facility	399.6	399.6	-	-	-	-	-
Club Deal EUR 1.6bn ESG 2022 5y	598.2	-	-	-	598.2	-	-
Club Deal EUR 800m ESG 2020 5y	798.4	-	798.4	-	-	-	-
Bank debt held by subsidiaries	224.8	224.8	-	-	-	-	-
Other financial debt	84.3	84.2	0.1	-	-	-	-
Lease liabilities	482.5	99.1	84.9	67.1	56.7	48.4	126.3
Total gross debt	**3,982.4**	**807.7**	**1,383.6**	**366.6**	**654.9**	**643.3**	**126.3**
		20.3%	*34.7%*	*9.2%*	*16.4%*	*16.2%*	*3.2%*

At December 31, 2023, the Group had a liquidity margin of euro 2,981.6 million consisting of euro 1,500.0 million in unutilised committed credit lines (increased by euro 500 million compared to December 31, 2022, due to the new revolving credit facility signed in December 2023), euro 1,252.8 million in cash and cash equivalents, and euro 228.8 million in financial assets at fair value through the Income Statement. The liquidity margin guarantees coverage for maturities for borrowings from banks and other financial institutions, until the first quarter of 2028.

Net cash flow for 2023, in terms of change in the net financial position, is summarised as follows:

(in millions of euro)	1 Q		2 Q		3Q		4Q		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
EBIT adjusted	248.1	228.5	269.3	253.1	265.1	271.9	219.3	224.3	1,001.8	977.8
Amortisation and depreciation (excluding PPA amortisation)	111.6	104.6	110.1	109.1	111.6	112.0	111.0	104.8	444.3	430.5
Investments in intangible and owned tangible assets (CapEx)	(53.2)	(48.6)	(70.3)	(67.1)	(77.7)	(73.0)	(204.5)	(209.0)	(405.7)	(397.7)
Increases in right of use	(15.1)	(8.1)	(26.5)	(33.2)	(27.5)	(9.2)	(32.1)	(29.2)	(101.2)	(79.7)
Change in working capital and other	(868.8)	(841.6)	(6.8)	138.6	(0.4)	(49.6)	961.4	830.5	85.4	77.9
Operating net cash flow	**(577.4)**	**(565.2)**	**275.8**	**400.5**	**271.1**	**252.1**	**1,055.1**	**921.4**	**1,024.6**	**1,008.8**
Financial income / (expenses)	(52.2)	(43.6)	(54.7)	(46.0)	(43.3)	(55.5)	(43.9)	(56.6)	(194.1)	(201.7)
Taxes paid	(29.0)	(32.9)	(32.3)	(71.5)	(43.8)	(46.8)	(33.9)	(54.3)	(139.0)	(205.5)
Cash-out for one-off, non-recurring and restructuring expenses	(12.6)	(23.6)	(10.2)	(11.9)	(8.8)	(11.0)	(8.5)	(11.8)	(40.1)	(58.3)
Dividends paid to minority shareholders	-	-	(3.9)	(24.4)	0.3	(0.2)	0.1	0.2	(3.5)	(24.4)
Differences from foreign currency translation and other	(20.2)	(7.6)	(18.2)	(37.5)	(8.3)	1.9	(92.3)	39.8	(139.0)	(3.4)
Net cash flow before dividends paid by the Parent Company	**(691.4)**	**(672.9)**	**156.5**	**209.2**	**167.2**	**140.5**	**876.6**	**838.7**	**508.9**	**515.5**
Dividends paid by the Parent Company	-	-	-	(159.9)	(217.8)	(0.3)	(0.2)	(0.8)	(218.0)	(161.0)
Net cash flow	**(691.4)**	**(672.9)**	**156.5**	**49.3**	**(50.6)**	**140.2**	**876.4**	**837.9**	**290.9**	**354.5**

Net cash flow before dividends for 2023 amounted to euro +508.9 million, compared to euro +515.5 million in 2022. Excluding the impact of the 2020-2022 three-year Long-Term Incentive (LTI) for management to the amount of euro 67 million, disbursed during the second quarter (there was no disbursement in 2022, as the plan had not come to an end), cash flow before dividends had improved by approximately euro 60 million compared to 2022.

Operating net cash flow for 2023 amounted to a positive euro 1,024.6 million (euro 1,008.8 million for 2022) and reflected:

- the improved operating performance (EBITDA adjusted for 2023 amounted to euro 1,446.1 million, compared to euro 1,408.3 million in 2022);

- investments in property, plant and equipment and intangible assets which amounted to euro 405.7 million in 2023 (compared to euro 397.7 million in 2022), aimed mainly at High Value activities, at the constant improvement of the mix and quality in all factories, and at the increase in production capacity in Mexico and Romania;

- an increase in the right of use of euro 101.2 million in 2023 (euro 79.7 million in 2022);

- a cash generation of *"working capital and other"* during the course of 2023 of euro 85.4 million, compared to euro 77.9 million in 2022).

  Specifically, this trend in *"working capital and other"* was characterised by:

  - the careful management of inventories (20.6% of revenues in 2023) a reduction of -1.4 percentage points compared to December 2022 (22.0%), thanks to the measures put in place as of the second half of 2022, for the reduction of raw materials inventories, which had previously been increased to ensure the continuity of business in the factories following the tensions between Russia and Ukraine. Finished product inventories were stable (approximately 16% of revenues for 2023, substantially consistent with the figure at December 31, 2022);

  - trade receivables which accounted for 9.8% of revenues in 2023, consistent with the figure at December 31, 2022 (9.6%);

  - trade payables which accounted for 30.1% of revenues in 2023, substantially in alignment with the figure at December 31, 2022 (29.8%);

  - the negative impact of the payment totalling approximately euro 67 million to the Group's management, for the 2020-2022 LTI.

Net cash flow for 2023 also highlighted the following performances compared to 2022:

- financial expenses were lower by euro 7.6 million;

- taxes paid were lower by a total amount of euro 66.5 million, mainly attributable to the payment in 2022 of withholding taxes on dividends paid between companies of the Group, as well as higher income tax paid in 2022 for advance tax payments and/or tax balances;

- payments related to non-recurring and restructuring expenses were lower by a total amount of euro 18.2 million;

- dividends paid to minority shareholders were lower by euro 20.9 million;

- the impact of the item *"differences from foreign currency translation and other"* which was higher by euro -135.6 million.

Net cash flow before dividends for the fourth quarter of 2023 was positive to the amount of euro 876.6 million, compared to euro 838.7 million for the previous year. Cash flow performance for the quarter, compared to the fourth quarter of 2022, was mainly attributable to the optimal management of inventories.

RESEARCH AND DEVELOPMENT

Research and Development plays a central role at Pirelli. The activity, which involves approximately 2,100 people, (equal to approximately 7% of the total workforce of the Group) spread between its 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 2023, and which involved the integrated use of the university's dynamic simulator with the static simulator at Pirelli's Milan R&D centre, for the virtual development of tyres which is fundamental to Pirelli's Eco-Safety strategy. In addition, Pirelli and the University of Milan-Bicocca renewed their CORIMAV partnership for research in eco-friendly materials and processes. In over 20 years, CORIMAV has funded 55 Doctoral Scholarships, and filed 24 patents for innovative materials and processes. A further 18 Doctoral Fellowships are planned over the next six years. This joint research has already led to the market launch of a series of tyres made from more sustainable materials, such as lignin and nano-silicates (SmartNet Silica).

Research and Development expenses for 2023 totalled euro 288.5 million, (4.3% of net sales), of which euro 269.4 million was earmarked for High Value activities (5.4% of High Value revenues).

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

In this regard, it should be noted that the Council of Ministers, as part of the "**Golden Power Procedure**" – initiated in relation to the renewal of the Shareholders' Agreement, which concerns the governance of Pirelli, signed on May 16, 2022 by the China National Tire & Rubber Corporation Ltd., Marco Polo International Italy S.r.l., Camfin S.p.A. and Marco Tronchetti Provera & C. S.p.A. – with the adoption of the provision with which it exercised its special powers, pursuant to Legislative Decree No. 21/2012, communicated to Pirelli on June 16, 2023 (the "**Provision**"), has observed, among other things, that the CYBER™ technology which is implantable in tyres, constitutes an asset of strategic importance pursuant to and for the purposes of the aforementioned Legislative Decree.

The CYBER™ sensor is able to collect data and transmit it to the vehicle, which, through the 5G network and in geo-localised form, makes it available to cloud processing systems and supercomputers for the creation of, by means of artificially intelligent algorithms, complex digital models that can be used, among other things, in cutting-edge use cases such as smart cities and digital twins.

The acceleration in the process of introducing driving assistance systems (which in the future will evolve towards systems for autonomous driving), reinforces the need to obtain data from the vehicle and, in particular from the tyre, which as the vehicle's only point of contact with the road, is able to provide a range of information of value for the control and safety of the car (such as, for example, the amount of friction available). It is clear in fact, that in the future a self-driving car will need to be aware in real time, of the behaviour of the vehicle, the surrounding vehicles and the infrastructure system, which will in turn require new functionalities in the tyre.

Pirelli, a pioneer in the development and production of sensorised tyres through the use of CYBER™ technology, is already supplying this technology to a leading electric vehicle manufacturer, with the objective of enabling the use of sensorised tyre data to optimise the safety performance of the vehicles themselves. At the same time, with the aim of implementation on a larger scale, Pirelli has launched a project to integrate CYBER™ data directly into the vehicle control system, through the collaboration with a first-level Systems Integrator. CYBER™ technology will therefore not have to be integrated into the vehicle each time through dedicated projects with the individual Original Equipment Manufacturers (car makers), but will be embedded directly in the vehicle control unit supplied by the Systems Integrator, in this way making the complete system available to all car manufacturer customers. Having completed the initial phase of a *"feasibility study",* the Company is studying a potential joint development programme, to be finalised through pilot projects, for the so-called Prestige and Premium vehicles which are expected to be on the market between 2024 and 2027. The expected benefits, thanks to the data generated by the CYBER™ system, will lead to a significant improvement in the safety performance of vehicle control systems.

The data collection system, based on CYBER™ technology, is then able to interact with the infrastructure/smart city. To date, in particular, it is already possible to detect and process data on road surface conditions. This enables motorway operators to: (a) increase the frequency and capillarity of monitoring the state of the infrastructure; (b) plan maintenance effectively and efficiently, and; (c) inform consumers about possible hazardous conditions on motorways, and also provide their geolocation. The first experimental phase of the service is planned to be implemented in 2024, with an extension starting in 2025.

The ability to gather important information from vehicles on the market on effective tyre usage patterns, to process this information through artificially intelligent algorithms, and to then integrate it into virtual development, is an important competitive factor for products. In particular, artificial intelligence and machine learning are used to work in synergy with the models developed for processing the data obtained from the sensors, in order to adequately refine the results obtained. An example of this is the *"Tyre Wear"* algorithm for the determination of the state of tyre wear, which is currently in use on a fleet of rental cars with drivers. Furthermore, the data collected from the sensors installed in the tyres of the vehicles of a given fleet or of individual users, are used in the virtual design of new products. Today, the development of all new product ranges actually passes through an initial virtual phase, followed by a scaled-down physical verification phase.

In essence, the widespread knowledge of tyre behaviour in the multiplicity of real conditions of use, makes it possible to refine and train virtual simulation models, which are used in the first design phase of new products, making them increasingly capable of simulating the performance they will deliver under the real conditions of use.

Taking the Provision into account, the competent body of the Company appointed for this task, in the application of the Provision itself, that is to say, the Director with sole authority over the security organisation ("**Security Organisation**"), in compliance with the obligations imposed upon it, has carried out the necessary in-depth investigations to precisely identify the relevant sectors related to CYBER™ technology, in order to ensure the proper implementation of the requirements contained in the said Provision.

As a result of these these in-depth analyses, it emerged that the relevant technologies related to the CYBER™ sensor include, the Digital business functions located in Italy related to the Data Science activities, including the Digital Solutions Centre in Bari, as well as the activities and functions of the Research and Development Digital Systems, the Industrial IoT and Innovation and digital products. In addition, the Research and Development activities and functions based in Milan, related to Modelling, Product Pre-development and Experimentation, are closely linked and connected to CYBER™ technology.

For further details on the Golden Power Procedure, the requirements of the Provision and on the role of the Security Organisation, please refer to the Report on the Corporate Governance and Ownership Structure contained in the 2023 Annual Report.

INNOVATION IN PRODUCTS, MATERIALS AND PRODUCTION PROCESSES

During the course of 2023, collaborations with the leading manufacturers of Prestige and Premium vehicles continued, and more than 340 new technical homologations were obtained, mainly concentrated in ≥19" rim diameters and Specialties. The Car segment further strengthened its positioning in the electric car market, with a market share of the Prestige and Premium Original Equipment segment which is 1.5 times higher than that for internal combustion engines in the same segment. At the IAA Mobility Motor Show in Munich, Pirelli confirmed itself as the leading brand in tyres for Prestige and Premium electric cars. Pirelli, in fact, had fitted almost 25% of the BEVs (battery electric vehicles) and 30% of the plug-in hybrids, with products from different lines – from P Zero to Scorpion – but all sharing the "*Elect*" labelling which distinguishes products made specifically for electric cars.

In the Prestige segment, amongst the new features introduced was the homologation of 10 different tyres to equip the Lotus Eletre, the first electric hyper-SUV from this British manufacturer.

In the Premium segment, however, the special relationship with companies such as Alfa Romeo, Audi, BMW, Mercedes, Jaguar, Land Rover and Ford continued. In 2023, among other things, Pirelli received the prestigious *"Supplier of Excellence Award"* from Jaguar Land Rover (JLR). The Pirelli P Zero Elect tyre was chosen by BMW M to equip the BMW i4 M50, the first fully electric car from BMW's top performance division.

The offering for electric vehicles was enriched in 2023 with the launch of P Zero E, a product with an elevated technological content and greater sustainability, which joins the other P Zero tyres in the range developed for Premium and Prestige electric vehicles which, due to the characteristics of the vehicles themselves, require dedicated tyres with specific grip performance, rolling resistance and wear resistance.

The new tyre was awarded the Triple A Class rating under European Labelling for all sizes (for rolling resistance, rolling resistance, braking in wet conditions and noise), and contains more than 55% of natural origin and recycled materials, a claim for which, for reasons of maximum transparency, Pirelli has obtained third-party verification. Transparency towards consumers is central: Pirelli has created a new logo that identifies tyres containing at least 50% of organic-based and recycled materials.

An analysis of the life cycle of the tyre, conducted by Pirelli and verified by Bureau Veritas, shows a -24% reduction in CO_2 equivalent emissions compared to a Pirelli tyre of a previous generation. In addition, tyre wear (expressed in g/1000km) has been reduced by -42% compared to the previous generation, thanks to virtualisation and new materials. These are results that have never before been achieved in the UHP tyre market. In addition, the P Zero E offers the new Pirelli RunForward technology, which allows the tyre to continue being driven for approximately 40 km following a puncture, at a maximum speed of 80 km/h.

During 2023, the Pirelli P Zero R was also introduced. A tyre for the highest performing supercars, but which is suitable for everyday use. This new product makes use of the close collaboration between Pirelli and top segment car manufacturers, who are supplied with tyres developed specifically for the various models and with characteristics that are in keeping with current market demands. For the P Zero R, in addition to the performance demanded by these cars, Pirelli engineers have worked to give it progressive behaviour, control in different driving conditions on both dry and wet surfaces, reduced rolling resistance and noise, and a consistency of performance during more sporting use.

The Pirelli P Zero Trofeo RS, on the other hand, represents the peak of the range for track performance. This is a semi slick tyre, homologated for road use, designed primarily as Original Equipment for hypercars for which dedicated versions have been developed. The main features of the P Zero Trofeo RS are an even higher level of circuit performance, more consistent performance and safety in the wet compared to the previous generation.

Positioning in the SUV segment was also strengthened with the launch of the Scorpion MS, a high-performance all-season tyre. As the successor to the Scorpion Verde All Season and Scorpion Zero All Season, this new tyre has been designed according to the Eco-Safety Design approach, which combines high safety performance with reduced environmental impact. The result is better grip on both dry and wet surfaces, as well as reduced rolling resistance compared to previous products. Furthermore, to meet the needs of the countries it is aimed at, the Pirelli Scorpion MS emphasises mileage, a characteristic sought after by US drivers, and comfort, a quality demanded by Asian markets. Finally, in having to equip vehicles with a high driving position, the new Scorpion MS is capable of running on off-road sections and on snow.

For the Motorbike sector, the renewal of the Diablo range was completed with the introduction of the Diablo Supercorsa – the result of twenty years of experience in the FIM Superbike World Championship.

The DIABLO Supercorsa V4 (V4 indicates the fourth series), is a totally new product, compared to its predecessor the DIABLO Supercorsa V3, in terms of tread design, compounds, structures and profiles, in both the SC racing version and the SP race replica version.

Also presented was SCORPION Trail III, Pirelli's new road enduro tyre, dedicated to maxi enduros, which combine excellent performance on asphalt and on light off-road surfaces. Compared to its predecessor the SCORPION Trail II, this new tyre provides significantly improved road handling and sportier behaviour, thanks to excellent grip as well as improved performance in wet conditions. In addition, the SCORPION Trail III ensures stability even under a full load and is able to interact better with the bike's electronic systems. Lastly, with regard to off-road riding, abrasion resistance has been significantly improved, which is an important characteristic for those who like to venture off-road.

In Cycling, the P ZERO Race TT and Road TLR, the Cinturato Road and Gravel RC-X and the SmarTUBE EVO and X inner tubes were launched, which renewed and expanded the range of products dedicated to sports men and women and cycling enthusiasts. In March 2023, the production of cycling tyres at the Pirelli plant in Bollate also saw the introduction of Tubeless-ready (TLR) versions of the P ZERO Race, confirming its leadership as the only factory in Italy to produce "*Made in Italy*" bicycle tyres on an industrial scale.

COMMITMENT TO MOTORSPORTS

In the history of Pirelli, motorsports have always played a major role. The Company has been involved in competitions for 117 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. Thanks to its commitment to sustainability in Motorsport, Pirelli is 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.

In October Pirelli was confirmed as the Global Tyre Partner for Formula One up until at least 2027, (with the possibility of the extension for a further season), a partnership that puts sustainability at the core and which as of 2024, will mean that all tyres used in FIA Formula One World Championship races will be certified by the FSC® (Forest Stewardship Council®).

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.

In Grand Touring a single family of tyres, the P ZERO DHF, was developed which is capable of covering the specific needs of all classes of racing, including its debut in the DTM, amongst the world's top motorsport competitions, adding to the already more than 350 championships for which Pirelli is a supplier on five continents.

Once again this year Pirelli has participated, in some cases as sole supplier and in others in open competition among tyre manufacturers, in over 100 of the most important international and national motorbike competitions, both on and off the track. Those on asphalt, in addition to the FIM Superbike World Championship, also include the FIM Endurance World Championship and, at national level include the British Superbike, the Italian Speed Championship, the German IDM Championship and the France Superbike Championship, to name but a few.

In 2023, 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 supplier ever in the history of international motor sport, and 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 contracts. The DIABLO Superbike and DIABLO Supercorsa tyres have successfully been used by 1,438 riders in the World Championship, have competed in 1,105 races for a total of 18,891 laps and 2.9 million kilometres travelled in races, equal to almost eight times the distance between the Earth and the Moon. For the 2023 season, Pirelli had developed a soft SC0 compound front tyre capable of balancing the very high level of grip offered by the soft solutions on the rear axle. Riders in the Supersport 300 World Championship, on the other hand, have used a new set of DIABLO Superbike tyres, with SC1 front and SC2 rear compounds, which use a percentage of renewable materials in place of fossil fuels. Pirelli and Dorna WorldSBK Organisation have extended their partnership for a further three years: Pirelli will in fact be the sole Official Tyre Supplier for all classes of the FIM Superbike World Championship up to and including the 2026 season.

Starting in 2024, Pirelli will be the official supplier of the Road to Moto GP project for the Moto2 and Moto3 classes.

This commitment has also been confirmed in off-road competitions, first and foremost in the FIM Motocross World Championship, in which Pirelli can boast a list of 81 world titles and for which it will be an official tyre supplier until 2025. For 2023, Pirelli can boast no fewer than four riders among the top five in the overall MXGP classification, while it monopolised all the top five positions in the MX2. Then there is the FIM Supercross World Championship (WSX) and the AMA Supercross, as well as numerous national motocross championships.

In the field of cycling, Pirelli has been supplying MTB tyres to the athletes of the TREK Factory Racing team since 2023. The signing of the three-year agreement flanks the collaboration which started in 2020 with the TREK-Segafredo World Tour Team. The team will race with Pirelli's Scorpion XC range of tyres dedicated to cross country racing, and with the brand new Scorpion Race EN and Race DH, which the athletes of the TREK Factory Racing teams will bring to the most selective and challenging trials of their respective disciplines, such as the newly-formed UCI MTB World Series, and whose feedback will be instrumental to the development of a new line of Scorpion tyres particularly geared towards competitions, and which will showcase the new Pirelli plant in Bollate (Milan).

For further information on the sustainability aspects of products – also for Motorsports – 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)	**12/31/2023**	**12/31/2022**
Operating income/(loss)	(11.3)	(3.7)
Financial income/(expenses)	(45.7)	(37.9)
Net income/(loss) from equity investments	277.3	277.3
Taxes	22.6	16.8
Net income/(loss)	**242.9**	**252.5**
Financial assets	4,681.6	4,677.3
Net Equity	4,950.7	4,938.0
Net Financial Position	1,374.7	1,451.6

Operating income/(loss) attributable to the owners of the Parent Company amounted to a loss of euro 11.3 million, compared to a loss of euro 3.7 million in 2022. For 2023 this item included restructuring expenses of approximately euro 6 million.

Net financial expenses amounted to euro 45.7 million, compared to euro 37.9 million for the previous financial year. This worsening was mainly attributable to higher expenses for financial debt as a result of the rise in interest rates in the Eurozone.

Net income/(loss) from equity investments amounted to an income of euro 277.3 million, consistent with the previous financial year, and refers to euro 275 million in dividends distributed by the subsidiary Pirelli Tyre S.p.A.

Taxes for 2023 were positive to the amount of euro 22.6 million, compared to the positive amount of euro 16.8 million in 2022.

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

(in millions of euro)	**12/31/2023**	**12/31/2022**
Investments in subsidiaries		
- Pirelli Tyre S.p.A.	4,528.2	4,528.2
- Pirelli Ltda.	8.4	8.4
- Pirelli Uk Ltd.	-	-
- 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	3.3	3.4
Total equity investments in subsidiaries	**4,624.4**	**4,624.5**
Investments in associates and other financial assets at fair value through Other Comprehensive Income		
- Eurostazioni S.p.A. - Roma	6.3	6.3
- RCS MediaGroup S.p.A. - Milano	18.3	16.6
- Fin. Priv S.r.l.	23.4	18.9
- Fondo Comune di Investimento Immobiliare Anastasia	0.1	1.8
- Istituto Europeo di Oncologia S.r.l.	8.4	8.1
- Other	0.7	1.1
Total investments in associates and other financial assets at fair value through Other Comprehensive Income	**57.2**	**52.8**
Total financial assets	**4,681.6**	**4,677.3**

Equity went from euro 4,938.0 million at December 31, 2022 to euro 4,950.7 million at December 31, 2023, as detailed below:

(in millions of euro)	
Equity at 12/31/2022	**4,938.0**
Net income/(loss) for the financial year	242.9
Dividends approved	(218.0)
Other components of Comprehensive Income	(12.2)
Equity at 12/31/2023	**4,950.7**

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

(in millions of euro)	**12/31/2023**	**12/31/2022**
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	28.5	40.9
Retained earnings reserve	594.5	559.8
Net income/(loss) for the financial year	242.9	252.5
Total Equity	**4,950.7**	**4,938.0**

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 the 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 details on risk governance, assessment techniques and mitigation measures, reference should be made to Pirelli's corporate website.

EXTERNAL RISKS

Risk Related to the Macroeconomic Outlook

Global economic growth was moderate during 2023, in the wake of still high consumer price pressures, restrictive monetary policies and rising geopolitical tensions. The US, which was particularly bolstered by the resilience of its labour market and domestic consumer spending, combined with China's gradual recovery following a long period of Zero-Covid policy restrictions, nevertheless presented higher than expected growth factors. As far as 2024 is concerned, the cumulative effects of the interest rate hikes of the past two years, will still weigh on the global economy, despite expectations of an overall loosening of monetary policies during the course of the year and a gradual decline in inflation, and will result in a further year of global growth that will still be below the long-term trend. Significant elements of uncertainty also persist, that could lead to a marked worsening of the currently assumed macroeconomic scenario. In fact, in addition to the current Russian-Ukrainian crisis, the Israeli-Palestinian conflict is creating tensions throughout the Middle East, with severe repercussions on maritime logistics flows in the Gulf of Aden and southern Red Sea area, which in turn, could lead to a generalised escalation in consumer goods prices and a potential slowdown in the manufacturing sector.

Geopolitical 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 and 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 possible escalation of the conflict in the Middle East, as well as geopolitical rearrangements due to elections in major countries and the deterioration of trade relations between these countries, due to the tightening of nationalist policies, could further increase the pressure on critical logistics flows to world trade, with direct effects in terms of security and additional transport costs. 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 Associated with the Shortage in 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, is particularly vulnerable to a slowdown/shortage of semiconductors and/or other strategic equipment, with significant consequences on the volumes produced, and indirectly, on the demand for tyres by Original Equipment customers. The Group is constantly monitoring these risk elements, together with the current disruptions on global logistics routes associated with the Middle East crisis, in order to take timely measures to mitigate any possible impact on demand.

Pandemic Risk

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. Should particularly critical new forms of the Corona Virus and/or other pathogens spread worldwide, this could lead to a disruption of normal market operations and, more generally, of 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.

Risks Associated with the Evolution of Long-Term Demand

Mobility has undergone an unprecedented evolution in recent years, due to technological changes (electrification of propulsion, driving automation and digital connectivity), cultural changes (an increase in the average age of obtaining a driving licence, thenloss 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, 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 Transport and Mobility Pathways project 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). Based on the different scenarios, the sales price increases and/or the various internal recovery measures for cost efficiency (use of alternative raw materials, reduction of product weight, improvement of process quality and reduction of scrap levels) that 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 and 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 Group, in order to monitor the management of the risk of insufficient financial resources available to meet its own financial and commercial obligations within the established terms and deadlines, puts in place both, annual and three-year financial plans and treasury plans, with the aim of allowing for a complete and correct detection and measurement of incoming and outgoing cash flows. 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 committed credit facilities (*Revolving Credit Facilities*) for a total of euro 1.5 billion, which at December 31, 2023 resulted as being completely unutilised, the Pirelli Group resorts to the capital market to diversify both products and maturities in order to seize the best opportunities available.

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 equity securities and bonds, both listed and unlisted, which represented 1.8% of the Group's total assets, and subdivided as follows:

- the financial assets represented by listed equity securities and securities indirectly associated with listed equity securities, to the amount of euro 41.7 million. The change in the fair value of these securities is recognised under Other Comprehensive Income;

- the financial assets represented by Argentine dollar-linked bond instruments with the objective of mitigating the effects of depreciation on the local currency, to the amount of euro 196.2 million. The change in the fair value of these securities is recognised in the Income Statement.

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 to manage commercial credit risk is the stipulation of insurance policies. For more than 10 years, a master agreement has been in place, and renewed for the two-year 2023-2024 period, with a leading insurance company with an AA credit rating according to Standard & Poor's ratings, for the worldwide coverage of credit risk mainly related to sales in the Replacement channel (the coverage ratio at December 31, 2023 was approximately 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 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. There are also long-term incentive plans and specific non-compete agreements (also with a retention effect) tailored, among other things, to 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 developing, 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 regulations on the various environmental aspects (atmospheric emissions, waste generation, soil impacts, water use, etc.) that may impact on companies. In this regard, 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, that 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 objective 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 may be subject to liability claims related to the alleged defectiveness of products sold, or may have to initiate product recall campaigns. Although such events are covered from an insurance point of view, their occurrence could have a negative impact on the reputation of the Pirelli Brand, if not prevented or appropriately managed. For this reason, tyres marketed by Pirelli undergo careful quality analyses before being placed on the market. The entire production process is subject to specific quality assurance procedures whose safety and performance targets are constantly updated and upgraded.

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 supplied. 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), thereby 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 revise its own *modus operandi* as part of the compliance activities related to this area.

Cyber and Information Security Risks

The continued escalation of cyber security risk which may be further increased due to the adoption of artificial intelligence technologies for preparing attacks, and the complexity of the international context in which the Group operates, exposes it to cyber-attack risk scenarios (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). In accordance with the Information Security Strategic Roadmap, defined on the basis of international standards, initiatives have been implemented to increase the Group's cyber security position with respect to identified risks. Monitoring these risks through an information security management system that is integrated with the Company's operational risk management process, including the monitoring of cyber security risks on the supply chain, is an essential part of their proper management. At a technological level, having visibility 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 upgrading of technology and operating systems, in order to reduce vulnerabilities and the risks of outages and incidents which impact business activities. The execution of cyber security awareness initiatives through testing, ad hoc training, education and communication to update users on key cyber security risks, develops the human factor, which forms an additional layer of protection in addition to processes and technologies.

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 that 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 range) 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 management of business interruption risks, thanks to an elaborate series of security measures, systems for the prevention of damaging events and for the mitigation of the possible impacts on the business, also in light of the current business continuity plans, as well as the insurance policies in place, to cover property damages and business interruptions that could impact the Group's production plants (the Group's insurance coverage might not, however, be sufficient to compensate all potential losses and liabilities in the event 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. The process of preparing financial documentation, in particular, 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 certification 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. The quantitative criteria consists of the identification of those Group companies which, in relation to the selected processes, represent an aggregate value exceeding a certain materiality threshold. The qualitative criteria consists of the examination of those processes and companies which, according to the assessment of the Manager responsible for the preparation of 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"* certifications, 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, which are selected on the basis of the materiality criteria.

SOCIAL – 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, In particular, Pirelli performs risk desk analyses taking into consideration country, sector, and specific goods/materials risks, which are accompanied by analyses of the present risk, taking into consideration the tools available for mitigation and, in particular, the timely audits on suppliers through assessments (EcoVadis), and the periodic on-site audits performed by experienced third-party companies during the *"Annual Audit Campaigns"* on the suppliers of all product categories, and the on-site audits conducted for all potential raw material suppliers beginning with the approval and qualification phase. If non-conformities are found, a corrective action plan is drawn up, whose implementation is regularly monitored by the auditing body.

In recent years, there has been an evident increase in external risks, with regard to impacts on business operations and competitiveness, stemming from the level of resilience in Pirelli's supply chain against increasingly stringent regulations, which require the ability to control the underlying chain in a capillary and structured manner, and at the same time from the sudden challenges posed by health, geopolitical and natural crises which have an impact on operations.

Among the regulations with a particular impact on the supply chain, specifically natural rubber (a material that is of particular importance amongst those used by Pirelli), one example is EU Regulation (EU) 2023/1115 on deforestation-free products (the EUDR) whose potential impact on Pirelli mainly affects price volatility, and the availability of raw materials/commodities that comply with the said EUDR.

The measures implemented to mitigate the risks identified are:

- engagement and capacity building measures to support the supply chain in achieving compliance with the regulation;
- the monitoring of updates to regulations and to the guidelines for their implementation;

- participation in sector working groups for in-depth studies and analyses of the regulations;
- the defining of strategic and operational measures that are consistent with regulatory developments;
- increased traceability along the supply chain and within Pirelli.

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. One instrument which supports these analyses is the Group's Climate Change and Water Stress Risk Assessment, which is updated bi-annually to integrate these analysis with forecasts over the medium to long-term time period, with respect to IPCC (Intergovernmental Panel on Climate Change) climate scenarios,[17] (RCP 2.6, RCP 4.5, RCP 7.0 and RCP 8.5)[18] and IEA (International Energy Agency) energy transitions,[19](STEPS, APS and NZE)[20].

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

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[17] Intergovernmental Panel on Climate Change

[18] 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).

[19] International Energy Agency

[20] Stated Policies Scenario (STEPS), Announced Pledges Scenario (APS) and Net Zero by 2050 (NZE).

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_2 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 and the UK, amongst others).

In order to monitor the possible impacts, different evolutions of the price of CO_2 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 2023;

2. emissions reductions consistent with Group objectives;

3. emissions reductions greater than those defined in the Group's decarbonisation strategy.

The impact of the risk was evaluated in financial terms for the 2023-2050 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 (2023-2024) and medium-term (up until 2030). However, uncertainty remains as to the significance of the long-term impacts (>2040) in the event of the NZE and APS scenarios occurring.

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 to be purchased from renewable sources by 2025, the energy efficiency of plants with a 2025 target for specific energy consumption that is 10% lower than in 2019, and 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. As part of the most recent Climate Change Risk Assessment, Pirelli 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 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 sites 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 sites, 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 up until 2050, on the basis of different degrees of global temperature increases as defined by the IPCC climate scenarios (RCP 2.6, RCP 4.5, RCP 7.0 and RCP 8.5).

Business Interruption days were estimated by calibrating the climate models to 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 (2024-2030), while elements of uncertainty remain on the horizon towards 2050.

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

OUTLOOK FOR 2024 AND 2025

(in billion of euro)	**2023**	**2024E**	**2025E**
Revenues	6.65	~6.6 ÷ ~6.8	~6.8 ÷ ~7.0
EBIT margin adjusted	15.1%	>15.0% ÷ ~15.5%	~16%
Investments (CapEx)	0.41	~0.40	~0.42
% of net sales	*6.1%*	*~6%*	*~6%*
Net cash flow before dividends	0.51	~0.50 ÷ ~0.52	~0.55 ÷ ~0.57
Net financial position	-2.26	~-1.95	~-1.6
NFP/EBITDA adj.	*1.56x*	*~1.32x ÷ ~1.26x*	*~1.0x*
ROIC *post taxes*	20.3%	~21%	~21%

Market outlook for 2024 and 2025

The **macro-economic context** for 2024 remains volatile, with progressive improvements expected in 2025, and will be characterized by moderate economic growth, persistent even if progressively declining inflation, and US and EU interest rates which, even if in slow diminution, will remain still significantly higher than the last ten years. Overall, the economic picture remains below the expectations formulated in 2021.

Global GDP is expected to grow by +2.3% in 2024 and +2.6% in 2025 (+3.1% estimates of the previous plan for both years). **Inflation** (consumer prices) will be 4.7% at the global level in 2024 and 3.1% in 2025 (respectively +2.5 and 2.6% estimates of the 2021 plan). Average annual eurozone interest rates are expected at 3.6% in 2024 and 2.2% in 2025 (estimates formulated in 2021 respectively -0.5% and -0.5%), while in the USA interest rates are expected at 5.2% in 2024 and 3.8% in 2025 (2021 estimates +0.1% for both years).

For the **tyre market** in 2024-2025 the outlook is for improved global demand (~+1% both years), even if still below 2021 estimates because of the weakness of Standard (expected -1% to flat). **High Value,** on the other hand, confirms its growth in rim sizes equal to or above 18 inches (≥18"), expected to increase by around +5% both in 2024 and 2025.

Significant acceleration in demand for tyres for electric cars (BEV), with a total market (Original Equipment and Replacement) estimated at 95 million tyres in 2025 (previous plan's expectation 50 million in 2025) compared with 53 million in 2023.

For **2024** Pirelli expects revenues of between **around 6.6 and 6.8 billion** euro with:

- **Total volumes of between ~+1.5% and ~+2.5%** with growth of High Value at "Mid-single-digit" levels and with further reduction of exposure to Standard;
- **price/mix expected at ~+2%;**
- **forex impact** of**~-4% and ~-3%.**

For **2025** Pirelli expects revenues of between **around 6.8 and around 7 billion euro** with volumes, price/mix and forex impact slightly improved compared with 2024 estimates.

Profitability is expected to progressively improve, with an **adjusted Ebit margin in 2024** of between >15% and **~**15.5% and further growth **in 2025** to **~**16%. The profitability improvement will be driven by the commercial performance and price/mix, factors which will offset the negative impacts of raw materials and exchange rates. Gross efficiencies, of 140 million euro in 2024 and 135 million in 2025, will completely compensate for the impact of inflation.

Cumulative **investments** in 2024 and 2025 will amount to about 820 million euro, with a ratio to revenues stable at around 6%, as occurred in the first phase of the plan (2021-2023) and will be destined mainly to improving the mix, technology upgrades and productivity improvement, as well as measures linked to the sustainability plan.

The **net cash flow before dividends** in 2024 will be between ~500 and ~520 million euro and includes the impact of the acquisition of Hevea-Tec (around 21 million euro). The net cash flow before dividends is expected to grow to ~550 and ~570 million euro in 2025, thanks to the constant improvement of the operating performance and effective management of working capital.

At the end of 2024 the **Net Financial Position** will be **~ -1.95** billion euro (between **~1.32 and ~1.26** times Adjusted Ebitda). At **end 2025** the Net Financial Position will be around **-1.6 billion euro**, equal to **~1 times Adjusted Ebitda.**

Based on the solid cash generation prospective, **the dividend policy has been revised up** and foresees in 2025 the distribution of around 50% of the consolidated net result of 2024 (previous plan foresaw payout of 40%)**.**

The Return on Capital (ROIC), net of fiscal impacts, will be around 21% in 2024 and 2025.

The prospects illustrated above confirm Pirelli's goal of delivering a performance in 2025 in terms of Adjusted Ebit and cash flow in line with the targets of the **2021-2022|25 Plan,** notwithstanding the deterioration and greater volatility of the context.

In particular:

- **Revenues in 2025 of 6.9 billion euro** (average of the estimated ~6.8÷~7.0 billion euro), about one billion euro more compared with the 5.9 billion euro expected in March 2021, because of the inflation effect;

- **Adjusted Ebit** of around 1.1 billion euro, in line with the outlook in March 2021, but with lower marginality because of the strong inflation effect,

- **Cumulative net cash flow before dividends for 2021-25** at 2.5 billion euro in total, in line with the outlook in March 2021

- **NFP/Adj Ebitda ratio** of about 1 time, in line with the target

Key sustainability targets of the plan

Summarized below are the main targets of the sustainable development strategy to **2025**, **2030** and **2040**, developed in continuity with the process of sustainable transition and decarbonization and in support of the United Nations 2030 sustainable development targets.

Net Zero Target to 2040 and decarbonization path

Pirelli, which had already set and today confirms **the goal of Carbon Neutrality by 2030**, will become the first company of the tyre sector to reach the **target of Net Zero in 2040**, therefore setting a target for the **reduction of absolute emissions of greenhouse gases (GHG) of Scope 1, 2 and 3**[21] **of at least 90%** compared with the base year 2018.

Pirelli foresees, in addition, reducing absolute greenhouse gas emissions as follows:

- **Scope 1 and 2:** with a reduction of **60% by 2025** and **80% by 2030** compared with 2018;

- **Scope 3**: reducing emissions by **27% by 2025** and **30% by 2030** compared with 2018.

[21] **Scope 1**: direct greenhouse effect gas emissions coming from the direct combustion of fossil fuels within the perimeter of the organization

Scope 2: indirect emissions of greenhouse effect gases deriving from use of electricity, heat and steam imported and consumed by the organization within its confines

Scope 3: indirect emissions linked to activities upstream or downstream from company operations, calculated according to the GHG Protocol and in line with SBTi requirements.

The company has **submitted these goals to the Science Based Target initiative** (SBTi) after having reached, two years ahead of schedule at the end of 2023, those previously validated by the same SBTi. These targets are also in with the Paris Accord to keep global warming under 1.5°C.

On its path to decarbonization to achieve Net Zero, Pirelli foresees an intermediate target set for 2027, year by which it is committed to reducing absolute greenhouse gas emissions by 62% for Scopes 1 and 2 and by 28% for Scope 3, compared with 2018.

To achieve its decarbonization targets, Pirelli has launched a series of programs and investments in the manufacturing area. In particular:

- **by 2025** all factories at the global level will use **100% renewable electric energy** (objective already achieved for the factories in Europe, North America and Latam);
- **by 2030, 75% of the curing presses** will be **electrified**.

At the level of **raw materials**[22], Pirelli foresees constantly increasing the quantity of materials of non-fossil origin in its products. In particular:

- for its ***best product***, Pirelli will use **more than 70% bio-based and recycled materials** in 2025. A value which will **exceed 80% in 2030** with the goal of reaching 100% non-fossil origin in the long term. Pirelli has produced a tyre – the P Zero E – which contains more than 55% of materials of natural or recycled origin, a result above the target of the previous plan which called for the use of 43% of renewable materials by 2025 in selected product lines;
- For **all product lines**, in addition, Pirelli will use **bio-based and recycled materials at 30**% in **2025** and **40% in 2030.**

In line with its commitment to safeguarding the forests where natural rubber is derived, Pirelli was in 2021 the first company in the world to equip a mass production vehicle with FSC certified tyres and beginning with the 2024 season it will introduce the same certification for all tyres produced and used in F1. The goal is to bring **100% FSC certified natural rubber to European production by 2026**.

The culture of Safety in the workplace, in conclusion, will continue to support the **Zero Accidents Goal**, with an **index of accident frequency** expected at **~1**[23] by 2025 compared with 1.7[24] in 2023.

All the sustainability targets called for in the Plan relative to the areas "**People**", "**Climate", "Product",** "and "**Nature**", "**Global Value Chains"** and **"Finance"** can be consulted in the page dedicated to the Industrial Plan in the "Investors" section of www.pirelli.com.

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[22] The targets relative to Pirelli products refer to consumer tyres and therefore should be compared, where relevant, exclusively to consumer tyre targets and not to other tyre categories or consolidations of production segments.

[23] Index of frequency: Number if accidents in the workplace per one million hours worked. Where calculated on 200,000 hours worked, the target for 2025 is ~ 0.2 and the 2023 index stands at 0.34.

[24] Index of frequency: Number if accidents in the workplace per one million hours worked. Where calculated on 200,000 hours worked, the target for 2025 is ~ 0.2 and the 2023 index stands at 0.34.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

On **January 30, 2024**, the European Commission announced the opening of an investigation against certain tyre manufacturers active in the European Economic Area, for alleged violations of the European Union competition laws, through the possible collusion on prices for new replacement tyres for cars and trucks to be sold in the European Economic Area. At the same time, it conducted inspections at the offices of the aforementioned tyre manufacturers, including those of Pirelli. The latter, affirmed the probity of its operations and to have always acted in full compliance with the applicable laws and regulations, and assured the authority of its full cooperation during the investigations.

On **February 6, 2024** for the sixth consecutive year, Pirelli was confirmed as one of the global leaders in the fight against climate change, earning a place on the Climate A List for 2023 drawn up by the CDP, the international non-profit organisation that collects, disseminates and promotes information on environmental issues. The *"A"* rating is the highest score attainable in the Climate section, and was awarded to only 346 companies out of the more than 21,000 participants who were assessed on the basis of their decarbonisation strategy, 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 impacts.

On **February 7, 2024**, Pirelli was confirmed as being amongst the best companies in the world for sustainability, obtaining a *"Top 1%"* ranking – the only one in the Auto Components and Automotive Sector at global level – the highest recognition of the 2024 Sustainability Yearbook published by S&P Global, following its review of the sustainability profile of 9,400 companies. This result follows the score recorded by Pirelli in the 2023 Corporate Sustainability Assessment for the Dow Jones Sustainability Index of S&P Global, where the Company was awarded first place in the Auto Components and Automotive sectors of the Dow Jones Sustainability World and Europe Indexes, with a score of 84 points (revised from the initial 83).

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**: equal to the EBIT but which excludes the depreciation and amortisation of property, plant and equipment and intangible assets. The EBITDA is used to measure the ability to generate earnings, excluding the impacts deriving from investments;

- **EBITDA adjusted**: an alternative measure to the EBITDA which excludes non-recurring, restructuring and one-off expenses;

- **EBITDA margin**: calculated by dividing the EBITDA by revenues from sales and services. This measure is used to evaluate operating efficiency, excluding the impacts deriving from investments;

- **EBITDA margin adjusted**: 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 and the operating costs attributable to non-recurring, restructuring and one-off expenses.

- **EBIT**: an intermediate measure which is derived from the net income/(loss), but which excludes taxes, financial income and financial expenses and the net income/(loss) from equity investments. The EBIT is used to measure the ability to generate earnings, including the impacts deriving from investments;

- **EBIT adjusted**: an alternative measure to the EBIT which excludes the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations and the operating costs attributable to non-recurring, restructuring and one-off expenses;

- **EBIT margin**: calculated by dividing the EBIT by revenues from sales and services. This measure is used to evaluate operating efficiency;

- **EBIT margin adjusted**: 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 and the operating costs attributable to non-recurring, restructuring and one-off expenses;

- **Net income/(loss) adjusted**: 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 and the operating costs attributable to non-recurring, restructuring and one-off expenses;
  - 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 by 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 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**: 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 and included in the Financial Statements under *"Derivative financial instruments"* as current assets, current liabilities and non-current liabilities;
- **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 financial hedging instruments for items included in the net financial position and included in the Financial Statements under *"Derivative financial instruments"* as non-current assets. The 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 but unutilised credit facilities;*

- **Operating net cash flow**: calculated as the change in the net financial position relative to operations management;

- **Net cash flow before dividends, extraordinary transactions and investments**: 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**: 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**: 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)**: 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**: 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 with the authority to make the most significant 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 vested with the legal representation of the Company, including in legal proceedings, as well as with the other powers attributed to him under the Articles of Association.

The Executive Vice Chairman is delegated powers relative to general strategies and to the supervision of the implementation of the Industrial Plan, as well as powers relative to communications, to corporate affairs and internal controls, and to relations with Shareholders and institutions.

The Chief Executive Officer is attributed, the powers for the operational management of Pirelli, and, in coordination with the Executive Vice Chairman, the power to make proposals to the Board of Directors regarding the Industrial Plan and financial budgets, as well as any deliberations concerning any strategic industrial partnerships or joint ventures to which Pirelli is a party, as well as the other powers attributable pursuant to the Articles of Association.

The Board has internally instituted the following Committees with advisory, propositional and/or support tasks:

- Audit, Risk, Sustainability and Corporate Governance Committee;
- Remuneration Committee;
- Committee for Related Party Transactions;
- Nominations and Successions Committee;
- Strategies Committee;
- Sustainability 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 2023 Annual Report group of documents, as well as to the additional information published on the Pirelli website (www.pirelli.com) in the Corporate Governance section.

INFORMATION ON THE SHARE CAPITAL AND OWNERSHIP STRUCTURE

The subscribed and paid-up share capital at the date of approval of this Financial Report was euro 1,904,374,935.66, represented by 1,000,000,000 registered ordinary shares without indication of their nominal value. Each share entitles the holder to one vote. There are no other categories of shares.

The Extraordinary Pirelli Shareholders' Meeting held on March 24, 2021, resolved to increase the share capital in cash, by payment in one or more tranches, excluding option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for a total countervalue, 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, up 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 for in the relevant Regulation, with the understanding that the final subscription date for the newly issued shares is set as December 31, 2025 and that, in the event that the capital increase has not been fully subscribed by that date, the same shall in any case be deemed to have been increased by an amount equal to the subscriptions received and as of that date, with the express authorisation for the Directors to issue the new shares as they are subscribed. No fractions of shares will be issued or delivered and no cash payments or adjustments shall be made in lieu of any such fractions.

As of October 4, 2017, the date on which trading of the Company's shares began on Euronext Milan organized and managed by Borsa Italiana S.p.A., Marco Polo International Italy S.r.l. ("MPI Italy") has declared control pursuant to Art. 93 of the TUF over the Company, of which it holds approximately 37% of the share capital, without exercising activities of direction and coordination. MPI Italy, in turn is indirectly controlled by Sinochem Holdings Corporation Ltd ("Sinochem"), a state owned enterprise incorporated under the law of China, subject to control by the State-owned Assets Supervision and Administrative Commission of the State Council (SASAC) of the People's Republic of China.

Note that, following the issuance of the Golden Power Prime Ministerial Decree, the Board of Statutory Auditors together with management have been performed analysis regarding the permanence of the control by MPI Italy over Pirelli pursuant to both with Art. 93 of the TUF and IFRS 10; the aforesaid analysis is still ongoing. Similar activity is being carried out by MPI Italy. Pending the outcome of the mentioned analysis, the disclosure regarding MPI Italy's declaration of control at this stage has not changed.

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

For further details on the Company's corporate governance and ownership structure, reference should be made to the Report on Corporate Governance and Ownership Structure contained in the

2023 Annual Report group pf documents, as well as to the additional information available in the Governance and Investor Relations sections of the Pirelli website (www.pirelli.com).

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 some companies based in countries which do not belong to the European Community (*"Extra-EU Companies"*), which hold particular significance pursuant to Article 15 of CONSOB Regulation No. 20249 of December 28, 2017, concerning Market Regulations.

With reference to data at December 31, 2023, 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, are:

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 aforesaid Operating Regulation, consistent with regulatory provisions, governs the disclosure to the public of the Financial Statements (that is the Statement of Financial Position and Income Statement), of the relevant non-EU companies, which are used to prepare 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 listing process initiated and completed during the 2017 financial year, approved the Procedure for Related Party Transactions (*"RPT Procedure"*).

As part 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 provisions on related party transactions adopted by CONSOB pursuant to the amendments to the European Shareholders' Rights Directive II. The RPT Procedure was last approved by the Board of Directors on August 3, 2023 and is available for perusal on the Pirelli website.

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 course of the financial year, that no transaction of major significance 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.

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 2023 Annual Report.

The information on Related Party Transactions as required, pursuant to CONSOB Notice No. DEM/6064293 of July 28, 2006 is presented in the 2023 Annual Report. Transactions with related parties do not qualify as either atypical or unusual, as they are instead part of the ordinary course of business for the companies of the Group, and 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 - that significantly affected the Group's financial position or results for the 2023 financial year.

ATYPICAL AND/OR UNUSUAL OPERATIONS

Pursuant to CONSOB Notice No. DEM/6064293 of July 28, 2006, it should be noted that during the course of the 2023 financial year, 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 lawyer Alberto Bastanzio as the Data Protection Officer ("DPO"), 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. The activities carried out by the DPO during the relevant reporting 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, March 6, 2024

REPORT ON RESPONSIBLE MANAGEMENT OF THE VALUE CHAIN

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

METHODOLOGICAL NOTE

This section of the Annual Report 2023, 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 2023 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 32-193237008-1793 of 25 October 2023 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 2023 compared to 2022 and 2021 and with respect to the targets set in the 2021-2025 Industrial Plan. ***Please note that in March 2024 the Company will update the Industrial Plan and related multi-year strategic sustainability targets. The updated Plan and related Targets will be simultaneously published on the institutional website www.pirelli.com for the benefit of all Stakeholders.***

The Report, published annually, covers the time period from 1 January 2023 to 31 December 2023 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 2023 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 2023, 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 2023 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 2023 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 2022.

There is only one change in the definition of the reported Regions for 2023 data only, following the change of allocation of NORDICS (i.e., Sweden) from RUSSIA, Nordics & MEAI to the Europe Region.

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.

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, 31,072 employees and a turnover of around **€6.7 billion** in 2023, 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[25], which will represent 75% of Group sales in 2023.

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© 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 2023, 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 other units and stakeholders, implementing the Group strategic guidelines.

The main management systems adopted by Pirelli include ISO 9001, IATF 16949, ISO/IEC 17025 in the area of Quality Management, SA8000® for the management of Social Responsibility at its subsidiaries and along the supply chain, ISO 45001 for the management of Health and Safety in the workplace, ISO 14001 for environmental management and ISO 37001 on anti-corruption measures. The Company 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

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[25] *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 ™, PNCS™, 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).

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 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 Sustainability Board Committee, approves, upon the proposal of the CEO and in coordination with the VPE, 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 risk assessment and 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, and Corporate Governance Committee[26] analysis. 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 issues and, in this capacity, he is entrusted with the task of overseeing sustainability issues related to the company's operations and its dynamics of interaction with all stakeholders and implementing the guidelines defined by the Board of Directors. For more details, please refer to the Report on Corporate Governance and Ownership.

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 the meetings of the Audit, Risk and Corporate Governance Committee and the newly established Board Sustainability Committee. In fact, in the course of 2023, management - and in particular the Head of Compliance & Rules, the Manager responsible for preparing financial documents, the Head of Financial Statement and Administration, the Head of Sustainability and New Mobility, the Head of Sustainability and Diversity, the Head of Internal Audit, EVP Sustainability and New Mobility, the Head of Finance, M&A and Risk Management, the Head of Information Security

[26] It should be noted that the Audit, Risk and Corporate Governance Committee functioned as the 'Audit, Risk, Sustainability and Corporate Governance Committee' until 3 August 2023.

and Risk Manager - assiduously attended the meetings of the Audit, Risk and Corporate Governance Committee, contributing to a periodic and updated information to the Committee. In addition to this, third parties invited for training and/or in-depth analysis of specific topics, which in 2023 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 Board Sustainability Committee and the Audit, Risk 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 Executive Vice Chairman 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 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 New Mobility Department reporting directly to the CEO of the company, which has oversight of the management at a Group level and proposes plans for sustainable development to the Sustainability 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 New 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 can be found 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

The analysis carried out

In order to provide its Stakeholders with an adequate representation of Group activities and the most relevant sustainability issues for the business, Pirelli annually updates the mapping of the materiality of the Group's impacts on the economy, the environment, people and human rights, according to the methodologies envisaged by the applicable sustainability reporting standards. The findings, together with stakeholder assessments and expectations, are considered in updating Group objectives and strategies.

Pirelli conducted the materiality analysis in alignment with the GRI Universal Standards 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 was submitted to and approved in this order by the Strategic Sustainability Committee, then by the Board of Directors' Control, Risk and Corporate Governance Committee, by the Board of Statutory Auditors, and by the Board of Directors with the approval of this document.

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

1. Identification of material issues for the organisation and their prioritisation (materiality mapping)	A thorough Stakeholder Engagement activity 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 of these expectations with the relevance of the same issues for the success of the business according to the experience and expectations of Top Management. The topics considered relevant have been pre-selected considering their relevance for the Auto Components sector, according to leading research and sustainable finance bodies, their presence in the materiality mapping of Auto manufacturers and Auto Parts, and the risks and opportunities arising from regulatory evolution with reference to the UN 2030 Sustainable Development Goals (SDGs). For this reason, we would like to emphasise that all the issues 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 intensity and priority, as evidenced by the descending order of the various elements within the Table and Matrix representation shown below. The prioritisation of material topics resulted from consulting a panel of Company Stakeholders who were asked for feedback, which covered all regions of the world and included: → the major Original Equipment customers; → more than 650 End Customers belonging to the most representative markets; → the most important Dealers; → numerous Employees in the various countries where the Group is present; → several Group Suppliers; → the leading Financial Analysts; → national and supranational institutions and public administrations; → Media specialists; → international and local NGOs present in countries where Pirelli has production activities; → the Academic world and Universities that have collaborations with the Group

2. Identification of the impacts generated by the organisation on the economy, environment, people and human rights	Initially, the internal and external context of the company was analysed. Available internal documents such as company profile information, values, and the Group's sustainability plan were analysed 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 relationships 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 major sustainability standards, sustainable finance indices and major international consensus (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 then integrated with the Group's Enterprise Risk Management (ERM) function, in consideration of the analysis and assessment of corporate risks. 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 impacts generated on the economy, 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 being 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 and Non-Governmental Organisations.
4. Impact materiality: list of material issues in order of priority and assessment of impacts generated on the economy, environment, people and human rights	Finally, in line with the requirements of the GRI Universal Standards 2021, the results obtained from the assessments were reworked, prioritising the significance of impacts and related material themes. This process made it possible to identify the Group's material sustainability themes.

As required by the GRI Standards, in order to confirm the validity of the material issues also with regard to the 2023 financial year or, on the contrary, to make any changes in order to align the results to the expectations and characteristics of the reference context, Pirelli conducted an analysis in 2023:

- material issues defined mainly by companies operating in the same or related sectors, in particular manufacturers of cars and car parts;
- the evolution of environmental, social and governance sustainability laws and regulations relevant to the sector in which Pirelli operates;
- the forecasts of sustainability standards and ESG ratings/sustainable finance indices;

- the forecasts of sector associations.

The analysis returned confirmation of the alignment of Pirelli's material issues with the findings of the context analysis, as no variances nor material issues and/or additional impacts not previously considered emerged.

At the same time, following the introduction of the Corporate Sustainability Reporting Directive (CSRD), published in the Official Journal of the European Union in July 2023 with the Delegated Regulation (EU) 2023/2772, which will enter into force on 1 January 2024 with reference to reports published in 2025, the need emerged to align Pirelli's materiality analysis with the provisions of the new legislation.

An internal analysis exercise has already carried out 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 and expanded as we move closer to the requirements introduced by the CSRD and the European Sustainability Reporting Standards (ESRS).

The results

The Impact Materiality is represented below, highlighting:

- the material themes listed in order of relevance (highest to lowest) as resulting in the Materiality Map published in Annual Report 2022, confirmed in the same relevance order for the whole year 2023;
- 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; and
- 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 in the previous Materiality analysis. The size of the bubbles represents 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).

For all the targets below, please note that *in March 2024, the Company will update the Industrial Plan and related multi-year strategic sustainability targets. The updated Plan and related Targets will be simultaneously published on the institutional website www.pirelli.com for the benefit of all Stakeholders.*

Material Theme (descending order of priority)	**SDGs**	**Positive (+) and negative (-) impacts – (potential/actual)**	**Impact Significance (Impact Materiality)** (magnitude*probability) ●●● High ●● Medium ● Low	**Actions, policies and targets undertaken by Pirelli**	**Strategy and performance** (Ref. chapters/sections of the Report)
Product Quality and Safety	**3 – 12**	**+** 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'.	-PRODUCT SAFETY PERFORMANCE AND ECO-SUSTAINABILITY -PRODUCT ECO & SAFETY PERFORMANCE TARGETS
		- Customer dissatisfaction due to defective and unsafe products, negative impact on road safety.	●○○		

Material Theme (descending order of priority)	**SDGs**	**Positive (+) and negative (-) impacts – (potential/actual)**	**Impact Significance (Impact Materiality)** (magnitude*probability) ●●● High ●● **Medium** ● **Low**	**Actions, policies and targets undertaken by Pirelli**	**Strategy and performance** (Ref. chapters/sections of the Report)
Climate change and GHG emission reduction	**7 – 13 – 15**	**+** 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_2 emissions by 2050 at the latest along the entire value chain. To this end, the Company is active on several fronts including: • investments in process energy efficiency and the procurement of 100% electricity from renewable sources by 2025; • the commitment to achieve Group carbon neutrality by 2030; • engaging the most impactful suppliers to reduce their emissions; • product innovation to ensure increasing levels of energy efficiency.	-ADHESION TO TCFD -PRELLI GROUP ENVIRONMENTAL FOOTPRINT AND STRATEGY -ENERGY MANAGEMENT -GREENHOUSE GAS EMISSION MANAGEMENT AND CARBON ACTION PLAN
		- Contribution to climate change through atmospheric emissions from fossil energy consumption during tyre manufacturing and by the supply chain.	●		

Material Theme (descending order of priority)	**SDGs**	**Positive (+) and negative (-) impacts – (potential/actual)**	**Impact Significance (Impact Materiality)** (magnitude*probability) ●●● High ●● **Medium** ● **Low**	**Actions, policies and targets undertaken by Pirelli**	**Strategy and performance** (Ref. chapters/sections of the Report)
Responsible management of Natural Resources	**3 – 6 – 7 – 8- 11- 12 – 14**	**+** Contribution to the conservation of natural resources.	●●●	Pirelli promotes initiatives to manage natural resources responsibly in order to: • prevent unnecessary consumption of raw materials, with targets by 2025 to increase the use of renewable materials by 40%, recycled materials[27] by 8%, and decreasing the consumption of fossil-derived materials by 40%; • 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; • make water consumption more efficient, with a target to reduce specific water withdrawals by 43% by 2025 compared to 2015 levels.	-SUSTAINABILITY OF THE NATURAL RUBBER SUPPLY CHAIN -BIODIVERSITY -PIRELLI'S APPROACH TO THE CIRCULAR ECONOMY: THE 5 R'S -PRODUCT: RAW MATERIAL RESEARCH AND DEVELOPMENT -ENERGY MANAGEMENT -WATER MANAGEMENT -WASTE MANAGEMENT
		- Contribution to natural resource depletion, through consumption of raw materials and natural resources.	●●●		
Product Environmental Sustainability	**12**	**+** 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.	-PRODUCT SAFETY PERFORMANCE AND ECO-SUSTAINABILITY -PRODUCT: RAW MATERIAL RESEARCH AND DEVELOPMENT -PRODUCT: ECO & SAFETY PERFORMANCE OBJECTIVES -TYRE WEAR AND TRWP -END-OF-LIFE TYRE MANAGEMENT
		- Contribution to tyre-related CO_2 emissions and pollution from the release of wear particles into the environment (soil, air, water).	●●●		

[27] > 3% by 2025 and > 7% by 2030 excluding recycled metals

Material Theme (descending order of priority)	**SDGs**	**Positive (+) and negative (-) impacts – (potential/actual)**	**Impact Significance (Impact Materiality)** (magnitude*probability) ●●● High ●● **Medium** ● **Low**	**Actions, policies and targets undertaken by Pirelli**	**Strategy and performance** (Ref. chapters/sections of the Report)
Occupational Health & Safety	**3 – 8**	**+** 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.	-HEALTH, SAFETY AND HYGIENE AT WORK
		- Accidents to workers due to non-compliance with company rules and regulations, social costs.	●		
Innovation	**8 – 9**	**+** 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	-PRODUCT SAFETY PERFORMANCE AND ECO-SUSTAINABILITY -PRODUCT: RAW MATERIAL RESEARCH AND DEVELOPMENT
		- Lack of positive contribution to the evolution of mobility due to inadequate or obsolete solutions, customer dissatisfaction.	●		
Business Ethics and Integrity	**10 -16**	**+** 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.	-PIRELLI AND ITS MANAGEMENT MODEL -MAIN POLICIES -COMPLIANCE PROGRAMMES, ANTI-CORRUPTION, PRIVACY, TRADE COMPLIANCE, ANTITRUST, COMPLIANCE WITH LAWS AND REGULATIONS -REPORTING PROCEDURE -RESPECT FOR HUMAN RIGHTS -REMUNERATION AND SUSTAINABILITY
		- Incidents of corruption and misconduct in the performance of activities that can affect both the company and the public good.	●		

Material Theme (descending order of priority)	**SDGs**	**Positive (+) and negative (-) impacts – (potential/actual)**	**Impact Significance (Impact Materiality)** (magnitude*probability) ●●● High ●● **Medium** ● **Low**	**Actions, policies and targets undertaken by Pirelli**	**Strategy and performance** (Ref. chapters/sections of the Report)
Future Mobility	**3 – 11**	**+** 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.	-HIGH VALUE APPROACH TO THE MOBILITY OF THE FUTURE
		- 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.	●○○		
Human Rights	**5 – 8 – 10 – 16**	**+** Contribution to the protection of human and labour rights.	●●●	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.	-MAIN POLICIES - RESPECT OF 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
		- Contribution to checking on episodes of human and labour rights violations along the value chain.	●○○		

Material Theme (descending order of priority)	**SDGs**	**Positive (+) and negative (-) impacts – (potential/actual)**	**Impact Significance (Impact Materiality)** (magnitude*probability) ●●● High ●● Medium ● Low	**Actions, policies and targets undertaken by Pirelli**	**Strategy and performance** (Ref. chapters/sections of the Report)
Circular economy	**3 – 6 – 8 - 11- 12**	**+** Contribution to maintaining availability of raw materials and reducing related environmental damage, reducing competition for access to resources	●●●	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: - Use over 40% renewable materials by 2025 (over 60% by 2030); - More than 8% recycled materials[28] by 2025 (more than 12% by 2030); - Reduce the use of fossil-derived raw materials to less than 40% by 2025 (less than 30% by 2030).	-PIRELLI'S APPROACH TO THE CIRCULAR ECONOMY: THE 5 R'S -PRODUCT: RAW MATERIALS RESEARCH AND DEVELOPMENT -END-OF-LIFE TYRE MANAGEMENT
		- Depletion of raw materials, environmental damage due to waste and inefficient use of natural resources	●●●		
Financial Health	**8 – 9 – 13**	**+** Capacity for long-term development and contribution to the creation of shared value.	●●●	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.	-INTRODUCTION TO INTEGRATED REPORT -SHARING OF ADDED VALUE -RELATIONS WITH INVESTORS AND THE FINANCIAL MARKET -CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2023
		- Erosion of generated and shared value due to the adoption of ineffective plans to prevent, monitor and manage potential risks arising from competitive positioning.	●●●		

[28] > 3% by 2025 and > 7% by 2030 excluding recycled metals

Material Theme (descending order of priority)	SDGs	Positive (+) and negative (-) impacts – (potential/actual)	Impact Significance (Impact Materiality) (magnitude*probability) ●●● High ●● Medium ● Low	Actions, policies and targets undertaken by Pirelli	Strategy and performance (Ref. chapters/sections of the Report)
Talent acquisition, development and retention	**5 - 8 – 10**	**+** 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.	●●●	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.	-EMPLOYER BRANDING -DEVELOPMENT
		- Dissatisfaction and high employee turnover due to inadequate development initiatives and plans, failure to contribute to the quality of the socio-economic environment.	●●●		
Biodiversity Protection	**6-15**	**+** 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 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.	-BIODIVERSITY -SUSTAINABILITY OF THE NATURAL RUBBER SUPPLY CHAIN -ENERGY MANAGEMENT -WATER MANAGEMENT -WASTE MANAGEMENT
		- Contribution to the loss of biodiversity and potential damage to ecosystems during business operations and throughout the product life cycle.	●●●		

Material Theme (descending order of priority)	**SDGs**	**Positive (+) and negative (-) impacts – (potential/actual)**	**Impact Significance (Impact Materiality)** (magnitude*probability) ●●● High ●● Medium ● Low	**Actions, policies and targets undertaken by Pirelli**	**Strategy and performance** (Ref. chapters/sections of the Report)
Diversity, equity and inclusion	**5 - 8 – 10**	**+** 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.	-DIVERSITY, EQUITY AND INCLUSION
		- Dissatisfaction, stress and lowered quality of life of people due to misalignments between individual expectations and company response.	●○○		
Responsible Management of the Supply Chain	**8 -12 - 16**	**+** 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.	-OUR SUPPLIERS -RESPECT FOR HUMAN RIGHTS -POLICY ON CONFLICT MINERALS
		- Contribution to the generation of environmental harm or harm to employees by third parties due to inadequate monitoring of supplier practices.	●○○		
Training and Development	**5 – 6 – 10 – 16**	**+** 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.	-DEVELOPMENT -TRAINING -TRAINING ON SUSTAINABILITY AND CORPORATE GOVERNANCE
		- Dissatisfaction and low employee performance due to outdated or inadequate training programmes.	●○○		

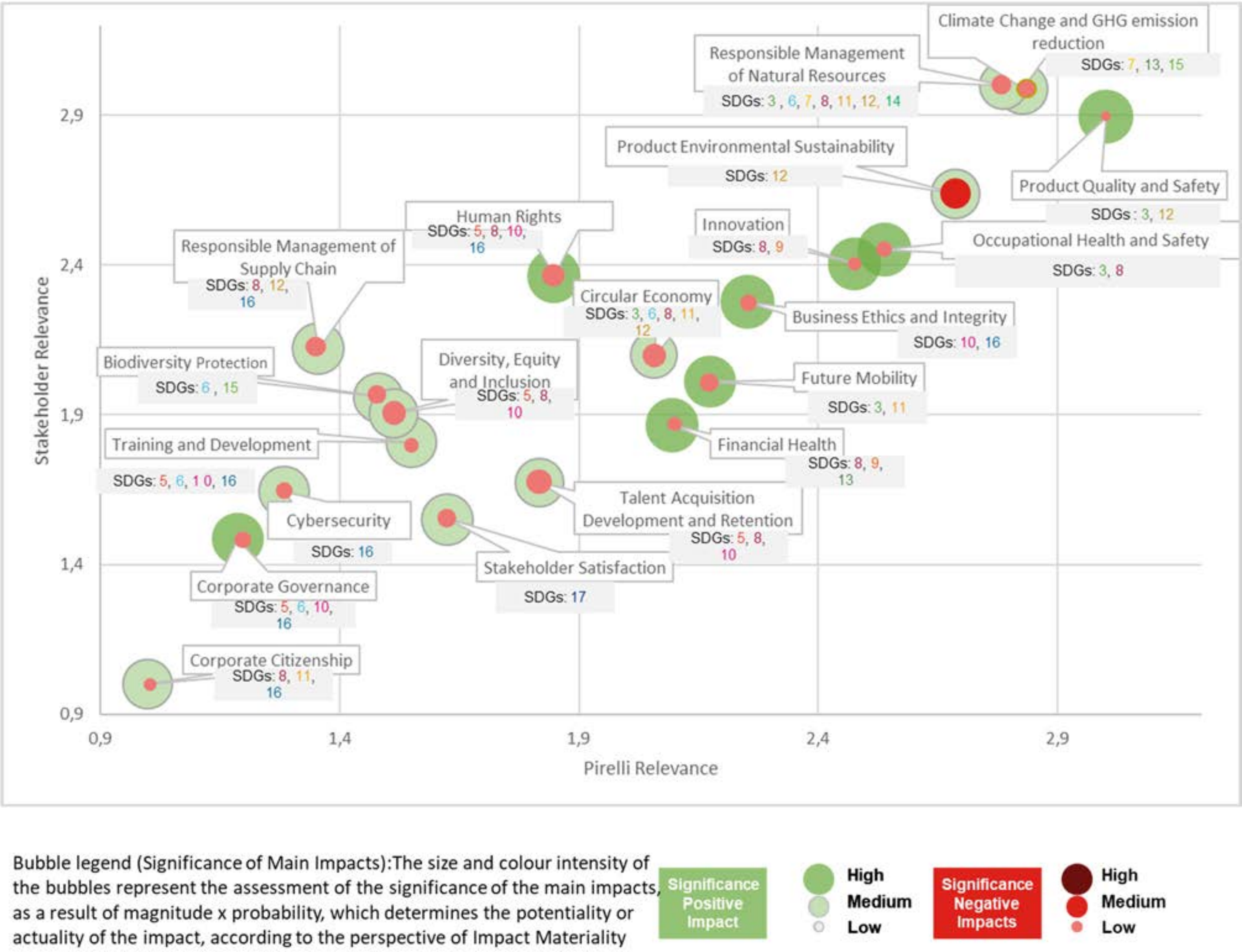
Material Theme (descending order of priority)	**SDGs**	**Positive (+) and negative (-) impacts – (potential/actual)**	**Impact Significance (Impact Materiality)** (magnitude*probability) ●●● High ●● **Medium** ● **Low**	**Actions, policies and targets undertaken by Pirelli**	**Strategy and performance** (Ref. chapters/sections of the Report)
Stakeholder Satisfaction	**17**	**+** 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).	-STAKEHOLDER ENGAGEMENT -RELATIONS WITH INVESTORS AND THE FINANCIAL MARKET - LISTENING AND EXCHANGING IDEAS WITH THE CUSTOMER AS A SOURCE OF CONTINUOUS IMPROVEMENT -TOGETHER FOR NATURAL RUBBER SUSTAINABILITY THE GPSNR PLATFORM -SUPPLIER MANAGEMENT -LISTENING AND ENGAGEMENT (INTERNAL COMMUNITY) -INDUSTRIAL RELATIONS -SAFETY CULTURE AND TRAINING -INSTITUTIONAL RELATIONS OF THE PIRELLI GROUP -COMPANY INITIATIVES IN FAVOUR OF THE EXTERNAL COMMUNITY-ROAD SAFETY
		- Stakeholder dissatisfaction due to the inability to develop effective engagement plans.	●○○		
Cybersecurity	**16**	**+** 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.	-INFORMATION AND CYBER SECURITY
		- Contribution to the loss or disclosure of sensitive data due to inadequate IT facilities and unstructured information management.	●○○		

Material Theme (descending order of priority)	**SDGs**	**Positive (+) and negative (-) impacts – (potential/actual)**	**Impact Significance (Impact Materiality)** (magnitude*probability) ●●● High ●● Medium ● Low	**Actions, policies and targets undertaken by Pirelli**	**Strategy and performance** (Ref. chapters/sections of the Report)
Corporate Governance	**5 – 6 – 10 – 16**	+ 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.	-PIRELLI AND ITS MANAGEMENT MODEL -REPORT ON CORPORATE GOVERNANCE
		- Incidents of violations of the code of ethics, corruption, conflicts of interest due to an ineffective governance system.	●○○		
Corporate Citizenship	**8 – 11 – 16**	+ 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.	-SHARING OF ADDED VALUE -INITIATIVES IN FAVOUR OF THE EXTERNAL COMMUNITY
		- 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.



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.

Please note that in March 2024, the Company will update the Industrial Plan and related multi-year strategic sustainability targets. The updated Plan and related Targets will be simultaneously published on the institutional website www.pirelli.com for the benefit of all Stakeholders.

The Sustainability Plan is fully integrated into the Company's Industrial Plan. The Plan's targets in force as at 31 December 2023 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 which is expected to be around 1 in 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 in force as at 31 December 2023 provides for the following:

- by 2025: renewable materials >40%, recycled materials[29]>8%, fossil-derived materials <40%;

[29] > 3% by 2025 and > 7% by 2030 excluding recycled metals

- by 2030: renewable materials >60%, recycled materials[30]>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[31];
- 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[32].

In terms of environmental efficiency of production processes, the Plan in force as at 31 December 2023 forsees:

- with reference to CO_2 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_2 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% in 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, the Plan in force as at 31 December forsees:

- reduction of absolute CO_2 emissions from raw material suppliers by 9% by 2025 compared to 2018 (Science Based Target approved by SBTi);
- adoption of increasingly advanced models of management of the economic, social and environmental responsibility of the supply chain with particular attention to the upstream supply chain;
- implementation of the "Pirelli Roadmap" relating to the sustainable management of the natural rubber supply chain, in line with the dictates of Pirelli Policy and the Global Platform for Sustainable Natural Rubber (GPSNR), of which Pirelli is a founding member.

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.

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[30] > 3% by 2025 and > 7% by 2030 excluding recycled metals

[31] On all new ipcodes with Label, converting non-European scales to the European classification.

[32] High Value products are determined by callipers equal to or larger than 18 inches and, in addition, include all 'Specialties' products (Run FlatTM, Seal InsideTM, PNCSTM, Elect™, Pirelli Cyber™, Racing, Collezione) regardless of rim size.

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 Sustainability 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;
- 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:

- in March 2024, the Company will update the Industrial Plan and related multi-year strategic sustainability targets. The updated Plan and related Targets will be simultaneously published on the institutional website www.pirelli.com for the benefit of all Stakeholders;
- the Pirelli Sustainability Plan 2025 with 2030 vision in force as at 31 December is published in the "Sustainability" section of the Company's website (www.pirelli.com);
- at the end of the 2023 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.

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 2023, the body of the Main Group Policies on sustainable management consisted of the following documents:

- Pirelli's Values and Code of Ethics
- the "Social Responsibility for Health, Safety and Rights at Work, Environment" Policy
- 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

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 (updated in 2023), 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 or the Group Chief Executive Officer 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, initiatives to strengthen communication may be undertaken, such as the publication of news on the company intranet and posting on notice boards in Group offices. Training aimed at implementing the Policies considers the materiality of the impacts according to the roles of the specific functions, with a view to maximum effectiveness. Lastly, each new employee, at the time of recruitment, is provided with a copy of the most relevant Policies in force (via e-mail or hard copy), for his or her knowledge and acceptance. In the event of violation of the principles set out in the Company Policies, or in the related Procedures, by its employees (by way of example but not limited to: health and safety, anti-corruption, antitrust, information security, etc.) Pirelli applies the sanctions provided for by the company disciplinary system in compliance with the collective labour agreements, company procedures and applicable regulations in the countries where Pirelli operates.

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 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.

During 2023, a new 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 2023 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, implementing, 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 current laws and regulations 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 2023, 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 2023, 5 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 2023 the Functional Segregation model was also implemented (so-called Segregation of Duties), aimed at strengthening the internal control system and preventing the committing of fraud.

Also in 2023, Pirelli supported the activities of Transparency International, to which it subscribes as supporter in educational 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 and 2023 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 have 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 the exercise of rights regarding the management of personal data by the Users themselves.

During 2023, 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 market development at the same time. In this context, Pirelli constantly updates the Group's Antitrust Programme in line with international best practices.

Throughout 2023, 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 2023, 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 2023:

- 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 2021 and 2022, reference is made to the Annual Reports 2021 and 2022.

Among the significant events that occurred after 31 December 2023, it is reported that on 30 January 2024, the European Commission announced the start of an investigation against certain tyre manufacturers active in the European Economic Area, for alleged violations of EU competition law, with reference to the possible coordination of prices of new replacement tyres for cars and trucks intended for sale in the European Economic Area. At the same time, it conducted inspections at the offices of the above-mentioned tyre manufacturers, including Pirelli. The latter, in confirming the correctness of its actions and that it has always acted in compliance with applicable regulations, assured the Authority of its full cooperation in the inspections carried out. Based on the information available to date, Pirelli did not deem it necessary to recognise any specific provision in the Consolidated Financial Statements as of 31 December 2023.

Furthermore, in consideration of the announcement of the above-mentioned activity of the Commission, with regard to similar matters, in February 2024, certain private parties notified Pirelli Tire LLC of two class actions filed before the New York Court. The claims for alleged damages have not been quantified.

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 the number of 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.

In view of the risks identified (as specified in paragraph “**Cyber and Information Security Risks**”), the following activities are specifically carried out:

- implementation of cyber security awareness initiatives through testing, ad hoc training, training courses and communication on updating users on the Global Information Security Policy, available on the website, and on the main cyber security risks. Within these initiatives, the escalation processes to be followed by employees in the event of suspicious events are also explained, clearly reported and accessible to employees in the Incident Management Standard, an internal operating procedure;

- definition of business continuity/contingency plans and incident response procedures (tested at least once a year);
- external perimeter audit and vulnerability analysis (internal and external audits of the management system, third-party vulnerability testing, including simulated attacks);
- audit of IT infrastructure and information security management systems by third parties (auditors, external contractors based on industry best practices and standards such as VDA-TISAX, NIST).

The continuous monitoring of possible breaches of information security of the Group, customers and employees did not reveal any major incidents during the financial year.

In 2021 Pirelli established the Information Security Committee 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 2023, the Information Security Committee consists of:

- Corporate General Manager;
- 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.

It should be noted that, during the Year, the composition of the Information Security Committee underwent several changes, including by virtue of the renewal of the Board of Directors on July 31, 2023, including the CEO taking over from the Deputy-CEO on the committee as the director in charge of establishing and maintaining the Internal Control System and therefore responsible for Information and Cyber Security.

The Information function reports hierarchically to the Corporate General Manager 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 and Corporate Governance Committee.

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

During 2022, Pirelli obtained TISAX AL2 certification with very high protection, in accordance with the German Automotive market standard 'VDA-TISAX'. Currently, Pirelli is certified on the most relevant Group sites and plants for the OE market (covering systems and locations equal to 50% of the Group's NetSale) and engages daily in certification maintenance and continuous improvement activities (including extension of the coverage perimeter).

WHISTLEBLOWING POLICY

In July 2023, the Group Whistleblowing Policy was updated; at the same time, a new Whistleblowing Policy valid for companies based in EU countries was issued. The Policy in the EU area in particular, in compliance with the general principles already included in the Group Policy, guarantees the compliance of the whistleblowing system with the new regulations included in the EU Directive 2019/1937 and in the national transposition laws adopted in 2023 by the EU countries in which the Group operates.

The Policies, which are addressed to both employees and external stakeholders, are accessible internally through intranet and company bulletin boards in the local language and externally through the Pirelli website, where they are published in 24 different languages in order to facilitate accessibility.

The Policies govern the manner of reporting breaches, suspected breaches and inducement to breaches of the law and other regulations (local, regional, national and international), 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 or reputational detriment for the Group and/or its stakeholders (all without prejudice to any extensions or limitations imposed by locally applicable whistleblowing regulations).

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 the principles of confidentiality, proportionality, impartiality and good faith is at all times guaranteed, as 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 who engages in business relations with the Group, including partners, customers, suppliers, consultants, collaborators, auditing companies, institutions and public entities.

The new portal (accessible at https://pirelli.integrityline.com) and the e-mail box ethics@pirelli.com is made available to anyone internal or external to the Group, who would like to make a report, whether written or oral, concerning any Group company. The Reports are centrally managed by the Group Internal Audit function, which reports functionally to the Audit, Risk, and Corporate Governance Committee (made up of only independent directors), and to the Board of Statutory Auditors of Pirelli & C. S.p.A and meets the requirements of impartiality and independence. In addition to the Group channel, Pirelli provides dedicated channels at the level of individual companies (where required by local regulations) and a channel reserved for reporting Breaches concerning the Internal Audit function, managed by independent parties.

Whistleblowing Managers are in charge of analysing all the whistleblowing cases received and providing feedback to the whistleblower on their acceptance, management and results. The Whistleblowing Manager, during the analysis, may, where necessary, involve the corporate functions deemed competent for verification activities, as well as schedule specific action plans. If the report is found to be well-founded, the appropriate disciplinary measures and/or legal action will be taken to protect the Company.

The whistleblowing channels are structured in accordance with the principles of 'privacy by design' and 'privacy by default and minimisation'. The handling of reports is guided by respect for the confidentiality of the persons concerned and of any other third parties involved, while also ensuring anonymity, in the case of anonymous reports, and the principles of necessity and proportionality.

With reference to the reports received in the years 2023, 2022 and 2021, the following is an in-depth analysis of those pertaining to 2023 and a brief summary of those pertaining to 2022 and 2021.

During the course of 2023 the Whistleblowing procedure was activated 118 times. In particular:

- these 118 reports came from 7 different countries (Argentina, Brazil, Italy, Mexico, Romania, UK and USA);

- 93% of the reports (110 cases) were forwarded using the email address ethics@pirelli.com provided, while 5% (6 cases) via the special reporting platform https://pirelli.integrityline.com introduced in the current year, and 2% (2 cases) by sending a letter to management, which dealt with informing the Internal Audit function as per corporate rules;

- 54% of the reports (64 cases) were signed whereas the remaining 46% (54 cases) were received in anonymous form;

- among the signed notifications, 6 were activated by external stakeholders. 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.

Below is the subject matter alleged in the 118 reports received:

Alleged subject matter	**2023**
Total no. of reports received	**118**
Labour Conditions	***69***
Discrimination or Harassment	***25***
Health & Safety issues	***2***
Customer privacy data	***0***
Conflicts of interest	***0***
Money laundering or insider trading	***0***
Fraud or Embezzlement	***16***
Corruption or Bribery	***2***
Any other cases of mismanagement	***4***
Environment and Climate Change	***0***

Of the 118 reports received during the 2023 year, at the beginning of 2024, 27 were found to be at the verification and in-depth investigation stage, whereas 64 were found to have been concluded and 27 were dismissed for being totally generic.

With regard to the 64 reports for which the audits were concluded, specific activities of verification involving, where necessary, the corporate functions concerned, were conducted.

Based on the analyses carried out and the documentation made available during the assessment, it emerged that:

- in 36 cases, no objective evidence has been detected such as to hold the facts alleged in the reports received to be true;

- in the remaining 28 cases, the substantial truthfulness of the facts attributed was found with reference to Labour Conditions (15 reports), Discrimination or Harassment (9 reports with reference to Harassment, none with reference to discrimination), Fraud or Embezzlement (2 reports), Any other cases of mismanagement (2 reports).

With reference to the *Grievance Procedure* for reporting violations of the Policy on Sustainable Natural Rubber Management, also in 2023 no reports were received.

It should also be noted that no substantiated reports were received of alleged violations of ILO Core Labour Standards, with specific reference to forced labour, child labour, discrimination, 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 2023, there is a 31% increase in reports compared to 2022 (equal to 28 reports).

With reference to the reports received in 2021 and 2022, as represented in the previous *Annual Reports*, it should be noted that:

- during 2021 the Whistleblowing procedure was activated 59 times (35 anonymous), of which 16 founded and 12 dismissed for absolute generality;
- during 2022[33], the Whistleblowing procedure was activated 90 times (30 anonymous), of which 39 founded and 14 dismissed for absolute generality.

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

[33] With regard to the 17 reports that were still pending at the date of reporting of the 2022 Annual Report, it should be noted that following the conclusion of the verification activities (i) in 1 case the report was generic and unsubstantiated, such as not to provide elements to allow the verification activities to continue (ii) in 3 cases, no objective evidence was found such as to consider the contested facts to be true, while (iii) in 13 cases, the partial truthfulness of the reports was confirmed and the company intervened with specific plans aimed at removing the causes and/or improving the internal control system.

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 combine 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 euros)

	2023		2022		2021	
Gross Global Added Value	2,611,717		2,523,729		2,194,760	
Remuneration of personnel	(1,225,311)	46.9%	(1,178,609)	46.7%	(1,101,913)	50.3%
Remuneration of Public Administration	(134,198)	5.1%	(159,734)	6.3%	(115,158)	5.2%
Remuneration of borrowed capital	(194,103)	7.4%	(201,696)	8.0%	(144,281)	6.5%
Remuneration of the company[34]	(1,053,881)	40.4%	(980,166)	38.9%	(830,269)	37.5%
Contributions to the external community	(4,223)	0.2%	(3,524)	0.1%	(3,138)	0.1%

The added value created in 2023 is 3% higher than in 2022. 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

In 2023, the ratio of expenses for corporate initiatives in favour of the external community to the Group's net result is 0.9% (0.8% in 2022). The increase in this ratio is due to the increase in contributions to the external community compared to the previous year.

[34] The company's remuneration includes the remuneration of shareholders in the form of dividends resolved upon by the parent company Pirelli & C SpA in the amount of €218,000,000 in 2023 (€161,000,000 in 2022)

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

CONTRIBUTIONS FOR THE BENEFIT OF THE EXTERNAL COMMUNITY (In thousands of €)

	2023	2022	2021
Training and research	**1,307**	**1,053**	**755**
Social-cultural initiatives	**2,305**	**1,606**	**1,918**
Sports and solidarity	**881**	**865**	**465**
Total contributions for the benefit of the external community	**4,223**	**3,524**	**3,138**

For further information 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.

In 2023, the Pirelli Group's costs for annual membership of trade associations, advocacy activities, etc. amount to approximately €1.518 million globally.

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 €)

	2023	2022	2021
USMTMA - U.S. Tire Manufacturers Association (United States)	299	303	169
Assolombarda (Italy)	307	300	299
Unione Industriale (Italy)	146	143	-
ANIP - National Association of Tire Manufacturers (Brazil)	147	140	68
Assogomma (Italy)	115	110	-
ETRMA – European Tyre and Rubber Manufacturers Association (Italy)	182	109	73
Assonime (Italy)	100	100	-
wdk - Wirtschaftsverband der deutschen Kautschukindustrie e.V. (Germany)	75	70	70
Other[35]	147	178	186
Total Trade associations	**1,518**	**1,453**	**865**

At the level of Associations in the United States, namely United States Tire Manufacturers Association (USTMA) and MEMA, the Vehicle Suppliers Association, the share dedicated

[35] Includes the membership fee for the Motor and Equipment Manufacturers Association (MEMA)

exclusively to lobbying activities in 2023 amounts to $43,850 and $3,000, 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.

PUBLIC LOANS AND CONTRIBUTIONS

With regard to the Italian companies, the main contributions received by the Public Administration in 2023 are shown below:

- 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 €2.7 million;

- within the framework of the PNRR (National Recovery and Resilience Plan), the same company obtained approval from the MOST (National Centre for Sustainable Mobility) funded by the MUR (Ministry of Universities and Research) for the facilitation of Research and Development activities on the 'POC - Proof of Concept' and 'Scalability Grant' calls for a total of €0.4 million;

- as part of the National Framework Scheme on State Aid - COVID 19 (Articles 54 - 61 of Decree-Law Relaunch as amended by Article 62 of Decree-Law 104/2020), Pirelli Tyre also obtained the admission to subsidies for 14 applications for an overall total of €0.1 million in non-repayable funds, all collected in the current financial year;

- we also note that during the current year, Pirelli Digital Solutions S.r.l. signed a Regional Programme Contract with the Puglia Region that provides for the subsidising of investments and R&D activities at the new Digital Solutions Centre in Bari up to a maximum of €4.9 million in non-repayable funds, of which €2.4 million was received during the year.

In addition, it should be noted that the following facilitations are still active, for which, however, no fees were collected in the current year:

- as part of the PNRR (National Recovery and Resilience Plan), Pirelli Tyres 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;

- during the 2022 financial year, Pirelli Tyre S.p.A. obtained a concession decree from the MISE for the facilitation of a Research and Development project in the Digital Solutions area up to a maximum of euro 2.6 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.

The main grants received by foreign affiliates are reported below:

- in Romania, S.C. Pirelli Tyres Romania S.r.l. received a non-repayable grant from the Romanian government of up to €23.8 million as an incentive for local investments, of which €3.0 million will be received in 2023;

- in China, the company Pirelli Tyre Co., Ltd. received non-repayable state grants worth about €2 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 2023, 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 2023; 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 the 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 18 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.

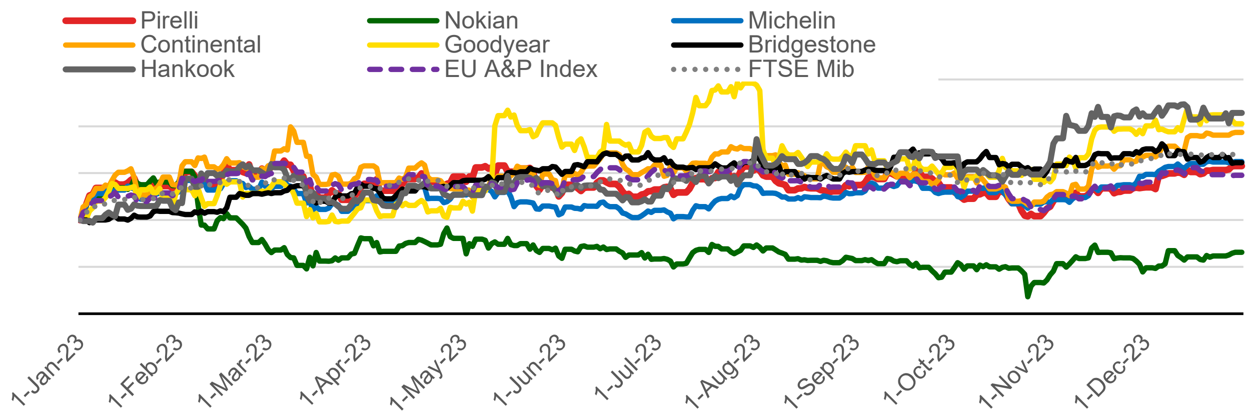
The evaluation (Target Price) and the analysts' estimates (Consensus) are published on the company's website in the 'Investors' section and periodically updated, based on publications and model updates by analysts covering the stock.

In 2023, the performance of equity markets was affected by uncertainties in the macroeconomic scenario, mainly related to inflation trends and the restrictive monetary policies adopted by central banks.

Pirelli ended 2023 with a market capitalisation of €4.8 billion (average December capitalisation), an increase of 17.0%. This compares[36] with -19.1% Nokian, +31.8% Continental, +21.0% Michelin, +37.5% Goodyear, +36.7% Hankook, +21.6% Bridgestone.

[36] 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:



Source: Bloomberg

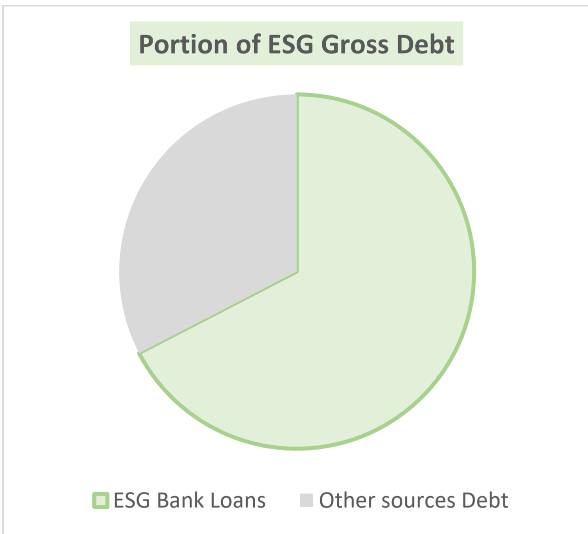
FOCUS: SUSTAINABLE FINANCE

As at 31 December 2023, sustainability index-linked loans accounted for almost 67.6% of the Group's total gross debt (including leasing).

In detail:

- "sustainable" bank lines amount to €3.1 billion, of which €2.1 billion was utilised and €1.0 billion was available in the form of committed revolving credit facilities;

- Sustainability Linked Bonds (SLBs) amount to €600 million.



BANK LINES SUSTAINABILITY 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 Co2 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 Co2 Emission 2. Water withdrawal	Yearly	2022-2023
Eur 1,600m	Feb 2022	Feb 2027	Margin (+/-)	Sustainable	1. Water withdrawal 2. Scope 3 absolute CO2 emissions*	Yearly	2022-2025
Eur 300m	Jun 2023	Feb 2026	Margin (+/-)	Circular Economy	1. Water withdrawal	Yearly	2023-2025
BOND WITH SUSTAINABILITY FEATURES							
Amount	**Issue Date**	**Maturity Date**	**ESG Adjustment**	**Type**	**KPIs and ESG Features**	**Testing Type**	**Testing Period**
Eur 600m	Jan 2023	Jan 2028	Step up on last coupon	Sustainable	1. Absolute Scope 1 and Scope 2 Co2 Emission 2. Scope 3 absolute CO2 emissions*	One off	2025

* 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_2 emissions and sustainable water management).

2022 was an important year for Sustainable Finance within the Pirelli Group.

In the banking sector, the company has refinanced the main bank financing line of the Group 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 addition, the Pirelli Group decided to publish a Sustainability-Linked Financing Framework, covering a wide range of products, including bank financing, bond issues, insurance and financial risk management instruments. Pirelli was the first company in the tyre industry to publish a Sustainability-Linked Financing Framework, which demonstrates and reinforces the Group's commitment to ESG issues. The framework, which can be downloaded from the company's website, identifies in particular 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.

Please note that in March 2024 the Company will update the Industrial Plan and related multi-year strategic sustainability targets. The updated Plan and related Targets will be simultaneously published on the institutional website www.pirelli.com for the benefit of all Stakeholders.

Sustainability Linked Financing Framework - Main ESG Features

Reference KPIs	Target	SDGs	Financial Products
SCIENCE BASED TARGETS 1: Absolute Scope 1 and 2 Greenhouse gas (GHG) emission reduction	-42% in 2025 vs 2015	12, 13	Sustainability Linked Istruments: Bonds, Loans, Derivatives, Guarantees and Insurance Policies
2: Absolute Scope 3 Greenhouse gas (GHG) emission from purchased raw materials reduction	-9% in 2025 vs 2015	7, 13	

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

In the past 12 months, Pirelli debuted its first Sustainability-linked bond with a total nominal amount of €600 million. The issue was placed with more than 190 international investors and saw demand equal almost six times the supply, which amounted to approximately €3.5 billion. This is the first Sustainability-linked issue with size benchmark of this type placed by a global tyre company. The transaction reaffirms the company's commitment to integrating sustainability into its business strategy and is linked to the 2025 targets for the reduction of absolute greenhouse gas emissions (Scopes 1 and 2) and emissions from purchased raw materials (Scope 3) that are contained in Pirelli's first "Sustainability-linked financing Framework".

As part of its refinancing strategy, the Pirelli Group also entered into a new €300 million bilateral banking line in June with a tenor of about 2.5 years. This banking line is also benchmarked to annual sustainability targets (reduction of specific water withdrawals) at the end of each review period.

The commitment to the creation of sustainable value that characterises the Company's responsible management and its economic, social and environmental performance, allow Pirelli to maintain leading ratings 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 2024 'Top 1%' award.

Pirelli was reconfirmed as a leader in the fight against climate change by being placed on the CDP "Climate A list", as well as being awarded "Prime" status by ISS ESG, which includes it among the sector leaders for ESG risk mitigation, and "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 22% globally and around 22% in Europe; in the Original Equipment Prestige segment, which represents the highest of the range, Pirelli is around 50%.[37]

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 2023, Pirelli can count on around 19,500 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 (300 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 Network P ZERO WORLD™ by 2024 will identify more than 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 more than 25 new openings planned for 2024.

[37] Pirelli internal estimate

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 12 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 2023, these websites attracted 14 million unique users, for a total of 21 million sessions and around 50 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 2023 2.3 million users and generated over 145,000 appointment bookings, more than 120,000 calls to the dealer and more than 13,000 contact requests via e-mail.

Particularly relevant in terms of engagement and training on sustainability issues was the Convention dedicated to European Dealers organised by Pirelli in September 2023, in Cagliari. it was a plenary session dedicated to Pirelli's sustainability strategy with a series of vertical workshops on the new P Zero E, product eco-design, sustainable materials, Pirelli Elect technology for the electric market, and certifications.

In 2023, 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.

Several collaborations with the most important Prestige car manufacturers: 2023 opened with the historic collaboration between Porsche and Pirelli on the dynamic launch of the Porsche 911 Dakar in the Moroccan desert and on the ice of Austria, and then continued with the celebration of some important anniversaries such as Lamborghini's 60 years, Pagani's 25 years and Lotus's 75 years, all glorious histories characterised by long partnerships with Pirelli.

July saw Pirelli participate for the first time at the prestigious Goodwood Festival of Speed as Official Tyre Partner, where the new P ZeroTM range was presented to the media in a world premiere.

Finally, the Pirelli P ZeroTM Experience 2023 calendar gave rise to five global events in the UK (Silverstone), Italy (Mugello), Germany (Nurburgring), Austria (Red Bull Ring) and the USA (The Motor Enclave), with over 400 participants in total and more than 5 million interactions with the social content posted in relation to the events.

Pirelli's commitment alongside the sports most in line with the Prestige and high performance positioning that characterises the Company and its products continues: this is the case of the partnership launched in 2018 with Luna Rossa, which will take part in 2024 in the 37th America's Cup scheduled to take place in Barcelona, and which in 2023 has competed in the preliminary races scheduled to take place in September in Vilanova, Spain, and in late November/early December in Jeddah, Saudi Arabia. Added to this was the sponsorship of navigator Ambrogio Beccaria and his boat Alla Grande Pirelli, which in November 2023 won the Transat Jacques Vabres ocean race, also known as the Route du Café, from Le Havre to Martinique. 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's jersey, which won the Italian Super Cup in January 2023 and the Coppa Italia in May; as well as the renewed partnership with the Italian Winter Sports Federation and the Alpine Skiing World Cup from the 2023/24 season (Val Gardena stage in December 2023 and Cortina d'Ampezzo in January 2024).

Customer training on the product was also intense in 2023 in all markets, continuing to be mainly virtual delivery. During the year, almost 3,000 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 2023, the TYRE-CAMPUS™ online training site covered over 30 markets in 17 different languages. More than 17,500 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 110 employees, performing information support and order management (inbound), telemarketing and teleselling (outbound).

In 2023, the overall fanbase of Pirelli's social media channels increased by around 620,000 followers compared to the previous year. Facebook remained the most relevant channel, with 2.6 million followers. On X, Pirelli accounts reached almost 580,000 people. A very important step forward was taken on Instagram - especially the motorsport channel - where in total Pirelli channels reached more than 2.3 million followers. The introduction of the new motorsport channel Threads on Instagram, opened towards the end of the year, on which 57,800 followers have already been registered, was interesting. Pirelli's followers on the main online video platform, YouTube, remained stable compared to last year, with around 30,500 subscribers. The number of followers on LinkedIn also increased by about 10%, now reaching about 715,000. Finally, the new profile on the TikTok platform, opened in November 2022, reached 92,500 followers in 2023, 75,000 more than the previous year.

Regarding the site www.pirelli.com, Pirelli's digital magazine, 295 articles were published in 2023 - 78% of which on product and motorsport issues and 22% related to brand and company dimensions - collecting more than 5.1 million visits and more than 4.2 million unique users. The publication of editorial content supports the telling of the story of the different dimensions of the company: from people to sustainability, from technology to innovation, from products (cars, motorbikes, cycling) to activities in motorsport and competition, from sponsorships to the Pirelli Calendar.

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 17 local pages) is present on Instagram with more than 200,000 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 2023 attracted 1.2 million unique users, a total of 1.6 million sessions and 4.6 million page views, is also present on Facebook with a Global Page that has more than 440,000 fans and includes 16 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 547,000 for Pirelli Moto and around 63,000 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 2023, direct customer listening activities were carried out both through the Brand Tracking[38] 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 2023 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 third place for Top of Mind, Brand Awareness and Brand Consideration in Germany. Outside Europe, Pirelli ranks fifth for Brand Awareness and in sixth place for Top of Mind 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 2023, 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 2023, in fact, Pirelli introduced the P Zero E to the market, the new tyre that integrates the latest technological innovations developed by Pirelli, put at the service of the new electrified and sustainable mobility. Characterising the new tyre are several elements:

- thanks to years of research on new materials and careful selection of suppliers, Pirelli was the first to be able to make a UHP tyre with more than 55% natural and recycled materials across the entire launch range, as validated by Bureau Veritas, a world leader in conformity verification and certification services for quality, environment, health, safety and social responsibility;

- Pirelli P Zero E obtained the highest class (A) in all parameters of the European label for all available sizes. Starting with rolling resistance, thanks to specific compounds (Rolling

[38] Source: Kantar Brand Tracking July 2022

Reduction Compounds) that support the autonomy of battery-powered vehicles, prolong tyre life thanks to reduced wear and play a fundamental role in controlling the car in various driving situations and in particular in wet braking. As of 2023, Pirelli P Zero E is the first product. UHP with this label category;

- the entire P Zero E range is marked Elect, which identifies the package of technologies developed by Pirelli to enhance the characteristics of electrified cars. Pirelli Elect technology is designed to offer the support necessary to enhance the performance of these vehicles, without compromising tyre durability. The electric motor also brings two other issues to consider when choosing tyres: noise, outside and inside the cockpit, and range.

The new Pirelli RunForward technology, making its debut on the P Zero E, is designed to keep control of the car in the event of a puncture and allow you to continue driving. This system is made up of reinforcing bezels on the tyre’s sidewalls, differentiated between the inner and outer sides, which provide support for the tyre and allow it to travel up to 40 km at a maximum speed of 80 km/h even at zero pressure. The advantages of tyres equipped with Pirelli RunForward are many, including: a level of driving and acoustic comfort comparable to that of a traditional tyre, while maintaining low rolling resistance and the convenience of not requiring special rims to benefit from this technology. This technology is designed especially for BEV cars.

Pirelli also continues to invest in the higher performance segments and in 2023 introduced the new P Zero R, the new road tyre for sports cars, from granturismo to supercars. Higher performance than the P Zero and more versatile than the semi-slick P Zero Trofeo RS, the new product builds on Pirelli’s experience with leading prestige car manufacturers and meets the needs of higher performance cars that are also suitable for everyday use.

In 2023, Pirelli also launched the Scorpion MS, a high-performance all-season tyre dedicated to the original equipment of latest-generation SUVs. The heir to the Scorpion Verde All Season and Scorpion Zero All Season, the new product enriches the Pirelli Scorpion range with a solution intended mainly for the APAC and North American markets. Like all Pirelli’s latest tyres, the Scorpion MS is designed according to the Eco-Safety Design approach, which combines high safety performance with reduced environmental impact. This is why the new tyre improves grip on dry and wet surfaces and reduces rolling resistance compared to previous products. Furthermore, to meet the needs of the countries it is aimed at, the Pirelli Scorpion MS enhances mileage, a characteristic sought after by US drivers, and comfort, a quality demanded by Asian markets. Finally, having to equip high-drive cars, the new Scorpion MS is able to drive on off-road and snowy stretches.

After a very innovative 2022 for Pirelli’s commercial offering, especially in North America, Pirelli concludes the renewal of its commercial range in 2023 by introducing the P ZERO™ AS PLUS 3, the brand new Ultra High Performance replacement tyre. Dedicated to premium cars, it guarantees high levels of handling and braking in various weather conditions and offers a high mileage guarantee of 50,000 miles. The product’s features were also rewarded by Tire Rack’s road test, which ranked the product first.

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 29% of the range (Pricat October 2023 data), up from the previous year (2022 – 27%).

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 87% of the range, an improvement over the previous year (2022- 86%).

In terms of results in tests conducted by the European press, several satisfying milestones were achieved in 2023 (14 podiums and 2 victories in total).

In particular, among the Summer tyres, the Cinturato P7 scored three podium places, in the magazines/sites Teknikens Värld, Tyre Reviews and Tire Seeker.

The Scorpion SUV product also achieved a podium in the test conducted by the Tyre Seeker website.

The P-Zero achieved four podium finishes (Gute Fahrt, AutoZeitung, AutoBIld SportsCars, Tyre Seeker), including one win in the Tyre Seeker test.

Among the winter tyres, the new Cinturato Winter 2 scored a podium finish in the Teknikens Vard test, while the new Scorpion Winter 2 scored two wins in the AutoBild AllRoad and Al Volante tests respectively.

Finally, the Cinturato AllSeason SF2 scored a podium in the AutoBild ReisenMobile test.

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

In the test for the Grand Touring All Season segment carried out by Tire Rack, the brand new Cinturato Weatheactive took third place, thanks to its excellent handling qualities. In addition, Tire Rack tested two Pirelli products in the Ultra High Performance All Season category, both of which came in first place:

- the brand new Pzero All Season Plus 3 won the Tirerack tests with accolades for its braking and handling qualities;
- the Elect version of the Pzero All Season Plus, against tyres dedicated to the competitor's BEV segment, came first, receiving praise for quietness and handling.

In this regard, it is worth mentioning that most Pirelli products are at the top of the consumer satisfaction rankings published by Tire Rack (@Dec 2023):

- 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 Weatheractive ranked 1st in the Crossover/SUV Touring All Season category;

- Scorpion AS Plus 3 ranked 3rd in the Crossover/SUV Touring All Season category;
- Scorpion Winter ranked 1st in the Light Truck/SUV Winter/Snow performance category;
- Pzero All Season Plus Elect ranked 1st in the Ultra High Performance All Season category;
- P7 AS Plus 3 ranked in 1st place in the Grand Touring All Season category, considering only All Season M+S products;
- Cinturato Weatheractive ranked 2nd 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 Elect segment and strategic development partner is also made even clearer by the achievement of more than 450 homologations (pure BEV, of which 192 obtained in 2023 alone) on 23 different carmakers, including numerous activities also within the OE BEV APAC world, which is undergoing strong expansion and represents an element of diversification of Pirelli's OE presence. Pirelli's strong OE investment was reflected in a strong increase in original equipment sales with Elect technology: in 2023 Elect sales in the OE channel accounted for 16% of the channel total (vs. 13% in 2022); almost 100% of Elect sales in the OE channel is for 18'' up and account for 21% of 18'' up sales in the OE channel. In the replacement channel, thanks to Pirelli's pull-through strategy, Elect sales grew by more than 50% vs. 2022 to account for 3% of total replacement.

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 445 approvals. PNCS™ technology in the OE channel accounts for 19% of the total (vs 14% in 2022) and 25% of the 18" up (vs 19% in 2022). In the spare parts channel there is a continuous sales growth driven by the pull through strategy of +34% vs. 2022 and accounting for 9% of the total 18'' up.

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 the path to recovery is clearly 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.

While the development of Cyber Tyre technology in 2021 saw the market launch of the McLaren Artura, the first car with tyres natively integrated with the vehicle's electronic systems in2022 and 2023, new iconic models of future mobility have been equipped with Cyber Tyre sensorised tyres, providing useful information for vehicles to improve safety, performance and features.

Applying the market demand for mobility in the form of a service (Tyre As A Service) to tyres, Pirelli continued the delivery of the new product introduced in the second quarter of 2022: PIRELLI Care. The new and innovative way of purchasing tyres and car care services, via app with monthly payment, has gathered the interest and adhesion of new users within the Italian market.

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 urban mobility, Pirelli is committed on several fronts to promoting and developing modern and sustainable solutions. One of the main projects launched in recent years has been

CYCL-e around, an important service innovation within the emerging business models of Micromobility.

Pirelli's CYCL-e around project proposes a model of active, shared, sustainable and digital mobility to private customer communities, particularly companies and hotels. Members of client communities can rent high-end electric bikes at their place of work or holiday for daily commuting or for discovering the territory. This proposal complements existing public and private forms of mobility and, in addition to responding to the growing needs of smart citizens, workers and active tourists, contributes to overcoming the challenges of contemporary urban mobility in a sustainable way.

The year 2023 saw the growing adhesion of prestigious partners, such as Relais & Chateaux in the hotellerie channel and major companies such as Terna S.p.A., Aon, Giorgio Armani, Bracco and Electrolux, consolidating the positioning of the CYCL-e around service in Italy. These strategic partnerships help to spread the use of electric bikes and promote a more active and sustainable lifestyle.

Pirelli's commitment to the dynamic field of New Mobility is further confirmed by its participation in some of the main research programmes financed by the Ministry of Universities and Research as part of the National Recovery and Resilience Plan (PNRR) with a focus on the evolution of mobility. In particular, Pirelli is a founding partner of the National Centre for Sustainable Mobility (MOST) and a member of the Ecosystem for Innovation MUSA. Both programmes, in collaboration with leading university research centres, aim to inaugurate a new model of public-private collaboration that can be replicated nationally and internationally. Within MOST, the research objective is to make the mobility system 'greener' and more 'digital' in its management. through the development of sustainable and inclusive projects. The MUSA Ecosystem, on the other hand, has a more local characterisation and was created as a response to the challenges that the Milan metropolitan area faces in its transition towards the three dimensions of sustainability: environmental, economic and social. Pirelli, within these research programs, is studying, experimenting and developing new offer innovations in the field of New Mobility, which will be added to the CYCL-e around proposal already active on the market.

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. Starting in 2022 and continuing through 2023, 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. Starting in 2022 and continuing through 2023, 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) and since 2023 the Materials and Testing Laboratory of Jining Shenzhou Tire Co. have had a 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 2020, the Laboratory carried out its annual surveillance audit remotely, in 2021 and 2022 in hybrid mode, as stipulated by the Accreditation Body Accredia. In 2023, the laboratory performed the renewal of the certificate with an in-person audit, guaranteeing the continuity of accreditation.

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, Indonesia, South Korea, Africa, 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 Governments and/or Type Approval Authorities (e.g. for the markets in China and India) conducted remote audits for the purpose of production conformity verification. As of 2023, all Governmental Authorities and/or Type Approval Authorities performed in-person audits for production conformity verification.

COMPLIANCE

Also in 2023:

- 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 2021 and 2022, please refer to the paragraph “Our Customers” 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 all 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. Starting in 2022, Pirelli's Purchasing Department has also been further structured to manage ESG aspects along the supply chain, within the Sourcing Excellence function, which among all other areas of responsibility deals with the monitoring of supply chain performance and risks, the implementation of supplier training and engagement & capacity building initiatives, and supplier support for closing areas of improvement and thus ESG risk mitigation along the supply chain. Sustainable supply chain management 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 them 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, and thento 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), dedicated to the world of supply and accessible to current and potential Pirelli suppliers, as well as anyone with an interest in knowing the approach and procedures adopted by the Company in the areas of purchases of good and service around the world.

PIRELLI SUPPLY CHAIN

Pirelli's supply chain is global and includes suppliers of goods and services all over the world, with slightly greater presence, in terms of both the value of purchases and the number of suppliers, in OECD[39] areas than in non-OECD areas, as shown in the following table.

78% of suppliers (up from 69% in 2022) operate locally with respect to Pirelli's affiliates[40] supplied according to a local-for-local supply logic and excluding raw material suppliers, since they generally operate where Pirelli does not have its own facilities.

The following tables show the value of purchases made by Pirelli and the percentage of related suppliers broken down by geographic area.

VALUE OF PURCHASES BY GEOGRAPHICAL AREA (WITHOUT RAW MATERIALS)				
		2023	**2022**	**2021**
OECD COUNTRIES	**Europe**	49.9%	44.8%	49.8%
	North America	11.0%	6.9%	6.8%
	Others	5.8%	5.8%	5.6%
NON-OECD COUNTRIES	**Latin America**	12.2%	18.7%	11.4%
	Asia	8.7%	16.3%	17.5%
	Africa	0.3%	0.3%	0.5%
	Others	12.0%	7.2%	8.4%

NUMBER OF SUPPLIERS BY GEOGRAPHIC AREA (INCLUDING RAW MATERIALS)				
		2023	**2022**	**2021**
OECD COUNTRIES	**Europe**	55.5%	54.2%	53.9%
	North America	4.4%	4.4%	4.5%
	Others	5.9%	5.9%	4.8%
NON-OECD COUNTRIES	**Latin America**	17.5%	17.9%	18.9%
	Asia	6.7%	8.3%	9.1%
	Africa	0.6%	0.6%	0.2%
	Others	9.3%	8.8%	8.6%

39 For the complete list of OECD countries, see the official website http://www.oecd.org/about/membersandpartners/.

40 Local supply refers to the purchase of goods or services from a supplier located in the same country as the legal entity carrying out the transaction.

As can be seen in the table below, the most relevant and significant purchasing category, as reconfirmed over the years, is raw materials, with a weight of 46% of the total.

On the other hand, Suppliers of consumables and services, represent about 97% of the total number of suppliers, although the total value of purchases is lower than, for example, purchases of raw materials, which, show a substantial concentration on a few operators.

VALUE OF PURCHASES BY TYPE			
	2023	**2022**	**2021**
Raw Materials[41]	46%	44%	45%
Consumables[42]	12%	11%	11%
Services[43]	39%	43%	39%
Capital Assets[44]	2%	2%	5%

NUMBER OF SUPPLIERS BY TYPE			
	2023	**2022**	**2021**
Raw Materials [45]	1%	1%	2%
Consumables	34%	33%	37%
Services	63%	64%	58%
Capital Assets	2%	2%	3%

Lastly, further analysing the percentage composition in value of the mix of raw materials purchased by Pirelli in the three-year period 2021-2023, it can be noticed that there are no particular fluctuations over the years and that natural and synthetic rubber stably make up more than 1/3 of the raw materials purchased.

RAW MATERIALS MIX[46] PURCHASED AT VALUE			
	2023	**2022**	**2021**
Natural Rubber	12%	14%	14%
Synthetic Rubber	24%	27%	25%
Carbon Black	12%	11%	11%
Chemicals	24%	23%	23%
Textiles	18%	15%	16%
Steel	10%	10%	11%

Based on the analysis of these supply chain characteristics, Pirelli builds its supplier screening model. The screening is the initial step of analysis, implemented to identify potential ESG risks in the supply chain. The result is a risk assessment that integrates systematic desk research of suppliers'

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41 Purchased to produce and package the organisation's primary products and services

42 Indirect materials, auxiliary materials.

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

44 Machinery, civil works, moulds.

45 Purchased to produce and package the organisation's primary products and services

46 Purchased to produce and package the organisation's primary products and servicese

ESG risk associated with the country, sector, specific good/material and thus the potential risk of negative ESG impacts associated with suppliers. Considering the results of the ESG desk analysis and associating additional elements such as the weight of spending and the level of supply substitutability, Pirelli identifies significant suppliers, which, as described in the following paragraphs, are the main recipients of development, training and engagement & capacity building initiatives.

In 2023, there will be 372 significant suppliers in the above terms, corresponding to 16% of the Group's total spending.

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, as reported in the Decarbonisation chapter.

Considerations of relevance to the business, country, sector and specific commodity ESG risks are also at the origin of the on-site audit approach to potential suppliers of raw materials and high value-added parts. The process of verifying the congruity of the supplier with the principles shared in

Pirelli's Code of Conduct continues with the on-boarding phase. 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, 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 corrective action/improvement plan of any non-compliance shall block the qualification of the supplier. Supplier risk, potential and current assessments form the basis for selection for supplier development, training and engagement & capacity building initiatives.

With a view to safeguarding the health of workers and the environment, for many years now Pirelli has been carrying out preventive evaluations of new raw materials and process aids before these materials can be used extensively by the Group's operating units.

On the basis of specific documents made available by the Suppliers (the so-called 'Safety Data Sheet' and the relative '*Technical Data Sheet'*) and by virtue of the requirements provided not only by the most restrictive European regulations on the management of hazardous substances (see, for example, the 'REACH' and 'CLP' Regulations), but also in consideration of the highest international technical standards and the most up-to-date scientific knowledge (specific United Nations databases, etc.), these internal assessments provide an up-to-date picture of the potential risks to human health and/or the environment.

Furthermore, independently of and in addition to the requirements provided for by current laws, Pirelli requires suppliers of raw materials and process auxiliaries used by the Group to detail and quantify the residual impurities contained in the products sold to the Group, beyond mere compliance with the limits imposed by current regulations (where present).

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 dedicated 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 set out in the Policy).

At the level of **monitoring and assessing supplier performance and risks**, the process of creating a real vendor rating system on ESG performance was completed between 2022 and 2023, through the adoption of the EcoVadis platform. The external system, adopted from 2022 to monitor the sustainability performance of vendors and propose improvement plans on environmental, human rights, ethics and sustainable sourcing, also offers access to ESG benchmarks. Through clear Scorecard it is possible to monitor the company's positioning with respect to the reference industry, manage/prioritise improvement actions, and compare performance within the EcoVadis network.

Finally, with reference to the **Reports** received by the Group's Whistleblowing channel available to Suppliers, it should be noted that in 2023, no reports were sent by Suppliers. It remains objectively impossible to confirm that the total number of reports from Suppliers corresponds to the number 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 2023. With reference to the Grievance Procedure for reporting violations of the Policy on Sustainable Natural Rubber Management, no reports were received during 2023.

FOCUS: ESG ASSESSMENT, CORRECTIVE ACTION AND CAPACITY BUILDING

During 2023, 565 suppliers underwent sustainability assessments to identify current (versus potential) risk in environmental, social and governance terms through Ecovadis assessments and on-site third-party audits.

About 70% of them fall within the perimeter of 'significant suppliers', i.e. suppliers with potential ESG risk and/or relevant to the business.

133 of them presented current ESG risks downstream of the assesment. 100% of them have a corrective action/improvement plan with specific actions and timing, and for all of them Pirelli provides multiple tools to support them in implementing their corrective action/improvement plans. For example, on-site visits to analyse the sustainable performance of suppliers are paid for by Pirelli, and there suppliers have the opportunity to analyse their gaps in depth and identify the best return solutions, which they agree with Pirelli.

Equally important are the "capacity building" activities that in 2023 were destined for about 280 suppliers, both in the area of training on human rights management and in the area of management strategy and reduction of emissions impacts. Of these, at least 1 in 3 falls within the perimeter of 'significant suppliers', i.e., suppliers at potential ESG risk and/or relevant to the business.

In 2023, training also began on Human Rights, in line with the materiality resulting from the risk analysis conducted in 2022, inviting all suppliers of Raw Materials and all the suppliers of Capital Goods with whom Pirelli has a long-term strategic relationship to participate in the first phase. See in this regard the chapter "Human Rights Risk Assessment".

A decarbonisation capacity-building plan is also underway for suppliers of raw materials with the greatest impact in terms of CO_2 emissions, aimed at supporting them in fully understanding Pirelli's expectations and defining low-carbon development plans.

The focus in terms of capacity building & training dedicated to high and medium risk suppliers for both human rights and biodiversity will continue until all risk is gradually covered.

R&D PARTNERSHIPS

Pirelli has entered into several partnerships with strategic suppliers and universities for the development of innovative materials with a low environmental impact (materials described in the product environmental management sections of this Report). As part of the activity to develop 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 to partially replace precipitated silica and carbon black. Compared to the production processes of the raw materials substituted, the innovations mentioned above have ensured water savings, as well as a reduction in CO_2 emissions of more than 75%, saving about 19,000 m^3 of water and about 600 tons of CO_2, respectively.

Furthermore, as part of the development of ‘bio-based’ raw materials, the first car product containing at least one compound with a significant lignin content, the Pzero 5, was industrialised in 2023.

Lignin is not only a product of plant origin, but is itself obtained as a co-product of the paper industry and normally intended for burning. Pirelli research, conducted with an Open Innovation approach through projects with universities and exclusive suppliers, has made it possible for the first time to obtain a form of Lignin compatible with use in high performance compounds.

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, analysing at the same time the compliance of its activities 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 that, by their nature, can become development/long-term partners for the company, to which, moreover, a large part of the procurement spending is allocated.

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

The 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 responsibility.

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.

Below the number of third-party ESG audits performed in the last three years:

Year	Audit Number
2021	93[47]
2022	82[48]
2023	27[49]

In the year 2023, on-site audits involved Pirelli suppliers of all product categories operating in Brazil, China, India, Indonesia, Italy, South Korea, Malaysia, Mexico, Spain, and UK.

The results of audits carried out during 2023 show 19% of audited suppliers without any non-conformities. In addition to these, there are a further 4 audits from the 2023 Campaign, carried out in January 2024, for which the audit report will be available in February 2024, while further audits from the 2023 Campaign will be carried out during Q1 2024.

Suppliers where non-conformities (and Medium or High associated risk) have been found have signed a corrective action 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 corrective 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.

Lastly, the Group Internal Audit Department verifies the adequacy of the management and oversight of the ESG audit process on suppliers by the responsible functions.

[47] Of which 18 on potential new suppliers of raw materials.

[48] Of which 29 on potential new suppliers of raw materials.

[49] Of which 12 on potential new suppliers of raw materials

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 mentioned above.

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 a Roadmap, updating it periodically. The Roadmap 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 2023, were achieved or exceeded, particularly at the end of 2023:

- 100% 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;
- 90.1% 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);
- 99% 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;
- 99.5% 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 Roadmap 2022-2025 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 2023 together with the Indonesian supplier Kirana Megatara: 80 scholarships were given to children of local farmers and 150 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 in an evolving regulatory environment, primarily by ensuring compliance with the European Union Deforestation Regulation (EUDR) that will come into force on 30 December 2024. 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.

In 2021, Pirelli in partnership with BMW and BirdLife International launched a multi-year project called "Living Rubber, which aims to promote long-term sustainable and deforestation-free natural rubber production in Indonesia.

Pirelli aims to preserve 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.

For details on the Project please refer to the "Sustainable Natural Rubber" section of the company website.

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 that from 2022 onwards, members must annually provide the status of implementation of the GPSNR Policy (status provided by Pirelli to GPSNR)

Also in 2023, 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.
- the Shared Responsibility working group aims to define the principles and framework for the implementation of shared responsibility within the platform. Work continued in 2023 with the start of a two-year capacity building project targeting 5,000 farmers, which Pirelli is sponsoring and should be completed by Q2 2024.

Decarbonisation

In implementing the decarbonisation strategy adopted by the company, Pirelli's Industrial Plan **in force as at 31 December 2023** 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_2 emissions related to the purchase of raw materials (Scope 3) by 9% by 2025 compared to 2018 values.

With regard to the objectives, Pirelli achieved 91% coverage with primary data of indirect Scope 3 Upstream emissions in 2023. The total value of Scope 3 Upstream emissions in 2023 is 2,175 kton of CO_2equivalent (18% reduction in 2023 compared to 2018 baseline values). The reduction is mainly due to actions and projects implemented by suppliers that resulted in a reduction in the emission factor. 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, starting with the most significant suppliers in terms of emissions impact.

For more details on performance and targets regarding Scope 3 emissions, SBTi targets and 2023 performance, please refer to the section "Greenhouse Gas Emissions Management and Climate Transition 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.

CDP SUPPLY CHAIN

For years Pirelli has been involved in the Climate Change, Forest and Water Security programmes promoted by the CDP (formerly the Carbon Disclosure Project). In implementation of its Green Sourcing Policy, since 2014 Pirelli has in turn decided to extend the CDP assessment request to its key suppliers at the Group level, identified according to environmental and economic materiality criteria. In 2023, the selection concerned the suppliers with the greatest impact on the Group's Carbon Footprint in the Raw Materials, Logistics and Energy categories.

The CDP Supply Chain supports Pirelli in monitoring the Scope 3 emissions of its supply chain and ensures that suppliers are adequately sensitised on issues related to Climate Change, in order to identify and activate all possible opportunities to reduce climate-changing gas emissions. In 2023, the set of emission reduction actions implemented by Pirelli's suppliers participating in the programme made it possible to avoid global atmospheric emissions of about 36 million tonnes of CO_2 equivalent, associated with economic savings estimated at $2.5 billion[50].

Pirelli is the first company, among tyre manufacturers, to have introduced CDP Supply Chain into its supply chain globally and has set itself the goal of achieving a 90% response rate for raw material suppliers by 2024.The response rate recorded in 2023 was 88%, up 6% from last year's performance (82% in 2022, 88% in 2021, 84% in 2020, 81% in 2019, 74% in 2018).

In addition, the Company is included in the Supplier Engagement Rating Leaderboard 2023 published by CDP, having scored A on an assessment of the management of climate-related issues along its supply chain.

[50] Source CDP

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 derivates 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.

Pirelli addresses the management of this issue through a process of risk identification and mitigation. This process is aligned with that indicated by the Organisation for Economic Co-operation and Development (OECD), with particular reference to the "*OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*".

This process consists of different steps and tools:

- annual tracking of conflict minerals in the raw materials in its supply chain, aimed at identifying the origin of the minerals up to the mines or smelters and the existence of any conflict minerals;
- assessment of the real need for use according to the safety and performance requirements of Pirelli products;
- annual survey of suppliers using the tools defined by the Responsible Minerals Initiative (RMI), in particular through tools such as the Conflict Minerals Reporting Template (CMRT) for 3TG and the Extended Minerals Reporting Template (EMRT) for other conflict minerals such as Cobalt and Natural Mica;
- analysis and mitigation of risks at Smelter/Refiner (SOR; Smelters Or Refiners) level by verifying compliance with the standards set by the Responsible Minerals Assurance Program

(RMAP), also considering the search for alternative sources of supply to support risk mitigation.

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. Purchasing (of both Materials and Goods and Services) whose objective is not to purchase Materials, Goods or Services containing "Minerals from Conflict Zones" unless they are certified as "conflict free". All this is explicitly highlighted by a dedicated clause that Pirelli asks Suppliers to sign: for example, in the case of Materials, this clause 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) 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/responsibleminerals-assurance-process/ and https://www.responsiblemineralsinitiative.org/smeltersrefiners-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/reportingtemplates/cmrt/, and the "Extended Minerals Reporting Template" (EMRT), downloadable at https://www.responsiblemineralsinitiative.org/reportingtemplates/emrt/, and to send the same by e-mail to 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 model of management and mitigation of the risk associated with Conflict Minerals, 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.

This extension has been linked to an increasing focus on Cobalt, used in the Lithium-ion batteries that are an integral part of electric vehicles, mobile phones and laptops. The focus on Cobalt 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[51], 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 reliant on manual often artisanal and low-scale processes, is often associated with illegal activities, child labour and dangerous and unhealthy working conditions.

In relation to the aforementioned conflict minerals, in any case, 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.

The suppliers surveyed in 2023 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

[51] Data updated in 2014.

investigation led to no evidence of critical issues in the supply chain related to 3TG, Natural Mica and Cobalt.

SUPPLIER AWARD

Every year Pirelli recognises the contribution of its best suppliers, putting sustainability, continuous innovation, quality of raw materials, impeccable service and competitiveness at the heart of Pirelli Supplier Day.

The 2023 event was held at the company's headquarters in Milan, in the presence of the Executive Vice President and the Chief Executive Officer. It involved a selection of large, medium and small companies from all over the world, most of which were considered 'strategic suppliers'. The five, who distinguished themselves during the year for sustainability, quality, innovation, service level and performance, were awarded by Pirelli's Chief Procurement Officer.

Supplier Day 2023 was also an opportunity to reaffirm Pirelli's Open Innovation approach, which envisages the involvement of suppliers, universities and innovation hubs in the continuous process of innovation and the development of new products, making the most of new bio-based, recycled and nanopolymer materials.

A special spotlight was shone on the excellence and commitment of the entire supply chain that helps Pirelli achieve its goals. Sustainability was at the forefront, for example, in the company's 2030 goal of carbon neutrality and reduction of fossil-based materials, thanks to innovation and research on renewable or recycled sources.

TARGETS

Decarbonisation of the raw material supply chain in line with SBTi target 3.

Please note that in March 2024, the Company will update the Industrial Plan and related multi-year strategic sustainability targets. The updated Plan and related Targets will be simultaneously published on the institutional website www.pirelli.com for the benefit of all Stakeholders.

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 minimise pollutant emissions;
- assess and reduce the environmental impact of its products and services throughout their entire life cycle (supply chain, in and out logistics, manufacture, use phase and end-of-life phase), 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 Board Sustainability Committee, approves the sustainable environmental management strategy and targets integrated within 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 function as well as other functions variously involved (by way of non-limiting example the 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 2023.

JOINING THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) AND TCFD REPORTING

In September 2018 Pirelli formally joined the Task Force on Climate-Related Financial Disclosures (TCFD) set up by the Financial Stability Board[52].

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 2023, 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 Sustainability Board Committee (to which the results of the Climate Change and Water Stress Risk Assessment are brought), approves the decarbonisation and climate change (Climate Transition Plan) 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 change-related data contained therein.

Within the Board of Directors, the position of CEO 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 Board Sustainability Committee.

[52] 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.

In addition, Pirelli's Board of Directors approves the General Remuneration Policy, which includes a target to reduce absolute CO_2 emissions, consistent with the organisation's climate transition plan, within the Long-Term Incentive Plan (LTI) applied to executives including the CEO.

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.

In support of the above-mentioned committee, the Sustainability Operational Committee has also been set up, chaired by the 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 New Mobility Department, reporting directly to the Company's CEO, which supervises management at Group level and proposes sustainable development plans to the Sustainability Strategic Committee. The Sustainability and New Mobility Department Is headed by the Director of Sustainability and New Mobility, who is responsible for overseeing climate change and decarbonisation related topics at Group level and proposing associated targets to the Sustainability Strategic Committee. Reporting to the Director are the Decarbonization Officer, the Product Stewardship Officer, the Group Sustainability and Diversity Officer, and the Future Mobility Officer.

The Sustainability and New 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 and Diversity, Equity & Inclusion 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 Pirelli Group's

Environmental Footprint and Strategy" 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 towards a low-carbon economy and climate scenarios[53], 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[54].

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 (2023/2025-2030), 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[55] 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

[53] 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.

[54] Available on the websites of both Pirelli (https://corporate.pirelli.com/corporate/en-ww/sustainability/sustainability/cdp-climate-change) and CDP (https://www.cdp.net/en/responses).

[55] 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.

term were identified concerning the production processes of the Group's operating sites and those of its suppliers (upstream value chain), or the markets in which Pirelli 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, in line with the goal of limiting global warming to 1.5°C, as part of the sustainable development strategy to 2025 and 2030 published in the current Industrial Plan, in force as at 31 December 2023.

At process level, highlighted the targets of reducing energy consumption and absolute CO_2 emissions, 100% supply of grid electricity from renewable sources by 2025 and Group carbon neutrality (Scope 1 and Scope 2) by 2030 are highlighted. In particular, the absolute CO_2 emission reduction targets were developed in accordance with the guidelines of the Science Based Targets initiative (SBTi), which validated them in May 2022[56], 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[57], pledging to formalise, within two years, a long-term target to reduce emissions from its value chain by around 90%, compared to the 2018 figure, 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 Ip-code 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. Thanks to the positive trend that has seen the Eco & Safety Performance tyre revenue, compared of the Group's total revenue, grow from 5% in 2009 to 72% in 2023, the 2025 Pirelli's target of 66% has already been achieved.

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[56] 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.

[57] 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.

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 New 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[58] with short to medium (2023/2025-2030) and long-term (>2030-2050) 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[59].

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.

[58] 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.

[59] Available on the websites of both Pirelli (https://corporate.pirelli.com/corporate/en-ww/sustainability/sustainability/cdp-climate-change) and CDP (https://www.cdp.net/en/responses).

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 “Management of Greenhouse Gas Emissions and Climate Transition 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 both the areas bordering the operating sites and along the entire value chain, upstream and downstream, in which the Company operates.

As specified in Pirelli's Health, Safety and Environment Policy, published on the corporate website, Pirelli is committed to minimizing impacts on biodiversity, ecosystems and related ecosystem services.

The Policy **applies to all Group operations** conducted by Pirelli; where Pirelli does not have operational control, all **business partners (e.g. joint ventures, suppliers, etc.)** are required to comply with the principles set out in the Policy.

Pirelli is committed to action on several fronts to protect biodiversity throughout the entire product life cycle, from the upstream supply chain to the downstream impacts.

In terms of **Governance**, the Board of Directors of Pirelli & C. S.p.A., supported in its activities by the Board Sustainability 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.

Pirelli is committed to achieving "**No net loss of biodiversity**" through the "mitigation hierarchy" (avoid, minimise, restore, compensate and regenerate) and intends to set targets in line with the Science Based Targets Network (SBTN) as soon as the relevant information and methodologies are available.

Pirelli pays attention to **minimising its operations in protected areas** and/or in sites relevant to biodiversity[60] 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.

Pirelli starts with a **risk assessment** activity to define the Biodiversity Action Strategy along the value chain **from upstream to downstream**, in line with the company's Enterprise Risk Management methodology.

The methodology adopted for site-specific analysis follows the recommendations of the **Task Force on Nature-related Financial Disclosures (TNFD) and the Science Based Targets Network for Nature (SBTN)**.

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[60] "Biodiversity-relevant sites" are defined as sites that contain globally, regionally or nationally significant biodiversity ('Critical Biodiversity') and thus include protected areas/habitats/species, species classified as critically endangered, threatened or vulnerable on the IUCN Red List, endemic species, areas internationally recognised as World Heritage Sites, Ramsar Wetlands, UNESCO's Man and Biosphere.

With reference to the Group's perimeter, the state of biodiversity of the natural areas surrounding all the operating sites was analysed during 2023, as well as the risks, impacts and dependencies relating to these areas, in order to decline the strategy of action in specific Biodiversity Action Plans (BAPs)[61].

The **main phases** of the analysis are summarised here.

Each of Pirelli's operational sites was assessed according to the four basic criteria provided by the **TNFD LEAP** (Locate, Evaluate, Assess, Prepare)[62] framework and the criteria of *biodiversity importance, ecosystem integrity, water stress and potentially significant dependencies or impacts*[63]. The assessment was conducted using public tools and datasets (e.g. **ENCORE, WRI Aqueduct, WWF Biodiversity and Water Risk Filter, IBAT**). In addition to these criteria, **STAR**[64] indicators and location-specific indicators (location specific approach) of environmental performance (e.g. Environmental KPIs, IBAT) were considered and applied.

The results made it possible to identify Pirelli's main **impacts and dependencies**. Water resource use, greenhouse gas emissions, solid waste and light pollution were identified as impacts, while groundwater and surface water were identified as the most prevalent dependencies.

The sites analysed were then assigned a priority level to identify areas where mitigation actions could bring the most significant results, leading to the selection of five priority sites for further analysis to quantify the magnitude of impacts/dependencies and risks/opportunities related to nature, which in turn were linked to the five drivers of biodiversity loss and ecosystem degradation identified by **IPBES**[65] (i.e. land/water/sea use change, resource exploitation, climate change, pollution and invasive non-native species).

The site-specific analysis confirmed the water resource as the main natural resource used by Pirelli, as well as one of the main natural assets on which various ecosystem services depend, such as the regulation of water flows and water quality for the local community. Also worth mentioning is the dependence, more or less marked depending on the site, on ecosystems such as forests, rivers, grasslands and wetlands for ecosystem services such as groundwater recharge and landslide and flood risk mitigation. Also to be considered in terms of risk are the increasingly frequent drought periods that could lead to restrictions in the use of water resources.

Based on the results obtained, Pirelli has defined specific **Biodiversity Action Plans for each site**.

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[61] Biodiversity Action Plans

[62] Beta framework v0.4, published in March 2023.

[63] The TNFD Nature-related Risk and Opportunity Management and Disclosure Framework Beta v0.4 Annex 4.11 Additional draft guidance on location prioritisation of the Locate phase of the LEAP approach (L3) and recommended disclosure Strategy D.

[64] Species Threat Abatement and Restoration Metric (STAR)

[65] Models of drivers of biodiversity and ecosystem change – IPBES (Inter-Governmental Science-Policy Platform on Biodiversity and Ecosystem Services)

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).

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. In the area (0.37 square kilometres included in the Lombardy area of the Ticino Park, a UNESCO MAB reserve[66]) there are 7 endangered of extinction (CR), 21 endangered (EN) and 61 vulnerable (VU) species on the IUCN red list within 50 km of the site, and 33 protected areas and 3 key biodiversity areas are located within 20 km of the site. 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. In addition, the site was subject to a new site-specific analysis in 2023, which formed the basis for the definition of the relevant Biodiversity Action Plan.

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" (VU), 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.

As mentioned above, Pirelli carefully considers risks and opportunities related to Biodiversity in the value chain **from upstream to downstream**.

With reference to upstream activities, 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 accordance 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;

[66] Man and Biosphere is a set of biosphere reserves in numerous countries around the world protected by UNESCO with the aim of promoting socio-economic development and the conservation of ecosystems and biological diversity.

- 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.

With reference to **Non-Deforestation**, the greatest risks of deforestation in the value chain are found in the supply chain and are related to materials of forest origin and in particular, by materiality of use, to natural rubber.

With regard to deforestation, as specified in the Pirelli Policy for the Sustainable Management of Natural Rubber published on the Pirelli website, the Company set 1 April 2019 as the **cut-off date**, i.e. the date beyond which natural rubber from deforested areas or areas with a deteriorated “High Carbon Value” is considered non-compliant with Company Policy. In other words, the **target year** for deforestation-free rubber is **2019**, 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.

There are many measures to mitigate the risk of deforestation in the natural rubber chain: from direct support for capacity building projects at GPSNR, to on-site third-party audits at suppliers (followed by specific return plans), to engaging suppliers to adopt good agricultural practices in line with GPSNR’s desired state and with FSC® certification standards (Pirelli produced the world’s first FSC® tyre in 2021 and from 2024 F1® tyres will also be certified), and engaging with local communities.

For a detailed description of 2023 activities related to the sustainable management of natural rubber, please refer to what is reported in the paragraphs “Sustainability of the natural rubber supply chain” and “Together for the sustainability of natural rubber - the GPSNR platform”, within the chapter “Our Suppliers” of this Report.

Pirelli **actively collaborates with multiple Stakeholders** in support of Biodiversity, such as in the two initiatives below.

2023 saw the continuation of 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 of protecting 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 objective of protecting the forest goes hand in hand with the development of initiatives to support 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.

Also in 2023, an agreement was renewed in **Mexico** with local government institutions for the conservation of biodiversity and the reforestation of the Cuenca de la Esperanza protected natural area, located in the Guanajuato Region. With this initiative, in addition to the environmental protection of flora and fauna, there is preservation of 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.

With reference to downstream impacts, biodiversity risks are considered to be part of product design with a view to mitigating the related impacts along the life cycle and, from 2024, biodiversity parameters will be systematically included in the Life Cycle Assessment (LCA) of new products. Fundamental is the ongoing scientific research activity for the mitigation of impacts, such as in-use tyre emissions, that Pirelli conducts both through its own Research & Development and related partnerships, and through its work in the Tire Industry Project of the World Business Council for Sustainable Development, which aims to proactively identify and address potential human health and environmental impacts associated with tyre life cycle impacts.

In support of biodiversity and ecosystem services along the value chain from upstream to downstream, mention should also be made of the Group's decarbonisation **targets** (Scope 1 and 2 emissions on the Pirelli perimeter side, and Scope 3 emissions on the upstream, logistics and commuting side) validated by SBTi in line with Scenario 1.5°C, SBTi's Net Zero commitment, the Pirelli factories' water withdrawal reduction targets, material recycling targets and tyre rolling resistance reduction targets at the downstream level.

All the upstream and downstream targets mentioned are discussed in the following paragraphs, to which reference is made for further details.

THE PIRELLI GROUP'S ENVIRONMENTAL FOOTPRINT AND STRATEGY

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 impacts throughout the product life cycle.

The infographic on the following pages shows the Pirelli approach to environmental management. The representation includes the multi-year sustainability targets defined by the Industrial Plan in effect as at 31 December 2023 and the actions implemented by Pirelli to reduce environmental impacts in the various phases of the life cycle. 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 are discussed in more detail 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[67]" 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_2 equivalent, concerns the effect on the climate of anthropic activities (the greenhouse effect potential of the gas considered is assessed in relation to CO_2, considering a residence time in the atmosphere of 100 years).

[67] Set of specific rules, requirements and guidelines for the development of environmental declarations, for one or more product categories, defined according to ISO 14025.

- 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.

Compared to the previous year, in 2023 Pirelli recorded an absolute reduction[68] in Carbon and Water Footprint of 10% and 1% respectively. As regards the quantitative representation of Pirelli's Carbon Footprint, please refer to the section "Management of Greenhouse Gas Emissions and Climate Transition 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".

[68] Calculated considering all elements of the value chain, excluding the use phase at the charge of Vehicle Manufacturer Customers

LIFE CYCLE PHASES				
RAW MATERIALS	**MANUFACTURE**	**DISTRIBUTION**	**USE**	**END-OF-LIFE**
DRIVERS OF THE CARBON AND WATER FOOTPRINT				
Suppliers	Pirelli	Suppliers	Customers	Waste Recovery Players
Production and transport of raw materials: the impact is due to the consumption of resources on the part of the production sites of suppliers.	Tyre manufacturing: at Pirelli factories the impact mainly derives from the consumption of electricity and natural gas	Consumption and related production of fuel used by trucks and ships of logistics providers, which deliver Pirelli tyres worldwide	Consumption and related production of the fuel used by customers' vehicles in the portion allocated to rolling resistance of the tyres.	End-of-life tyre management: old tyres are prepared by specialised companies to be reused either as energy or as regenerated raw material
GHG DISTRIBUTION IN SCOPE				
--> Scope 3	--> Scope 1 + 2 + 3	--> Scope 3	--> Scope 3 - indirect (in charge to vehicle manufacturers)	--> Scope 3

RESPONSE STRATEGY (Plan in force at 31 December 2023)				
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_2 emissions from raw material suppliers by 9% 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 • Absolute CO_2 emissions -42% vs 2015 (target approved by SBTi*) • Specific water withdrawal -43% vs. 2015 • Specific energy consumption -10% vs. 2019 • Waste sent for recovery 98% *Target 2030:* • Group Carbon Neutrality (Scope 1 and 2 emissions from electric and thermal energy); ISO 14001 IN ALL FACTORIES SCRAP REDUCTION PROGRAMME	GREEN SOURCING POLICY • Green Logistics procedure • Engagement to reduce Supply chain Carbon & Water Footprint	PRODUCT INNOVATION *Target 2025:* • Rolling Resistance A/B ≥ 70% of new car products (new labelled IP Codes) • Wet Grip A/B ≥ 90% of new car products (new labelled IP Codes) ECO & SAFETY PERFORMANCE REVENUES *Target 2025:* • ≥ 66% of Group car tyre sales and ≥ 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.				
Please note that in March 2024 the Company will update the Industrial Plan and related multi-year strategic sustainability targets. The updated Plan and related Targets will be simultaneously published on the institutional website www.pirelli.com for the benefit of all Stakeholders.				

PIRELLI'S APPROACH TO THE CIRCULAR ECONOMY: THE 5 RS

As part of the Pirelli '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 throughout the life cycle of the product.

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_2 emissions compared to 2015, as approved by the SBTi in line with the 1.5ºC 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_2 emissions of its raw material suppliers (-9% 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 natural origin or recycled raw materials, with targets that envisage that selected product lines to use over 40% natural origin materials by 2025 (over 60% by 2030), over 8% recycled materials[69] (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

[69] > 3% by 2025 and > 7% by 2030 excluding recycled metals.

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 2023 are reported in the following sections.

PRODUCT: RESEARCH, DEVELOPMENT AND SUSTAINABILITY OF RAW MATERIALS

The Pirelli Model and results in 2023

In line with the Pirelli Eco-Safety Design" Strategy. the research and development of innovative materials is essential in order to design and manufacture tyres which are increasingly sustainable and which guarantee lower social and environmental impacts throughout their life cycle while ensuring greater driving safety.

Pirelli's policy with reference to the materials used in the tyre manufacturing process is stringent. Pirelli applies safety and acceptability requirements, including these prescriptions in its contractual provisions with suppliers. As discussed in greater detail later in this section, in the process of selecting raw materials, particular attention is paid to any potential impacts, including via the use of LCA analyses, that they may have on the health of people and the environment, with a view to their progressive minimisation.

As a matter of policy, compounds and tyres are produced by Pirelli without the use of "Substances of Very High Concern" (SVHCs), i.e., without those substances that give rise to high concern due to their potential effects on human health and/or the environment. Furthermore, Pirelli in its production does not use either substances falling into the internationally recognised category of POPs[70], as defined by the Stockholm Convention, or mercury and its derivatives as defined by the Minimata Convention.

Collaboration with external stakeholders with a view to research, innovation and best practices plays a particularly important role in the development of more sustainable materials. In particular, Pirelli has many Joint Development Partnerships with strategic suppliers, research agreements with universities (for example, the Joint Labs agreement between Pirelli and the Politecnico of Milan for research on increasingly sustainable materials, such as bio-polymers), and collaborations at the sector level for scientific research as part of the WBCSD's Tire Industry Project, with the aim of proactively identifying and addressing potential human health and environmental impacts associated with tyre life cycle impacts, and multi-stakeholder collaborations such as the Global Platform for Sustainable Natural Rubber (GPSNR), in order to support sustainable development of the Natural Rubber business.

In line with this approach, all chemical substances and products used by Pirelli in tyre production are subject to prior assessment and prioritisation by the Health, Safety and Environment Department. Traceability of materials to their origin is an effort conducted on multiple materials, starting with those whose impacts may be most material (such as natural rubber for the environment or conflict minerals for society), all with a view to reducing their negative environmental and social impacts.

On the internal training side, the sustainability of materials was the central focus of the R&D Convention dedicated to materials in 2023, just as it is an integral part of the many internal product

[70] Persistent Organic Pollutants

courses; on the external training side, materials and product sustainability were the focus of the Convention dedicated to European Dealers, organised by Pirelli in Cagliari in September 2023.

The Company has also set growth targets for natural and recycled materials (detailed below) and is committed to increasing the use of third-party certified materials (such as FSC® for natural rubber and ISCC[71] for bio-based and recycled materials).

In terms of raw materials, for the selected product lines, the current Industrial Plan in force as at 31 December 2023 sets targets for an increasing use of materials from natural origin and recycled sources, with the aim of using more than 40% of the former[72] by 2025 (more than 60% by 2030), more than 8% of the latter[73] (more than 12% by 2030)[74] and reducing the use of fossil-derived raw materials to less than 40% (less than 30% by 2030).

With reference to Pirelli tyres produced in 2023, the highest share of natural origin and recycled materials in a single product reached 55%, compared to 38% in 2022. The result, obtained for the entire new P ZERO™ E line, was verified by a third party against ISO 14021, with a view to maximum transparency and solidity of communication with customers and stakeholders in general. Depending on the measure analysed, the content of raw materials of natural and recycled origin varies respectively between 29% and 31% and between 25% and 27%, reaching in all cases the minimum limit of 55% verified during the audit.

Please note that in March 2024 the Company will update the Industrial Plan and related multi-year strategic sustainability targets. The updated Plan and related Targets will be simultaneously published on the institutional website www.pirelli.com for the benefit of all Stakeholders.

The volume of raw materials used for tyre production in 2023 was approximately 774,000 tonnes, of which 3.2% is recycled material and 19.3% is renewable material.

In parallel with the ever-increasing use of materials of natural and recycled origin in production, in 2023 Pirelli launched a campaign to certify the assertions made by suppliers regarding the amount of natural origin and recycled material supplied to Pirelli, so as to verify by means of a third party the actual truthfulness of the numbers communicated, with a view to maximum transparency towards consumers This certification process is at the basis of the distinctive positioning of P ZERO™ E, the first tyre whose declaration of the amount of natural origin and recycled material has been verified by a third party in accordance with ISO 14021.

With reference to certifications and with a view to increasing them, partnerships with suppliers of FSC® (Forest Stewardship Council®) certified natural rubber are being consolidated, which in 2023 enabled the development of the first FSC® certified F1® tyre that will be used in the 2024

[71] International Sustainability and Carbon Certification

[72] Material of natural origin (bio-based): materials wholly or partly of biological origin (source: ISO 16620-2:2019)

[73] Recycled material: Material that has been reprocessed from material recovered through a manufacturing process and transformed into a final product or component to be incorporated into the product (source: ISO 14021)

[74] The official target in the Industrial Plan in force at 31 December 2023 >3% by 2025 and >7% by 2030 excluding recycled metals.

championship. FSC® certification ensures that the supply chain of raw materials from forests, starting with the upstream plantations from which the natural components for the tyres are derived, is managed in a way that preserves their biological diversity and benefits the lives of local communities and workers, while promoting their economic sustainability. Also in 2023, the developments of the product lines whose production will start in 2024 and 2025 saw an increasing use of natural origin and recycled materials. In addition to these, innovative materials will be introduced in the coming years, such as recovered carbon black, bio-resins, cellulose derivatives, as well as a gradual increase in natural rubber replacing synthetic rubber.

Focus: Research & Development for Material Sustainability

In this context, Pirelli's Research & Development focuses, among others, on:

- high-dispersion silica for wet grip, rolling resistance and durability;
- new technologies applied to the development of polymers, fillers and plasticisers for improving the wear rate of tyres;
- materials of natural origin, such as silica from renewable sources, bio-fillers such as lignin, cellulose and sepiolite, and plasticisers/resins of plant origin;
- textile reinforcements with fibres from natural 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 VOCs[75]).

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

[75] Volatile Organic Compounds

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_2 emitted per kilogram of silica, compared to the conventional process that instead uses fossil energy sources. During 2023, 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 10% of total silica consumption (up from 5% last year).

Specific projects for the development of new materials from natural 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 consolidated the industrial use of materials of mineral origin, in a partial substitution of precipitated silica and carbon black.

Also with a view to the circular economy, it should be noted that in 2023, on the basis of proprietary patents, Pirelli has continued the development of tyres using recycled PET[76], resins from natural 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, in addition to its existing application in specific cycling products, it was introduced in 2023 in a compound of Product P ZERO™ E as a replacement filler for Carbon Black.

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 end-of-life 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. During 2023, Pirelli completed the industrialisation phase of recovered Carbon Black at its plant in Mexico, introducing it in a normal production compound across the entire product range of the Silao factory.

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 2023, 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. The sustainable management of the natural

[76] Polyethylene Terephthalate

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 innovative products and services on the market, responding to a macroeconomic scenario in constant and rapid evolution.

As stated in Pirelli's Product Stewardship Policy, during the design and development of new products, potential risks on health, safety, environment and society are systematically assessed throughout their life cycle, including analysis of the geopolitical context of reference and ESG impacts in the supply chain. This assessment is also supported by LCA analyses performed in accordance with the industry Product Category Rules and adopting the latest methodologies for calculating potential environmental impacts.[77]

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_2 emissions or, for electric vehicles, the increase in distance per charge;
- 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 2023, was 15.8% lower than the 2015 value (in 2022 the reduction was 13.6% and in 2021 10.3%), 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 Ip-code 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 2023, the new IP-labelled tyres placed on the market by Pirelli worldwide will have 55%

[77] Such as the EF method, provided for in EU Commission Recommendation 2021/2279, and all impact categories therein.

A or B Rolling Resistance and 98% A or B Wet Grip labels, according to the European classification, including ice grip (which is indicated by the presence of the ICE pictogram).

With regard to the wear rate, the new tyre lines launched in the last three years showed an average improvement of 22% compared to the reference tyres of previous generations.

Regarding sustainability targets on materials, please refer to the dedicated section in this report.

Please note that in March 2024 the Company will update the Industrial Plan and related multi-year strategic sustainability targets. The updated Plan and related Targets will be simultaneously published on the institutional website www.pirelli.com for the benefit of all Stakeholders.

Among the products that best reflect the Eco-Safety approach, it is worth mentioning the P ZERO™ E, the new tyre that integrates the latest technological innovations developed by Pirelli, put at the service of the new electrified and sustainable mobility.

Thanks to years of research into new materials and careful selection of suppliers, Pirelli was the first to be able to make a high-performance tyre with more than 55% natural and recycled materials across the entire launch range[78], a claim validated by Bureau Veritas according to the ISO14021 reference standard. The road taken will lead to other products containing high percentages of materials of natural and recycled origin, which will be identified by a dedicated logo on the sidewall starting with the P ZERO™ E.

The Pirelli study on the life cycle of the P ZERO™ E, also verified by Bureau Veritas, shows, among other things, a 24% reduction in CO_2 equivalent emissions compared to a previous generation Pirelli tyre[79]. Moreover, this attention to the materials used has made it possible to reduce the use of materials of fossil and mineral origin, replaced by natural and recycled raw materials (12 kg less than a standard set of P Zero tyres of the same size[80]).

Pirelli P ZERO™ E achieved the highest class (A) in all parameters of the European label for all available sizes (rolling resistance, wet braking and noise). Starting with rolling resistance, thanks to specific compounds (Rolling Reduction Compounds) that favour the autonomy of battery-powered vehicles, prolong tyre life thanks to reduced wear and play a fundamental role in controlling the car in various driving situations and in particular wet braking. Another area of development to achieve triple A-class status was the tread pattern, designed through virtualisation and simulation techniques derived from motorsport.

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[78] Through a combination of physical segregation and mass balance. Depending on the tyre size, the content of bio-based and recycled materials varies between 29-31% and 25-27% respectively. Materials of natural origin are natural rubber, textile reinforcements, bio-resins and lignin, while recycled materials are metal reinforcements, chemicals and - through a mass balance approach - synthetic rubber, silica and carbon black. According to ISO 14021.

[79] Size 235/45R18 (IP 42865) compared to the same size as the previous generation product (PZ4 IP 27429) according to ISO 14067 and ISO 14026 verified by Bureau Veritas

[80] PZero E 235/45R18 (IP 42865) compared to the same size as the previous generation product (PZ4 IP 27429)

The new Pirelli RunForward technology, making its debut on the P ZERO™ E, has the function of maintaining control of the car in the event of a puncture and allowing the car to continue driving. This system is made up of reinforcing bezels on the tyre's sidewalls, differentiated between the inner and outer sides, which provide support for the tyre and allow it to travel up to 40 km at a maximum speed of 80 km/h even at zero pressure[81]. The advantages of tyres equipped with Pirelli RunForward are many, including: a level of driving and acoustic comfort comparable to that of a traditional tyre, while maintaining low rolling resistance and the convenience of not requiring special rims to benefit from this technology. This technology is designed especially for BEV cars.

In December 2023, P ZERO™ E was awarded 'Tyre of the Year' (Prix Point S) at the Automobile Awards for performance, innovation and sustainability. The sixth edition of the event brought together 53 brands, including car manufacturers and automotive suppliers, at the Automobile Club de France in Paris.

Another historical exponent of the Eco-Safety approach is 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_2 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 CINTURATO™ P7™ Blue tyre reduces braking by 2.6 metres compared to a B labelled tyre.

In August 2023, Pirelli presented the Scorpion MS, a high-performance all-season tyre dedicated to the original equipment of the latest generation of SUVs. The heir to the Scorpion Verde All Season and Scorpion Zero All Season, the new tyre has been designed using the Eco-Safety Design approach, which combines high safety performance with reduced environmental impact. The result is better dry and wet grip and reduced rolling resistance compared to previous products. Furthermore, to meet the needs of the countries it is aimed at, the Scorpion MS emphasises mileage, a characteristic sought after by US drivers, and comfort, a quality demanded by Asian markets. Lastly, having to equip high-drive cars, the new Scorpion MS is able to drive on off-road and snow-affected stretches. The Scorpion MS is designed to equip the new SUV models of car manufacturers in the premium and prestige segments. Specific variants will be made for the different cars, as well as adopting the main Pirelli specialties requested by the manufacturers. First and foremost is Pirelli Elect technology, specifically for electric and plug-in hybrid vehicles: in fact, 75% of the co-development projects underway on the Scorpion MS for original equipment are fitted with the Elect package. This is the case with the Maserati Grecale Folgore, the Modena-based manufacturer's first

[81] Internal Pirelli tests. Tyres equipped with RunForward technology successfully achieved 40 km of run at 0 bar pressure. Tests were carried out on the most stressed wheel under the following circumstances: Tyre sizes 235/40R19 96Y XL, 235/45R18 98W XL, 255/45R19 104Y XL; Tyre weight: up to 627 kg; Vehicle weight up to: 2,186 kg.

100% electric SUV, for which Pirelli has developed two equipment fit-outs with the new Scorpion MS: 255 50 R19 all round and 255 45 R20 at the front, 295 40 R20 at the rear, both with Elect marking. The new tyre confirms the Scorpion family's vocation for electric mobility, so much so that over 30% of the entire Scorpion family is Elect marked.

In the course of 2023, more than 340 new technical type approvals were obtained with the leading Prestige and Premium car manufacturers, mainly focusing on rims larger than 19 inches and Specialties[82].

In September 2023, at the IAA Mobility motor show in Munich, Pirelli confirmed its position as the leading brand in tyres for premium and prestige electric cars, equipping almost 25% of BEVs and 30% of plug-in hybrids, with products from the different lines - from P Zero to Scorpion - but united by the Elect marking that distinguishes products made specifically for electric cars. Since its launch in 2019, Elect technology has already exceeded a total of 300 homologations. Compared to the same period in 2022, new homologations grew more than twice as fast (+125%) in the first half of 2023, further confirmation of Pirelli's increasingly widespread presence in electric mobility. Also on Pirelli tyres was the only hydrogen car present at the IAA Mobility, the BMW iX5 Hydrogen, which adopts FSC® marked P Zeros.

Pirelli P Zero Elect is the tyre chosen by BMW M to also equip the BMW i4 M50, the first fully electric car from BMW's highest performance division. The zero-emission coupé joins the many BMW M models for which Pirelli has developed bespoke tyres as original equipment. There are two engines, giving the car 544 hp (400 kW) with 0-100 km/h acceleration in 3.9 seconds. The Pirelli-designed tyre structure is reinforced to give support to the car and return maximum performance even in extremely sporty use. In addition, the special high-grip tread compound is designed to offer high levels of grip, ensuring efficient and precise driving.

Pirelli has homologated ten different tyres to equip the Lotus Eletre, the British manufacturer's first electric hyper-suv. With different sizes for front and rear, a 22” P Zero (275/40R22, 315/35R22) and a 23” P Zero (275/35R23, 315/30R23) have been made for this model, as well as a 22” P Zero Corsa (275/40R22 and 315/35R22), all designed to strike a balance between comfort and the car's performance in sports driving. The LTS marking is stamped on the sidewall to indicate the dedicated development, while the Elect marking identifies the presence of the technology package that enhances the characteristics of electric vehicles. The Pirelli Elect tyres for the Lotus Eletre have an optimised footprint and specific compounds that maximise grip, reducing slippage under acceleration caused by the immediate torque of the electric motors. The designers also worked on a reinforced structure to provide adequate support for the car. Another area of work, as requested by the manufacturer, was acoustic comfort: the Pirelli Elect are designed to reduce rolling noise, making the journey quieter and more comfortable. These characteristics are certified by the European label values: all sizes achieved class A in wet grip and almost all of them are in noise class A.

[82] Auto tyres which meet specific customer needs: Run Flat™, Seal Inside™, PNCS™, Elect™, Pirelli Cyber™, Racing, Collezione, regardless of rim size;

Pirelli received the prestigious 'Supplier of Excellence Award' from Jaguar Land Rover (JLR). Sustainability, a key feature of all Pirelli products, accompanies JLR on its journey to become a leader in new forms of mobility with the aim of reducing carbon emissions to zero.

In 2023, Pirelli took a major new step in tyre development with the opening of the Virtual Development Centre (VDC) at the German factory in Breuberg, which employs around 2,500 people, including 250 engineers dedicated to development. The VDC, which marks a growth in Pirelli's presence in Germany, allows products to be developed and tested in virtual mode, also bringing several advantages in the company's relationship with its customer car makers. Through the use of the simulator, tyre development time is reduced by up to 30% and up to 30% fewer physical prototypes are made, with an advantage in terms of environmental sustainability. In addition, the driving simulator allows Pirelli to obtain more precise results than traditional methods, in order to respond more effectively to the demands of car manufacturers.

In Milan, on the other hand, Pirelli has installed in its R&D centre a new machine capable of testing tyres up to 500 km/h under controlled conditions, the High Speed Testing Machine. The main purpose of this test is to further increase the safety of tyres for the fastest cars: with the advent of increasingly high-performance road hypercars, also as a result of the perfection of electric engines, high speed is becoming a crucial factor in the development of different categories of tyres, not only those specifically for motorsport, but also those intended for road use.

With reference to the Cycling business, Pirelli also launched new product lines in 2023 (P ZERO Race TT and Road TLR, Cinturato Road and Gravel RC-X and the SmarTUBE EVO and X inner tubes), renewing and expanding the range of products dedicated to sportspeople and cycling enthusiasts. In March 2023, the production of cycling tyres at the Pirelli plant in Bollate also saw the introduction of Tubeless-ready (TLR) versions of the P ZERO Race, confirming its leadership as the only factory in Italy to produce "Made in Italy" bicycle tyres on an industrial scale. The factory, which will purchase electricity from only renewable sources from 2021, specialises in the production of high-tech tyres (let us recall the example of the patented TLR SpeedCORE structure), destined both for amateurs and for the athletes of some of the top UCI cycling teams, all of which are already Pirelli partners and play an active role in the development of tyres.

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.

Focus: Sustainability and Pirelli Motorsport

The focus on environmental sustainability is also fully integrated into the company's **motorsport** business model. Pirelli was in fact the first tyre manufacturer in the world to be awarded the three stars of the Environmental Accreditation Programme promoted by the FIA (International Automobile Federation), an acknowledgement of its commitment to sustainability in motorsport and achieved thanks to a supply chain managed according to environmental and social sustainability criteria.

Among the measures Pirelli has taken to achieve this result in F1® are the use of 100% certified renewable electricity in motorsport factories from 2021, the elimination of single-use plastic from track activities and hospitality areas, and the process of repositioning wet tyres on rims when they are not actually used on track at a Grand Prix. On the occasion of the renewal of Pirelli's role as F1's Global Tyre Supplier until at least 2027, it was announced that, starting with the 2024 season, all Pirelli tyres used in FIA Formula One World Championship races will be FSC® (Forest Stewardship Council®) certified. The certification ensures the full visibility of raw materials from forests throughout the supply chain and guarantees that the plantations from which the forestry-derived components for the tyres are sourced are managed in a way that preserves their biological diversity and benefits the lives of local communities and workers, while also promoting their economic sustainability.

The focus on environmental issues has also been central in the development of new lines, for example the new GT tyre, the P Zero DHF, which, thanks to the extensive use of virtual models, has made it possible to reduce the production of physical prototypes.

Focus: Open Innovation and university collaborations

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, 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, the new phase of the agreement, which envisaged 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.

In 2023, more than two decades after the birth of CORIMAV (Consorzio per le Ricerche sui Materiali Avanzati), the University of Milan-Bicocca and Pirelli signed an extension of the collaboration for another six years. To date, 55 PhD scholarships have been financed and awarded by the consortium, a collaboration established with the aim of developing cutting-edge technologies in the field of materials, supporting research and experimentation activities with a view to patenting, and promoting training and professional development initiatives for young researchers. A joint activity that will continue by financing 18 new PhD scholarships for research activities aimed at projects focused on sustainability, through studies on new materials obtained from renewable sources and new materials obtained from waste products from the agricultural-industrial supply chain, innovative solutions with a lower environmental impact in the tyre production process, and environmental degradability of tyres with a view to the circular economy. CORIMAV's research activities led, for example, to the patent that led to Pirelli's use of lignin in the production of bicycle tyres and soon in some car tyre specifications. Lignin is a natural material derived from waste biomass and with intrinsic antioxidant properties that, with appropriate chemical-physical modifications, makes it possible to improve the tyre's mechanical properties and replace synthetic materials of fossil origin. A second example of the research activity carried out by CORIMAV is the patenting of nano-silicates (SmartNet Silica), i.e. a special silica that, when used in compounds, allows high grip and sliding performance on dry and wet surfaces. Added to this is an improvement in the mechanical resistance of the tread, which enhances puncture protection and tyre life, as well as optimising rolling resistance. CORIMAV was included in 2018 in the European Commission's final Report Study on Fostering Industrial Talents in Research at European Level, which focuses on the promotion of inter-sectoral mobility (Ism) and reports examples of good practice for every country in the Union. An award that testifies to the attention of the institutions and the European Union for a path that succeeds in transforming the fruits of research into products of commercial interest with increasing attention to the development and dissemination of more environmentally friendly solutions. A virtuous process of continuous exchange of knowledge between the industrial and university spheres, which leads to the consolidation of learning and development methods, with an enhancement of the growth paths of young researchers that enables them to quickly embark on professional paths in companies, including Pirelli.

In 2023, the 'R&D Excellence Next' second-level university master's degree course, designed in collaboration with the Milan Polytechnic, was completed, involving 34 young engineers who had just joined the company, with the aim of acquiring a cross-cutting education and systemic vision capable of combining the elements of tyre design, production and testing through knowledge of vehicle dynamics to support their virtualisation and that of materials and processes to ensure increasingly sustainable development.

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.). Although the peer reviewed scientific studies (see “WBCSD” in this report in this regard) conducted so far have not shown significant risks to human health and the environment, scientific research on TRWPs is not concluded but continues to investigate issues related to the quantification of TRWPs in various environmental compartments (an important element to support TRWP mitigation strategies), the aging and degradation of TRWPs in the environment, and also the chemicals potentially released from TRWPs and their potential risks. 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 2024 and, as in the previous editions 2018-23 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. 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 of Carbon and Water Footprints, the end-of-life phase of the product has a low proportion of the total impact of the tyre on the environment.

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 tyre manufacturing, 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%[83] of all out-of-use tyres (ELTs) generated are recovered, while in Europe and the United States the recovery stands at 95%[84] and 71%[85].

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 Tire Industry Project of the World Business Council for Sustainable Development, 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. Based on the ELT recovery and recycling rates of the markets where Pirelli tyres are sold, it is estimated that 70% of the associated ELTs are sent to recovery (vs. global average of 60%). For countries where ELTs management schemes are active, this percentage rises to 76%, of which 47% is recycled material.

[83] WBCSD 2019 – "Global ELT Management – A global state of knowledge on regulation, management systems, impacts of recovery and technologies"

[84] ETRMA 2021, 2019 data

[85] USTMA - 2019 2021 US Scrap Tire Management Summary

With regard to "closed-loop" Circular Economy applications, 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, regenerated, micronised rubber and carbon black derived from the pyrolysis of ELTs are already reused by Pirelli in the compounds for new tyres, thus contributing to the reduction of their 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 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 2021-2022-2023 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 2023 was approximately 747,000 tonnes.

ENVIRONMENTAL PERFORMANCE INDICES TREND

In 2023, the Group's production activity recorded a slight decrease in tonnes of finished product of about 2% compared to the previous year (calculated on a like-for-like basis).

Environmental performance indicators recorded an improvement in the specific values, calculated on the number of tonnes of finished product, of energy consumption, water withdrawal and greenhouse gas emissions; specific waste production remained stable. The equivalent specific indexes weighted on the operating result (EBIT Adjusted) are all positive, as is the performance of the same indicators measured in absolute terms. The share of electricity from renewable sources used by Pirelli and the percentage of waste sent for recovery increased.

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.

During 2023 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 industrial plants is mapped, whether those dedicated to production or dedicated to the generation of energy carriers in order to: increase the standard reference indicators, compare similar families of machinery, evaluate in detail the energy content of the plants' different families of products and sub-products and implement actions to improve their energy performance.

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

In order to pursue the continuous improvement of the Group's energy performance, production sites are provided of an Energy Management System. Opportunities for efficiency in energy use are identified from energy audits at the operating units and contribute to the definition of targets for reducing consumption and saving energy with targets defined both at Group level and specific to each site. The plants in Breuberg (Germany), Izmit (Turkey) and Yanzhou (China) are already certified according to the ISO 50001 standard, the plants in Campinas (Brazil), Feria de Santana (Brazil) and Slatina (Romania) have started the certification procedure, while it will be progressively implemented by 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. In addition to innovation in production processes, driven by Research & Development, 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. There are also regular employee awareness campaigns dedicated to energy issues.

During 2023, the installation of LED lighting systems at production sites continued, replacing less efficient traditional systems, reaching a coverage of close to 85% 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 2024 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 2023 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 2023, 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.

The Industrial Plan in force as at 31 December 2023 envisages a 10% reduction in specific energy consumption by 2025, compared to 2019 values.

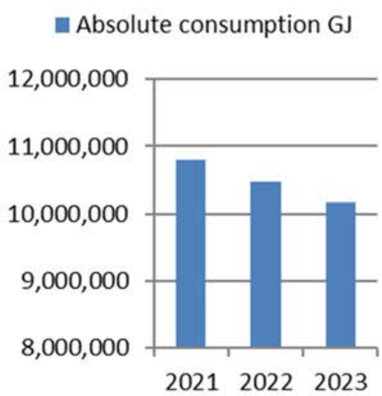
In 2023, the Group's specific energy index decreased by 1%, compared to the 2022 figure, and was more than 2.1% lower than in 2019, the year in which the 2025 reduction target is based. In absolute terms, energy consumption decreased by 3% compared to the previous year.

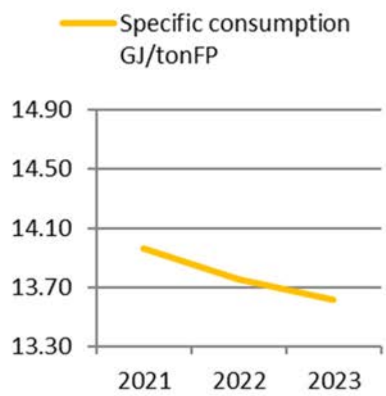
Please note that in March 2024 the Company will update the Industrial Plan and related multi-year strategic sustainability targets. The updated Plan and related Targets will be simultaneously published on the institutional website www.pirelli.com for the benefit of all Stakeholders.

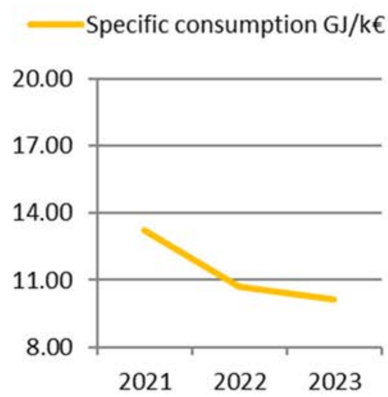
		2021	2022	2023
Absolute consumption	GJ	10,789,138	10,480,043	10,170,405
Specific consumption	GJ/tonFP	13.97	13.75	13.62
	GJ/k€	13.23	10.72	10.15

The application of energy management with a view to maximising industrial efficiency, implementing continuous improvement logics, has resulted in savings of approximately 512,000 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 2023 compared to the previous year.

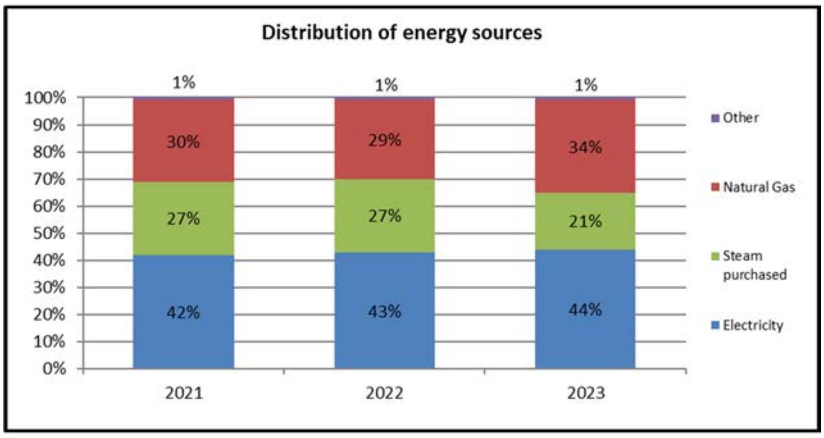
The absolute and specific energy consumption data reported in the following table were calculated by using direct measurements and were subsequently converted into GJ by using heating values from official IPCC sources.







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 35% 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 65%, with 44% electricity (41% electricity taken from national distribution networks) and 21% steam purchased by the Group.



Of the total electricity used by the Group, more than 80%[86] derives from renewable sources (up from 74% in 2022 and 62% in 2021), while for purchased steam, the share generated from renewable sources is around 13%[87] of the total. Overall, compared to total energy consumed, the renewable share calculated as above is around 38% (36% excluding the portion of the electricity mix from the grid outside the Group's control).

The Industrial Plan in force as at 31 December 2023 envisages sourcing at group level of 100% of electricity from renewable sources used on a group-wide basis by 2025.

For all production sites in North America, South America, Europe and Turkey, 100% of the electricity supply from the grid in 2023 was from certified renewable sources.

MANAGEMENT OF GREENHOUSE GAS EMISSIONS AND CLIMATE TRANSITION PLAN

Pirelli monitors and reports its[88] emissions of greenhouse gases through the calculation of CO_2-equivalent (CO_2e) – unit of measurement used for the emissions reported here below –, which takes into account the contribution of carbon dioxide, methane (CH_4) and nitrous oxide (N_2O). To quantify emissions, the energy consumption of all local units 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

[86] 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 more than 75%, and the contribution from national electricity distribution grids evaluated on the basis of IEA (International Energy Agency) data for the remaining 5%.

[87] Includes the supply of steam generated by biomass plants.

[88] GHG inventory perimeter as indicated in section "Scope of Reporting"

in the plants that produce the energy and steam 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 emissions” 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)[89];
- Within location-based Scope 2:
    - National emission factors[90] taken from IEA Emission factors 2023[91]:
- Within market-based Scope 2:
    - Specific emission factors of suppliers where available;
    - Residual-mix emission factors[92] taken from AIB European Residual Mixes (EU)[93] and Green-e Residual Mix Emissions Rates (US)[94];
    - Emission factors used in the context of location-based method 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

[89] Emission factors expressed in CO_2 equivalent, obtained by considering the GWP (Global Warming Potential) coefficients based on 100 years of the IPCC Sixth Assessment Report, 2021 (AR6)

[90] Emission factors expressed in CO_2e /kWh

[91] 2023 Publication with update to the 2022 figure

[92] Emission factors expressed in CO_2e /kWh

[93] 2023 Publication with update to the 2022 figure

[94] 2023 Publication with update to the 2022 figure

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_2e (Scope 1) and indirect CO_2e (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 Industrial Plan in force as at 31 December 2023, implementing the decarbonisation strategy adopted by the company, envisages a 42% reduction in the group's absolute CO_2 emissions (Scope 1 and Scope 2 market-based) by 2025 compared to 2015 values, and a 9% reduction in absolute CO_2 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.

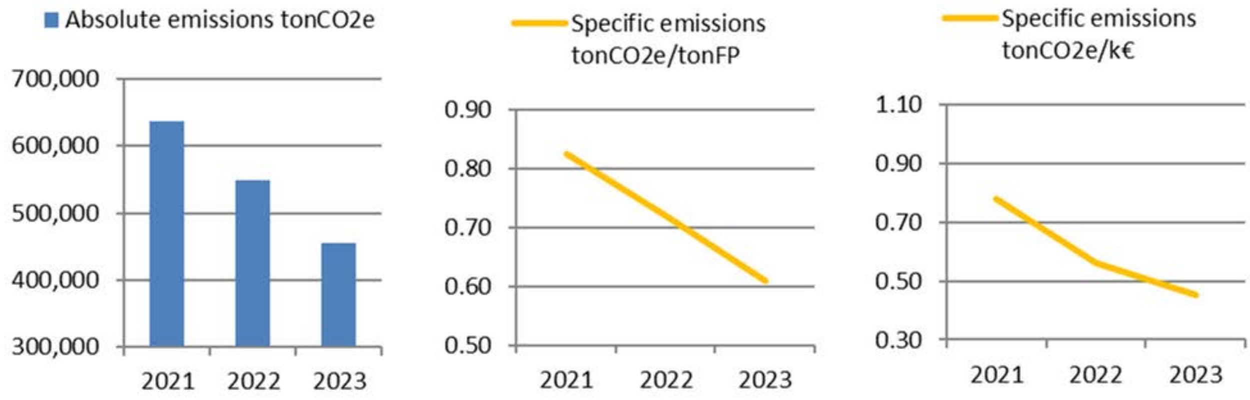
In June 2022, Pirelli also expressed to SBTi its commitment to the Corporate Net Zero standard[95], pledging to formalise, within two years, a long-term target to reduce emissions from its value chain, compared to the 2018 figure, by around 90% by 2050 at the latest.

In addition, Pirelli envisages sourcing 100% of grid electricity supply from renewable sources used by 2025 and Group carbon neutrality (Scope 1 and Scope 2) by 2030.

Please note that in March 2024 the Company will update the Industrial Plan and related multi-year strategic sustainability targets. The updated Plan and related Targets will be simultaneously published on the institutional website www.pirelli.com for the benefit of all Stakeholders.

95 SBTi's Corporate Net Zero Standard is the framework that the Science Based Targets initiative has developed for companies to set consistent targets for achieving net zero emissions by 2050.

The following graphs show the performance of the last three-year period.



In 2023, the Group's absolute emissions (Scope 1 and Scope 2) are 17% lower than the 2022 figure and 51% lower than the 2015 value, the year on which the SBTi validated absolute emissions reduction target to 2025 is based.

Specific CO_2 emissions (Scope 1 and Scope 2), weighed on tonnes of finished product, decreased by 15% in 2023 compared to the 2022 figure, mainly due to the implementation at the operating units of new energy efficiency projects, the innovation and progressive electrification of processes and the activation of new initiatives in the field of renewables, which increased the share of electricity from renewable sources used by the group to over 80%[96] of the total (compared to 74% the previous year and 62% in 2021). The performance on emissions also benefited, albeit marginally, from the update for the plant in Germany of the electricity and steam emission factors for the portion purchased directly from the energy supplier and produced by a cogeneration system.

With regard to all production sites in North America, South America, Europe and Turkey, 100% of the electricity supply from the grid in 2023 was from certified renewable sources.

The portion of indirect emissions generated by the main "low carbon" projects described below was reported according to 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 differentiating between "location-based" and "market-based" (target reference) methodology for Scope 2:

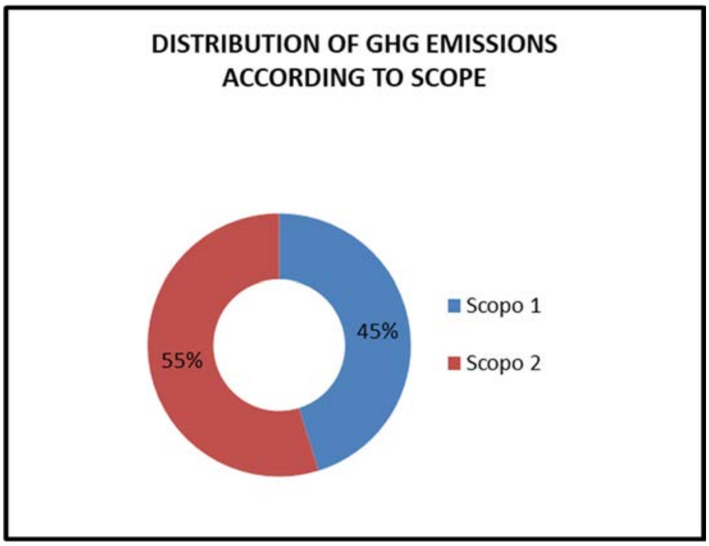
[96] This value includes both the share from direct procurement initiatives (such as the purchase of energy from the grid certified with Energy Attribute Certificates or production in on-site wind or photovoltaic plants), which weighs 75%, and the contribution from national electricity distribution grids evaluated on the basis of IEA (International Energy Agency) data for the remaining 5%.

GHG EMISSIONS ACCORDING TO SCOPE

		2021	2022	2023
Absolute emissions (market-based Scope 1 and Scope 2)	tonCO_2e	636,190	548,132	454,965
Scope 1	tonCO_2e	187,510	179,399	205,490
Scope 2 (market-based)	tonCO_2e	448,680	368,733	249,475
Scope 2 (location-based)	tonCO_2e	528,332	533,086	505,396
Specific emissions (Scope 1 and Scope 2 market-based)	tonCO_2e/tonFP	0.824	0.719	0.609
	tonCO_2e/k€	0.78	0.56	0.45

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 greenhouse gas emissions, Pirelli has defined a specific Climate Transition Plan based on a in-depth programme of investments in low-carbon process innovation and energy efficiency projects. Added to these initiatives are all the others already underway to promote access to renewable energy sources, necessary to complete the gradual transition from fossil fuels, including:

- 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 2023, thanks to this initiative, savings in terms of avoided emissions of CO_2e exceeded 15 ktonnes (Scope 2);
- the procurement of electrical energy from renewable sources at the plant in Silao (Mexico). In 2023 the agreement continued for the dedicated supply of electricity generated from wind sources, which in the year allowed the replacement of over 17 GWh of energy from fossil fuels,

for a saving in terms of emissions of CO_2e of around 8 ktonnes (Scope 2); In addition, a further 130 GWh of electricity consumed by the factory was certified from renewable sources, for an annual savings in terms of CO_2 emissions of over 55 ktonnes (Scope 2);

- the sourcing in 2022 of certified electricity from renewable sources[97] at the sites of:
  - Rome (US): 24 GWh, for 10 ktonnes of CO_2e (Scope 2) avoided;
  - Slatina (Romania): 238 GWh, for 66 ktonnes of CO_2e (Scope 2) avoided;
  - Burton and Carlisle (UK): 63 GWh, for 23 ktonnes of CO_2e (Scope 2) avoided;
  - Breuberg (Germany): 51 GWh, for 35 ktonnes of CO_2e (Scope 2) avoided;
  - Izmit (Turkey): 13 GWh, for 5 ktonnes of CO_2e (Scope 2) avoided;
  - Yanzhou and JiaoZuo (China): 45 GWh, for 27 ktonnes of CO_2e (Scope 2) avoided;
  - Campinas e Feira de Santana (BR) e Merlo (AR): 241GWh, for 28 ktonnes CO2e (Scope 2) avoided;
  - Bollate, Settimo Torinese and the Headquarters (Italy): 102 GWh, for 47 ktonnes of CO_2e (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.

[97] Avoided emission values are estimated with respect to the residual-mix/network emission factors of each country

DISTRIBUTION OF GHG EMISSIONS IN THE VALUE CHAIN (SCOPE 1,2 & 3)

		2021	2022	2023
Raw Materials (Scope 3)[98]	10^3 $tonCO_2e$	2,500.7	2,422.7	2,174.8
Manufacturing (Scope 1 + 2 + 3)[99]	10^3 $tonCO_2e$	996.2	838.8	721.5
Distribution (Scope 3)[100]	10^3 $tonCO_2e$	90.1	89.3	115.5
End-of-Life (Scope 3)[101]	10^3 $tonCO_2e$	2.2	2.2	2.3
Total	10^3 $tonCO_2e$	3,589.2	3,353.0	3,014.1

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 9% by 2025 compared to the 2018 level. In 2023, these emissions were more than 10% lower than in 2022 and 18% lower than in 2018 (compared to an expected reduction for 2023 of 6.4% vs. 2018, calculated as an annual pro rata of the SBTi target to 2025). This positive result benefited from the Group-wide implementation of a systematic process of direct supplier engagement aimed at aligning the entire supply chain with Pirelli's scope 3 targets and collecting high-quality primary data to be used in the calculation of the emissions inventory. The company is developing a new target to be submitted to SBTi, in line with the commitment to Net Zero SBTi expressed by Pirelli 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. However, in order to provide an estimate of the magnitude, the figure was calculated according to the PCR (Product Category Rule[102]) for tyres developed by the Tire Industry Project Group of the World Business Council for Sustainable Development. In particular, emissions attributable to the rolling resistance of tyres put

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[98] 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).

[99] 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).

[100] 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).

[101] 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).

[102] Set of specific rules, requirements and guidelines for the development of environmental declarations, for one or more product categories, defined according to ISO 14025.

on the market by Pirelli in 2023, refer to the version[103] of the new PCR updated at the end of the previous year:

		2021	2022	2023
Customers (Scope 3)[104]	10^3 tonCO_2e	37,527.8[105]	36,399.3[106]	19,229.8

Also thanks to its performance in managing emissions, Pirelli has been reconfirmed as one of the leading companies in the fight against climate change for 2023, being placed on the 'Climate A list' drawn up by the CDP.

In 2023, as it has for several years now, Pirelli continued in the compensation project of CO_2 emissions produced the previous year by its fleet of company cars, by purchasing and retiring carbon credits certified in accordance with the most important VCM (Voluntary Carbon Market) standards. 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 2022 emitted 795 tonnes of CO_2. In order to offset this impact on the climate, Pirelli has supported a project in Mexico to restore degraded forest land by planting native plant species (for 67% of the credits purchased), with a view to favouring an initiative that ensures the permanent removal of atmospheric CO_2 according to an "additionality" principle, and a technological project to develop renewable energy production from hydroelectric sources in Sumatra, Indonesia (for the remaining 33% of the credits). The activities financed with Pirelli's contribution concern mitigation initiatives that are outside its value chain, following the BVCM (Beyond Value Chain Mitigation) principle, were carried out during the year 2023.

As part of the Group's commitments with respect to Carbon Neutrality and Net Zero, in order to neutralise residual emissions that cannot be reduced, Pirelli plans to adopt a strategy focused on support projects for the permanent removal of carbon from the atmosphere that are associated with high quality carbon removals that are certified and internationally recognised as best practice, for compliance and effectiveness, at the time of purchase.

With regard to the issue of emissions and the effects on climate change, in 2023 the company introduced a series of training activities for employees in addition to the periodic awareness-raising campaigns already in place.

[103] PCR version 3.05

[104] 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).

[105] 2021 value calculated according to new PCR 3.05: 20,821.2

[106] 2022 value calculated according to new PCR 3.05: 19,780.5

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. Similarly to the attribution of impacts already explained in the Carbon Footprint, the impact on water resources of the tyre use phase is "indirect" for Pirelli, as it is accounted for as a direct impact in the Life Cycle Assessment of the vehicle use phase.

In terms of Water Depletion, the consumption of water cubic metre equivalent linked to the production of raw materials accounts for 74% of the Group total, the manufacturing part for 26%, while logistics and product end-of-life are negligible. 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 2023, this would be equal to two-thirds of the total consumption of all other phases of the tyre life cycle. As regards Eutrophication, the impact of the use phase would instead be equal to the total of all other tyre life cycle phases.

In order to promote efficient and responsible use of water in production processes and at work sites, water efficiency management programmes are adopted as part of the environmental management systems implemented at sites and certified ISO 14001. Opportunities for water efficiency are identified starting from the assessment of water use at production sites and contribute to the definition of improvement objectives, both quantitative and qualitative, specific to each site. Actions on water primarily concern the reduction of its use, its recycling and the quality of discharges, and benefit from facility management activities, machinery design and employee awareness campaigns.

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.

The environmental management systems implemented in the operating units, in addition to the management of water resources, ensure the management of relations with relevant stakeholders (local communities, authorities, etc.) and the relative potential impacts of the local contexts in which the production plants are located. 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 Board Sustainability Committee, approves the environmental management objectives and targets integrated in the Industrial 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 in force as at 31 December provides for a reduction target of specific withdrawal of water of 43% by 2025 compared to the 2015 value.

At Group level, 2023 recorded a specific water withdrawal index of 7.0 cubic metres per tonne of finished product, a value 14% lower than the previous year and 45% lower than in 2015, reaching the reduction target set for 2025 two years early.

Please note that in March 2024 the Company will update the Industrial Plan and related multi-year strategic sustainability targets. The updated Plan and related Targets will be simultaneously published on the institutional website www.pirelli.com for the benefit of all Stakeholders.

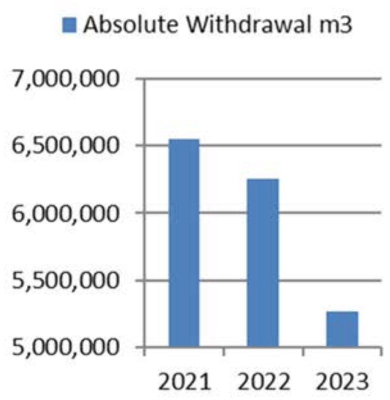
In absolute terms, the water withdrawal amounted to approximately 5.3 million cubic metres, down by 16% compared to the 2021 figure. Thanks to the actions implemented, since 2015, Pirelli has saved a total of more than 22.5 million cubic metres of water: an amount almost equivalent to the absolute withdrawal for around four years by the entire Group.

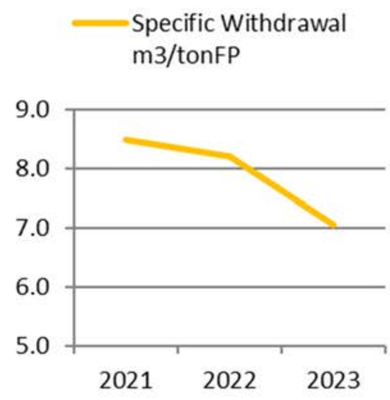
Thanks in part to its performance in water resource management, Pirelli was awarded an "A-" rating in the CDP Water Security programme in 2023.

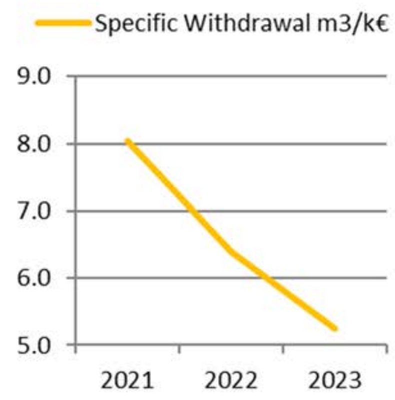
To provide an overall view of the performance in terms of water withdrawal in the last three year period, the following tables report the indicators:

- 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.

		2021	**2022**	**2023**
Absolute Withdrawal	m^3	6,552,628	6,253,654	5,264,047
Specific Withdrawal	m^3/tonFP	8.5	8.2	7.0
	m^3/k€	8.0	6.4	5.3

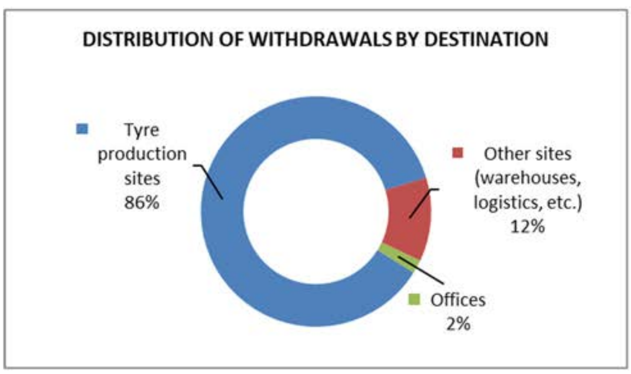


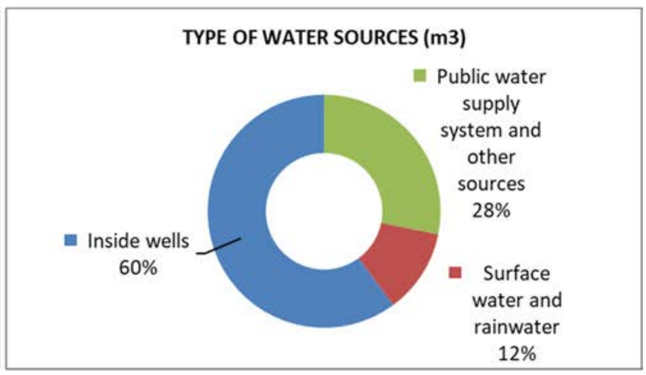




All the figures reported in this section have been collected by taking direct or indirect measurements and are communicated by the local units. The following two graphs show the distribution of absolute withdrawals by type of use and the weight of water supply by type of source.

DISTRIBUTION OF WITHDRAWALS BY DESTINATION - TYPE OF WATER SOURCES (m3)





60% of the water withdrawn is pumped from wells inside the facilities and authorised by the competent authorities. Furthermore, Pirelli obtains 12% of its requirements from surface and stormwater. As far as water from aqueduct or third-party sources is concerned, about 66% comes from groundwater, while the remainder comes from surface water. The volume of water withdrawn from water stress areas[107] is 57% of the total. Lastly, about 460,000 cubic metres of water used, equivalent to approximately 9% of total withdrawal, are obtained from the wastewater treatment of its production processes. In 2023, the Silao site in Mexico collected a volume of rainwater amounting to approximately 32,000 cubic metres used in the production process, following treatment, for the benefit of less groundwater withdrawal.

[107] 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 December 2023.

A total of about 3.2 million cubic metres of domestic and industrial wastewater were discharged, with 41% of this into surface water bodies. The remaining amount was discharged into sewer networks.

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: 14.1 mg/l of BOD_5 (Biochemical Oxygen Demand), 45.6 mg/l of COD (Chemical Oxygen Demand) and 31.7 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	616,938	523,769	523,747	523,747
	Wells	3,163,059	3,117,626	1,526,243	1,526,243
	Third Parties	1,484,051	1,396,822	940,878	940,878
	Total	5,264,047	5,038,216	2,990,868	2,990,868
DISCHARGE IN	Surface water	1,336,109	1,331,688	0	0
	Third Parties	1,899,088	841,345	1,310,042	305,355
	Total	3,235,197	2,173,033	1,310,042	305,355
CONSUMPTION	Total	2,028,851	2,865,183	1,680,826	2,685,513

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.

As part of the environmental management systems implemented at the factories and certified ISO 14001, specific waste management programmes are adopted. Areas for improvement in waste management are identified from the mapping and measurement of waste production flows at production sites and contribute to the definition of site-specific recovery targets.

In particular, the improvement of environmental performance connected with the management of waste is achieved through:

- innovation of production processes, guided by Research & Development, 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, 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 and employee awareness-raising campaigns also fall within this context.

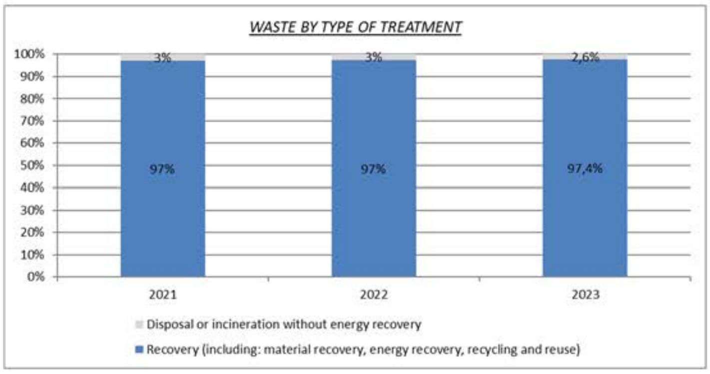
At Group level, 2023 saw a reduction of over 1% in absolute waste production compared to the previous year, with the specific production indicator, weighted on tonnes of finished product, remaining stable.

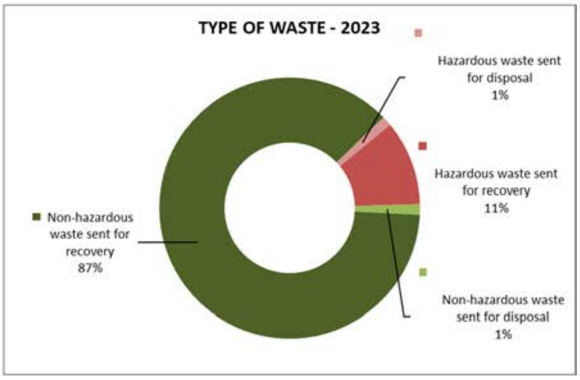
Of the total waste produced in 2023, 97.4% is sent for recovery at third-party plants (more than two-thirds of the amount is material recovery), in line with the Industrial Plan in force as at 31 December 2023, which envisages a 98% rate of sending the waste produced for recovery (waste to landfill diversion rate) by 2025, with a "Zero Waste to Landfill" vision.

Please note that in March 2024 the Company will update the Industrial Plan and related multi-year strategic sustainability targets. The updated Plan and related Targets will be simultaneously published on the institutional website www.pirelli.com for the benefit of all Stakeholders.

In 2023, hazardous waste[108] accounts for 12% of the total waste produced (compared to 10% in 2022 and 9% in 2021) and is totally sent for treatment in third-party plants, authorised in accordance with local regulations.

Limiting the perimeter to production sites only, waste generated in 2023 amounts to 101,266 tonnes (12% of which is classified as hazardous waste), 70% of which is sent for material recovery or recycling, 27% for energy recovery, and the remaining 3% for disposal.



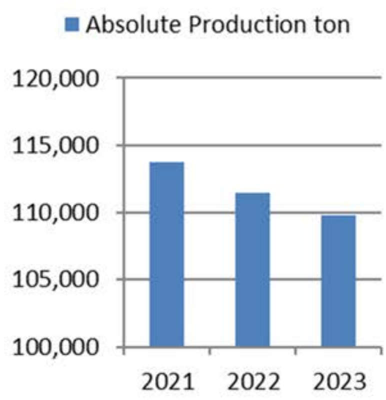


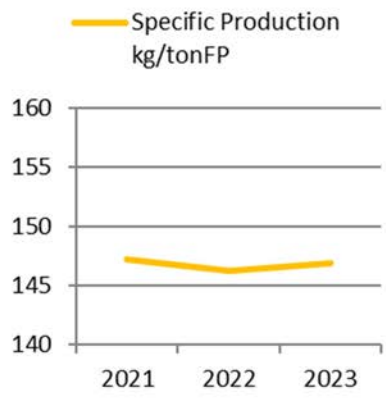
The graphs below detail waste production through three main indicators:

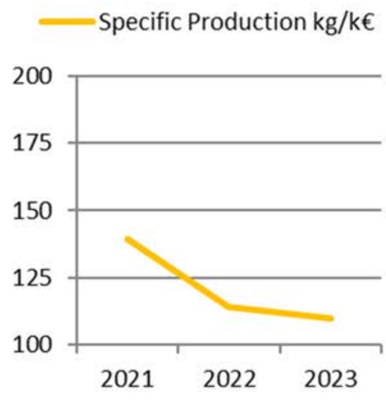
- absolute production, as measured in tonnes;
- specific production, as measured in kilograms per tonne of finished product;
- specific production, as measured in kilograms per euro of Operating Income.

		2021	2022	2023
Absolute production	tonnes	113,769	111,483	109,780
Specific production	kg/tonFP	147	146	147
	kg/k€	139	114	110

108 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).







The following table summarises the main data on the management of waste produced in 2023 which are entirely managed by external treatment plants.

TYPE OF PROCESSING AT EXTERNAL SITES **(DATA IN TONNES)**

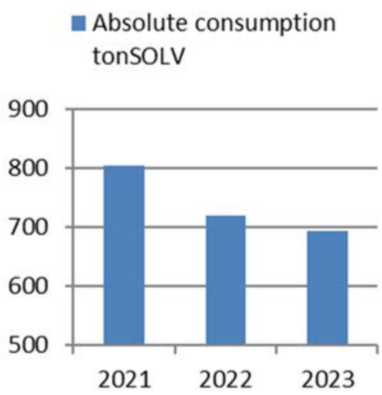
TYPE OF PROCESSING AT EXTERNAL SITES **(DATA IN TONNES)**	Non-hazardous waste	Hazardous waste	Total
Preparation for re-use	3,415	120	3,535
Recycling	46,804	1,844	48,648
Other recovery operations	16,363	6,086	22,448
Waste not for disposal	66,581	8,049	74,631
Incineration (without energy recovery)	390	544	934
Incineration (with energy recovery)	28,879	3,460	32,339
Landfill disposal	1,032	166	1,198
Other disposal operations	30	649	679
Waste destined for disposal	30,330	4,820	35,150
Waste sent for recovery (of material & energy)	95,460	11,509	106,969
TOTAL	**96,911**	**12.869**	**109,780**

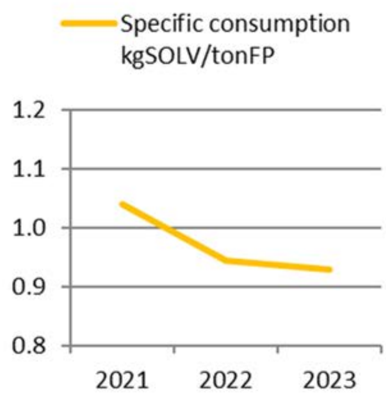
OTHER ENVIRONMENTAL ISSUES

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 2023, the specific solvent consumption value was stabilised at 0.9 kg per tonne of tyres produced, marking a reduction of 2% compared to 2022, with emission of VOCs[109] slightly lower than total consumption.

		2021	2022	2023
Absolute consumption	tonSOLVs	804	719	693
Specific consumption	kgSOLV/tonFP	1.0	0.9	0.9
Specific consumption	kgSOLV/k€	1.0	0.7	0.7





NO_X EMISSIONS

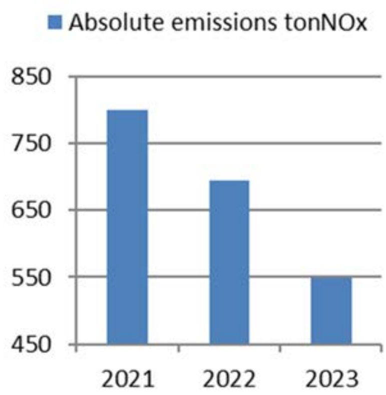
NOx emissions derive directly from the energy-generating processes used. In 2023, the index based on tonnes of finished product decreased by 19% compared to the 2022 figure, mainly due to a change in the mix of energy consumed, which saw in particular a significant growth in the share from renewable sources, as described above. The emissions were calculated by applying the emission factors indicated by the EEA (European Environment Agency)[110] to the energy consumption data.

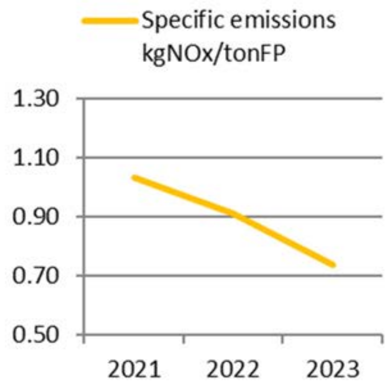
In absolute terms, NO_X emissions in 2023 decreased by 21% compared to the previous year.

[109] Volatile Organic Compounds

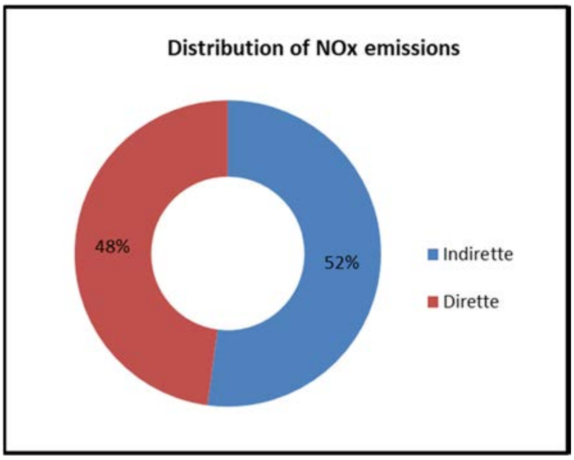
[110] European Environment Agency

		2021	2022	2023
Absolute emissions	tonNOx	800	694	549
Specific emissions	kgNOx/tonFP	1.04	0.91	0.74
Specific emissions	kgNOx/k€	0.98	0.71	0.55





The graph on the right shows the weight in 2023 of the direct and indirect emissions of NOx out of the total NOx emissions.



OTHER EMISSIONS AND ENVIRONMENTAL ASPECTS

The Chinese production sites of Jiaozuo and Yanzhou are certified “Class A” according 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 this certification, the result of the technical and management measures Pirelli has implemented to manage and reduce emissions, both Pirelli sites are no longer subject to production restrictions during periods when the air quality of the provinces where they operate (Henan and Shandong respectively) 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 2023, the direct emission of SO_X caused by the combustion of diesel and fuel oil is 7.9 tonnes (9.3 tonnes in 2022 and 10.1 tonnes in 2021, respectively) and is estimated according to EEA[111] 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 2023, an oil spill occurred at the Campinas plant in Brazil, affecting an area of about 50 m^2, without affecting surface or ground water. The cause of the contamination was promptly identified and remedied, and the oil and soil involved were disposed of in line with local regulations, without any sanction from the local authorities.

Apart from this incident, there were no significant incidents, complaints or penalties related to environmental issues.

EXPENSES AND INVESTMENTS

In the three-year period 2021-2023, environmental expenditure related to the production process was around €62 million, of which about 34% was allocated in 2023. Of this amount, 86% related to normal management and administration of factories, while the remaining 14% 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 2023, the Company invested €288.5 million in research and innovation of its products, with a constant focus on safety performance and reduction of environmental impacts and, simultaneously, production efficiency.

For the evaluation of new investments at the Group level in the Operations area, the Company internally adopts a carbon price (whose value is pegged to the trading price of emission allowances in the EU ETS market[112]), in order to integrate the potential medium-term (2030) benefits of avoided GHG emissions into the feasibility analysis of the individual project. The environmental efficiency

[111] European Environment Agency

[112] European Union Emissions Trading System

associated with projects is one of the guiding criteria to be considered in investment management, as governed 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 has long established a strategic framework for the implementation of actions and policy initiatives consistent with the objectives of the UN 2030 Agenda. 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 environmentally sustainable, defined as those economic activities that contribute substantially to the achievement of at least one of the following environmental and climate-related[113] 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 social minimum safeguards:

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

In June 2021, the European Commission formally adopted the Delegated Acts (hereinafter referred to as the "Climate Delegated Act") that define the list of economic sectors and activities currently

[113] Article 9 of EU Regulation 2020/852, which defines the environmental objectives under the Taxonomy.

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.

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 "transitional 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").

In June 2023, the European Commission formally adopted further Delegated Acts supplementing the previous ones, introducing additional activities on mitigation and adaptation targets, and defining the list of economic sectors and activities, with related technical screening criteria, on the environmental objectives of the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.

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

- verification of substantial contribution 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;
- 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; and
- 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 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.

Regarding 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 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[114]. In 2023, this Regulation was amended by Annex V of Regulation 2023/2486, with specific reference to the KPI reporting models.

For KPI reporting in 2023, Pirelli is required to report on eligible economic activities for all six climate and environmental objectives, where there are activities attributable to the economic activities defined for each objective, and alignment only for the Climate Change Mitigation and Climate Change Adaptation objectives. From the following year, the reporting requirement for alignment, as well as eligibility, will be extended to all six objectives.

Non-financial undertakings[115] 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 has launched a dedicated Taxonomy worksite starting in 2021, to understand the regulatory obligations, monitor updates and plan the preparatory activities for the reporting process within its consolidated non-financial statement in a timely and effective manner.

The methodological approach in the initial phase focused on the regulatory analysis and contextualisation of the tyre sector for the purpose of its application. This preliminary activity

[114] See 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.

[115] 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)).

immediately brought to light some unclear application and interpretation aspects both with reference to the general discipline[116] and above all about 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 climate change-related 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[117]. 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[118] 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 clarified 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[119], 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 interpretations in future reports 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 consider any changes in the regulatory framework or further clarifications that may arise in the meantime from national and European authorities or trade associations.

In 2023, a process involving a critical review of the analyses already carried out in previous years was conducted in the light of the most recently published regulatory updates and interpretative

[116] 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.

[117] 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.

[118] 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).

[119] 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).

documents (FAQs). At the same time, Delegated Regulation (EU) 2023/2485, which defines new activities for the Climate Change Mitigation and Adaptation objectives, and Delegated Regulation 2023/2486, which defines eligible activities for the remaining four environmental objectives, were analysed. Specifically, Delegated Regulation (EU) 2023/2485 recognises the potential role of the tyre sector in contributing positively to the objectives of climate change mitigation and transition to a circular economy; however, it has not yet defined an economic activity dedicated to tyre production, which therefore remains eligible under Delegated Regulation (EU) 2021/2139 within Section 3.6 Manufacture of Other Low Carbon Technologies. The analysis also determined an expansion of those activities by the Pirelli Group that can be considered “eligible” under the Taxonomy, compared to previous years. More details on this are provided in the following paragraphs.

The Pirelli Group reserves the right to reconsider its assessments and interpretations in future reporting periods, to take into account any changes in the regulatory framework or any further clarifications that may arise in the meantime from national and European authorities or trade associations.

ECONOMIC ACTIVITIES OF THE PIRELLI GROUP

By virtue of these considerations by the Committee, Pirelli continues to consider eligible under enabling activity 3.6 the share of production of tyres dedicated to environmentally friendly and energy-efficient vehicles, taking as a benchmark the rolling resistance values of the European labelling.

European tyre labelling[120] provides a clear and common classification of their performance for (i) rolling resistance, (ii) wet braking and (iii) exterior noise. Consistent with the specifications of Delegated Regulation (EU) 2023/2485, the labelling parameter used is rolling resistance, which has an indirect impact on vehicle fuel consumption and related greenhouse gas emissions. Therefore, a better performance in terms of low rolling resistance has a positive impact on the environmental objective of mitigating climate change[121].

In particular, the rolling resistance classes indicate the energy efficiency level of the tyre, ranging from A (maximum energy efficiency) to E (minimum energy efficiency). In continuity with previous years, car and van tyres produced by the Group with European labelling in rolling resistance classes A, B and C were considered for eligibility, where “C” is the most widespread on the market[122]. Furthermore, as bicycles are zero-emission means of transport, tyres dedicated to them are also considered ‘eligible’.

In 2023, in addition to tyre manufacturing, the following were also considered:

- the electric bicycle rental and management service CYCL-e around™, eligible under Activity 6.4 Operation of personal mobility devices, cycle logistics, defined for the Climate Change Mitigation objective;

- the Pirelli CARE™ service, eligible under Activity 5.5 Product-as-a-service and other circular use- and result-oriented service models, defined for the Transition to a Circular Economy objective.

In addition to the activities that are characteristic of Pirelli’s business, the eligibility assessment also included interventions carried out by individual Group plants, which are referrable to economic activities defined under the Taxonomy. In this regard, the plants falling within the scope of consolidation were involved in the assessment of individual investments made during the year to identify those eligible for Taxonomy purposes.

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[120] Regulation (EU) 2020/740.

[121] 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’.

[122] EPREL - European Product Registry for Energy Labelling (extraction 12/2/2024). Focusing on the three most efficient classes of Rolling Resistance (those identified as “permissible”), tyres labelled A and B cover 8.1% of sales, while those labelled C cover 41.7% (the remaining 50.2% are tyres labelled D and E).

Specifically, a number of initiatives were eligible in the following sectors:

- 3. Manufacturing, relating, for example, to the installation and maintenance of electrical equipment for the transmission and distribution of electricity from photovoltaic systems.
- 5. Water supply, sewerage, waste management and remediation, relating, for example, to interventions for the reduction of water withdrawals and water recovery.
- 7. Construction and real estate activities, relating, for example, to energy efficiency in buildings and installation of charging stations for electric vehicles in the parking spaces pertaining to buildings.
- 9 Professional, scientific, and technical activities, relating to Research and Development activities in technologies aimed at optimising the development and testing phases of tyres, but not directly related to improving the rolling resistance parameter[123].

[123] Consistent with the clarifications provided by the FAQs published by the European Commission on 19 December 2022 (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”), research and development activities carried out in-house and with the objective of improving the rolling resistance parameter of tyres labelled A and B were considered as an integral part of Activity 3.6.

ALIGNED BUSINESS ACTIVITIES OF THE PIRELLI GROUP

The Pirelli Group assessed the eco-sustainability of eligible activities pursuant to Article 3 of Regulation (EU) 2020/852 as supplemented by Commission Delegated Regulation (EU) 2021/2139.

The Group does not carry out activities that provide climate change adaptation solutions, which was considered only for the purpose of verifying the criterion of “not causing significant harm to any of the environmental objectives” of the Taxonomy. Therefore, the alignment of activities with the Taxonomy was assessed based on whether they would contribute substantially to achieving the climate change mitigation objective.

It should be noted that, at present, none of the Pirelli Group’s eligible activities contributes to more than one environmental objective; therefore, there is no risk of potential double counting linked to this circumstance.

Concerning activity 3.6, in continuity with previous years, the rolling resistance parameter was used as the best reference currently available to demonstrate the tyre’s contribution to the reduction of greenhouse gas emissions of the entire transport sector[124]. In general, the tyre industry considers that moving up to a higher Rolling Resistance class (reduction in rolling resistance) results in a reduction of between 3% and 4%[125] in CO_2 emissions. Among the Rolling Resistance classes considered permissible, with class C being the most common on the market[126], rolling resistance classes A and B, which express levels of very ‘high’ and ‘high’ energy efficiency and can, therefore, lead to lower emissions than the best alternatives available on the market.

Compliance with the DNSH has been verified based on the environmental procedures adopted by the Group, as well as ad hoc initiatives such as the Climate Change and Water Stress Risk Assessment, already described in the sections “Adherence to the Task Force on Climate-Related Financial Disclosure (TCFD) and TCFD Reporting” and “Emerging Risks related to Climate Change and Water Stress” of this Report.

Regarding new economic activities identified in 2023:

- the CYCL-e around™ electric bicycle rental and management service, which meets both criteria for substantial contribution to climate change, as well as the DNSH criteria;

[124] Report from the Expert Group on laboratory alignment for the measurement of tyre rolling resistance installed under Regulation (EC) No 1222/2009 and listed on the Commission registry of Expert Groups to the European Commission - 2021

[125] Regulation (EU) 2020/740 of the European Parliament and of the Council of 25 May 2020 on the labelling of tyres with respect to fuel efficiency and other parameters, amending Regulation (EU) 2017/1369 and repealing Regulation (EC) No 1222/2009 (Text with EEA relevance)”.

[126] EPREL - European Product Registry for Energy Labelling (extraction 12/2/2024). Focusing on the three most efficient classes of Rolling Resistance (those identified as “permissible”), one finds that tyres labelled A and B cover 8.1% of sales, while those labelled C cover 41.7% (the remaining 50.2% are tyres labelled D and E).

- the Pirelli CARE™ service, which is related to the Transition to a Circular Economy objective, is not subject to the alignment analysis for the 2023 financial year, as required by Delegated Regulation 2023/2486.

Finally, with reference to the investments made by the plants, each plant provided information on the verification of the technical screening criteria for the substantial contribution of each activity and compliance with the DNSH criteria.

SOCIAL MINIMUM SAFEGUARDS

Article 18.1 of the EU Taxonomy Regulation describes social minimum safeguards as procedures implemented by a company to ensure that its business activities are conducted in accordance with the internationally recognised principles set out in the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights (UNGPs).

Compliance with the minimum safeguards, for the purposes of alignment, was assessed at Group level. Specifically, the Pirelli Group considered all the issues set out in the principles contained in the above documents, analysing both compliance and the presence of any sanctions in this regard and, where appropriate, the relative management and remedial methods.

In order to identify, manage and mitigate risks related to the above issues, the Pirelli Group has adopted Policies, Management Models, prevention actions and remedial mechanisms in the areas of human rights, labour, environment, corruption, consumer protection, science, technology and innovation, competition, taxation.

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 Due Diligence 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, 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"
- "Compliance programmes, anti-corruption, privacy, trade compliance, antitrust, compliance with laws and regulations"

PERFORMANCE INDICATORS

Turnover, operating expenditure and capital expenditure data relating to eligible activities and Taxonomy-aligned activities for the calculation of key performance indicators (KPIs) and shares in the consolidated financial statements were extracted from the general accounting and cost accounting systems used in the preparation of the consolidated financial statements.

Therefore, the data used for the calculation of KPIs under the Taxonomy are the same data used in the preparation of the Group's consolidated financial statements, avoiding the potential risk of double counting.

TURNOVER INDICATOR

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

The portion of turnover referred to in Article 8(2)(a) of Regulation (EU) 2020/852 "Turnover KPI" is calculated as the portion of net revenues obtained from products or services associated with economic activities aligned to the Taxonomy (numerator), divided by the Group's consolidated revenues (denominator).The allocation of turnover to the numerator, as regards the sale of tyres, was made thanks to the system tracking of European labelling for each tyre produced. It should also be noted that the turnover from the sale of car and van tyres produced by the Group with rolling resistance values consistent with the European labelling parameters was also taken into account by tracing the non-European labelling to the European labelling values. Turnover attributable to the CYCL-E™ service is accounted for under a dedicated heading and is therefore uniquely identifiable.

The risk of double counting with reference to the turnover KPI is therefore excluded.

The denominator of the KPI is the consolidated revenues of the year 2023 as indicated in the explanatory note no. 29 "Revenues from sales and services" within the consolidated financial statements.

SHARE OF TURNOVER[127] DERIVING FROM PRODUCTS OR SERVICES ASSOCIATED WITH ECONOMIC ACTIVITIES ALIGNED TO THE TAXONOMY - INFORMATION FOR THE YEAR 2023, REPRESENTED IN ACCORDANCE WITH THE TEMPLATE IN ANNEX V OF DELEGATED REGULATION (EU) 2023/2486

Financial Year N		Year		Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	**Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year N-1 (18)**	Category enabling activity (19)	Category transitional activity (20)
		€/mln	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of other low carbon technologies	CCM 3.6	2.094,45	31,5%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	25%	E	
Operation of personal mobility devices, cycle logistics	CCM 6.4	0,50	0,01%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**2.094,95**	**32%**	**32%**	**0%**	**0%**	**0%**	**0%**	**0%**	Y	Y	Y	Y	Y	Y	Y	**25%**		
of which enabling		-	31%	31%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y		E	
of which transitional		-	0%							Y	Y	Y	Y	Y	Y	Y			T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	Optional							%		
Manufacture of other low carbon technologies	CCM 3.6	2.362,77	35,5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								38%		
Product-as-a-service and other circular use- and result-oriented service models	CE 5.5	0,82	0,01%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**2.363,59**	**36%**	**36%**	**0%**	**0%**	**0%**	**0%**	**0%**								**38%**		
A. Turnover of Taxonomy- eligible activities (A.1+A.2)		**4.458,55**	**67%**	**67%**	**0%**	**0%**	**0%**	**0%**	**0%**								**63%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non- eligible activities		**2.191,55**	**33%**																
TOTAL		**6.650,10**	**100%**																

[128]

[127] Values reported according to the template ("model") in Annex V of Delegated Regulation (EU) 2023/2486 ("MODELS FOR THE KEY PERFORMANCE INDICATORS (KPIs) OF NON-FINANCIAL COMPANIES"). Obscured cells refer to information not applicable for the current financial year to the Group's business activities.

[128] For information only, if Pirelli had also considered class C rolling resistance, the aligned turnover would have amounted to 67%. As mentioned, class C is considered not compatible with the definition of "best on the market".

CAPITAL EXPENDITURE INDICATOR

Capital expenditures incurred by the Pirelli Group attributed to eligible and environmentally sustainable economic activities include costs accounted for on the basis of:

(a) IAS 16 “Property, Plant and Equipment”, paragraph 73(e), sub-paragraphs (i) and (iii);

(b) IAS 38 “Intangible Assets”, paragraph 118(e)(i);

(c) IFRS 16 “Leases”, paragraph 53(h).

The share of “aligned” economic activities with reference to capital expenditure refers mainly to production investments directly related to the above-mentioned “aligned” income. Since most of the tyre production plants are jointly used for the production of tyres of different rolling resistance classes, the figures for these plants have been allocated in proportion to the volumes of tyres in the classes identified for alignment. To this amount was added the total investment in the development of cycling products. The “aligned” shares of the investments made by the Group’s factories, attributable to the eligible economic activities defined under the Taxonomy, and investments in Research and Development were also considered.

The denominator of the KPI is the sum of the gross additions recognised in the year 2023 with reference to owned tangible fixed assets, rights of use and intangible fixed assets, as indicated in Note 9 “Tangible fixed assets” and Note 10 “Intangible fixed assets” within the consolidated financial statements.

SHARE OF CAPITAL EXPENDITURE[129] RESULTING FROM PRODUCTS OR SERVICES ASSOCIATED WITH ECONOMIC ACTIVITIES ALIGNED WITH THE TAXONOMY - INFORMATION FOR THE YEAR 2023, REPRESENTED IN ACCORDANCE WITH THE TEMPLATE IN ANNEX V OF DELEGATED REGULATION (EU) 2023/2486.

Financial Year N		Year		Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CapEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
		€/mln	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of other low carbon technologies	CCM 3.6	167,33	33,0%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	24%	E	
Renewal of water collection, treatment and supply systems	CCM 5.2	0,30	0,1%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y			
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	1,56	0,3%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0,34	0,1%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0,51	0,1%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	1,19	0,2%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**171,22**	**34%**	**34%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**25%**		
of which enabling		170,92	34%	34%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y		E	
of which transitional		-	0%	0%						Y	Y	Y	Y	Y	Y	Y			T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	Optional							%		
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	1,53	0,3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Manufacture of other low carbon technologies	CCM 3.6	198,13	39,1%	EL	EL	N/EL	N/EL	N/EL	N/EL								36,4%		
Provision of IT/OT data-driven solutions	CE 4.1	0,06	0,01%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Construction, extension and operation of water collection, treatment and supply systems	CCM 5.1	0,70	0,1%	EL	EL	N/EL	N/EL	N/EL	N/EL										
Renovation of existing buildings	CCM 7.2	-	0,0%	EL	EL	N/EL	N/EL	N/EL	N/EL								2,9%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	4,50	0,9%	EL	EL	N/EL	N/EL	N/EL	N/EL								0,4%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	1,21	0,2%	EL	EL	N/EL	N/EL	N/EL	N/EL										
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0,25	0,05%	EL	EL	N/EL	N/EL	N/EL	N/EL								0,04%		
Close to market research, development and innovation	CCM 9.1	4,45	0,9%	EL	EL	N/EL	N/EL	N/EL	N/EL										
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**210,81**	**42%**	42%	0%	0%	0%	0%	0%								40%		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		**382,03**	**75%**	75%	0%	0%	0%	0%	0%								**65%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		**124,88**	**25%**																
TOTAL		**506,92**	**100%**																

[130]

[129] Values reported according to the template set out in Annex II of Delegated Regulation (EU) 2023/2486 ("MODELS FOR KEY PERFORMANCE INDICATORS (KPIs) OF NON-FINANCIAL COMPANIES"). Obscured cells refer to information not applicable for the current financial year to the Group's business activities.

[130] For information only, if Pirelli had also considered class C rolling resistance, the aligned CAPEX would have amounted to 72%. As mentioned, class C is considered not compatible with the definition of "best on the market".

OPERATING EXPENSES INDICATOR

The numerator of the KPI comprises the “aligned” share of the costs incurred for research and development related to activity 3.6 and the operating costs related to the investments illustrated above.

The denominator of the KPI, as required by regulation, is the direct non-capitalised costs related to research and development, building renovation, rents, maintenance, repairs and other direct expenses related to the day-to-day operation of assets incurred in the 2023 financial year.

SHARE OF OPERATING EXPENDITURE[131] ARISING FROM PRODUCTS OR SERVICES ASSOCIATED WITH ECONOMIC ACTIVITIES ALIGNED TO THE TAXONOMY - DISCLOSURE FOR THE YEAR 2023, REPRESENTED IN ACCORDANCE WITH THE TEMPLATE IN ANNEX V OF DELEGATED REGULATION (EU) 2023/2486.

Financial Year N	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	**Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OpEx, year N-1 (18)**	Category enabling activity (19)	Category transitional activity (20)
		€/mln	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of other low carbon technologies	CCM 3.6	84,12	22,3%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	23%	E	
Operation of personal mobility devices, cycle logistics	CCM 6.4	0,74	0,2%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y			
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0,32	0,1%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0,06	0,02%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0,01	0,00%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0,04	0,01%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**85,30**	**23%**	**23%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**23%**		
of which enabling		**84,56**	**22%**	**22%**	**0%**	**0%**	**0%**	**0%**	**0%**	Y	Y	Y	Y	Y	Y	Y		**E**	
of which transitional		**-**	**-**							Y	Y	Y	Y	Y	Y	Y			**T**
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	Optional							%		
Manufacture of other low carbon technologies	CCM 3.6	24,77	6,6%	EL	EL	N/EL	N/EL	N/EL	N/EL								5%		
Renewal of water collection, treatment and supply systems	CCM 5.2	0,03	0,01%	EL	EL	N/EL	N/EL	N/EL	N/EL										
Construction, extension and operation of waste water collection and treatment	CCM 5.3	0,02	0,01%	EL	EL	N/EL	N/EL	N/EL	N/EL										
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0,23	0,1%	EL	EL	N/EL	N/EL	N/EL	N/EL										
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0,01	0,00%	EL	EL	N/EL	N/EL	N/EL	N/EL										
Close to market research, development and innovation	CCM 9.1	8,75	2,3%	EL	EL	N/EL	N/EL	N/EL	N/EL								2%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**33,82**	**9%**	9%	0%	0%	0%	0%	0%								**7%**		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		**119,12**	**32%**	32%	0%	0%	0%	0%	0%								**30%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**257,83**	**68%**																
TOTAL		**376,95**	**100%**																

[132]

[131] Values reported according to the template (model) set out in Annex II of Delegated Regulation (EU) 2023/2486 ("MODELS FOR KEY PERFORMANCE INDICATORS (KPIs) OF NON-FINANCIAL COMPANIES"). Shaded cells refer to information not applicable for the current financial year to the Group's business activities.

[132] For information only, if Pirelli had also considered class C rolling resistance, the aligned OPEX would have amounted to 29%. As mentioned, class C is considered not compatible with the definition of "best on the market".

GAS AND NUCLEAR ACTIVITIES

In accordance with Regulation 2021/2178 and in light of the clarifications by the Commission[133], Template 1 of Annex XII to Delegated Regulation 2021/2178 with respect to the activities of the Pirelli Group is set forth below.

	Activities related to nuclear energy	
1.	The company carries out, finances or has exposure to research, development, demonstration and implementation of innovative power generation facilities that produce energy from nuclear processes with a minimum amount of fuel cycle waste.	NO
2.	The company carries out, finances or has exposure to the construction and safe operation of new nuclear power plants for the generation of electricity or process heat, including for district heating purposes or for industrial processes such as hydrogen production, and improvements in their safety using the best available technology.	NO
3.	The company carries out, finances or has exposure to the safe operation of existing nuclear installations that generate electricity or process heat, including for district heating or industrial processes such as the production of hydrogen from nuclear energy, and improvements in their safety.	NO
	Fossil Gas Activities	
4.	The company carries out, finances or has exposure to the construction or operation of power generation facilities using fossil gas fuels.	NO
5.	The company carries out, finances or has exposure to the construction, upgrading and operation of combined heat/cool and power generation plants using gaseous fossil fuels.	NO
6.	The enterprise carries out, finances or has exposure to the construction, upgrading and operation of combined heat/cool power generation plants using gaseous fossil fuels.	NO

133 The FAQs published in December 2023 confirm that non-financing companies, which do not conduct the listed activities, are only required to publish template 1, omitting templates 2 to 5, of Annex XII to Delegated Regulation 2021/2178.

FUTURE DEVELOPMENTS

The Taxonomy regulation is constantly evolving and the list of eligible sectors and activities may be supplemented in the coming years. Specifically, the introductory considerations to Delegated Regulation 2023/2486 suggest the possible future introduction of an activity dedicated to tyre production[134]. In addition, a Social Taxonomy is expected to be drawn up, which may make it possible to broaden the sustainability assessment of economic activities by considering additional aspects such as the health and safety of workers, human rights, inclusion policies and attention to staff growth and training opportunities.

Awaiting further regulatory developments, and in particular the publication of any activity dedicated to tyre production, the Pirelli Group is committed to continuous improvement of the activities necessary to ensure complete and accurate reporting in accordance with regulatory requirements.

[134] In the introductory remarks of Delegated Regulation 2023/2486, the Commission states the following: “As tyres are responsible for 20 % of a vehicle’s energy consumption, leveraging innovation in their manufacture can reduce the share of greenhouse gas emissions borne by the entire transport sector. Tyres can also contribute to a more circular economy. Although tyre manufacturing is not part of the activity of manufacturing components that are essential for ensuring and improving the environmental performance of low-carbon vehicles, it will need to be assessed in more detail in order to set specific criteria for technical screening, taking due account of the legal obligations enshrined in the most recent EU legislative proposals and best practices, in particular with regard to microplastic release, air pollution, noise, direct greenhouse gas emissions and end-of-life.”

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 adoption of international standards applicable at its Partners and Stakeholders. Pirelli also adheres 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.

Pirelli's commitment on human rights is dealt with extensively in the Group "Global Human Rights" Policy, which applies to all Pirelli operations, including Pirelli's business relations with third parties; where Pirelli does not have operational control, all business partners (e.g., joint ventures, suppliers, etc.) are required to comply with the principles set out in the Policy. The Policy describes the management model adopted by the Company with reference to Rights and Core Values such as occupational health and safety, non-discrimination, freedom of association, rejection of child labour and forced labour (firmly condemning trafficking and exploitation of human beings in all its forms), fair and decent wages for the worker, equal pay for work of equal value, reasonable and adequately compensated working hours, respect for local cultures and indigenous peoples, protection of environmental heritage, rejection of all forms of corruption, protection of privacy.

In terms of Governance, plans, Risk Assessment results and Human Rights performance are discussed and approved in the Sustainability Operations Committee, a body chaired by the CEO and which meets monthly, then by the Strategic Sustainability Committee, a body chaired by the Vice-Chairman and which meets quarterly, and are part of the Sustainability Plans and results presented and discussed in the relevant Board Committee and then presented, discussed and approved by the Board of Directors.

Pirelli's Top Management, supported by the Sustainability function, which is responsible for Human Rights Governance, and with the involvement of the functions involved in various ways (including but not limited to the Compliance, Procurement, Human Resources, Health Safety and Environment, and Legal Affairs functions) plays a strategic role in the full implementation of the Policy, ensuring the involvement of all Pirelli workers and collaborators so that they express behaviour consistent with the values contained therein.

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, the "Code of Conduct of Pirelli Suppliers", the "Sustainable Natural Rubber Management" Policy and the "Whistleblowing" Policy (Complaint Procedure).

Please refer to the "Sustainability Policies" section of the Pirelli website to read the full contents of all the above-mentioned Policies and Code of Conduct.

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, in new business relationships (e.g., acquisitions, joint ventures), 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 systematic monitoring is carried out to prevent negative impacts on human rights and, if necessary, remedy them.

With reference to its Affiliates, the Company verifies the application of the requirements in terms of respect for human and labour rights through periodic audits carried out by the Internal Audit function, in compliance with a three-year auditing plan. In addition, the Country Sustainability Plans of all Affiliates have systematically included, for years, the monitoring of ongoing compliance with the dictates of SA8000 (the latter adopted as a reference tool since 2004).

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".

With reference to the supply chain, respect for Human Rights and the management of the related risk of violation are integrated into all purchasing processes.

In the **on-boarding phase (pre-qualification and qualification)** Pirelli asks all potential suppliers to fill out a questionnaire, through which the supplier acknowledges and at the same time accepts Pirelli's requirements concerning economic, social, environmental and business ethics, including human and labour rights. In fact, the supplier is asked to certify that its company verifies the age of its workers before hiring them and makes sure that all its employees are of the minimum age defined by law, confirmation that the company only uses workers with a written employment contract and who work on a voluntary basis, that it respects the workers' right to free association and participation in trade union activities, that it manages disciplinary practices in compliance with legal provisions, and that it respects and applies, as a minimum, legal/contractual provisions on working hours, overtime and rest periods. The EcoVadis system is used with which the sustainability profile of the supplier is extensively investigated, including specifically in the areas of human and labour rights, ethics and sustainable procurement.

The qualification process is further strengthened in the case of potential new suppliers and/or plants of raw materials and high value-added goods, which by their very nature may become long-term/development partners for the Company and to which a large part of procurement spending is destined, in addition to often coming from countries and sectors that present specific risks in the area of Human Rights (as well as environmental and ESG in general). On potential suppliers of raw materials and high value-added goods, **Pirelli carries out a preliminary on-site third-party audit right from the qualification stage** to verify the level of compliance of the potential supplier with respect to the main national and international regulations on Human Rights and Labour (as well as Environment and business ethics) and initiates, where necessary, corrective action/improvement plans followed by third-party follow-up.

At the contractual stage, suppliers are required to comply with the Pirelli Suppliers' Code of Conduct. The Code details, among other things, what is required of Pirelli's suppliers in the area of human and labour rights, and specifically in terms of employment contracts, working hours, prohibition of child labour, prohibition of forced labour and modern slavery, passport management, occupational health, safety and hygiene (including in terms of the use of materials and chemicals that may be hazardous), non-discrimination, equal pay for work of equal value, freedom of association and collective bargaining, rights of indigenous peoples and the prevention of conflicts over land, privacy, and internal security regulations. The Code also details the due diligence system applied by Pirelli and, at the same time, that required of suppliers and throughout the supply chain. Similarly, the Code sets out the reporting system - whistleblowing - that Pirelli makes available to its stakeholders and prescribes the adoption of a similar reporting procedure for all suppliers. The clauses also require confirmation 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 Conflict Minerals (3TG, Mica, Cobalt, etc.).

Pirelli contractually reserves the right to suspend or terminate the contractual relationship in the event of non-compliance with the Code of Conduct, and/or refusal to enter into a corrective action/improvement plan, or failure to implement an agreed corrective action/improvement plan.

As regards the natural rubber supply chain, in addition to the Code of Conduct for Pirelli's Suppliers, which applies to all purchase categories, Pirelli also applies its own Policy for the Sustainable Management of Natural Rubber, which is in line with the Human Rights dictates of the Global Platform for Sustainable Natural Rubber (GPSNR), of which Pirelli is a founding member. The Policy reaffirms Fundamental Human and Labour Rights, as well as the development of local communities and the prevention of conflicts related to land ownership.

In terms of assessing the potential risk of violation of Human Rights in the supply chain, Pirelli performs an annual desk risk analysis considering the country, sector, and specific good/material risk, which is then accompanied by an analysis of the current risk and the implementation of tools for risk mitigation. In particular, conducts spot checks on suppliers, through assessment (EcoVadis) and periodic on-site audits during the "Annual Audit Campaigns", on top of the on-site audit conducted for all potential raw material suppliers from the approval and qualification stage.

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.

The Company also makes available to its Stakeholders a dedicated channel for reporting, even anonymously, any situations that constitutes 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 2023 no reports of violations of 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", Pirelli's participation in the UN Global Compact "Target Gender Equality" table in 2022, in the UN Global Compact Business and Human Rights Accelerator table in 2024, Pirelli's active contribution to the creation of the Global Platform for Sustainable Natural Rubber (GPSNR) and its membership.

FOCUS: HUMAN RIGHTS TRAINING

Pirelli believes that training, access to knowledge and understanding of the rules and principles relating to human rights, the values underlying them and the mechanism for their protection is of fundamental importance, both within the company and in the value chain.

With reference to Pirelli employees, in the fourth quarter of 2023 Pirelli made available a course in which the contents of Pirelli's Policy on Human Rights Management, the regulations underpinning the management model, risk analysis activities and reaction in the event violations are identified are explored point by point. During the two-year period 2024 and 2025, specific training sessions are also planned for corporate functions that, due to the type of activity performed, may have a particular impact on the management of the issue, or are in any case owners of specific human rights risks.

With reference to the supply chain, in November 2023 Pirelli activated a training course on *Business* and *Human Rights*, that involved 100% of the Group's raw material suppliers, and all suppliers of Capital Goods considered continuous and strategic.

This was in line with the results of the Risk Assessment conducted between the end of 2022 and the beginning of 2023 (to which the following section is dedicated), which saw the risk materiality position raw material suppliers higher than other purchase categories.

The course comprised three Modules and ended in February 2024.

The objective is to create "capacity" among suppliers, to give them the essential information that will enable them to effectively manage the issue in compliance with current international regulations and guidelines, and of which Pirelli calls for application, such as the ILO international regulations, the OECD Guidelines on the 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. These are sometimes complex guidelines, which in their entirety can take a lot to implement. Our aim is therefore to rationalise, with a preference for understanding, action, and risk mitigation.

The course explains how to create a Management Model, from Governance to Policies, what processes are required, how to conduct risk assessment, how to trigger a due diligence process, gives practical examples of remedial measures, explains the importance of engagement with stakeholders, and provides guidance on reporting practices through tangible examples.

Suppliers were asked to participate in the training, involving the three internal corporate functions considered key in the management of Human Rights, namely Procurement, Human Resources, Sustainability.

A certificate was issued at the end of the course.

Pirelli has also asked Suppliers to cascade the course within their organisation and supply chain. To this end, and to facilitate its dissemination, Pirelli designed it so that Suppliers who completed the course could download all the material, customise it and make it their own, so as to capitalise as much as possible on the result of a significant training investment, extending it as far as possible in terms of reach.

In the course of 2024 and 2025, Pirelli aims to offer the same training on Human Rights management to all suppliers in the other product categories identified as potentially high or medium risk based on the results of the risk assessment.

FOCUS - HUMAN RIGHTS RISK ASSESSMENT

With a process that started in the fourth quarter of 2022 and ended in early 2023, Pirelli updated its analysis of the risk of human rights violations within its sites and in the supply chain by defining a risk-based model for the management of human rights aspects. This model included a Human Rights Risk Assessment (HRRA) 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/commodity risk analysis and business 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 (HRRA) 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 during 2023 has put in place specific activities and in particular:

- training for employees, see section "Focus - HUMAN RIGHTS TRAINING", above;
- training on human rights targeting 100% of the Group's raw material suppliers and 100% of the continuous and strategic Capital Goods (CAPEX) suppliers, in the countries where the risk is highest in light of the regulatory and social context of reference, as well as on the basis of the results of the on-site audits carried out by the company, see "HUMAN RIGHTS TRAINING" section above;
- continuation of on-site audits of all potential new raw material suppliers during the approval phase;
- continuation of the Annual On-site Audit Campaign for active suppliers (all product categories);

- EcoVadis Assessment covering 90% of spending on suppliers with high potential risk, and 82% of spending on suppliers with medium potential risk (based on the results of the risk assessment described above).

In the course of 2024 and in line with the annual cycle, the risk assessment will be updated. Further details on actions and targets for the coming years will be available when the Industrial Plan is published in March 2024.

INTERNAL COMMUNITY

PIRELLI EMPLOYEES AROUND THE WORLD

The total Pirelli workforce as at 31 December 2023 - expressed in **Full Time Equivalent** and including agency workers - stood at 31,072 employees (vs. 31,301 in 2022 and 30,690 in 2021), recording a net reduction of 229 employees compared to the previous year.

The following tables, with reference to the last three years, detail the composition of the workforce[135] [136] by category, geographical area[137], 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-COLLAR	BLUE-COLLAR	TOTAL
2023	263	1,896	4,159	24,753	**31,072**
2022	253	1,775	4,196	25,077	**31,301**
2021	247	1,754	4,052	24,636	**30,690**

[135] 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.

[136] These data include agency workers, corresponding to 0.8% in 2021, 0.2% in 2022 and 0.2% in 2023. 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.

[137] For 2023: Europe: Austria, Belgium, France, Germany, Greece, Italy, Netherlands, Poland, Czech Rep., United Kingdom, Romania, Slovakia, Spain, Sweden, Switzerland, Turkey, Hungary. North America: Canada, Mexico, United States. South America: Argentina, Brazil, Chile, Colombia. Asia Pacific: Australia, China, Korea, Japan, Singapore. MEAI & Russia: Saudi Arabia, Egypt, India, Russia, South Africa, UAE.

BREAKDOWN OF EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER

	2023			2022			2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
EUROPE	11,559	2,093	**13,652**	11,196	1,934	**13,130**	11,022	1,816	**12,838**
NORTH AMERICA	3,104	582	**3,686**	2,881	463	**3,344**	2,746	451	**3,197**
SOUTH AMERICA	7,136	726	**7,862**	7,633	711	**8,344**	7,321	653	**7,975**
APAC	2,944	883	**3,827**	3,023	907	**3,930**	2,999	899	**3,898**
MEAI & RUSSIA (in 2022 & 2021 RUSSIA, Nordics & MEAI)	1,471	574	**2,046**	1,966	588	**2,554**	2,190	593	**2,783**
TOTAL	**26,214**	**4,858**	**31,072**	**26,698**	**4,603**	**31,301**	**26,278**	**4,412**	**30,690**

BREAKDOWN OF EMPLOYEES BY GEOGRAPHICAL AREA AND CONTRACT

2023

	Permanent	Temporary	Agency	Total
EUROPE	12,332	1,307	13	**13,652**
NORTH AMERICA	3,668	0	18	**3,686**
SOUTH AMERICA	7,759	102	1	**7,862**
APAC	3,824	1	2	**3,827**
RUSSIA & MEAI	2,013	20	13	**2,046**
TOTAL	**29,595**	**1,430**	**47**	**31,072**

2022

	Permanent	Temporary	Agency	Total
EUROPE	11,827	1,284	19	**13,130**
NORTH AMERICA	3,312	0	32	**3,344**
SOUTH AMERICA	8,253	75	16	**8,344**
APAC	3,926	4	0	**3,930**
RUSSIA, NORDICS & MEAI	2,434	117	3	**2,554**
TOTAL	**29,751**	**1,480**	**70**	**31,301**

2021

	Permanent	Temporary	Agency	Total
EUROPE	11,636	1,192	10	**12,838**
NORTH AMERICA	3,166	0	31	**3,197**
SOUTH AMERICA	7,666	112	197	**7,975**
APAC	3,898	0	0	**3,898**
RUSSIA, NORDICS & MEAI	2,658	125	0	**2,783**
TOTAL	**29,023**	**1,429**	**238**	**30,690**

PERCENTAGE OF EMPLOYEES BY CATEGORY, GENDER AND AGE RANGE

2023

	Executives			Middle Managers			White-collar			Blue-collar			Total		
	M	W	Tot.	M	W	Tot.	M	W	Tot.	M	W	Tot.	M	W	Tot.
<30	0%	0%	**0%**	3%	3%	**3%**	22%	30%	**24%**	23%	16%	**22%**	21%	18%	**21%**
30-50	49%	58%	**51%**	64%	73%	**67%**	63%	57%	**61%**	63%	75%	**64%**	63%	69%	**64%**
>50	51%	42%	**49%**	32%	23%	**30%**	15%	13%	**15%**	15%	9%	**14%**	16%	12%	**15%**

2022

	Executives			Middle Managers			White-collar			Blue-collar			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-collar			Blue-collar			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%**

EMPLOYEES WITH PART-TIME CONTRACT BY GENDER AND REGION (expressed in FTE) 2023

REGION	Men	Women	Total
EUROPE	64	79	143
NORTH AMERICA	0	0	0
SOUTH AMERICA	81	23	104
APAC	0	0	0
RUSSIA & MEAI	1	3	5
Total	**147**	**104**	**251**

EMPLOYEES WITH FULL-TIME CONTRACT BY GENDER AND REGION (expressed in FTE) 2023

REGION	Men	Women	Total
EUROPE	11,386	2,013	13,399
NORTH AMERICA	3,091	557	3,668
SOUTH AMERICA	7,054	703	7,757
APAC	2,942	883	3,825
RUSSIA & MEAI	1,464	564	2,028
Total	**25,937**	**4,740**	**30,677**

EMPLOYEES WITH “NON-GUARANTEED HOURS” CONTRACT BY GENDER AND REGION (expressed in FTE) 2023

REGION	Men	Women	Total
EUROPE	96	1	97
NORTH AMERICA	0	0	0
SOUTH AMERICA	0	0	0
APAC	0	0	0
MEAI & RUSSIA	0	0	0
Total	**96**	**1**	**97**

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 2023, the total turnover rate is 14%, of which 7.5% is voluntary.

2023 FLOWS: ABSOLUTE VALUES AND RATES

	INCOMING						OUTGOING					
	<30	30 - 50	>50	M	W	Total	<30	30 - 50	>50	M	W	Total
EUROPE	993	625	60	1,397	281	1,678	589	600	264	1,322	131	1,452
	40%	8%	2%	12%	13%	12%	24%	8%	8%	11%	6%	11%
NORTH AMERICA	978	549	37	1,296	268	1,564	734	445	28	1,065	142	1,207
	65%	28%	16%	42%	46%	43%	48%	23%	12%	34%	25%	33%
SOUTH AMERICA	300	282	26	463	145	608	326	637	92	933	123	1,056
	17%	5%	3%	6%	20%	8%	19%	12%	11%	13%	17%	13%
APAC	78	84	1	105	58	163	62	157	10	171	58	229
	18%	3%	1%	4%	7%	4%	15%	5%	10%	6%	7%	6%
MEAI & RUSSIA	183	165	55	272	130	402	166	272	78	393	122	516
	54%	12%	15%	19%	23%	20%	49%	20%	21%	27%	22%	25%
TOTAL	2,531	1,705	179	3,533	882	4,415	1,877	2,111	472	3,884	576	4,459
	39%	9%	4%	13%	18%	14%	29%	11%	10%	15%	12%	14%

2022 FLOWS: ABSOLUTE VALUES AND RATES

	INCOMING						OUTGOING					
	<30	30 - 50	>50	M	W	Total	<30	30 - 50	>50	M	W	Total
EUROPE	1,055	732	67	1,570	284	1,854	674	611	199	1,332	152	1,484
	45%	9%	2%	14%	15%	14%	29%	8%	7%	12%	8%	11%
NORTH AMERICA	603	301	16	837	83	920	445	298	18	691	70	761
	42%	18%	9%	29%	18%	28%	31%	18%	10%	24%	15%	23%
SOUTH AMERICA	966	604	20	1,390	200	1,590	357	584	75	900	115	1,016
	48%	11%	3%	18%	28%	19%	18%	11%	10%	12%	16%	12%
APAC	108	130	2	179	61	240	59	125	13	150	47	197
	21%	4%	2%	6%	7%	6%	12%	4%	14%	5%	5%	5%
RUSSIA, NORDICS & MEAI	203	138	15	280	75	356	198	276	70	461	83	543
	41%	8%	3%	14%	13%	14%	40%	17%	16%	23%	14%	21%
TOTAL	2,935	1,905	120	4,257	702	4,959	1,732	1,893	375	3,534	466	4,000
	43%	10%	3%	16%	15%	16%	26%	9%	8%	13%	10%	13%

2021 FLOWS: ABSOLUTE VALUES AND RATES

	INCOMING						OUTGOING					
	<30	30 - 50	>50	M	W	Total	<30	30 - 50	>50	M	W	Total
EUROPE	918	575	50	1,341	202	1,599	562	522	360	1,290	154	1,444
	39%	7%	2%	12%	11%	12%	24%	7%	13%	12%	8%	11%
NORTH AMERICA	525	245	10	726	54	781	458	330	24	730	82	812
	36%	16%	7%	27%	12%	25%	32%	21%	16%	27%	19%	26%
SOUTH AMERICA	846	578	19	1,321	123	1,443	287	1,042	199	1,413	114	1,527
	52%	11%	3%	19%	19%	19%	18%	19%	27%	20%	18%	20%
APAC	98	182	3	179	104	283	81	207	2	244	46	290
	17%	6%	4%	6%	12%	7%	14%	6%	2%	8%	5%	7%
RUSSIA, NORDICS & MEAI	272	259	26	434	123	500	156	256	54	354	112	466
	49%	15%	6%	21%	21%	21%	28%	15%	13%	17%	19%	17%
TOTAL	2,659	1,840	107	4,000	606	4,606	1,544	2,357	639	4,032	508	4,539
	40%	9%	3%	15%	14%	15%	24%	12%	16%	16%	12%	15%

The table below shows the percentage of only voluntary turnover of the entire company population, which includes white- and blue-collar workers, over the last three years and refers to voluntary resignations and retirements[138].

	2021	2022	2023
Voluntary Turnover (Total)	**6.7%**	**6.5%**	**7.5%**

At Pirelli there are 51 young people older than 15 and under 18 - before birthday - years old (27 in Germany, 12 in Switzerland, 9 in Sweden, 1 in the UK and 2 in 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.

[138] In the year 2023, there is an increase in the indicator, largely as a result of increased retirements, as the company favoured early retirements, in accordance with the regulations of each country.

Pirelli's commitment to valuing diversity, respect for equal opportunities and inclusion in the workplace is expressed in the Pirelli Global Policy "Diversity, Equity and Inclusion", last updated in August 2023. 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, also updated in August 2023. 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 performance in the area of Diversity, Equity and Inclusion are discussed and approved in the Sustainability Strategic Committee, a body chaired by the CEO, which meets at least twice a year, 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 D&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, 25 reports were received in 2023 under the 'Discrimination or Harassment' reporting category, of which none related to discrimination cases and 9 were found to be related to harassment. The Company took action in all cases, intervening with disciplinary sanctions (reprimands and dismissals) and with actions aimed at removing the causes of the complaints and/or aimed at improving the internal control system. 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. In the Company's **short-term incentive schemes (STI)** in 2023, ESG KPIs focused on Diversity & Inclusion were introduced and, specifically, targets on the number of women in managerial positions relative to the total number of managerial positions in the company. This KPI, broken down in the different geographies, was awarded to the Executive Vice-President and CEO, Deputy-CEO, Region Heads, Executives with strategic responsibility and Group Senior Management with a weight equal to 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 2023, 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 Italy, Pirelli has joined the projects "Primavera delle pari opportunità" promoted by STEAMiamoci and Assolombarda, and "Inspiring Girls" promoted by ValoreD, bringing the testimonies of some employees with STEM profiles to middle schools in the Lombardy region, with the aim of promoting STEM skills and encouraging students to follow their aspirations free of gender stereotypes.

In 2023, Pirelli continued the global awareness and training campaign on diversity management and good inclusion practices it had begun in 2022, aimed at all employees and managers in the Company. In particular, in 2023 we highlight the campaign “The habits of inclusive leaders” aimed at Group managers and employees, consisted of two webinars on the topics of ‘speaking up’ and ‘listening up’, with the aim of promoting a style of leadership and teamwork that is increasingly inclusive and attentive to diversity. The initiative was attended by almost 600 employees from all over the world.

In addition to the global awareness campaign on diversity and inclusion issues, in 2023 several Group affiliates delivered local initiatives further promoting a respectful and inclusive work environment. In particular, the following initiatives should be noted by way of example but not limited to:

(Italy)

- “(Non) Sono solo parole ((not) just words): awareness-raising course on inclusive language and behaviour with a focus on (i) generational diversity, (ii) gender differences, (iii) inclusive language and micro-aggressions (target: all staff).

- Thematic webinars with the aim of offering moments of reflection to employees on the following international days: International Women’s Day, International Day against Homophobia, Biphobia and Transphobia, International Day against Violence against Women, International Day of People with Disabilities.

- Adhesion to the 4weeks4inclusion event with the realisation of a digital event to promote shared parenting.

(USA)

- “DE&I mindset leadership workshop”: two-day workshop for top management to address issues of inclusive leadership (target: top management).

(Brazil)

- “Semana de diversidade”: a week of initiatives dedicated to diversity & inclusion issues addressed to all employees with events, training courses and workshops (target: staff, blue-collar workers).

The section of the company intranet named “**Diversity, Equity & Inclusion Hub**”, accessible to all employees and dedicated to **awareness-raising and training**, was expanded in 2023. The Pirelli DE&I 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, as well as reporting on company initiatives related to diversity and inclusion issues. The group’s affiliates have progressively developed local language pages for widespread dissemination of content throughout the group. In 2023, there are five websites

(Italy, Brazil, Mexico, Germany, Sweden) already available in the local language and three more (China, USA and Spain) scheduled to be launched in early 2024.

In 2023, the training offering for Italy was enriched for all staff employees with four training courses on the topics of inclusive leadership, unconscious bias, generational diversity and cultural diversity in order to improve collaboration and teamwork. In 2024, the offering is expected to be rolled out in the Group's different geographies.

Awareness-raising activities on DE&I issues were also organised in the factories, specifically in Mexico and Brazil. In Italy, an awareness-raising campaign focused on acceptance of diversity and mutual respect has been defined for the Settimo Torinese plant, which is scheduled to be launched in the first half of 2024.

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. After the launch in 2022 of the new Group survey "Nextoyou for white-collar workers (see the dedicated section for details), the same survey was released in 2023 for blue-collar workers. The survey includes, among the various areas surveyed, 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 and inclusion in the work environment, surveyed in 2023 for the blue-collar population, is 88%. The blue-collar worker surveys were delivered locally during 2023 and consolidated at year-end. The results will be disseminated internally, followed by the preparation of action plans related to the priorities identified within 6 months of receiving the results.

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 tracks, including Target Gender Equality, 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.

FOCUS: THE FIGURES ON DIVERSITY

Internationality and multiculturalism are the distinguishing features of the Group: Pirelli operates in 160 Countries on five continents, and around 90% of employees (as at 31 December 2023) 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[139]: most of the Senior Managers work in their country of origin, where Senior Managers are those reporting directly to the Executive Vice Chairman, the CEO, Region Heads and Executives with strategic responsibilities. 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 2023 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 2023 there were 60 new **expatriates**, compared with 44 in 2022 and 23 in 2021. The main countries of new expatriates were Italy (18%) and the USA (16%). At year-end 2023, the expatriate population totalled 132 people (vs. 105 in 2022 and 85 in 2021), belonging to 16 nationalities and who moved to 24 different countries on five continents, of which 21% (compared to 19% in 2022) 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 2023, there are 87 present. The following table shows 6 nationalities most present in the total population and the same 6 nationalities calculated in relation to Management positions.

Share in total workforce (as % of total workforce)

NATIONALITY	FTE	%
Brazilian	6,381	20.6%
Romanian	4,697	15.1%
Chinese	3,670	11.8%
Italian	3,396	10.9%
Mexican	3,313	10.7%
Russian	1,964	6.3%
Others	7,603	24.5%
Grand Total	**31,025**	**100%**

Share in all management positions, (as % of total workforce) including junior, middle and senior (as % of total management workforce

NATIONALITY	FTE	%
Brazilian	223	10.3%
Romanian	39	1.8%
Chinese	90	4.2%
Italian	1,098	50.8%
Mexican	58	2.7%
Russian	17	0.8%
Others	635	29.4%
Grand Total	**2,159**	**100%**

With regard to the **incidence of women in the various professional categories** in the 2021-2023 three-year period, the data show a gradual increase, the number of female executives continues to grow, amounting to 13.7% of the total number of executives (compared to 12.2% in 2022 and 11.3%

[139] In the most significant locations, represented by Pirelli plants

in 2021); the percentage of women in managerial positions (executives + middle managers) is also growing, amounting to 27% in 2023 (compared to 24.5% in 2022 and 24.8% in 2021); the incidence of women in the total number of white-collar workers stands at 33.8% (34% in 2022 and 33.2% in 2021); the incidence of women in the blue-collar population rises to 11.6%. The percentage of women in the total population grows to 15.6% (compared to 14.7% in 2022 and 14.4% in 2021).

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[140] BY PROFESSIONAL CATEGORY

YEAR	EXECUTIVES	MIDDLE MANAGERS	EXEC+MID MGR (=Tot. Manager)	WHITE COLLARS	BLUE COLLARS	TOTAL
2023	**13.7%**	**28.8%**	**27%**	**33.8%**	**11.6%**	**15.6%**
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%**

Analysing the **breakdown by gender in terms of employment contract**, the table below shows that also in 2023, a substantial balance was maintained between men and women.

	2023			2022			2021		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
PERMANENT	25,011	4,584	**29,595**	25,398	4,353	**29,751**	24,807	4,216	**29,023**
TEMPORARY	1,169	261	**1,430**	1,250	231	**1,480**	1,246	183	**1,429**
AGENCY	34	13	**47**	51	19	**70**	225	13	**238**

In 2023 the number of **parental leaves** used by Pirelli employees corresponds to 186 for women and 825 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 2023, out of the total number of workers who have completed their parental leave, 91% of women and 98% of men have returned to the Company. Also, in 2023, one year after the maternity and paternity event (begun in 2022), 84% of women and 94% 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

[140] Figures include agency workers, amounting to 0.8% in 2021, 0.2% in 2022 and 0.2% in 2023

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 more than 10 years.

The countries considered in the analysis at the end of 2023, were all the countries in which Pirelli operates. 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.

With reference to all the group’s executives, middle managers and white-collar workers, the average pay gap measured between men and women is 2.7% in favour of women.

More specifically, with reference to white-collar workers, the average pay gap between men and women measured is 4.4% in favour of women, in line with both 2022 and 2021. For middle managers, on the other hand, an average pay gap of 1.4% in favour of men was noted, an improvement on the 3%, also in favour of men, in 2022 and 2021. A few examples:

- Italy, which has a difference between average remuneration for men and women of around 5.5% in favour of women for the white-collar category (compared to 4% in 2022 and 3% in 2021, also in favour of women) and 3.7% in favour of men for the middle manager category (compared with 3% in 2022 and 2021, also in favour of men);

- Romania, where for the white-collar category there is 0.9% in favour of women (compared to 2% in 2022 in favour of women and 1% in 2021 in favour of men) and for the middle manager category there is 2.1% in favour of men (compared to 7% in 2022 and 2021, also in favour of men);

- Brazil, where for the white-collar category there is a pay gap of 2.5% in favour of men (compared to 2% in favour of men in 2022 and 1% in favour of women in 2021) and for the middle manager category there is 4.9% in favour of men (compared to 6% in 2022 and 2% in 2021, also in favour of men);

- Germany, which shows a difference between average male and average female pay of 0.5% in favour of men for the white-collar category (compared to 1% in 2022 and 2% in 2021, also in favour of men) and 1.9% in favour of men for the middle manager category (compared to 3% in 2022 and 5% in 2021, also in favour of men).

With reference to the population of executives, of which women make up 13.7%, there is an average pay gap of 3.6% in favour of men.

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 1.6% in favour of men. A few examples:

- China has a difference between average male and average female pay of 9.0% in favour of men, down from 12% in 2022 and 2021 in favour of men;
- Brazil has a pay gap of 3.7% in favour of men, compared to 3% in favour of men in 2022 and 4% in favour of women in 2021;
- in Italy there is a gap of 2.7% in favour of men, compared with 2% in favour of men in 2022 and 2021;
- in Romania there is a gap of 1.1% in favour of men compared to 1% in favour of women in 2022 and substantial pay equity in 2021.

With reference to the **starting 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 2023 approximately 1.9% of the total workforce (up from 1.7% in 2022 and 2021) 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.

AVERAGE AGE BY CATEGORY AND GENDER

2023

	Executives	Middle Managers	White collars	Blue collars	Group Average
Women	49	43	37	39	39
Men	51	45	39	39	39
Total	51	45	39	39	39

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

Instead, the following table represents the **average seniority of service per professional category and gender**: also in 2023, there were no significant differences between men and women.

AVERAGE SENIORITY OF SERVICE OF EMPLOYEES BY PROFESSIONAL CATEGORY AND GENDER

2023

	Executives	Middle Managers	White collars	Blue collars	Group Average
Women	**17**	**13**	**8**	**8**	**9**
Men	**18**	**14**	**10**	**10**	**10**
Total	**17**	**14**	**10**	**10**	**10**

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

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 Policy also describes the process adopted and the stakeholders involved, as well as the voting history in Shareholders' Meetings.

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 three sustainability objectives identified in the "Eco & Safety Volumes" with a weight equal to 5% of the total, in the HSE Frequency Index with a weight equal to 5% and in the "DE&I: Women in Management" 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[141] whose grade, determined using the Korn Ferry method, is equal to or greater than 20[142], 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 2023, as well as in 2022, a Long-Term Incentive (LTI) cash plan was launched in line with market best practices, based on a rolling mechanism, 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_2 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.

[141] In particular, the LTI plan is intended for Senior Management (direct reports of the Executive Vice-President and CEO, i.e. first level from the CEO) as well as the rest of the executive population (second level from the CEO) of grade >= 20, the latter representing 92.4% of the incentivised population.

[142] Including all Executives from the second level from the CEO, who fulfil this requirement

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 2023, 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, University of Turin and University of Milan Bicocca. The latter are universities that 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 a fund with Bocconi University called "Pirelli Women Awards" dedicated to supporting the university career of deserving female students;
- 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.

Collaborations with various universities are also active at the international level. Among the most recent initiatives worth mentioning is the partnership between Pirelli Romania and the Faculty of Mechanics and Technology of the University of Pitesti, which has resulted in the design and implementation of a Master's degree in Tyres Technology.

Among the channels of Employer Branding used by Pirelli, the web plays an important role: on the website 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 Behavoiurs, extended to the entire company population, are an expression and representation of the company values contained in the Code of Ethics and are functional to the achievement of the company's strategic objectives. The Key Behavoiurs 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 2023, 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-collar workers) and in 20232 saw a redemption rate (that is, assessment sheets completed compared to the total number of eligible people) equal to 99.9%, of which the redemption rate for women and men was 99.9%. The percentages of completion by level are shown below:

Executives	**Middle Managers**	**White-collar workers**
98.5%	99.9%	99.9%

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 680 people. As far as talent is specifically concerned, the average seniority within the company is 7 years; the strong international connotation represented by as many as 26 nationalities is confirmed.

In 2023, the Talent Review process was supplemented with structured meetings attended by function and Business Unit managers, with their respective first reports, and heads of reference Human Resources, with the aim of facilitating the identification of targeted development paths and ensuring a homogeneous and effective process within the Group.

During 2023, the management skills assessment programme continued, and the first global mentoring programme dedicated to the youngest segment of the talent population was completed. 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, which will also be reactivated in 2024, 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.

The *new Lead Beyond - Pirelli Global Managerial Programme* was also introduced in 2023. The programme consists of several modules, in-person and virtual, spread over six months and aims to support participants in developing their managerial skills.

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.

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 arise from the contingencies of the socio-economic context.

In 2023, 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 content delivery modes are distributed between presence, virtual and online self-paced consistent with the learning objectives of each initiative.

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-collar workers.

PROFESSIONAL ACADEMIES

The Pirelli Professional Academies target the entire corporate population with the aim of providing continuous technical-professional training, accompanying the development of specialist skills, encouraging cross-functional collaboration, ensuring the exchange of expertise and know-how among countries and supporting the implementation of tools and procedures within the organisation.

The Pirelli Academies are: R&D Product, Manufacturing, Commercial, Quality, Supply Chain, Purchasing, Finance and Administration, Planning & Control, Human Resources, Digital and Health Safety and Environment.

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, sustainability, health and safety, IT 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 envisages a function contact person leading each Academy, supported by the Group Training function, which guarantees uniformity in the methods of setting up, delivering and evaluating learning as well as ensuring liaison with local training teams. Pirelli

Professional Academy trainers are identified and certified after an internal training process and are periodically updated on the effectiveness of the training sessions they conduct.

Every year, the Professional Academies meet with both Top Management and local training representatives with the objective of ensuring strategic alignment, sharing achievements and defining the training priorities to focus on in the year.

Also in 2023, in cooperation with the Professional Academy referents, the activity of updating and expanding the digital training offer continued, integrating content on transversal and generalist topics from external providers, and in parallel realising in-house e-learning courses on highly specialised Pirelli content. 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 employees with access to the Learning Lab platform, which is often suggested as a preparatory activity for participation in “live” courses.

Also in 2023, thanks to the widely used virtual format, the Professional Academies managed to involve a large number of foreign colleagues in the centrally organised training initiatives. One example of this is the A DAY INTO programme, organised by each academy with the aim of providing an overview of the main processes and targets of the individual functions, which in 2023 was enhanced with a new module dedicated to sustainability issues.

With respect to the training programmes within the Professional Academy, here are some examples of initiatives for employee development delivered in 2023.

- The specialised master’s degree, designed and co-taught by Pirelli and the Politecnico of Milan, was completed in May 2023 with the awarding of master’s degrees to the 34 participants, newly graduated engineers in the Research and Development function. During the master’s course, which lasted a total of 18 months, the participants worked, supported by both company and university tutors, on project work of relevance and interest to the company, some of which are currently considered of strategic importance and are included in the department’s portfolio of innovative projects. The training course not only met the needs that dictated its genesis, such as highly specialised training and the development of young researchers, but at the same time made it possible to develop project ideas that, if entrusted to projects activated outside the programme, would have entailed an additional investment estimated at around €300,000.

- The upskilling training initiatives dedicated to professionals in the Logistics and Purchasing functions continued on a global scale, aimed at providing the necessary tools and skills to face business challenges, in line with the evolution of market demands and professional trends. In particular, the upskilling initiative dedicated to the Supply Chain saw the renewal in 2023 of the Supply Chain Essentials training course, which involved a group of young colleagues of the function coming from different Pirelli offices and focused on Warehouse & Distribution, Planning and Data Analytics. Thanks to the alternation of theoretical and practical modules, during the training course the participants had the opportunity to experiment with application exercises of corporate interest.

- Skills mapping for colleagues working in the Materials teams of all Pirelli sites was extended on a global scale. The initiative, which had already begun in a pilot version the previous year exclusively for the Italian perimeter, had the objective of mapping the level of oversight of skills considered strategic to best respond to requests for development of new materials with a view to sustainability and product performance. Through the analysis of the results, it will be possible in the course of 2024 to structure a training programme aimed at guaranteeing a professionalising update and providing new work tools and specialised skills.

- In the Quality Academy area, the Six Sigma - Black Belt training course was launched, realised in collaboration with an external training organisation and intended to train 17 colleagues from Operations, Quality and R&D functions in Six Sigma methodologies, to support their role as continuous improvement agents in terms of process and know-how within the company. Through a training course consisting of 14 classroom days spread throughout the year and alternated with individual coaching sessions, the participants were assigned specific projects of company interest, each sponsored by an internal manager and on which they worked individually from the beginning of the course, being able to apply the methodologies learnt during the training modules at the same time. The projects developed by the participants were then displayed in front of the company's top management and were rewarded for their immediate applicability and for the important contributions they made in terms of efficiency and continuous improvement. The course concluded with the passing of an examination and the awarding of a Black Belt certificate. Among the projects of particular note are three dedicated to reducing waste at various process stages. Thanks to the advanced use of data from the machinery and the identification of root causes through the application of methodologies learnt during the programme, the projects contributed to the reduction of scraps resulting in an estimated economic saving of around €500,000.

PIRELLI SCHOOL OF MANAGEMENT

The School of Management comprises the training offering dedicated to the development of the managerial culture within Pirelli and is aimed at the entire white-collar corporate population.

The focus of management training is oriented each 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. This also includes onboarding courses for new recruits and development courses to support managerial roles.

In 2023, the traditional two-year Warming Up course, dedicated to all new Group graduates, involved over 230 colleagues from 14 Group countries. Also in 2023, the path was inaugurated with a module dedicated to strengthening interpersonal skills in multicultural contexts. During the course of the year, the Warming Up course underwent an important change, returning to a predominantly face-to-face format, especially for colleagues from locations with a significant number of participants. In addition to the theory modules, on-site visits to laboratories, testing and experimentation facilities, the production plant and the logistics hub were organised. Colleagues connected virtually from business locations also complemented the virtual experience with local in-person training experiences.

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 380 colleagues from 24 different countries.

Also in 2023, the School of Management organised courses in English, with the aim of involving more and more foreign colleagues in training programmes dedicated to key behaviour, soft skills and managerial competences.

In 2023, the School of Management's training offer was expanded, being enhanced with new training proposals with the aim of providing further food for thought and continuous improvement on topics considered highly topical and of growing relevance. In particular, the second half of the year saw the introduction of courses aimed at providing tools and insights to actively contribute to the creation of working environments that are more inclusive and capable of increasingly valuing individual specificities, also favouring highly collaborative work processes. This is the genesis of new courses dedicated to both bosses and employees, examples of which include "Inclusive Leadership", "Managing Unconscious Bias", "Across and beyond Generations" and "Cross Cultural Collaboration".

In 2023, a new training path was introduced under the title Lead Beyond, a management development programme involving colleagues from various locations and functions of the group and aimed at supporting them in their growth towards professional challenges of increasing complexity. The programme consists of various modules, spread over a total period of 6 months, organised both in virtual and face-to-face mode. Through the Lead Beyond programme, participants deepen their knowledge of managerial contents, are updated on professional, geopolitical and macroeconomic trends, and have the opportunity to reflect and share possible new opportunities for corporate business evolution with an international and cross-functional pool of colleagues.

For the group's new managers, the traditional annual "Developing Managerial Excellence" course was also conducted in 2023.

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 Information Security and Inclusiveness were, among others, the focus of these activities.

In continuation of what had been started in previous years, during 2023 the international awareness-raising and training campaign on Information Security issues was intensified, aimed at the entire corporate population and, through dedicated modules, also at specific clusters of employees involved in work processes considered to be most at risk. Training initiatives on information security issues covered more than 8,000 hours of training used by employees in Italy and abroad through online training pills and live in-person and/or virtual training sessions.

In addition, the global awareness and training campaign on diversity, equity and inclusion issues continued through the “Your DE&I Journey”, delivered in both Italian and English, and which in 2023 was further enriched with webinars dedicated to inclusive leadership, managing to involve a total of over 560 colleagues from all over the world.

The skills training programme in the English language continued in 2023, which involved over 230 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.

In 2023, for example, in Italy, following the update of the Organisational Model, the entire population was invited to complete the online course on Legislative Decree 231/2001 to prevent the risks of offences under the decree. In the same year, the Italian population was also involved in the periodic update on HSE issues, through training modules focused on safety culture, injury prevention and ergonomics, delivered in innovative and engaging ways such as corporate theater.

With regard to the Italy perimeter, moreover, in 2023 through the two training campaigns entitled ‘Evolving Leadership’ and ‘New Working Styles’, more than 420 colleagues were trained on methods and tools for effective management of new forms of work and collaboration.

Among the initiatives of a local nature conducted in the group’s various locations, we mention by way of example the management training initiative conducted in Germany, the Product Awareness and Anticorruption training campaigns conducted in Mexico in favour of staff, and the training course on diversity, equity and inclusion issues conducted in the USA in favour of local management.

TRAINING ON SUSTAINABILITY AND CORPORATE GOVERNANCE

As part of the international programme “Plunga”, involving the Group’s new recruits, the focus - including in the current virtual version - on the Group’s Sustainable Management strategy is confirmed, 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 Professional Academies, in turn, delve deeply into all areas of sustainable management, e.g., product life cycle or sustainable supply chain management.

An important novelty in 2023 was the introduction of a series of training activities on HSE, health and safety and resource management (water and waste), product sustainability, Climate Change and energy saving.

Specific training campaigns are also promoted during the year on topical or particularly relevant issues; this includes the aforementioned Diversity, Equity and Inclusion Training campaign and Human Rights Training, which in 2023 also involved the supply chain.

STATISTICS ON PIRELLI TRAINING

Total training provided in 2023 was 7.4 average training days per capita, in line with the 2022 figure. This figure confirms the centrality of training in Pirelli's culture.

The high investment in training in 2023 involved women and men equally.

<table>
<tr><th colspan="4">TRAINING DAYS AVERAGE BY EMPLOYEES</th></tr>
<tr><th>GROUP</th><th colspan="2">FEMALE</th><th>MALE</th></tr>
<tr><td rowspan="3">7,4</td><td colspan="2">7,4</td><td>7,5</td></tr>
<tr><th>BLUE COLLARS</th><th>CADRES- STAFF</th><th>EXECUTIVES</th></tr>
<tr><td>8,2</td><td>4,5</td><td>2,4</td></tr>
</table>

In terms of coverage, 97% of employees (considering the average workforce of the year) participated in at least one training activity lasting one hour or more during the year.

The investments made for the various categories of the company population (blue-collar workers, middle management and white-collar workers, and executives) are 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 2023, explain the larger investments on the blue-collar worker population.

Considering the white-collar population, among the training activities provided in Professional Academies, the prevalence of training initiatives in Quality and Product is confirmed.

Health, Safety and Environment topics accounted for 26% of the total training, up from 19% in the previous year.

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.

Since 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 “NEXTOYOU” - and revised in terms of content in order to better focus it on the specific areas of the new post-pandemic employee experience.

Central to Pirelli’s climate 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.

The climate survey was delivered globally in two phases, one dedicated to the global staff population launched and consolidated during 2022, and one dedicated to the global blue-collar population, launched in 2023.

As for the Staff population globally, it was recorded by collecting a global participation rate of 79%, and a global diel Sustainable Engagement index-equal to 80% (up 4 points from the previous survey figure). This means that "total favourable" responses, i.e., ratings 4 and 5 on a pentenary scale of agreement (1-total disagreement to 5-total agreement) were 80%. The goal is to maintain Sustainable Engagement at consistently high values above 80% 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% of comments globally and 41% in Italy, a sign that this area represents a strength of our company, particularly appreciated by employees.

The results of the survey were reported during 2023 at both the global and individual country levels, and specific improvement actions were identified and implemented, as usual, with respect to the areas of focus identified by the survey.

Regarding the blue-collar population globally, a participation rate of 74% was recorded, with the Sustainable Engagement index being 85%overall, a full 9 percentage points above the result of the previous survey.

In addition to Sustainable Engagement, the questionnaire also explores employee satisfaction through the following dimensions of the employee experience: HSE, Empowerment, Welfare & Benefit, People Relationship, Quality, Social Responsibility, Diversity & Inclusion and Leadership. Two final open questions were also included to collect free comments.

Also in the questionnaire template for blue collar workers, the Wellbeing dimension was present in two dedicated and distinct categories. The first, "Welfare & Benefit", was designed to investigate the extent to which people believe the company implements wellness initiatives that promote the adoption of healthy lifestyles, as well as to gather people's feedback on the benefit programmes implemented by Pirelli in the various local realities. The second, the physical wellbeing dimension, aimed at investigating how pleasant and functional as well as safe working environments are perceived to be, was included in a category dedicated to investigating specific perceptions on health, safety and environmental issues. Obviously, this working environment dimension is particularly linked to the specific realities of each factory and varies greatly from plant to plant.

This very appreciable and positive Sustainable Engagement result is well above the benchmarks for equivalent surveys carried out in companies in the manufacturing sector, as certified by the international external company specialising in this field and which supported the company in these survey activities in all countries.

The overall figure for Sustainable Engagement annually consolidates the results of the current and previous year in a weighted manner: for example, in 2023 the results of the 2022 staff and 2023 blue-collar surveys are consolidated, in 2024 the results of the 2024 staff and 2023 blue-collar surveys are consolidated, and thereafter for subsequent years.

The listening campaigns are therefore carried out biannually, for Staff in even years (2024-2026-2028 and onwards) and for workers in odd years (2025-2027-2029 and onwards). The biannual periodicity is necessary for Affiliates to finalise and implement an action plan specific to their reality based on the results of the previous survey.

	GLOBAL RESPONSE RATE	GLOBAL SUSTAINABLE ENGAGEMENT SCORE
GLOBAL SURVEY WHITE-COLLAR 2022	**79%**	**80%**
LOCAL SURVEYS BLUE-COLLAR 2023[143]	**74%**	**85%**
GLOBAL SURVEY OVERALL SUSTAINABLE ENGAGEMENT SCORE	**75%**	**83%**

All data released and validated by the third-party company that operated the survey for Pirelli.

The fact that sustainable engagement is higher among the blue-collar population than among the Staff population is a trend that runs counter to what is usually found in this type of survey, even in the context of similar industrial realities, and reveals some characteristic traits of Pirelli's corporate culture. In particular, pride and a sense of belonging, as well as great confidence in the company's choices and the high quality of its products, are the main elements common to all surveys conducted in all countries, demonstrating how these are now common traits of the company throughout the world.

Moreover, the company's ability to respect diversity, particularly ethnic, religious and disability-related diversity, is highly appreciated globally, with both phases ranking at the top of responses with higher absolute scores.

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

[143] Excluding the plant in Bollate, Italy, which will conduct the survey in 2024.

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. company-integrated parental leave, 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 activities in the various affiliates of the group: online courses dedicated to promoting physical well-being, sports activity and a "healthy lifestyle", such as yoga, pilates, total body workout, mindfulness and - wellness training courses.

In addition, various programs such as the support desk for caregivers and family problems, courses for new parents and caregivers, actions to support work from home have been activated to support better work-life balance management.

In recent years, the company has 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 periodic international workshops focused on the priorities identified each year at Headquarters as common areas of work at Group level.

In 2023, the topics indicated as priorities for Group countries were mental wellbeing, parenting and initiatives to promote diversity and inclusion.

On the subject of mental **well-being**, particularly on Mental Health Day (10 October), countries organised local initiatives to raise awareness and provide information on the subject. By way of example, we mention the initiatives of:

- Italy: webinar on the recognition and prevention of emotional and psychological distress and empowerment course for caregivers to support their resilience;

- Mexico “Mental Health Week 2023” with various initiatives during October aimed at employees (webinars, distribution of mental health kits, information posters);

- Singapore: sending a series of e-mails to employees on the topic of mental health in October to raise awareness of the issue;

- Brazil: continuation of the “Plenamente” programme dedicated to mental health.

It should also be noted that some countries have progressively introduced, over the past few years, dedicated listening areas for employees, to whom they can turn for individual problems and be supported by specialists in order to preserve their psycho-emotional well-being (Argentina, Germany, Russia, Mexico, Brazil).

Regarding **parenting**, 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, as of 2023, all Pirelli industrial countries recognise at least 14 weeks of fully paid maternity leave independent of local laws. In addition, in many countries Pirelli recognises at least 10 days of mandatory fully paid leave for non-primary caregivers. In addition to this in industrial countries: additional paid leave for special family needs, including accompaniment to medical appointments, school placements, specific programmes to support parenting, such as facilities or contributions for access to nurseries, merit scholarships, part-time for specific needs, 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 2023 initiatives in support of **parenting**, the following initiatives are mentioned as examples and not exhaustive:

(Italy)

- Financial supplement by the company for the first 3 months of optional parental leave (in to reach 100% of their salary);

- a childbirth welfare credit of €500 for employees who have had or adopted a child in the previous calendar year, which can be used through the People Care portal;

- the possibility of working in “full-remote” mode for pregnant women who continue working in the eighth and ninth months of pregnancy;

- up to 3 days/year of paid leave for the placement of one’s own child in a nursery or pre-school;

- two additional days of working from home per month for parents of children under 14 (from 8 days/month to 10 days/month), this provision has been active since 2022.

(USA)

- Increase in paid maternity leave from 6 to 14 weeks;
- increase from 3 to 10 days of paternity/parental leave.

(Romania)

- New training course for new fathers to promote shared parenting.

(Brazil)

- Increase of paid maternity leave to 6 months and paid paternity leave to 20 days;
- possibility for new fathers to work ‘full-remote’ until the child is three months old;
- more flexibility in terms of ‘remote working’ for new parents until the child’s first birthday in agreement with their manager.

In the area of **engagement** initiatives, 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.

Lastly, 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 the last two years 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 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, 79.6% (an almost constant percentage over the three-year period 2021-2023) 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 2023, 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 2023 with the renewal of the collective agreements expiring in Italy, Brazil, Argentina, Mexico and Romania.

EUROPEAN WORKS COUNCIL (EWC)

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

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

COMPLIANCE WITH 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 function, in compliance with a three-year auditing plan. 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 2023 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 2023 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 (HRRA) 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 2023, 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 75% 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 extent possible – including through settlement procedures.

UNIONISATION LEVELS AND INDUSTRIAL ACTION

It is impossible to measure the precise percentage of union membership at Group companies, since this information is not legitimately available in all countries where Pirelli has a presence.

However, it is estimated that more than 50% of Pirelli employees are members of a trade union. As to the percentage of workers covered by collective agreement, in 2023 it stood at 79.6% (aligned with the figure for 2022). 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 2023, 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;

- pursuing 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;

- requires 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 monthly 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);

- 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 and governs their 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.

The management of safety in supplier activities on sites is governed by procedures specifying requirements for coordination, prior risk analysis and work authorisation.

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.

Pirelli applies and supports the technical indications for a development model based on sustainable chemistry provided by the Organisation for Economic Co-operation and Development (OECD). Sustainable chemistry is a scientific concept that aims to improve the efficiency with which natural resources are used to meet human needs for chemical products and services. Sustainable chemistry encompasses the design, production and use of chemical products and processes that are efficient, effective, safe and more environmentally friendly'. All chemical substances and products used are subject to prior HSE assessment (see section "ESG elements in the procurement process" of this report).

As a matter of policy, compounds and tyres are produced by Pirelli without the use of so-called. SVHCs (Substances of Very High Concern), i.e. those substances that give rise to high concern for their potential effects on human health and/or the environment.

Furthermore, Pirelli in its production does not use any substance falling into the internationally recognised category of POPs (Persistent Organic Pollutants) as defined by the Stockholm Convention, nor does it use mercury and its derivatives as defined by the Minimata Convention.

Pirelli requires 100% declaration of all substances contained in all products delivered to Pirelli.

Based on international standards and regulations, Suppliers must properly identify hazardous substances and chemical mixtures and communicate them to Pirelli, also ensuring that they are handled, used, transported, stored, recycled and disposed of safely. Suppliers are required to educate and train employees and material suppliers on the health, safety and environmental aspects of hazardous materials through the tools and documents required by the above international standards and regulations.

In order to promote social responsibility and business ethics in the management of materials, Pirelli requires its suppliers of materials and substances to go beyond compliance with legal provisions by adopting best manufacturing practices and addressing their potential environmental, health and safety issues as required by the highest internationally recognised standards and regulations.

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 2023, 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	**27,357**	**28**
Percentage of workers covered by management system compared to total number of workers	**88%**	**60%**

100% of the contractors working at Pirelli sites are covered by the Pirelli HSE management system (all production sites are ISO 45001 certified).

SAFETY CULTURE AND TRAINING

The "Zero Accidents Objective" represents a precise and strong 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 the 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 with a related campaign of site assessments concluded in the first half of 2023.

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 actions, 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.

25.8% of the total training provided by Pirelli in 2023 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, and accident reporting and management procedures.

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. In this regard, in 2023 the HSE Academy was born, the Pirelli Professional Academy dedicated to the in-depth study of HSE topics and aimed at all countries. In support of machinery safety processes, a training course has been extended to a population of factory operators, with related certification for over 30 certified machinery safety experts.

The dissemination of Safety Culture was also supported by an IT portal for sharing material information (performance, safety alerts) and by analysing significant events through the traditional channels of internal communication.

On the occasion of the World Day for Health and Safety at Work (28 April 2023), promoted by the International Labour Organisation (ILO), Pirelli launched a new global communication campaign, “Safety is our value” in which people and safe behaviour are the protagonists. The campaign was promoted through an institutional video by top management and the material was disseminated on all Group sites translated into local languages.

All Pirelli production sites are served by occupational first aid and 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 and emergency 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.

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, elaborated 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, assembly 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 miss* es 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 2021-2023 and cover the same perimeter of the Group’s consolidation.

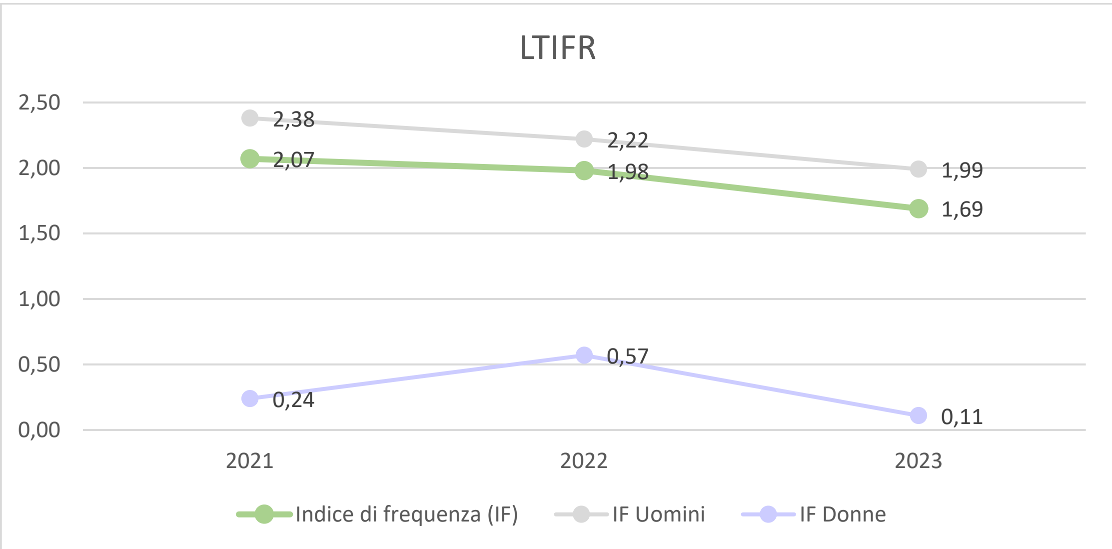
In March 2021 Pirelli presented the 2021-2022 Industrial Plan with Vision 2025 indicating an accident frequency index ≤ 1.00 if referred to 1,000,000 hours worked.

It should be noted that, in March 2024, the Company will present the new Industrial Plan with updated multi-year strategic sustainability objectives. The Plan will be simultaneously published on the institutional website www.pirelli.com for the benefit of all Stakeholders.

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[144].

In 2023, Pirelli recorded an LTIFR for accidents of 1.69 per 1,000,000 hours worked, i.e. a 15% reduction compared to 2022 and an 18% reduction compared to 2021 (1.98[145] in 2022 and 2.07 in 2021), 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 2023 is 0.46 for Pirelli employees (per 1,000,000 hours worked) and zero for agency workers. This figure is also affected by events occurring in years prior to 2023.For 2023, in line with previous years, the LTIFR value for women is confirmed to be lower than the value relating to men, partly due to the fact that the female population, compared to the male population, is generally engaged in activities with a lower risk. The graph below shows the trend of LTIFR values by gender over the last three years:



LTIFR = number of accidents with at least one day lost/number of hours actually worked x 1,000,000

[144] Accidents without lost days are not considered in the LTIFR calculation.

[145] Recalculated for injury derecognition POLO of 9 February 2023 and communicated to Pirelli on 13 February 2023. The derecognition also affects IF for men which becomes 2.22 instead of 2.24

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

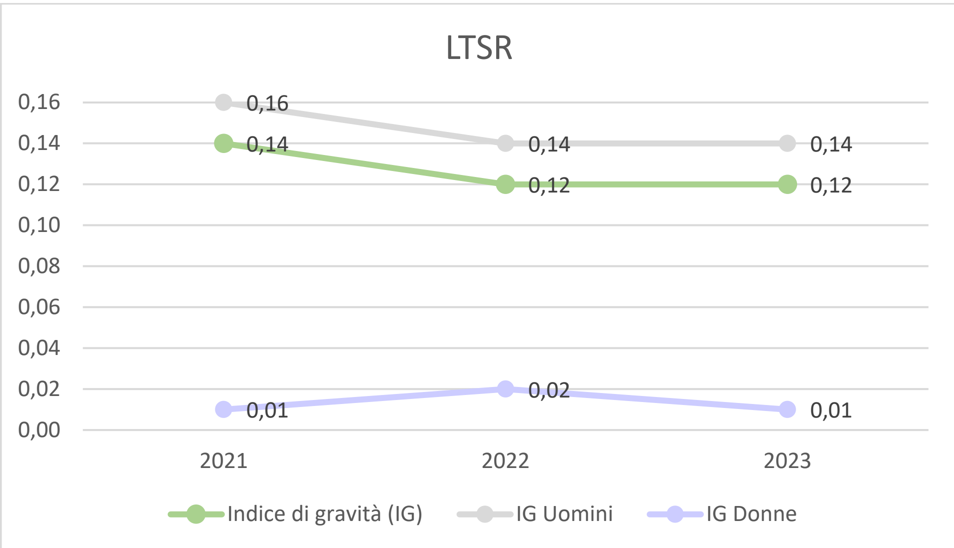
LTIFR INDEX	Europe	North America	South America	Russia, MEAI	Asia Pacific
2021	2.27	2.63	2.84	1.58	0.11
2022	2.74[146]	1.54	1.88	2.60	0.12
2023	2.42	1.74	1.71	0.51	0.12

LTIFR = number of accidents with at least one day lost/number of hours actually worked x 1,000,000

A generalised improvement was consolidated in the main production areas of the Pirelli Group and particularly in Europe through a series of initiatives undertaken in the most important factories. In the mapping of all hazards and on the basis of the accident trend, the main hazards identified as potentially at risk of accidents with serious consequences relate to mechanical risk and collisions and impacts due to materials handling, which were the main contributors to the accidents that occurred in 2023. Actions are constantly underway to reduce risk at source, through investment in the safety of machinery and equipment, 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 2023 was 0.12, down 5% from the previous year, with lower severity figures for women than for men.



LTSR = number of days of absence, starting from the first day after the accident/number of hours actually worked x 1,000

The table below summarises the distribution of the LTSR Severity Index by geographical area.

[146] Recalculated for injury derecognition POLO of 09/02/2023 and communicated to Pirelli on 13/02/2023. The derecognition also affects IF men which becomes 2.22 instead of 2.24.

LTSR INDEX	Europe	North America	South America	Russia, MEAI	Asia Pacific
2021	0.11	0.14	0.28	0.11	0.001
2022	0.13	0.05	0.21	0.08	0.01
2023	0.12	0.10	0.18	0.06	0.01

LTSR = number of days of absence, starting from the first day after the accident/number of hours actually worked x 1,000

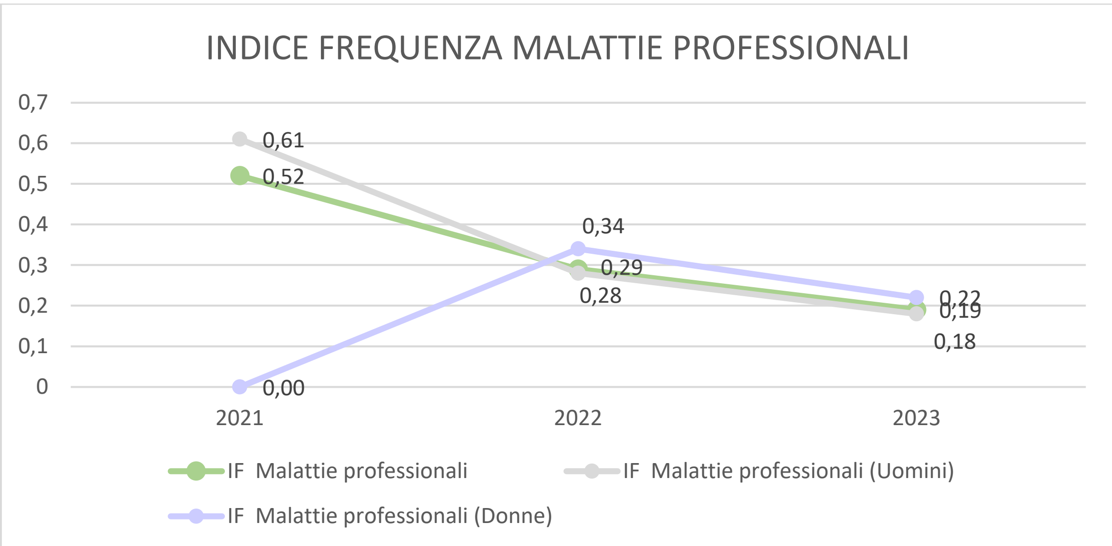
With reference to commuting accidents (not included in the calculation of the LTIFR and LTSR indices mentioned above), the following tables show the total number registered by the Group in the last three years and the distribution by geographical area of the cases. The recorded increase is due to external factors on which the company is evaluating improvement actions to be implemented where there is room for intervention.

COMMUTING ACCIDENTS	2021	2022	2023
	59	129	191

COMMUTING ACCIDENTS	Europe	North America	South America	Russia, MEAI	Asia Pacific
2021	21	28	10	0	0
2022	29	38	62	0	0
2023	29	58	104	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 2023 stands at a value of 0.19, down 34% from 2022.



Occupational disease frequency index = number of occupational diseases/number of hours actually worked x 1,000,000

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. 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, MEAI	Asia Pacific
2021	0.04	0	1.85	0.2	0
2022	0.17	0.46	0.63	0	0
2023	0.12	0.29	0.39	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[147] registered in the last three years and the distribution of the index by gender and then by geographical area.

INJURIES INVOLVING AGENCY WORKERS	2021	2022	2023
Number	5	3	1
LTIFR Agency - Men	7.75	2.28	2.30
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

[147] 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.

INJURIES INVOLVING AGENCY WORKERS	Europe	North America	South America	Russia, Nordics, MEAI	Asia Pacific
2021	0	0	5	0	0
2022	1	0	1	1	0
2023	1	0	0	0	0
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 Agency 2023	35.94	0.00	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

The LTIFR accident index for contractors (employees of suppliers working at the Group's production sites) increased significantly to 1.24 in 2023. This is attributable to a number of civil construction projects related to extensions of existing factories. Below are the data for the last three years and the distribution by geographical area of the cases.

LTIFR EXTERNAL WORKERS	2021	2022	2023
	0.97	0.96	1.24

LTIFR = number of accidents with at least one day lost/number of hours actually worked x 1,000,000

LTIFR EXTERNAL WORKERS	Europe	North America	South America	Russia, Nordics, MEAI	Asia Pacific
2021	1.40	1.03	0.33	1.11	0.00
2022	0.81	2.41	1.09	0.27	0.00
2023	1.38	1.46	2.06	0.00	3.45

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)	2021	2022	2023
Pirelli Employees	1 (0.017)	0 (0)	0 (0)
Agency workers	1 (1.420)	0 (0)	0 (0)
External workers	1 (0.088)	0 (0)	1 (0.073)

Death rate = number of deaths / total hours worked * 1,000,000.

As part of the civil works for the extension of the Silao plant in Mexico, a worker from a third company fell from a height, resulting in his death. The entire organisation is committed to ensuring that fatal accidents do not occur, and that reaction and improvement plans are constantly implemented and pursued.

FOCUS: ZERO-ACCIDENT SITUATION IN 2023

Unit	Industrial sites
Factories	Jiaozuo, Bollate, Breuberg MIRS,
Fitting unit	Didcot, Sorocaba, Palomar, Ibirite, Sao Jose dos Pinhais, Goiana
Logistics - TLM	TLM Barueri, TLM Santo Andre, TLM Cabreuva, TLM Feira de Santana, TLM Campinas, TLM Cabreuva, Manresa
Equity	AGOM, Dackia, Campneus

HEALTH AND SAFETY INVESTMENTS

In the three-year period 2021-2023, investments in health and safety by the Group exceeded €85 million, of which over €32 million was invested in 2023.

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 and Regulatory 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.

ADVOCACY AND CODE OF ETHICS

Institutional Relations contribute to the creation of corporate value through a structured and stable system of external relations directed at persons belonging to the Public Administration in order to ensure adequate representation of the Group's interests, following the various phases of the public decision-making process. All the activities carried out are marked by criteria of legitimacy, correctness and transparency, both with respect to the information disseminated in public venues and also with respect to the relations managed directly with institutional interlocutors.

The Senior Vice President Head of Institutional and Regulatory Affairs has the ultimate responsibility for Institutional Relations in the Pirelli Group. The Institutional and Regulatory Affairs Department is responsible at the global level for supervising advocacy and corporate lobbying activities, to ensure they are carried out in compliance with the principles enshrined in the Group's Code of Ethics and Anti-Corruption Compliance Programme, in line with the International Corporate Governance

Network principles and in accordance with the laws and regulations in force in the countries where Pirelli operates.

Furthermore, Pirelli is inspired, in carrying out its Institutional Relations activities, by the criteria of legitimacy, fairness and transparency, as detailed in the Institutional Relations Policy - Corporate Lobbying available on the Pirelli corporate website.

The Pirelli Group is listed in the European Transparency Register, managed jointly by the European Parliament, the Council of the European Union and the European Commission. The Register provides information on interest representatives which contribute to EU decision-making processes. By joining the Register, Pirelli undertakes to respect the relevant code of conduct as part of the Inter-Institutional Agreement that defines ethical and behavioural principles with which members must comply in the course of their interest representation activities with EU institutions.

In 2023 the Pirelli Group lobbied only through sector associations, working towards the alignment of positions with all Pirelli policies, including those concerning Climate Change.

The Pirelli Group is a member of numerous sector associations. The full list of these bodies, in which the Company plays a significant role, is available in paragraph "**Main international commitments for sustainability**".

In 2023, the Pirelli Group's costs relating to annual membership in industry associations, advocacy activities, etc. amounted to approximately €1,518,000 globally.

MEMBERSHIP, COLLABORATIONS AND OTHER EXPENSES (IN THOUSANDS OF EUR)

	2023	**2022**	**2021**
Trade associations[148]	**1,518**	**1,453**	**865**
Lobbying, interest representation [149]	**0**	**0**	**0**
Political parties (campaigns/candidates)	**0**	**0**	**0**
Total	**1,518**	**1,453**	**865**

[148] Membership in trade associations includes, on a voluntary basis, companies operating in the same sector or region to strengthen advocacy activities and to promote or defend key interests with institutions and key players; for this reason, several trade associations participate in public affairs activities such as lobbying, in accordance with legislation and the local context.

[149] Excluding management overheads related to lobbying activities.

The main membership expenses were paid to Assolombarda for €307,000, to USMTMA - U.S. Tire Manufacturers Association for almost €300,000, and to ETRMA- European Tyre Rubber Manufacturers Association for €182,000.

COLLABORATION WITH TRADE ASSOCIATIONS TO COMBAT CLIMATE CHANGE

As a member of several industry associations, the Pirelli Group is also committed to contributing to the development of climate change policies and industry regulations and standards, participating in the institutional and public debate on decarbonisation.

In particular, the Institutional and Regulatory Affairs function focuses on raising the awareness of institutional stakeholders, public opinion and international organisations with regard to:

- the importance of key issues linked to the Pirelli Group's product strategy, such as sustainability, in all its facets along the entire value chain, for example the reduction of emissions in production processes, as well as digitalisation and safety;

- the Pirelli Group's corporate positioning on sustainability, climate change, renewable energy, circular economy, transport systems, safety and product innovation.

In 2023, to promote public debate and policy-making on the most relevant sustainability issues, such as climate change, Pirelli organised and actively participated in institutional webinars, conferences, working groups, roundtables and sectoral initiatives.

Pirelli's fight against climate change at national and global level also includes playing an active role as a member of various sector and multi-stakeholder associations, organisations, business networks and thinktanks, as part of the commitment to decarbonising the Pirelli Group, in accordance with the objectives of the Paris Agreement.

Below are some examples of the main industry associations with which Pirelli has engaged during the year and which share the Group's position on climate change.

ASSOLOMBARDA'S POSITION ON CLIMATE CHANGE

Pirelli joins Assolombarda in espousing its initiatives on combating climate change and its vision for a sustainable future. Pirelli, in fact, sits on both the President's Council and the Advisory Board of Assolombarda, contributing substantially to defining new strategies for the decarbonisation of the main national industrial realities. Climate change, in fact, is a global challenge that requires collective action and a multilateral approach. For this reason, Assolombarda has set up technical working groups, composed of experts from member companies directly involved in sustainability, climate change, safety, materials, chemicals and trade. Furthermore, through six focus groups with the top management of 35 manufacturing companies in Lombardy, the strategies of the most advanced companies were examined in detail in order to identify more clearly the special characteristics and possible developments of the ecological transition in the manufacturing sector. It emerged from the survey that the intensity of energy consumption and its incidence on the corporate cost structure certainly represent an impacting variable on the strategies for making production processes more efficient and on investment choices aimed at environmental sustainability. In fact, for particularly energy-intensive companies, energy supply management and energy saving can be not only a lever to decrease production costs, but also the most effective way to promote greater environmental sustainability.

USTMA'S POSITION ON CLIMATE CHANGE

Pirelli participates in the USTMA board of directors, committees and working groups, sharing the association's vision for a sustainable tyre future in the context of the Paris Agreement's goal of reducing CO_2 emissions. The USTMA supports incentives for the development of low-carbon products, such as fuel-efficient tyres and tyres that contain sensors or other performance monitoring and communication technologies. The USTMA supports policies that promote the development of materials with a lower carbon footprint than virgin raw materials and research to better understand and improve the environmental impact of tyres. For example, the USTMA and the U.S. Geological Survey (USGS) are collaborating on a research project to evaluate and refine methods for assessing potential alternatives to 6PPD for use in tyres. The USTMA supports the flexibility of alternative fuels, such as tyre-derived fuel (TDF), and pyrolysis, which is key to building a circular economy for tyres. The USTMA supports investment in research to develop sustainable infrastructure such as rubberised asphalt to better understand the long-term benefits, performance and environmental impacts. The MTSMA supports the development of electric vehicles and the infrastructure that supports them. USTMA's committees and technical working groups are composed of experts from member companies, including Pirelli, who work directly on issues related to tyre efficiency and decarbonisation, safety, materials and chemicals.

ETRMA'S POSITION ON CLIMATE CHANGE

The European Tyre and Rubber Manufacturers Association (ETRMA) supports the ambitious new European climate targets. ETRMA welcomes the EU's commitment to allocate more than 30% of the Next Generation EU to support green projects. This commitment is part of the EU's ambitious goal to become the first climate neutral continent by 2050. The European tyre industry is committed to reducing its CO_2 footprint throughout the tyre lifecycle and investing in innovation.

ETRMA has carried out intensive advocacy work, presenting to the European Commission the industry's contribution in pursuing the goals of the Green Deal, highlighting the industry's role in creating greener, safer and more efficient mobility. In particular, the contribution to the reduction of CO_2 emissions through the improvement of tyre rolling resistance, the improvement of road safety through new wet grip limits even 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 targets, defined in the new EURO 7 regulation, to mitigate the emission of particulate matter into the environment.

ETRMA maintains a proactive role in the development of cognitive studies related to environmental issues, e.g. Tyre Road Wear Particles (TRWPs), micrometric particles produced by combined road and tyre wear during vehicle operation.

In 2018, ETRMA launched, with the support of CSR Europe, the "European TRWP Platform", a multi-stakeholder initiative that aims to share the state of scientific knowledge and to involve the Sectors and Organisations concerned in the definition of policies and possible actions to mitigate the impacts of TRWPs; in this regard, ETRMA, in collaboration with the US Tire Manufacturers Association (USTMA), published a study mapping and evaluating all the solutions available today. A microsite was also created to provide information on TRWPs to the general public, from the causes to the definition/implementation of mitigation actions, highlighting the multi-stakeholder nature of the phenomenon. The Platform's activities continued in 2023, with a series of meetings between stakeholders, who continued to share topics related to the scientific and policy aspects associated with TRWPs, exchange "management best practices" and identify possible synergies.

As part of its ETRMA activity, Pirelli also supported the adoption of the new European Regulation on the eco-design of sustainable products, which imposes new performance requirements and information obligations to promote product circularity.

POLITICAL PARTIES

The Pirelli Group adopts the highest standards of transparency and integrity in all its relations with institutional stakeholders. 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, in 2023 there are no contributions in these areas (zero) in continuity with previous years.

The political affiliation of an employee or a financial contribution by an employee is to be considered a personal matter and is an action completely independent of Pirelli.

For further details on the Financing received from the Public Administration and the amounts disbursed in 2023 to Trade Associations, please refer to the Economic Dimension Chapter.

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 2023, 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.

Of particular note in 2023, was the CEO’s signing of the Manifesto ‘Companies for People and Society’. By signing the Manifesto, Pirelli commits to strengthen the role of the Social Dimension in its business strategies to generate long-term value also in the supply chain and in the communities where it operates. The Manifesto was presented during “La Dimensione Sociale: l’impegno delle imprese per People e Prosperity”, the eighth edition of the Business & SDGs High-Level Meeting, the annual event promoted by UN Global Compact Network Italy and dedicated to the Presidents and CEOs of the Italian companies adhering to the initiative.

This is the context of Pirelli’s participation in the ‘Sustainable Finance’ action platform. The commitment over the years has taken the form of several publications, followed by the first 2018 “SDGs Bonds & Corporate Finance - A Roadmap to Mainstream Investments”, and the launch of the “CFO Taskforce for the SDGs”, officially presented during the 2021 United Nations General Assembly, 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 towards sustainable development. 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. In 2023, work continued on spreading knowledge on Sustainable Finance issues, scaling up impact, such as with the launch of campaigns like ‘Forward Faster’ to set financial targets, and building a community that connects the world of finance for sustainable development with the corporate world.

Following participation in 2022 in Target Gender Equality, a 9-month international journey involving UNGCI member company networks in 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 company enrichment.

Work continued in 2023 with the UN Global Compact Italy Network and its member companies in the Italian market, Pirelli also participated in the first edition of the Sustainable Procurement Working Table. The track, launched in March 2023 by UNGCN Italy, to build a space for thematic insights, exchange of experiences and peer learning on the topic of sustainable supply chain management. Management of environmental, ethical-social, governance and economic-financial impacts of supply chains and integration of sustainability strategies and objectives, were the topics the companies discussed. At the end of the course, Pirelli presented its supply chain management model as best practice.

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 2023 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_2 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.

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 2023, 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 vehicle data access 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, which have a strong impact on the production, marketing and use of natural rubber, and the corresponding delegated acts.

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%[150], 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 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[151] to provide information on TRWPs to the general public ranging from root causes to the definition and implementation of mitigation actions, highlighting the multi-stakeholder nature of the phenomenon. The Platform's activities continued in 2023, articulated in a series of meetings among "stakeholders," which continued the sharing of topics related to scientific and "policy" aspects associated with TRWPs. In particular, the Platform hosts the topic of "lessons learned" from other involved sectors (e.g., textiles) on the issue of microplastics, a topic with which TRWPs have been associated, and local authorities' initiatives on these issues, this in order to exchange "best management practices" and identify possible synergies.On this topic, ETRMA also coordinates with the TIP (WBCSD) and its member trade associations to exchange technical and policy information.

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 tire manufacturers with manufacturing facilities located in the United States. The main USTMA committees deal with regulatory policies for tire safety and on the

[150] Data reported for 2019

[151] https://www.tyreandroadwear.com/.

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 continued to make cryo-milled tyre tread (CMTT) samples available to researchers 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 processing chemical 6PPD-quinone. USTMA has launched a coalition, of which Pirelli is a member, for the joint participation in the process of analysis by the authorities of possible alternative chemicals to 6PPD in compliance with California State law.

USTMA was active in 2023 with a strategy for end-of-life tire 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. USTMA sponsored a study at the University of Missouri on ELT management policies in various states in the US. The association is also active on issues related to 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.

During 2023, MEMA analysed 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)[152]. This is a Geneva-based association of more than 225 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 four 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%[153] 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 mainly with ETRMA and USTMA on the transformation chemical substance 6PPD-Quinone continued in 2023.

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: preliminary results on the development of this methodology will be shared with the scientific community through the publication of an article in a scientific journal with a scientific editorial board ("peer-reviewed editorial board") during 2024 TIP's collaboration with the OECD (Organisation for Economic Co-operation and Development) is also continuing, following the development of a sector-specific guide[154] 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"[155] (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 the next two years at the European Commission level.

On the subject of TRWPs, in 2023 TIP continued its activity on the TRWP characterisation methodologies to support their identification and quantification in environmental compartments (air, water, soil), including studies on aging ("aging") of TRWPs: the results of these activities have been shared, as traditionally happens for TIP studies, with the scientific community through various publications in scientific journals either through various presentations at the international conference

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152 Our members (wbcsd.org)

153 Tire Industry Project - World Business Council for Sustainable Development (WBCSD)

154 http://www.oecd.org/chemicalsafety/nanosafety/nanotechnology-and-tyres-9789264209152-en.htm.

155 www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=env/jm/mono(2020)36/ REV1&doclanguage=en.

of the Society of Environmental Toxicology and Chemistry (SETAC EUROPE 33rd Annual Meeting, Dublin, 30th April - 4th May 2023), or through “peer-reviewed journals” publications.

The TIP also published “Product Category Rules” (PCRs) in 2018, which were updated in 2022. The PCRs are, shared rules for conducting product life cycle assessments (LCAs), as well as developing “environmental product declarations (EPDs)” for tires so that the results are comparable across manufacturers. With reference to aggregate industry environmental reporting, TIP published the report “Sustainability Driven: Key Performance Indicators for the Tire Sector, 2019-2022” in which TIP members’ performance against KPIs related to environmental, social and governance (ESG) issues is presented, while reporting TIP’s established key performance indicators such as energy consumption, CO_2 emissions, water use, waste generation and ISO 14001 certification. The KPIs include the rate of adoption of responsible sourcing policies, the percentage of members with scientifically validated targets, the percentage of water withdrawals from water-stressed areas, and the percentage of female representation in the workforce and on Boards of Directors.

Also, during 2023, 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 where the sector can most contribute the sustainability of the sector.

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 from 2023, 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 Tyre Trade Associations (TTAs) associated to the TIP and with the stakeholders. Starting from 2022, 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 (Action Strategy) impact mitigation actions and their potential worldwide, and “UN Treaty on Plastics Pollution” (Engagement Strategy), which aims to participate in the negotiations on the UN Intergovernmental Negotiating Committee (INC), preparing industry position papers and identifying alternative circular economy solutions.

TIP's dialogue with the Tire Trade Associations (TTAs) associated ETRMA/USTMA/KOTMA/JATMA within the *ad-hoc Global Dialogue Forum* platform continued in 2023, with the aim of sharing the progress and results of TIP's activities and supporting them in interacting with their stakeholders.

The 'Transport and Mobility Pathways' project, in which international companies from the automotive, auto parts, transportation, oil & gas, strategic consulting and engineering sectors participate, 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 digitalisation.

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.

The "SOS 1.5" project brings together companies from different sectors in order to share tools and experiences to help each company accelerate the climate transition in line with 1.5°C, regardless of the maturity of each. Achieving this goal requires rapid systems transformation to decarbonize on a large scale, and the private sector plays a crucial role in this process. The SOS 1.5 project is set to support companies to develop the strategy to shift their corporate footprint toward the net-zero carbon goal, to collectively identify and remove barriers to a low-carbon economy, and to mobilize their value chain in the same direction. A new work stream introduced in 2023 is on Beyond Value Chain Mitigation (BVCM) emissions mitigation. Other areas of work in the SOS 1.5 project relate to managing exposure to climate risks in terms of adaptation and resilience and the development of standards and accounting always related to Climate.

EU-OSHA – EUROPEAN OCCUPATIONAL SAFETY AND HEALTH AGENCY

In 2023, for the fifteenth 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/three years. In particular, in 2023 Pirelli adhered to the 2023-2025 campaign *"Safe and Healthy work in the digital age" which* is dedicated to raising awareness of the impact of new digital technologies on work and the workplace and the related occupational health and safety challenges and opportunities.

Campaigns in which the company has participated in recent years include the 2020-2022 Healthy Workplaces Lighten the Load campaign aimed at raising awareness of ergonomic risks in the workplace and the prevention of related musculoskeletal disorders,

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.

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_2 emissions.

In 2023, Pirelli joined the “Forward Faster” initiative of the United Nations Global Compact, pledging to set ambitious, credible and measurable goals on two of the reported areas for action: of climate and finance and investment.

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_2 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.

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 2023 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 "Transport and Mobility Pathways" 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 2023, 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 the participation at the end of October in the seminar "Muoversi in sicurezza: incidenti stradali, comportamenti a rischio e prevenzione" ("Moving safely: road accidents, risk behaviour and prevention") for students at the Bicocca University, which was also attended by the Traffic Police and other experts on the subject. Still in the field of road safety activities aimed at young people is an annual meeting at the Istituto Tecnico Don Orione di Fano (PU) for the 2nd and 3rd high school classes, where tyres and their characteristics were discussed, with particular focus on safety and efficiency. The issue of sustainable and safe mobility for children was the focus of the initiative, supported by Pirelli, 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 2023, work continued on two important regional and national projects, 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.

Pirelli Romania was the main sponsor of the largest and most important Sustainable Mobility Forum. The event was attended by over 250 political figures, from the Romanian Prime Minister to infrastructure and environment ministers, who discussed issues and solutions for a safe and sustainable future in the field of road safety. During the 3-day Street Food Festival, Pirelli offered the children of Slatina (around 280 in all) the chance to try out F1 simulators and understand the importance of road safety during the F1 Academy held in the city centre.

In 2023, 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. Pirelli is also a partner of the main “adventouring” events that bring participants closer to the off-road world.

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 of Milan, the Politecnico of Turin, Bocconi University and the SDA Bocconi Business School and the Bicocca University of Milan in Italy, the University of Craiova, the University of Pitesti 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, around 50 employees and their families participated in the Istanbul marathon, contributing to TEGV, the education support institute tasked with advancing education and universal modern values. Additional donations were also made to TEGV and the local Pirelli Ortaokulu school. Pirelli Turkey also donated computers to students affected by the earthquake.

Pirelli Romania continued its support activities for the main technical schools in Slatina, offering more than 200 students the chance to choose their career path as early as high school. 2023 was also the year in which Pirelli Romania received the education award from Confindustria Romania for the innovative and unique project developed together with the Faculty of Mechanics in Pitesti on advanced tyre production techniques. 60 Master’s degree students have chosen to follow the Master’s courses that Pirelli Romania has created for the University of Pitesti. Three other universities, Craiova, Bucharest and Cluj Napoca, had the opportunity to collaborate with Pirelli Romania on various academic projects. For the sixth year in a row, Pirelli offered scholarships to students who also took part in factory practice sessions with Pirelli tutors. The Io Tifo Positivo programme involved 200 students from schools in the Slatina area to teach how to deal with bullying and how to cheer in a positive way.

In Spain Pirelli offered space to host a student workshop, where students made a design to build a single-seater racing car, and a motorcycle, to compete in the international race "Formula Student" which saw the participation of nearly 500 teams from all over the world. In addition, Pirelli Spain organised visits to Pirelli's old production plants for high school and university students teaching the tyre manufacturing process and the distribution logistics component.

In Germany Pirelli made a donation to a kindergarten in the Breuberg area where the funds went towards outdoor equipment for various activities.

In Argentina, a donation of 100 books was made to High School No. 85 - Merlo, and a reading area was created inside the school.

In the United States, Pirelli contributed to the Rise & Thrive project of the local Chamber of Commerce in Rome, Georgia, which aims to develop skills applicable in the local industrial fabric. In addition, he contributed to projects at several schools in the Rome, Georgia area, including at two College & Career Academies, for technical training.

In Italy, during 2023, 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.

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 130 children from the area. Following the pandemic, sporting activity resumed with much enthusiasm on the part of the participants. Pirelli also started a partnership with the Bravos baseball team in the city of Leon; together they created an energy-saving campaign and donated 20 wheelchairs.

In Russia, Pirelli organised sports activities for children from three orphanages in the Voronezh area.

In Brazil, Pirelli has supported football, volleyball and judo programmes; through the Seci Social football programme in Santo Andrè it involves around 450 children in after-school activities.

In the United States Pirelli sponsors a football programme at the YMCA in Rome, Georgia while in Germany Pirelli has supported a young jump rope team for participation in the world championship in Colorado, USA. The company in Germany also made donations to three local sports associations and supported a football tournament for teenagers.

SOCIAL SOLIDARITY

The responsible approach taken by Pirelli to involvement and inclusion takes the form of social solidarity activities worldwide.

In Spain, the company supports the Fundacio del Convent de Santa Clara, which runs programmes to supply food to needy families. Pirelli has permanently provided a 350 m^2 warehouse to store food for those in need. In 2023, the space was expanded to store medical supplies awaiting shipment to a hospital in Ukraine.

In Argentina, Pirelli in partnership with the “Dejemos una Huella” (“Let’s Leave a Mark”) association set up a volunteer programme through which Pirelli employees supported families impacted by a severe storm by donating bedding and medical supplies. Toys were donated to the Todavia es Tiempo foundation to benefit more than 250 families, and a donation of Christmas items was also made to the families of the Avellaneda sports and cultural club. In addition, 6 tyres were donated to the fire brigade of the city of Merlo,

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. Pirelli also donated 590 tyres for the ambulances of the most important hospital in the city of Voronezh. Tyres for emergency vehicles were also donated in Germany and Turkey.

In Romania, 70 disadvantaged families received significant help during the Christmas holidays from Pirelli employees. Toys, clothes, personal hygiene products and food were donated.

In Turkey Pirelli made a Mother's Day donation to an association that works to protect children.

In China, Pirelli has for many years supported the *Yanzhou Charity Institute*, an association that aims to help children in difficult situations locally, and has also made donations to the Jiaozuo Red Cross.

Meanwhile, in Germany, Pirelli made a donation to "Aktion behindertes Kind" to support the Finkennest youth home for children with disability. Pirelli Nordic AB donated to the Giving People association to support children in situations of social exclusion and poverty in Sweden.

In Greece, Pirelli bought and offered gifts during Christmas to the Children's Social Care Unit "Paidopolis Agios Andreas", which houses 34 children and adolescents who are found to be unprotected and without family care.

In Brazil, Pirelli supported several social solidarity activities: "Aprender Brincando", an after-school project with activities for 230 children; "Educandario", a programme for a public school for children from kindergarten to middle school, and finally "Projeto Guri", an important musical activity involving 198 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 150 children from the disadvantaged population, aged between 5 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). In the United States, Pirelli also contributed to United Way for local activities, the Boys & Girls Club of Northwest Georgia, an after-school programme for underprivileged children, and "Toys for Tots", an association that collects toys at Christmas and distributes them to underprivileged children.

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.

Also in Germany the company supported a local fire brigade initiative through donations, and in the UK Pirelli sponsored the Caring for the Community category at the Pride of Cumbria Awards.

HEALTH

It should also be mentioned that in Brazil Pirelli supported the Pequeno Principe paediatric hospital, one of the most important paediatric complexes with an advanced surgery and oncology centre.

In Argentina Pirelli has donated paper and prepared tyres for the sale of materials with the aim of raising money for the foundation that assists the families of children at the Garrahan Hospital, Argentina's main hospital specialising in cancer treatment. In Spain a high-profile partnership has been created with www.drivercenter.es where 5% of the proceeds from Pirelli tyre sales will be donated to the Hospital Sant Joan de Déu de Barcelona for the research and treatment of diseases in children. Also in Spain, a donation is made to the Alex foundation to support a programme to detect the incidence of cancer in people with intellectual disabilities.

In Romania, more than 20 Pirelli employees ran a marathon and participated in fundraising for the disabled in Slatina. 150 Pirelli employees donated blood for the sick in Slatina hospital in a campaign that lasted three days. Pirelli Germany donated to two associations, including the UN Refugee Agency to help victims of the earthquakes in Turkey and Syria. Pirelli Benelux also donated in support of the victims of the two earthquakes through the association My Time for Turkey and Syria.

In the Netherlands, a donation was made to the foundation Stichting Vrienden van het Sophia for a programme dedicated to children's health.

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 15,000 end-of-life tyres in the municipality of Leon, to promote local hygiene. The collected tyres were used as fuel for cement factories. In Greece, the company established a partnership with 'iRECYCLE - SOCIAL RECYCLING PC Dimitrakopoulos Georgios' where 67 end-of-life Pirelli electronic units were donated to be repaired and given a second one for charitable purposes.

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 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.

A container for plastic caps was placed inside the Merlo factory in Argentina for reuse in the Garrahan hospital and a donation was made to the packaging recycling cooperative "Reciclando Sueños" ("Recycling Dreams"). In addition, 1526 end-of-life eco-bricks used in the canteen in Merlo were handed over to the Qero association, which used them for the production of their "Easybricks" eco-bricks.

In Romania, Pirelli employees furnished the school's outdoor spaces with 100 children from the Brancoveni school in Slatina, with the aim of teaching them how to protect the planet and take care of plant organisms.

Also in 2023, 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 protecting the indigenous community, preserving a deforestation-free area of 2,700 hectares and protecting endangered animal species. The various activities will be carried out in line with the objectives of the Global Platform of Sustainable Natural Rubber (GPSNR). 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 2023 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 bodies and institutions: in particular, in the world of art, culture and history with FAI (Fondo Ambiente Italiano), Premio Campiello and Campiello Junior, 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 di Milano Symphony Orchestra, the Portofino International Opera Competition, the Ravenna Festival and the MITO SettembreMusica Festival. In Spain, a visit to the old Pirelli factory was organised, where some 60 local residents were welcomed during the industrial tourism week organised by the Technical Museum of Manresa. In the UK Pirelli supported the Carlisle Santa Dash through the donation of prizes and decorations and sponsored the Carlisle Youth Club with Bronze membership.

In the field of music, Pirelli sponsors the Mozarteum project in Brazil, which in addition to organising concerts promotes training programmes for new talent. Also in Sao Paulo, Pirelli in 2023 sponsored the Museum of Modern Art, one of the most important museums in Latin America, and the Pinacoteca de Sao Paulo. Pirelli also made a donation to the 16th Italian Film Festival in Brazil, which had an audience of more than 100,000 people in 2023.

Pirelli Romania offered 220 pensioners in Slatina the chance to take part in a theatre show entitled "Il Colonello" ("The Colonel") free of charge. The cultural activity organised together with the Rotary Club of Slatina also generated funds for five children with health problems.

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 2023, activities relating to the Pirelli Group Archives and the enhancement of its corporate culture were developed in a programme divided into various work sections. The main initiatives include:

"L'Umana Impresa" theatre project

The theatre training project "L'Umana Impresa. La fabbrica degli attori" ("The Human Enterprise, The Actors' Factory") was curated by the Pier Lombardo Association in collaboration with the Pirelli Foundation. Young actors, selected from among recent graduates of the Milan Academy of Dramatic Art and led by director Stefano de Luca, staged a performance of Pirelli's historical and contemporary experience, marked by the rhythms and values of research, production, and commitment to social and environmental sustainability issues. The training course concluded with the staging of a play in the Sala Grande at Teatro Franco Parenti on 28 March 2023 for secondary schools and universities, and on 3 April and 29 May 2023, respectively, for the public and for Pirelli employees. Overall, more than 1,000 spectators attended the three performances. The show received the Corporate Heritage Awards 2023 in the Events category at Confindustria in Rome.

Exhibition in memory of Giovanni Battista Pirelli

"Pirelli, a history of enterprise: industry, people, culture and innovation. Giovanni Battista Pirelli, from Varenna to the development of a great international company" is the exhibition curated by the Pirelli Foundation in collaboration with the Municipality of Varenna, set up inside the Church of Santa Marta in Varenna (1-25 April 2023). The exhibition was inaugurated in the presence of a Pirelli delegation and representatives of the institutions, as part of a programme that also included the unveiling of the plaque affixed to the founder's birthplace, in the district of Giovanni Battista Pirelli.

Podcast "Risuona"

"Risuona" ("Resonate") is a podcast series produced by Chora Media and promoted by the Pirelli Foundation, available on the main free audio platforms. Over the course of four episodes, the narrating voice of Gino De Crescenzo, aka Pacifico, cycles through the streets of Milan telling stories of work, business culture and innovation. A journey through memories, testimonies, and materials from the Pirelli Historical Archives, evoking resonances between past and future. A total of 1,428 podcast episodes were downloaded. The project was presented to the public on 4 October 2023 during an event attended by over 100 people.

Short film "Noi Siamo"

The short film "Noi siamo" ('We Are") is a Pirelli Foundation project produced by Muse Factory of Projects. The short film is available in Italian and English and uses the language of film to narrate Pirelli's corporate culture, represented as a stage setting for the arts and technology. It is a narration through images inspired by Bertolt Brecht's "Life of Galileo", which crosses the different areas of corporate culture: theatre, music, art, research, innovation, to emphasise the inseparable combination of artistic and scientific creativity that has always characterised Pirelli's identity. The film was premiered at the International Documentary Festival "Visioni dal Mondo" (Milan, 14-17 September 2023). A website dedicated to the project was also created with backstage content, trailers and in-depth texts.

Publishing project "L'Officina dello Sport".

Archive research has begun for the publishing project "'L'Officina dello Sport". The book will be published in spring 2024 by Marsilio Editori in an Italian version and a separate English version. Institutional contributions, stories by international names and essays will interpret the world of sport as knowledge, expertise, community and competition. Thematic files on the sporting fields that have featured Pirelli throughout its history will complete the volume. The book will be illustrated with previously unpublished plates by artist Lorenzo Mattotti, accompanied by images from the company's historical archive and will have a dedicated digital feature.

"Il Premiolino" Prize for Journalism

Pirelli has supported "Il Premiolino", the historic award given annually to journalists from print, radio, television and new media as a career prize and for their contribution in the field of press freedom. Since 1960, the Prize has been one of the oldest and most important awards for the world of news. The award ceremony was held on 2 October at the Piccolo Teatro Grassi in Milan. A website dedicated to the project was also set up and can be accessed at www.ilpremiolino.it.

Exhibition "Leonardo" organised by Confindustria

On 20 June 2023 was inaugurated, at the Central Public Library in Washington D.C., the monographic exhibition "Imagining the Future. Leonardo da Vinci: the soul of Italian genius", organised by Confindustria with the main partnership of Pirelli. The exhibition brought Leonardo's Codex Atlanticus to the US capital for the first time with a selection of original plates, kept in Italy by the Veneranda Biblioteca Ambrosiana in Milan.

Digital projects for the enhancement of the company's historical heritage and its corporate culture

The strengthening of digital tools and the schedule of communication activities continued: the website www.fondazionepirelli.org, together with the other hubs in the digital ecosystem, were visited a total of 83,349 times. The monthly issues of the "Fondazione Pirelli e-news" newsletter reached an average of about 2,100 contacts. The "Fondazione Consigli" section of the website was implemented with the publication of 118 book reviews. As part of the digital projects dedicated to promoting reading, we should also mention the reviews and video interviews published on social channels and Vimeo for the "Premio Campiello 2023", an initiative sponsored by Pirelli (post coverage: 12,505). The social media accounts of the Pirelli Foundation (Facebook, Instagram, X formerly Twitter) reached 15,750 followers (+ 6.5% vs 2022), with a coverage of about 6.5 million. About 1,250 content items (posts and stories) were produced. The published videos reached a total coverage of about 1.2 million on the Facebook and Instagram platforms and were also conveyed through the Vimeo channel, which totalled about 4,000 views. The data relating to the Facebook and Instagram channels were taken from the Meta Business Suite platform, while the data relating to X (formerly Twitter) were taken through the channel's Analytics page. Also in 2023, the Pirelli Foundation contributed to the implementation of editorial plans for the Pirelli Corporate channels.

PIRELLI EDUCATIONAL FOUNDATION: EDUCATIONAL AND TRAINING PROJECTS FOR STUDENTS AND TEACHERS

The educational courses aimed at primary and secondary schools for the period January-May 2023 and the new 2023/2024 workshop programme "A parlar d'impresa...Viaggio tra parole, immagini e suoni del mondo Pirelli" (Talking about business...A journey through the words, images and sounds of the Pirelli world) (October-December 2023) involved a total of 3,123 students and 280 teachers. The lessons were held both digitally and in person, and included guided tours of the Pirelli Foundation, the company headquarters and the Bicocca district. Where requested and after signing an agreement, PCTO (Percorsi per le Competenze Trasversali e per l'Orientamento) training credits were awarded. Collaborations were also set up with the Research and Development Department for visits to experimental and chemical laboratories. More than 200 teachers in February-April 2023 attended the new edition of the "Cinema & History" training and refresher course for teachers entitled "Journey and Modernity. How industrial civilisation changed the way we move through the world", organised in collaboration with Fondazione ISEC and Cinema Beltrade.

In May 2023, the Pirelli Foundation welcomed the international finalists of the tenth edition of the Physics Olympiad (Plancks), which was held in Milan, the participants visited the Historical Archive and the laboratories of the company's Research & Development Centre. On 12 October 2023, the meeting 'The World of Racing from A to Z' was held for secondary schools during the 11th edition of the Settimo Torinese Innovation and Science Festival, dedicated to the theme of language. On the occasion of the 22nd Corporate Culture Week in November, the event "Parole in viaggio 2023. A game that starts at school" dedicated to students aged 10 to 14 on the theme of reading, was held in the Pirelli HQ Auditorium.

About 686 students took part in workshops organised by the Pirelli Foundation on the following topics: technological innovations linked to tyre production, company history, advertising graphics. Among the institutions involved: Politecnico di Milano, Università Statale di Milano Bicocca, Raffles-Istituto di Moda e Design, Università degli Studi di Parma, University of Applied Sciences Esslingen (Germany), Kent State University, Jiaotong University in Xi'an.

Initiatives to promote reading

Pirelli was also a sponsor of the 2023 edition of the Campiello Prize; in 2023 the Pirelli Foundation also continued its commitment to promoting reading among the younger generations with the Campiello Junior Prize, an award for Italian works of fiction and poetry for children between the ages of 7 and 14. On 11 May at the Franco Parenti Theatre and the Pirelli Foundation in Milan, the winners of the second edition of the Prize, Davide Rigiani and Nicola Cinquetti, were announced at the Final Ceremony of the sixty-first edition of the Campiello Prize. On 10 November, the ceremony for the selection of the trio of finalists of the third edition of the Prize was held live streaming from the Auditorium HQ Pirelli. The live broadcast was transmitted online on the Fondazione Pirelli website and on the Campiello YouTube channel. The third edition will end in March 2024.

The shared library holdings of the Bicocca and Bollate libraries number over 9,500 titles in the catalogue; the Bicocca library has over 1,800 loans, more than 2,700 total movements and over 700 users registered between the two libraries. The sending of the newsletter Biblionews, with reviews and periodical updates on books and libraries, reached about 577 subscribers.

Meetings with authors: a number of meetings dedicated to employees were organised for the cycle “Parole Insieme. Conversations from Pirelli Libraries” with writers Jonathan Bazzi, Fabio Stassi, Benedetta Tobagi and Bernardo Zannoni.

Initiatives, events and tours to promote corporate culture

More than 4,800 people took part in online and in-presence activities in 2023, including:

- Museocity with “Progettare la luce: Pirelli e l’architettura dei luoghi di lavoro”;

- the FAI Spring Days, with guided tours of the Headquarters, the Bicocca degli Arcimboldi and the Pirelli Foundation;

- “Pirelli, le architetture dell’industria. Da via Ponte Seveso al quartiere Bicocca”, guided tours organised to mark the centenary of the annexation of Niguarda to the City of Milan;

- Archivi Aperti, with guided tours of the exhibition “Oltre la pista: la Formula Uno e i pneumatici che hanno rivoluzionato la storia”;

- the 22nd Corporate Culture Week with the screening of the short film ‘WE ARE’ and guided tours of the Headquarters.

Also in 2023, the Foundation supported the P Lunga training course, organised by the HR Department, welcoming over 540 colleagues.

PROCESSING OF PIRELLI GROUP HISTORICAL ARCHIVE MATERIALS AND ASSET MANAGEMENT

Historical Archive: 1,946 documents catalogued, 3,000 documents and 14,510 metres of film digitalised, more than 1,930 documents restored (documentary, iconographic and research and development fund, technical-scientific library sector magazines and audiovisual and photographic funds). The archive holdings were implemented with the acquisition of posters and authors’ objects (Lora Lamm, Raymond Savignac, Armando Testa, Massimo Vignelli) dating from the 1950s to the 1970s.

LOANS OF MATERIALS TO THE EXTERNAL COMMUNITY, HISTORICAL AND ICONOGRAPHIC RESEARCH AND PRODUCTION OF EDITORIAL CONTENT TO SUPPORT THE BRAND

There have been numerous requests relating to the setting up of plants, trade fairs, events, Pirelli offices in Italy and abroad, loans of materials for exhibitions and publications curated by other institutions, historical videos and documentaries, interviews, theses by scholars and researchers. Among the main ones:

for trade fairs, events, offices and factories: support in setting up the stand dedicated to Pirelli at the presentation of the new company National Auto Parts in Riyadh (Saudi Arabia); Porsche GT Trackday's event in China; Driving Experience event in Thailand at the Bira International Circuit; setting up of spaces inside the Trek Factory Racing shops; setting up of the Pirelli Cycling plant in Bollate; new offices in Dubai and Japan; offices at the Breuberg factory and Driving Center Simulator

for exhibitions: 'L'Ottocento a Villa Farnesina', an exhibition organised by the Associazione Amici dei Lincei at Villa Farnesina (12 January-25 February 2023); 'Birth: being born is not enough', the first exhibition of the Museo Diffuso Bicocca (MuDiB) at the University of Milan-Bicocca (6 October-31 December 2023); 'Bruno Munari. La leggerezza dell'arte", organised in Verona by Eataly Art House (E.ART.H.), (12 October 2023-31 March 2024); 'Saperi visibili: un secolo di oggetti del made in Italy attraverso il packaging" (4-28 November 2023, Spazio Murat in Bari) curated by Chiara Alessi, organised by the Club delle Imprese per la Cultura di Confindustria Bari e BAT (Barletta Andria Trani); "From Workers to Students" (6 November 2023-31 July 2024), set up on the occasion of the 25th anniversary of the birth of the Università degli Studi di Milano-Bicocca; "ADI Design Museum" (Bund 18, Shanghai, 8 November 2023-5 February 2024), exhibition dedicated to the Compasso d'Oro Award;

for publications: volume "The Graphic Design Bible" (Ilex Press - Octopus Publishing Group); exhibition catalogue "Italy - l'Alliance Graphique Internationale" (Corraini editore); volume "Atlas of Car Design" (Phaidon editions); essay on the advertising campaign "Power is nothing without control" published by Plymouth University publishing house; book "Le ossa dei Caprotti. Una storia italiana", published by Feltrinelli; articles on the history of Pirelli in the nautical world in sector magazines; publication on the heritage of the changing landscape for the University of Warsaw; doctoral thesis entitled "The influence of companies in the rubber industry on Europeanization from the 1950s to the 1980s"; thesis on the photographer Aldo Ballo (Università Cattolica del Sacro Cuore); thesis on Pirelli company magazines (Università Cattolica del Sacro Cuore);

for films and documentaries: use of clips from a Pirelli Carousel from the series "Mammut, Babbut and Filiut" in the film "La luce nella masseria", a television script produced by Eliseo Entertainment in collaboration with Rai Fiction.

Also in 2023, there was participation in seminars and conferences dedicated to Pirelli's corporate culture.

PIRELLI HANGARBICOCCA™

Pirelli HangarBicocca™, a foundation dedicated to the production and promotion of contemporary art, is a **reference institution for the international art industry**, for the public and for the territory. A totally free, accessible and open museum complex, it is a place for experimentation, research and dissemination where art is the cue for reflection on the most topical issues of contemporary culture and society. Cultural activities include major exhibitions, a programme of in-depth events, a publishing activity, and educational and training proposals.

In line with its mission, in 2023 Pirelli HangarBicocca™ hosted solo exhibitions by leading national and international artists in the context of a programme that has distinguished itself for its curatorial rigour and for its particular attention to site-specific projects capable of dialoguing with the unique characteristics of the space. The artistic programming of 2023, curated by Artistic Director Vicente Todolí, presented artists with a high international profile, alternating solo exhibitions by well-established names with exhibitions of younger or emerging artists.

In addition, the focus on the communities of the city and the surrounding neighbourhood is made tangible by an structured popular, educational and training offering, conceived in correlation with the exhibitions, which makes Pirelli HangarBicocca™ both a resource and a reference institution for the area, within a vision of "Corporate Citizenship".

During the year a total of 130,058 visitors (in physical attendance) visited 4 major temporary exhibition projects, in addition to the permanent installations *I Sette Palazzi Celesti 2004-2015* by Anselm Kiefer, *La Sequenza* by Fausto Melotti and the mural entitled *Efêmero* by OSGEMEOS.

To facilitate a better understanding of the art themes, visitors were given free printed guides to the exhibitions and permanent installations in Italian and English.

The exhibition projects of 2023 were:

- Gian Maria Tosatti, "NOw/here" (from 23 February to 30 July 2023). The Italian artist's exhibition presented two cycles of paintings specially produced for the exhibition at Pirelli HangarBicocca™.

- Ann Veronica Janssens, "Grand Bal" (6 April to 30 July 2023). The project presented the most comprehensive selection of works in dialogue with the architecture of Pirelli HangarBicocca™. Some of these involved the visitor in an active fruition aimed at exploring the space.

- Thao Nguyen Phan's "Reincarnations of Shadows" (from 14 September 2023 to 14 January 2024), organised in collaboration with Kunsthal Charlottenborg, Copenhagen, retraced the historical events of Vietnam, reflecting on the environmental and social changes linked to the exploitation of natural resources and the destruction of the landscape by human beings. For the exhibition, Pirelli HangarBicocca™ produced the unpublished video installation Reincarnations of Shadows (moving-image-poem) in collaboration with the In Between Art Film Foundation.

- James Lee Byars (12 October 2023 to 18 February 2024). The retrospective, organised with Museo Nacional Centro de Arte Reina Sofía, Madrid, brought together large-scale works from international museum collections rarely exhibited in Italy.

During the year, the presentation of each of the four exhibitions was accompanied by the production of a bilingual catalogue, in Italian and English, published by Marsilio Editori with Pirelli HangarBicocca™. The publications are on sale at the institution's bookshop and e-shop as well as through the publisher, distributed nationally and internationally. The catalogues are also given as gifts to directors of international institutions, art historians, curators, journalists, as well as to people, libraries and archives of reference in the field of culture and contemporary art in order to share the research activity developed at Pirelli HangarBicocca™ and to contribute to the study and cultural debate of today.

To accompany Gian Maria Tosatti's an in-depth volume on the artist's research in recent years has been produced. The book brings together detailed photographic documentation of the two previously unpublished pictorial cycles Portraits (2022) and NOw/here (2023) created specifically for the spaces of Pirelli HangarBicocca™.

For the Ann Veronica Janssens retrospective, the catalogue traces her career with the most complete record of her work, from historical works to new productions. Enriched with a detailed iconographic archive, the book delves into the conceptual developments and formal variations of the body of work through various textual contributions.

On the occasion of Thao Nguyen Phan's solo exhibition, the most extensive monograph ever devoted to the artist was published. The exhibition project arose in the context of a fruitful collaboration with Kunsthal Charlottenborg in Copenhagen and the volume presents views of international curators and critics, including Filipa Ramos' essay on the relationship between the artist's practice and environmental issues.

Finally, to coincide with the James Lee Byars retrospective, a monograph has been published that delves into the themes of the exhibition through detailed worksheets accompanied by a selection of historical images. The volume also traces the artist's performances in Italy in a visual chronology.

The Public Programme kicked off with an evening inside Dineo Seshee Bopape's exhibition with guests addressing the themes of colonial heritage and its wounds, including the scholar Lucrezia Cippitelli, the poet Fedoua El Attari and the writer and activist Marie Moïse. In February, an important collaboration with Triennale Teatro saw the co-production of a performance by the legendary musician Meredith Monk, who also held a conversation with the director of Munich's Haus der Kunst Andrea Lissoni in the spaces of the Bruce Nauman exhibition. In May, the Ann Veronica Janssens exhibition hosted a conversation between the artist and curator Roberta Tenconi; a highlight was the presentation, in the same month, of a weekend of dance with Anne Teresa de Keersmaeker, with an unprecedented choreography entitled 'It will rain' in the same exhibition. The autumn was opened by a conversation between the artist Thao Nguyen Phan and the Director of Exhibitions of the EYE Film Museum in Amsterdam Jaap Guldemond; also dedicated to Thao Nguyen Phan's exhibition was a lecture by the British scholar Jennifer Higgie in November and a lecture by the scholar

Alessandra Chiricosta in December followed by a concert by the Vietnamese musician Nguyen Than Thuy. The Public Programme dedicated to James Lee Byars opened, also in November, with a meeting with Stephan Khöler, curator and collaborator of the artist.

Among the special projects in July was the second edition of the festival linked to the Milano Re-Mapped project, conducted in collaboration with the Milano-Bicocca University and with the support of the Cariplo Foundation and the Lombardy Region. The festival took place in the museum's indoor and outdoor spaces and saw the involvement of a number of local cultural realities: Spazio Serra, Zona K and Fritto FM, active in the fields of visual and performing arts and music.

In 2023, for the third year running, Pirelli, on the occasion of the Grand Prix in which it is title sponsor, has commissioned an Italian artist, together with Pirelli HangarBicocca™, to create the trophy, helping to create a tangible link between contemporary expressiveness and Formula 1's constant drive for innovation. The trophies raised on 3 September on the podium of the Formula 1 Pirelli Gran Premio d'Italia 2023 in Monza were designed by artist Ruth Beraha, following a process of artist selection, curatorship and production monitoring followed by Pirelli HangarBicocca™.

As part of the training for teachers, the Education Department held the course Vedere significa comprendere? Dall'identità reale a quella virtuale, for secondary school teachers in grades I and II, designed together with the artists The Cool Couple, with the collaboration of the Degree Course in Primary Education, Department of Human Sciences for Education "Riccardo Massa" of the University of Milan-Bicocca. The course participants were involved in a participatory design process divided into several meetings in blended mode.

All the School activities of the Education Department were designed in presence, intensifying the number of courses with the workshop part taking place directly in the exhibition space. The School programme involved around 5,800 students from schools of all levels during the year.

For the Kids programme, in-presence activities were conducted in connection with all the exhibitions hosted, involving around 2,000 participants aged between 4 and 12 and their families.

June and July saw the presentation of "Edu Summer 2023", a month-long project to explore the Ann Veronica Janssens exhibition in collaboration with choreographer and dancer Marcella Fanzaga, science and mathematics populariser Andrea Capozucca and artist Rebecca Moccia. Edu Summer includes both free-access weekend workshops and weekly in-person summer camps for primary and first-year secondary school children.

In December, the third edition of the special programme "Winter is coming" was presented, designed to explore and discover the works of Thao Nguyen Phan's exhibition through the characteristics of watercolour together with painter and illustrator Alessandro Sanna. These activities were dedicated to children between 7 and 10 years old with their families.

In October, the Educational team designed and conducted activities for secondary schools and for children and families within the programme of the Fermhamente Festival, which develops and deepens the relationship between art and science, held in the city of Fermo.

The production of Kids Guides for temporary exhibitions continued, integrating texts and images with interactive and explorative activities for the whole family. In particular, in collaboration with the students attending the last year of the Liceo Linguistico 'Artemisia Gentileschi' in Milan, French and English versions of the Kids Guide dedicated to Anselm Kiefer's permanent installation were produced.

For the adult public, guided tours were offered with the involvement of Pirelli HangarBicocca™'s cultural mediators.

Pirelli HangarBicocca™ continued its usual communications activities - through social planning, WEB content, ADV, SEO, SEA - and press activities (through the training of international journalists, the creation of press strategies and press conferences) to support the promotion and dissemination of the institution, the exhibitions, the cultural events and the activities dedicated to members, children and families.

Through the proprietary system of booking free tickets at the museum, subscribing to the mailing list and selling products and services - Membership programme, guided tours, Kids activities and the e-shop - the institution continued to acquire contacts of visitors who entered the exhibition space or showed interest in the institution's activities. This process further increased the number of contact accounts registered on the Customer Relationship Management system. This number over the year exceeded 110,000; according to the data tracked in the September-December four-month period, 57% of the visitors came from Milan and its province, 26% from the rest of Italy and 17% from abroad.

An intense communication and press office activity also supported the launch of the artistic programming for the two-year period 2024-2025. On 5 December, the press conference was attended by the Mayor of Milan Giuseppe Sala, Pirelli Executive Vice President and President of Pirelli HangarBicocca™ Marco Tronchetti Provera and Artistic Director Vicente Todolí, with New York Times journalist Farah Nayeri moderating.

The Pirelli HangarBicocca™ Membership programme is aimed at visitors who wish to take part in the life of the institution through dedicated activities, becoming members of a community that shares passion and interest in contemporary art. During 2023, there were 378 active members. Members were granted early access to exhibitions and curator-led tours. Reserved seats at Public Programme events and discounts at the Bookshop or affiliated institutions were also guaranteed.

Pirelli HangarBicocca™ hosted numerous major events, including the Tod's and Versace fashion shows. It hosted the annual convention of the sales force of Helvetia Assicurazioni and Generali, the celebratory dinner of the Coesia group, the Edenred group convention, the prize-giving dinner of the San Pellegrino Young Chef Award contest, the Markit event and the customary Charity Dinner of Progetto Itaca. The foyer and reading room hosted smaller events such as some training days of the Allianz group, the Christmas event of Prysmian and the event of MCO International.

During the year the selection of books on sale at the Bookshop was also expanded to include titles by new publishers.

The e-shop, which has been in operation for two years, generated revenues of 12% of total sales of products and services.

In 2023, Pirelli HangarBicocca™ also expanded and fostered the involvement of Pirelli employees in its activities with a view to "**Workforce Training & Welfare**":

- through the adoption of the design-driven approach, a project was developed to involve Pirelli employees in brainstorming moments aimed at broadening awareness of Pirelli HangarBicocca™ within the Pirelli context. The project, the result of collaboration with the Management Engineering and Design Departments of the Politecnico of Milan, involved the participation of resources from the institution and Pirelli from different departments.

- In February, in collaboration with Learning by Pirelli, a new training experience was carried out involving some groups of colleagues currently in the second year of the Warming Up path (New Graduates onboarding programme). Starting from the direct and immersive experience among the works of Bruce Nauman's exhibition, the participants were gradually accompanied to reflect on their own path and on their ability to use differentiated filters and new reading keys to move effectively within the corporate context.

- Again in collaboration with Pirelli's Learning division, an in-person event was organised in November for those enrolled in the Plunga path, during which participants had the opportunity to learn more about the relationship that binds Pirelli HangarBicocca™ to the company and to visit the temporary exhibitions by Thao Nguyen Phan and James Lee Byars and the permanent installation by Anselm Kiefer.

- The long-standing collaboration with the Welfare and Engagement division also continued with the organisation of guided tours for adults and creative itineraries for children and families during Pirelli's Open Day. On that occasion the institutional video of Pirelli HangarBicocca™ was shown in rotation in the Auditorium.

- A tour of the exhibition space dedicated to the Pirelli Executive Group was organised. The event was attended by colleagues from all the group's subsidiaries at the end-of-year cocktail dinner.

- 191 employees joined the Membership programme free of charge and more than 1,000 employees visited the space in 2023.

- All the catalogues and books published by Pirelli HangarBicocca™ are in the library at Pirelli's Bicocca headquarters, available to employees.

REPORT ON CORPORATE GOVERNANCE

AND SHARE OWNERSHIP OF PIRELLI & C. S.P.A.

PURSUANT TO ART. 123-*BIS* OF THE CONSOLIDATED LAW ON FINANCE (TUF)

(TRADITIONAL MODEL OF ADMINISTRATION AND CONTROL)

(REPORT APPROVED BY THE BOARD OF DIRECTORS OF PIRELLI & C. S.P.A. ON 6 MARCH 2024 IN RELATION TO THE YEAR ENDED ON 31 DECEMBER 2023. THE REPORT IS ALSO AVAILABLE ON THE WEBSITE WWW.PIRELLI.COM)

GLOSSARY

Annual General Meeting: the Company's Shareholders' Meeting called to approve Pirelli's annual financial statements as of 31 December 2023.

Borsa Italiana: Borsa Italiana S.p.A.

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 approved by Royal Decree no. 262 of 16 March 1942 (as subsequently amended and supplemented).

Corporate Governance Code: refers to the Corporate Governance Code of listed companies prepared and approved in January 2020 by the Corporate Governance Committee and effective from 1 January 2021.

Code of Ethics: the Group's Code of Ethics, of which the current version was most recently adopted in 2023 and which sets out the general principles (transparency, correctness and loyalty) that inspire the conduct and operation of the Group's business. The Code of Ethics is available on the Website.

Corporate Governance Committee: the Italian Corporate Governance Committee for listed companies, promoted by Borsa Italiana, 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 6 March 2024, the date on which the Board of Directors approved this Report.

Golden Power DPCM or the **Decision**: the Decree of the President of the Council of Ministers adopted, following conclusion of the Golden Power Proceedings, and notified to the Company on 16 June 2023, whereby the special powers were exercised in accordance with the Golden Power Decree (as defined below).

Golden Power Decree: Italian Decree-Law no. 21 of 15 March 2012, setting out rules governing special powers over corporate structures in the sectors of national security and defence and for activities of strategic relevance in the sectors of energy, transport and communications, and converted into Italian Law no. 56 of 11 May 2012, as subsequently amended and supplemented.

Key Managers: the persons identified in accordance with Art. 11, paragraph 10 of the Bylaws, namely Pirelli's managers who, by virtue of the duties and powers assigned to them, directly or indirectly have the power and responsibility for planning, directing and controlling the Company's business and making decisions that can impact its evolution and future prospects.

Year: the financial year to which this Report relates, i.e. the year ending 31 December 2023.

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.

Golden Power Proceedings: the administrative proceedings established by the Golden Power Decree on 6 March 2023 following notification of the indirect shareholder of Pirelli CNRC, in connection with the Shareholders' Agreement Renewal (as defined below) and which concluded with the Company's notification of the Golden Power DPCM.

Regulations of the Board: the Regulations, adopted by the Board of Directors on 3 August 2023, which govern the methods of organisation and internal functioning of the Board of Directors itself, in line with the recommendations of the Corporate Governance Code.

Issuers' Regulation: the Regulation approved by Consob resolution 11971/1999 (as amended and supplemented) on the subject of issuers.

Related Parties Regulation: the Regulation approved by Consob resolution 17221 dated 12 March 2010 (as amended and supplemented) on the subject of related-party transactions.

Report: this Report on the corporate governance and share ownership prepared pursuant to art. 123-*bis* TUF.

NFD Report: the Consolidated Non-Financial Disclosure drafted in accordance with Italian Legislative Decree no. 254 of 30 December 2016 relative to FY 2023, reported in the chapter "Report on Responsible Management of the Value Chain" of the 2023 Annual Financial Report and published on the Website.

Remuneration Report: the report on the Remuneration Policy and compensation paid, approved by the Board of Directors on 6 March 2024, on the proposal of the Remuneration Committee, having consulted with the Board of Statutory Auditors, drafted in accordance with Art. 123-*ter* of the TUF and Art. 84-*quater* of the Issuers' Regulation and published on the Website.

Shareholders' Agreement Renewal: the shareholders' agreement entered into on 16 May 2022 by ChemChina, CNRC, SPV HK 1, SPV Lux, MPI Italy, Camfin and MTP&C, which came into force on 19 May 2023, the date of publication of the notice convening the Pirelli shareholders' meeting for the approval of the financial statements as at 31 December 2022 and the effect of which was suspended from 19 May 2023 to 16 June 2023, the date on which the Government notified the Company and the other parties concerned of the Decision. The essential content of the Shareholders' Agreement Renewal, to which reference is made for further information, is available on the Website (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.

Website: the institutional website of Pirelli containing inter alia information about the Company, can be found at the Internet domain *www.pirelli.com*.

Auditing Firm: PricewaterhouseCoopers S.p.A.

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 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., Chinese company 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 current bylaws of Pirelli, available on the Website, most recently amended by the Board of Directors on 27 July 2023 in order to incorporate certain provisions of the Golden Power DPCM.

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 by resolution of the Board of Directors passed on 22 June 2020, confirmed by the Board of Directors on 3 August 2023.

Pirelli is aware that an efficient system of corporate governance is an essential element for achieving the objective of sustainable value creation.

The Report was examined on 1 March 2024 by the Control, Risks and Corporate Governance Committee, which ruled in favour of it and it was approved by the Board of Directors on 6 March 2024.

The information contained in the Report refers, where not expressly indicated, to the Financial Year.

1. COMPANY PROFILE

Pirelli, with its 31 thousand employees and revenues of around 6.7 billion euros in 2023, 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. ≥*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 ≥18” tyre market in the replacement channel. At the end of the financial year, Pirelli boasts geographically diversified production, with 18 production plants in 12 different countries and a commercial presence in more than 160 countries.

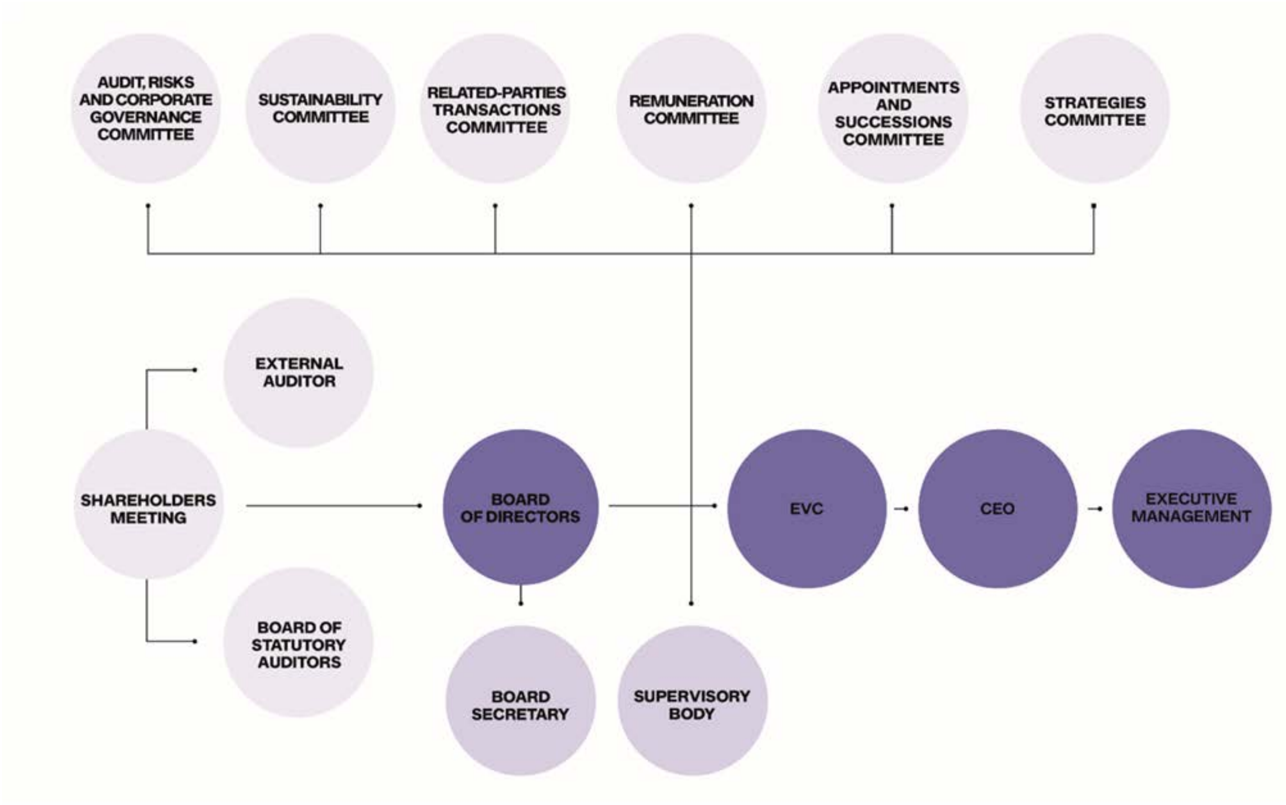
For the sake of completeness, it should be noted that, pursuant to the Corporate Governance Code, the Company falls within the definition of “concentrated ownership company” and “large company”. The Company did not use any flexibility options admitted by the Corporate Governance Code.

For more details on Pirelli’s profile, also see the Website.

1.1 *MODEL OF CORPORATE GOVERNANCE*

Pirelli’s governance structure, hinged on the very best international practices, as ruled by Art. 3.4 of the Bylaws, is structured according to the traditional model of administration and control.

The following diagram summarises the Company's current governance structure.



In compliance with the Code of Corporate Governance and the Bylaws, the Board of Directors has established five board committees appointed to offer advice (see section 6 of the Report for more details) and specifically:

- Strategies Committee;
- Appointments and Succession Committee;
- Remuneration Committee;
- Sustainability Committee;
- Audit, Risks and Corporate Governance Committee.

The Board of Directors has also established the Related-Party Transactions Committee, with duties that include authorising related party transactions.

The external audit of the accounts is entrusted to PricewaterhouseCoopers S.p.A., a registered auditing firm (see section 9.9 of the Report for further details). The Company's Governance Structure is completed by a Board of Statutory Auditors (made up of five standing and three alternate members) with the functions of supervising administration and compliance with the law and Bylaws (see section 11 of the Report for further details), and a Supervisory Body (made up of three members, of whom one is also a standing auditor) 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 section 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.

1.2 *SUSTAINABILITY IN PIRELLI*

For Pirelli, sustainability is a factor that is integrated into the Group's growth strategies and business and, with this in mind, Pirelli is constantly committed to promoting, developing and implementing a sustainable business model for all its stakeholders in all aspects of its business.

The Board of Directors pursues the goal 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);
- choosing a director in charge of sustainability issues (for more details see section 9.7 of the Report);
- the establishment of a board Committee offering support in analysing sustainability topics linked to the corporate business, to corporate social responsibility and the analysis of topics relevant to generating value in the long-term (for more details, see section 6.4 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 section 9);
- adopting a specific policy for dialogue with shareholders and stakeholders in the financial market in which the Company operates (for further details see section 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 (for further details see section 9.2 of the Report).

The Company's commitment to pursuing sustainable development is further confirmed by the establishing of specific policies and procedures adopted by Pirelli, as better detailed in the NFD Report.

2. INFORMATION ON THE OWNERSHIP STRUCTURE

2.1 *STRUCTURE OF SHARE CAPITAL*

On the Report Date, the issued share capital of Pirelli amounts to 1,904,374,935.66 euros 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 Pirelli held on 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, paragraph 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 24 July 2023, the conversion price of the bonds is 6.0173 euros, calculated in accordance with the methods provided for in the Regulations.[156]

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*

As of October 4, 2017, the date on which trading of the Company's shares began on Euronext Milan organized and managed by Borsa Italiana, MPI Italy has declared control pursuant to Art. 93 of the TUF over the Company, of which it holds approximately 37% of the share capital, without exercising activities of direction and coordination. MPI Italy, in turn is indirectly controlled by Sinochem Holdings, a state owned enterprise incorporated under the law of China, subject to control by the State-owned Assets Supervision and Administrative Commission of the State Council (SASAC) of the People's Republic of China.

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[156] The conversion price stems from the adjustment made following the resolution of the Company's shareholders' meeting of 29 June 2023 to distribute a dividend of 0.218 euros per ordinary share.

Note that, following the issuance of the Golden Power DPCM, the Board of Statutory Auditors together with management have been performed analysis regarding the permanence of the control by MPI Italy over Pirelli pursuant to both with Art. 93 of the TUF and IFRS 10; the aforesaid analysis is still ongoing. Similar activity is being carried out by MPI Italy. Pending the outcome of the mentioned analysis, the disclosure regarding MPI Italy's declaration of control at this stage has not changed.

2.3 *MANAGEMENT AND COORDINATION ACTIVITIES*

The Golden Power DPCM has ruled that CNRC, the parent company of MPI Italy, must specifically respect the commitment, *inter alia*, not to manage and coordinate Pirelli, as better detailed in section 2.5 of the Report.

Conversely, Pirelli exercises direction and coordination of numerous subsidiaries, having made the relevant publication where necessary.

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 nor do they envisage any limitations to possession of Company shares nor any need to obtain approval from the Company or other holders of securities.

No securities have been issued that carry special rights of control nor do the Bylaws envisage any increased voting rights or the issue of multiple vote shares.

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.

It is noted that with the adoption of the Golden Power DPCM, the Council of Ministers has deemed that the Company holds technologies of strategic relevance for national interests, as identified by the Golden Power Decree and the related transposition regulations.

2.5 *SPECIAL GOVERNMENT POWERS*

The Golden Power Decree regulates the special powers that can be exercised by the President of the Council of Ministers in order to safeguard strategic businesses and assets. With the adoption of the Golden Power DPCM, the Council of Ministers deemed that the Company holds technology of strategic relevance to national interests, as identified by the Golden Power Decree and related transposition regulations, and considered that the risks relating to such called for structural measures that went beyond the temporary nature of the Shareholders' Agreement Renewal.

The Decision therefore envisaged, differently in respect of Pirelli and CNRC, the notifying party in the Golden Power Proceedings, a series of rules - disclosed by the Company to the market last 18 June 2023 - aiming to set up a network of measures that together acted to protect Pirelli’s autonomy and that of its management team, as well as the technologies and information of strategic relevance held by the Company.

More specifically, the Decision ordered CNRC:

(i) to respect the commitment not to manage and coordinate, as detailed below, merely by way of example:

- to ensure Pirelli complete autonomy in the management of relations with customers and suppliers;
- to guarantee that Pirelli prepares the strategic, industrial, financial plans and/or budget of the Company or the Group independently;
- to guarantee that Pirelli shall not be subject to instructions by the Sinochem Group;
- not to adopt any deeds, resolutions or communications that may suggest that Pirelli’s decisions are the consequence of desires and instructions imposed upon it by CNRC;
- not to centralise treasury services or other financial coordination or assistance departments (e.g. cash pooling), nor any other technical coordination departments (e.g. integration of Pirelli’s computer systems into those of Sinochem Holdings, including those of Pirelli’s Chinese subsidiaries);
- not to issue any orders or instructions and in any case not to coordinate the initiatives regarding financial and credit-related decisions and research and development in Pirelli;
- not to issue any 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.;
- not to make any crucial decisions regarding the operating strategies of Pirelli or formulate group strategic guidelines;

- to guarantee the absence of any organisational-functional connections between Pirelli, on the one hand, and CNRC, on the other;

(ii) to undertake to ensure that the Chief Executive Officer of Pirelli, drawn from the majority slate, is indicated by Camfin and that, consequently, of 12 Pirelli Directors, drawn from the majority slate, 4 are appointed by Camfin;

(iii) to undertake to ensure that, similarly to the Agreement signed on 1 August 2019, the role of General Manager be introduced, to whom the power to implement the business plan, budget and routine management of Pirelli, shall be delegated;

(iv) to undertake to ensure that all Pirelli Delegated Bodies are identified exclusively from among the Directors appointed by Camfin;

(v) to ensure that the power of appointment and dismissal of the Directors and Deputy Directors of Pirelli is deferred, in accordance with Article 11.9 of Pirelli's Bylaws, to the Executive Vice Chairman or Chief Executive Officer;

(vi) to undertake, alongside Pirelli, to ensure that the Bylaws are amended so that, in relation to the board resolutions pertaining to the assets of strategic importance in addition to appointment and dismissal from the office of Key Managers of Pirelli, the proposal is reserved for the Chief Executive Officer and any decision contrary thereto may only be adopted with the vote of at least 4/5 of the Board of Directors.

The following specific orders have also been laid down as applying to Pirelli:

a. to ensure that the Bylaws are amended so that, in relation to the board resolutions pertaining to the assets of strategic importance as identified above in addition to appointment and dismissal from the office of Key Managers of Pirelli, the proposal is reserved for the Chief Executive Officer and any decision contrary thereto may only be adopted with the vote of at least 4/5 of the Board of Directors.

b. to refuse any request that falls outside of the ordinary exercise of the prerogatives of the shareholders and to implement any managerial or organisational initiative that originates from parties attributable to the Chinese SASAC, with specific reference to requests regarding:

   - the sharing of information relating to technology covered by industrial property rights, intellectual property rights or, in any case, any information relating to know-how connected with such technologies, even if still under development;

   - the centralised treasury mechanism managed by the company Sinochem Holding;

   - direct access to management and administrative information systems, including the Enterprise Resource Planning (ERP) platforms of Pirelli and its subsidiaries, including the Chinese branches;

- the transfer of ICT services, systems and assets of Pirelli Group companies to infrastructures situated outside territory coming under European jurisdiction and/or managed by subjects that can be traced to the Chinese government;
- the transfer or sharing with subjects that can be traced to the Chinese government of any data obtained or processed through CYBER technology.

The Decision states that Pirelli shall equip itself with a series of tools by which to protect the assets of strategic importance, including Strategic Industrial Security Clearance ("**NOSIS**"), which envisages limits to the accessibility of information as well as the establishing of an autonomous security organisational unit, as detailed in section 12.2 of the Report.

The Decision envisaged that the implementation of the measures shall be monitored by the Ministry for Enterprises and Made in Italy ("**MIMIT**").

The Golden Power DPCM has also considered that any change to Pirelli's corporate governance must be notified in accordance with the Golden Power Decree.

2.6 *SHAREHOLDERS' AGREEMENTS*

With reference to the shareholders' agreements known to the Company in accordance with Art. 122 TUF, we note:

- the Shareholders' Agreement Renewal, which aims, amongst other aspects, to regulate Pirelli's governance, in line with the terms and conditions of the previous shareholders' agreement signed on 1 August 2019 between ChemChina, CNRC, SPV HK1,CNRC International Holding (HK) Limited, SPV Lux, MPI Italy, SRF, MTP&C and Camfin, which had reached expiry of the three-year term on 28 April 2023 (the "**Shareholders' Agreement**"). The Shareholders' Agreement Renewal came into force on 19 May 2023 with the publication of the notice convening the meeting of the Company's shareholders, called to approve the financial statements at 31 December 2022 and its effect was temporarily suspended until the date of the notification to Pirelli and CNRC of the Golden Power DPCM in accordance with the Golden Power Decree, insofar as the Golden Power Proceedings were still ongoing at the date on which it came into effect;
- the shareholders' agreement signed on 28 February 2023 by 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, 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.

It is also noted that:

- during the Year, on 29 September 2023, the Amended and Restated Acting-in-concert agreement between SRF and CNRC, reached expiry; this agreement had held certain clauses relating in particular to the exercise of votes in Pirelli Shareholders' Meetings by SRF over the portion of the share capital held;

- following Year end, on 8 January 2024, the investment agreement signed by Camfin and Longmarch Holding S.r.l. ("**LongMarch**") on 13 May 2020, subsequently amended on 30 June 2021, was terminated, in view of the signing of a New Investment Agreement between Camfin, LongMarch, MTP&C, Longmarch Hongkong Holding Limited and Camfin Alternative Assets S.r.l. (formerly S.p.A.). This latter agreement contains no provisions relevant in accordance with Art. 120 of the TUF.

2.7 *CHANGE OF CONTROL CLAUSES*

The most significant contracts containing clauses of this type, at the Report Date, are summarised below.

2.7.1 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.

2.7.2 SUPPLY CONTRACT WITH BEKAERT

The Company, which sold the steelcord business unit to Bekaert in 2014, has a contract in place with Bekaert for the supply of steelcord, also in consideration of the contractual peculiarities connected with the sale transaction.

This contract includes a change of control clause whereby Bekaert has the right, *inter alia*, to withdraw from the contract within 90 days after becoming aware of a situation in which a third party acquires control of Pirelli.

2.7.3 SCHULDSCHEIN: MULTITRANCHE LOAN FOR A TOTAL OF 525,000,000 EUROS

On 26 July 2018 Pirelli concluded a "*schuldschein*" loan - guaranteed by Pirelli Tyre - for an original total of 525 million euros (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 (fully 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's Shareholders' Meeting (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 members 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 Chief Executive Officer of such company (notably Camfin or another company directly or indirectly controlled by Marco Tronchetti Provera or his close family members) as well as Chief Executive Officer of Pirelli.

2.7.4 BILATERAL FACILITY EUR 600 MILLION 2019 5Y

On 22 January 2019, the Board of Directors authorised Pirelli to enter into a medium-long term variable-rate bilateral loan guaranteed by Pirelli Tyre, in the amount of 600 million euros (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 that can be exercised in Pirelli's Shareholders' Meeting; 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. The loan was paid back in full, early, in July 2023.

2.7.5 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 largest individual shareholder of Pirelli.

2.7.6 BILATERAL LOAN EUR 125 MLN 2019 4Y

On 1 August 2019, the Board of Directors approved the stipulation by Pirelli of a 4-year variable rate bilateral loan of 125 million euros (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 that can be exercised in Pirelli's Shareholders' Meeting; 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. The loan was paid back in full, early, in March 2023.

2.7.7 CLUB DEAL EUR 800 MLN ESG 2020 5Y

On 31 March 2020, Pirelli signed a new credit line in the amount of 800 million euros, 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 that can be exercised in Pirelli's Shareholders' Meeting; 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.

2.7.8 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 500,000,000 euros, 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 Pirelli 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 relevant terms and conditions (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 Co., Ltd (“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 that can be exercised in Pirelli’s Shareholders’ Meeting; 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’s Shareholders’ Meeting.

For clarification, the Regulation 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.

2.7.9 BILATERAL ESG FACILITY EUR 400 MLN 2021 3Y

On 11 November 2021, the Board of Directors authorised Pirelli to enter into a medium-long term variable-rate bilateral loan in the amount of 400 million euros. 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.

2.7.10 CLUB DEAL EUR 1.6 BLN ESG 2022 5Y

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' (for 600 million euros) and two 'Revolving' (for a total of 1,000 million euros), based on predetermined economic and environmental sustainability objectives, for a total amount no greater than 1.6 billion euros, with a pool of lending banks.

On 21 February 2022, the respective loan agreement was signed with 16 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 2021 bilateral loan for 400 million euros signed on 23 December 2021 referred to in section 2.7.9.

2.7.11 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 ESG eur 400 mln 2021 4y facility signed on 23 December 2021 and the Club Deal Eur 1,6 bln ESG 2022 5y referred to in section 2.7.9 and 2.7.10.

2.7.12 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 facility 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 ESG eur 400 mln 2021 4y facility signed on 23 December 2021 and the Club Deal Eur 1.6 bln ESG 2022 5y referred to in section 2.7.9 and 2.7.10. The loan was paid back in full in advance in several tranches during the second half of 2023.

2.7.13 BILATERAL FACILITY EUR 300 MLN ESG 2023 2.5Y

On 11 May 2023, Pirelli's Board of Directors approved the subscription of a bilateral loan for a maximum amount of 400 million euros, maturing in February 2026.

This loan agreement - signed on 30 June 2023 for an amount of 300 million euros - states, *inter alia*, that the facility can be cancelled and that Pirelli is required to repay the relevant drawdowns 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 ESG Eur 400 mln 2021 3y facility, the Club Deal Eur 1,6 bln ESG 2022 5y and the Eur 400 mln "sustainability-linked" credit facility, referred to respectively in sections 2.7.9, 2.7.10 and 2.7.12.

2.7.14 RCF EUR 500 MLN 2023 4Y

On 9 November 2023, Pirelli's Board of Directors approved the signing of a revolving committed credit facility with a select pool of international banks, for an amount of 500 million euros, maturing in 4 years.

Under the scope of the agreement, Pirelli can parametrise the new credit facility with the new, more challenging Science Based Targets, which the company will be defining in a new business plan, having already achieved the decarbonisation objectives initially set for 2025, a whole two years early.

The loan agreement signed on 21 December 2023 stipulates, *inter alia*, that the facility can be cancelled and that Pirelli must repay any drawdowns made against it 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 Camfin (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 of, or controls, in aggregate, 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 (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.

2.7.15 EMTN PROGRAMME UPDATE

On 11 May 2023, amongst others the Board of Directors resolved to approve the update and amendment of the EMTN Programme pursuant to section 2.7.11. The Board of Directors has also authorised the issue, to be executed within 12 months of the date of approval of the annual update by the competent authority (this took place on 30 January 2024), of one or more debenture loans, to be placed with institutional investors, for a maximum total amount of up to 1 billion euros. The new issues may be settled in accordance with English or Italian law and the securities can be listed on one or more regulated markets and will be guaranteed by Pirelli Tyre.

Pursuant to the updated 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 revolving loan pursuant to section 2.7.14.

* * *

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 (including 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 1.5 billion euros, sufficient to meet any liability management needs.

2.8 CLAUSES IN THE BYLAWS ABOUT PUBLIC OFFERS

The Bylaws do not envisage, in the event of a public takeover bid or exchange regarding Pirelli securities, any derogations from the provisions governing the passivity rule envisaged by Art. 104, paragraphs 1 and 1-*bis* of the TUF, nor the application of the rule of neutralisation set forth in Art. 104-*bis*, paragraphs 2 and 3 of the TUF.

It is also noted that with the adoption of the Golden Power DPCM, the Council of Ministers has considered the Company as holding technologies of strategic relevance for national interests, as defined by the Golden Power Decree.

2.9 MANDATE TO INCREASE SHARE CAPITAL AND AUTHORISATIONS TO PURCHASE OWN SHARES

Refer to section 2.1 of the Report for details on the capital increase resolved by Pirelli's Shareholders' Meeting on 24 March 2021, to serve the conversion of the debenture loan issued by the Company named "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025".

It is specified that during such Pirelli shareholders' meeting, a mandate was conferred upon the Board of Directors - and, on its behalf its legal representatives *pro tempore*, including separately - to carry out the resolved share capital increase determining, *inter alia* and each time, in compliance with the provisions of the Regulations (i) the exact issue price of the Pirelli shares, and, (ii) as a consequence of the determination of the issue price, the exact number of Pirelli shares to be issued, and, therefore, the exact exchange ratio, as necessary for the 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, Pirelli's 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 in accordance with Articles 2357 *et seq.* of the Italian Civil Code.

3. COMPLIANCE

Pirelli adheres to the Corporate Governance Code, published on 31 January 2020 and in force since 1 January 2021, 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/2020eng.en.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 Financial Year, in which the Company examined – with the support of the Audit, Risks and Corporate

Governance Committee[157] – 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.

According to the "comply or explain" principle envisaged by the Code of Corporate Governance, the Report provides an account of the recommendations the Company has, presently, decided that there is no need to fully or partially follow.

The Report has essentially been prepared using the 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*

Without prejudice to the prerogatives assigned to the Executive Vice Chairman and Chief Executive Officer, and also taking into account the provisions of the Golden Power DPCM, in pursuing sustainable success in accordance with Art. 11 of the Bylaws, the Board of Directors manages and supervises the overall business activities and is, to this end, assigned powers of administration except for those that the law or the Bylaws reserve for the Shareholders' Meeting.

4.2 *APPOINTMENT AND REPLACEMENT OF DIRECTORS*

The provisions contained in the Bylaws, to which reference is made for more details, regarding the appointment and replacement of Pirelli's directors are summarised below.

Appointment: 31 July 2023 Expiration date: 2025 Financial Statement approval **Directors**: 15 **Executive director**: 2 **Independent Directors**: 9	**Board committees**: 6 Strategies Committee - Related Parties Transactions Committee - Sustainability Committee - Appointments and Successions Committee - Remuneration Committee - Audit, Risks and Corporate Governance Committee

[157] The Audit, Risks and Corporate Governance Committee has, since 31 July 2023, operated as the "Audit, Risks, Sustainability and Corporate Governance Committee".

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, taking into account, *inter alia*, the provisions of the Golden Power DPCM, in which the candidates are listed by consecutive 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 take part in the presentation of only one slate and each candidate may appear on only one slate on penalty of losing the right to be elected.

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 that would make them ineligible for or incompatible with the role, and that they satisfy any requirements established for the role concerned. Together with such statements, a *curriculum vitae* must be filed for each candidate, including their relevant personal and professional data and mentioning the offices held in management and supervisory bodies of other companies and their satisfaction of the requisites of independence prescribed for directors of listed companies by the law or by the governance code endorsed 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 bylaw provisions 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.

If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected a director or that has elected the lowest number of directors is elected.

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.

In the event a Director ceases to comply with the independence requirements, this does not cause his/her ceasing to be a Director provided that the Directors in office complying with legal independence requirements are a number at least equal to the minimum number requested by laws and/or regulations.

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*

It is first noted that during the Financial Year, an event occurred involving the members of the Board of Directors, due to the expiry of the mandate of the Board of Directors appointed by Pirelli's Shareholders' Meeting on 22 June 2020 and that had been operating entirely - including the Directors previously coopted - under an extension regime from 29 June 2023, the date on which the shareholders' meeting approved the financial statements at 31 December 2022, until the shareholders' meeting held on 31 July 2023 (the "**2020-2022 Board of Directors**"). The 2020-2022 Board of Directors numbered 15 directors, of whom 2 executive and 8 independent. Women made up 20% of the 2020-2022 Board of Directors. For further information, please refer to Table 2.

The Board of Directors in office at the Report Date was appointed by the Pirelli Shareholders' Meeting held on 31 July 2023. Its term of office will end with the approval of the financial statements as at 31 December 2025.

As of the Report Date, the Board of Directors is composed of 15 Directors, namely:

- Jiao Jian (Chairman), Marco Tronchetti Provera (Executive Vice Chairman), Andrea Casaluci (Chief Executive Officer), Chen Aihua, Zhang Haitao, Chen Qian, Alberto Bradanini, Michele Carpinelli, Domenico De Sole, Fan Xiaohua, Marisa Pappalardo and Grace Tang were appointed based on the slate submitted by MPI Italy, also on behalf of Camfin, which obtained approximately 84% of the share capital votes represented at the Shareholders' Meeting. Four directors specified on such slate, including the Chief Executive Officer, were designated by Camfin, specifically: Marco Tronchetti Provera, Andrea Casaluci, Domenico De Sole and Michele Carpinelli.

- 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 16% of the share capital votes represented at the Shareholders' Meeting.

At the Report Date, 40% of the members of the Board of Directors in office were female[158] and the remaining 60% were male. Moreover, 13% are under the age of 50. The average age of the members

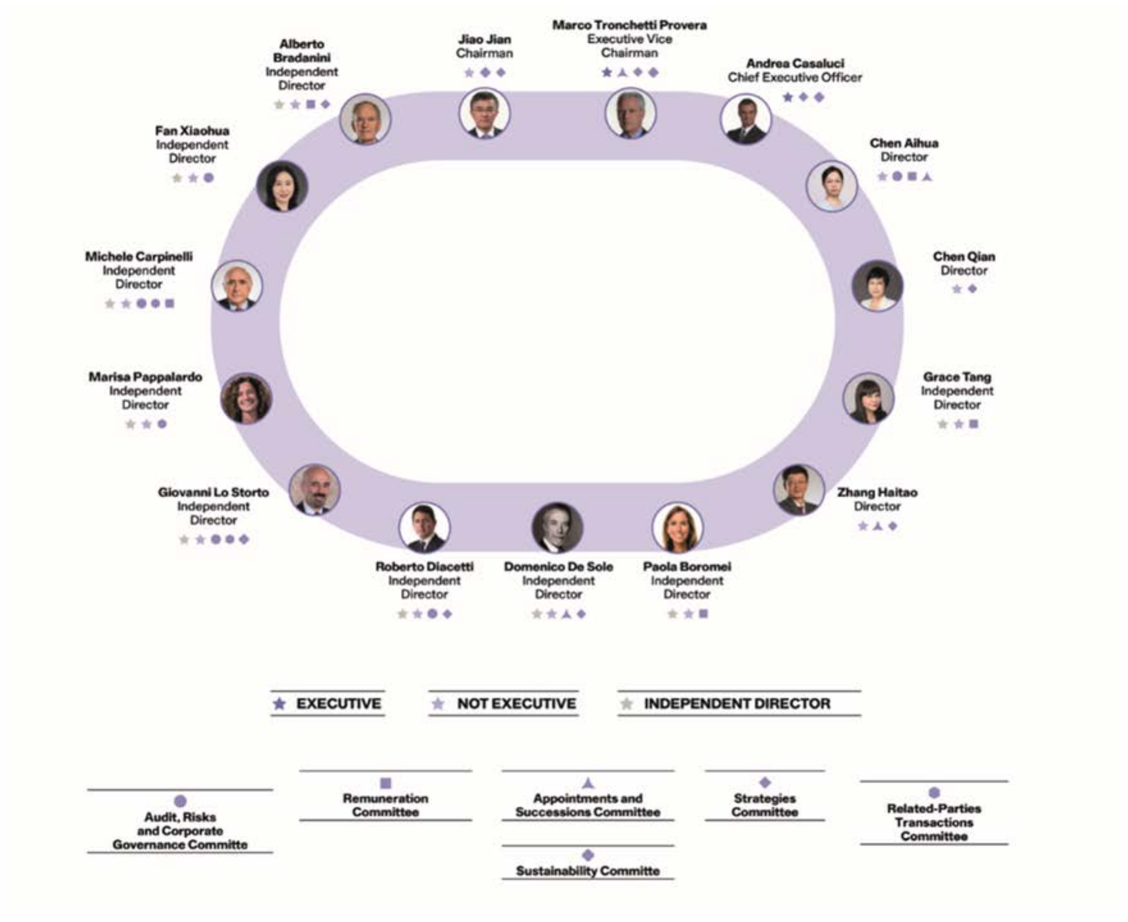
[158] The representation requirement for the least represented gender in the corporate bodies of listed companies in force at the date on which the Board of Directors of Pirelli in office at the Report Date was appointed, is at least two fifths of the least represented gender,

of the Board of Directors is approximately 59 years of age and the average age of the female members is approximately 54 years of age. The Directors' average time in office is about 4 years.

At the Report Date, the majority of the members of the Board of Directors in office are independent directors, ensuring that they have significant weight in the adoption of board resolutions and guaranteeing effective monitoring of operations.

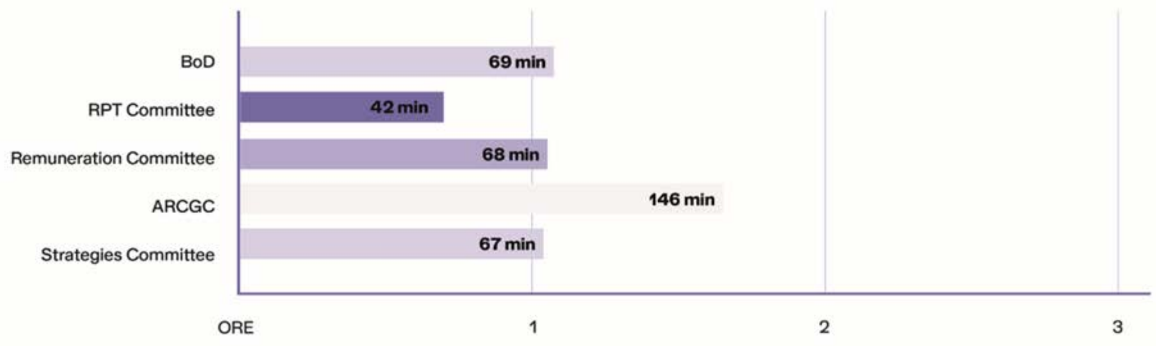
Table 2, annexed, provides the significant information on the members of the Company's current Board of Directors, with reference to each Director in office at the Report Date. In addition, a summary of their professional profiles, periodically updated, is available on the Website.

The following charts illustrate (i) the composition of the Board of Directors at the Report Date, as well as (ii) the average lenght, (iii) the average attendance, (iv) the number of meetings of the Board of Directors and Committees held during the Financial Year and (v) the overall skills by sector of the members of the Board of Directors.

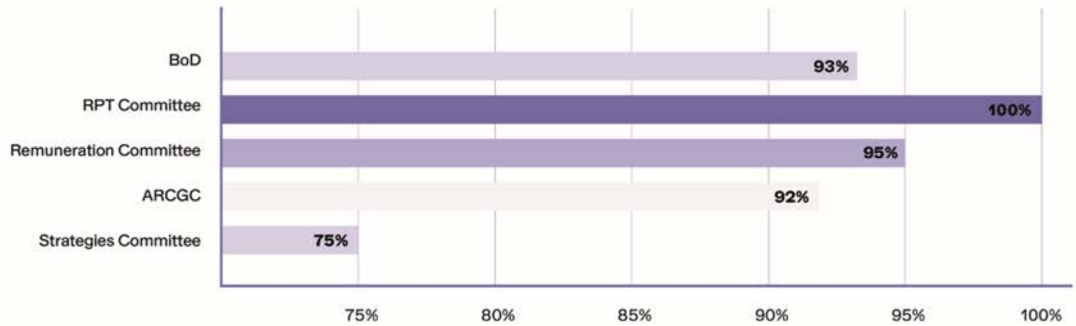


in accordance with Art. 147-*ter*, paragraph 1-*ter*, of the TUF, as most recently amened by Art. 1, paragraph 302 of Italian Law no. 160 of 27 December 2019.

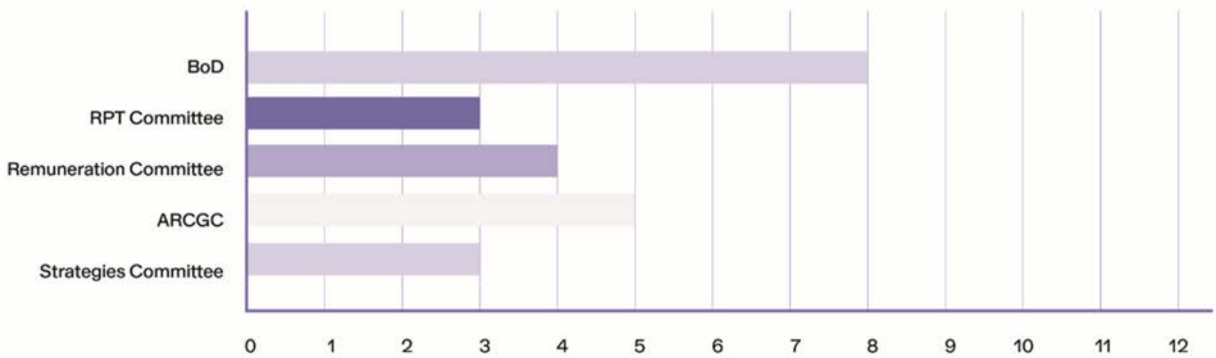
AVERAGE LENGHT OF MEETINGS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES



AVERAGE PERCENTAGE OF ATTENDANCE TO THE 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

The pursuit and implementation of diversity policies is one of the Pirelli Group's pillars and features heavily in the corporate governance model adopted by the Company.

Pirelli's approach to diversity policies is, in fact, based on the fundamental principles of non-discrimination, equal opportunities and inclusion of all forms of diversity, as well as integration and balancing of work with personal and family needs, with a constant focus on respect for and protection of human rights, as also ruled by 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 renewal during the Financial Year to which this Report refers - 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 3 August 2023, the Board of Directors confirmed the adoption of a statement on diversity and independence, adopted for the first time by the Company's Board of Directors on 14 February 2019 and updated on 17 March 2022 (the "Diversity and Independence Statement"), available on the Website, in connection with the members of the Board itself and the Board of Statutory Auditors.

The Board of Directors - which avails itself of the opinions expressed by the Audit, Risks 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 NFD 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

The guidelines to the maximum number of offices, confirmed by the Board of Directors on 3 August 2023 and adopted for the first time on 14 February 2019, following the favourable opinion of the Audit, Risks, Sustainability and Corporate Governance Committee[159] and the Appointments and Succession Committee, and subsequently amended on 17 March 2022, states that it is not 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.

Following review by the Audit, Risks and Corporate Governance Committee, at the time of appointment and thereafter once a year during a board meeting (the last being that held on 6 March 2024), 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.

[159] It is noted that the Audit, Risks, Sustainability and Corporate Governance Committee has, since 3 August 2023, operated as the "Audit, Risks and Corporate Governance Committee".

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 PROGRAMME

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 Financial Year, induction sessions were arranged, also with the support of the top management, aimed at providing explanations and additional information about 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.

Taking into account the fact that the Financial Year refers to the first year of mandate of the Board of Directors and that 7 Directors are new appointees, the Company has prepared an induction programme with the aim of providing Directors and Statutory Auditors with an adequate understanding of the Company's business and organisation, the reference segment, principles of correct risk management and corporate dynamics. The induction initiatives promoted by the Company during the Financial Year for the new Directors focussed on the organisational structure and the topics of compensation and benefits adopted by the Company.

4.4 *FUNCTIONING OF THE BOARD OF DIRECTORS*

Pursuant to the Bylaws, 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 met eight times[160]. The average duration of each meeting was approximately 1 hour, with attendance by around 93% 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.

[160] The 2020-2022 Board of Directors met 5 times out of all meetings held during the Financial Year.

For the Financial Year and for the current year, Pirelli disclosed a calendar of the main corporate events to the market suitably in advance (also available on the Website)[161]. For the 2024 financial year, as per the Board Regulations, it is scheduled to meet at least 6 times (at the Date of the Report 3 meetings had already been held).

The means of organisation and the internal functioning of the Board of Directors are governed by the Board Regulations, available on the Website, which, *inter alia*, 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 Financial 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 (also to 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 commonly 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 resolutions passed by the Board of Directors to be valid, the majority of members must be in attendance and the majority of votes cast must be in favour, save for the specific matters governed by the Bylaws, for which a qualified majority is required.

[161] 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 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 Financial 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.

Persons external to the Company may also be invited to attend the meetings in connection with specific items on the agenda.

It is understood that all such subjects are in any case required to comply with the confidentiality obligations laid down for board meetings.

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, in compliance with the provisions of the Bylaws, the Secretary by assessing that he/she satisfies the necessary professional requirements (the "**Board Secretary**"). 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. More specifically, and in accordance with the Board Regulations, the Board Secretary ensures that:

a) the pre-meeting information is accurate, complete and clear and the additional information provided during the meetings is suitable to allow the directors to act in an informed manner in compliance with the provisions of the "Golden Power" Prime Ministerial Decree on information of strategic importance;

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.

The Board Secretary shall provide Directors with independent legal advice and assistance on corporate governance matters and in relation to their rights, powers, duties and obligations to ensure the regular performance of their duties.

The Board Secretary, in performing the duties of this role, shall have an organisational structure and personnel fit to perform the assignment.

It is specified that under the appointment held, in accordance with the Bylaws, the Board Secretary is classified as a Key Manager.

4.4.2 BOARD OF DIRECTORS SELF-ASSESSMENT PROCESS

As a rule, the Board of Directors starts an annual process to evaluate its operation and the operation of its Committees (board performance evaluation) for the reference financial year. During the Financial Year, the Board of Directors started the process, assisted, as usual, by a primary consulting firm specialised in this area (SpencerStuart). The self-assessment process was carried out through individual interviews held by the appointed consulting firm, with questions about the effectiveness, size, composition and operation of the Board of Directors. All members of the Board of Directors participated in the self-assessment process.

The analyses performed reveal that the Board of Directors has started its mandate in a context in which Pirelli has been acknowledged as a Company holding technology of strategic relevance to national interests by the Italian government, which on 16 June 2023 exercised the special powers envisaged by the Golden Power Decree (for more details, see paragraph 2.5 of the Report). Under this scope, the Board of Directors therefore found itself facing, for the first time in Italy, a particularly complex governance issue, while at the same time having to ensure the best possible guidance and control of the executive's activities. The Board immediately showed great focus and attention to the matter, also benefiting from the combination of competences held by the Directors and the operative measures instituted in this regard by the Company.

The analysis of the results 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, with specific regard to the diversity of competences, gender, age and seniority. 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 mandate'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's 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 absolute confidentiality of the topics discussed;
- the effectiveness, continuity and transparency of the exchange of information between Directors and management on the corporate strategy, strengthened by the fact that the managers are very willing to provide more information and clarifications both at the Board of Directors level and Committee level.

The Board of Directors also appreciates the Company's attention paid to sustainability topics, in particular with reference to those having the greatest impact on the business. In this sense, the positive consideration is noted relative to the establishment of the Sustainability Committee, which is hoped to be up and running in the very near future.

The Directors also appreciated the induction session held during the Financial Year, for information about which reference is made to paragraph 4.3.3 of the Report.

Particular appreciation was also expressed by the Directors in regard to the excellent direction of board works by the Chair, with specific attention to the authoritative guidance and commitment shown by the Executive Vice Chairman and the leadership to the business matters expressed by the newly-appointed Chief Executive Officer, whose vast experience in the sector is also appreciated, together with his capacity to enhance Pirelli's internal resources.

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).

More specifically, in addition to the matters reserved to the Board of Directors in accordance with the law and the Bylaws, on 3 August 2023, 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 be approved by the Board of Directors of the Company:

(i) assumption or concession of loans worth more than 200,000,000 euros 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 100,000,000 euros and revocation from listing of such instruments;

(iii) concession of guarantees in the favour of third parties for amounts in excess of 100,000,000 euros. 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 40,000,000 euros, 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 40,000,000 euros;

(vii) purchase or sale of businesses or business units that have strategic importance or, in any case, a value of more than 40,000,000 euros;

(viii) purchase or sale of fixed and other assets that have strategic importance or, in any case, a value of more than 40,000,000 euros;

(ix) investment in fixed assets with a total value of more than 40,000,000 euros;

(x) 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 RPT Procedure available on the Website;

(xi) definition of Pirelli’s remuneration policy;

(xii) determination, in compliance with Pirelli’s internal policies and the applicable regulations, the remuneration of the managing directors and the directors with specific responsibilities and, where required, allocating the total remuneration authorised by the Shareholders’ Meeting among the members of the Board of Directors;

(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, 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 (ix) – 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.

In addition, in accordance with the Bylaws, as amended following the Golden Power Decree, the Board of Directors is competent in connection with board resolutions relating to:

(i) the Company's assets of strategic importance, as identified by the Decision[162]; and

(ii) the appointment and revocation from office of Key Managers[163].

The proposal relating to such matters is reserved to the Chief Executive Officer and any decision to the contrary can only be made with the vote of at least 4/5 of the Board of Directors (for more information in this respect, see section 4.5.2. of the Report).

Decisions relating to Significant Matters (as defined below) and in particular the approval and/or amendment of Pirelli's and the Group's budget and/or business plan are also reserved to the competence of the Board of Directors (and/or Shareholders' Meeting, as applicable), on the proposal of the Chief Executive Officer. With reference to the Significant Matters, any possible decision adopted by the Pirelli Board of Directors against the relative proposal submitted by the Chief Executive Officer must be motivated and, in any case, must consider the best interests of Pirelli.

As required by the Corporate Governance Code[164], 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, also referring to the analytical work carried out by the Audit, Risks and Corporate Governance Committee.

[162] Art. 3.3 of the Company Bylaws

[163] Art. 11.10 of the Company Bylaws.

[164] See Recommendation 33 (a).

The Board of Directors 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*

The Executive Vice Chairman Marco Tronchetti Provera and the Chief Executive Officer Andrea Casaluci are classified as executive directors of the Company.

4.5.1 *EXECUTIVE VICE CHAIRMAN*

Also in compliance with the provisions of the Golden Power DPCM, on 3 August 2023, the Board of Directors assigned the Executive Vice Chairman the following powers:

- legal representation of the Company;
- powers related to the general strategies of the Company (also referring to the Significant Matters, as defined below);
- supervisory power over implementation of the business plan, the annual budget, by the Chief Executive Officer of Pirelli, of the General Manager and Management;
- powers related to relations with shareholders, institutions and the media;
- the power to propose to the Pirelli Board of Directors revocation from the position of Chief Executive Officer designated and his/her replacement with a new CEO (or appointment of a new CEO if the previous CEO should cease to hold office for any reason);
- the power to appoint and revoke other senior figures in the organisation.

On the same date, in compliance with the provisions of the Golden Power DPCM, the Board of Directors also conferred upon the Executive Vice Chairman the exclusive delegation on the autonomous security organisational unit (the "**Security Organisation**") to manage all Pirelli's assets and businesses considered to be of strategic relevance to the protection of national interests, as better detailed in section 12.2 of the Report.

4.5.2 CHIEF EXECUTIVE OFFICER

Also in compliance with the provisions of the Golden Power DPCM, on 3 August 2023 the following powers were assigned to the Chief Executive Officer Andrea Casaluci:

a) legal representation of the Company;

b) 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;

c) the power to propose to the Board of Directors, coordinating with the Executive Vice Chairman, adoption of the following resolutions (together, the "**Significant Matters**"):

   (i) approval of the business plan and the annual budget of Pirelli and its Group, as well as all significant changes to those documents. The annual budget and business plan must (I) regard the operational and financial areas of Pirelli's business, including, merely by way of example, the sources of finance and the decisions on the industrial initiatives underlying the annual budget and business plan; and (II) be complete and supported by suitable, appropriate annexes that explain the items of the annual budget and business plan;

   (ii) to carry on monitoring the opportunities offered by the market to create value, in the interest of all Pirelli stakeholders;

   (iii) any resolution concerning industrial partnerships or strategic joint ventures of Pirelli and/or any subsidiary, parent company or subject to the joint control of Pirelli, in any case following examination and discussion in the Pirelli Strategies Committee.

d) together with the General Manager of Pirelli the power to (i) implement the business plan and the budget – under Executive Vice Chairman supervision – and (ii) the ordinary management of Pirelli and the Pirelli Group, except for the powers the matters reserved for the Pirelli Board of Directors;

e) the power to appoint and revoke other senior figures in the organisation.

In accordance with Art. 11.10 of the Bylaws, the Chief Executive Officer also has the power to propose the appointment and revocation from office of Key Managers of Pirelli to the Board.

In accordance with Art. 3.3 of the Bylaws, the Chief Executive Officer also has the power to propose board resolutions relating to the Company's assets of strategic importance, as identified by the Decision.

The Chief Executive Officer ordinarily and regularly reports on the activity carried out during board meetings.

4.5.3 CHAIRMAN OF THE BOARD OF DIRECTORS

In compliance with the Corporate Governance Code, 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 Vice Chairman and Chief Executive Officer. The Chairman of the Board of Directors is assigned the legal representation of the Company and the other powers envisaged by the Bylaws.

4.5.4 OTHER EXECUTIVE DIRECTORS

At the Report Date, there were no other executive directors apart from the Executive Vice Chairman and the Chief Executive Officer within the Company's Board of Directors.

At the Report Date, in addition to the Executive Vice Chairman and the Chief Executive Officer, Pirelli classifies as executive directors those directors who at the same time qualify as Key Managers of the Company with strategic responsibilities, if there should be such Directors, or Directors who also hold office as Chief Executive Officer or Executive Chairman of the principal subsidiaries of Pirelli. A list of the Company's Key Managers is available on the Website.

4.6 *INDEPENDENT DIRECTORS*

Since 2006[165], Pirelli's Board of Directors has been characterised by a number of independent directors who usually make up the absolute majority of its members, with a more rigorous approach, not only than the law, but also than the new Corporate Governance Code (and previously the old Corporate Governance Code).

At the Report Date, nine of the fifteen members - and therefore 60% 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, Giovanni Lo Storto, Marisa Pappalardo, Fan Xiaohua, Grace Tang, Michele Carpinelli and Alberto Bradanini. 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

[165] With the exception of the period between the delisting of the Company (in late 2015) and its relisting (on 4 October 2017).

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 6 March 2024.

In making its assessments, the Board did not derogate from any of the independence criteria prescribed by the Corporate Governance Code.

At the same time as the assessments made by the Board of Directors on 1 March 2024, the Board of Statutory Auditors verified, in line with the recommendations of the Corporate Governance Code, 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, disclosing to the market the results of the controls performed under the scope of the Report on the Corporate Governance and Share Ownership of Pirelli pertaining to the relevant financial year or its annual report to the Company's Shareholders' Meeting.

On 25 February 2021, in fact, the Board of Directors – upon the proposal of the Audit, Risks, Sustainability and Corporate Governance Committee[166] – 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, available on the Website: (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 in respect of the independence requirements:

- with reference to the concept of "significant business, financial or professional relationship" as per letter c) of Recommendation no. 7 of the Corporate Governance Code, 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

[166] The Audit, Risks, Sustainability and Corporate Governance Committee has, since 3 August 2023, operated as the "Audit, Risks and Corporate Governance Committee".

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.

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 Financial Year, the independent directors met for the induction session 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 and information.

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 20,000 euros, 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 financial report, the half-yearly financial report and the other periodic financial reports whose publication is mandatory in accordance with legislation in force at the time,[167] 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 offer support 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.

Also taking into account the recommendations and principles contained in the Corporate Governance Code, in its meeting held on 3 August 2023, the Company's Board of Directors confirmed the establishing of the following board Committees: Strategies Committee, Related-Party Transactions Committee, Appointments and Succession Committee, Remuneration Committee, Audit, Risks and Corporate Governance Committee and established the new Sustainability Committee.

The evolution of the composition of committees during the year is detailed in Table 3. 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

[167] 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.

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 board Committees are appointed by the Board of Directors (which also indicates the relevant Chairman) 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, if appointed, the Vice Chairman, the Chief Executive Officer and, in any case, with the frequency necessary in order to properly carry out their functions.

The Secretary of each Committee is the Secretary of the Board.

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 relevant Chairman.

The documentation and information available is sent out to all members of the relevant Committee in multiple languages, taking into account the members' nationalities and sufficiently ahead of time to allow them to attend in an informed manner and express opinions in the meeting (as a rule 10 days in advance).

For each Committee meeting participants shall have access to a simultaneous translation of the interventions in the languages commonly used by the members of the Committees.

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 meetings of the Appointments and Succession Committee, in the event of a tie, the vote of the Executive Vice Chairman prevails (i.e. the "casting vote").

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 of the Board for this purpose.

The entire Board of Statutory Auditors is entitled to participate in the activities of the Audit, Risks 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, the Sustainability Committee and the 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 the Report.

6.2 STRATEGIES COMMITTEE

STRATEGIES COMMITTEE
Chairperson of the committee: Marco Tronchetti Provera

	NAME AND SURNAME	OFFICE
	Jiao Jian	Chairman of the Board of Directors
	Marco Tronchetti Provera	Executive Vice Chairman
	Andrea Casaluci	Chief Executive Officer
	Chen Qian	Director
	Zhang Haitao	Director
	Domenico De Sole	Independent Director
	Roberto Diacetti	Independent Director
	Alberto Bradanini	Independent Director

At the Report Date, the Strategies Committee is made up of 8 directors (including 3 independent directors), namely: Marco Tronchetti Provera (Chairman of the Committee), Jiao Jian, Andrea Casaluci, Chen Qian, Zhang Haitao, Domenico De Sole, Roberto Diacetti and Alberto Bradanini.

The Committee supports the Board of Directors in examining the “Significant Matters” (for more information in this regard, see section 4.5.2.) and, in particular, in examining:

- business plan and annual budget;
- industrial partnerships and strategic JVs of Pirelli and/or any of its subsidiaries.

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 Board for such purposes.

6.3 RELATED-PARTY TRANSACTIONS COMMITTEE

RPT COMMITTEE
Chairperson of the committee: Marisa Pappalardo

	NAME AND SURNAME	OFFICE
	Marisa Pappalardo	Independent Director
	Michele Carpinelli	Independent Director
	Giovanni Lo Storto	Independent Director

At the Report Date, the Related-Party Transactions Committee is made up of 3 independent directors, namely: Marisa Pappalardo (Chairman of the Committee), Michele Carpinelli and Giovanni Lo Storto.

The Related-Party Transactions Committee advises and makes recommendations to the Board of Directors on related-party transactions in accordance with Consob regulations and the RPT Procedure (refer to 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 attended the Related-Party Transactions Committee meetings in order to provide adequate information support for the adoption of the relevant resolutions.

6.4 SUSTAINABILITY COMMITTEE

SUSTAINABILITY COMMITTEE
Chairperson of the committee: Marco Tronchetti Provera

	NAME AND SURNAME	OFFICE
	Jiao Jian	Chairman of the Board of Directors
	Marco Tronchetti Provera	Executive Vice Chairman
	Andrea Casaluci	Chief Executive Officer
	Giovanni Lo Storto	Independent Director

At the Report Date, the Sustainability Committee is made up of 4 directors (including 1 independent director), namely: Marco Tronchetti Provera (Chairman of the Committee), Jiao Jian, Andrea Casaluci and Giovanni Lo Storto.

The Sustainability Committee supports the Board of Directors in the analysis of sustainability issues related to business operations, corporate social responsibility and the analysis of issues relevant to the creation of long-term value.

7. APPOINTMENTS AND SUCCESSION COMMITTEE

APPOINTMENTS AND SUCCESIONS COMMITTEE
Chairperson of the committee: Marco Tronchetti Provera

	NAME AND SURNAME	OFFICE
	Marco Tronchetti Provera	Executive Vice Chairman
	Zhang Haitao	Director
	Chen Aihua	Director
	Domenico De Sole	Independent Director

At the Report Date, the Appointments and Succession Committee is made up of 4 members (including 1 independent director), namely: Marco Tronchetti Provera (Chairman of the Committee), Zhang Haitao, Domenico De Sole and Chen Aihua. Taking into account the fact that the Committee in question deals not only with aspects relating to appointments but also the succession of company senior management, by way of derogation from the Corporate Governance Code, a majority of non-executive directors (even if not independent) has been appointed as members of such committee.

The Appointments and Succession Committee supports the Board of Directors on appointments and succession matters, and in particular:

- assists the Board of Directors in identifying candidates for the office of director in the event of co-optation;
- provides the Board of Directors with opinions on the adoption and/or amendment by the Board of its orientation towards the number of appointments considered compatible with the effective performance of the role of director.

It should be noted that the oversight of the self-assessment process of the administrative body and control body has been assigned to the Audit, Risks 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*

The succession plan for Pirelli’s Chief Executive Officer envisaged by the Shareholders’ Agreement was carried out and achieved with the appointment to the position of Chief Executive Officer by the Board of Directors on 3 August 2023 of Andrea Casaluci (the “**Succession Plan**”).

Considering the Company’s governance structures and the provisions of the Shareholders’ Agreement Renewal, as well as the provisions of the Golden Power DPCM, it is noted that the Chief Executive Officer is designated by the shareholder Camfin.

The Executive Vice Chairman also has the power to propose to the Pirelli Board of Directors the revocation of the designated Chief Executive Officer and his/her replacement with a new CEO (or appointment of a new CEO if the previous CEO should cease to hold office for any reason).

As Executive Vice Chairman, Marco Tronchetti Provera maintains a key role in directing top management and guaranteeing continuity in Pirelli’s business culture.

In order to assure complete information, note that the Company has adopted a contingency plan and a method by which to identify successors to Key Managers and senior management positions.

8. REMUNERATION COMMITTEE AND DIRECTORS’ REMUNERATION

REMUNERATION COMMITTEE
Chairperson of the committee: Grace Tang

	NAME AND SURNAME	OFFICE
	Grace Tang	Independent Director
	Chen Aihua	Director
	Paola Boromei	Independent Director
	Alberto Bradanini	Independent Director
	Michele Carpinelli	Independent Director

Information about the 2024 remuneration policy and remuneration paid in 2023, and about the duties performed by the Remuneration Committee, can be found in the Remuneration Report drawn up pursuant to art. 123-*ter* of the 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 Financial Year, thereby contributing to periodic and up-to-date reporting to the Committee.

9. SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENTI - AUDIT, RISKS AND CORPORATE GOVERNANCE COMMITTEE

In compliance with Recommendation 32 of the Corporate Governance Code, the Company has implemented an internal control and risk management system that envisages the involvement of multiple players with different roles and duties, who act in a coordinated, complementary manner in order to guarantee the adequacy and efficiency of the system.

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 and Corporate Governance Committee, carries out the tasks assigned to it in the Corporate Governance Code. In particular, after consulting with the Audit, Risks 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.

Pirelli's internal control system has been developed in a bid to pursue the values of substantive and procedural fairness, transparency and accountability, assuring: (i) efficiency, transparency and traceability of the transactions and, more in general, the management related activities, (ii) the dependability of the accounting and management data and the financial information, (iii) compliance with the laws and regulations and (iv) protecting the Company's integrity, also for the purpose of preventing fraud to the detriment of the Company and the financial markets.

A more complete description of Pirelli's internal control system can be found in the Directors' report on operations at 31 December 2023, within the 2023 annual financial report. Additionally, in this regard, the Board of Statutory Auditors of Pirelli 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 CHIEF EXECUTIVE OFFICER IN RELATION TO THE ESTABLISHMENT AND MAINTENANCE OF THE INTERNAL CONTROL SYSTEM*

In its meeting of 3 August 2023, the Board of Directors appointed, in continuity with the previous mandate, the Chief Executive Officer as the person in charge of setting up and maintaining the internal control and risk management system.

The Chief Executive Officer is tasked with supervising the functioning of the system of internal control and risk management and implementing the related guidelines formulated by the Board of Directors, with support from the Audit, Risk and Corporate Governance Committee, ensuring that all actions necessary for the implementation of the system are taken. In particular, in line with the recommendations of the Corporate Governance Code, the Chief Executive Officer:

- 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 Executive Vice Chairman, the Chairman of the Audit, Risks and Corporate Governance Committee and the Chairman of the Board of Statutory Auditors; and

- reports promptly to the Audit, Risks and Corporate Governance Committee on issues and critical situations identified during his work or otherwise brought to his attention, so that the Audit, Risks and Corporate Governance Committee can take appropriate action.

9.2 *AUDIT, RISKS AND CORPORATE GOVERNANCE COMMITTEE*

ARCGC
Chairperson of the committee: Fan Xiaohua

	NAME AND SURNAME	OFFICE
	Fan Xiaohua	Independent Director
	Chen Aihua	Director
	Roberto Diacetti	Independent Director
	Giovanni Lo Storto	Independent Director
	Michele Carpinelli	Independent Director

At the Report Date, the Audit, Risks and Corporate Governance Committee was made up of 5 directors (four of whom are independent) and namely: Fan Xiaohua (Chairman of the Committee), Chen Aihua, Roberto Diacetti, Giovanni Lo Storto and Michele Carpinelli. Directors Carpinelli, Diacetti, Lo Storto and Chen have adequate experience in accounting and finance or in risk management.

The Audit, Risks and Corporate Governance Committee, which incorporates the functions of the "control and risks committee" as per the Corporate Governance Code, 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 and non-financial reports.

In particular, the Audit, Risk 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 prepared by the head of the Internal Audit department, having consulted the supervisory body and the Chief Executive Officer, and by the head of the Compliance department;

  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;

- 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, it assesses the proper and consistent application of the accounting standards within the Group when preparing the consolidated financial statements;

- assesses 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;

- examines the content of the periodic non-financial information relevant for the internal control and risk management system;

- expresses 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;

- examines the periodic reports prepared by the Internal Audit manager and the manager of the Compliance function;

- monitors 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;

- defines the optimum composition of the Board of Directors and its Committees, providing 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 of Directors is deemed appropriate.

The Committee members' enhanced awareness of the Company and corporate and Group dynamics is also fostered by the systematic attendance of Company's management at the Audit, Risks and Corporate Governance Committee's meetings.

During the Financial Year, in fact, it was noted that the management – and, in particular, the Head of Compliance & Rules, the Manager responsible for the preparation of the corporate financial documents, the Head of Financial Statements and Administration, the Head of Sustainability and Future Mobility, the Head of Sustainability and Equal Opportunities, the Head of Internal Audit, the Executive Vice President Sustainability New Mobility and Motorsport, the Head of Information Security, the Head of Finance, M&A and Risk Management and the Risk Manager – assiduously attended the meetings of the Audit, Risks and Corporate Governance Committee, helping ensure that the Committee was regularly kept up-to-date and informed.

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.

More specifically, the Internal Audit 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 also:

- 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 priorities of the principal risks;

- carries out audits, also at the request of the Audit, Risks 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 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 of the Group companies 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 section 9.2 of the Report, it should be noted that the Audit, Risks 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 Executive Vice President of Corporate Affairs, Compliance, Internal Audit, Corporate Security and Company Secretary and functionally to the Audit, Risks 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 Pirelli 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 during the financial year 2023, see the section 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 Group 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, through the Audit, Risks and Corporate Governance Committee, 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.

Since 2017, the Company has adopted a Tax Control Framework ("**TCF**") in line with international best practice and in compliance with the Principles dictated by the OECD, i.e. a system for the detection, management, mitigation 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 position provided for under the Collaborative Compliance scheme, who is responsible for implementing and overseeing the TCF for the purpose of controlling and mitigating tax risks – and the Tax Affairs

Department to the Audit, Risks and Corporate Governance Committee which, in turn, reports to the Board of Directors.

9.7 *DIRECTOR RESPONSIBLE FOR SUSTAINABILITY ISSUES*

On 3 August 2023, in continuity with the previous mandate, the Board of Directors identified the Chief Executive Officer as being the Director in charge of sustainability topics.

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. For more details on the Group's sustainability governance, see the NFD Report.

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 from time to time (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 Body in office, appointed by the Board of Directors on 3 August 2023, in continuity with the previous body, consists of 3 members, specifically: Carlo Secchi (Chairman), Antonella Carù (Standing Auditor) and Alberto Bastanzio (by virtue of the office held 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.

The Supervisory Body will remain in office until expiry of the mandate of the Board of Directors and, therefore, until Shareholders' Meeting approval of Pirelli's annual financial statements at 31 December 2025.

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 *AUDITING FIRM*

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 of 27 January 2010 ("**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), which occurred on 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 Legislative 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[168].

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[169].

For the sake of completeness, it should be noted that the Company has adopted Internal Operating Rules to assign tasks to the Auditing Firm[170] which concerns – among other things – the procedures

[168] With the approval of the financial statements relative to the financial year 2025, the statutory auditing appointment conferred upon PricewaterhouseCoopers S.p.A. for the nine years 2017-2025 will reach its expiry; in order to guarantee a liaison period between the current and future statutory auditor, more appropriate to the dimensions and complexity of the Group, also taking into account the cooling-in period envisaged by European Regulation No. 537/2014, in compliance with national best practices, the Board of Statutory Auditors has shared the proposal prepared by the competent corporate departments to launch - two years ahead - the selection procedure for the conferral of the statutory auditing appointment for the nine years 2026-2034. Upon conclusion of the assessment process, during the meeting held on 29 February 2024, the Board of Statutory Auditors formulated for the Shareholders' Meeting in accordance with Art. 16 of European Regulation no. 537/2014 and Art. 13 of Italian Legislative Decree No. 39 of 27 January 2010, the proposal for the conferral of the statutory auditing appointment for the nine years 2026-2034 either to EY S.p.A. or KPMG S.p.A., informing the Shareholders' Meeting to be called for 28 May 2024 of its grounded preference for the offer made by EY S.p.A., which was the offer with the highest technical score and the best in economic terms.

[169] 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 for Financial Year 2023.

[170] 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. 39/2010.

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[171]. In that regard, 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 Pirelli financial statements.

9.10 *MANAGER RESPONSIBLE FOR THE PREPARATION OF THE CORPORATE FINANCIAL DOCUMENTS*

In its meeting of 3 August 2023, with the favourable opinion of the Board of Statutory Auditors, the Board of Directors confirmed 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**”). The appointment of the Manager in Charge has the same term as the mandate of the Board of Directors, which 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 Manager in charge 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 Manager in charge confirming that it corresponds to the supporting documentation, records and accounting entries.

It is specified that under the appointment held, in accordance with the Bylaws, the Manager in Charge is classified as a Key Manager.

[171] “*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*”.

9.11 *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 and Corporate Governance Committee, during which Committee members are able to interact directly with the managers of the departments involved (Compliance, Internal 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 and Corporate Governance Committee are held periodically 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 at 31 December 2023, within the 2023 annual financial report.

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, with effect from 1 July 2021, the procedure for related-party transactions (the "**RPT Procedure**"), subsequently updated - on 17 March 2022 by the Board of Directors, only to take into consideration the changes to the Company's organisational structure.

The RPT Procedure, as most recently confirmed by the Board of Directors on 3 August 2023, is available for consultation on the Website.

The RPT Procedure establishes rules for the approval and execution of the related-party transactions arranged directly by Pirelli or by its subsidiaries.

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, also for financial year 2023, due compliance with and the correct application of the aforementioned procedure in all cases falling within its scope of application.

For more information on the Related-Party Transactions Committee, see section 6.3 of the Report.

By virtue of the existing measures under the provisions of art. 2391 of the Italian Civil Code and the RPT Procedure, the Board of Directors did not hold it to be necessary to adopt any additional operative solutions to identify and suitably manage situations in which a Director has an interest on his/her own behalf or that of third parties.

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 all 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.

In accordance with Art. 16, paragraph 2 of the Bylaws, 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 Bylaws 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 Bylaws, 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 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 regulations in force at the time, 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 1 March 2024, 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" and the assessments conducted last year regarding the independence of Standing Auditor Antonella Carù, were confirmed[172].

As concerns the limit to appointments held by members of the Board of Statutory Auditors, the Company checked that such limit was respected both at the time of appointment by the Pirelli Shareholders' Meeting and once a year, on the basis of the declarations made by the individual members of the Board of Statutory Auditors, in accordance with Annex 5-*bis* of the Issuers' Regulation. The results of the check for Financial Year 2023 are given in Table 4 of the Report.

During the Year, the Board of Statutory Auditors of Pirelli met 17 times, with each meeting having an average duration of about 2 hours and attendance being 94% of Standing Auditors. The percentage attendance by Auditors of the meetings of the Board of Directors and Shareholders in Financial Year 2023 was, respectively, 93% and 80%. For more information on the work of the Board of Statutory Auditors during the Financial Year, reference is made to the Statutory Auditors' report to the financial statements at 31 December 2023, within the 2023 annual financial report.

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, in compliance with "gender equality" regulations, 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 60 years.

During the course of the Financial Year, the Board of Statutory Auditors, like the Board of Directors, again carried out the process for assessing its performance, with assistance from the 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 2023.

The relevant information about each member of the Board of Statutory Auditors is summarised in Table 4 of the Report.

The Board of Statutory Auditors in office at the Report Date will cease their mandate with the approval of the financial statements at 31 December 2023 by the Shareholders' Meeting. Therefore, having reached the end of its mandate, the latter has made available to shareholders, in compliance with the provisions of the Rules of Conduct, a document setting out guidance to professional profiles and the competences that appropriately go towards forming an optimal quality membership, as well as the time commitment required to perform the duty and the appropriate remuneration to ensure

[172] For more details, please see the Report on the Corporate Governance and Share Ownership for financial year 2022.

that people of adequate standing are attracted ("**Outgoing Board of Statutory Auditors Document**"), to which reference should be made for further details and made available by the Company on the Website.

11.3 DUTIES AND TASKS

The Board of Statutory Auditors monitors compliance with the law and the bylaws, as well as adherence to the principles of proper management and, in particular, the adequacy of the organisational, administration and accounting structure adopted by the company and its actual implementation. In addition, it verifies the procedures to implement effectively the corporate governance rules envisaged by the Self-Regulation Code the Company declares it has adopted.

In accordance with Italian Legislative Decree 39/2010, the Board of Statutory Auditors monitors the statutory auditing process of the annual financial statements and the consolidated financial statements, the results of which it then discloses to the Board of Directors, to which it also submits the report by the independent auditor pursuant to Art. 11 of European Regulation No. 537/2014 and also verifies the independence of the independent auditing firm, also with reference to non-audit services. Finally, the Board of Statutory Auditors is responsible for the procedure used to choose the statutory auditing firm.

Furthermore, pursuant to the rules regarding non-financial information referred to in Legislative Decree no. 254 of 30 December 2016, the Board of Statutory Auditors oversees compliance with the provisions of the aforementioned decree in relation to the preparation of the NFD by the Board of Directors and informs the Shareholders' Meeting of the results of the aforementioned supervisory activity.

The Board of Statutory Auditors also acts as "internal control and accounts auditing committee" in accordance with Directive 2006/43 EC.

Finally, one Auditor is called to be part of the Supervisory Body, as detailed in section 9.8 of the Report.

For more details on the duties and tasks of the Board of Statutory Auditors, refer to the Website.

The Board of Statutory Auditors carries out its duties by exercising all the powers conferred on it by law and by being able to rely on a constant and detailed information flow from the Company, also outside the periodic meetings of the Board of Directors and the Committees. In going about its duties, the Board of Statutory Auditors not only attends all meetings of the Board of Directors and Shareholders' Meetings, but also has the faculty to take part in the work of the Audit, Risks and Corporate Governance Committee, the Related-Party Transactions Committee and the Remuneration Committee. One member of the Board of Statutory Auditors is invited to attend the meetings of the Appointments and Succession Committee, the Strategies Committee and the Sustainability Committee, (usually the Chairman).

As part of the monitoring of compliance with the provisions of the Golden Power DPCM by the Company, it is envisaged that the Board of Statutory Auditors shall draft an explanatory report of the measures adopted in compliance with the Decision and any other relevant corporate or business measure in relation to such, to be sent to the MIMIT.

12. OTHER ORGANISATIONAL STRUCTURES

12.1 CORPORATE GENERAL MANAGEMENT

It is noted that, also in compliance with the provisions of the Golden Power DPCM, on 3 August 2023 the Corporate General Management was established, entrusted to Mr. Francesco Tanzi, who, as a result, the Bylaws have also classified as Key Manager. The Board of Directors conferred appropriate responsibilities and operational powers to perform the assignment on the Corporate General Manager.

In view of the new structure, the previous General Management Operations, has been superseded.

12.2 SECURITY ORGANISATION

In compliance with the provisions of the Golden Power DPCM, the Company has established the Security Organisation, an autonomous security organisational unit to manage all Pirelli's assets and businesses that are considered as being of strategic relevance to protect national interests. The Executive Vice Chairman has been appointed to head the structure as indicated in section 4.5.1 of the Report and the Council of Ministers has expressed its assent on his suitability to hold that office. In this role, the Executive Vice Chairman has therefore appointed the Board Secretary as Security Officer ("**SO**"), also identifying the substitute and defining the related structure.

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 Board for such purposes.

The procedure on information flows is available on the Website; you are referred to it for more information.

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 3 August 2023, the Board of Directors confirmed a policy[173] which governs the rules for managing the dialogue held by the Board of Directors, through the Executive Vice Chairman 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 ("**Engagement Policy**").

[173] Adopted for the first time on 23 February 2022, following the favourable opinion of the Audit, Risks, Sustainability and Corporate Governance Committee, changing the existing practices and in compliance with Recommendation 3 of the Corporate Governance Code.

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, even in size, professional aspects, respectability, independence and diversity, and of 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.

No meetings were held with investors in accordance with the Engagement Policy during the Financial Year.

15. SHAREHOLDERS' MEETINGS

Pursuant to art. 7 of the Bylaws, ordinary and extraordinary Shareholders' Meetings of the Company are held in single call. 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 shall be chaired by the Chairman of the Board of Directors, or, in case the Chairman is absent or unable to perform his/her duties, in turn by the Vice Chairman or by the CEO. 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 Bylaws, 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 Bylaws.

The Board of Directors has taken action to ensure that shareholders receive suitable information about the elements necessary for them to make informed decisions where they come under the shareholders' meeting's competence.

During the Financial Year, two shareholders' meetings were held, respectively on 29 June 2023 and 31 July 2023. Reference is made to the minutes of the respective meetings, available on the Website, for more details on attendance by directors and auditors.

For the sake of completeness, it should be noted that, for both shareholders' meetings, the Company (in compliance with the provisions of the Bylaws and the law[174]) 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.

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 sections, if applicable.

[174] Art. 106 of Italian Decree Law No. 18 of 17 March 2020, converted with Law No. 27 of 24 April 2020 and as subsequently extended.

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.

18. CONSIDERATIONS ON THE LETTER BY THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

With a letter of 14 December 2023 (the "**Chairman's Lett**er"), 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 further recommendations (the "**Committee Recommendations for 2024**") listed below:

1. with regard to the business plan, to provide adequate disclosure of the board of directors' involvement in the examination and approval of the business plan itself and in the analysis of issues that are relevant for value generation in the long term;

2. with regard to pre-meeting information, to provide adequate justification in the corporate governance report when an exception has been made to the timely provision of pre-meeting information for reasons of confidentiality, potentially covered by the board regulations and/or adopted in practice;

3. with regard to the guidelines of the Board of Directors on an optimal qualitative and quantitative membership: (i) clearly indicate and provide suitable explanations as to the reasoning behind such in the corporate governance report of any failure to express, during renewal of the administrative body, the guidance given by the outgoing Board of Directors as to the quantitative or qualitative membership and/or the failure to request, from anyone submitting a "long" slate, the supply of suitable information in respect of the compliance of the slate with the guidance given by the Board of Directors; and (ii) indicate how the guidance publication time has been considered fair to allow for suitable consideration by anyone submitting a slate of candidates;

4. as regards increased voting rights, to provide adequate disclosure in the administrative body's proposals to the shareholders' meeting regarding the introduction of increased voting rights, the objectives of the choice and the expected impact on ownership and control structures and on future strategies, and to provide adequate justification for any failure to disclose such elements.

The Committee's Recommendations for 2024 were, as usual, brought to the attention of (i) the Audit, Risks and Corporate Governance Committee and Board of Statutory Auditors on 5 February 2024 and (ii) the Board of Directors on 7 February 2024.

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 the Report, no specific interventions to its own corporate governance system are needed in relation to the issues highlighted in the Committee's Recommendations for 2024, as the recommendations contained therein are already substantially implemented by the Company.

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.	14.096	14.096
	LONGMARCH HOLDING S.R.L.	3.680	3.680
	CAMFIN ALTERNATIVE ASSETS S.R.L.	2.800	2.800
		20.576	20.576
SILK ROAD FUND CO LTD	PFQY S.R.L.	9.021	9.021
BOMBASSEI ALBERTO	NEXT INVESTMENT S.R.L.	0.420	0.420
	BREMBO S.P.A.	5.580	5.580
		6.000	6.000

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.

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	Jiao Jian	1968	31 July 2023	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**M**		**X**			Cf. Annex A	**3/3**
Executive Vice Chairman[175]	Marco Tronchetti Provera	1948	7 May 2003[176]	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**$M^{(C)}$**	**X**				Cf. Annex A	**8/8**
CEO •	Andrea Casaluci	1973	31 July 2023	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**$M^{(C)}$**	**X**				Cf. Annex A	**3/3**
Director	Chen Qian	1971	31 July 2023	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**M**		**X**			Cf. Annex A	**3/3**
Director	Chen Aihua	1972	31 July 2023	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**M**		**X**			Cf. Annex A	**3/3**
Director	Zhang Haitao	1971	18 June 2020[177]	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**M**		**X**			Cf. Annex A	**8/8**
Director	Grace Tang	1959	31 July 2023	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**M**		**X**	**X**	**X**	Cf. Annex A	**3/3**
Director	Paola Boromei	1976	18 June 2020	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**m**		**X**	**X**	**X**	Cf. Annex A	**8/8**
Director	Domenico De Sole	1944	1 August 2017	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**$M^{(C)}$**		**X**	**X**	**X**	Cf. Annex A	**7/8**
Director	Roberto Diacetti	1973	18 June 2020	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**m**		**X**	**X**	**X**	Cf. Annex A	**8/8**
Director	Giovanni Lo Storto	1970	15 May 2018	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**m**		**X**	**X**	**X**	Cf. Annex A	**8/8**
Director	Marisa Pappalardo	1960	1 August 2017	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**M**		**X**	**X**	**X**	Cf. Annex A	**8/8**
Director	Michele Carpinelli	1948	31 July 2023	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**$M^{(C)}$**		**X**	**X**	**X**	Cf. Annex A	**3/3**
Director	Fan Xiaohua	1974	1 August 2017	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**M**		**X**	**X**	**X**	Cf. Annex A	**8/8**
Director	Alberto Bradanini	1950	31 July 2023	31 July 2023	Shareholders' meeting to approve financial statements at 31 Dec. 2025	**M**		**X**	**X**	**X**	Cf. Annex A	**3/3**

[175] Note that up until 31 July 2023, Marco Tronchetti Provera held the position of Executive Vice Chairman and Chief Executive Officer.

[176] 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.

[177] Zhang Haitao was a Director of Pirelli from 15 March 2016 to 31 August 2017.

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 (***)**	**(****)**
-------------------------------- DIRECTORS LEAVING OFFICE DURING THE REFERENCE YEAR --------------------------------												
On 14 February 2023, the Director Bai Xinping resigned from his role of Company Director with effect from 22 February 2023.												
Director	Bai Xinping	1968	2 September 2015	18 June 2020	22 February 2023	**M**		**X**			-	**0/1**
On 31 July 2023, the shareholders' meeting appointed the Company's new Board of Directors for the three years 2023-2025.												
Chairman	Li Fanrong	1963	11 October 2022	11 October 2022	31 July 2023	**-**		**X**			-	**1/5**
Deputy-CEO	Giorgio Luca Bruno	1960	15 March 2016	15 June 2021	31 July 2023	**-**	**X**				-	**5/5**
Director	Yang Shihao	1967	10 May 2022	10 May 2022	31 July 2023	**-**		**X**			-	**1/5**
Director	Tao Haisu	1949	1 August 2017[178]	18 June 2020	31 July 2023	**M**		**X**	**X**	**X**	-	**5/5**
Director	Giovanni Tronchetti Provera	1983	1 August 2017	18 June 2020	31 July 2023	**M**		**X**			-	**5/5**
Director	Wang Feng	1965	22 February 2023	22 February 2023	31 July 2023	**-**		**X**			-	**5/5**
Director	Wei Yintao	1971	1 August 2017	18 June 2020	31 July 2023	**M**		**X**	**X**	**X**	-	**5/5**
Number of meetings of the Board of Directors held during the year: 8[179]												
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.).

(C) This symbol indicates the Directors designated by Camfin S.p.A., included on the slate submitted by Marco Polo International Italy S.r.l.

178 Tao Haisu was a Director of Pirelli from 20 October 2015 to 15 March 2016.

179 It should be noted that the Board of Directors in its current composition met 3 times during the year (the Board of Directors 2020-2022 therefore met 5 times).

TABLE 3:

SECTION I: STRUCTURE OF THE BOARD COMMITTEES AS AT 31 JULY 2023

BoD		**Strategies Committee**		**RPT Committee**		**Audit, Risks, Sustainability and Corporate Governance Committee**		**Remuneration Committee**		**Appointments and Succession Committee**	
Office/Qualification	**Members**	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman of the BoD non-executive - non-independent	Li Fanrong	1/3	**M**							(-)	**M**
Executive Vice Chairman and Chief Executive Officer	Marco Tronchetti Provera	3/3	**C**							(-)	**C**
Deputy-CEO	Giorgio Luca Bruno	3/3	**M**								
Non-executive director - non-independent	Yang Shihao	1/3	**M**							(-)	
Non-executive director - non-independent	Wang Feng	2/2	**M**					2/2	**M**		**M**
Non-executive director - non-independent	Zhang Haitao					4/4	**M**				
Non-executive Director – independent as per the TUF and Code	Wei Yintao	3/3	**M**								
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	2/3	**M**	1/1	**M**						
Non-executive Director – independent as per the TUF and Code	Roberto Diacetti					4/4	**M**				
Non-executive Director – independent as per the TUF and Code	Giovanni Lo Storto	3/3	**M**	1/1	**M**	3/4	**M**				
Non-executive Director – independent as per the TUF and Code	Marisa Pappalardo			1/1	**C**	4/4	**M**	3/3	**M**		
Non-executive Director – independent as per the TUF and Code	Giovanni Tronchetti Provera									(-)	**M**
Non-executive Director – independent as per the TUF and Code	Fan Xiaohua					4/4	**C**	3/3	**M**		
Non-executive Director – independent as per the TUF and Code	Tao Haisu							3/3	**C**		
------------------------------ DIRECTORS LEAVING OFFICE DURING THE YEAR ------------------------------											
Non-executive director - non-independent	Bai Xinping	0/1	**M**					0/1	**M**	(-)	**M**
No. of meetings held:		**3**		**1**		**4**		**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.

(-) This symbol indicates that no committee meetings were held during the reporting period.

TABLE 3:

SECTION II: STRUCTURE OF THE BOARD COMMITTEES AT THE END OF THE FINANCIAL YEAR

BoD		Strategies Committee		RPT Committee		Audit, Risks and Corporate Governance Committee[180]		Remuneration Committee		Appointments and Succession Committee		Sustainability Committee[181]	
Office/Qualification	**Members**	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman of the BoD non-executive – non-independent	Jiao Jian	(-)	**M**									(-)	**M**
Executive Vice Chairman	Marco Tronchetti Provera	(-)	**C**							(-)	**C**	(-)	**C**
CEO	Andrea Casaluci	(-)	**M**									(-)	**M**
Non-executive director – non-independent	Chen Aihua					1/1	**M**	1/1	**M**	(-)	**M**		
Non-executive director – non-independent	Chen Qian	(-)	**M**										
Non-executive director – non-independent	Zhang Haitao	(-)	**M**							(-)	**M**		
Non-executive Director – independent as per the TUF and Code	Grace Tang							1/1	**C**				
Non-executive Director – independent as per the TUF and Code	Paola Boromei							1/1	**M**				
Non-executive Director – independent as per the TUF and Code	Domenico De Sole	(-)	**M**							(-)	**M**		
Non-executive Director – independent as per the TUF and Code	Roberto Diacetti	(-)	**M**			1/1	**M**						
Non-executive Director – independent as per the TUF and Code	Giovanni Lo Storto			2/2	**M**	0/1	**M**					(-)	**M**
Non-executive Director – independent as per the TUF and Code	Marisa Pappalardo			2/2	**C**								
Non-executive Director – independent as per the TUF and Code	Michele Carpinelli			2/2	**M**	1/1	**M**	1/1	**M**				
Non-executive Director – independent as per the TUF and Code	Fan Xiaohua					1/1	**C**						
Non-executive Director – independent as per the TUF and Code	Alberto Bradanini	(-)	**M**					1/1	**M**				
No. of meetings held:		(-)		**2**		**1**		**1**		(-)		(-)	

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.

(-) This symbol indicates that no committee meetings were held during the reporting period.

[180] It should be noted that the Audit, Risks and Corporate Governance Committee has, since 31 July 2023, operated as the "Audit, Risks, Sustainability and Corporate Governance Committee".

[181] It should be noted that the Sustainability Committee was established by the Board of Directors on 3 August 2023.

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**	**Attendance at meetings of the Board of Statutory Auditors (***)**	**Attendance at meetings of the BoD**	**Attendance at meetings of the ARCGC[182]**	**Attendance at meetings of the Remuneration Committee**	**Attendance at meetings of the Appointments Committee[183]**	**Attendance at meetings of the Strategies Committee**	**Attendance at meetings of the RPT Committee**	**Attendance at meetings of the Sustainability Committee[184]**	**No. other offices (****)**
Chairman	Riccardo Foglia Taverna	1966	15 June 2021	15 June 2021	Shareholders' meeting to approve financial statements at 31 December 2023	**m**	**X**	17/17	8/8	5/5	4/4	-	3/3	3/3	-	Cf. Annex A
Standing auditor	Antonella Carù	1961	10 May 2012	15 June 2021	Shareholders' meeting to approve financial statements at 31 December 2023	**M**	**X**[185]	16/17	7/8	5/5	4/4	-	-	3/3	-	Cf. Annex A
Standing auditor	Francesca Meneghel	1961	15 June 2021	15 June 2021	Shareholders' meeting to approve financial statements at 31 December 2023	**M**	**X**	16/17	8/8	5/5	4/4	-	-	3/3	-	Cf. Annex A
Standing auditor	Teresa Naddeo	1958	15 June 2021	15 June 2021	Shareholders' meeting to approve financial statements at 31 December 2023	**M**	**X**	16/17	8/8	5/5	4/4	-	-	3/3	-	Cf. Annex A
Standing auditor	Alberto Villani	1962	5 September 2017	15 June 2021	Shareholders' meeting to approve financial statements at 31 December 2023	**M**	**X**	15/17	6/8	4/5	4/4	-	-	2/3	-	Cf. Annex A
Alternate auditor	Franca Brusco	1971	15 May 2018	15 June 2021	Shareholders' meeting to approve financial statements at 31 December 2023	**m**	**X**	-	-	-	-	-	-	-	-	Cf. Annex A
Alternate auditor	Marco Taglioretti	1960	15 June 2021	15 June 2021	Shareholders' meeting to approve financial statements at 31 December 2023	**M**	**X**	-	-	-	-	-	-	-	-	Cf. Annex A
Alternate auditor	Maria Sardelli	1965	15 June 2021	15 June 2021	Shareholders' meeting to approve financial statements at 31 December 2023	**M**	**X**	-	-	-	-	-	-	-	-	Cf. Annex A
Number of meetings of the Board of Statutory Auditors held during the year: 17																
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.																

NOTES

* 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 and the Code of Corporate Governance. 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.

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[182] It should be noted that the Audit, Risks and Corporate Governance Committee has, since 31 July 2023, operated as the "Audit, Risks, Sustainability and Corporate Governance Committee".

[183] During the year, no meetings of the Appointments and Succession Committee were held (the respective opinions were given directly during the meetings of the Board of Directors).

[184] It should be noted that the Sustainability Committee was established by the Board of Directors on 3 August 2023 and that no meetings were held during the year.

[185] For further information, see section 11.2 of the Report.

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
Jiao Jian	• Sinochem Holdings Corporation Ltd	Director
	• Sinochem Group Co., Ltd.	Director
	• Sinochem Corporation Ltd.	Director
	• Syngenta Group Co.	Director
Marco Tronchetti Provera	• Marco Tronchetti Provera & C. S.p.A.	Chairman of the Board of Directors
	• Camfin S.p.A.	Chairman of the Board of Directors
	• Camfin Alternative Assets S.r.l.	Chairman of the Board of Directors
	• Longmarch Holding S.r.l.	Chairman of the Board of Directors
	• RCS MediaGroup S.p.A.	Director
Andrea Casaluci	-	-
Paola Boromei	• Snam Rete Gas S.p.A.	Director
Domenico De Sole	• Ermenegildo Zegna S.p.A.	Director
Roberto Diacetti	• Banca IFIS	Director
	• Saipem S.p.A.	Director
	• Granarolo S.p.A.	Director
Giovanni Lo Storto	• Banca Mediolanum S.p.A.	Director
	• Luiss Business School S.p.A.	Director

First and last name	Company	Office held in the company
Zhang Haitao	• Marco Polo International Italy S.r.l.	Director
	• TP Industrial Holding S.p.A.	Director
	• Prometeon Tyre Group S.r.l.	Director
	• Fourteen Sundew S.à.r.l.	Director
Marisa Pappalardo	• BPER Banca S.p.A.	Director
Fan Xiaohua	• Bohai Automotive Systems Co.Ltd.	Director
	• Beijing PARATERA Technology Co., Ltd.	Director
Michel Carpinelli	• Camfin S.p.A.	Director
	• Fininvest S.p.A.	Director
Alberto Bradanini	-	-
Chen Aihua	• Sinochem Group Co., Ltd.	Supervisor
	• Sinochem Corporation Ltd.	Chairman of the Supervisory Committee
	• China National Chemical Corporation	Supervisor
	• Sinochem Energy Co., Ltd.	Chairman of the supervisory committee
	• China Jinmao Holdings Group Limited	Director
	• Sinochem Petroleum Exploration & Production Co., Ltd.	Supervisor
	• Sinochem International Corporation Ltd	Chairman of the supervisory committee
	• Sinochem Finance Co., Ltd	Chairman of the supervisory committee
	• Sinochem Investment and development Co.	Supervisor
	• Sinochem Investment (Lioacheng) Co., Ltd.	Supervisor

First and last name	Company	Office held in the company
Chen Qian	• China Bluestar Chengrand Co., Ltd • Shenyang Research Institute of Chemical Industry • Kraussmaffei Company Limited • Sinochem International Corporation LTD	Director Director Director Director
Grace Tang	• Textainer group holdings limited • Netease Inc. • Ecarx Holdings Inc.ì • Brii Biosciences limited • Elkem Asa	Director Director Director Director Director

SECTION II: LIST OF OFFICES HELD BY STATUTORY AUDITORS IN OTHER COMPANIES AT THE DATE OF THE REPORT

First and last name	Company	Office held in the company
Riccardo Foglia Taverna	Arec Neprix S.p.A.	Standing Auditor
	B&C Speakers S.p.A.	Chairman of the Board of Statutory Auditors
	Boutique Italia S.p.A.	Management adviser
	Cabeco S.r.l.	Sole Auditor
	Cedis S.r.l.	Director
	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
	Jakil S.p.A.	Standing 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
	SI Collection S.p.A.	Chairman of the Board of Statutory Auditors
	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
	SI COLLECTION S.p.A.	Chairman of the Board of Statutory Auditors
Antonella Carù	Autogrill Advanced Business Service S.p.A.	Standing Auditor
	Fideuram Asset Management SGR S.p.A.	Director
	World Duty Free S.p.A.	Standing Auditor

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, Lead Independent Director
	Adtech Adventures S.p.A.	Standing Auditor
	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
	Dolcedrago S.p.A.	Standing Auditor
	Elettronica Industriale S.p.A.	Standing Auditor
	Electa S.p.A.	Standing Auditor
	Fascino s.r.l.	Standing Auditor
	Giulio Einaudi Editore S.p.A.	Standing Auditor
	Boing S.p.A.	Standing Auditor
	Medusa Film S.p.A.	Chairman of the Board of Statutory Auditors
	Publitalia '80 S.p.A.	Chairman of the Board of Statutory Auditors
	Immobiliare Idra S.p.A.	Chairman of the Board of Statutory Auditors
	Marzotto SIM S.p.A.	Standing Auditor
	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 Gestione Fondi Sgr S.p.A.	Chairman of the Board of Statutory Auditors
	MFE Advertising S.p.A.	Standing Auditor
Teresa Naddeo	Webuild S.p.A.	Director, Chairman of the Audit, Risk and Sustainability Committee
	Industrie De Nora S.p.A.	Director, Chairman of the Audit, Risk and Sustainability Committee, Member of the Related-Parties Committee
	Mediolanum Vita S.p.A.	Chairman of the Board of Statutory Auditors
	Mediolanum Assicurazioni	Chairman of the Board of Statutory Auditors

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 S.p.A.	Standing Auditor
	AREEF 2 SICAF	Standing Auditor
	AREEF 2 PORTA NUOVA SICAF S.p.A.	Standing Auditor
	EDRA S.p.A.	Chairman of the Board of Statutory Auditors
	KMH S.p.A.	Chairman of the Board of Statutory Auditors
	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
	Quattroduedue 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
	Plurima S.p.A.	Chairman of the Board of Statutory Auditors
	Royal Immobiliare S.r.l.	Sole Director
	Vianord Engineering Société par action simplifiée	Director

First and last name	Company	Office held in the company
Marco Taglioretti	Euricom S.p.A.	Chairman of the Board of Statutory Auditors
	Garzanti Specialties S.p.A.	Chairman of the Board of Statutory Auditors
	Oroplac S.r.l.	Standing Auditor
	Saint Andrews S.p.A.	Chairman of the Board of Statutory Auditors
	Community SB S.r.l.	Chairman of the Board of Statutory Auditors
	Commercio Prodotti Industriali S.r.l.	Sole Auditor
	Relife Recycling	Chairman of the Board of Statutory Auditors
	Prometeon Tyre Group S.r.l.	Alternate Auditor
	Motive S.r.l.	Chairman of the Board of Statutory Auditors
	Gruppo Meccaniche Luciani	Standing Auditor
	Marco Tronchetti Provera& C. S.p.A.	Chairman of the Board of Statutory Auditors
	XPP SEVEN FIVE S.p.A.	Chairman of the Board of Statutory Auditors
	Eurostazioni S.p.A.	Chairman of the Board of Statutory Auditors
	Cattaneo Zanetto & Co S.p.A.	Chairman of the Board of Statutory Auditors
	Microtest S.r.l.	Chairman of the Board of Statutory Auditors
	Associazione Insieme Per I Bambini	Chairman of the Board of Statutory Auditors
	Zeta Catena S.r.l.	Standing Auditor
	Tecnopool S.p.A.	Chairman of the Board of Statutory Auditors
	Excellera Advisory Group S.p.A.	Chairman of the Board of Statutory Auditors
	Nichelcrome Finanziaria Immobiliare S.p.A.	Standing Auditor
	Isoltema S.p.A.	Chairman of the Board of Statutory Auditors
	Galvanica Formelli S.r.l.	Standing Auditor
	Relife Spa	Chairman of the Board of Statutory Auditors
	Ems Group S.p.A.	Chairman of the Board of Statutory Auditors
	Mimac Italia S.r.l.	Chairman of the Board of Statutory Auditors
	Logiudice Forni S.r.l.	Chairman of the Board of Statutory Auditors
	Xpn S.p.A.	Chairman of the Board of Statutory Auditors
	Panapesca S.p.A.	Chairman of the Board of Statutory Auditors
	Zuma S.r.l.	Standing Auditor
	Koverlux S.r.l.	Standing Auditor
	Telco S.r.l.	Chairman of the Board of Statutory Auditors
	Sp Plast S.r.l.	Standing Auditor
	Trabaldo Togna S.p.A.	Director
	Minervahub S.p.A.	Standing Auditor
	Xmh S.p.A.	Chairman of the Board of Statutory Auditors

First and last name	Company	Office held in the company
	Longmarch Holding s.r.l.	Chairman of the Board of Statutory Auditors
	SQ 11 S.p.A.	Chairman of the Board of Statutory Auditors
	Value Relations s.r.l.	Sole Auditor
	Value Relations Media s.r.l.	Sole Auditor
Maria Sardelli	Banca Profilo S.p.A.	Standing auditor
	Milano Serravalle – Milano Tangenziali S.p.A.	Director
	Fintecna S.p.A.	Chairman of the Board of Statutory Auditors
	International Sports Capital S.p.A.	Standing Auditor
	Orizzonte Sistemi Navali S.p.A.	Standing Auditor
Franca Brusco	ENAV S.p.A.	Director
	Garofalo Health Care S.p.A.	Director
	FS Sistemi Urbani S.r.l.	Director
	Cassa Depositi e Prestiti S.p.A.	Standing Auditor
	Simest S.p.A.	Standing Auditor

REPORT ON THE REMUNERATION POLICY AND COMPENSATION PAID

INTRODUCTION

This Report on remuneration policy and the compensation paid (the "**Report**" or the "**Remuneration Report**"), approved by the Board of Directors on 6 March 2024, 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 2024 (the "**2024 Policy**" or the "**Policy**") and

- Section II: "Report on Compensation Paid" in FY 2023 (the "**2023 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 subsequently amended (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 Related Party Transactions Procedure (the "**RPT Procedure**").

The 2024 Policy submitted for the binding vote to the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2023 pursuant to art. 123-*ter* TUF, paragraph 3-*bis* and 3-*ter*, defines the principles and guidelines for the 2024 financial year:

- for determining the remuneration of the Company Directors of Pirelli & C. S.p.A. ("**Pirelli & C.**" or the "**Company**"), 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 2024 Policy: (i) contributes towards 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 2023 Report on Compensation Paid, submitted for the advisory and non-binding vote of the Shareholders' Meeting in accordance with art. 123-*ter*, paragraph 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 2023 financial year;

- an analytical indication of the sums paid in respect of the 2023 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 2023 (and also highlighting the payments to be made in one or more subsequent years for activity undertaken in the 2023 financial year, providing, if applicable, estimates for the components that cannot be objectively quantified in the 2023 financial year);

- an illustration of how the Company took account of the votes cast by the Shareholders' Meeting in 2023.

The Report is made available to the public at the company's registered office, at the authorised storage mechanism (www.emarketstorage.com) and on the website of Pirelli & C. S.p.A at www.pirelli.com.

EXECUTIVE SUMMARY

Purposes and principles of the Policy	The Policy aims to achieve long-term interests of Pirelli & C., 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.		
	PURPOSE	**HOW IT OPERATES**	**BENEFICIARIES IN OFFICE ON THE DATE OF THE REPORT**
Fixed Remuneration	Rewards managerial and professional competence and experience, and the contribution made to the office held.	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.	**Chairman:** € 400,000[186] **Executive Vice Chairman:** € 2,400,000 **CEO:** € 1,100,000 **Corporate General Manager:** € 750,000 **KMs, Senior Managers and Executives:** determined according to the responsibility assigned and the skills required by the role held.

[186] At the request of Chairman Jiao Jian, on 13 September 2023, the Board of Directors resolved not to allocate any remuneration for the offices he held during his term of office at Pirelli, specifically Chairman of the Board of Directors, Director and member of the Committees.

Annual variable remuneration (STI)	Motivates Management to achieve the Company's annual targets, maintaining a strong alignment with the company's medium-long term strategy, interests and sustainability, also through three ESG objectives and a partial corporate deferral/matching mechanism.	Directly linked to the achievement of performance objectives, assigned to each beneficiary in coherence with the role they cover: • Adjusted EBIT (Group/Region/BU) • Net Cash Flow (before dividends) (Group/Region) • Group Net Income • Three sustainability objectives • Unit/department objectives (for Senior Managers and Executives) In addition to an on-off condition (which determines access to the Plan), represented by a cash indicator (typically Net Cash Flow). There will be a minimum level for each objective, below which the related pro-quota of the incentive is not accrued. 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. Finally, for General Manager, KMs and selected Senior Managers/Executives, 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 corporate matching, is subject to the achievement of the following year's STI objectives.	**Chairman:** not one of the beneficiaries of the plan. **Executive Vice Chairman:** • *minimum*: 80% of fixed remuneration • *target*: 125% • *cap*: 250% **CEO:** • *minimum*: 70% • *target*: 110% • *cap*: 220% **Corporate General Manager:** • *minimum*: 50% • *target*: 75% • *cap*: 150% **KMs:** • *minimum*: 40% • *target*: 60% • *cap*: 120% **Senior Managers and Executives:** • *minimum*: 10% to 25% • *target*: 15% to 40% • *cap*: 30% to 80%

Medium-long term variable remuneration (LTI)	Promotes the creation of long-term sustainable success and the achievement of the objectives of the Company's strategic plans, through business, market and ESG KPIs, while at the same time promoting Management retention and engagement.	**2024-2026 LTI Plan**: an incentive dependent on the achievement of the following, independent long term objectives: • Cumulative Group Net Cash Flow (before dividends) • Relative TSR versus TIER 1 peers (Continental, Nokian, Michelin, Goodyear and Bridgestone) • two sustainability objectives: Dow Jones Sustainability World Index ATX Auto Component sector and CO_2 Emissions Reduction. There will be an "access threshold" level for each objective, equal to 75% of the target bonus, below which the related pro-quota of the incentive is not accrued. There is also a maximum cap to the incentive that can be achieved, if all maximum performance objectives are achieved. The plan does not have an access gate, is rolling and provides for a 3-year vesting period.	**Chairman:** not one of the beneficiaries of the plan. **Executive Vice Chairman:** • "access threshold": 52.5% of fixed remuneration • *target*: 70% • *cap*: 200% **CEO:** • "access threshold": 48.75% • *target*: 65% • *cap*: 180% **Corporate General Manager**: • "access threshold": 45% • *target*: 60% • *cap*: 160% **KMs:** • "access threshold": 41.25% • *target*: 55% • *cap*: 145% **Senior Managers and Executives:** • "Access threshold": from 11.25% to 37.5% • *target*: 15% to 50% • *cap*: 40% to 130%

Other tools	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.	• **Non-competition agreements**: restriction applicable to the product sector and the territory in which the Group operates. The extent varies according to the role covered. The Chairman and Executive Vice Chairman are not included among the beneficiaries of the non-competition agreements. • **Welcome bonuses:** one-off bonuses that can be assigned with a view to attracting managerial resources during the hiring phase. • **Benefit:** non-monetary benefits currently assigned on the basis of market practices. • **Allowance in the event of termination of office:** provided for in specific events of leaving office or termination of employment.	**Non-competition agreements** Compensation for the two-year term of the restriction, based on the role held, technical skills, specialised know-how and the reason for leaving. • **CEO**: 170% if good leaver, 70% if bad leaver • **Corporate General Manager**: 170% if good leaver, 70% if bad leaver. • **KM**: 130% to 170% if good leaver, 50% to 70% if bad leaver. **Allowance in case of departure:** • **Executive Vice Chairman**: two years' gross annual remuneration. • **CEO**: two years of gross annual remuneration • **Corporate General Manager, KMs and Group Executives:** amounts determined with reference to the applicable category national collective bargaining agreements.

REMUNERATION POLICY FOR THE 2024 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 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 this end, at least once per year, when the second section of the report on compensation paid in the respective year 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 based 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)[187].

As at the date of this Report, the Company has no incentive plans in place that provide for the allocation of financial instruments or options on financial instruments.

In preparing the 2024 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, the General Manager and KMs, in addition to Senior Managers and Executives.

Amongst the measures aimed at avoiding or managing conflicts of interest, 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.

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[187] Note that the Board of Directors' meeting of 6 March 2024 established the objectives of the 2024-2026 LTI 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 the Tier 1 peers. 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	- 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; - determines at the time of appointment the gross annual remuneration to be paid to the members of the Board of Statutory Auditors; - approves the first section of the remuneration report; - issues an advisory vote on section 2 of the remuneration report; - decides, upon the proposal of the Board of Directors, on any incentive mechanisms based on financial instruments
Board of Director	defines: - the breakdown of the total remuneration defined for Directors by the Shareholders' Meeting; - the policy on remuneration of members of the Board of Directors, General Manager, KM and, without prejudice to the provisions of art. 2402 of the Italian Civil Code, members of the Board of Statutory Auditors; - the remuneration of Directors holding specific offices in accordance with art. 2389, paragraph 3 of the Italian Civil Code, and that of General Manager; - the performance objectives related to the variable part of the remuneration of executive directors, General Manager and KM; - the remuneration of the Head of the Internal Audit department upon a proposal by the Audit, Risk and Corporate Governance Committee.

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
Chairperson of the committee: Grace Tang

	NAME AND SURNAME	OFFICE
	Grace Tang	Independent Director
	Chen Aihua	Director
	Paola Boromei	Independent Director
	Alberto Bradanini	Independent Director
	Michele Carpinelli	Independent Director

Chairman Grace Tang and Director Paola Boromei were considered by the Board of Directors as having sufficient experience in matters of 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 support functions to ensure the definition and application within the Group of remuneration policies aimed at, on the one hand, pursuing the sustainable success of the Company/Group in aligning the interests of management with those of the shareholders and, on the other hand, at having, retaining and motivating human resources with the expertise and professional standing required by the role held in the Company.

In particular, the Remuneration Committee:

- assists the Board of Directors with preparing the Group remuneration policy, assessing its overall consistency;
- with regard to the Executive Directors, other Directors holding specific offices and General Managers, it expresses opinions to the Board:
  - about their remuneration, in compliance with the remuneration policy;
  - about setting performance objectives linked to the variable component 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 checks the actual achievement of performance objectives;
- checks the conformity of the remuneration of the Executive Directors, other Directors holding specific offices, General Managers and KMs with the remuneration policy and expresses an opinion on this, where required by the relative procedure adopted within the company, also in accordance with the RPT Procedure;
- helps the Board of Directors to examine proposals to the Shareholders' Meeting for the adoption of compensation plans based on financial instruments;
- monitors application of the decisions adopted by the Board of Directors, checking in particular the effective achievement of the established performance objectives;
- examines and submits the remuneration report to the Board of Directors;
- in any case, provides opinions in relation to transactions with related parties on matters concerning the remuneration of Executive Directors, including Directors holding specific offices, General Managers and KMs, within the limits and according to the criteria allowed by the RPT Procedure;
- assesses whether there are exceptional circumstances that allow for a derogation from the remuneration policy.

The cycle of the Remuneration Committee's main activities in 2024 is shown below.

2024	SUBJECT	ACTIVITY
1Q	2024 Remuneration Policy and Variable Incentive Plans	Presentation of the timetable. Draft 2024 Remuneration Policy. Approval of incentive plans: • 2023 STI finalisation and 2024 STI target setting; • 2021-2023 LTI finalisation and 2024-2026 LTI target setting. Analysis of market remuneration benchmarks.
2Q	Shareholders' Meeting and publication of the 2024 Remuneration Policy	Approval of the 2024 Remuneration policy and 2023 Compensation Report. Shareholders' Meeting vote on the 2024-2026 LTI plan.
3Q	Analysis of votes received from Shareholders and review of Governance	Analysis of votes received from Shareholders. Analysis of 2024 Remuneration Policy and quality benchmark. Analysis of 2024 Remuneration Policy and assessment of potential changes.

In relation to the operating methods of the Remuneration Committee, see the Report on the Corporate Governance and Share Ownership.

2. PURPOSES AND PRINCIPLES OF THE 2024 REMUNERATION POLICY

Purposes of the 2024 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, the General Manager, 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.

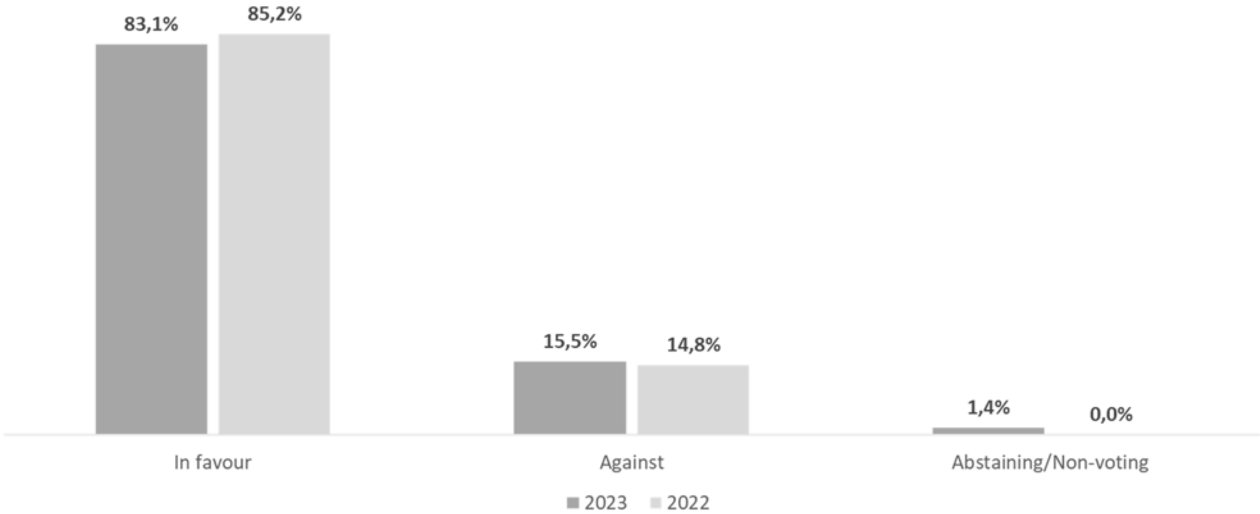
The Policy is defined taking into account various factors such as remuneration, which in turn is defined on the basis of market benchmarks aiming at a level of attractiveness differentiated according to the company role and skills, the compensation mix and the working conditions of Company employees. With reference to this last aspect, the 2024 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 committed to ensuring respect for Equal Opportunities in the work environment, in accordance with the Group's Diversity, Equity & Inclusion Policy, endeavours to manage and reduce potential risks of human rights violations, to avoid producing - or contributing to producing - negative effects on these rights in the international, multi-ethnic, socially and economically diversified context in which it operates, in accordance with the Group's Human Rights Policy;
- is attentive to pay equity, in the context of gender diversity, as highlighted in more detail in the Report on Responsible Management of the Value Chain. In particular, pay differentials

between men and women are calculated per country and for the same roles held, and also taking into account the grade assigned to each (i.e. the weight given to each organisational position on the basis of various factors). This method of data collection allows for objective investigation and evaluation while also taking into account the structural differences of the various local markets and their peculiar remuneration logics. In particular, for 2023, an average pay gap for the Group's white collar population of 2.7% is shown, in favour of women. For more details and evidence, please refer to the Report on Responsible Management of the Value Chain in the 2023 Annual Report file.

Results of the voting and feedback from investors

The 2024 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 2023 Remuneration Policy and the Report on Compensation paid in FY 2022. The diagram below presents the result of the binding vote expressed by the Shareholders' Meeting on 31 July 2023 compared to the result of the voting in 2022.



Pirelli attaches great importance to analysing this voting result and the feedback received and, following the analysis of the results of the votes cast at the Shareholders' Meeting of 31 July 2023 and the main rationale for the votes against, took the action required to ensure the consistency of the 2024 Policy with the Shareholders' expectations for the future.

Description of the changes with respect to the Report on Remuneration Policy 2023

Compared to the 2023 Remuneration Policy, in order to take into account the voting results and the feedback received, as well as the analyses of the voting results and the main rationale of the votes against and the long-term interests of Pirelli & C., the following aspects, contained in the 2024 Policy, have been revised and/or considered:

- **Review of the panel**: the composition of the panel for the purpose of comparing the Annual Total Direct Compensation on-Target of the Executive Vice Chairman and the Chief Executive Officer was redefined, partly due to the recommendations made by shareholders and proxy advisors, with a view to revisiting the size of the Panel itself, excluding BMW, Continental and Volvo Car and introducing CIE Automotive, Gestamp Automociòn and Plastic Omnium, all automotive component and assembly companies. This change aims to make the panel more consistent with the Company's business, ensuring a better comparison of performance and related remuneration levels;

- **ESG KPIs**: with regard to the 2024-2026 Long-Term Incentive Plan (LTI), the weight of the ESG component in the KPIs assigned to Management increases from 20 points to 25 points. More specifically, the CO_2 Emission KPI goes from 10 points to 15 points and consequently the cumulative Group Net Cash Flow (before dividends) KPI goes from 40 points to 35 points. This change, in highlight the centrality of the ESG targets within the company's overall strategy, is also specifically intended as a coherent consequence of the raising of the targets within the recently presented update of the 2024-2025 Industrial Plan;

- **Variable incentive opportunities:** with a view to strengthening the pay-for-performance link and in order to ensure that a significant portion of total remuneration is represented by the variable component linked to company results, the variable incentive opportunities (STI 2024 Plan, LTI 2024-2026 Plan and, pro-quota, LTI 2022-2024 and 2023-2025 Plans) for the Chief Executive Officer and the KMs are adjusted, in line with the Company's strategic objectives and risk management policy. It is particularly highlighted that these changes are intended to strengthen the weight of the long-term variable component with respect to the overall remuneration package;

- **End-of-mandate benefit**: a specific benefit is introduced for the CEO Andrea Casaluci in certain cases and in the event that he is no longer bound by an executive employment contract, also taking into account his career path within the company, which has seen him work as a Group executive for many years. This benefit, also in accordance with market recommendations, is equal to 24 months of the gross annual remuneration, being the sum of the fixed remuneration for the principal office and the annual variable remuneration (STI) at target level;

- **Payment condition for LTI Plans**: as of the 2024-2026 LTI Plan, the General Manager, KMs, Senior Managers and Executives of the Group shall not accrue the right to receive the LTI Bonus in the event of voluntary resignation not for just cause or dismissal for just cause (Bad Leaver) occurring before the payment date: in line with best practices, in the circumstances mentioned above and in any case of termination of employment occurring for any reason before the end of the three-year period, such persons will cease their participation in the LTI plans and consequently will not accrue the right to receive the payment of the premium, not even pro-rata;

- **Non-competition agreements**: the consideration, for the two-year term of the restriction, of the non-competition agreements granted to the Chief Executive Officer, General Manager and KMs holding such agreements is reduced by 10 percentage points in the event of voluntary resignation without just cause or dismissal for just cause (Bad Leaver) and is increased by 10 percentage points in the event of termination of employment by mutual agreement, retirement, death or resignation for just cause (Good Leaver).

The 2024 Policy also takes into account the appointment of the new Board of Directors on 31 July 2023, the offices assigned by the Board of Directors and the appointment of the Corporate General Manager.

Furthermore, with respect to the 2023 Policy, the technical modalities for the liquidation of the severance pay, also previously contemplated, were described in more detail in order to increase the level of transparency towards the market.

With reference to the Report on compensation paid for the year 2023, it should be noted that the high level of transparency of Section II of the document has been maintained, and in some cases increased, both with specific regard to the performance statement on variable incentives, and in general on the various components of the remuneration package paid for various reasons in 2023, as well as with regard to the various indemnities due in the event of termination of office and/or termination of employment.

Market references and peer group

With regard 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, the General Manager, the KMs and the Senior Management, the median for the Chairman of the Board of Directors, Chief Executive Officer and Group Executives.

The analysis of the positioning, the make-up and more generally the competitiveness of the remuneration of Directors holding specific offices 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.

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[188].

Also the sample of reference companies used for the competitiveness analysis and possible review of the remuneration of the Executive Vice Chairman and Chief Executive Officer of Pirelli & C. has

[188] Financial companies are excluded from the sample.

been defined with the assistance of Willis Towers Watson, also taking into account the main recommendations on pay for performance.

With regard to the comparative market, in defining the panel of reference companies analysed annually by the Remuneration Committee, various components are taken into account and pre-established criteria are applied that are consistent with those considered by investors and proxy advisors.

The table below shows the criteria used to define the panel:

Sector	Geography	Dimension
The panel includes direct competitors, automotive manufacturers as well as companies from the Auto Components sector.	The panel consists of multinational companies, based in major European countries and North America.	The dimension is assessed in relation to the following criteria: - Market capitalisation, - Revenues, - Number of employees.

The resulting panel consists of 12 companies from the Vehicles, Auto Component & Tyre sector, as shown below:

Aston Martin	Brembo	CIE Automotive	Ferrari
Gestamp Automociòn	Goodyear	Harley-Davidson	Magna International
Michelin	Plastic Omnium	Renault	Stellantis

Finally, the remuneration structure for the General Manager, the KMs, Senior Managers and Executives is defined on the basis of the national and international benchmarks prepared by Korn Ferry and shared with the Remuneration Committee.

Elements of the policy

In keeping with previous remuneration policies, the 2024 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.

The full cost of the variable incentive plans, both short and medium-long term, is included in the economics of the strategic plans, 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.

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 have also been attributed, for the General Manager 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 achieving the incentive at "target" level are set as equal to the value disclosed to the market.

The targets assigned to the Directors holding specific offices to whom specific responsibilities are also assigned, to the General Manager and KMs in the context of the 2024 STI Plan are the following:

2024 STI Plan	Objective	Description	Weight
ON/OFF condition	**Group Net Cash Flow (before dividends)**		
Business Objectives	**Group adjusted EBIT**	This is the acronym for Earnings Before Interests and Taxes and is an interim result of the profit and loss. This indicator does not consider the financial structure of the company (i.e. how the company is financed, as it is independent of financial management).	**35%**
	Group Net Cash Flow (before dividends)	It represents the cash flow available to the company and is the difference between cash flow from operating activities and cash flow from investments in fixed assets.	**30%**
	Net income	It represents the total profit made by the company, as reported in its financial statements.	**20%**
Sustainability Targets	**Eco & Safety Volumes**	Volumes of Eco & Safety Performance tyres out of the Group's total car tyre sales volumes. Eco & Safety Performance products identify car tyres that Pirelli produces worldwide and that fall within the rolling resistance and wet grip classes A, B, measured according to the labelling parameters established by European standards.	**5%**
	Women in Management positions	The index measures the number of women in managerial positions out of the total number of managerial positions in the company.	**5%**
	Frequency Index	The index measures the incidence of accidents at work in relation to the hours worked in the year.	**5%**

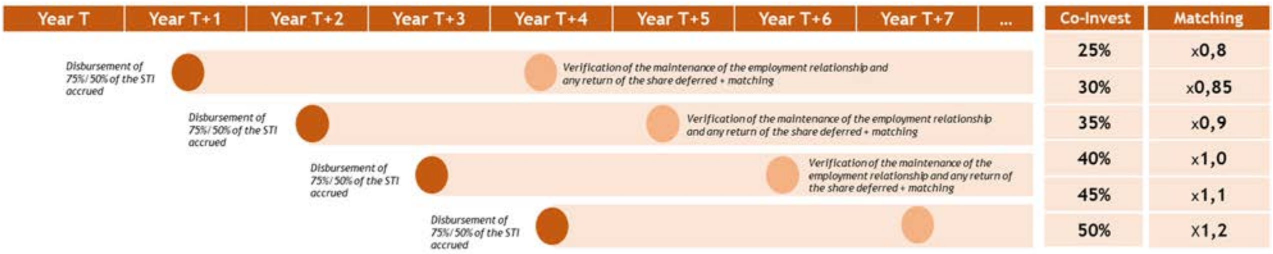
The STI objectives of the Senior Managers and Executives are, instead, defined by the hierarchical manager in accordance with the Human Resources & Organisation and Administration, Planning & Controlling departments and envisage, amongst others, also objectives connected with the economic performance of the relevant business unit/geography/department (cf. §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.

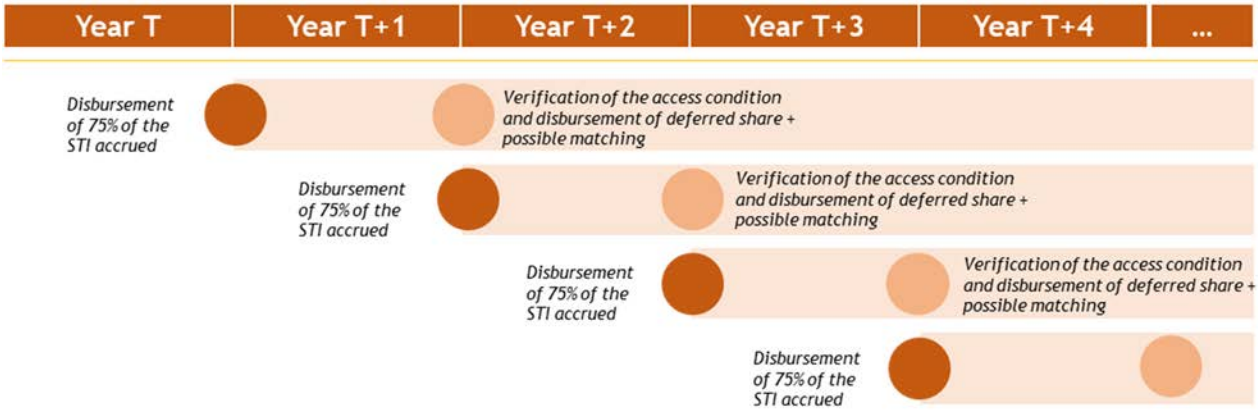
Achievement of the individual objectives will be assessed by the Remuneration Committee, neutralising the effects of any extraordinary decisions that could have impacted the results (either positively or negatively). The Board of Directors resolves on any review proposal submitted for its examination.

The 2024 STI Plan provides that for the General Manager, 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 times to a maximum of 1.2 times the amount of the deferred STI (see the diagram below).



For the rest of the Management (as at the date of this Report, the Executive Vice Chairman and Chief Executive Officer), 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 diagram 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 (matching).



Medium-long term variable component (LTI)

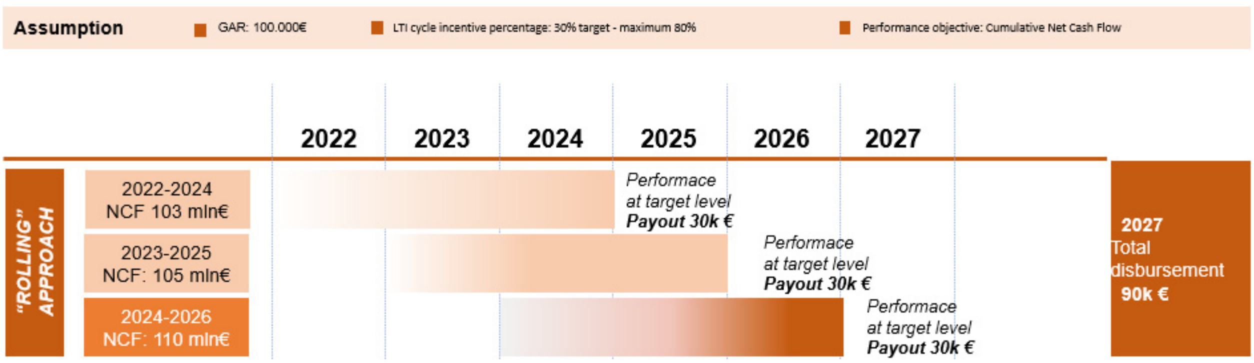
As for the medium to long term variable remuneration (LTI), it is assigned to Top Management – except for the Chairman – and extended, except in specific cases, to all Executives whose grade, determined with the Korn Ferry method, is equal to or above 20.

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 plans.

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 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 "target" level are set as equal to the value disclosed to the market.

The targets assigned to the Directors holding specific offices and to whom specific responsibilities are also assigned, to the General Manager and KMs in the context of the 2024-2026 LTI Plan are the following:

2024-2026 LTI Plan	**Objectives**	**Description**	**Weight**
Business Objectives	**Cumulative Group Net Cash Flow (before dividends)**	It represents the accumulated cash flow available to the company and is the difference between cash flow from operating activities and cash flow from investments in fixed assets.	**35%**
	Related TSR vs TIER 1	It is a measure of Pirelli's share performance over time. It combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage. This indicator is then compared with the average of Tier1 peers (Continental, Michelin, Nokian, Goodyear and Bridgestone).	**40%**
Sustainability Targets	**DJS Index**	It represents Pirelli's positioning in the Dow Jones Sustainability World (ATX Auto Components) index, which includes global sustainability leaders identified by S&P Global through the Corporate Sustainability Assessment.	**10%**
	CO_2 Emissions	It represents the reduction of direct (Scope 1+2) greenhouse gas emissions from plants, vehicles and other activities managed directly by Pirelli.	**15%**

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 2024-2026 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;
- a potential early termination of the Plan.

The 2024-2025 Industrial Plan confirms the core elements at the basis of Pirelli's business model; the graph below shows the link between the corporate strategy and the KPIs of the incentive systems.

<table>
<tr><th>2024-2025 Industrial Plan</th><th>STI</th><th>LTI</th></tr>
<tr><td rowspan="2">High-end, specialties and EV focus</td><td>Net income</td><td rowspan="3">Relative TSR</td></tr>
<tr><td rowspan="4">Group adjusted EBIT</td></tr>
<tr><td rowspan="2">Innovation and connectivity</td></tr>
<tr><td rowspan="3">Cumulative Group Net Cash Flow (before dividends)</td></tr>
<tr><td rowspan="2">Cost Transformation & Digitalization</td></tr>
<tr><td>Group Net Cash Flow (before dividends)</td></tr>
<tr><td>Sustainability</td><td>Eco & Safety Volumes
DE&I: Women in Management positions
HSE: Frequency Index</td><td>DJS Index
CO_2 Emissions Reduction</td></tr>
</table>

Each programme will be undertaken with an approach based on:

- centrality of environmental sustainability; and
- an increasing push towards innovation and digitisation.

More specifically, through innovation and connectivity, new technologies will be introduced into products inspired by eco-safety design and efforts will continue on connected tyres capable of generating data that can be used to strengthen data-driven product development and process optimisation.

Digitisation and sustainability will be the cornerstones for increasing efficiency and quality levels, thanks to programmes such as electrification and Industrial IoT, while the cost transformation programme, thanks to automation, predictive maintenance enabled by Industrial Iot, optimisation of the logistics network and modular product design to name a few, will constitute a renewed plan for competitiveness across all company functions.

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.

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 further specific duties may be attributed;

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 also attributed.

The total gross annual remuneration established by the Shareholders' Meeting[189] was allocated by the Board of Directors as follows for the years 2023, 2024 and 2025:

DIRECTORS' REMUNERATION		
BODY	OFFICE	REMUNERATION
Board of Directors	Director	75,000 Euro
Audit, Risks and Corporate Governance Committee	Chairman	40,000 Euro
	Member	35,000 Euro
Remuneration Committee	Chairman	40,000 Euro
	Member	35,000 Euro
Strategies Committee	Chairman	50,000 Euro
	Member	35,000 Euro
Appointments and Successions Committee	Chairman	35,000 Euro
	Member	25,000 Euro
Related-Party Transactions Committee	Chairman	65,000 Euro
	Member	45,000 Euro
Sustainability Committee	Chairman	50,000 Euro
	Member	35,000 Euro

[189] On 31 July 2023, the Pirelli & C. Shareholders' Meeting resolved to establish, for the years 2023, 2024, 2025 and until cessation of office with the approval of the financial statements as at 31 December 2025, a maximum of 2.5 million euros as the total annual remuneration 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 component of their remuneration. 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.

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 Manager, 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 & C. 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 3 August 2023, the Board of Directors confirmed, in continuity with the previous term of office, the members of the Supervisory Body and resolved to pay the Chairman and the other members of the Board the following remuneration for the financial years 2023, 2024 and 2025:

Supervisory Body	Chairman	70,000 Euro
	Member	50,000 Euro

For completeness, it is reported that the remuneration assigned to members of the Supervisory Body is not included in the total gross annual remuneration 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 euros and for the other regular members of 75,000 euros.

The Shareholders' Meeting called to approve the financial statements at 31 December 2023 will be required to resolve on the renewal of the Board of Statutory Auditors as well as, pursuant to Art. 2402 of the Italian Civil Code, the remuneration of its members for their entire term of office.

In preparation for the Shareholders' Meeting, the Board of Statutory Auditors provided the Company with a document summarising the work it performed - specifying the number of meetings and their average duration - as well as the time required for each meeting and the professional resources employed, so as to allow the Shareholders' Meeting and the candidates for election as Statutory Auditors to assess the adequacy of the proposed remuneration[190].

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 HOLDING SPECIFIC OFFICES

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 Jiao Jian[191]) the remuneration

[190] The Document of the outgoing Board of Statutory Auditors is available on the Company's website.

[191] Appointed Chairman by the Shareholders' Meeting on 31 July 2023.

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).

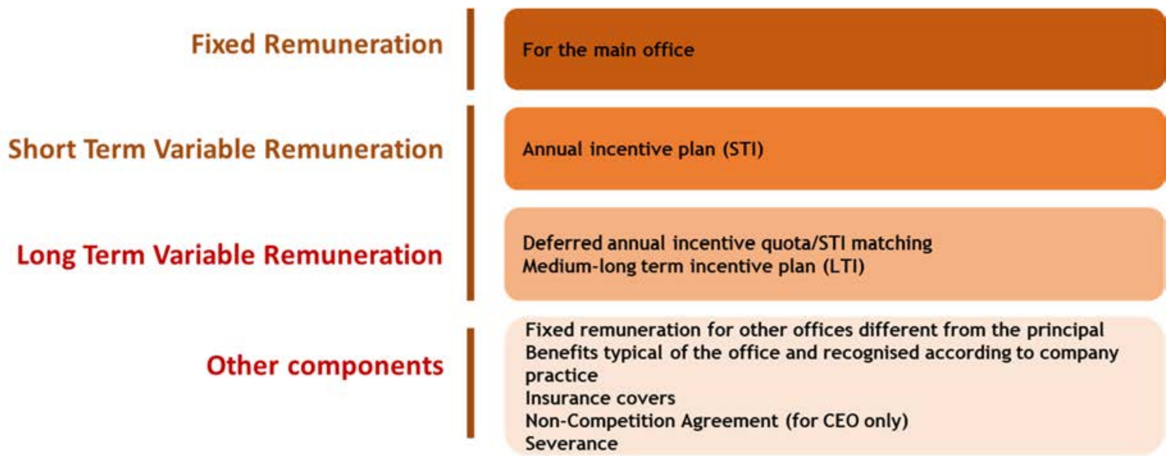
The Chairman, who receives a gross annual remuneration of 400,000 euros for his office, has expressed his wish not to receive any remuneration from the Company for the offices held. Therefore, the Board of Directors' meeting of 13 September 2023 resolved not to allocate any remuneration under the 2023 Policy for the offices held by him.

In the event that the Board of Directors is called on to resolve again on the remuneration of the Chairman during the current term of office, a remuneration that is at most equal to +10% of the remuneration payable during the previous term of office (in the case of the same holder) or consistent with 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.

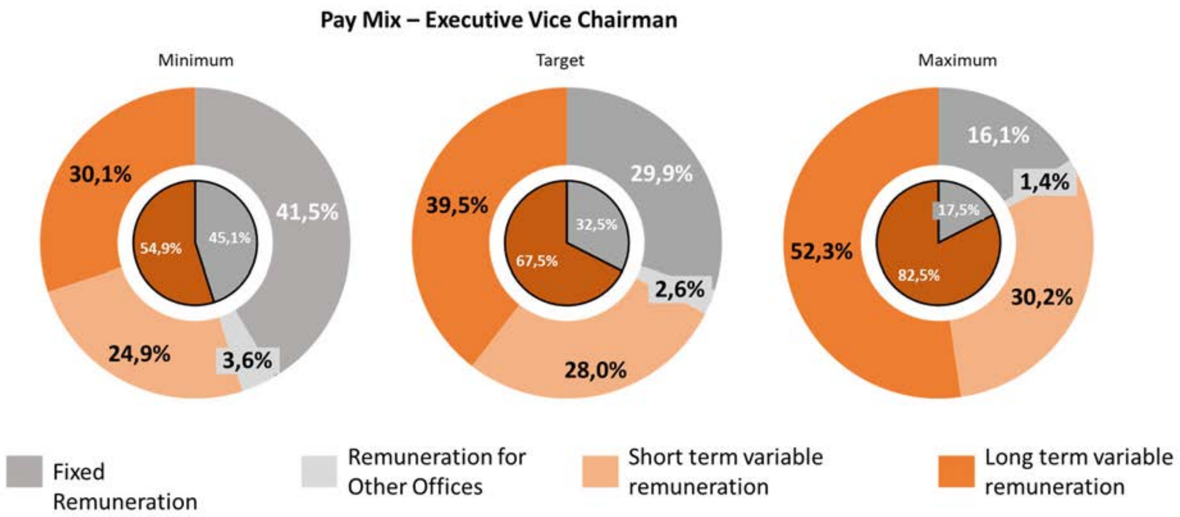
Directors holding specific offices to whom specific duties are also delegated

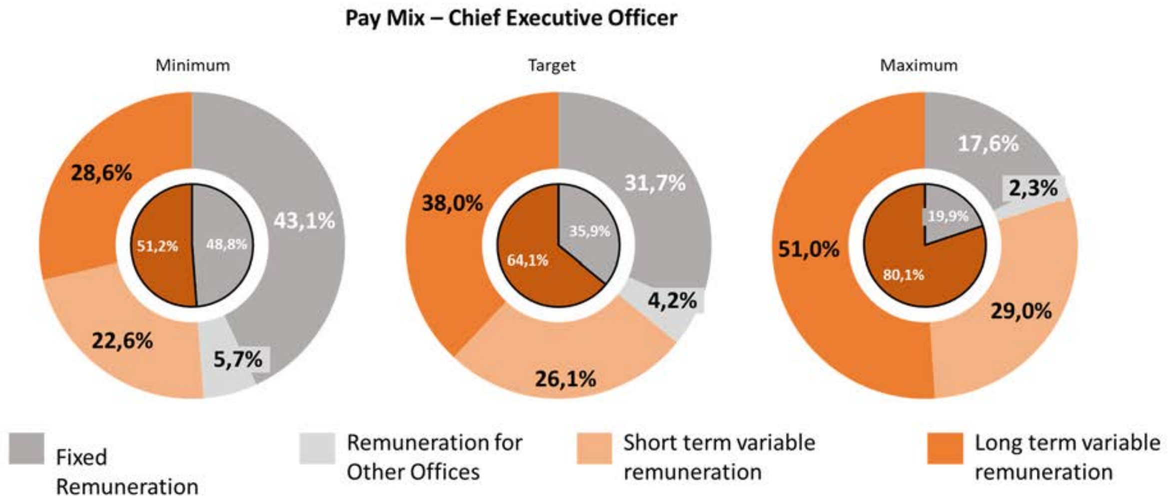
The remuneration of Directors holding specific offices to whom specific duties have also been assigned (as of the date of this Report this applies to the Executive Vice Chairman Marco Tronchetti Provera and the Chief Executive Officer Andrea Casaluci) consists of the following elements:



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[192].

With regard to the incidence of the various components, the structure of the compensation package of the Executive Vice Chairman and CEO in the event of achievement of the minimum target and maximum 2024 STI and 2024-2026 LTI targets is shown below.





[192] The Executive Vice Chairman is also entitled to the remuneration for serving as a Director (75,000 euros) and as Chairman of the Strategies Committee (50,000 euros), the Appointments and Succession Committee (35,000 euros) and the Sustainability Committee (50,000 euros). The Chief Executive Officer is entitled to remuneration for serving as Director (75,000 euros) and for his role as a member of the Strategies Committee (35,000 euros) and the Sustainability Committee (35,000 euros).

Fixed Remuneration

Remuneration for 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 remuneration for the financial years 2023, 2024 and 2025 and until the approval of the financial statements as at 31 December 2025 assigned to (i) the Executive Vice Chairman is 2,400,000 euros, (ii) the Chief Executive Officer is 1,100,000 euros.

In the event that the Board of Directors is again called upon to resolve on the gross annual fixed remuneration of Directors holding specific offices to whom specific powers are also delegated, the following shall comply with the Policy:

- for the Executive Vice Chairman, a fixed gross annual remuneration or a review thereof which, taking into account the annual and medium to long-term incentive percentages, determines an Annual Total Direct Compensation on-Target equal to a maximum of +5% respectively of the value awarded in the previous term of office (if the same holder) or of the market benchmark (third quartile);

- for the Chief Executive Officer, a fixed gross annual remuneration or a review thereof which, taking into account the annual and medium-long term incentive percentages, determines an Annual Total Direct Compensation on-Target equal to a maximum of +10% respectively of the value awarded in the previous term of office (if the same holder) or of the market benchmark (median).

Annual variable component (STI)

The Directors holding specific offices to whom specific duties are also delegated receive an annual variable component (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, 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 the Group’s Net Cash Flow (before dividends) and failure to achieve it results in the cancellation of the STI incentive, regardless of the level of achievement of the other targets.

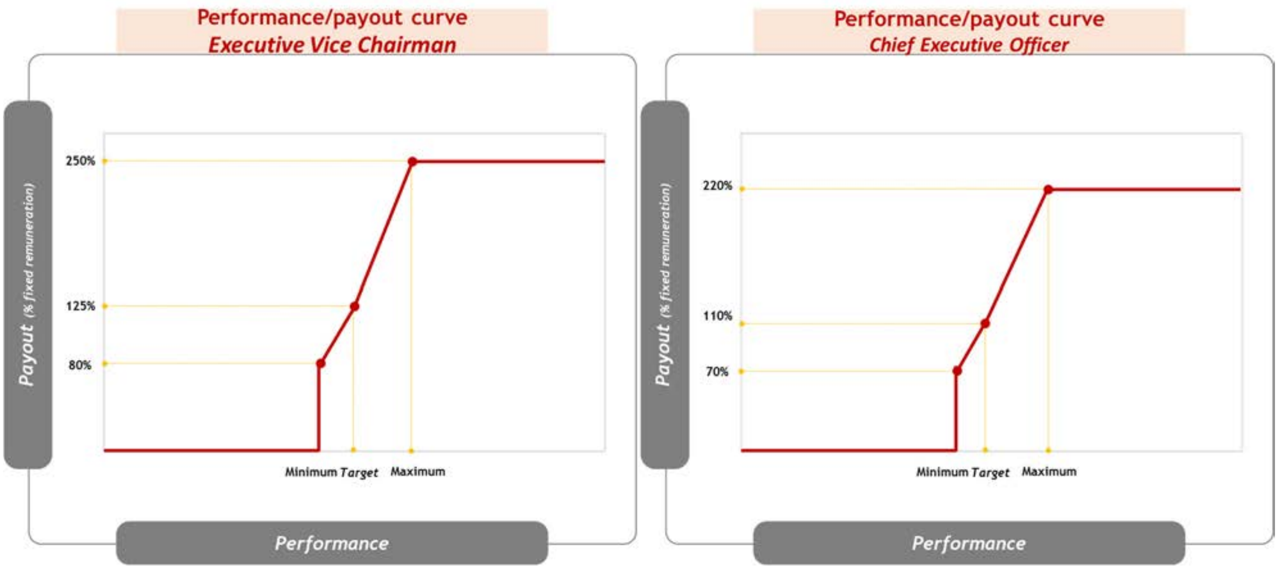
The finalisation of the bonus between the minimum value and target and between the target and maximum is carried out by linear interpolation.

Depending on the level of performance achieved, the Executive Vice Chairman will be paid an incentive of 80% of fixed remuneration for minimum level performance, amounting to 125% of the fixed remuneration in the event of on-target performance and 250% for maximum level performance.

Depending on the level of performance achieved, the Chief Executive Officer will be paid an incentive of 70% of fixed remuneration for minimum level performance, amounting to 110% of the fixed remuneration in the event of on-target performance and 220% 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.



Part of the variable component accrued by the Executive Vice Chairman and CEO as STI is deferred to support the continuity of results over time as stated in paragraph 2 of this Policy. 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 (matching).

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[193].

Medium-long term variable component (LTI)

In order to contribute to the corporate strategy, the pursuit of the long-term interests and the sustainability of the Company, the Directors holding specific offices to whom specific duties are also delegated receive a medium-long term variable component (LTI) equal to a percentage of the fixed remuneration determined at the time of appointment and thereafter when the individual annual plans are launched.

For 2024, the Executive Vice Chairman and Chief Executive Officer are beneficiaries of the 2024-2026 LTI Plans and the 2022-2024 and 2023-2025 LTI Plans.

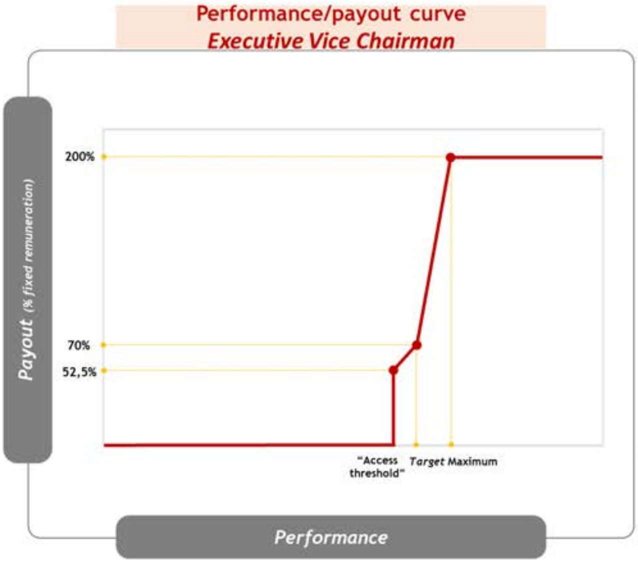
If the Board of Directors is again called to resolve on the LTI incentive percentages for Directors holding specific offices to whom specific duties are also delegated, the Policy allows the allocation of an LTI incentive percentage of no more than 70% on target, 200% maximum.

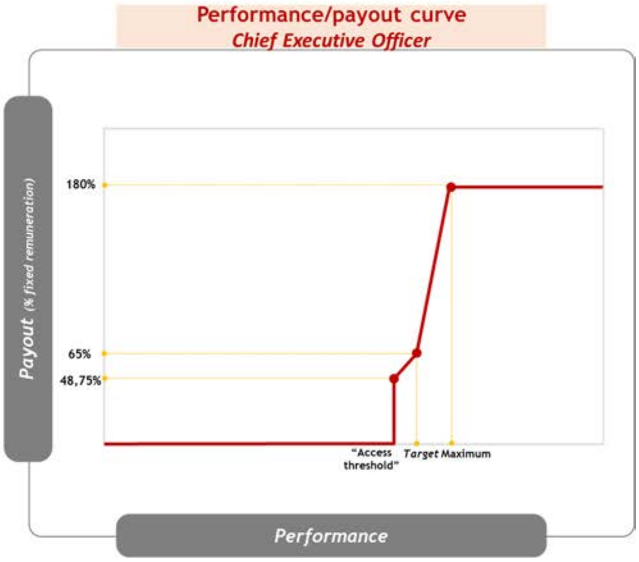
An “access threshold” level – associated with payment of 75% of the bonus achievable on-target – and a maximum (cap) are envisaged for each objective of the LTI plans.

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 diagram 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 “access threshold”, target and maximum level by the Executive Vice Chairman and CEO.

[193] Note that Andrea Casaluci was appointed Chief Executive Officer of the Company by the Board of Directors on 3 August 2023. For the periods prior to him taking on this role, the pro-rata payment of the STI is based on the incentive percentages and calculation basis set for the General Manager Operations, pursuant to the 2023 Policy.





For the TSR (Total Shareholder Return), cumulative Group Net Cash Flow (before dividends) and CO_2 Emissions targets, 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 Dow Jones Sustainability Index sustainability target, there will be a three-step reporting: "access threshold", target and maximum, without considering intermediate performances.

Within the scope of the 2024-2026 LTI Plan, depending on the level of performance achieved, the Executive Vice Chairman is granted a 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 event of maximum performance.

Depending on the level of performance achieved, the Chief Executive Officer is granted an annual bonus opportunity of 65% of fixed remuneration for on-target performance, 48.75% if the "access threshold" performance is achieved (75% of the on-target bonus), and 180% (cap) in the event of maximum performance. These incentive opportunities are applicable to the 2024-2026 LTI Plan and, pro-rata, to the 2022-2024 and 2023-2025 LTI Plans.

In the event of termination of office, the LTI Bonus is paid on a pro-quota basis for the effective months of tenure in office[194].

[194] Note that Andrea Casaluci was appointed Chief Executive Officer of the Company by the Board of Directors on 3 August 2023. For the periods prior to him taking on this role, the pro-rata payment of the LTI Bonus is based on the incentive percentages and calculation basis set for the General Manager Operations, pursuant to the 2023 Policy.

Office Termination Payment and non-monetary benefits

In addition, the Board of Directors has made the following provision for Directors holding specific offices to 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 Marco Tronchetti Provera and the Chief Executive Officer Andrea Casaluci on cessation of the executive employment contract[195]), analogously to the treatment guaranteed pursuant to the law and/or national collective employment agreement for the Group's Italian executives:

- an Office Termination Payment (TFM) pursuant to Art. 17, paragraph 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 remuneration 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 remuneration 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.

  The severance pay, including the relevant value adjustment of such amounts, will be due as a lump sum at the request of the beneficiary at any time after expiry of each mandate or, in the event of premature death, of his/her assignees. It is understood that in the event that the severance pay relates to several expired mandates, the beneficiary shall be entitled to request its disbursement even for only one or some of the expired mandates; for the amounts or the mandates for which disbursement has not been requested, the right to the relevant sums shall accrue in the year in which disbursement is requested by the beneficiary or his/her assignees.

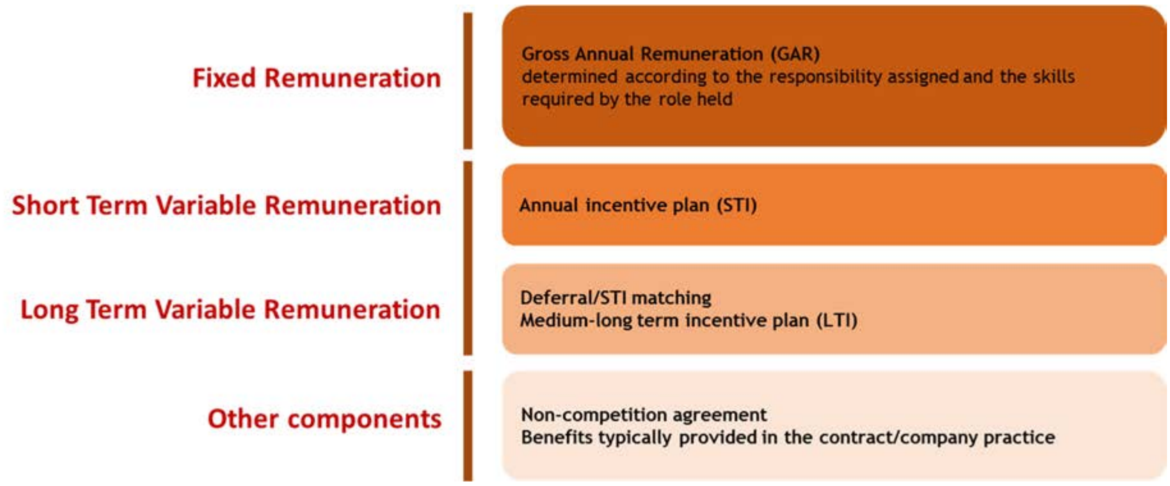
- a compensation allowance for death from any cause and permanent invalidity following illness as well as a compensation allowance for death from any cause and permanent invalidity following accidents, the terms, limits and conditions of which are in line with what was guaranteed for the previous mandate for the Executive Vice Chairman and with Pirelli policies for executives for the CEO;

[195] Note that, as of the date of the Report, the Chief Executive Officer Andrea Casaluci holds an executive employment contract with Pirelli & C..

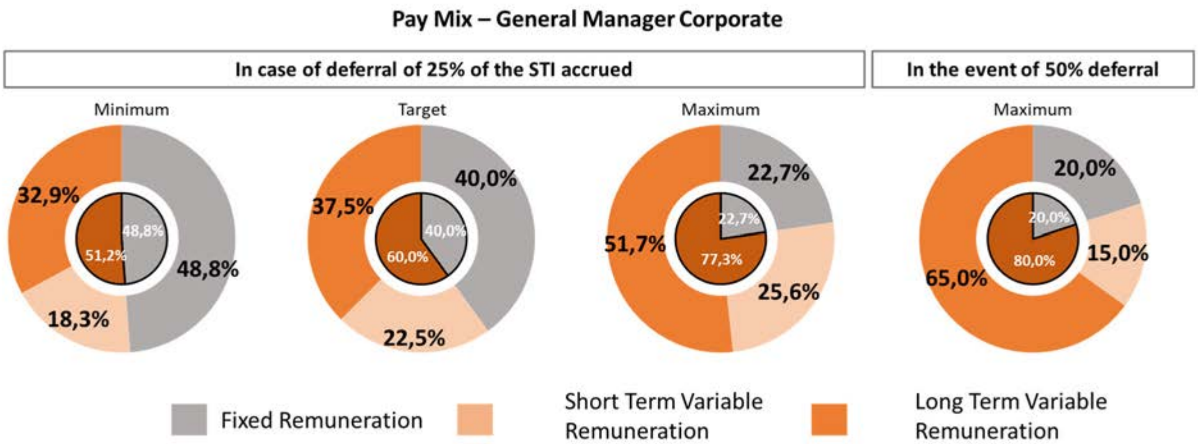
- further benefits typical of the role and currently paid within the Group to the General Manager, KMs and Executives (e.g. company car).

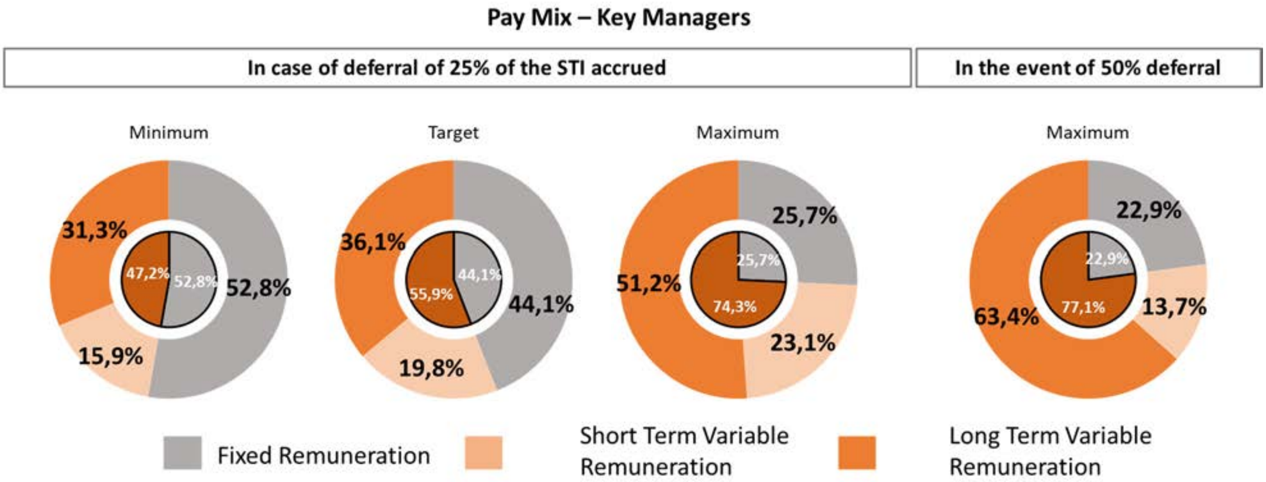
5. REMUNERATION OF THE GENERAL MANAGER AND KEY MANAGERS

The remuneration of the General Manager (at the date of the Report the Corporate General Manager is Francesco Tanzi) and the KMs has the following elements:



With regard to the incidence of the various components, the structure of the compensation package of the Corporate General Manager and KMs in the event of achievement of the minimum, target and maximum STI 2024 and LTI 2024-2026 targets is shown below.





The analysis of the remuneration of the Corporate General Manager 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.

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 Manager and KMs

The fixed remuneration of the General Manager 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, a fixed remuneration not exceeding 85% of that of the Chief Executive Officer and an Annual Total Direct Compensation on-Target which, taking into account the annual and medium-long term percentages, does not exceed 80% of the Annual Total Direct Compensation on-Target of the Chief Executive Officer.

If KMs are hired, the Policy allows a fixed remuneration not exceeding that of the Corporate General Manager 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 RPT Procedure is applicable.

Annual variable component (STI)

The General Manager 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.

Depending on the level of performance achieved, the table below shows the percentage of the incentive on the gross annual salary:

Corporate General Manager	**Minimum**	**50% of the GAR**
	Target	**75% of the GAR**
	Maximum	**150% of the GAR**
KMs	**Minimum**	**40% of the GAR**
	Target	**60% of the GAR**
	Maximum	**120% of the GAR**

In the event of hiring a new General Manager, the Remuneration Committee, having as reference the purpose of the Policy 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 Chief Executive Officer. In that case, the RPT Procedure is applicable.

For the General Manager 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 of this 2024 Policy.

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, also the General Manager and KMs are beneficiaries of medium/long-term incentive plans and, in particular, of the 2022-2024, 2023-2025 and 2024-2026 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 2024-2026, depending on the level of performance achieved, the table below shows the percentage of the incentive on the gross annual salary.

Corporate General Manager	**Access threshold**	**45% of the GAR**
	Target	**60% of the GAR**
	Maximum	**160% of the GAR**
KMs	**Access threshold**	**41.25% of the GAR**
	Target	**55% of the GAR**
	Maximum	**145% of the GAR**

For KMs, the incentive opportunities are also applied pro rata to the 2022-2024 and 2023-2025 LTI Plans.

In the event of the appointment of a new General Manager, the Remuneration Committee, having as reference the purpose of the Policy 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 Chief Executive Officer. In that case, the RPT Procedure is applicable.

The General Manager and KMs shall cease their participation in the LTI plans and consequently shall not accrue the right to receive bonus payments, not even pro-rata, in the event of (i) termination of employment occurring for any reason before the end of the three-year period and (ii) voluntary resignation without just cause or dismissal for just cause (Bad Leaver) occurring before the payment date.

Non-monetary benefits, conventional seniority and welcome bonus

Non-monetary elements of remuneration are benefits provided to the General Manager 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).

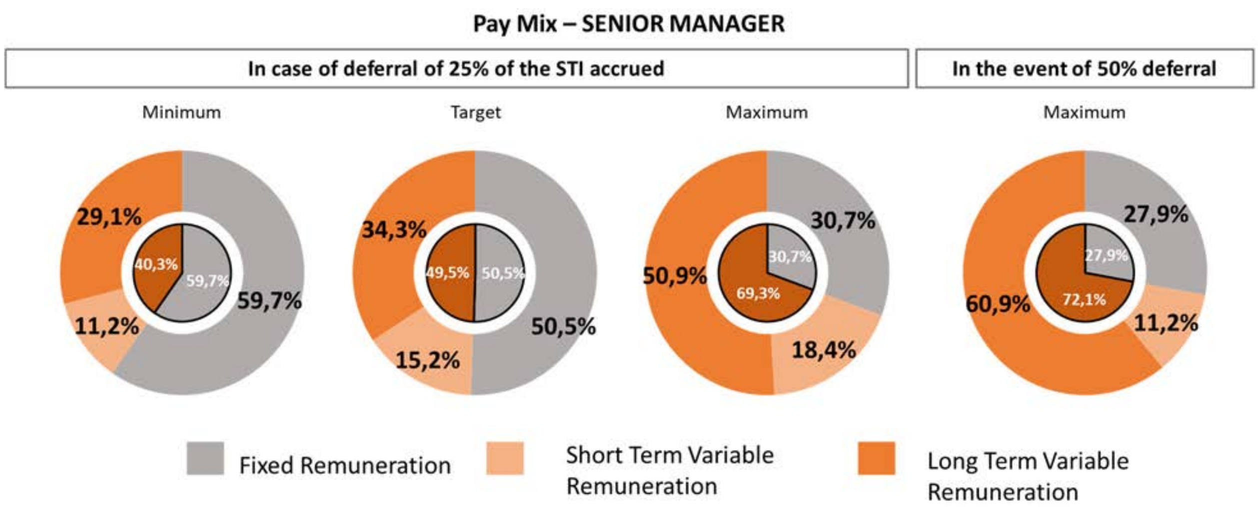
Moreover, if a new General Manager or KM is hired, the Remuneration Committee may establish (i) an agreed seniority recognised on the basis of previous experience in similar roles, (ii) the allocation of a one-off bonus not exceeding the beneficiary's fixed gross annual remuneration, taking into account the Policy's objective of attracting key resources to achieve the company's objectives.

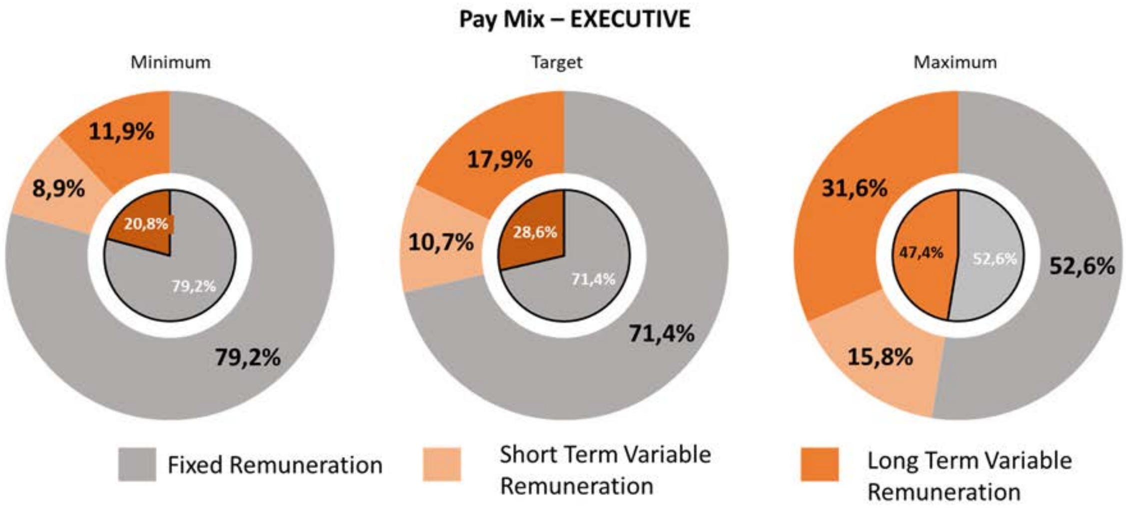
6. REMUNERATION OF SENIOR MANAGERS AND EXECUTIVES

The remuneration of Senior Managers and Executives consists of the following elements:

Fixed Remuneration	Gross Annual Remuneration (GAR) determined according to the responsibility assigned and the skills required by the role held
Short Term Variable Remuneration	Annual incentive plan (STI)
Long Term Variable Remuneration	Deferral/STI matching Medium-long term incentive plan (LTI)
Other components	Non-Competition Agreement *(for some Senior Manager and Executive)* Benefits typically provided in the contract/company practice

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 2024 STI and 2024-2026 LTI objectives is shown below.





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 Corporate General Manager 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, the Chief Executive Officer, the General Manager and the KMs.

For the year 2024, the objectives assigned to Senior Managers and Executives are as shown in the table below:

Senior Executive Headquarter

STI Plan 2024	Objective	Weight
Condition ON/OFF	Group Net Cash Flow (before dividends)	
Business Objectives	Group EBIT Adj.	25%
	Group Net Cash Flow (before dividends)	20%
Functional Objectives	Functional Objectives with Group Scope	40%
Sustainability Objectives**	Eco & Safety Volumes DE&I: Women in Management positions HSE: Frequency Index	15%

Senior Executive of Region / BU

STI Plan 2024	Objective	Weight
Condition ON/OFF	Group Net Cash Flow / Region Region DSO for Commercial Resp.*	
Business Objectives	KPI with Group Scope	10-35%
	EBIT Adjusted of Region / BU	25%
	Net Cash Flow of Region	10-25%
Functional Objectives	Functional Objectives	Up to 40%
Sustainability Objectives**	Eco & Safety Volumes DE&I: Women in Management positions HSE: Frequency Index	15%

* If the ON/OFF NCF Region or DSO condition is not met, the ON/OFF Group condition will apply with a 25% reduction of the payout accrued.

** The Senior Managers and Region Heads have all three sustainability targets, each with a 5% weighting. The other Executives can have between one and three sustainability targets still guaranteeing at least 15 points, depending on the professional family they belong to.

According to the performance level achieved, the Senior Managers and Executives are assigned the following incentive percentages:

	Range
% at minimum	**10% - 25%**
% at target	**15% - 40%**
% at maximum	**30% - 80%**

For selected Senior Managers, as for General Manager and KMs, a percentage of the STI accrued is deferred as stated in paragraph 2 of this 2024 Policy.

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 2022-2024, 2023-2025 and 2024-2026 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 Manager and KMs.

Within the scope of the LTI Plan for the period 2024-2026, on the basis of the performance level achieved, Senior Managers and Executives are paid the following incentive percentages:

	Range
% at access threshold	**11.25% - 37.5%**
% at target	**15% - 50%**
% at maximum	**40% - 130%**

Senior Managers and Executives shall cease their participation in the LTI plans and consequently shall not accrue the right to receive bonus payments, not even pro-rata, in the event of (i) termination of employment occurring for any reason before the end of the three-year period and (ii) voluntary resignation without just cause or dismissal for just cause (Bad Leaver) occurring before the payment date.

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, the General Manager 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:

- proven significant errors resulting in non-compliance with the accounting standards applied by Pirelli, or;
- 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 owns 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.

As regards Directors holding specific offices to whom specific powers are delegated, and who are not bound by executive employment contracts, Pirelli provides for the payment of a specific benefit, following evaluation by the competent corporate bodies, in the cases described below.

Regarding the Executive Vice Chairman:

- early termination of office by the Company for other than just cause;
- early 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 24 months of gross annual salary, i.e. the sum of (i) the gross annual base remuneration 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.

With regard to the Chief Executive Officer Andrea Casaluci, taking into account his specific career path, which has seen him employed as a Group Executive for many years, with roles of increasing responsibility, most recently as General Manager Operations, a benefit is envisaged in the following cases when he is no longer bound by an executive employment contract:

- early termination of office by the Company for other than just cause;
- early 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;
- termination of office due to completion of term of office without a subsequent re-appointment proposal.

This benefit amounts to 24 months of the gross annual remuneration, meaning the sum of (i) the Gross Annual Fixed Remuneration for the main office and (ii) the STI annual variable remuneration at target.

As regards the Directors holding specific offices to whom specific powers are also delegated and who are bound by executive employment contracts, the General Manager and the KMs, the agreements for termination of the employment relationship by mutual consent are submitted to the Remuneration Committee (also in its capacity as the Related-Party Transactions Committee), which, having assessed compliance with the Policy, authorises the negotiation by setting the maximum limits of the amount payable, including the possible retention of non-monetary benefits for a pre-determined period of time.

The closure amounts are determined with reference to the applicable category national collective bargaining agreements. In particular, 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

Directors holding specific offices to whom specific powers are also delegated and who are bound by executive employment contracts, the General Manager and the KMs may also be granted the following amounts, subject to the examination, evaluation and approval of the Remuneration Committee (also in its capacity as the Related-Party Transactions Committee):

- 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.

A consultancy (or collaboration) contract may be entered into between Directors holding specific offices to whom specific powers are also delegated and who are bound by executive employment contracts, the General Manager and the KMs and a Group company, for a predefined period following the termination of the employment relationship and subject, also in this case, to evaluation and approval by the Remuneration Committee (also acting as Related-Party Transactions Committee).

Remuneration due to the Directors holding specific offices to whom specific powers are also delegated who are bound by executive employment contracts, to the General Manager and to the KMs by virtue of the positions possibly held in the Board of Directors are not included in the quantification of the severance pay relationship and are due to the extent determined exclusively based on the period in which the office on the Board of Directors was held.

Finally, as regards the short term incentive (STI) and medium-long term (LTI) incentive system:

- for Directors holding specific offices to whom specific powers are also delegate and who cease to hold office a pro-rata payment of the LTI Bonus, and LTI bonus for the actual months of tenure of the office is provided for;

- for the General Manager, the KMs, Senior Managers and Executives, in the event of termination of employment, the STI bonus will be paid pro-rata, for the actual months of employment, subject to a minimum period of 9 months in the year, except in the case of dismissal for just cause, where no amount will be paid. There is no payment of the LTI bonus, not even pro rata, in the event of termination for any reason before the end of the three-year period; there is also no payment in the event of voluntary resignation without just cause or dismissal for just cause (Bad Leaver) before the payment date.

9. NON-COMPETITION AGREEMENT

The Group enters into non-competition agreements providing for a payment to the General Manager, KMs and, Senior Managers and Executives[196] 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-

[196] Reference is made, in particular, to critical know-how in terms of technical skills in research and development and manufacturing as well as in sales.

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, the General Manager and KMs, as to have a geographical extension covering all the main countries in which the Group operates.

The Executive Vice Chairman is not subject to a non-competition agreement.

It should be noted that the CEO holds a non-competition agreement to protect the Group's strategic and operational know-how which the total amount is equal to 170% of the fixed gross annual remuneration (70% in the case of a bad leaver), from which must be subtracted the portion paid during the office as an advance equal to 15% of the aforementioned remuneration for each year in office.

In the case of Directors holding specific offices to whom specific duties are also delegated, the General Manager 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 the termination of office/contract;

	Range
Fee for the restriction period	**50% - 170%**
Annual payment	**10% - 15%**

- the fee: from a minimum of 50% to a maximum of 170% of the fixed remuneration on the basis of the role held, the technical skills, the specialised know-how and the reason for leaving, for the period of the restriction, less any portion disbursed during the contract of employment, amounting to between 10% and 15% of the fixed remuneration 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 170% of the fixed remuneration and in any case not above 200% and, in this case, the annual payment during employment may be a maximum of 20% of the fixed remuneration.

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 Manager 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 2024 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 Manager 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: these are the Directors of Pirelli & C. holding the office of Chairman, Executive Vice Chairman and Chief Executive Officer. The Directors holding specific 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 specific 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 assigned: the Directors of Pirelli & C. who hold the office of Executive Vice Chairman and Chief Executive Officer.

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:

- gross annual base salary of the remuneration;
- annual variable short-term incentive (STI), if target objectives are achieved;
- medium-long term variable component consisting of:
  - annual value of the LTI plan if multi-year target objectives are achieved;
  - pro quota value of the STI accrued and deferred, to be paid if the underlying conditions are met;
- 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: 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 Managers, depending on the role held and unless otherwise resolved by the Board of Directors of Pirelli & C., which classifies them as KMs.

KMs: indicates the persons identified pursuant to Article 11, paragraph 10 of the Bylaws, i.e. Pirelli's managers who, by reason of the tasks and powers attributed to them, have the power and responsibility, directly or indirectly, of planning, directing and controlling the Company's activities and of adopting decisions that may affect its development and future prospects.

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.

Good Leaver: when the relationship with the Company is terminated by mutual termination, retirement, death or resignation for good cause.

Bad Leaver: when the relationship with the Company is terminated due to a case other than those listed in the definition of good leaver.

Pirelli Group or Pirelli or Group: all the companies included in the consolidation scope of Pirelli & C..

Management: means all Directors holding specific offices, General Manager, KMs, Senior Managers and Executives.

2021-2023 LTI Plan: refers to the LTI plan relating to the 2021-2023 three-year cycle, approved by the Board of Directors on 31 March 2021 and, subsequently, by the Shareholders' Meeting held on 15 June 2021, to support the achievement of the new objectives set by the 2021-2022/2025 Strategic Plan, as subsequently amended by the Board of Directors on 17 March 2022 (amendment approved by the Shareholders' Meeting on 18 May 2022).

2022-2024 LTI Plan: refers to the LTI plan relating to the 2022-2024 three-year cycle, approved by the Board of Directors on 17 March 2022 and, subsequently, by the Shareholders' Meeting held on 18 May 2022.

2023-2025 LTI Plan: refers to the LTI plan relating to the 2023-2025 three-year cycle, approved by the Board of Directors on 5 April 2023 and, subsequently, by the Shareholders' Meeting held on 31 July 2023.

2024-2026 LTI Plan: refers to the LTI plan relating to the 2024-2026 three-year cycle, approved by the Board of Directors on 6 March 2024.

2021-2022/2025 Strategic Plan: refers to the business plan approved by the Board of Directors of Pirelli & C. on 31 March 2021.

2024-2025 Industrial Plan: refers to the update of the 2021-2022|2025 Strategic Plan approved by the Board of Directors of Pirelli & C. on 6 March 2024.

2020 Policy: refers to the Remuneration Policy for the year 2020 approved by the Board of Directors on 2 March 2020 and, subsequently, by the Shareholders' Meeting held on 18 June 2020.

2021 Policy: refers to the Remuneration Policy for the year 2021 approved by the Board of Directors on 31 March 2021 and, subsequently, by the Shareholders' Meeting held on 15 June 2021.

2022 Policy: refers to the Remuneration Policy for the year 2022 approved by the Board of Directors on 17 March 2022 and, subsequently, by the Shareholders' Meeting held on 18 May 2022.

2023 Policy: refers to the Remuneration Policy for the year 2023 approved by the Board of Directors on 5 April 2023 and, subsequently, by the Shareholders' Meeting held on 31 July 2023.

GAR: refers to the gross annual base remuneration of the compensation for those employed by a Pirelli Group company.

Senior Managers or Senior Management: refers to the persons to whom the following shall first report, except where they are KMs (i) Directors holding specific offices to whom specific duties have been attributed; (ii) General Manager, where the work of the Senior Manager significantly impacts business results.

Statutory Auditors: refers to the members of the Board of Statutory Auditors of Pirelli & C.

The Company or Pirelli & C.: refers to Pirelli & C. S.p.A.

STI: refers to 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: refers to all Directors holding specific offices, General Manager and KMs.

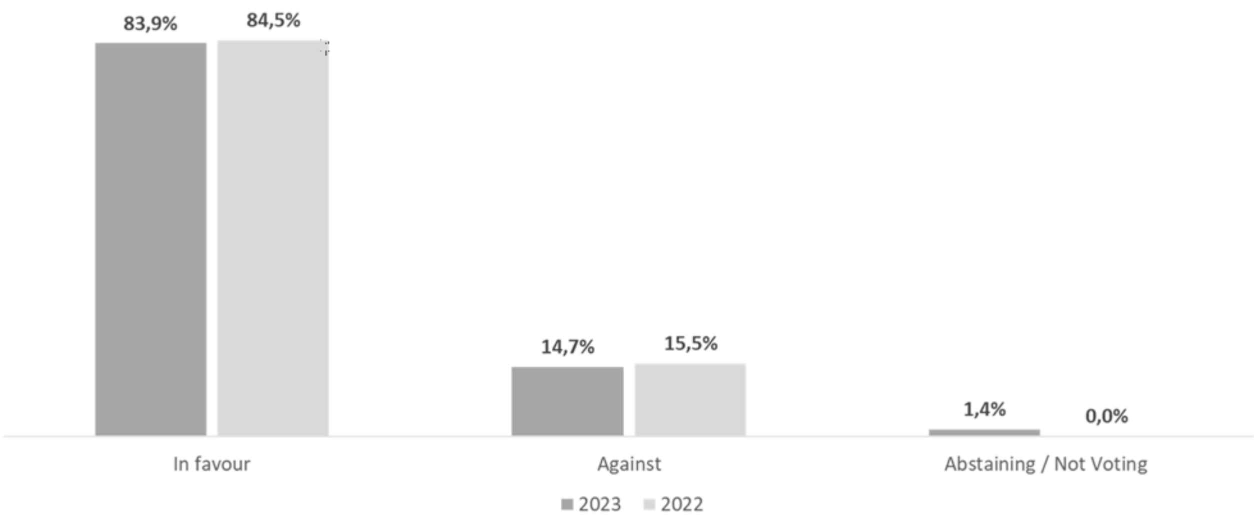
REPORT ON COMPENSATION PAID IN 2023

1. ILLUSTRATION OF REMUNERATION COMPONENTS

The Report on Compensation Paid illustrates the remuneration policy approved by the shareholders' meeting of Pirelli & C. on 31 July 2023 (the "**2023 Policy**"), as implemented by the Pirelli Group during the 2023 financial year in relation to remuneration. In particular, the 2023 Report on Compensation Paid provides an overview of the remuneration paid to the different types of stakeholders, in accordance with the transparency obligations of the applicable legal or regulatory provisions, and gives evidence of compliance with the 2023 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 resolves on the second section of the Report (i.e. the 2023 Report on Compensation Paid) with an advisory vote.

In implementing the 2023 Policy, the Company took into account the vote cast by the Shareholders' Meeting held on 31 July 2023, which voted in favour of the Report on Compensation Paid in 2022. The chart below shows the result of the advisory vote in 2023 on the compensation paid in 2022 and in 2022 on the compensation paid in 2021.



1.1 TOTAL REMUNERATION

At the Shareholders' Meeting of 31 July 2023, the term of office of the Board of Directors appointed by the Shareholders' Meeting of 18 June 2020 expired. The Shareholders' Meeting of 31 July 2023 therefore appointed the Board of Directors for the financial years 2023-2024-2025, until the approval of the financial statements as at 31 December 2025 (the '**2023-2025 Term of office**').

This section therefore shows:

- the remuneration paid with reference to the financial year 2023 to the members of the Board of Directors in office in the 2023-2025 Term of office;
- the remuneration paid with reference to the financial year 2023 to the members of the Board of Directors whose term of office ended with the approval of the financial statements as of 31 December 2022 (the '**2020-2022 Term of office'**);
- the remuneration paid with reference to the financial year 2023 to the KMs;
- the remuneration paid with reference to the financial year 2023 to the members of the Board of Statutory Auditors appointed by the Shareholders' Meeting on 15 June 2021.

Fixed Remuneration

Directors holding no specific offices

Term of office 2023-2025

Pursuant to the 2023 Policy, for Directors not holding specific offices, the Shareholders' Meeting of 31 July 2023 resolved to establish, for the years 2023, 2024, 2025 and until the end of their term of office coinciding with the approval of the financial statements as at 31 December 2025, a total annual Board of Directors' remuneration in accordance with Art. 2389, paragraph 1 of the Italian Civil Code, of up to 2.5 million euros, excluding the remuneration to be allocated by the Board to Directors holding specific offices, as envisaged by Art. 2389 of the Italian Civil Code. This total remuneration includes remuneration for the office held and the fees due for participation in the board Committees, as resolved by the Board of Directors on 3 August 2023.

On 3 August 2023, the Company's Board of Directors resolved to grant each Director not holding specific offices a gross annual remuneration of 75,000 euros.

Term of office 2020-2022

Pursuant to the 2020 Policy, for Directors not holding specific offices, the Shareholders' Meeting of 18 June 2020 resolved to establish, for the years 2020, 2021, 2022 and until the end of their term of office coinciding with the approval of the financial statements as at 31 December 2022, a total annual Board of Directors' remuneration in accordance with Art. 2389, paragraph 1 of the

Italian Civil Code, of up to 2 million euros, excluding the remuneration to be allocated by the Board to Directors holding specific offices, as envisaged by Art. 2389 of the Italian Civil Code. This total remuneration included the remuneration for the office held and the fees due for participation in the board Committees, as resolved by the Board of Directors on 22 June 2020.

On 22 June 2020, the Company's Board of Directors resolved to grant each Director not holding specific offices a gross annual remuneration of 65,000 euros.

<u>Directors holding specific offices</u>

<u>Term of office 2023-2025</u>

Chairman Jiao Jian, appointed by the Shareholders' Meeting on 31 July 2023, expressed his willingness not to receive any remuneration from the Company for the offices held. Therefore, the Board of Directors' meeting of 13 September 2023 resolved not to allocate any remuneration under the 2023 Policy for the offices held by him.

In accordance with the 2023 Policy, the Executive Vice Chairman[197] Marco Tronchetti Provera was allocated a gross annual fixed remuneration for the office of 2,400,000 euros, as approved by the Board of Directors on 13 September 2023[198], as well as the remuneration for the offices of Director, Chairman of the Strategies Committee, Chairman of the Appointments and Succession Committee and Chairman of the Sustainability Committee approved by the Board of Directors on 3 August 2023 and received pro-rata from the date of appointment[199].

In accordance with the 2023 Policy, the Chief Executive Officer Andrea Casaluci[200] was assigned, starting from his appointment, a gross annual fixed remuneration for the office of 1,100,000 euros, approved by the Board of Directors on 13 September 2023, as well as remuneration for the offices of Director and member of the Strategies Committee and Sustainability Committee, approved by the Board of Directors on 3 August 2023.

<u>Term of office 2020-2022</u>

Chairman Li Fanrong, who ceased to hold office upon completion of his term at the Shareholders' Meeting held on 31 July 2023, received no remuneration from the Company for the offices held. The Board of Directors' meeting of 11 October 2022, having noted the Chairman's expressed willingness not to receive any remuneration from the Company for his

[197] The Board of Directors' meeting of 3 August 2023 appointed Marco Tronchetti Provera as Executive Vice Chairman. During the 2020-2022 term of office he also held the position of Chief Executive Officer.

[198] The Board of Directors' meeting of 13 September 2023, also in view of the new responsibilities and proxies assigned, resolved that, as of the date of his appointment to the office, Executive Vice Chairman Marco Tronchetti Provera would receive the same fixed gross annual remuneration approved by the Board of Directors' meeting of 22 June 2020 for the previous office held as Executive Vice Chairman and Chief Executive Officer. This remuneration is paid to the company to which he belongs.

[199] Remuneration transferred to employer company.

[200] It is recalled that the Board of Directors appointed Andrea Casaluci as CEO on 3 August 2023.

offices, had in fact resolved not to proceed with the allocation of any remuneration under the 2022 Policy.

In accordance with the 2020 Policy, Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera was allocated a gross annual fixed remuneration for the office of 2,400,000 euros, as well as the remuneration for the offices of Director, Chairman of the Strategies Committee and Chairman of the Appointments and Succession Committee, approved by the Board of Directors on 22 June 2020 and received pro-rata until the date of termination of the offices.

In accordance with the 2021 and 2020 Policy, Deputy-CEO Giorgio Luca Bruno, who ceased to hold office upon completion of his term of office with the Shareholders' Meeting of 31 July 2023, was allocated a gross annual fixed remuneration for the office of 1,100,000 euros, determined by the Board of Directors on 15 June 2021, as well as the remuneration for the offices of Director and member of the Strategies Committee, approved by the Board of Directors on 22 June 2020, received pro-rata until the date of termination of the offices.

KMs

The Corporate General Manager Francesco Tanzi, in line with the resolution passed by the Board of Directors on 3 August 2023 and as provided for by the 2023 Policy, was allocated a gross annual remuneration of 750,000 euros, received pro-rata starting from the date of hire, which took place on 4 August 2023.

In line with the resolution of the Board of Directors and as provided for by the remuneration policies adopted by Pirelli, Operations General Manager Andrea Casaluci was allocated a gross annual remuneration of 750,000 euros, received pro-rata until his appointment as Chief Executive Officer.

The other KMs were paid an aggregate gross annual salary of 3,197,693 euros[201].

Auditors

The Statutory Auditors appointed by the Shareholders' Meeting of 15 June 2021 were paid remuneration in the amount of 90,000 euros gross per annum for the Chairman and 75,000 euros gross per annum for the Statutory Auditors, as approved by the aforementioned Shareholders' Meeting and without prejudice to the provisions of Article 2402 of the Italian Civil Code. The Statutory Auditor appointed as a member of the Supervisory Board was also granted a gross annual remuneration of 50,000 euros for the 2023-2025 term of office, received pro-rata from the date of

[201] As of 31 December 2023, 6 KMs had been identified, of which 1 is represented *pro rata temporis* as of 3 August 2023. Also shown *pro-rata temporis* are the remunerations of two KMs who held this office until 13 September 2023.

renewal of the appointment. For the previous 2020-2022 term, he had a gross annual remuneration of 40,000 euros, received pro-rata until the renewal date.

The fixed remuneration amounts described above are shown in the respective columns of Table 1.

For further details, please refer to paragraphs 3, 4 and 5 of the 2023 Policy, paragraphs 4 and 5 of the 2022 Policy, paragraphs 3, 4 and 5 of the 2021 Policy and paragraphs 3, 4 and 5 of the 2020 Policy.

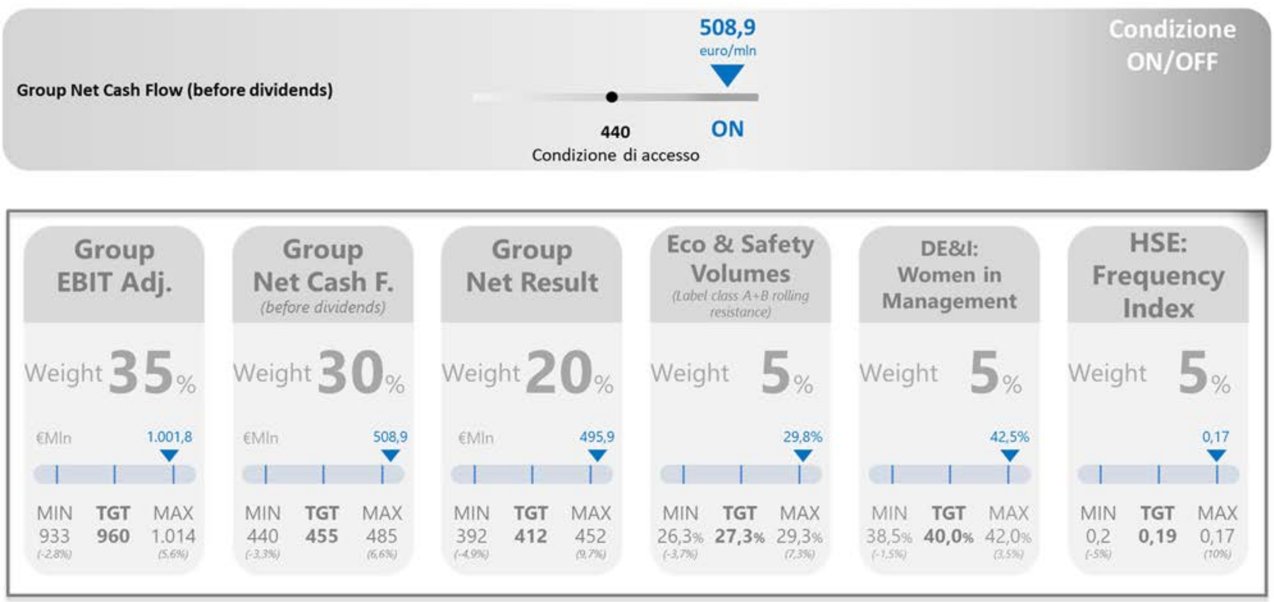
Variable remuneration

Management remuneration accrued with reference to the 2023 financial year contributed to the sustainability of the Company's long-term results thanks to its variable components (both short-term and medium-long term) represented by the STI plan, including the deferral/matching mechanism, and the 2021-2023 LTI Plan.

In this regard, with reference to the final figures of the 2023 STI and 2021-2023 LTI, results exceeded expectations despite the macro-economic context characterised by growing geopolitical tensions, a sharp slowdown in economic growth and demand, penalised by high inflation and rising interest rates.

Annual variable remuneration STI

With reference to the 2023 STI Plan, the table below summarises the final figures of the performance targets for the year in relation to the targets set.



In light of the results achieved, the payout percentage accrued by each beneficiary in respect of the 2023 STI plan stands at the values shown in the table below.

		% achieved on fixed component
Executive Vice Chairman	MIN 80% TGT 125% MAX 250%	**240%**
Chief Executive Officer[*]	MIN 65% TGT 100% MAX 200%	**192%**
General Manager *Operations*[*]	MIN 50% TGT 75% MAX 150%	**144%**
General Manager *Corporate*[*]	MIN 50% TGT 75% MAX 150%	**144%**
KMs	MIN 35% TGT 50% MAX 100%	**96%**

[*] The percentage accrued are applied pro-rata temporis for the respective periods of tenure and on their respective fixed remunerations.

Note that the amounts accrued under the 2023 STI shall be paid in accordance with the procedures and mechanisms indicated below, in accordance with the 2023 Policy.

Directors holding specific offices to whom specific duties are also delegated

Term of office 2023-2025

In accordance with the 2023 Policy, during the financial year 2024, the Executive Vice Chairman will be paid 75% of the accrued incentive upfront, while the payment of the remaining 25% is deferred for 12 months and put at risk/opportunity as it is subject to the achievement of the STI targets for the year 2024 as defined in the 2024 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 2022 Policy and based on the level of achievement of the 2023 STI results, the 2022 STI portion that had been deferred together with the company matching component (both components shown in the “Bonuses and other incentives” column of Table 1) is also disbursed.

In accordance with the 2023 Policy, during the financial year 2024, the Chief Executive Officer Andrea Casaluci will be paid upfront 75% of the incentive accrued pro-rata *temporis* from the date of his appointment, while the payment of the remaining 25% is deferred for 12 months and put at risk/opportunity as it is subject to the achievement of the STI objectives for the year 2024 as defined in the 2024 Policy. For this reason, neither the deferral quota nor any company matching are shown in the “Bonuses and other incentives” column of Table 1.

Term of office 2020-2022

The Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera, participated, until the date he left office, in the same 2023 STI plan, the mechanism of which is better described in the “2023-2025 Mandate” paragraph above and defined in the 2023 Policy.

In accordance with the 2023 Policy, during the financial year 2024, Deputy-CEO Giorgio Luca Bruno is paid the 2023 STI accrued pro-rata until leaving office. Given the non-applicability of the deferral mechanism, this amount is fully shown in the “Bonuses and other incentives” column in Table 1. Also note that, in accordance with the 2022 Policy and based on the level of achievement of the 2023 STI results, the 2022 STI portion that had been deferred together with the company matching component (both components shown in the “Bonuses and other incentives” column of Table 1) is also disbursed.

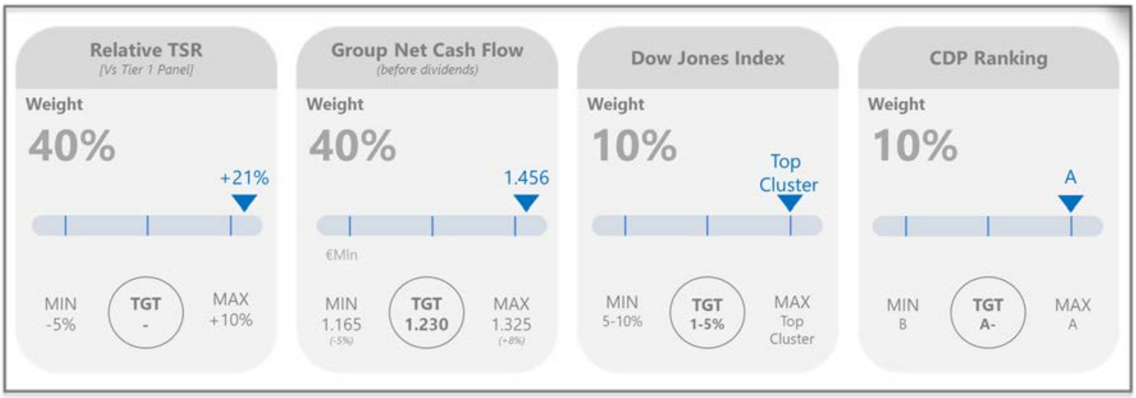
KMs

The 2023 STI of Corporate General Manager Francesco Tanzi, accrued on a pro-rata basis from the date of hiring, of the General Manager of Operations Andrea Casaluci, accrued on a pro-rata basis until his appointment as CEO, and of the KMs is subject to the co-investment mechanism as defined in the 2023 Policy, which envisages the deferral of a portion of the accrued incentive that may vary from a minimum of 25% to a maximum of 50%, depending on the individual choice. This deferred portion will be paid in 2027 subject to continued employment up to 31 December 2026, together with a company matching component that can vary from a minimum of 0.8 to a maximum of 1.2 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 2023 Policy and paragraphs 2 and 4 of the 2022 Policy.

Medium-long term variable remuneration (LTI)

With reference to the 2021-2023 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.



In light of the results achieved, the payout percentage accrued by each beneficiary in respect of the 2021-2023 LTI plan stands at the values shown in the table below.

	% achieved on fixed component	
Executive Vice Chairman	MIN 52,5% TGT 70% MAX 200%	**200%**
Chief Executive Officer[*] **General Manager *Operations***[*]	MIN 45% TGT 60% MAX 160%	**160%**
General Manager *Corporate*[*]	MIN 45% TGT 60% MAX 160%	**160%**
KMs	MIN 37,5% TGT 50% MAX 130%	**130%**

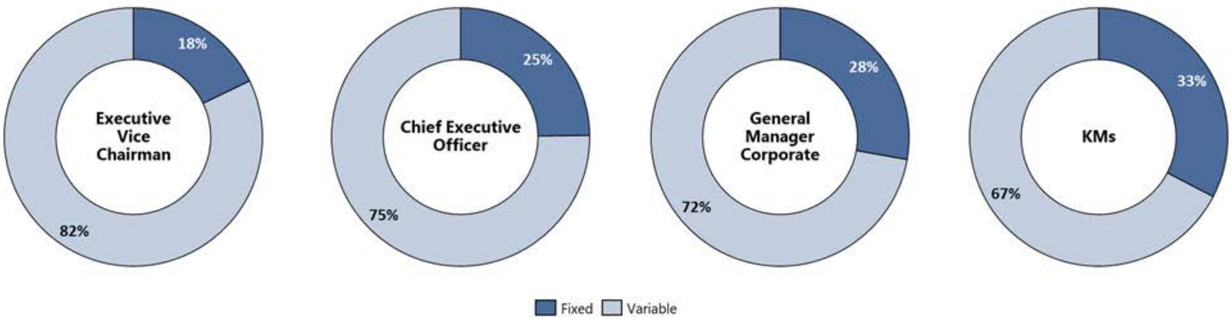
[*] The percentages accrued are applied pro-rata temporis for the respective periods of tenure and on their respective fixed remunerations.

Note that for the TSR target included in the 2021-2023 LTI plan, similarly to what was approved for the same target in the 2020-2022 LTI plan, the Board of Directors' meeting of 6 March 2024 applied the methodology identified by the Company (the suitability of which was corroborated by an independent expert) to normalise, in accordance with the 2021 Policy, the effects of the acquisition of Cooper by Goodyear (a company included in the Tier 1 peers for the TSR target) which took place at the beginning of 2021.

Note that the amounts accrued under the 2021-2023 LTI plan are disbursed in a single payment during the financial year 2024, in accordance with the 2021 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[202] achieved in relation to the 2023 results for STI and of 2021-2023 results for LTI for top management figures.



Other remuneration

It should be noted that for the CEO[203], the Corporate General Manager, 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. The Deputy-CEO, who will cease to hold office on 31 July 2023, also has a non-competition agreement in place.

On the other hand, it should be noted that the Executive Vice Chairman is not subject to a non-competition agreement.

For further details, see paragraph 9 of the 2023 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 2023

In 2023 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.

It should be noted that with the appointment of the new Board of Directors on 31 July 2023, the office of the Deputy-CEO Giorgio Luca Bruno expired for end of term of office. In accordance with the provisions of the 2023 Policy, he was not paid any end-of-office indemnity but rather a severance pay, calculated on the remuneration received until the termination of office, in his capacity as Director

[202] 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 to the items represented in the "Bonuses and other incentives" column of Table 1.

[203] Pirelli had a non-competition agreement in place for Chief Executive Officer Andrea Casaluci, in his capacity as General Manager of Operations, which was terminated upon his appointment as Chief Executive Officer.

holding specific offices to whom specific duties not related to the executive employment relationship. Also pursuant to the 2023 Policy, Giorgio Luca Bruno retains his rights, accrued pro-rata up to the date of termination of his employment, to participate in the incentive plans, as well as the related severance pay, as follows: (i) 2022 STI for the deferred portion and its company increase both disbursed in 2024 against the level of achievement of the 2023 STI, (ii) 2023 STI, disbursed in 2024, (iii) as well as the long-term incentive plans (LTI) 2021-2023 (disbursed in 2024), 2022-2024 (potentially disbursed in 2025) and 2023-2025 (potentially disbursed in 2026).

To protect the Group's strategic and operational know-how, Giorgio Luca Bruno will also be bound, for the two years following his termination of office as Director, to a non-competition agreement valid for the main countries in which Pirelli operates, for a total consideration equal to 120% of the fixed annual gross remuneration for the office of Deputy-CEO (1.1 million euros), minus the amount paid during the term of office as an advance equal to 10% of the aforesaid remuneration for each year of office. The residual amount thus owed shall be paid by the Company to Giorgio Luca Bruno in 8 quarterly instalments in arrears starting from October 2023 (this amount, together with the amount paid as severance pay, are shown in the "Severance Pay" column of Table 1).

Finally, with the end of the 2020-2022 term of office, the non-monetary benefits attributed to Giorgio Luca Bruno also ceased, with the exception of the company car, which was kept in use until October 2023.

Also note that with the appointment of the new Board of Directors on 31 July 2023, the office of Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera ceased due to the completion of the term of office. Subsequently, Marco Tronchetti Provera was appointed Director by the Shareholders' Meeting of 31 July 2023 and Executive Vice Chairman by the Board of Directors meeting of 3 August 2023.

In accordance with the provisions of the 2023 Policy, the Executive Vice Chairman was not paid any end-of-office indemnity.

Having the right to request the disbursement of even only part of the severance pay, calculated on the remuneration received up to the termination of his office as Executive Vice Chairman and Chief Executive Officer, the Executive Vice Chairman requested the disbursement of a portion equal to Euro 4 Million gross (as shown in Table 1). For amounts or mandates for which disbursement has not been requested, the right to the relevant sums shall accrue in the year in which disbursement is requested.

1.3 EXCEPTIONS TO THE 2023 POLICY

It should be noted that there were no exceptions to the 2023 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 five years: (i) of the remuneration of the Executive Vice Chairman, the Chief Executive Officer and the Corporate General Manager, (ii) of the Company's results, (iii) of the average remuneration of Pirelli & C. employees.

Annual variation in remuneration and performance

Values in €

		2023	2023 vs 2022	2022 vs 2021	2021 vs 2020	2020 vs 2019	2019 vs 2018	2018 vs 2017
Executive Vice Chairman		*Actual Total Cash*[1]			*Change*			
Marco Tronchetti Provera		14.471.550	-28%	167%	234%	-47%	-11%	
CEO		*Actual Total Cash*[1]			*Change*			
Andrea Casaluci		3.918.531	-17%	69%	292%	-33%	23%	
Corporate General Manager		*Actual Total Cash*[1]			*Change*			
Francesco Tanzi[2]		1.103.890	-	-	-	-	-	
Board of Directors								
Name	**Office**	*Actual Total Cash*[1]			*Change*			
Jiao Jian[3]	Chairman	0	-	-	-	-	-	
Li Fanrong[4]	Chairman (outgoing)	0	-	-	-	-	-	
Giorgio Luca Bruno[5]	Deputy-CEO (outgoing)	4.459.308	-30%	176%	-	-	-	
Bai Xinping[6]	Director (outgoing)	22.082	-86%	0%	20%	-11%	0%	
Chen Aihua	Director	70.833	-	-	-	-	-	
Chen Qian	Director	45.833	-	-	-	-	-	
Haitao Zhang	Director	111.667	18%	0%	100%	-	-	
Paola Boromei	Director	101.250	7%	0%	100%	-	-	
Alberto Bradanini	Director	60.416	-	-	-	-	-	
Domenico De Sole	Director	140.834	-3%	0%	19%	-19%	0%	
Michele Carpinelli	Director	79.166	-	-	-	-	-	
Grace Tang	Director	47.917	-	-	-	-	-	
Roberto Diacetti	Director	115.833	22%	0%	100%	-	-	
Giovanni Lo Storto	Director	181.250	4%	0%	38%	15%	58%	
Marisa Pappalardo	Director	175.000	-13%	0%	58%	27%	0%	
Giovanni Tronchetti Provera[7]	Director (outgoing)	462.383	-48%	69%	92%	3%	23%	
Fan Xiaohua	Director	123.751	-5%	0%	34%	8%	0%	
Tao Haisu	Director (outgoing)	58.334	-42%	0%	22%	-9%	0%	
Wang Feng	Director (outgoing)	67.695	-	-	-	-	-	
Wei Yin Tao	Director (outgoing)	55.417	-42%	0%	20%	-12%	0%	
Yang Shihao	Director (outgoing)	55.417	-9%	-	-	-	-	
Board of Statutory Auditors								
Name	**Office**	*Actual Total Cash*[1]			*Change*			
Riccardo Foglia Taverna	Chairman	90.000	0%	85%	-	-	-	
Antonella Carù	Standing auditor	119.166	4%	6%	8%	0%	3%	
Alberto Villani	Standing auditor	75.000	0%	18%	27%	0%	0%	
Francesca Meneghel	Standing auditor	75.000	0%	85%	-	-	-	
Teresa Naddeo	Standing auditor	75.000	0%	85%	-	-	-	
Results		*Actual Result*			*Change*			
Relative TSR[8]		-	12.4 p.p	8.3 p.p	2.3 p.p	-12.1 p.p	-8.3 p.p	8,4%
Group Adjusted EBIT (mln euros)		1.001,8	2,5%	20%	62,8%	-45,4%	-4,0%	9,0%
Average remuneration of employees		*Actual Total Cash*[1]			*Change*			
Employees of Pirelli & C. S.p.A. active at 31/12		132.046	-13%	40%	38,6%	-11%	-3%	-29,2%

[1] Corresponds to the sum of "Fixed remuneration", "Fees for participation in committees" and "Bonuses and other incentives" of Table 1.

[2] Hired as of 4 August 2023.

[3] Chairman Jiao Jian expressed his wish not to receive any remuneration for the offices held in Pirelli & C.. S.p.A.. The Board of Directors therefore resolved not to award any remuneration for the offices held in Pirelli.

[4] Chairman Li Fanrong expressed his wish not to receive any remuneration for the offices held in Pirelli & C. S.p.A. The Board of Directors therefore resolved not to proceed with the allocation of any remuneration for the offices held in Pirelli.

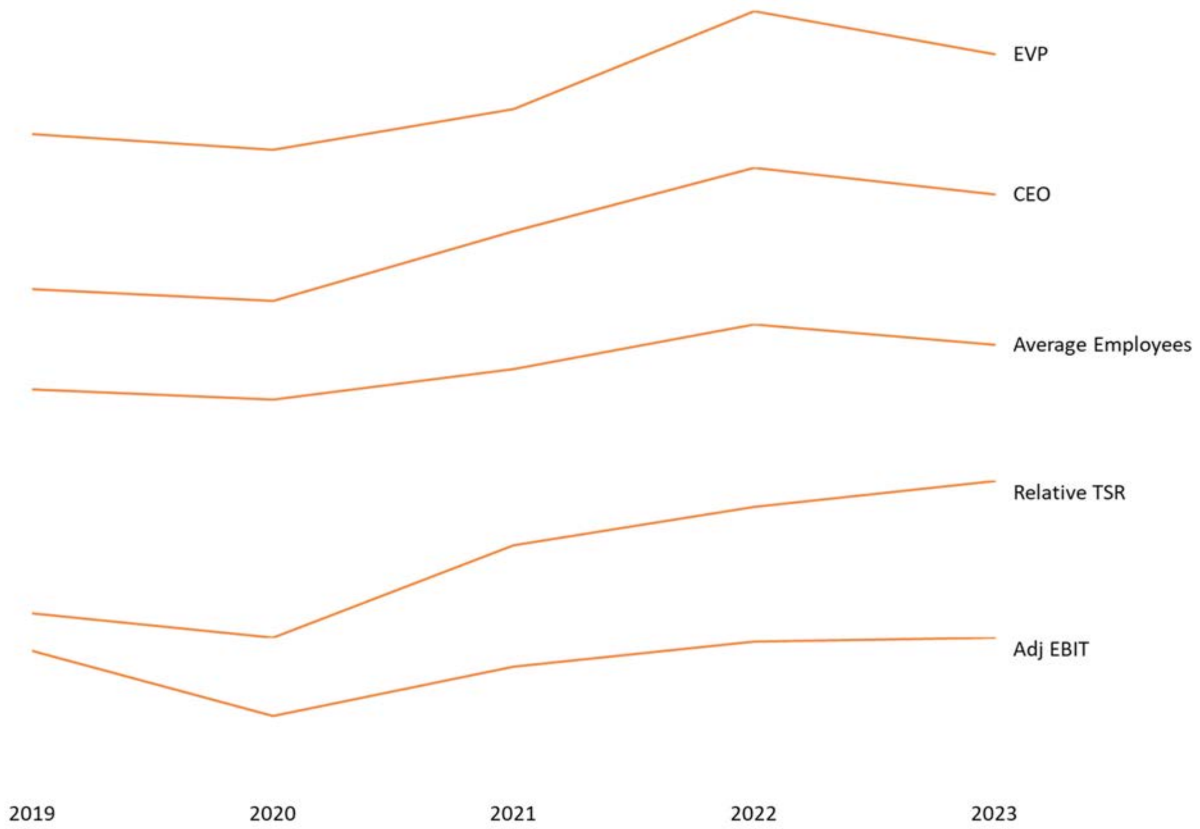
[5] Ceased to hold office upon completion of the term, with the Shareholders' Meeting of 31 July 2023. The amount shown includes remuneration accrued pro rata up to that date.

[6] Resigned as Director as of 22 February 2023. The amount shown includes remuneration accrued pro rata up to that date.

[7] Ceased to hold office as Director upon completion of the term, with the Shareholders' Meeting of 31 July 2023. The amount shown includes remuneration accrued pro rata up to that date, as both Director and Senior Manager.

[8] Calculated as [(average share value 2nd half year n - average share value 2nd half year n-1 + dividends paid in year n) / 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 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[204]. As of 31 December 2023, in addition to the Corporate General Manager (Francesco Tanzi), 6 KMs were in office.

[204] 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".

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, for which information is in any case provided).

The tables include all those individuals who held the aforementioned positions during all or even only part of the 2023 year[205]. Non-monetary benefits, where received, are also identified on an accruals basis, and reported according to the "taxable income criterion" of the benefit assigned.

[205] 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	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					
Marco Tronchetti Provera	Executive Vice Chairman and CEO	01/01/2023 - 31/07/2023	AGM to approve the financial statements for the year to 31 December 2022	**2,469,167**	**114,583**	**11,887,800**	**0**	**670,652**	**0**	**15,142,202**	**0**	**4,000,000**
	Executive Vice Chairman	31/07/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025									
Of which remuneration in Pirelli & C. S.p.A.				2,469,167 (1)	114,583 (2)	11,887,800 (3)		670,652 (4)		15,142,202		4,000,000 (5)
Of which remuneration by subsidiary and affiliated Companies										0		
Jiao Jian	Chairman	31/07/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				0 (6)	0					0 (6)		
Of which remuneration by subsidiary and affiliated Companies										0		
Li Fanrong	Chairman	01/01/2023 - 31/07/2023	AGM to approve the financial statements for the year to 31 December 2022	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				0 (7)	0					0 (7)		
Of which remuneration by subsidiary and affiliated Companies										0		
Andrea Casaluci	CEO	31/07/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025	**942,788**	**29,166**	**2,946,577**	**0**	**23,863**	**165,000**	**4,107,394**	**0**	**0**
	General Manager of Operations	01/01/2023 - 31/07/2023	/									
Of which remuneration in Pirelli & C. S.p.A.				**538,942** (8)	29,166 (9)	904,754 (10)		8,636 (11)	165,000 (12)	1,646,498		
Of which remuneration by subsidiary and affiliated Companies				**403,846** (13)		2,041,823 (14)		15,227 (15)		2,460,896		
Giorgio Luca Bruno	Deputy-CEO	01/01/2023 - 31/07/2023	AGM to approve the financial statements for the year to 31 December 2022	**679,584**	**17,500**	**3,762,224**	**0**	**15,086**	**110,000**	**4,584,394**	**0**	**4,695,912**
Of which remuneration in Pirelli & C. S.p.A.				679,584 (16)	17,500 (17)	3,762,224 (18)		15,086 (19)	110,000 (20)	4,584,394		4,695,912 (21)
Of which remuneration by subsidiary and affiliated Companies										0		
Chen Aihua	Director	31/07/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025	**31,250**	**39,583**	**0**	**0**	**0**	**0**	**70,833**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				31,250 (22)	39,583 (23)					70,833 (24)		
Of which remuneration by subsidiary and affiliated Companies										0		

First and last name	Office	Period office held	Expiry of term of office	Fixed remuneration	Remuneration for membership of committees	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					
Haitao Zhang	Director	01/01/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025	**69,167**	**42,500**	**0**	**0**	**0**	**0**	**111,667**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				69,167 (22)	42,500 (25)					111,667 (24)		
Of which remuneration by subsidiary and affiliated Companies										0		
Chen Qian	Director	31/07/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025	**31,250**	**14,583**	**0**	**0**	**0**	**0**	**45,833**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				31,250 (22)	14,583 (17)					45,833 (24)		
Of which remuneration by subsidiary and affiliated Companies										0		
Alberto Bradanini	Director	31/07/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025	**31,250**	**29,166**	**0**	**0**	**0**	**0**	**60,416**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				31,250 (22)	29,166 (26)					60,416		
Of which remuneration by subsidiary and affiliated Companies										0		
Michele Carpinelli	Director	31/07/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025	**31,250**	**47,916**	**0**	**0**	**0**	**0**	**79,166**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				31,250 (22)	47,916 (27)					79,166		
Of which remuneration by subsidiary and affiliated Companies										0		
Domenico De Sole	Director	01/01/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025	**69,167**	**71,667**	**0**	**0**	**0**	**0**	**140,834**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				69,167 (22)	71,667 (28)					140,834		
Of which remuneration by subsidiary and affiliated Companies										0		
Paola Boromei	Director	01/01/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025	**69,167**	**32,083**	**0**	**0**	**0**	**0**	**101,250**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				69,167 (22)	32,083 (29)					101,250		
Of which remuneration by subsidiary and affiliated Companies										0		
Roberto Diacetti	Director	01/01/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025	**69,167**	**46,666**	**0**	**0**	**0**	**0**	**115,833**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				69,167 (22)	46,666 (30)					115,833		
Of which remuneration by subsidiary and affiliated Companies										0		

First and last name	Office	Period office held	Expiry of term of office	Fixed remuneration	Remuneration for membership of committees	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					
Fan Xiaohua	Director	01/01/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025	**69,167**	**54,584**	**0**	**0**	**0**	**0**	**123,751**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				69,167 (22)	54,584 (31)					123,751		
Of which remuneration by subsidiary and affiliated Companies										0		
Giovanni Lo Storto	Director	01/01/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025	**69,167**	**112,083**	**0**	**0**	**0**	**0**	**181,250**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				69,167 (22)	112,083 (32)					181,250		
Of which remuneration by subsidiary and affiliated Companies										0		
Marisa Pappalardo	Director	01/01/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025	**69,167**	**105,833**	**0**	**0**	**0**	**0**	**175,000**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				69,167 (22)	105,833 (33)					175,000		
Of which remuneration by subsidiary and affiliated Companies										0		
Grace Tang	Director	31/07/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2025	**31,250**	**16,667**	**0**	**0**	**0**	**0**	**47,917**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				31,250 (22)	16,667 (34)					47,917		
Of which remuneration by subsidiary and affiliated Companies										0		
Tao Haisu	Director	01/01/2023 - 31/07/2023	AGM to approve the financial statements for the year to 31 December 2022	**37,917**	**20,417**	**0**	**0**	**0**	**0**	**58,334**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				37,917 (22)	20,417 (34)					58,334		
Of which remuneration by subsidiary and affiliated Companies										0		
Giovanni Tronchetti Provera	Director	01/01/2023 - 31/07/2023	AGM to approve the financial statements for the year to 31 December 2022	**172,532**	**17,500**	**272,351**	**0**	**9,697**	**0**	**472,080**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				37,917 (22)	17,500 (35)					55,417		
Of which remuneration by subsidiary and affiliated Companies				134,615 (36)		272,351 (37)		9,697 (38)		416,663		
Wei Yin Tao	Director	01/01/2023 - 31/07/2023	AGM to approve the financial statements for the year to 31 December 2022	**37,917**	**17,500**	**0**	**0**	**0**	**0**	**55,417**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				37,917 (22)	17,500 (17)					55,417		
Of which remuneration by subsidiary and affiliated Companies										0		

First and last name	Office	Period office held	Expiry of term of office	Fixed remuneration	Remuneration for membership of committees	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					
Yang Shihao	Director	01/01/2023 - 31/07/2023	AGM to approve the financial statements for the year to 31 December 2022	**37,917**	**17,500**	**0**	**0**	**0**	**0**	**55,417**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				37,917 (22)	17,500 (17)					55,417 (24)		
Of which remuneration by subsidiary and affiliated Companies										0		
Wang Feng	Director	22/02/2023 - 31/07/2023	AGM to approve the financial statements for the year to 31 December 2022	**28,389**	**39,306**	**0**	**0**	**0**	**0**	**67,695**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				28,389 (22)	39,306 (39)					67,695 (24)		
Of which remuneration by subsidiary and affiliated Companies										0		
Bai Xinping	Director	01/01/2023 - 22/02/2023	AGM to approve the financial statements for the year to 31 December 2022	**9,260**	**12,822**	**0**	**0**	**0**	**0**	**22,082**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				9,260 (22)	12,822 (40)					22,082 (24)		
Of which remuneration by subsidiary and affiliated Companies										0		
Francesco Tanzi	Corporate General Manager	04/08/2023 - 31/12/2023	/	**306,917**	**0**	**796,974**	**0**	**7,447**	**175,000**	**1,286,337**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				306,917 (41)		796,974 (42)		7,447 (43)	175,000 (44)	1,286,337		
Of which remuneration by subsidiary and affiliated Companies										0		
No. 6 Key Managers	(45)	/	/	**3,197,693**	**44,166**	**6,598,280**	**0**	**114,247**	**377,500**	**10,331,886**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				2,143,077	44,166 (46)	4,002,400 (47)		74,920 (48)	239,500 (49)	6,504,063		
Of which remuneration by subsidiary and affiliated Companies				1,054,616		2,595,880		39,327	138,000	3,827,823		
Riccardo Foglia Taverna	Chairman of the Board of Statutory Auditors	01/01/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2023	**90,000**	**0**	**0**	**0**	**0**	**0**	**90,000**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				90,000						90,000		
Of which remuneration by subsidiary and affiliated Companies										0		
Francesca Meneghel	Standing auditor	01/01/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2023	**75,000**	**0**	**0**	**0**	**0**	**0**	**75,000**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				75,000						75,000		
Of which remuneration by subsidiary and affiliated Companies										0		
Teresa Naddeo	Standing auditor	01/01/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2023	**75,000**	**0**	**0**	**0**	**0**	**0**	**75,000**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				75,000						75,000		
Of which remuneration by subsidiary and affiliated Companies										0		

First and last name	Office	Period office held	Expiry of term of office	Fixed remuneration	Remuneration for membership of committees	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					
Antonella Carù	Standing auditor	01/01/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2023	**75,000**	**44,166**	**0**	**0**	**0**	**0**	**119,166**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				75,000	44,166 (46)					119,166		
Of which remuneration by subsidiary and affiliated Companies										0		
Alberto Villani	Standing auditor	01/01/2023 - 31/12/2023	AGM to approve the financial statements for the year to 31 December 2023	**75,000**	**0**	**0**	**0**	**0**	**0**	**75,000**	**0**	**0**
Of which remuneration in Pirelli & C. S.p.A.				75,000						75,000		
Of which remuneration by subsidiary and affiliated Companies										0		
* * * * *												
Total remuneration in Pirelli & C. S.p.A.				**7,357,423**	**987,957**	**21,354,152**	**0**	**776,741**	**689,500**	**31,165,773**	**0**	**8,695,912**
Total remuneration by subsidiary and affiliated Companies				**1,593,077**	**0**	**4,910,054**	**0**	**64,251**	**138,000**	**6,705,382**	**0**	**0**
Total				**8,950,500**	**987,957**	**26,264,206**	**0**	**840,992**	**827,500**	**37,871,155**	**0**	**8,695,912**

(1) Of which: (i) for the period 01/01/2023 - 31/07/2023, 37,917 euros as Director of Pirelli & C. S.p.A. and 1.4 million euros as Executive Vice Chairman and Chief Executive Officer of Pirelli & C. S.p.A. and (ii) for the period 31/07/2023 - 31/12/2023, 31,250 euros as Director of Pirelli & C. S.p.A. and 1.0 million euros as Executive Vice Chairman of Pirelli & C. S.p.A.. As of 31/07/2023, the remuneration received as Director and Executive Vice Chairman of Pirelli & C. S.p.A. has been paid to Marco Tronchetti Provera & C. S.p.A..

(2) Of which: (i) for the period 01/01/2023 - 31/07/2023, 29,167 euros as Chairman of the Appointments and Succession Committee of Pirelli & C. S.p.A. and 29,167 euros as Chairman of the Strategies Committee of Pirelli & C. S.p.A. and (ii) for the period 31/07/2023 - 31/12/2023, 14,583 euros as Chairman of the Appointments and Succession Committee of Pirelli & C. S.p.A., 20,833 euros as Chairman of the Strategies Committee of Pirelli & C. S.p.A. and 20,833 euros as Chairman of the Sustainability Committee of Pirelli & C. S.p.A.. As of 31/07/2023, the remuneration received as Chairman of the Board Committees of Pirelli & C. S.p.A. has been paid to Marco Tronchetti Provera & C. S.p.A..

(3) The amount includes: 75% of the 2023 STI incentive paid out (upfront amount), 25% of the 2022 STI incentive deferred together with the company matching component due to the level of achievement of the results of the 2023 STI and the 2021-2023 LTI incentive (see the table below for details of the amounts). These fees are paid to Marco Tronchetti Provera & C. S.p.A..

(4) Of which: 666,292 euros for insurance policies in line with the provisions of the 2023 Policy, and 4,360 euros for a company car.

(5) Represents the amount disbursed as severance pay and corresponding to the partial portion accrued for the executive office of Executive Vice Chairman and Chief Executive Officer held at Pirelli & C. S.p.A. in the last three mandates and ceased on 31 July 2023. It is specified that the beneficiary of the severance pay is entitled to request even its partial disbursement and for the amounts or the mandates for which disbursement has not been requested, the right to the relevant sums shall accrue in the year in which disbursement is requested.

(6) Chairman Jiao Jian expressed his wish not to receive any remuneration for the offices held in Pirelli & C. S.p.A.. The Board of Directors therefore resolved not to award any remuneration for the offices held in Pirelli. For completeness, we point out that Chairman Jiao Jian is a member of the Strategies Committee and the Sustainability Committee of Pirelli & C. S.p.A..

(7) Chairman Li Fanrong expressed his wish not to receive any remuneration for the offices held in Pirelli & C. S.p.A. The Board of Directors therefore resolved not to proceed with the allocation of any remuneration for the offices held in Pirelli. For completeness, we point out that Chairman Li Fanrong was a member of the Strategies Committee and the Appointments and Succession Committee of Pirelli & C. S.p.A..

(8) Of which, for the period 31/07/2023 - 31/12/2023, 31,250 euros as a Director of Pirelli & C. S.p.A. and 507,692 euros as Chief Executive Officer of Pirelli & C. S.p.A..

(9) Of which, for the period 31/07/2023 - 31/12/2023, 14,583 euros as a member of the Strategies Committee and 14,583 euros as a member of the Sustainability Committee of Pirelli & C. S.p.A..

(10) The amount includes: 75% of the 2023 STI incentive paid (upfront portion) and the 2021-2023 LTI incentive, both accrued pro-rata as of the date of the appointment as Chief Executive Officer resolved by the Board of Directors of Pirelli & C. S.p.A.

(11) Of which: 4,246 euros for a company car, 3,000 euros for supplementary pension contributions and 1,390 euros for health insurance.

(12) The amount refers to the payment, during the employment contract, of part of the consideration for the non-competition agreement granted as Chief Executive Officer.

(13) The amount represents the pro-rata share of the gross annual salary as General Manager Operations until the appointment as Chief Executive Officer of Pirelli & C. S.p.A. resolved by the Board of Directors of Pirelli & C. S.p.A.

(14) The amount includes: the 2023 STI incentive accrued pro-rata up to the appointment as CEO (including the deferred portion), the related company matching component that will be paid at the end of the deferral period (3 years) and the 2021-2023 LTI incentive, also accrued pro-rata up to the appointment as CEO (see table below for details of amounts).

(15) Of which: 3,806 euros for a company car, 4,200 euros for supplementary pension contributions, 1,946 euros for health insurance and 5,275 euros for insurance policies.

(16) Of which 37,917 euros as a Director of Pirelli & C. S.p.A. and 641,667 euros as Deputy CEO of Pirelli & C. S.p.A.

(17) As a member of the Strategies Committee of Pirelli & C. S.p.A.

(18) The amount includes: the 2023 STI incentive accrued pro-rata up to the date of termination of the office of Deputy-CEO, 25% of the 2022 STI incentive deferred together with the related company matching component based on the level of achievement of the 2023 STI results and the 2021-2023 LTI incentive also accrued pro-rata up to the date of termination (see table below for details of the amounts).

(19) Of which: 6,406 euros for insurance policies, 6,734 euros for a company car and 1,946 euros for health insurance.
(20) The amount refers to the payment, during the employment contract, of part of the consideration for the non-competition agreement.
(21) The amount includes, due to the expiry of the term of office of the Deputy-CEO, the severance pay calculated on the remuneration accrued until the termination of the office, including the variable remuneration shown in the table, and the residual consideration related to the non-competition agreement paid in 8 quarterly instalments in arrears starting from the termination of the office.
(22) As a Director of Pirelli & C. S.p.A.
(23) Of which: 14,583 euros as a member of the Audit, Risks and Corporate Governance Committee, 14,583 euros as a member of the Remuneration Committee and 10,417 euros as a member of the Appointments and Succession Committee of Pirelli & C. S.p.A..
(24) Remuneration transferred to employer company.
(25) Of which (i) for the period 01/01/2023 - 31/07/2023 17,500 euros as a member of the Audit, Risks, Sustainability and Corporate Governance Committee of Pirelli & C. S.p.A. and (ii) for the period 31/07/2023 - 31/12/2023 10,417 euros as a member of the Appointments and Succession Committee and 14,583 euros as a member of the Strategies Committee of Pirelli & C. S.p.A..
(26) Of which: 14,583 euros as member of the Strategies Committee and 14,583 euros as member of the Remuneration Committee of Pirelli & C. S.p.A.
(27) Of which 14,583 euros as a member of the Audit, Risks and Corporate Governance Committee, 14,583 euros as a member of the Remuneration Committee and 18,750 euros as a member of the Related-Party Transactions Committee of Pirelli & C. S.p.A..
(28) Of which (i) for the period 01/01/2023 - 31/07/2023, 17,500 euros as a member of the Strategies Committee and 29,167 euros as a member of the Related-Party Transactions Committee of Pirelli & C. S.p.A. and (ii) for the period 31/07/2023 - 31/12/2023 10,417 euros as a member of the Appointments and Succession Committee and 14,583 euros as a member of the Strategies Committee of Pirelli & C. S.p.A..
(29) As member of the Remuneration Committee of Pirelli & C. S.p.A.
(30) Of which (i) for the period 01/01/2023 - 31/07/2023, 17,500 euros as a member of the Audit, Risks, Sustainability and Corporate Governance Committee of Pirelli & C. S.p.A. and (ii) for the period 31/07/2023 - 31/12/2023 14,583 euros as a member of the Audit, Risks and Corporate Governance Committee and 14,583 euros as a member of the Strategies Committee of Pirelli & C. S.p.A..
(31) Of which (i) for the period 01/01/2023 - 31/07/2023, 20,417 euros as Chairman of the Audit, Risks, Sustainability and Corporate Governance Committee and 17,500 euros as a member of the Remuneration Committee of Pirelli & C. S.p.A. and (ii) for the period 31/07/2023 - 31/12/2023, 16,667 euros as Chairman of the Audit, Risks and Corporate Governance Committee of Pirelli & C. S.p.A.
(32) Of which (i) for the period 01/01/2023 - 31/07/2023, 17,500 euros as a member of the Audit, Risks, Sustainability and Corporate Governance Committee, 17,500 euros as a member of the Strategies Committee and 29,167 euros as a member of the Related-Party Transactions Committee of Pirelli & C. S.p.A. and (ii) for the period 31/07/2023 - 31/12/2023, 14,583 euros as a member of the Audit, Risks and Corporate Governance Committee, 18,750 euros as a member of the Related-Party Transactions Committee and 14,583 euros as a member of the Sustainability Committee of Pirelli & C. S.p.A..
(33) Of which (i) for the period 01/01/2023 - 31/07/2023, 17,500 euros as a member of the Audit, Risks, Sustainability and Corporate Governance Committee, 17,500 euros as a member of the Remuneration Committee and 43,750 euros as Chairman of the Related-Party Transactions Committee of Pirelli & C. S.p.A. and (ii) for the period 31/07/2023 - 31/12/2023, 27,083 euros as Chairman of the Related-Party Transactions Committee of Pirelli & C. S.p.A..
(34) As Chairman of the Remuneration Committee of Pirelli & C. S.p.A.
(35) As a member of the Appointments and Succession Committee of Pirelli & C. S.p.A.
(36) As a Senior Manager of Pirelli Tyre S.p.A.. This amount represents the pro-rata share of the gross annual salary received until the termination of his office as Director of Pirelli & C. S.p.A..
(37) With reference to the period during which he served as Director of Pirelli & C. S.p.A., the amount includes the pro-rata 2023 STI incentive amount accrued (including the deferred portion) as Senior Manager, the related company matching component that will be paid at the end of the deferral period (3 years) and the pro-rata 2021-2023 LTI Plan amount (see table below for details of the amounts). The remaining portion of 2023 STI and 2021-2023 LTI accrued since qualifying as a KM is included in the aggregate value of Key Managers.
(38) Of which: 1,225 euros for insurance policies, 2,326 euros for a company car, 4,200 euros for supplementary pension contributions and 1,946 euros for health insurance. These amounts, allocated as senior manager, are shown pro-rata until the termination of the office of Director of Pirelli & C. S.p.A..
(39) Of which: 13,102 euros as a member of the Remuneration Committee, 13,102 euros as a member of the Appointments and Succession Committee, and 13,102 euros as a member of the Strategies Committee of Pirelli & C. S.p.A.
(40) Of which: 4,274 euros as a member of the Remuneration Committee, 4,274 euros as a member of the Appointments and Succession Committee, and 4,274 euros as a member of the Strategies Committee of Pirelli & C. S.p.A.
(41) The amount represents the pro-rata amount, as of the date of hire, of the gross annual salary as Corporate General Manager resolved by the Board of Directors of Pirelli & C. S.p.A. on 3 August 2023.
(42) The amount includes: the 2023 STI incentive accrued pro-rata from the hire date (including the deferred portion), the related company matching component that will be paid at the end of the deferral period (3 years) and the 2021-2023 LTI incentive, also accrued pro-rata from the hire date (see table below for details of the amounts).
(43) Of which: 3,057 euros for a company car, 3,000 euros for supplementary pension contributions and 1,390 euros for health insurance. These benefits are granted with effect from the hire date.
(44) The amount includes: 75,000 euros by way of payment during the employment relationship of part of the consideration for the non-competition agreement and 100,000 euros by way of a welcome bonus linked to hiring.
(45) As of 31 December 2023, 6 KMs had been identified, of which 1 is represented *pro rata temporis* as of 3 August 2023. The table also shows pro rata temporis the remuneration of two KMs who held this office until 13 September 2023. The remuneration paid to the General Manager Operations and the General Manager Corporate, for their respective periods of tenure, are not included in this item as they are indicated separately in the table.
(46) As a member of the 231 Supervisory Body.
(47) The amount includes, for the respective holders, the accrued 2023 STI incentive (including the deferred portion), the related company matching component that will be paid at the end of the deferral period (3 years) and the 2021-2023 LTI incentive (see table below for details on amounts).
(48) The amounts, for the respective holders, are for a company car, supplementary pension contributions, health insurance and insurance policies.
(49) The amounts relate, for the respective holders, to the payment of part of the consideration for the non-competition agreement and a retention bonus granted prior to qualification as a KM.

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 2023.

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	2022 STI	-		-		-	-	2,765,640	(1)	-		-	
		2023 STI	4,322,160	(2)	1,440,720	(3)	1 year	-	-		-		-	
		2021-2023 LTI Plan	4,800,000	(4)	-		-	-	-		-		-	
		2022-2024 LTI Plan	-		-		-	-	-		-		-	
		2023-2025 LTI Plan	-		-		-	-	-		-		-	
Andrea Casaluci	CEO	2021 STI	-		-		-	-	-		1,406,250	(5)		
		2022 STI	-		-		-	-	-		653,373	(5)		
		2023 STI	660,310	(6)	220,103	(7)	1 year	-	-		-			
		2023 STI	315,153	(8)	693,337	(9)	3 years	-	-		-			
		2021-2023 LTI Plan	1,277,778	(4)	-		-	-	-		-			
		2022-2024 LTI Plan	-		-		-	-	-		-			
		2023-2025 LTI Plan	-		-		-	-	-		-			
Giorgio Luca Bruno	Deputy-CEO	2022 STI	-		-		-	-	1,014,090	(1)	-		-	
		2023 STI	1,232,578	(10)	-		-	-	-					
		2021-2023 LTI Plan	1,515,556	(11)	-		-	-	-		-		-	
		2022-2024 LTI Plan	-		-		-	-	-		-		-	
		2023-2025 LTI Plan	-		-		-	-	-		-		-	
Francesco Tanzi	Corporate General Manager	2023 STI	270,131	(12)	360,175	(13)	3 years	-	-		-		100,000	(15)
		2021-2023 LTI Plan	166,667	(14)										
		2022-2024 LTI Plan	-		-		-	-	-		-			
		2023-2025 LTI Plan	-		-		-	-	-		-			
Giovanni Tronchetti Provera	Director (16)	2021 STI	-		-		-	-	-		94,500	(5)	-	
		2022 STI	-		-		-	-	-		92,736	(5)	-	
		2023 STI	55,849	(17)	44,280	(18)	3 years	-	-		-		-	
		2021-2023 LTI Plan	172,222	(19)	-		-	-	-		-		-	
		2022-2024 LTI Plan	-		-		-	-	-		-		-	
		2023-2025 LTI Plan	-		-		-	-	-		-		-	
No. 6 Key Managers	(20)	2021 STI	-		-		-	-	-		2,029,263	(21)		
		2022 STI	-		-		-	-	-		1,732,944	(22)		
		2023 STI	1,951,736	(23)	1,856,266	(13)	3 years	-	-		-			
		2021-2023 LTI Plan	2,790,278	(4)	-		-	-	-		-		50,000	(24)
		2022-2024 LTI Plan	-		-		-	-	-		-			
		2023-2025 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	-	-	-	-	-	1,050,060	150,000
		2022 STI	-	-	-	-	3,779,730	672,759	
		2023 STI	7,781,000	3,109,077	1 year 3 years		-	-	
		2021-2023 LTI Plan	8,345,167	-	-	-	-	-	
		2022-2024 LTI Plan	-	-	-	-	-	-	
		2023-2025 LTI Plan	-	-	-	-	-	-	
(II) Remuneration from Subsidiary and Affiliated Companies		2021 STI	-	-	-	-	-	2,479,953	-
		2022 STI	-	-	-	-	-	1,806,294	
		2023 STI	1,026,917	1,505,804	3 years	-	-	-	
		2021-2023 LTI Plan	2,377,334	-	-	-	-	-	
		2022-2024 LTI Plan	-	-	-	-	-	-	
		2023-2025 LTI Plan	-	-	-	-	-	-	
(III) Total			19,530,418	4,614,881	-	-	3,779,730	6,009,066	150,000

(1) The amount refers to the sum of the deferred portion of the 2022 STI (25%) and the respective company matching component paid out for achievement of the 2023 STI objectives as defined in the 2022 Policy. This amount is shown in the "Bonuses and other incentives" column of Table 1.
(2) The amount in the "Payable/Paid out Year Bonus" column refers to the 75% of the 2023 STI paid out (upfront amount). This amount is shown in the "Bonuses and other incentives" column of Table 1.
(3) The amount in the "Deferred Year Bonus" column refers to 25% of the 2023 STI deferred and assigned to risk/opportunity subject to the results of the 2024 STI. This amount is not shown in the "Bonuses and other incentives" column of Table 1.
(4) The amount in the "Payable/Paid out Year Bonus" column refers to the 2021-2023 LTI Plan. This amount is shown in the "Bonuses and other incentives" column of Table 1.
(5) The amount in the "Previous Years Bonuses Still Deferred" column refers to the sum of the deferred 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.
(6) With reference to the 2023 STI accrued as of the appointment as Chief Executive Officer, the amount in the "Payable/Paid out Year Bonus" column refers to the 75% paid out (upfront portion). This amount is shown in the "Bonuses and other incentives" column of Table 1.
(7) With reference to the 2023 STI accrued as of the appointment as CEO, the amount in the "Deferred Year Bonus" column refers to the 25% deferred and put at risk/opportunity subject to the results of the 2024 STI. This amount is not shown in the "Bonuses and other incentives" column of Table 1.
(8) With reference to the 2023 STI accrued as General Manager Operations, the amount in the "Payable/Paid out Year Bonus" column refers to the portion of the amount paid out (upfront amount) based on personal choice. This amount is shown in the "Bonuses and other incentives" column of Table 1.
(9) With reference to the 2023 STI accrued as General Manager Operations, the amount in the "Deferred Year Bonus" column refers to the sum of the deferred portion and the company matching component that 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.
(10) The amount in the "Payable/Paid out Year Bonus" column refers to the 2023 STI accrued up to the date of termination of office as Deputy-CEO. This amount is shown in the "Bonuses and other incentives" column of Table 1.
(11) The amount in the "Payable/Paid out Year Bonus" column refers to the 2021-2023 LTI Plan accrued up to the date of termination of the office of Deputy-CEO. This amount is shown in the "Bonuses and other incentives" column of Table 1.
(12) The amount in the "Payable/Paid out Year Bonus" column refers to the portion of the 2023 STI, accrued from the date of hire, paid out (upfront portion) based on personal choice. This amount is shown in the "Bonuses and other incentives" column of Table 1.
(13) The amount in the "Deferred Year Bonus" column refers to the sum of the 2023 STI deferred portion and the related company matching component that 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.
(14) The amount in the "Payable/Paid out Year Bonus" column refers to the 2021-2023 LTI Plan accrued pro-rata from the hire date. This amount is shown in the "Bonuses and other incentives" column of Table 1.
(15) The amount refers to a welcome bonus linked to hiring. This amount is shown in the "Other remuneration" column in Table 1.
(16) Giovanni Tronchetti Provera is included in the LTI and STI variable incentive plans as Senior Manager of Pirelli Tyre S.p.A..
(17) The amount in the "Payable/Paid out Year Bonus" column refers to the portion of the 2023 STI paid out (upfront amount) based on personal choice. This amount is shown in the "Bonuses and other incentives" column of Table 1. This amount is represented on a pro-rata basis until the termination of his office as Director of Pirelli & C. S.p.A..
(18) The amount in the "Deferred Year Bonus" column refers to the sum of the 2023 STI deferred portion and the related company matching component that 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. This amount is represented on a pro-rata basis until the termination of his office as Director of Pirelli & C. S.p.A..
(19) The amount in the "Payable/Paid out Year Bonus" column refers to the 2021-2023 LTI Plan. This amount is shown in the "Bonuses and other incentives" column of Table 1. This amount is represented on a pro-rata basis until the termination of his office as Director of Pirelli & C. S.p.A..
(20) As of 31 December 2023, 6 KMs had been identified, of which 1 is represented pro rata *temporis* as of 3 August 2023. The table also shows pro rata *temporis* the remuneration of two KMs who held this office until 13 September 2023. The remuneration paid to the General Manager Operations and the General Manager Corporate, pro-rata for their respective periods of tenure, are not included in this item as they are indicated separately in the table.
(21) 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.
(22) The amount in the "Previous Years Bonuses Still Deferred" 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 not shown in the "Bonuses and other incentives" column of Table 1.
(23) The amount in the "Payable/Paid out Year Bonus" column refers to the portion of the 2023 STI paid out (upfront amount) based on personal choice. This amount is shown in the "Bonuses and other incentives" column of Table 1.

(24) The amount refers to a retention bonus granted before qualification as a KM. 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;
- KMs.

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 year.

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	Investee company	No of shares held at 31/12/2022	No of shares purchased/ underwritten	No. of shares sold	No of shares held at 31/12/2023
Marco Tronchetti Provera (i)	Executive Vice Chairman	Pirelli & C. S.p.A.	140,959,399		-	140,959,399
Giorgio Luca Bruno	Director	Pirelli & C. S.p.A.	500 (ii)	-	-	500 (ii)

(i) Shares held by the indirect subsidiary Camfin S.p.A.

(ii) Shares purchased during the listing of the Company on 4 October 2017 and held on the date of termination of office (31 July 2023).

2) Equity investments of other key managers

Number of key managers		Investee company	No of shares held at 31/12/2022	No of shares purchased/ underwritten	No. of shares sold	No of shares held at 31/12/2023
-		-	-	-	-	-

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(in thousands of euro)*

	Note	12/31/2023		12/31/2022	
			of which related parties (note 42)		of which related parties (note 42)
Property, plant and equipment	9	3,409,114		3,399,628	
Intangible assets	10	5,263,787		5,382,837	
Investments in associates and joint ventures	11	86,397		80,227	
Other financial assets at fair value through other Comprehensive Income	12	52,837		48,419	
Deferred tax assets	13	202,849		176,969	
Other receivables	15	408,625	*7,240*	231,151	*6,926*
Tax receivables	16	11,318		9,055	
Other assets	22	115,894		120,481	
Derivative financial instruments	27	12,886		26,430	
Non-current assets		**9,563,707**		**9,475,197**	
Inventories	17	1,371,436		1,457,711	
Trade receivables	14	649,406	*9,358*	636,446	*11,029*
Other receivables	15	419,249	*98,729*	741,238	*111,272*
Other financial assets at fair value through Income Statement	18	228,759		246,884	
Cash and cash equivalents	19	1,252,769		1,289,744	
Tax receivables	16	32,574		27,649	
Derivative financial instruments	27	13,027		22,681	
Current assets		**3,967,220**		**4,422,353**	
Total Assets		**13,530,927**		**13,897,550**	
Equity attributable to the owners of the Parent Company:	**20.1**	**5,494,393**		**5,323,794**	
Share capital		1,904,375		1,904,375	
Reserves		3,110,938		3,001,659	
Net income / (loss)		479,080		417,760	
Equity attributable to non-controlling interests:	**20.2**	**125,201**		**130,034**	
Reserves		108,376		111,894	
Net income / (loss)		16,825		18,140	
Total Equity	**20**	**5,619,594**		**5,453,828**	
Borrowings from banks and other financial institutions	23	3,174,678	*8,322*	3,690,111	*10,444*
Other payables	25	77,932	*212*	74,574	*212*
Provisions for liabilities and charges	21	109,548	*22,144*	101,676	*21,843*
Deferred tax liabilities	13	990,870		1,041,848	
Provisions for employee benefit obligations	22	180,218	*3,181*	180,558	*6,735*
Tax payables	26	14,391		12,780	
Derivative financial instruments	27	-		-	
Non-current liabilities		**4,547,637**		**5,101,547**	
Borrowings from banks and other financial institutions	23	789,527	*2,242*	800,389	*2,979*
Trade payables	24	1,999,418	*126,064*	1,973,296	*166,372*
Other payables	25	412,173	*21,371*	405,578	*37,386*
Provisions for liabilities and charges	21	35,323		41,250	
Provisions for employee benefit obligations	22	820		-	
Tax payables	26	105,193		102,104	
Derivative financial instruments	27	21,242		19,558	
Current liabilities		**3,363,696**		**3,342,175**	
Total Liabilities and Equity		**13,530,927**		**13,897,550**	

CONSOLIDATED INCOME STATEMENT *(in thousands of euro)*

	Note	2023	of which related parties (note 42)	2022	of which related parties (note 42)
Revenues from sales and services	**29**	**6,650,063**	*31,045*	**6,615,727**	*44,972*
Other income	**30**	328,994	*60,058*	330,913	*63,602*
Changes in inventories of unfinished, semi-finished and finished products		37,925		212,222	
Raw materials and consumables used (net of change in inventories)		(2,216,053)	*(10,983)*	(2,419,274)	*(17,603)*
Personnel expenses	**31**	(1,225,311)	*(17,365)*	(1,178,609)	*(15,244)*
Amortisation, depreciation and impairment	**32**	(588,463)		(566,689)	
Other costs	**33**	(2,175,943)	*(324,968)*	(2,208,788)	*(340,884)*
Net impairment of financial assets	**34**	(5,263)		4,075	
Increases in fixed assets due to internal works		2,378		1,905	
Operating income/(loss)		**808,327**		**791,482**	
Net income/(loss) from equity investments	**35**	15,879		5,848	
- share of net income/(loss) of associates and joint ventures		*11,646*	*11,646*	*2,920*	*2,920*
- gains on equity investments		*(35)*		-	
- losses on equity investments		*(1)*		*(123)*	
- dividends		*4,269*		*3,051*	
Financial income	**36**	225,661	*3,065*	101,987	*3,480*
Financial expenses	**37**	(419,764)	*(838)*	(303,683)	*(1,825)*
Net income / (loss) before taxes		**630,103**		**595,634**	
Taxes	**38**	(134,198)		(159,734)	
Net income / (loss)		**495,905**		**435,900**	
Attributable to:					
Owners of the Parent Company		479,080		417,760	
Non-controlling interests		16,825		18,140	
Total earnings / (losses) per share (in euro per basic/diluted share)	**39**	**0.479**		**0.418**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(in thousands of euro)*

		Note	2023	2022
A	**Total Net income / (loss)**		**495,905**	**435,900**
	- Remeasurement of employee benefits	22	(30,025)	(27,546)
	- Tax effect		7,383	7,329
	- Fair value adjustment of other financial assets at fair value through Other Comprehensive Income	12	4,627	(8,477)
B	**Total items that may not be reclassified to Income Statement**		**(18,015)**	**(28,694)**
	Exchange rates differences from translation of foreign Financial Statements			
	- Gains / (losses)	20	(170,427)	58,713
	- (Gains) / losses reclassified to Income Statement	35	-	-
	- Tax effect		-	-
	Fair value adjustment of derivatives designated as cash flow hedges:			
	- Gains / (losses)	27	(4,776)	56,510
	- (Gains) / losses reclassified to Income Statement	27	(17,642)	951
	- Tax effect		5,309	(13,301)
	Cost of hedging			
	- Gains / (losses)	27	-	(119)
	- (Gains) / losses reclassified to Income Statement	27	-	(1,477)
	- Tax effect		-	136
	Share of other Comprehensive Income related to associates and joint ventures	11	(3,832)	(2,183)
C	**Total items reclassified / that may be reclassified to Income Statement**		**(191,368)**	**99,230**
D	**Total other Comprehensive Income (B+C)**		**(209,383)**	**70,536**
A+D	**Total Comprehensive Income / (loss)**		**286,522**	**506,436**
	Attributable to:			
	- Owners of the Parent Company		287,062	486,523
	- Non-controlling interests		(540)	19,913

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 12/31/2023

(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		
Total at 12/31/2022	**1,904,375**	**(510,386)**	**12,768**	**3,917,037**	**5,323,794**	**130,034**	**5,453,828**
Other components of Comprehensive Income	-	(156,894)	(35,124)	-	(192,018)	(17,365)	(209,383)
Net income / (loss)	-	-	-	479,080	479,080	16,825	495,905
Total comprehensive income / (loss)	**-**	**(156,894)**	**(35,124)**	**479,080**	**287,062**	**(540)**	**286,522**
Dividends approved	-	-	-	(218,000)	(218,000)	(4,871)	(222,871)
Effects of hyperinflation accounting in Turkey	-	-	-	16,109	16,109	-	16,109
Effects of hyperinflation accounting in Argentina	-	-	-	86,749	86,749	-	86,749
Other	-	-	(244)	(1,077)	(1,321)	578	(743)
Total at 12/31/2023	**1,904,375**	**(667,280)**	**(22,600)**	**4,279,898**	**5,494,393**	**125,201**	**5,619,594**

(in thousands of euro)	BREAKDOWN OF OTHER O.C.I. RESERVES*				
	Reserve for fair value adjustment of financial assets at fair value through other Comprehensive Income	Reserve for cash flow hedge	Remeasurement of employee benefits	Tax effect	**Other O.C.I. reserves**
Total at 12/31/2022	**(11,074)**	**54,376**	**38,703**	**(69,237)**	**12,768**
Other components of Comprehensive Income	4,627	(22,418)	(30,025)	12,692	(35,124)
Other changes	(219)	-	(25)	-	(244)
Total at 12/31/2023	**(6,666)**	**31,958**	**8,653**	**(56,545)**	**(22,600)**

(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		
Total at 12/31/2021	**1,904,375**	**(565,143)**	**(1,408)**	**3,570,288**	**4,908,112**	**134,527**	**5,042,639**
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
Total comprehensive income / (loss)	**-**	**54,757**	**14,006**	**417,760**	**486,523**	**19,913**	**506,436**
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
Total at 12/31/2022	**1,904,375**	**(510,386)**	**12,768**	**3,917,037**	**5,323,794**	**130,034**	**5,453,828**

(in thousands of euro)	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	Reserve for cash flow hedge	Remeasurement of employee benefits	Tax effect	**Other O.C.I. reserves**
Total at 12/31/2021	**(2,597)**	**1,595**	**(3,085)**	**66,107**	**(63,428)**	**(1,408)**
Other components of Comprehensive Income	(8,477)	(1,596)	57,461	(27,546)	(5,836)	14,006
Other changes	-	1	-	142	27	170
Total at 12/31/2022	**(11,074)**	**-**	**54,376**	**38,703**	**(69,237)**	**12,768**

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of euro)

		Note	2023	2022
	Net income / (loss) before taxes		630,103	595,634
	Reversal of amortisation, depreciation, impairment losses and restatement of property, plant and equipment and intangible assets	32	588,463	566,689
	Reversal of Financial (income) / expenses	36/37	194,103	201,696
	Reversal of Dividends	35	(4,269)	(3,051)
	Reversal of gains / (losses) on equity investments	35	36	123
	Reversal of share of net result from associates and joint ventures	35	(11,646)	(2,920)
	Reversal of accruals to provisions and other accruals		62,717	141,283
	Net Taxes paid	38	(138,988)	(205,455)
	Change in Inventories		29,277	(342,322)
	Change in Trade receivables		(51,467)	37,376
	Change in Trade payables		132,729	272,842
	Change in Other receivables		(23,963)	(50,502)
	Change in Other payables		(12,526)	27,900
	Uses of Provisions for employee benefit obligations		(16,634)	(89,471)
	Uses of Provisions for liabilities and charges		(18,074)	(18,176)
A	**Net cash flow provided by / (used in) operating activities**		**1,359,861**	**1,131,646**
	of which related parties	42	*(290,100)*	*(228,404)*
	Investments in owned tangible assets		(377,413)	(303,491)
	Disposal of owned tangible assets		2,207	4,098
	Investments in intangible assets		(21,623)	(31,912)
	Disposal of intangible assets		-	277
	Disposals of equity investments in associates and J.V.		-	1,330
	Change in Financial receivables from associates and joint ventures		(299)	(150)
	Dividends received	35	4,269	3,230
B	**Net cash flow provided by / (used in) investing activities**		**(392,859)**	**(326,618)**
	of which related parties	42	*(299)*	*1,073*
	Change in Borrowings from banks and other financial institutions due to draw downs	23	1,127,752	1,324,067
	Change in Borrowings from banks and other financial institutions due to repayments and other	23	(1,634,195)	(2,113,830)
	Change in Financial receivables / Other current financial assets at fair value through Income Statement		212,596	(141,761)
	Financial income / (expenses)		(342,410)	(173,261)
	Dividends paid		(222,871)	(185,395)
	Repayment of principal and payment of interest for lease liabilities		(120,455)	(114,513)
C	**Net cash flow provided by / (used in) financing activities**		**(979,583)**	**(1,404,693)**
	of which related parties	42	*(3,992)*	*(948)*
D	**Total cash flow provided / (used) during the period (A+B+C)**		**(12,581)**	**(599,665)**
E	**Cash and cash equivalents at the beginning of the financial year**		**1,283,386**	**1,883,544**
F	**Exchange rate differences from translation of cash and cash equivalents**		(21,955)	(491)
G	**Cash and cash equivalents at the end of the period (D+E+F) (°)**	19	**1,248,850**	**1,283,388**

		2023	2022
(°)	**of which:**		
	cash and cash equivalents	1,252,769	1,289,744
	bank overdrafts	(3,919)	(6,356)

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 - including through 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, which are products that are manufactured to achieve the highest levels of performance, safety, quietness and road surface grip.

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 auditing of the Consolidated Financial Statements has been entrusted to PricewaterhouseCoopers S.p.A. pursuant to Legislative Decree No. 39 of January 27, 2010, and in execution of 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, closing from December 31, 2017 to December 31, 2025.

As of October 4, 2017, the date on which trading of the Company's shares began on Euronext Milan organized and managed by Borsa Italiana S.p.A., Marco Polo International Italy S.r.l. ("MPI Italy") has declared control pursuant to Art. 93 of the TUF over the Company, of which it holds approximately 37% of the share capital, without exercising activities of direction and coordination. MPI Italy, in turn is indirectly controlled by Sinochem Holdings Corporation Ltd ("Sinochem"), a state owned enterprise incorporated under the law of China, subject to control by the State-owned Assets Supervision and Administrative Commission of the State Council (SASAC) of the People's Republic of China.

Note that, following the issuance of the Golden Power Prime Ministerial Decree, the Board of Statutory Auditors together with management have been performed analysis regarding the permanence of the control by MPI Italy over Pirelli pursuant to both with Art. 93 of the TUF and IFRS 10; the aforesaid analysis is still ongoing. Similar activity is being carried out by MPI Italy. Pending the outcome of the mentioned analysis, the disclosure regarding MPI Italy's declaration of control at this stage has not changed.

On March 6, 2024, the Board of Directors approved these Consolidated Financial Statements and authorised their publication on March 18, 2024.

2. BASIS OF PRESENTATION

Information on the Macroeconomic Environment

The persistence of geopolitical tensions, a high rate of inflation and a restrictive monetary policy, which had generated great uncertainty during 2022, also characterised 2023.

In a highly volatile macroeconomic and market environment, Pirelli recorded growth results that confirmed the resilience of its business model.

The restrictive interventions by the central banks especially in the Eurozone, to curb inflationary effects, led to a generalised increase in interest rates with a consequent impact on the Group's cost of debt.

The unfavourable trend in exchange rates - in particular the weakening of the US dollar, the renminbi and the currencies of emerging countries against the euro - and inflation in the costs of production factors impacted the operating income for 2023, which nevertheless grew thanks to the improvement in the price/mix and in the internal efficiency plan.

For further details on the performance in 2023, reference should be made to the section *"Group Performance and Results"* in the Directors' Report on Operations, while for information on the management of external risks, reference should be made to the section *"Risk Factors and Uncertainty"* in the same document.

The macroeconomic scenario for 2024 remains volatile, with gradual improvements expected over the course of 2025, and will be characterised by moderate economic growth, with persistent though gradually decreasing inflation, and EU and US interest rates which, although slowly decreasing, will still be significantly higher compared to the last ten years. The most updated forecasts available at the beginning of the year were taken into account for the formulation of the prospective results for 2024 and 2025, as reported in the section "*Outlook for 2024 and 2025"* in the Directors' Report on Operations. The same results were taken into consideration in the estimations and assumptions, and particularly when assessing the recoverability of goodwill and of other intangible assets with an indefinite useful life, and the recoverability of property, plant and equipment 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, 2023 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, which are accompanied by the Directors' Report on Operations.

This document has not been prepared pursuant to the Delegated Regulation EU 2019/815 (ESEF Regulation), which was implemented pursuant to the Transparency Directive. The document which has been prepared pursuant to the ESEF Regulation, is available (in Italian only) on the authorised website eMarket Storage (emarketstorage.com) and on the Company's website 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 the 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 by the effects of non-monetary transactions, by any deferrals or accruals of past or future collections or payments for operating activities and by revenue or expense items related to the cash flows derived from any investment or financing activity.

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;

- the 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 reported separately and respectively in the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income and in Equity.

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.

The following is a summary of the changes in the scope of consolidation:

- the liquidation, on January 3, 2023, of the company Pirelli Taiwan Co., Ltd.;

- the liquidation, on August 2, 2023, of the company Servizi Aziendali Pirelli S.c.p.A.;
- the liquidation, on October 6, 2023, of the company Pirelli & C. Eco Technology RO S.r.l..

Information on Subsidiaries

The Consolidated Financial Statements include the assets and liabilities of 86 legal entities. The significant subsidiaries are listed below:

	Headquarters	12/31/2023		12/31/2022	
		% 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 Andrè (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%	

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 Standards

For consolidation purposes, the financial statements of the companies included in the Scope of Consolidation, prepared at the reporting date of the Parent Company's financial statements and appropriately adjusted to render them consistent with the IAS/IFRS as applied by the Group, were used.

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.

Differences arising from the translation of the initial equity at the period-end exchange rates are recognised in the translation reserve, together with the difference arising from the translation of the result for the period at the period-end exchange rate compared to at 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 according to 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 eliminated against the relevant portion of equity;
  - equity and financial transactions carried out between the companies which are consolidated on a line-by-line basis, including dividends distributed within the Group, and the unrealised margin on intercompany transactions, are eliminated;
  - non-controlling interests are represented in the appropriate items under equity, and similarly, the share of gains or losses attributable to non-controlling interests is shown separately in the Income Statement;
  - at the time of disposal of the subsidiary and the consequent loss of control, in determining the gains or losses arising from the disposal, any goodwill that can be allocated to the subsidiary is taken into account;
  - in the case of an investment stake acquired subsequent to the acquisition of control, any difference between the acquisition cost and the corresponding fraction of equity acquired is recognised in equity. Similarly, the effects deriving from the disposal of non-controlling interests without loss of control are also recognised in equity.
- investments in associates and joint ventures are evaluated using the equity method, on the basis of which, the carrying amount of the investments is adjusted by:
  - the investor's pertinent share of the financial results of the subsidiary realised after the acquisition date;
  - the pertinent share of gains and losses are recognised directly in the equity of the subsidiary, in accordance with the applicable standards;
  - dividends are paid by the subsidiary;
  - when the Group's pertinent share in the losses of the associate/joint venture exceeds the carrying amount of the investment in the Financial Statements, the carrying amount of the investment is reset to zero and the share of any further losses is 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, these Consolidated Financial Statements of the Pirelli & C. Group have been prepared in accordance with the IFRS international accounting standards in force, issued by the International Accounting Standards Board ("IASB") and approved by the European Union as of December 31, 2023, as well as with the provisions issued in the implementation of Article 9 of Legislative Decree No. 38/2005. The terms IFRS and IAS refer to the IFRS and IAS international accounting standards in force, issued by the International Accounting Standards Board ("IASB") and approved by the European Union as of December 31, 2023, and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly known as 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

Business 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 investment stake held by the non-controlling interest in 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 obligations of the acquiring company to transfer additional assets or shares to the seller in cases if certain future events occur, or specific conditions are fulfilled, are recognised at fair value at the acquisition date as part of the amount transferred in exchange for the acquisition itself. 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 eliminated from the accounts.

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 contractual duration 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 product 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%
Office equipment	25% - 50%
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 a provision for liabilities and charges, if the requirements for 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 is use is valuated 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;
- 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 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.

An impairment which has been detected for goodwill cannot be restated in subsequent financial years.

A loss due to the impairment of 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 impairment indicators, the value of investments in associates and joint ventures must be compared with the recoverable value (the so-called impairment test). The recoverable amount corresponds to the higher amount between the fair value minus the selling costs, and the value in use.

For the purposes of impairment testing, the fair value of an investment in an associate or joint venture which has 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.

For the purposes of determining the value in use of an associate or joint venture, an estimate is made of 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 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 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 are recognised in a specific equity reserve. These reserves are 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.

The dividends resulting 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 evaluative 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 the item "*Other financial assets at fair value through the Income Statement"*;
- debt instruments for which the fair value option has been exercised to eliminate an accounting mismatch;
- 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

Warehouse inventories are valued at whichever is lower, between their cost and their presumed realisable value.

The cost is calculated using the FIFO method, and in the case of finished and semi-finished products, in addition to the costs of materials, the direct costs of labour as well as indirect costs, are also included.

The cost of inventories also includes the transfer from Other Comprehensive Income, of the 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. 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. 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, money and valuables on hand and other forms of short-term investment, with an original maturity date that is equal to or less than three months, and which 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 their representation in the Consolidated Statement of Cash Flow, cash and cash equivalents are represented by the liquid assets as defined previously, 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 given disclosure, unless the possibility of an outflow of economic resources is remote.

Provisions for Liabilities and Charges

The provisions for liabilities and charges include the provisions for current obligations (legal or implicit) arising from a past event, for the fulfilment of which it is probable that an outflow of resources will be required, the amount of which 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. A provision for restructuring is only recognised if, in addition to meeting the requisite conditions for the accrual of a provision for liabilities and charges, there exists a detailed formal plan for the restructuring, and the third parties involved have a valid expectation that the restructuring will be realised.

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 under 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 under 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.

Derivative Financial Instruments designated as Hedging Instruments

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 under Other Comprehensive Income, while the ineffective portion is immediately recognised in the Income Statement. The amounts recognised

directly under 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 under 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 reaches maturity or is disposed of, terminated early, exercised, or no longer meets the conditions to be designated as a hedging instrument, hedge accounting is discontinued. The fair value adjustments accumulated in Other Comprehensive Income (both in the cash flow hedge reserve and in the cost of hedging reserve) remain suspended in 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 requisites 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.

Determination of 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 of the Financial Statements. 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 prevalent 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;
- the fair value of unlisted equity securities classified in level 3 of the fair value hierarchy, is mainly determined on the basis of data from the most recent available financial statements.

Income Taxes

Current taxes are determined on the basis of a realistic forecast of the taxes to be paid in the application of the country's prevailing tax regulations.

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 which case it is recognised as part of the purchase cost of the asset or part of the cost recognised in the Income Statement;

- 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 the items other receivables or other payables, respectively.

Equity

Treasury Shares

Treasury shares are classified as a reduction to equity.

If they are sold, reissued or cancelled, the resulting earnings or losses are recognised under equity.

Costs of Capital Transactions

Costs that are directly attributable to the capital transactions of the Parent Company are accounted for as a reduction to 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 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. They are also recognised net of the return of goods received.

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 grants are recognised in the Income Statement under *"other income"*, with the exception of support programmes aimed at offsetting costs (e.g., grants to mitigate energy costs), which are recognised as a deduction from the related cost.

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 hyperinflation accounting corresponds to the consumer price index.

Gains or losses on the net monetary position are recognised in the Income Statement.

The financial statements prepared in currencies other than the euro of the Group companies operating in hyperinflationary 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 standard was applied, commencing December 15, 2022, to the newly formed 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 under deferred assets.

Costs associated with greenhouse gas emissions are recognised on an accrual basis, in proportion to the emissions produced in the relevant country during the same financial year, and are recognised under other costs with a provision for liabilities and charges as the counter-entry.

Deferred assets corresponding to the purchased certificates are eliminated with a counter-entry for the reduction of the provision for liabilities and charges, when the 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 Pirelli's energy purchasing needs and therefore these contracts are not 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 Guarantee of Origin certificates for the purchased energy.

3.1 Approved Accounting Standards and Interpretations in Force as of January 1, 2023

Pursuant to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the IFRS standards which entered into force on January 1, 2023, were as follows:

- 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;
  - a 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 had no impact on the disclosures provided on the accounting standards applied to the Group's Consolidated Financial Statements.

- 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. There were no impacts on the Group's Consolidated Financial Statements.

- 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 (for 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 having taken the applicable tax law into account), whether such deductions are attributable for tax purposes to the lease liability recognised in the Financial Statements, or to the relative 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. There were no impacts on the Group's Consolidated Financial Statements. In Note 13, the table on the composition of deferred taxes, shows the gross amounts for the offsets carried out pursuant to the accounting standard.

- IFRS 17 - Insurance Contracts and Amendments to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information

  IFRS 17, which replaces IFRS 4 - Insurance Contracts, provides a definition for the accounting for insurance contracts issued and reinsurance contracts held.

  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 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.

  There were no impacts on the Group's Consolidated Financial Statements.

- Amendments to IAS 12 - Income Taxes: International Tax Reform - Pillar Two Model Rules

  These amendments offer a temporary exemption to the accounting of deferred taxes resulting from the application of the new tax rules (the so-called *"GloBE rules"*) of European origin, for the implementation of the Global Minimum Tax, introduced by the Organisation for Economic Co-operation and Development (OECD). The OECD published the Pillar Two Model Rules in December 2021, to ensure that large multinational companies are subjected to a minimum tax rate of 15%.

  The changes provide for:

  - a temporary exception for the accounting of deferred taxes and for the related disclosure arising in jurisdictions that apply global tax rules. This will help ensure the consistency of financial statements, while also facilitating the implementation of the rules; and,

  - the publication of disclosures which are aimed at helping investors better understand a company's exposure to income taxes resulting from the reform, particularly prior to the entry into force of the legislation that will implement the regulations.

The Group's Financial Statements at December 31, 2023 make use of the above-mentioned temporary exception. For these disclosures, reference should be made to Note 38.

3.2 International Accounting Standards and/or Interpretations Issued but not yet in Force in 2023

Pursuant to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors - the new standards or interpretations that had already been issued, but had not yet entered into force or had not yet been approved by the European Union at December 31, 2023 and were therefore not applicable, along with their foreseeable impact on the Consolidated Financial Statements, are indicated below.

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 settle liabilities in the short-term, had no impact on their classification. These amendments, approved by the European Union, are applicable as of January 1, 2024. No impacts on the classification of financial liabilities 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, approved by the European Union, are applicable as of January 1, 2024. No impacts on the classification of financial liabilities and in terms of disclosure are expected as a result of these amendments.

- Amendments to IFRS 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, approved by the European Union, are applicable as of January 1, 2024. No impacts on the Group's Financial Statements are expected as a result of these amendments.

- Amendments to IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments: Supplementary Information - Supplier Finance Arrangements

  These amendments introduce new disclosure requirements to improve the transparency of information provided on supplier financing arrangements, particularly with regard to the effects of such arrangements on the entity's liabilities, cash flows and exposure to liquidity risk.

  These amendments, which entered into force on January 1, 2024, have not yet been approved by the European Union. No impact on the Group's Financial Statements is expected as a result of these amendments.

- Amendments to IAS 21 - Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

  These amendments clarify when a currency is exchangeable for another currency and, consequently, when it is not. When a currency is not exchangeable for another, these amendments define how the exchange rate is to be determined. The amendments also specify the information that must be provided when a currency is not exchangeable.

  These amendments, which will enter into force on January 1, 2025, have not yet been approved by the European Union. The Group is analysing whether the definition of lack of exchangeability is applicable to the currencies of the subsidiaries included in the scope of consolidation.

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 the 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.

It should also be noted that, as part of the annual and multi-annual 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, represent 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 (for example; 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, 2023, 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, 2023 approximately 33.9% of the total consolidated equity was expressed in euro (approximately 36.5% at December 31, 2022). The most significant currencies for the Group, in terms of the absolute value of net assets, other than the euro were the Brazilian real (10.0%; 10.6% at December 31, 2022), the Turkish lira (0.7%; 0.7%; at December 31, 2022), the Chinese renminbi (14.9%; 13.4% at December 31, 2022), the Romanian leu (12.0%; 11.8% at December 31, 2022), the Russian rouble (2.2%; 2.9% at December 31, 2022); the British pound sterling (3.2%; 3.4% at December 31, 2022), the Argentine peso (3.2%; 3.6% at December 31, 2022); the US dollar (5.2%; 5.0% at December 31, 2022) and the Mexican peso (12.4%; 10.8% at December 31, 2022).

The effects on consolidated equity which derive from a hypothetical appreciation / depreciation of the euro against the aforementioned currencies - all other conditions being equal, were as follows:

(in thousands of euro)	**Appreciation of 10%**		**Depreciation of 10%**	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Brazilian Real	62,300	64,084	(50,972)	(52,432)
Turkish Lira	4,145	4,344	(3,391)	(3,554)
Chinese Renminbi	92,820	81,367	(75,943)	(66,573)
Romanian Leu	74,624	71,367	(61,056)	(58,392)
Russian Rouble	13,495	17,385	(11,042)	(14,224)
British Pound Sterling	20,192	20,533	(16,521)	(16,800)
Argentinian Peso	19,942	21,569	(16,316)	(17,647)
US Dollar	32,578	30,158	(26,655)	(24,675)
Mexican Peso	77,423	65,604	(63,346)	(53,676)
Total on consolidated equity	**397,519**	**376,411**	**(325,242)**	**(307,973)**

It should be noted that, during 2023, the Turkish lira and the Argentine peso depreciated by more than 10% (the Turkish lira by 63% and the Argentine peso by 373%), which was partially offset by hyperinflation accounting. 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%**	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Impact on Net income/(loss)	(5,042)	(8,573)	5,042	8,573

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, 2023, are described in Note 27, *"Derivative Financial Instruments"*. The Group has no outstanding derivatives or other optional instruments which affect the linear sensitivity of interest rates on debt.

Risk of failure to meet the sustainability targets set in bank loans and bonds

As reported in Note 23 "Borrowings from banks and other financial institutions", to which reference shall be made for further details, the Group has outstanding "sustainable" bank lines of 3.1 billion euros, of which 2.1 billion euros had been drawn down as of December 31, 2023, and 1.0 billion euros available in the form of committed revolving credit facilities and 600 million euros in Sustainability Linked Bonds (SLBs).

Failure to meet sustainability targets would result in an increase in the contractually required interest rate and consequently an increase in future borrowing costs and cash flows compared to what is expected with the achievement of such targets, which is immaterial for the Group.

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 1.76% of the total consolidated assets at December 31, 2023, (1.47% at

December 31, 2022). 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 18,299 thousand (euro 16,570 thousand at December 31, 2022), and securities indirectly associated with listed equity securities (Fin. Priv. S.r.l.), which amounted to euro 23,416 thousand (euro 18,865 thousand at December 31, 2022);

- financial assets at fair value through the Income Statement which amounted to euro 196,203 thousand and consisted of Argentine dollar-linked bonds (euro 169,328 thousand at December 31, 2022).

Financial assets at fair value through other Comprehensive Income constituted 17.5% of the total financial assets subject to price risk (17.3% at December 31, 2022). 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 915 thousand (a positive change of euro 828 thousand at December 31, 2022, 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 915 thousand (a negative change of euro 828 thousand to the Group's equity at December 31, 2022).

Financial assets at fair value through the Income Statement constituted 82.5% of the total financial assets subject to price risk (82.7% at December 31, 2022). A change of +10% 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 22,111 thousand (euro 9,366 thousand at December 31, 2022), while a change of -10% 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 22,111 thousand (euro 6,172 thousand at December 31, 2022).

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 to manage commercial credit risk is the stipulation of insurance policies. For more than 10 years, a master agreement has been in place, and renewed for the two-year 2023-24 period, with a leading insurance company with an AA credit rating according to Standard & Poor's evaluations, for the worldwide coverage of credit risk mainly related to sales in the Replacement channel (the coverage ratio at December 31, 2023 was approximately 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 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, amongst 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 climate change, which determines the probability of default used in the calculation and impacts the ceiling levels granted by the insurance company to each counterparty. The bad debt provision at December 31, 2023 was calculated according to the method described above, and was composed as follows:

(in thousands of euro)	**Current**	**Past due > 30 days**	**Past due > 90 days**	**Past due > 180 days**	**Total**
Expected loss rate	3.0%	11.4%	6.2%	70.6%	10.1%
Exposure net of credit enhancements	579,934	31,756	25,571	68,478	705,738
Bad debt provision	(17,478)	(3,611)	(1,589)	(48,321)	(71,000)

The position at December 31, 2022 was as follows:

(in thousands of euro)	**Current**	**Past due > 30 days**	**Past due > 90 days**	**Past due > 180 days**	**Total**
Expected loss rate	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)

At December 31, 2023, the exposure gross of credit enhancements amounted to euro 955,741 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 75,009 thousand.

The difference between the exposure gross of credit enhancements amounting to euro 955,741 thousand and the value of the trade receivables amounting to euro 720,406 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 not be sufficient to meet its financial and commercial obligations in accordance with the terms and conditions and due expiry dates.

The main instruments used by the Group to manage liquidity risk are constituted by annual and multi-annual 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 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, 2023, the Group had, a liquidity margin of euro 2,981,527 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 228,759 thousand (euro 246,884 thousand at December 31, 2022) and unused credit facilities to the amount of euro 1,500,000 thousand (increased by euro 500 million compared to December 31, 2022, thanks to the new revolving credit facility signed in December 2023). The above-mentioned liquidity margin is sufficient to cover financial debt maturities until the first quarter of 2028.

Maturities for financial liabilities at December 31, 2023 can be summarised as follows:

(in thousands of euro)	**within 1 year**	**1 to 2 years**	**2 to 5 years**	**over 5 years**	**Total**
Trade payables	1,999,418	-	-	-	1,999,418
Other payables	412,173	3,129	6,761	31,090	453,153
Derivative financial instruments	21,242	-	-	-	21,242
Borrowings from banks and other financial institutions	884,755	1,476,954	1,799,506	193,316	4,354,531
of which lease liabilities	*119,163*	*102,574*	*203,049*	*157,722*	*582,508*
	3,317,588	**1,480,083**	**1,806,267**	**224,406**	**6,828,344**

Maturities for financial liabilities at December 31, 2022 can be summarised 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	2,726	4,450	27,833	440,587
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
of which lease liabilities	*108,469*	*93,235*	*196,159*	*193,316*	*591,179*
	3,327,109	**1,596,494**	**2,185,013**	**221,149**	**7,329,765**

5. INFORMATION ON FAIR VALUE

5.1 Fair Value Measurement

The following table shows **assets and liabilities measured at fair value at December 31, 2023**, subdivided into three levels:

(in thousands of euro)	Note	Carrying amount at 12/31/2023	Level 1	Level 2	Level 3
FINANCIAL ASSETS:					
Financial assets at fair value through Income Statement:					
Other current financial assets at fair value through Income Statement	18	228,759	196,203	32,556	-
Current derivative financial instruments	27	13,027	-	13,027	-
Derivative hedging instruments:					
Current derivative financial instruments	27	-	-	-	-
Non-current derivative financial instruments	27	12,886	-	12,886	-
Other financial assets at fair value through Other Comprehensive Income:					
Securities and shares		52,813	18,299	23,416	11,098
Investment funds		24	-	24	-
	12	52,837	18,299	23,440	11,098
TOTAL ASSETS		**307,509**	**214,502**	**81,909**	**11,098**
FINANCIAL LIABILITIES:					
Financial assets at fair value through Income Statement:					
Current derivative financial instruments	27	(21,242)	-	(21,242)	-
TOTAL LIABILITIES		**(21,242)**	**-**	**(21,242)**	**-**

The following table shows the financial **assets and liabilities measured at fair value at December 31, 2022**, subdivided into the three levels defined above:

(in thousands of euro)	Note	Carrying amount at 12/31/2022	Level 1	Level 2	Level 3
FINANCIAL ASSETS:					
Financial assets at fair value through Income Statement:					
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	-
Derivative hedging instruments:					
Current derivative financial instruments	27	7,368	-	7,368	-
Non-current derivative financial instruments	27	26,430	-	26,430	-
Other financial assets at fair value through Other Comprehensive Income:					
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
TOTAL ASSETS		**344,414**	**185,898**	**147,307**	**11,209**
FINANCIAL LIABILITIES:					
Financial assets at fair value through Income Statement:					
Current derivative financial instruments	27	(19,558)	-	(19,558)	-
TOTAL LIABILITIES		**(19,558)**	**-**	**(19,558)**	**-**

The financial instruments, included in level 1, include the equity investments classified as financial assets at fair value through Other Comprehensive Income, and the listed Argentine dollar-linked bond instruments classified as financial assets at fair value through the Income Statement. Since the objective of the Argentine instruments was to mitigate the effects of depreciation in the local currency, which was recorded as a loss/gain in the net monetary position, the option was exercised to also recognise the change in the fair value of these instruments in the Income Statement. For further information, reference should be made to Note 36, “Financial income” and Note 37, “Financial expenses”.

The following table shows **changes that occurred in the financial assets** classified in **level 3, during the course of 2023:**

(in thousands of euro)	
Opening balance 01/01/2023	**11,209**
Translation differences	4
Fair value adjustments through Other Comprehensive Income	(120)
Other changes	5
Closing balance 12/31/2023	**11,098**

These financial assets are mainly represented by equity investments in the Istituto Europeo di Oncologia (European Institute of Oncology) (euro 8,357 thousand), Telco S.r.l. (euro 450 thousand), Genextra S.p.A. (euro 258 thousand) and Tlcom I LP (euro 190 thousand).

The **fair value adjustments through Other Comprehensive Income** amounted to a negative net amount of euro 120 thousand, and mainly refers to the fair value adjustment of the investment in the Istituto Europeo di Oncologia, (positive to the amount of euro 218 thousand) and in Genextra S.p.A., (negative to the amount of euro 371 thousand).

During the course of 2023 there were no transfers from level 1 to level 2 or vice versa, nor from level 3 to other levels and vice versa.

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 12/31/2023	Carrying amount at 12/31/2022
FINANCIAL ASSETS			
Financial assets at fair value through Income Statement			
Other financial assets at fair value through Income Statement	18	228,759	246,884
Current derivative financial instruments	27	13,027	15,312
		241,786	*262,196*
Financial assets at amortised cost			
Other non-current receivables	15	408,625	231,151
Current trade receivables	14	649,406	636,446
Other current receivables	15	419,249	741,238
Cash and cash equivalents	19	1,252,769	1,289,744
		2,730,049	*2,898,579*
Financial assets at fair value through Other Comprehensive Income (FVOCI)			
Other financial assets at fair value through Other Comprehensive Income	12	52,837	48,419
Financial hedging derivative instruments			
Current derivative financial instruments	27	-	7,368
Non-current financial derivative instruments	27	12,886	26,430
TOTAL FINANCIAL ASSETS		**3,037,558**	**3,242,992**
FINANCIAL LIABILITIES			
Financial liabilities at fair value through Income Statement			
Current derivative financial instruments	27	21,242	19,558
Financial liabilities valuated at amortised cost			
Non-current borrowings from banks and other financial institutions (excl. lease liabilities)	23	2,791,289	3,293,614
Other non-current payables	25	77,932	74,574
Current borrowings from banks and other financial institutions (excl. lease liabilities)	23	690,431	711,401
Current trade payables	24	1,999,418	1,973,296
Other current payables	25	412,173	405,578
		5,971,243	*6,458,463*
Lease liabilities			
Non-current lease liabilities	23	383,389	396,497
Current lease liabilities	23	99,096	88,988
		482,485	*485,485*
TOTAL FINANCIAL LIABILITIES		**6,474,970**	**6,963,506**

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 2024 and 2025"* 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 2023 financial year equalled 20.3%, compared to 20.3% in 2022.

7. ESTIMATES AND ASSUMPTIONS

The preparation of the Consolidated Financial Statements necessitates that management make estimates and assumptions that, in certain circumstances, are based on difficult and subjective evaluations and estimates based on historical experience, and assumptions that are, from time to time, considered reasonable and realistic under the circumstances. The actual results may therefore differ from these estimates. These 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 in the future these estimates and assumptions, based on the best available valuation at the time, should differ from the actual circumstances, they will be amended consequently for the period in which the circumstances change. The estimates and assumptions mainly refer to the assessment of the recoverability of goodwill and other intangible assets with an indefinite useful life, the determination of the useful lives of tangible and intangible assets, the recoverability of receivables, the calculation of taxes (current and deferred), the measurement of pension plans and other post-employment benefits, and the recognition/measurement of provisions for risks and charges.

Goodwill

In accordance with the accounting standards adopted for the preparation of the Financial Statements, goodwill is tested at least 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, 2023 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, in operating cash flows and in the 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, 2023, 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 standards, fixed assets are subject to an impairment test to determine whether an impairment has occurred, when there are indicators that predict difficulties in recovering the relative net carrying amount through their use. The verification of the existence of the aforementioned 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. In addition, if it is determined that a potential impairment may have been generated, the impairment is calculated using appropriate 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 assessment, as well as on factors that may change over time and 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, and 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:

- renewal clauses in contracts 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 they oppose the renewal;

- early termination clauses in contracts: 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 were 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)	**2023**	**2022**
Europe	2,591,904	2,603,924
North America	1,714,923	1,592,083
APAC	1,114,560	1,093,058
South America	795,467	902,257
Russia and MEAI	433,209	424,404
Total	**6,650,063**	**6,615,727**

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)	**12/31/2023**		**12/31/2022**	
Europe	5,125,651	59.10%	5,219,120	59.42%
North America	601,589	6.94%	510,105	5.81%
APAC	476,559	5.49%	515,141	5.87%
South America	475,836	5.49%	463,592	5.28%
Russia and MEAI	108,341	1.25%	189,878	2.16%
Non-current unallocated assets	1,884,925	21.73%	1,884,629	21.46%
Total	**8,672,901**	**100.00%**	**8,782,465**	**100.00%**

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)	**12/31/2023**	**12/31/2022**
Total Net Value:	**3,409,114**	**3,399,628**
- Owned tangible assets	2,968,578	2,952,780
- Right of use	440,536	446,848

9.1 - Owned Tangible Assets

Their composition and changes were as follows:

(in thousands of euro)	12/31/2023			12/31/2022		
	Gross Value	**Accumulated Depreciation**	**Net Value**	**Gross Value**	**Accumulated Depreciation**	**Net Value**
Land	150,747	-	**150,747**	147,977	-	**147,977**
Buildings	910,760	(264,911)	**645,849**	909,178	(234,420)	**674,758**
Plants and machinery	3,198,867	(1,325,128)	**1,873,739**	2,979,444	(1,149,033)	**1,830,411**
Industrial and trade equipment	722,625	(496,244)	**226,381**	667,978	(438,739)	**229,239**
Other assets	149,367	(77,505)	**71,862**	141,941	(71,546)	**70,395**
Total	**5,132,366**	**(2,163,788)**	**2,968,578**	**4,846,519**	**(1,893,737)**	**2,952,780**

NET VALUE (in thousands of euro)	**12/31/2022**	**Hyperinflation Argentina and Turkey**	**Currency translation differences**	**Increases**	**Decreases**	**Depreciation**	**Devaluation**	**Recl./Other**	**12/31/2023**
Land	**147,977**	1,464	605	1,163	(333)	-	(32)	(97)	**150,747**
Buildings	**674,758**	5,905	(17,564)	25,149	(48)	(36,415)	(148)	(5,788)	**645,849**
Plants and machinery	**1,830,411**	25,117	(26,267)	271,891	(2,074)	(199,576)	(29,083)	3,320	**1,873,739**
Industrial and trade equipment	**229,239**	5,664	(13,540)	74,998	(449)	(71,384)	(725)	2,578	**226,381**
Other assets	**70,395**	3,639	(7,718)	10,925	(185)	(10,224)	-	5,030	**71,862**
Total	**2,952,780**	**41,789**	**(64,484)**	**384,126**	**(3,089)**	**(317,599)**	**(29,988)**	**5,043**	**2,968,578**

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	**144,121**	1,498	1,585	145	-	-	-	628	**147,977**
Buildings	**651,958**	6,156	18,566	34,907	(54)	(36,392)	(414)	31	**674,758**
Plants and machinery	**1,754,605**	25,685	33,634	230,810	(1,680)	(193,564)	(19,679)	600	**1,830,411**
Industrial and trade equipment	**213,676**	7,464	6,368	77,918	(1,124)	(74,876)	(582)	395	**229,239**
Other assets	**59,405**	3,711	(1,602)	22,033	(318)	(9,830)	(7)	(2,997)	**70,395**
Total	**2,823,765**	**44,514**	**58,551**	**365,813**	**(3,176)**	**(314,662)**	**(20,682)**	**(1,343)**	**2,952,780**

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 31,788 thousand for Argentina and euro 10,001 thousand for Turkey). This effect was more than balanced by negative **currency translation differences** (euro 54,491 thousand for Argentina and euro 8,715 thousand for Turkey).

Increases, totalling euro 384,126 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 2023 was equal to 1.21, (1.16 for the 2022 financial year).

The item **devaluation** refers mainly to plants and machinery in operation in the subsidiary in Russia (euro 24,600 thousand) and to a lesser extent in Germany (euro 4,053 thousand). 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, 2023 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 26.1%, which reflects the risks specific to the assets at the valuation date.

The recoverable amount for the Kirov CGU was found to be euro 24.6 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, 2023, included in the individual fixed asset categories amounted to euro 298,600 thousand, (euro 240,255 thousand at December 31, 2022). The main projects included under property, plant and equipment in progress concerned the initiation of new projects to increase production capacity, the constant technological upgrading of manufacturing plants and of machinery, also aimed at increasing their safety from an Environmental, Health and Safety (EHS) perspective and at investments in machinery, for the development of new product lines and the improvement of existing products. These investments were concentrated in Mexico, Romania, China, Germany 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)	**12/31/2023**	**12/31/2022**
Right of use land	16,807	17,992
Right of use buildings	347,227	349,257
Right of use plants and machinery	18,362	23,179
Right of use other assets	58,140	56,420
Total net right of use	**440,536**	**446,848**

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 2023 financial year, also including remeasurements, amounted to euro 101,188 thousand (euro 79,746 thousand for 2022).

These increases mainly refer to contracts for a new office in Japan, new warehouses in Brazil, the UK and Romania, and automobiles in Brazil, Italy, Germany and Romania.

With reference to remeasurements, the main impacts for the year were attributable to:

- the extension of lease contracts for several points of sale in Germany, Sweden, Switzerland and Brazil;
- the extension of lease contracts for several warehouses in the UK, Germany, Italy and Brazil;
- the extension of office rental contracts in China and Singapore;
- the adjustment for inflation for rental contracts for offices and points of sale;
- changes in warehouse rental rates in Romania.

During 2023, there were no contracts subject to reassessment or significant changes.

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)	**2023**	**2022**
Land	1,515	1,320
Buildings	74,474	67,955
Plants and machinery	4,882	6,789
Other assets	20,416	19,748
Total depreciation of right of use	**101,287**	**95,812**

For interest on lease liabilities, reference should be made to Note 37, *"Financial Expenses".*

Information on the costs for lease contracts with a duration of less than twelve months, lease contracts for assets with a low unit value, and lease contracts with variable rates, is included in Note 33, *"Other Costs".*

10. INTANGIBLE ASSETS

Their composition and changes were as follows:

NET VALUE (in thousands of euro)	12/31/2022	Currency translation differences	Increase	Amortisation	Impairment	Recl./Other	12/31/2023
Concessions, licenses and trademarks - finite useful life	**69,711**	(2,063)	432	(3,574)	-	107	**64,613**
Pirelli Brand - indefinite useful life	**2,270,000**	-	-	-	-	-	**2,270,000**
Goodwill	**1,884,629**	296	-	-	-	-	**1,884,925**
Customer relationships	**204,289**	(340)	14	(34,482)	-	(28)	**169,453**
Technology	**891,767**	-	-	(76,850)	-	-	**814,917**
Software applications	**49,620**	(8)	17,347	(22,182)	-	243	**45,020**
Patents and design patent rights	**12,457**	-	3,747	(1,749)	-	-	**14,455**
Other intangible assets	**364**	(154)	84	(254)	(98)	462	**404**
Total	**5,382,837**	**(2,269)**	**21,624**	**(139,091)**	**(98)**	**784**	**5,263,787**

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	**72,588**	(66)	880	-	(3,689)	-	(2)	**69,711**
Pirelli Brand - indefinite useful life	**2,270,000**	-	-	-	-	-	-	**2,270,000**
Goodwill	**1,883,765**	864	-	-	-	-	-	**1,884,629**
Customer relationships	**239,639**	(773)	-	-	(34,577)	-	-	**204,289**
Technology	**968,617**	-	-	-	(76,850)	-	-	**891,767**
Software applications	**39,568**	239	27,311	(132)	(16,946)	(697)	277	**49,620**
Patents and design patent rights	**10,194**	-	3,676	-	(1,413)	-	-	**12,457**
Other intangible assets	**1,294**	34	45	(145)	(318)	(462)	(84)	**364**
Total	**5,485,665**	**298**	**31,912**	**(277)**	**(133,793)**	**(1,159)**	**191**	**5,382,837**

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 41,763 thousand which is 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 779,917 thousand and euro 35,000 thousand respectively. the useful life of product and process technology was determined to be 20 years, while the useful life of In-Process R&D was determined to be 10 years;

- Goodwill to the amount of euro 1,884,925 thousand, of which euro 1,877,363 thousand was recognised at the time of the acquisition by 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 2023, investments were also made in application software (a total increase of euro 17,347 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 1,884,925 thousand was allocated to the CGU group *"Consumer Activities"*, 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, 2023 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 2024-2025 Industrial Plan, which was updated, compared to the Industrial Plan 2021-2022|2025, and prepared on the basis of the new market environment. The forecast flows, which reflect the Group's market positioning thanks to its strategy of focusing on High Value, have been sterilised, in accordance with IAS 36.44, of cash flows related to expansion investments, restructuring expenses and related benefits, to which the Company had not yet committed at December 31, 2023. The prospective flows obtained have been prudently adjusted downwards, to reflect the asymmetry of information between the consensus estimates of analysts and the updated 2024-2025 Industrial Plan, which was approved by the Board of Directors of the Parent Company, jointly with this document, and which at the date of this document had not yet been presented to the financial community.

The flows of the updated 2024 - 2025 Industrial Plan used for the determination of the recoverable amount, express an average compounded annual growth rate (CAGR) for the revenues of the 2024-2025 two-year period of 2.7%, compared to 2023 and an average EBITDA margin adjusted for the period of 22.7%.

The impairment test at December 31, 2023 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 9.00%. The pre-tax rate which equals the value in use, estimated using cash flows net of taxes discounted at the WACC net of taxes, to the value in use estimated by using pre-tax flows discounted at the pre-tax WACC, is 13.27%. The growth rate of operating cash flows, for the purpose of estimating the terminal value (g) was equal to 1%. The capitalisation rate for operating cash flows (WACC - g) was therefore equal to 8.00%, which is more prudent than the capitalisation rate of the consensus estimates of analysts.

Based on the results of the tests carried out, no impairment emerged.

The recoverable amount is greater than the carrying amount for Consumer Activities by 11%, while, in order for the value in use to be equal to the carrying amount, a downward change in the key parameters with an impact on the flows of the Industrial Plan is necessary, and in particular:

- an increase in the discount rate of 86 basis points for the explicit forecast period and in the terminal value;
- a negative annual growth rate beyond the explicit *"g"* forecast period of -99 basis points;
- a decrease in the average EBITDA margin adjusted of 163 basis points for the explicit forecast period and in the terminal value.

With reference to climate change issues, the impacts were assessed in terms of both the discount rate and long-term cash flows. The impact on the cost of capital was favourable and reflects the decarbonisation policies initiated by the Group. The impact on long-term cash flows, instead, reflected the higher costs to be incurred over the coming years, in order to achieve the decarbonisation targets. The analysis has therefore compared the benefits of the lower cost of capital, with the expenses of the higher costs, in order to verify whether the net balance was negative (a circumstance that would have reduced the recoverable amount, due to the effect of climate change risk).

As for the impact on the discount rate, the market data shows that the ESG policies implemented by the Group, generate a lower systematic risk, which translates into a lower cost of capital compared to the comparable companies used for impairment testing purposes. Therefore, in considering this effect, the recoverable amount would be higher.

With reference instead to the long-term cash flows, the most significant economic-financial elements identified were considered, on the basis of an update of Pirelli's Climate Change and Water Stress Risk Assessment with respect to the Group's GHG Scope 1 and 2 emissions. It concerns the costs that the Group expects to incur up until 2050 in order to meet decarbonisation targets, taking into account the introduction and/or tightening of current CO_2 emission pricing schemes in the countries where it operates. The possible impacts, linked to an increase in the costs of production, have been estimated based on the evolution in the cost of acquiring CO_2 emission allowances, resulting both from the more conservative forecasts of the *"Net Zero by 2050"* (NZE) scenario published by the IEA

(International Energy Agency), and the Group's carbon intensity forecast according to its updated Climate Transition Plan.

Since the benefit from the lower discount rate is higher than the present value of the costs to be incurred, no impact was detected from climate change risk, on the results of the impairment test.

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, 2023 was performed using the assistance of an independent third-party professional.

The configuration of the recoverable amount for impairment testing purposes at December 31, 2023, 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 based on the EBITDA adjusted flows of the updated 2024-2025 Industrial Plan prudently adjusted, without sterilising the effects of expansion investments, decreased in order to reflect the asymmetry of information between the consensus estimates by analysts and the updated 2024-2025 Industrial Plan;
- 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 expected in the forecasts made by management;
- 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 11.12%, which includes a premium compared to the WACC, which is determined according to the riskiness of the specific asset and the "g" growth rate in the terminal value which is equal to 1%. The pre-tax discount rate which equals the fair value, estimated using cash flows net of taxes discounted at the discount rate net of taxes, to the fair value estimated by using pre-tax flows discounted at the pre-tax discount rate, is 16.33%;
- the TAB (Tax Amortisation Benefit) that is, the tax benefit that would benefit the market participant who acquired the asset separately, because 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 by 19.2%, while, in order for the fair value to be equal to the carrying amount, a downward change in the key parameters with an impact on the flows of the Industrial Plan is necessary, and in particular:

- a percentage decrease in revenues of 513 basis points for the explicit forecast period and in the terminal value;
- a decrease in the EBITDA margin adjusted of 89 basis points for the explicit forecast period and in the terminal value;
- an increase in the discount rate of 176 basis points for the explicit forecast period and in the terminal value;
- a decrease in the growth rate *"g"* of 192 basis points for beyond the explicit forecast period.

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The changes in investments in associates and joint ventures were as follows:

(in thousands of euro)	12/31/2023			12/31/2022		
	Associates	**JV**	**Total**	**Associates**	**JV**	**Total**
Opening balance	**7,812**	**72,415**	**80,227**	**9,018**	**71,868**	**80,886**
Decrease	-	-	-	(1,451)	-	(1,451)
Distribution of dividends	(1,648)	-	(1,648)	(178)	-	(178)
Share of net income / (loss)	1,301	10,345	11,646	190	2,730	2,920
Share of other components recognised in Equity	-	(3,832)	(3,832)	-	(2,183)	(2,183)
Other	4	-	4	233	-	233
Closing balance	**7,469**	**78,928**	**86,397**	**7,812**	**72,415**	**80,227**

Investments in Associates

The details of the item were as follows:

(in thousands of euro)	**12/31/2022**	**Distribution of dividends**	**Share of net income / (loss)**	**Other**	**12/31/2023**
Eurostazioni S.p.A.	**6,621**	(1,476)	1,136	-	**6,281**
Investments in other associates	**1,191**	(172)	165	4	**1,188**
Total	**7,812**	**(1,648)**	**1,301**	**4**	**7,469**

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.

11.2 Investments in Joint Ventures

The details were as follows:

(in thousands of euro)	**12/31/2022**	**Share of net income / (loss)**	**Share of other components recognised in Equity**	**12/31/2023**
Xushen Tyre (Shanghai) Co., Ltd.	**58,267**	9,505	(3,234)	**64,538**
PT Evoluzione Tyres	**14,148**	840	(598)	**14,390**
Total	**72,415**	**10,345**	**(3,832)**	**78,928**

The Group holds:

- a 49% stake in the company Xushen Tyre (Shangai) 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, 2024, without prejudice to the right to exercise the option thereafter, and in any case, by March 31, 2026;

- a 63.04% stake of 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 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 decisions regarding significant business activities.

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 52,837 thousand at December 31, 2023 (euro 48,419 thousand at December 31, 2022, and were as follows:

(in thousands of euro)	
Opening balance at 01/01/2023	**48,419**
Translation differences	4
Increases	4
Decreases	(218)
Fair Value adjustment through Other Comprehensive income	4,628
Closing balance 12/31/2023	**52,837**

The composition of the item by individual security is as follows:

(in thousands of euro)		**12/31/2023**	**12/31/2022**
Listed securities			
RCS MediaGroup S.p.A.		18,299	16,570
	Total	**18,299**	**16,570**
Unlisted securities			
Fin. Priv. S.r.l.		23,416	18,865
Fondo Anastasia		24	1,775
Istituto Europeo di Oncologia S.r.l.		8,357	8,139
Tlcom I LP		190	186
Telco S.r.l.		450	450
Other companies		2,101	2,434
	Total	**34,538**	**31,849**
Total other financial assets at Fair Value through Other Comprehensive Income		**52,837**	**48,419**

The **fair value adjustments through Other Comprehensive Income** equalled a positive net amount of euro 4,628 thousand, and mainly refers to the RCS MediaGroup S.p.A. (positive to the amount of euro 1,729 thousand), Fin. Priv. S.r.l. (positive to the amount of euro 4,551 thousand) and Fondo Comune di investimento Anastasia (Anastasia Mutual Investment Fund) (negative to the amount of euro 1,751 thousand).

For listed securities, the fair value corresponds to the stock market price at December 31, 2023. 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)	**12/31/2023**	**12/31/2022**
Deferred tax assets	202,849	176,969
Deferred tax liabilities	(990,870)	(1,041,848)
Total	**(788,021)**	**(864,879)**

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 of deferred taxes gross of the offsets carried out, was as follows:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Deferred tax assets	**428,504**	**389,128**
- of which within 12 months	242,113	221,722
- of which beyond 12 months	186,391	167,405
Deferred tax liabilities	**(1,216,525)**	**(1,254,007)**
- of which within 12 months	(190,225)	(200,871)
- of which beyond 12 months	(1,026,300)	(1,053,137)
Total	**(788,021)**	**(864,879)**

The composition of deferred taxes relative to temporary differences and tax losses carried forward, is shown in the following table:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Deferred tax assets		
Provisions for liabilities and charges	78,740	80,189
Property, plant and equipment	14,851	15,018
Leases	46,611	45,931
Provision for employee benefit obligations	44,751	38,281
Inventories	58,546	44,236
Tax losses carried forward	86,447	85,085
Trade receivables and other receivables	41,331	43,725
Trade payables and other payables	11,686	3,949
Other	45,541	32,714
Total	**428,504**	**389,128**
Deferred tax liabilities		
Intangible assets	(907,594)	(939,366)
Property, plant and equipment	(150,979)	(159,001)
Leases	(45,699)	(46,648)
Provision for employee benefit obligations	(35,880)	(32,371)
Derivatives	(7,035)	(12,343)
Other	(69,338)	(64,278)
Total	**(1,216,525)**	**(1,254,007)**

The item ***"Other"*** relative to **deferred tax assets,** mainly includes deferred tax assets recognised on surplus non-deducted interest expenses (euro 5,108 thousand) and on the benefit derived from ACE, (Allowance for Corporate Equity) (euro 37,938 thousand).

The item "***Other***" relative to **deferred tax liabilities**, mainly includes deferred tax liabilities recorded on the undistributed gains of the subsidiaries for which distribution in future financial years is probable (euro 60,202 thousand).

The tax effect of gains and losses recognised directly in equity was positive to the amount of euro 12,692 thousand (negative to the amount of euro 5,836 thousand for 2022), 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, 2023 the value of deferred tax assets not recognised on tax losses amounted to euro 102,770 thousand, while those related to temporary differences amounted to euro 47,794 thousand. The latter item mainly includes deferred tax assets not recognised on interest payables. Deferred tax assets were not reported, 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 are not recognised, are shown below:

(in thousands of euro) **Year of expiry**	**12/31/2023**	**12/31/2022**
2025	7,217	7,227
2026	5,053	5,053
2027	3,690	3,704
2028	650	720
2029	697	704
2030	24	25
2031	33	33
With no expiry date	506,625	464,917
Total	**523,989**	**482,383**

Of the total tax losses with no expiry date, euro 501,312 thousand refers to losses attributable to subsidiaries in the UK, Spain and Brazil.

14. TRADE RECEIVABLES

Trade receivables can be analysed as follows:

(in thousands of euro)		**12/31/2023**			**12/31/2022**	
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Trade receivables	720,406	-	720,406	706,323	-	706,323
Bad debt provision	(71,000)	-	(71,000)	(69,877)	-	(69,877)
Total	**649,406**	**-**	**649,406**	**636,446**	**-**	**636,446**

The gross value of trade receivables amounted to euro 720,406 thousand (euro 706,323 thousand at December 31, 2022). 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 18% of the total exposure (21% at December 31, 2022).

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. Customer rating take into account amongst other things, the effects of exogenous risks that could include, should customers be exposed to them in the specific markets in which they operate, the risks linked to climate change, which determines the probability of default used in the calculation, and which impacts 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)	**12/31/2023**	**12/31/2022**
Opening balance	**69,877**	**72,979**
Translation differences	(2,553)	3,889
Accruals	11,419	8,982
Decreases	(1,921)	(1,806)
Releases	(5,822)	(14,167)
Closing balance	**71,000**	**69,877**

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 of 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 could be recovered.

15. OTHER RECEIVABLES

Other receivables were analysed as follows:

(in thousands of euro)		**12/31/2023**			**12/31/2022**	
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Financial receivables	229,856	122,430	107,426	386,229	114,000	272,229
Trade accruals and deferrals	33,447	3,986	29,461	42,303	7,195	35,108
Receivables from employees	8,579	459	8,120	4,994	436	4,558
Receivables from social security and welfare institutions	2,168	-	2,168	689	-	689
Receivables from tax authorities not related to income taxes	473,852	253,513	220,339	436,647	83,278	353,369
Other receivables	91,687	37,839	53,848	113,367	35,475	77,892
	839,589	**418,227**	**421,362**	**984,229**	**240,384**	**743,845**
Bad debt provision for other receivables and financial receivables	(11,715)	(9,602)	(2,113)	(11,840)	(9,233)	(2,607)
Total	**827,874**	**408,625**	**419,249**	**972,389**	**231,151**	**741,238**

Financial receivables non-current (euro 122,430 thousand) refers mainly to euro 69,915 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 14,037 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 7,240 thousand in loans, disbursed in favour of the Indonesian joint venture PT Evoluzione Tyres.

Financial receivables current (euro 107,426 thousand) refers mainly to euro 74,992 thousand for the short-term portion of loans disbursed 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. This decrease compared to December 31, 2022 was mainly due to, the restitution, as provided for in the applicable agreements, of the sum deposited into escrow accounts in favour of the pension funds of Pirelli UK Ltd. and Pirelli UK Tyres Ltd. to the amount of euro 170,343 thousand, (the amount deposited at December 31, 2022 had been euro 170,826 thousand and euro 483 thousand deposited at December 31, 2023).

The item **bad debt provision for other receivables and financial receivables** (euro 11,715 thousand) mainly includes euro 10,968 thousand relative to the impairment of financial receivables.

The item **receivables from tax authorities not related to income taxes** (euro 473.852 thousand compared to euro 436,647 thousand for at December 31, 2022) is mainly comprised of receivables for IVA (value added tax) and other indirect taxes whose recoverability is expected in future financial years.

Other receivables non-current (euro 37,839 thousand) refers mainly to amounts deposited as guarantees for legal and tax disputes for the Brazilian companies (euro 34,572 thousand).

Other receivables current (euro 53.848 thousand) includes:

- advances to suppliers amounting to euro 18,130 thousand;
- receivables from associates and joint ventures to the amount of euro 12,000 thousand, mainly for royalties and the sale of materials and moulds;
- receivables from the Prometeon Group to the amount of euro 8,950 thousand mainly for royalties;
- receivables to the amount of euro 3,088 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 43,892 thousand (of which euro 11,318 thousand was non-current) compared to euro 36,704 thousand at December 31, 2022 (of which euro 9,055 thousand was non-current).

17. INVENTORIES

The following is an inventories analysis:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Raw and auxiliary materials and consumables	198,585	302,609
Sundry materials	16,294	10,854
Unfinished and semi-finished products	83,580	85,542
Finished products	1,072,160	1,056,359
Advances to suppliers	817	2,347
Total	**1,371,436**	**1,457,711**

The impairment of inventories, expressed net of restatements, amounted to euro 6,383 thousand (a restatement of euro 788 thousand in 2022).

The reduction in raw material inventories compared to December 31, 2022, reflects the measures implemented since the second half of 2022 to reduce raw material inventories, which had previously been increased to ensure the continuity of business in the factories following tensions between Russia and Ukraine. Finished product inventories, whose percentage of sales remained substantially consistent with the previous financial year, were stable.

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 228,759 thousand at December 31, 2023, compared to euro 246,884 thousand at December 31, 2022.

The amount at December 31, 2023 included euro 196,198 thousand (euro 169,328 thousand at December 31, 2022), relative to investments made by the Argentine subsidiary in listed dollar-linked bond instruments, to mitigate the effects of depreciation on the local currency.

For unlisted securities, the fair value was determined by using estimates based on the best available information.

Changes in the 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 1,289,744 thousand at December 31, 2022 to euro 1,252,769 thousand at December 31, 2023, and refer to current bank account balances and short-term bank deposits.

Details of the change in the balance are provided in the Consolidated Statement of Cash Flows.

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, in the amount of euro 3,918 thousand at December 31, 2023 (euro 6,356 thousand at December 31, 2022).

20. EQUITY

20.1 Attributable to the Owners of the Parent Company

Equity attributable to the Owners of the Parent Company went from euro 5,323,794 thousand at December 31, 2022 to euro 5,494,393 thousand at December 31, 2023.

The subscribed and paid-up **share capital** at December 31, 2023 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 667,280 thousand at December 31, 2023. Movements for the financial year included a negative change of euro 156,894 thousand mainly, related to the subsidiaries in Argentina, Russia, China and Turkey, which was partly offset by a positive change in Mexico and Brazil.

Changes in other reserves through Other Comprehensive Income went from a positive euro 12,768 thousand at December 31, 2022 to a negative euro 22,600 thousand at December 31, 2023, mainly due to the negative effect of actuarial losses on pension funds (euro 30,050 thousand) and of the cash flow hedge reserve (euro 22,418 thousand), which was partially offset by financial assets at fair value through Other Comprehensive Income (positive to the amount of euro 4,408 thousand), and the tax effect related to actuarial losses on pension funds and to the fair value adjustment of derivatives designated as cash flow hedges (positive to the amount of euro 12,692 thousand).

Other reserves/retained earnings went from euro 3,917,037 thousand at December 31, 2022 to euro 4,279,898 thousand at December 31, 2023, essentially due to the net result for the financial year (positive to the amount of euro 479,080 thousand), to hyperinflation in Argentina and Turkey (positive to the amount of euro 86,749 thousand and euro 16,109 thousand, respectively, which was counterbalanced by a negative translation reserve of euro 152,899 thousand and euro 14,354 thousand, respectively) and by approved dividends (negative to the amount of euro 218,000 thousand).

20.2 Attributable to Non-Controlling Interests

Equity attributable to Non-Controlling Interests went from euro 130,034 thousand at December 31, 2022 to euro 125,201 thousand at December 31, 2023, a decrease due to the fact that exchange rate losses of euro 17,365 thousand and dividends paid to minority shareholders of euro 4,871 thousand, exceeded the positive change mainly due to the result for the financial year, which equalled euro 16,825 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)	12/31/2022	Currency translation differences	Increases	Uses	Releases	Reclass.	12/31/2023
Provision for labour disputes	16,915	(343)	9,183	(6,017)	(2,746)	(63)	16,929
Provision for tax risks not related to income taxes	4,863	(566)	178	(257)	-	-	4,218
Provision for environmental risks	31,563	306	4,142	(218)	(45)	-	35,748
Provision for restructuring and reorganisation	-	-	-	-	-	-	-
Provision for other risks and expenses	48,335	36	10,211	(4,035)	(171)	(1,723)	52,653
Total	**101,676**	**(567)**	**23,714**	**(10,527)**	**(2,962)**	**(1,786)**	**109,548**

Increases mainly refers to accruals to the provisions for labour disputes particularly for the Brazilian subsidiaries to the amount of euro 8,361 thousand, and to accruals to the provisions for expenses relative to the environmental remediation of disused areas in Italy. With regard to other risks, the increase for the financial year mainly refers to the STI (Short Term Incentive) and LTI (2022-2024 and 2023-2025 Long Term Incentive) Plans for Directors.

Uses were mainly attributable to labour disputes to settle existing litigation.

Reclassifications refers mainly to the reclassification from non-current provisions to other payables of the 2021-2023 LTI Plan accrued in previous years, which will be paid out during the first half-year of 2024.

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)	12/31/2022	Currency translation differences	Increases	Uses	Releases	Reclass.	12/31/2023
Provision for labour disputes	209	(29)	414	(117)	(59)	(24)	394
Provision for tax risks not related to income taxes	2,822	(458)	726	(66)	(716)	131	2,439
Provision for environmental risks	2,366	3	1	(265)	-	319	2,424
Provision for restructuring and reorganisation	1,756	71	-	-	-	-	1,827
Provisions for product claims and warranties	12,743	(219)	1,366	(198)	(818)	-	12,874
Provision for other risks and expenses	21,354	192	8,002	(8,779)	(1,975)	(3,429)	15,365
Total	**41,250**	**(440)**	**10,509**	**(9,425)**	**(3,568)**	**(3,003)**	**35,323**

Increases 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 6,051 thousand.

Uses refer to greenhouse gas emission allowances, consistent with European Emission Trading Schemes, to the amount of euro 5,845 thousand and to insurance risks.

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)	**31/12/2023**	**31/12/2022**
Pension funds in surplus	115,894	120,481
Total other assets	**115,894**	**120,481**
Pension funds in deficit	68,554	70,171
Employees' leaving indemnities (TFR - Italian companies)	19,830	20,064
Healthcare plans	12,079	13,075
Other benefits	79,755	77,248
Total provisions for employee benefit obligations	**180,218**	**180,558**

Pension Funds

The following table shows the **composition of pension funds at December 31, 2023:**

(in thousands of euro)	12/31/2023							
	Germany	Sweden	Total unfunded pension funds	USA	UK	Switzerland	Total funded pension funds	Total
Present value of liabilities	62,115	2,229	**64,344**	78,358	719,618	35,077	**833,053**	**897,397**
Fair value of plan assets				(77,526)	(835,512)	(31,699)	**(944,737)**	**(944,737)**
Total Assets in surplus					**(115,894)**		**(115,894)**	**(115,894)**
Total Liabilities in deficit	**62,115**	**2,229**	**64,344**	**832**		**3,378**	**4,210**	**68,554**
Total pension funds								**(47,340)**

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	**65,719**	86,967	722,365	32,191	**841,523**	**907,242**
Fair value of plan assets				(83,436)	(842,846)	(31,270)	**(957,552)**	**(957,552)**
Total Assets in surplus					**(120,481)**		**(120,481)**	**(120,481)**
Total Liabilities in deficit	**63,611**	**2,108**	**65,719**	**3,531**		**921**	**4,452**	**70,171**
Total pension funds								**(50,310)**

The characteristics of the main pension funds in place at December 31, 2023 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 the participants of the plan are non-active;

- **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, 2023 relative to provisions still outstanding was equal to the recoverable amount, assuming the gradual extinguishing 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 (pensioners) and deferred pensioners. It is based on percentages applied to different wage and salary brackets. 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. The pension is based on contributions paid.

Movements for 2023 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, 2023	907,014	(957,552)	228	(50,310)
Currency translation differences	14,034	(16,394)	4	(2,356)
Movements through Income Statement:				
- current service costs	874	-		874
- past service costs	(20)	-		(20)
- interest expense / (income)	43,187	(47,031)		(3,844)
	44,041	**(47,031)**		**(2,990)**
Remeasurements recognised in equity:				
- actuarial (gains) / losses from change in demographic assumptions	(24,757)	-		(24,757)
- actuarial (gains) / losses from change in financial assumptions	22,365	-		22,365
- experience adjustment (gains) / losses	(3,032)	-		(3,032)
- return on plan assets, net of interest income	-	35,539		35,539
- change in asset ceiling	-	-	(232)	(232)
	(5,424)	**35,539**	**(232)**	**29,883**
Employer contributions	-	(21,763)		(21,763)
Employee contributions	618	(618)		-
Benefits paid	(62,894)	57,480		(5,414)
Employer settlement payment	-	-		-
Other	8	5,602		5,610
Closing balance at December 31, 2023	**897,397**	**(944,737)**	**-**	**(47,340)**

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)
	25,887	**(26,529)**	**-**	**(642)**
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
	(437,325)	**469,181**	**224**	**32,080**
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
Closing balance at December 31, 2022	**907,014**	**(957,552)**	**228**	**(50,310)**

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 thousand of euro)	12/31/2023				12/31/2022			
	listed	**unlisted**	**total**	**%**	**listed**	**unlisted**	**total**	**%**
Shares	22,660	142,736	165,396	17.5%	36,903	138,495	175,398	18.3%
Bonds	426,206	36,332	462,538	49.0%	388,683	45,547	434,230	45.3%
Insurance policies	-	5,409	5,409	0.6%	2,190	2,967	5,157	0.5%
Deposits	46,134	25,065	71,199	7.5%	194,809	54,340	249,149	26.0%
Balanced funds	14,386	34,085	48,471	5.1%	10,063	43,140	53,203	5.6%
Real Estate	7,993	43,253	51,246	5.4%	6,498	51,374	57,872	6.0%
Derivatives	130,853	9,625	140,478	14.9%	(6,990)	(10,468)	(17,458)	-1.7%
Total	**648,232**	**296,505**	**944,737**	**100.0%**	**632,156**	**325,395**	**957,551**	**100.0%**

The main risks to which the Group is exposed in relation to the pension funds are detailed as follows:

- volatility of the 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 expectancy: 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:

- a mix of assets that is managed dynamically over time rather than through a fixed strategic allocation;

- hedged coverage of approximately 100%-115% (on the value of assets) 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. This review is currently underway. 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 2024 financial year amount to euro 5,186 thousand, while for funded pension funds the amount expected is euro 23,105 thousand.

Employees' Leaving Indemnities (TFR)

Movements for the year in the provision for employees' leaving indemnities were as follows:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Opening balance	**20,064**	**26,123**
Movements through Income Statement:		
- current service cost	121	53
- interest expense	917	279
Remeasurements recognised in equity:		
- actuarial (gains) / losses arising from changes in financial assumptions	598	(5,179)
Liquidation/advances	(1,772)	(619)
Other	(98)	(593)
Closing balance	**19,830**	**20,064**

The current service cost, for services rendered by employees, is included under *"Personnel Expenses"* (Note 31) and interest payables are included under *"Financial Expenses"* (Note 37).

Healthcare Plans

This item refers exclusively to the healthcare plan in place in the United States.

(in thousands of euro)	**US**
Liabilities recognised in the Financial Statements at 12/31/2023	12,079
Liabilities recognised in the Financial Statements at 12/31/2022	13,075

Movements for the period were as follows:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Opening balance	**13,075**	**15,597**
Translation differences	(442)	1,010
Movements through Income Statement:		
- current service cost	1	1
- interest expense	634	405
Remeasurements recognised in equity:		
- actuarial / (gains) losses arising from changes in financial assumptions	221	(2,299)
- effect of experience adjustments	(471)	(680)
Grant/benefits paid	(939)	(959)
Closing balance	**12,079**	**13,075**

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 2024 financial year, amount to euro 1,346 thousand.

Additional Information on Post-Employment Benefits

Net actuarial losses accrued during 2023 and recorded directly in Other Comprehensive Income amounted to euro 30,025 thousand, (net actuarial losses at December 31, 2022 had amounted to euro 27,546 thousand).

The main actuarial assumptions used at **December 31, 2023** were the following:

	Italy	**Germany**	**Sweden**	**UK**	**US**	**Switzerland**
Discount rate	3.40%	3.50%	3.10%	4.80%	4.90%	1.45%
Inflation rate	2.00%	2.00%	1.60%	3.29%	N/A	1.75%

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 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	60,561	60,953	185,910	317,541	624,965
Employees' leaving indemnities (TFR)	1,937	2,154	5,572	8,316	17,979
Healthcare plans	1,346	1,309	3,652	4,848	11,155
Total	**63,844**	**64,416**	**195,134**	**330,705**	**654,099**

The weighted average duration of post-employment benefit obligations equalled 11.19 years for pension funds (11.30 years at December 31, 2022), 8.00 years for employees' leaving indemnities (7.38 years at December 31, 2022) and 6.68 years for medical assistance plans (6.84 years at December 31, 2022).

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	2.67%	increase of	2.80%
Inflation rate (only UK plans)	0.25%	increase of	2.13%	decrease of	2.10%

At the end of 2022 the situation was as follows:

(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%

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)	**12/31/2023**	**12/31/2022**
Long Term Incentive plans	24,532	27,976
Jubilee awards and other long-term benefits	43,961	35,197
Leaving indemnities	11,262	14,075
Total	**79,755**	**77,248**

The item ***"Long-Term Incentive Plans"*** refers to the amount earmarked for the 2022-2024 and 2023-2025 three-year monetary LTI Plans intended for the Group's management, while the portion related to the 2021-2023 LTI Plan was reclassified from provisions for employee benefit obligations, to payables to employees under the item *"Other payables"* (Note 25), as it will be settled during the first half of 2024. It should be noted that the existing incentive plans are based on a *"rolling"* mechanism (that is, each year a new three-year Incentive Plan is proposed). For further details, reference should be made to the Remuneration Report in the 2023 Annual Report.

23. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Borrowings from banks and other financial institutions were as follows:

(in thousands of euro)	12/31/2023			12/31/2022		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Bonds	1,095,029	1,095,029	-	713,097	490,452	222,645
Borrowings from banks	2,316,825	1,696,123	620,702	3,239,972	2,803,122	436,850
Borrowings from other financial institutions	29,494	-	29,494	41,382	-	41,382
Lease liabilities	482,485	383,389	99,096	485,485	396,497	88,988
Accrued financial expenses and deferred financial income	37,759	-	37,759	9,384	-	9,384
Other financial payables	2,614	137	2,476	1,180	40	1,140
Total	**3,964,205**	**3,174,678**	**789,527**	**4,490,500**	**3,690,111**	**800,389**

The item **bonds** refers to:

- the senior unsecured guaranteed equity-linked non-interest-bearing bond loan (the "*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 6.0173 per share (originally euro 6.235 per share), subject to further anti-dilutive adjustments as provided for in the loan regulations. At December 31, 2023, the component recorded under financial payables non-current amounted to euro 480.2 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" financing with a floating interest rate (EURIBOR + spread) for a total nominal amount of euro 20 million, classified entirely under non-current financial payables (maturing July 2025). The financing, signed by leading market operators, was originally composed of three tranches totalling euro 525 million: one tranche of euro 82 million maturing in three years (original maturity in July 2021), which was repaid in advance in January 2021, a second tranche of euro 423 million maturing in five years (original maturity July 2023), of which a portion to the amount of euro 200 million was repaid in advance in January 2022 and the remaining euro 223 million in January 2023, and a third tranche of euro 20 million maturing in seven years (original maturity July 2025).

- a rated sustainability-linked bond loan with a nominal value of euro 600 million, placed on January 11, 2023 with international institutional investors, with a fixed coupon of 4.25% and maturing in January 2028. The transaction, fully classified under non-current financial liabilities, was issued as part of the EMTN Programme (Euro Medium Term Note Programme), and approved by the Board of Directors on February 23, 2022. These securities are listed on the Luxembourg Stock Exchange. The regulation governing these securities provides for each of the two contractually specified sustainability parameters, with a coupon increase of 0.25%, in the event that each of the relevant targets is not met by 2025. The notes were assigned a rating of BBB- with a stable outlook, by the two rating agencies Standard & Poor's and Fitch.

The **carrying amount for the item bonds** was determined as follows:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Nominal value	1,120,000	743,000
Equity component of the convertible bond loan	(41,791)	(41,791)
Transaction costs	(11,244)	(8,046)
Bond loan discount	(1,776)	-
Amortisation of the effective interest rate	5,085	3,534
Non-monetary interest on convertible bond loan	24,755	16,400
Total	**1,095,029**	**713,097**

The item **borrowings from banks**, which amounted to euro 2,316,825 thousand, is subdivided as follows:

(in thousands of euro)				**12/31/2023**		
	Due Date	**Interest rate**	**Nominal value**	**Balance**	**Non - current**	**Current**
Club Deal EUR 1.6 bn ESG 2022 5y	22/02/2027	EURIBOR + spread	600,000	598,206	598,206	-
Club Deal EUR 800m ESG 2020 5y	02/04/2025	EURIBOR + spread	800,000	798,450	798,450	-
Bilateral ESG EUR 400m 2021 3y facility	27/12/2024	EURIBOR + spread	400,000	399,605	-	399,605
Bilateral ESG EUR 300m 2023 2.5y facility	02/27/2026	EURIBOR + spread	300,000	299,468	299,467	-
Borrowings from local banks				221,096	-	221,097
Total borrowings from banks				**2,316,825**	**1,696,123**	**620,702**

It mainly refers to:

- the use of the *"Club Deal* EUR *1.6bn ESG 2022 5y"* financing by Pirelli & C. S.p.A. to the amount of euro 598,206 thousand, classified under non-current financial payables. This financing facility, with a floating interest rate (EURIBOR + spread), is guaranteed by Pirelli Tyre S.p.A, and was signed on February 21, 2022, with a pool of leading Italian and international banks, with a five year maturity. This facility, which is geared to the Group's ESG objectives, consists of three tranches totalling euro 1.6 billion, distributed as follows:
  - the Pirelli & C. S.p.A. term loan with a nominal value of euro 600,000 thousand that was fully utilised and a revolving cash credit facility for euro 100,000 thousand, which as of December 31, 2023 had not been utilised;
  - the Pirelli International Treasury S.p.A. revolving cash credit facility for euro 900,000 thousand, which at December 31, 2023 had not been utilised.

- the *"Club Deal* EUR *800m ESG 2020 5y"* financing for euro 798,450 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 five 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 most recent accounting for the sustainable KPIs and having achieved the targets for the year, the Group is benefiting from the related 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 with results of the 2023 financial year;

- the *"bilateral ESG* 400m *2021 3y facility"* for euro 399,605 thousand relative to the bilateral loan for a nominal amount of euro 400 million disbursed in December 2021 in favour of Pirelli & C. S.p.A. by a leading bank, with a maturity of three years and guaranteed by Pirelli Tyre S.p.A. This financing, at a floating rate (EURIBOR + spread), is geared to the Group's sustainability targets and is classified among current financial payables;

- the *"bilateral ESG* 300m *2023 2.5y facility"* for euro 299,467 thousand relative to the bilateral financing for a nominal amount of euro 300 million, disbursed in July 2023 in favour of Pirelli & C. S.p.A. by a leading bank, with maturity in February 2026, guaranteed by Pirelli Tyre S.p.A. The loan, at a variable rate (EURIBOR + spread), is geared to certain sustainability targets of the Group and is classified among non-current financial payables;

- euro 141,175 thousand (euro 255,750 thousand at December 31, 2022) is related to financing disbursed in Brazil by local and international banks, and is entirely classified among current borrowings from banks;

- borrowings from banks and the use of credit facilities granted by banking institutions in China (equivalent to euro 27,322 thousand and classified under current borrowings from banks), in Russia (equivalent to euro 25,204 thousand and entirely classified under current borrowings from banks), and in Turkey (equivalent to euro 20,240 thousand and classified under current borrowings from banks).

In December 2023, Pirelli signed an agreement with a selected pool of international banks for a committed revolving credit facility for the amount of euro 500 million with a maturity of four years (December 2027). Under the agreement signed with the pool of banks, Pirelli will be able to parameterise the new credit facility to the new Science Based Targets which the Company will define as part of the new Industrial Plan. At December 31, 2023, the facility was unutilised and therefore wholly included in the calculation of the liquidity margin.

At December 31, 2023, the Group had, a liquidity margin of euro 2,981,527 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 228,759 thousand (euro 246,884 thousand at December

31, 2022) and unutilised credit facilities of euro 1,500,000 thousand (increased by euro 500 million compared to December 31, 2022, due to the new revolving credit facility signed in December 2023). The above-mentioned liquidity margin is sufficient to cover financial debt maturities until the first quarter of 2028.

Lease liabilities represent the financial liabilities relative to leasing contracts.

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 148,501 thousand at December 31, 2023 (euro 126,170 thousand at December 31, 2022).

Accrued financial expenses and deferred financial income (euro 37,759 thousand) mainly refers to accrued interest matured on bond loans to the amount of euro 24,780 thousand (euro 2,002 thousand at December 31, 2022), and to accrued interest on borrowings from banks to the amount of euro 11,939 thousand (euro 6,640 thousand at December 31, 2022).

The **change in total borrowings from banks and other financial institutions for 2023** is composed as follows:

(in thousands of euro)	
Borrowings from banks and other financial institutions at December 31, 2022	**4,490,500**
Bond repayment "EMTN program"	(125,000)
Bond repayment "Schuldschein"	(223,000)
Repayment Bilateral EUR 600m 2019 facility	(600,000)
Repayment “Club Deal EUR 400m ESG 2022 19m” financing	(400,000)
Transaction costs	6,866
Issuance of bilateral 300m 2023 facility	300,000
Issuance of "SLB notes" EUR 600m	600,000
Financial inflows for the local credit facilties of Group companies	204,726
Financial outflows for the local credit facilties of Group companies	(293,061)
Repayment of lease liabilities	(120,455)
Cash changes	**(649,925)**
Amortised cost for the period	14,959
Translation differences and other changes for the period	(13,799)
Increases in lease liabilities	70,110
Remeasurement and early termination	52,360
Non-cash changes	**123,630**
Borrowings from banks and other financial institutions at December 31, 2023	**3,964,205**

The **change in total borrowings from banks and other financial institutions for 2022** is composed as follows:

(in thousands of euro)	
Borrowings from banks and other financial institutions at December 31, 2021	**5,278,618**
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 costs	(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 facilties of Group companies	327,369
Financial outflows for the local credit facilties of Group companies	(296,052)
Repayment of lease liabilities	(114,513)
Cash changes	**(900,953)**
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
Non-cash changes	**112,835**
Borrowings from banks and other financial institutions at December 31, 2022	**4,490,500**

At December 31, 2023, 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, with the exception of lease obligations, the fair value is shown below, compared to the carrying amount, in line with the requirements of IFRS 7 - *Financial Instruments: Disclosures*:

(in thousands of euro)	**12/31/2023**		**12/31/2022**	
	Carrying amount	***Fair value***	**Carrying amount**	***Fair value***
Bonds	1,095,029	1,114,812	490,452	462,098
Borrowings from banks	1,696,123	1,724,866	2,803,122	2,817,306
Other financial payables	137	137	40	40
Total	**2,791,289**	**2,839,815**	**3,293,614**	**3,279,444**

The fair value of the debt component of the convertible bond, of the “*Schuldschein”* financing 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 that are similar in nature and technical characteristics, and therefore rank in level 2 of the hierarchy as provided for by IFRS 13 - Fair Value Measurement.

The fair value of the rated sustainability-linked bond issued by Pirelli & C. S.p.A. as part of the EMTN programme is listed, and its relative fair value was measured using year-end prices. Therefore, it was classified in level 1 of the hierarchy 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)	**12/31/2023**	**12/31/2022**
EUR	3,592,999	4,020,618
USD (US Dollar)	157,047	256,445
CNY (Chinese Renminbi)	48,487	63,167
RUR (Russian Rouble)	28,584	45,305
RON (Romanian Leu)	3,427	3,112
BRL (Brasilian Real)	50,872	34,554
SEK (Swedish Krona)	25,742	25,467
GBP (British Pound Sterling)	22,265	21,879
TRY (Turkish Lira)	23,306	8,533
JPY (Japanese Yen)	2,445	640
MXN (Mexican Peso)	1,790	3,067
AUD (Australian Dollar)	3,107	4,309
SGD (Singapore Dollar)	1,452	913
KRW (South Korean Won)	1,072	708
Other Currencies	1,610	1,782
Total	**3,964,205**	**4,490,500**

At December 31, 2023, there were outstanding interest rate derivatives on some 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 1,639,917 thousand, whose interest rate is subject to a reset during the course of 2024;
- fixed rate payables to the amount of euro 2,247,244 thousand, whose interest rate is not subject to any reset until the natural maturity of the debt to which it refers (euro 268,826 thousand with maturity in the next twelve months and euro 1,978,418 thousand euro with maturity beyond twelve months).

With reference to the cost of debt, the year-on-year figure at December 31, 2023, (calculated as the average for the last twelve months) stood at 5.08%, compared to 4.04% at December 31, 2022. This increase was mainly due to rising interest rates in the Eurozone.

With reference to the presence of financial covenants, it should be noted that a portion, equal to euro 25,203 thousand, of the borrowings from banks, held by the Russian affiliate, is subject to the following financial covenants:

a) the current portion amounting to euro 16,130 thousand: a maximum ratio between the net debt and the gross operating margin, and a maximum ratio of net debt to equity;

b) the current portion amounting to euro 9,073 thousand: a maximum ratio of net debt to gross operating margin, and a maximum ratio between net short-term debt plus interest paid and the gross operating margin.

The failure to comply with these financial covenants is identified as an event of default.

Specifically, an event of default or non-performance will result in the termination of the contract and the early repayment of the loan.

For the sake of completeness, it should be noted that the obligation to comply with the financial covenants provided for by the *“Schuldschein”* financing signed in July 2018, by the *“Club Deal EUR 800m ESG 2020 5y”* financing signed in March 2020, have ceased to apply due to the achievement of certain levels of Total Net Leverage identified in the relevant contracts.

In reference to other financial payables, the Group was not subject to financial covenants at December, 2023.

It should be noted that at December 31, 2023, no event of default or non-performance event had occurred.

The *“Club Deal EUR 1.6bn ESG 2022 5y” financing*, the *“Schuldschein”* financing, the *“Club Deal EUR 800m ESG 2020 5y” financing*, the *“bilateral ESG 400m 2021 3y facility”*, the *“bilateral EUR 300m ESG 2023 2.5y facility”* and the *“Revolving 500m 4y committed credit facility”* also contain Negative Pledge clauses and/or other customary provisions whose terms are consistent with market standards for each of the above types of credit facility.

24. TRADE PAYABLES

Trade payables were composed as follows:

(in thousands of euro)		12/31/2023			12/31/2022	
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Trade payables	1,864,417	-	1,864,417	1,867,567	-	1,867,567
Bill and notes payable	135,001	-	135,001	105,729	-	105,729
Total	**1,999,418**	**-**	**1,999,418**	**1,973,296**	**-**	**1,973,296**

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 accounted for 30.1% of sales, essentially in alignment with the percentage at December 2022 (29.8%).

25. OTHER PAYABLES

Other payables were as follows:

(in thousands of euro)		12/31/2023			12/31/2022	
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Accrued expenses and deferred income	58,149	38,664	19,485	67,870	42,125	25,745
Tax payables not related to income taxes	98,643	7,209	91,434	93,431	6,539	86,892
Payables to employees	187,192	2,458	184,734	191,312	3,588	187,724
Payables to social security and welfare intitutions	77,112	28,436	48,676	68,203	21,276	46,927
Dividends approved	1,374	-	1,374	147	-	147
Contract liabilities	3,222	10	3,212	7,977	12	7,965
Other payables	64,413	1,155	63,258	51,212	1,034	50,178
Total Other payables	**490,105**	**77,932**	**412,173**	**480,152**	**74,574**	**405,578**

Accrued expenses and deferred income non-current refers to euro 36,952 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 12,121 thousand in government grants and tax incentives received mainly in Italy and Romania and euro 1,538 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 taxes.

The item **payables to employees** mainly includes amounts matured during the period but not yet paid.

The item **contract 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 64,413 thousand) mainly includes:

- euro 16,689 thousand in payables to Directors, Auditors and supervisory bodies;
- euro 10,086 thousand in refunds received from the tax authorities for tax disputes for which the outcome of the final judgement remains uncertain;
- euro 8,318 thousand in payables to representatives, agents, professionals and consultants;

- euro 7,979 thousand for debts relating to customs duties, import and transport costs.

26. TAX PAYABLES

Tax payables were for the most part for national and regional income taxes in different countries and amounted to euro 119,584 thousand, (of which euro 14,391 thousand was for non-current payables), compared to euro 114,884 thousand at December 31, 2022, (of which euro 12,780 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)	12/31/2023				12/31/2022			
	Non-current assets	**Current assets**	**Non-current liabilities**	**Current liabilities**	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**
Derivative Financial Instruments not in Hedge Accounting								
Foreign exchange derivatives - commercial positions	-	5,667	-	(3,058)	-	4,390	-	(4,512)
Foreign exchange derivatives - included in net financial position	-	7,360	-	(18,184)	-	10,923	-	(15,046)
Derivative Financial Instruments in Hedge Accounting								
- cash flow hedge:								
Interest rate derivatives - included in net financial position	12,886	-	-	-	26,430	3,300	-	-
- net investment hedge								
Foreign exchange derivatives - investment in foreign operations	-	-	-	-	-	4,068	-	-
	12,886	**13,027**	**-**	**(21,242)**	**26,430**	**22,681**	**-**	**(19,558)**
Total derivatives included in net financial position	12,886	7,360	-	(18,184)	26,430	14,223	-	(15,046)

The **composition of the items according to the type of derivative instrument** was as follows:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Current assets		
Forward foreign exchange contracts - fair value recognised in the Income Statement	13,027	15,312
Interest rate swaps - cash flow hedge	-	3,300
Forward foreign exchange contracts - net investment hedge	-	4,068
Total current assets	**13,027**	**22,681**
Non-current assets		
Interest rate swaps - cash flow hedge	12,886	26,430
Total non-current assets	**12,886**	**26,430**
Current liabilities		
Forward foreign exchange contracts - fair value recognised in the Income Statement	(21,242)	(19,558)
Total current liabilities	**(21,242)**	**(19,558)**

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 12,886 thousand, refers to the fair value of seven interest rate swaps used to hedge the following financing contracts:

Derivative	**Hedged element**	**Notional amount (Euro million)**	**Start date**	**Maturity**	
IRS	Schuldschein	20.0	July 2020	July 2025	receive floating / pay fixed
IRS	Club Deal EUR 1.6 bn ESG 2022 5y	500.0	February 2023	February 2026	receive floating / pay fixed
Total		**520.0**			

For these derivatives, cash flow hedge accounting was adopted. The hedged items were: the floating rate future interest streams from the *“Schuldschein”* and *“Club Deal EUR 1.6bn ESG 2022 5y”* financing, (refer to Note 23, *“Borrowings from Banks and Other Financial Institutions”*).

The change in the fair value for the period was negative to the amount of euro 4,776 thousand. This change was entirely suspended under Other Comprehensive Income.

The amount of euro 14,785 thousand was reversed to the Income Statement under the item *"Financial Expenses"* (Note 37), correcting the financial expenses recognised on the hedged liability. This amount consisted of:

- euro 8,708 thousand in interest receivables on the IRS in hedge accounting;

- euro 5,574 thousand, which corresponds to the portion of the positive cash flow hedge reserve matured on the forward start pre-hedge receive floating EURIBOR / pay fix EURIBOR IRS that were closed early in 2022. This amount corrects the financial expenses of the relative hedge item, a sustainability-linked bond issued in January 2023, for the total nominal amount of euro 600 million;

- euro 503 thousand in interest receivables on the receive floating EURIBOR / pay fixed EURIBOR IRS that were closed early during the first quarter of 2023, following the early repayment of the respective hedged liabilities. With reference to these IRS, a positive euro 2,707 thousand was also reversed to the Income Statement under *"*Fair Value Measurement of Other Financial Instruments*",* (Note 36).

A change of +0.5% in the EURIBOR curve, all other conditions being equal, would result in a positive change of euro 3,615 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 3,673 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.

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 150,125 thousand and euro 1,106 thousand respectively, and refer mainly to subsidiaries in Romania, Mexico, Italy, Germany, Brazil and China.

COMMITMENTS FOR LEASE CONTRACTS

At December 31, 2023, 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 67,975 thousand, and mainly refers to a rental contract for a warehouse under construction by third parties in Campinas (Brazil) and with a duration of 15 years starting from 2025.

OTHER RISKS

Litigations 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 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 into restrictive conduct in the European high voltage electrical cable 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 EU principle, the so-called *"parental liability"*, 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 settlement of the aforementioned EU Court proceedings, in 2014 and in 2019, Pirelli brought two proceedings before the Court of Milan, (the first) against Prysmian CS and (the second) against Prysmian CS and Prysmian S.p.A., to obtain, in addition to the reimbursement of the sanction imposed by the European Commission, a ruling that these parties hold Pirelli harmless and indemnified against any charges, expenses, costs and/or damages arising from claims by public and/or private third parties in connection with and/or consequential to the facts that are the subject of the European Commission's decision.

Pirelli has also requested that the liabilities of Prysmian CS and Prysmian S.p.A. be determined in relation to certain unlawful conduct connected with the aforesaid anti-competitive cartel put in place by them and, as a consequence, be ordered to pay compensation for all damages suffered and to be suffered by Pirelli.

Prysmian CS and Prysmian S.p.A. entered an appearance in the above proceedings, seeking the dismissal of Pirelli's claims and, by way of a counter-claim, to be held harmless and indemnified by Pirelli against any consequences arising from claims by private and/or public third parties relating to, connected with and/or consequential to the facts that are the subject of the decision of the European Commission.

In April 2021, the two judgements (that of 2014 and that of 2019) were joined, and, in 2022, two segments of the proceedings brought by Terna S.p.A. - Rete Elettrica Nazionale ("Terna"), were subsequently were also joined to the proceedings, against inter alia, Pirelli, Prysmian CS and Prysmian S.p.A. With regard to these segments, Pirelli, on the one hand, and Prysmian CS and Prysmian S.p.A., on the other, have submitted reciprocal indemnity claims with regard to what they were ordered to pay to Terna (refer to the section below - *Other Disputes subsequent to the European Commission Decision*).

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, 2023.

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 judgement against Pirelli until final judgment is passed, that would settle the already pending Italian proceedings.

In April 2019, before the Court of Milan, Terna, jointly and severally sued Pirelli, three Prysmian Group companies and another company named in 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 totalling 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 the one hand, and Prysmian CS and Prysmian S.p.A., on the other, ordering that it be joined with the litigation pending between the two parties before the Court of Milan (refer to the section above - *Litigation against the Companies of the Prysmian Group before the Court of Milan*).

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 for the total amount of euro 472 million, which was quantified during the course of the proceedings. These proceedings were brought before the Court of Amsterdam, which 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, proceedings that have to date been suspended, following an interlocutory issue raised by the Amsterdam Court of Appeal itself before the Court of Justice of the European Union.

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, 2023.

Tax Disputes

<u>Brazil</u>

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 45.8 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, part of this litigation is pending before the competent administrative-judicial courts, and part was settled during the first half-year of 2023. 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 19.8 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.

Disputes concerning the IPI Tax Rate for 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 Ibiritè 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 20.8 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 is involved in a tax dispute with the Brazilian tax authorities, who, in the company's opinion, in the period from 1989 to 1994, levied taxes in excess of what was actually due as a result of the so-called *"Plano Verão"*, an economic measure introduced by the then Brazilian government, in order to control the phenomenon of 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 34 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 Substituicão Tributária" (Tax Substitution)

Pirelli Comercial de Pneus Brasil Ltda. has become involved in a new dispute concerning ICMS (*Imposto sobre Circulaçao 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.

In 2023, Pirelli Pneus Ltda. received the same contestation, from the State of São Paulo, for the alleged failure to comply with the formal obligations attached to the use of the ICMS-ST credits transferred to Pirelli Pneus.

Proceedings are underway before the competent administrative bodies and the risk is estimated at approximately euro 59.4 million, including taxes, interest 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 related to the Tax Impacts arising from the accounting of the so-called SELIC Rate

In 2019 Pirelli Pneus Ltda. was granted the right to a refund of certain tax credits related to the ICMS (Imposto sobre a Circulação de Mercadorias e Serviços). On this occasion, Pirelli Pneus Ltda. had recorded interest (at the so-called SELIC rate) on these tax credits and subjected such interest to taxation for the purposes of corporate income tax (IRPJ) and social contributions on income (CSLL). Subsequently, the Brazilian Supreme Court held that the amount of interest (at the so-called SELIC rate) accrued on tax credits and refunded to the taxpayer was excluded from taxation for the purposes of IRPJ and CSLL.

On the basis of the ruling issued by the Supreme Court in a case similar to that of Pirelli Pneus Ltda., the company had made corrections to its original tax declarations in order to eliminate, from the IRPJ and CSLL taxable base the amount of interest income (at the so-called SELIC rate) accrued on the aforementioned tax credits. However, the Brazilian tax authorities denied the corrections made by the company.

During the second half-year of 2023, the proceedings were underway before the competent administrative bodies - the risk of which had been estimated at approximately euro 39 million - and which was definitively concluded in the company's favour and, therefore, the risk of losing the case no longer existed.

29. REVENUES FROM SALES AND SERVICES

Revenues from sales and services were as follows:

(in thousands of euro)	**2023**	**2022**
Revenues from the sales of goods	6,471,590	6,426,636
Revenues from services	178,473	189,091
Total	**6,650,063**	**6,615,727**

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)	**2023**	**2022**
Sales of Industrial products	127,529	151,373
Other income from the Prometeon Group	34,105	42,259
Recoveries and reimbursements	26,664	22,488
Government grants	33,961	15,554
Gains on disposal of property, plant and equipment	1,142	2,892
Rent income	2,912	3,501
Income from subleases of right of use assets	911	1,042
Other income	101,770	91,804
Total	**328,994**	**330,913**

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 20,847 thousand for the license agreement for the use of the Pirelli trademark;

- euro 10,000 thousand for the license agreement for know-how;
- euro 1,131 thousand for services rendered;
- euro 655 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 10,044 thousand, received mainly by the Brazilian subsidiary;
- tax refunds totalling euro 4,840 thousand due to rebates obtained in Germany for excise duties on electricity and for gas to the amount of euro 2,643 thousand, and tax refunds obtained in Mexico to the amount of euro 1,118 thousand;
- income from the sale of tyres for testing, and the recovery of transport expenses in Germany to the amount of euro 1,740 thousand.

The item **other** mainly includes income related to the sale of goods and services, in connection with sports events linked to sponsorship agreements to the amount of euro 35,379 thousand, royalties from third parties to the amount of euro 19,544 thousand, and income from the sale of tyres and scrap materials carried out in the United Kingdom totalling euro 1,001 thousand.

31. PERSONNEL EXPENSES

The item is composed as follows:

(in thousands of euro)	**2023**	**2022**
Wages and salaries	947,717	918,164
Social security and welfare contributions	182,179	177,112
Costs for employee leaving indemnities and similar	18,732	11,709
Costs for defined contribution pension funds	25,807	24,602
Costs for defined benefit pension funds	703	1,187
Costs for jubilee awards	13,603	10,285
Costs for defined contribution healthcare plans	10,701	2,838
Other costs	25,869	32,712
Total	**1,225,311**	**1,178,609**

32. DEPRECIATION, AMORTISATION AND IMPAIRMENTS

The item is composed as follows:

(in thousands of euro)	**2023**	**2022**
Amortisation	139,091	133,793
Depreciation (excl. right of use)	317,599	314,662
Depreciation of right of use	101,287	95,812
Impairment of property, plant and equipment and intang.assets (excl. right of use)	30,086	21,841
Impairment of right of use	400	581
Total	**588,463**	**566,689**

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)	**2023**	**2022**
Selling costs	408,643	485,619
Purchases of goods for resale	416,141	455,936
Advertising	252,921	225,032
Fluids and energy	305,521	278,485
Warehouse operating costs	91,175	72,592
IT expenses	67,347	61,112
Consultants	50,873	57,884
Maintenance	69,944	66,067
Insurance	34,717	34,604
Leases and rentals	42,224	37,271
Outsourcing	45,784	38,148
Stamp duties, levies and local taxes	33,158	40,475
Other provisions accruals for liabilities and charges	28,172	47,103
Travel expenses	38,323	30,857
Remuneration for Key Managers	23,855	29,068
Cleaning expenses	19,031	18,009
Canteen	26,578	20,994
Security expenses	14,644	11,837
Waste disposal	12,530	11,263
Telephone expenses	5,254	5,397
Other	189,108	181,035
Total	**2,175,943**	**2,208,788**

During the course of 2023, there was a decrease in costs specifically under the items *"selling costs"* and *"purchases of goods for resale"*, which was mainly due to the decrease in transport costs compared to the increase in these costs during 2022.

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 21,023 thousand for lease contracts with a duration of less than twelve months (euro 17,357 thousand for 2022);
- euro 11,866 thousand for lease contracts with variable payments not based on an index or a rate (euro 12,911 thousand at December 31, 2022);
- euro 9,335 thousand for lease contracts for assets with a low unit value (euro 7,003 thousand at December 31, 2022).

The item **other** also includes, labour provided by third parties to the amount of euro 23,661 thousand, (euro 28,453 thousand in 2022), expenses for the testing of technology to the amount of euro 18,154 thousand (euro 18,039 thousand in 2022), membership fees to the amount of euro 10,074 thousand (euro 6,548 thousand in 2022) and transport costs for materials to the amount of euro 18,758 thousand (euro 19,623 thousand in 2022).

34. NET IMPAIRMENT OF FINANCIAL ASSETS

The item, negative to the amount of euro 5,263 thousand compared to the positive figure of euro 4,075 thousand for 2022, mainly includes the net impairment of trade receivables in the amount of euro 5,597 thousand (a net restatement of euro 5,185 thousand for 2022).

35. NET INCOME/(LOSS) FROM EQUITY INVESTMENTS

35.1 Share of Net Income/(Loss) from Equity Investments in Associates and Joint Ventures

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 11,646 thousand and mainly refers to the investment in the joint venture Xushen Tyre (Shanghai) Co., Ltd. which was positive to the amount of euro 9,505 thousand (positive to the amount of euro 2,308 thousand for 2022), and in the joint venture PT Evoluzione Tyres in Indonesia, which was positive to the amount of euro 840 thousand (a net income of euro 422 thousand for 2022).

35.2 Dividends

In 2023 dividends which amounted to euro 4,269 thousand, mainly included dividends received from the RCS MediaGroup S.p.A. (euro 1,482 thousand), from Fin. Priv. S.r.l. (euro 1,669 thousand) and from Genextra S.p.A. (euro 314 thousand). In 2022, they had amounted to euro 3,051 thousand.

36. FINANCIAL INCOME

The item is composed as follows:

(in thousands of euro)	**2023**	**2022**
Interest income	46,424	38,686
Other financial income	5,080	3,725
Net interest on provision for employee benefit obligations	612	848
Fair value measurement of other financial assets	170,838	58,728
Fair value measurement of other derivatives	2,707	-
Total	**225,661**	**101,987**

Interest income which totalled euro 46,424 thousand, mainly included:

- euro 33,352 thousand in interest receivables from financial institutions, associates and joint ventures;
- euro 5,443 thousand in interest on fixed-income securities;
- euro 2,676 thousand in interest on other types of securities;
- euro 4,143 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 5,080 thousand and includes interest matured on the tax credits of the Brazilian subsidiaries.

The **fair value measurement of other financial assets** was positive to the amount of euro 170,838 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 167,862 thousand, and exceeded the combined effect of euro 132,788 thousand comprised on the one hand, of the Argentine net monetary loss of euro 47,329 thousand and on the other hand, of the effect of the Argentine subsidiary’s net losses on exchange rates which amounted to euro 85,459 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)	**2023**	**2022**
Interest expenses	181,600	103,671
Commissions	26,223	18,304
Net monetary loss	41,298	22,250
Other financial expenses	3,481	12,202
Interest expenses on lease liabilities	23,189	21,461
Net losses on exchange rates	84,957	15,834
Fair value measurement of exchange rate derivatives	59,016	109,515
Fair value measurements of other derivatives	-	446
Total	**419,764**	**303,683**

Interest which totalled euro 181,600 thousand, mainly included:

- euro 112,043 thousand in bank credit facilities held by Pirelli & C. S.p.A.;
- euro 36,707 thousand in financial expenses relative to bond loans, of which euro 25,328 thousand is relative to the sustainability linked bond, euro 9,706 thousand relative to non-monetary interest on the unrated bond loan, and euro 1,673 thousand is relative to the "Schuldschein" financing, all of which were issued by Pirelli & C. S.p.A.;
- euro 14,785 thousand in net interest receivables which included interest on Interest Rate Swaps, for which hedge accounting was adopted to rectify the flow of financial expenses for the bank credit facilities and bond loans mentioned above.in the preceding point. For further details reference should be made to Note 27, *"*Derivative Financial Instruments*"*;
- euro 28,461 thousand in financial expenses related to bank loans held by foreign subsidiaries.

The item **commissions**, to the amount of euro 26,223 thousand includes, in particular, euro 9,086 thousand in costs for the assignment of receivables with non-recourse clauses, mainly in South America, Italy and Germany, and euro 17,137 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, which was negative to the amount of euro 47,329 thousand and by the Turkish subsidiaries Pirelli Otomobil Lastikleri A.S. and Pirelli Lastikleri Dis Ticaret A.S., to the positive amount of euro 6,031 thousand (reference should be made to Note 41 "Hyperinflation" for further details).

The item **net losses on exchange rates** which amounted to euro 84,957 thousand (gains amounted to euro 544,594 thousand and losses amounted to euro 629,551 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.

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. Fair value measurement consists of two elements: the interest component, which is linked to the interest rate differential between the currencies covered by the individual hedges, equal to a net cost of euro 39,875 thousand, (a decrease of euro 48,292 thousand compared to the previous year), and the exchange rate component, equal to a net loss of euro 19,141 thousand.

When comparing the net losses on exchange rates of euro 84,957 thousand, recognised on the receivables and payables in currencies other than the functional currency of the various subsidiaries, with the fair value measurement of the exchange rate component of the exchange rate derivatives used for hedging, which amounted to a net cost of euro 19,141 thousand, the result is a negative imbalance of euro 104,098 thousand. This imbalance includes a net loss on exchange rates for the Argentine subsidiary Pirelli Neumaticos SAIC of euro 85,459 thousand, offset by the positive fair value measurement of other financial assets, as described in Note 36, *"Financial Income"*. Net of the aforementioned Argentine effect, however, the imbalance would have been a negative euro 18,639 thousand, mainly due to the impossibility of efficient financial hedging, mainly in Egypt and temporarily in Russia and Turkey.

38. TAXES

Taxes were composed as follows:

(in thousands of euro)	**2023**	**2022**
Current taxes	205,140	182,193
Deferred taxes	(70,942)	(22,459)
Total	**134,198**	**159,734**

Taxes in 2023 amounted to euro 134,198 thousand against a net income before tax of euro 630,103 thousand, compared to the amount of euro 159,734 thousand in 2022 against a net income before tax of euro 595,634 thousand. The tax rate for 2023 stood at 21.3% compared to 26.8% for 2022. The amount includes the benefit recorded as of the third quarter, from the application of the subsidised Patent Box taxation regime as a result of the preventive agreement signed on August 3, 2023, with the Agenzia delle Entrate (the Italian Tax Authorities), which equalled euro 41.383 thousand for the 2020-2022 three-year period, in addition to the benefit for the 2023 financial year which amounted to euro 20.924 thousand.

The reconciliation between theoretical and effective taxes is as follows:

(in thousands of euro)	**2023**	**2022**
A) Net income/(loss) before taxes	**630,103**	**595,634**
B) Theoretical taxes	**174,129**	**159,463**
Main causes for changes between estimated and effective taxes:		
Taxes incentives	(87,815)	(21,035)
Non-deductible costs	16,647	16,082
Taxes on undistributed profits of subsidiaries and other not-recoverable withholding taxes	14,566	11,435
Other	16,672	(6,211)
C) Effective taxes	**134,198**	**159,734**
Theoretical tax rate (B/A)	27.63%	26.6%
Effective tax rate (C/A)	21.30%	26.6%

The negative impact on the tax rate resulting from non-deductible costs and other items, was more than offset in 2023 by the tax incentives impacted by the recognition of the Patent Box benefit.

The amount for the item *"Other"* mainly refers to the effect of accounting and tax adjustments related to hyperinflation in Argentina.

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:

	2023	**2022**
Europe and Turkey		
Italy	29.57%	29.57%
Germany	30.00%	30.00%
Romania	16.00%	16.00%
Great Britain	23.50%	19.00%
Turkey	25.00%	23.00%
Russia, Nordics and MEAI		
Russia	20.00%	20.00%
North America		
USA	25.50%	25.00%
Mexico	30.00%	30.00%
South America		
Argentina	35.00%	35.00%
Brazil	34.00%	34.00%
APAC		
China	25.00%	25.00%

The following table shows the incidence of taxes paid during the financial year, which amounted to euro 138,998 thousand (euro 205,455 thousand in 2022), by geographic region:

- 33% Europe (33% in 2022);
- 36% APAC (24% in 2022);
- 3% Russia and MEAI (14% in 2022);
- 8% South America (13% in 2022);
- 20% North America (13% in 2022).

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 2023, to income taxes paid during the course of 2023 but relative to previous financial years (e.g.; income tax balances relative to 2022), 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.

Information on the Impacts of the Pillar Two Model

The Pillar Two legislation is enacted or substantively enacted in some of the jurisdictions in which the Group operates, and will take effect as of January 1, 2024.

The Group falls within the scope of the legislation, and has performed an assessment of potential exposure to the impacts of the Pillar Two on income taxes. Taking into account what is stated in Note 1 "General Information" to which reference is made, either in the event that the Ultimate Parent Entity is Pirelli or Sinochem, in most of the jurisdictions in which the Group operates, Pillar Two effective tax rates are higher than 15% or the so-called transitional safe harbour rules apply. There are a limited number of jurisdictions where safe harbour rules do not apply where, however, the Group does not anticipate a material impact of Pillar Two on income taxes.

The assessment of potential income tax exposure for Pillar Two is based on the most recent tax returns, country-by-country reporting, and financial statements of the entities comprising the Group.

39. EARNINGS/(LOSSES) PER SHARE

Basic earnings/(losses) per share are determined by the ratio between the earnings/(losses) attributable to the Parent Company and the weighted average number of ordinary shares outstanding during the period, with the exclusion of treasury shares.

(in thousands of euro)	**2023**	**2022**
Net income/(loss) attributable to the Parent Company	479,080	417,760
Weighted average number of ordinary shares outstanding (in thousands)	1,000,000	1,000,000
Earnings /(losses) per ordinary share (in euro per share)	**0.479**	**0.418**

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, did not have a dilutive effect as the average market price of the shares, was lower than the exercise price of the option itself during the course of 2023.

40. DIVIDENDS PER SHARE

During the course of 2023, Pirelli & C. S.p.A. distributed to its shareholders a unit dividend of euro 0.218 per ordinary share from its 2022 results, equal to a total dividend pay-out of euro 218 million gross of 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 S.A. 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 company, 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 211.49%.

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 64.77%.

Net losses on the net monetary position were recorded in the Income Statement as *"Financial Expenses"* (Note 37), to the amount of euro 41,298 thousand.

42. 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 Statement of Cash Flows that include related party transactions and their relative impact.

STATEMENT OF FINANCIAL POSITION *(in millions of euro)*	**12/31/2023**	**of which related parties**	**% incidence**	**12/31/2022**	**of which related parties**	**% incidence**
Non current assets						
Other receivables	**408.6**	7.2	1.8%	**231.2**	6.9	3.0%
Current assets						
Trade receivables	**649.4**	9.3	1.4%	**636.4**	11.0	1.7%
Other receivables	**419.2**	98.7	23.5%	**741.2**	111.3	15.0%
Non-current liabilities						
Borrowings from banks and other financial institutions	**3,174.7**	8.3	0.3%	**3,690.1**	10.4	0.3%
Other payables	**77.9**	0.2	0.3%	**74.6**	0.2	0.3%
Provisions for liabilities and charges	**109.5**	22.1	20.2%	**101.7**	21.8	21.5%
Provisions for employee benefit obligations	**180.2**	3.2	1.8%	**180.6**	6.7	3.7%
Current liabilities						
Borrowings from banks and other financial institutions	**789.5**	2.2	0.3%	**800.4**	3.0	0.4%
Trade payables	**1,999.4**	126.1	6.3%	**1,973.3**	166.4	8.4%
Other payables	**412.2**	21.4	5.2%	**405.6**	37.4	9.2%

INCOME STATEMENT *(in millions of euro)*	**2023**	**of which related parties**	**% incidence**	**2022**	**of which related parties**	**% incidence**
Revenue from sales and services	**6,650.1**	31.0	0.5%	**6,615.7**	45.0	0.7%
Other income	**329.0**	60.1	18.3%	**330.9**	63.6	19.2%
Raw materials and consumables used (net of changes in inventories)	**(2,216.1)**	(11.0)	0.5%	**(2,419.3)**	(17.6)	0.7%
Personnel expenses	**(1,225.3)**	(17.4)	1.4%	**(1,178.6)**	(15.2)	1.3%
Other costs	**(2,175.9)**	(325.0)	14.9%	**(2,208.8)**	(340.8)	15.4%
Financial income	**225.7**	3.1	1.4%	**102.0**	3.5	3.4%
Financial expenses	**(419.8)**	(0.8)	0.2%	**(303.7)**	(1.8)	0.6%
Net income / (loss) from equity investments	**15.9**	11.6	n.a.	**5.8**	2.9	n.a.

STATEMENT OF CASH FLOWS *(in thousands of euro)*	**2023**	**of which related parties**	**% incidence**	**2022**	**of which related parties**	**% incidence**
Net cash flow provided by / (used in) operating activities	**1,359.9**	(290.1)	n.a.	**1,131.6**	(228.4)	n.a.
Net cash flow provided by / (used in) investing activities	**(392.9)**	(0.3)	n.a.	**(326.6)**	1.1	n.a.
Net cash flow provided by / (used in) financing activities	**(979.6)**	(4.0)	n.a.	**(1,404.7)**	(0.9)	n.a.

The Related Party Transactions are detailed below, subdivided according to the counterparty:

STATEMENT OF FINANCIAL POSITION	12/31/2023				12/31/2022			
(in millions of euro)	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers	**Total related parties**	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers	**Total related parties**
Other non-current receivables	7.2	-	-	**7.2**	6.9	-	-	**6.9**
of which financial	*7.2*	*-*	*-*	***7.2***	*6.9*	*-*	*-*	***6.9***
Trade receivables	7.8	1.5	-	**9.4**	9.2	1.8	-	**11.0**
Other current receivables	88.0	10.7	-	**98.7**	87.0	24.3	-	**111.3**
of which financial	*75.0*	*-*	*-*	***75.0***	*79.0*	*-*	*-*	***79.0***
Borrowings from banks and other financial institutions non-current	7.9	0.4	-	**8.3**	10.4	-	-	**10.4**
Other non-current payables	-	-	0.2	**0.2**	-	-	0.2	**0.2**
Provisions for liabilities and charges non-current	-	-	22.1	**22.1**	-	-	21.8	**21.8**
Provisions for employee benefit obligations non-current	-	-	3.2	**3.2**	-	-	6.7	**6.7**
Borrowings from banks and other financial institutions current	2.1	0.2	-	**2.2**	2.3	0.7	-	**3.1**
Trade payables	45.7	80.4	-	**126.1**	34.0	132.4	-	**166.4**
Other current payables	0.1	0.8	20.5	**21.4**	-	0.8	36.6	**37.4**

INCOME STATEMENT	2023				2022			
(in millions of euro)	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers	**Total related parties**	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers	**Total related parties**
Revenues from sales and services	29.2	1.8	-	**31.0**	42.2	2.8	-	**45.0**
Other income	18.9	41.2	-	**60.1**	14.3	49.3	-	**63.6**
Raw materials and consumables used (net of change in inventories)	(2.1)	(8.9)	-	**(11.0)**	(2.4)	(15.2)	-	**(17.6)**
Personnel expenses	-	-	(17.4)	**(17.4)**	-	-	(15.2)	**(15.2)**
Other costs	(209.3)	(91.8)	(23.9)	**(325.0)**	(163.1)	(148.7)	(29.1)	**(340.9)**
Financial income	2.8	0.2	-	**3.1**	3.4	0.1	-	**3.5**
Financial expenses	(0.5)	(0.3)	-	**(0.8)**	(0.3)	(1.5)	-	**(1.8)**
Net income/ (loss) from equity investments	11.6	-	-	**11.6**	2.9	-	-	**2.9**

STATEMENT OF CASH FLOWS	2023				2022			
(in millions of euro)	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers	**Total related parties**	Associates and joint ventures	Other related parties	Remuneration for Directors and Key Managers	**Total related parties**
Net income / (loss) before taxes	(149.3)	(57.8)	(41.2)	**(248.3)**	(103.0)	(113.3)	(44.3)	**(260.6)**
Reversal of Financial (income) / expenses	(2.3)	0.1	-	**(2.2)**	(3.1)	1.4	-	**(1.7)**
Reversal of share of net result from associates and joint ventures	(11.6)	-	-	**(11.6)**	(2.9)	-	-	**(2.9)**
Reversal of accruals to provisions and other accruals	-	-	12.3	**12.3**	-	-	14.9	**14.9**
Change in Trade receivables	1.2	0.1	-	**1.3**	5.7	3.2	-	**8.9**
Change in Trade payables	12.3	(40.5)	-	**(28.1)**	9.4	6.9	-	**16.3**
Change in Other receivables	(3.8)	13.6	-	**9.8**	3.3	(10.7)	-	**(7.4)**
Change in Other payables	0.1	(0.0)	(20.6)	**(20.5)**	(2.3)	(0.2)	6.6	**4.1**
Use of Provisions for liabilities and charges	-	-	(2.6)	**(2.6)**	-	-	-	**-**
Net cash flow provided by / (used in) operating activities	**(153.5)**	**(84.5)**	**(52.1)**	**(290.1)**	**(92.9)**	**(112.7)**	**(22.8)**	**(228.4)**
Disposals of equity investments in associates and J.V.	-	-	-	**-**	1.3	-	-	**1.3**
Change in Financial receivables from associates and joint ventures	(0.3)	-	-	**(0.3)**	(0.3)	-	-	**(0.3)**
Dividends received	-	-	-	**-**	0.0	-	-	**0.0**
Net cash flow provided by / (used in) investing activities	**(0.3)**	**-**	**-**	**(0.3)**	**1.1**	**-**	**-**	**1.1**
Repayment of principal and payment of interest for lease liabilities	(3.0)	(0.9)	-	**(4.0)**	(0.8)	(0.2)	-	**(0.9)**
Net cash flow provided by / (used in) financing activities	**(3.0)**	**(0.9)**	**-**	**(4.0)**	**(0.8)**	**(0.2)**	**-**	**(0.9)**

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 the Jining Shenzhou Tyre Co., Ltd. for a total amount of euro 3.4 million;
- service fee receivables of the Pirelli Tyre Co., Ltd. from the Jining Shenzhou Tyre Co., Ltd. to the amount of euro 2.5 million.

The financial portion refers to the loan granted by the 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 the hire of machinery, and to 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 20.8 million, and payables to the Jining Shenzhou Tyre Co., Ltd. to the amount of euro 24.7 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 28.4 million.

The item **other income** refers to the royalties of Pirelli Tyre S.p.A. received from the Jining Shenzhou Tyre Co., Ltd. In the amount of euro 8.1 million, and from PT Evoluzione Tyres in the amount of euro 1.3 million, to commission fees in the amount of euro 5.2 million, paid to the Pirelli Tyre Co., Ltd. By the Jining Shenzhou Tyre Co., Ltd. and to the charge-back of expenses to the amount of euro 3.1 million.

The item **raw materials and consumables used** refers to the purchase of raw materials from the Jining Shenzhou Tyre Co., Ltd.

The item **other costs** mainly refers to costs for:

- the purchase of tyres from Jining Shenzhou Tyre Co., Ltd. to the amount of euro 95.9 million;
- the purchase of Motorcycle products from PT Evoluzione Tyres to the amount of euro 45.8 million;
- the purchase of energy from Industriekraftwerk Breuberg GmbH to the amount of euro 50.5 million.

The item **financial income** refers mainly 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. Taking into account what is stated in Note 1 "General Information" to which reference is made, pending the outcome of the analysis performed in this regard, in the Consolidated financial statements as of December 31, 2023 the perimeter of Pirelli's related parties under IAS 24R has been kept unchanged.

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 8.9 million and from the Aeolus Tyre Co., Ltd. to the amount of euro 1.8 million mainly for royalties.

The item **borrowings from banks and other financial institutions** current refers to the payables 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 20.8 million;
- the sales of raw materials, finished and semi-finished products for a total amount of euro 0.8 million;
- the licence agreement for know-how charged by Pirelli Tyre S.p.A. to the amount of euro 10 million;
- the Long-Term Service Agreement to the amount of euro 0.3 million charged by Pirelli Sistemi Informativi S.r.l.;
- the charging of expenses for the total amount of euro 1.1 million of which euro 0.9 million was carried out by the Spanish company Pirelli Neumaticos S.A. – Sociedad Unipersonal.

The item **raw materials and consumables used** refers to costs payable to companies of the Sinochem Group for the purchase of direct materials/consumables/compounds, of which euro 7.8 million were costs of the Chinese company Pirelli Tyre Co., Ltd.

The item **other costs** includes contributions to the HangarBicocca Foundation and the Pirelli Foundation to the amount of euro 1 million, and costs payable to companies of the Prometeon Group mainly for:

- the purchase of truck products for a total amount of euro 76 million of which euro 70.8 million was carried out by the Brazilian company Comercial e Importadora de Pneus Ltda. and subsequently resold to retail customers, and euro 3.2 million by the German company Driver Reifen und KFZ-Technik GmbH;

- the purchase of semi-finished Car/Motorbike products for a total amount of euro 6.9 million, carried out by the Turkish company Pirelli Otomobil Latikleri 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 2 million.

The item **financial expenses** refers mainly to interest on the machine hire debt described in the previous paragraph.

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 the provisions for the monetary three-year 2022-2024 and 2023-2025 Long Term Incentive (LTI) Plans to the amount of euro 5.9 million, (euro 8.6 million at December 31, 2022), the provisions for the Short Term Incentive (STI) Plan to the amount of euro 7.2 million (euro 5.9 million at December 31, 2022), as well as severance indemnities to the amount of euro 16.8 million (euro 14.2 million at December 31, 2022);

- the Statement of Financial Position item other current payables includes the short-term portion relative to the STI and LTI Plans;

- the items personnel expenses and other costs include euro 4 million relative to employees' leaving indemnities (TFR) and to severance indemnities (euro 6.1 million for 2022), as well as provisions for short-term benefits to the amount of euro 13.8 million (euro 14.2 million for

2022) and for long-term benefits, to the amount of euro 10.5 million (euro 12.5 million for 2022).

43. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

On **January 3, 2024**, the closing of the transaction for the acquisition of 100% of Hevea-Tec, Brazil's largest independent operator in the processing of natural rubber, took place for a consideration of Brazilian real 125 million (euro 23.3 million at December 31, 2023 exchange rates). The agreement also provides for the payment of an additional consideration (the so-called earn-out), that will be paid to the counterparty on the achievement of the contractually defined levels of profitability and production capacity, of a maximum of Brazilian real 15 million (euro 2.8 million at December 31, 2023 exchange rates).

The provisional fair value of the net assets acquired was estimated to be equal to the carrying amount of Brazilian real 79.7 million (euro 14.9 million at December 31, 2023 exchange rates). The difference between the total consideration (euro 26.1 million) and the provisional fair value of the net assets acquired (euro 14.9 million), was equal to euro 11.2 million.

The process of allocating the price paid to the fair value of the assets acquired for the business combination (purchase price allocation - PPA), pursuant to the provisions of IFRS 3 (Business Combinations) will be completed within twelve months from the date of acquisition.

On **January 30, 2024**, the European Commission announced the opening of an investigation against certain tyre manufacturers active in the European Economic Area, for alleged violations of the European Union competition laws, through the possible collusion of prices for new replacement tyres for cars and trucks, to be sold in the European Economic Area. At the same time, it conducted inspections at the offices of the aforementioned tyre manufacturers, including those of Pirelli. The latter, affirmed the probity of its operations and to have always acted in full compliance with the applicable laws and regulations, and assured the authority of its full cooperation during the investigations. Based on the limited information available to date, Pirelli did not deem it necessary to recognise any specific provision in the Consolidated Financial Statements at December 31, 2023.

In addition, in view of the Commission's announcement of the aforementioned actions, with regard to similar matters, in February 2024, certain private parties notified the US based subsidiary Pirelli Tire LLC of a number of class action suits filed before US Courts. The claims for alleged damages were not quantified. Also in this case, based on the assessment made by the defendant company in light of the limited information available to date, Pirelli did not deem it necessary to recognise any specific provision in the Consolidated Financial Statements at December 31, 2023.

44. OTHER INFORMATION

Information on Climate Change

The Group presented its previous sustainability targets on March 31, 2021 in the 2021-2022|2025 Industrial Plan, while the new targets have been integrated into the update of the 2024-2025 Industrial Plan, as reported in the section *"Outlook for 2024 and 2025"* of the Directors' Report on Operations. The setting of targets is aligned with the materiality of the Group's impacts on the economy, the environment, society and human rights, and is supportive of the 2030 Sustainable Development Goals of the United Nations.

The Group's performance at December 31, 2023, compared to the targets of the 2021-2022|2025 Industrial Plan, is described in the Report on Responsible Value Chain Management to which reference should be made.

The Group's updated forecasts take climate change risks into account, by forecasting the relative targets and performances, and in particular:

- in the production processes, in terms of reducing absolute CO2 emissions, by increasing the share of electricity from renewable sources and increasing efficiency in the use of natural resources;

- at product and raw materials level, through the evolution of product ranges, with a lower environmental impact throughout their respective life cycles, which at the same time ensure greater driving safety, and in terms of growth in the share of materials of non-fossil origin used in the new product ranges;

- within the supply chain, by monitoring and reducing absolute CO2 emissions that are associated, particularly, with raw materials suppliers.

The achievement of these objectives foresees further specific measures, parts of which have already been initiated and are reflected, in the economic-financial flows forecast for 2024 and 2025. These measures include:

- the purchase of Guarantee of Origin certificates for electrical energy, that is, documents that certify the renewable origin of the energy sources used, which for 2023 are recorded under Other costs;

- investment projects for new products and energy efficiency, which had already begun in 2021, and investments initiated in 2023 for the electrification of the vulcanisers. The investments made in 2023, are included in the increases in property, plant and equipment.

  With reference to investments for new products, it should be noted that the assets used to date for tyre production do not need to be replaced, but will be subject to possible improvements. Instead, with reference to projects to achieve energy efficiency, there are mainly foreseen improvements and purchases of additional components to existing assets.

Lastly, the projects to electrify the vulcanisers used in the production process, involve the replacement of the non-material components of existing assets. Therefore, the types of investments mentioned above do not impact the valuation of the useful lives of assets currently in use and the recoverability of their carrying value at December 31, 2023;

- research and development costs for the development of new products and operating costs for improving energy efficiency.

With regard to the impact on the financial structure, it should be noted that at December 31, 2023, financing geared to sustainability indexes accounted for almost 67.6% of the Group's total gross debt (excluding lease liabilities). Specifically, the Group had outstanding *"sustainable"* bank facilities to the amount of euro 3.1 billion, of which euro 2.1 billion resulted as used at December 31, 2023, and euro 1.0 billion was available in the form of a revolving committed credit facility, and euro 600 million in sustainability-linked bonds (the so-called SLBs). For further information, reference should be made to Note 23, *"Borrowings from Banks and Other Financial Institutions*" and Note 4, "*Financial Risks Management Policies*".

With regard to risks linked to climate change, Pirelli monitors these elements of uncertainty (both physical - acute and chronic - and transitional) 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 IPPC (Intergovernmental Panel on Climate Change) 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 the IEA (International Energy Agency) projections for energy transition which take into consideration the different levels of ambition and speed in the implementation of climate policies (Stated Policies Scenario (STEPS), Announced Pledges Scenario (APS) and Net Zero by 2050 (NZE).

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 IPCC, by assessing the potential number of business interruption days both for the Pirelli production plants and along the supply chain. In terms of potentially critical issues assessed according to the Group's valuation, no significant impacts are foreseen in the short-medium term (2023-2030), while elements of uncertainty remain on the time scale up to 2050.

Instead, with regard to transition risks, the Group went on to evaluate, among other things, the introduction and/or tightening of the current CO_2 emission pricing schemes in the countries in which it operates. The possible impacts, linked to an increase in the costs of production, have been estimated based on the evolution in the cost of acquiring CO_2 emission allowances, resulting 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 (2024) and medium-term, while there were elements of uncertainty with regard to the long-term (2050), especially if the NZE and APS scenarios were to occur.

At December 31, 2023, no risks of probable cash outflows had emerged that would require specific provisions to be accrued in the Financial Statements.

The impacts of the measures to achieve the Plan's objectives and their related risks as described above, were taken into account in carrying out the impairment test on Goodwill and the Pirelli Brand at December 31, 2023. In particular, with reference to the Plan period, considering the new cash flows forecast by management for the years 2024 and 2025 and, with reference to the medium-long term, the impacts were assessed in terms of:

- the impact on the cost of capital due to the decarbonisation policies;
- the impact on cash flows due to the higher costs to be incurred in the coming years to achieve the decarbonisation targets.

For more information, 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 paragraph *"Adherence to the Task Force on Climate-related Financial Disclosure (TCFD)"* and *"TCFD Statement"* in this Annual Report, and to Pirelli's public responses to the CDP Climate Change 2023 questionnaire.

Activities in Russia

In 2023, Russia accounted for approximately 4% of turnover.

Total equity amounted to euro 101.3 million, of which euro 65.9 million was attributable to the Parent Company and euro 35.5 million attributable to non-controlling interests.

At the date of this document, guarantees had not 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.

Research and Development Expenses

Research & Development expenses for 2023 amounted to euro 288.5 million and represented 4.3% 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 269.4 million and equalled 5.4% 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)	**2023**	**2022**
Directors	23,855	29,068
Statutory Auditors	393	390
Total	**24,248**	**29,458**

Employees - Average Headcounts

The average headcount for employees, sub-divided by category, for the companies included in the Scope of Consolidation were as follows:

	2023	**2022**
Executives and white collar staff	6,171	6,025
Blue collar staff	23,367	23,465
Temporary workers	1,688	1,724
Total	**31,226**	**31,214**

Remuneration for Independent Auditing Firms

Pursuant to the applicable regulations, total fees for the 2023 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.	91		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	1,503		
	Network PricewaterhouseCoopers	Subsidiaries	1,547	**3,141**	*76%*
Independent certification services (1)	PricewaterhouseCoopers S.p.A.	Pirelli & C. S.p.A.	227		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	94		
	Network PricewaterhouseCoopers	Subsidiaries	33	**354**	*9%*
	PricewaterhouseCoopers S.p.A.	Subsidiaries	293		
	Network PricewaterhouseCoopers	Pirelli & C. S.p.A.	265		
	Network PricewaterhouseCoopers	Subsidiaries	68	**626**	*15%*
				4,121	100%

(1) the item "Independent certification services" indicates the amounts paid for other services that require the issuance of an auditor's report, as w ell as the amounts paid for the so-called certification services, as they are concomitant w ith 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 the company Pirelli Tyre S.p.A. has:

- received approximately euro 2.7 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 approval by the MOST (National Centre for Sustainable Mobility) which is funded by the MUR (Ministry of Universities and Research), for the subsidisation of Research and Development activities for the "POC - Proof of Concept" and "Scalability Grant" tenders to the amount of euro 0.4 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 which were collected in full during the course of 2023.

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;

- during the 2022 financial year, Pirelli Tyre S.p.A. had obtained a concession decree from the MISE, for the facilitation of a Research and Development project in the area of Digital Solutions for up to a maximum of euro 2.6 million.

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.

It should also be noted that in the current financial year, Pirelli Digital Solutions S.r.l. has signed a Regional Programme Contract with the Region of Puglia, which provides for the subsidisation of investments and R&D activities at the new Digital Solutions Centre in Bari, for a maximum of euro 4.9 million in non-repayable grants, of which euro 2.4 million was collected during the current financial year.

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 2023 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 %
	12/31/2023	**12/31/2022**		**2023**	**2022**	
Swedish Krona	**11.0960**	11.1283	(0.29%)	**11.4755**	10.6326	7.93%
Australian Dollar	**1.6263**	1.5693	3.63%	**1.6286**	1.5167	7.38%
Canadian Dollar	**1.4642**	1.4440	1.40%	**1.4594**	1.3695	6.57%
Singaporean Dollar	**1.4591**	1.4300	2.03%	**1.4522**	1.4512	0.07%
US Dollar	**1.1050**	1.0666	3.60%	**1.0812**	1.0531	2.68%
Swiss Franc	**0.9260**	0.9847	(5.96%)	**0.9719**	1.0047	(3.27%)
Egyptian Pound	**34.2093**	26.4357	29.41%	**33.2384**	20.3224	63.55%
Turkish Lira	**32.5739**	19.9349	63.40%	**32.5739**	19.9349	63.40%
Romanian Leu	**4.9746**	4.9474	0.55%	**4.9465**	4.9313	0.31%
Argentinian Peso	**893.3373**	188.9589	372.77%	**893.3373**	188.9589	372.77%
Mexican Peso	**18.6988**	20.7073	(9.70%)	**19.2060**	21.1915	(9.37%)
South African Rand	**20.3477**	18.0986	12.43%	**19.9520**	17.2086	15.94%
Brazilian Real	**5.3516**	5.5694	(3.91%)	**5.4022**	5.4468	(0.82%)
Chinese Renminbi	**7.8264**	7.4284	5.36%	**7.6184**	7.0829	7.56%
Russian Rouble	**99.1919**	75.6553	31.11%	**92.1863**	71.4929	28.94%
British Pound Sterling	**0.8691**	0.8869	(2.02%)	**0.8699**	0.8528	2.00%
Japanese Yen	**156.3300**	140.6600	11.14%	**151.9632**	138.0274	10.10%

Net Financial Position

(Alternative Performance Indicators not provided for by the accounting standards).

(in thousands of euro)	Note	12/31/2023	of which related parties (note 42)	12/31/2022	of which related parties (note 42)
Current borrowings from banks and other financial institutions	23	789,527	*2,242*	800,389	*2,979*
Current derivative financial instruments (liabilities)	27	18,183		15,046	
Non-current borrowings from banks and other financial institutions	23	3,174,678	*8,326*	3,690,111	*10,444*
Non-current derivative financial instruments (liabilities)	27	-		-	
Total gross debt		**3,982,388**		**4,505,546**	
Cash and cash equivalents	19	(1,252,769)		(1,289,744)	
Other financial assets at fair value through Income Statement	18	(228,759)		(246,884)	
Current financial receivables **	15	(106,065)	*(74,992)*	(270,916)	*(79,024)*
Current derivative financial instruments (assets)	27	(7,360)		(14,223)	
Net financial debt *		**2,387,435**		**2,683,779**	
Non-current derivative financial instruments (assets)	27	(12,886)		(26,430)	
Non-current financial receivables **	15	(112,829)	*(7,240)*	(104,767)	*(6,926)*
Total net financial (liquidity) / debt position		**2,261,720**		**2,552,582**	

* 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 10,968 thousand at December 31, 2023 (euro 10,545 thousand at December 31, 2022).

Net financial debt is summarised below based on the format provided by the ESMA guidelines:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Cash and cash equivalents	(1,252,769)	(1,289,744)
Other current financial assets	(342,184)	(532,023)
of which Current financial receivables	*(106,065)*	*(270,916)*
of which Current derivative financial instruments (assets)	*(7,360)*	*(14,223)*
of which Other financial assets at fair value through Income Statement	*(228,759)*	*(246,884)*
Liquidity	**(1,594,953)**	**(1,821,767)**
Current borrowings from banks and other financial institutions	789,527	800,389
Current derivative financial instruments (liabilities)	18,183	15,046
Current financial debt	**807,710**	**815,435**
Current net financial debt	**(787,243)**	**(1,006,332)**
Non-current borrowings from banks and other financial institutions	3,174,678	3,690,111
Non-current derivative financial instruments (liabilities)	-	-
Non-current financial debt	**3,174,678**	**3,690,111**
Total net financial debt *	**2,387,435**	**2,683,779**

* 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
Europe						
Austria						
Pirelli GmbH	Agent	Vienna	Euro	726,728	100.00%	Pirelli Tyre (Suisse) S.A.
Belgium						
Pirelli Tyres Belux S.A.	Agent	Brussels	Euro	700,000	99.996%	Pirelli Tyre (Suisse) S.A.
					0.004%	Pneus Pirelli S.A.S.
France						
Pneus Pirelli S.A.S.	Distributor	Villepinte	Euro	1,515,858	100.00%	Pirelli Tyre S.p.A.
Germany						
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	Distribution chain	Breuberg / Odenwald	Euro	259,225	100.00%	Deutsche Pirelli Reifen Holding GmbH
Greece						
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	74.00%	Elastika Pirelli C.S.A.

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
Italy						
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.
The Netherlands						
Pirelli China Tyre N.V.	Holding and Agent	Rotterdam	Euro	38,045,000	100.00%	Pirelli Tyre S.p.A.
Poland						
Driver Polska Sp. z o.o.	Service provider	Warsaw	Pol. Zloty	100,000	69.00%	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.

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
United Kingdom						
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	50.00%	Pirelli General & Overseas Pension Trustees Ltd.
					50.00%	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.
Slovakia						
Pirelli Slovakia S.R.O.	Distributor	Bratislava	Euro	6,639	100.00%	Pirelli Tyre S.p.A.
Romania						
Pirelli Tyres Romania S.r.l.	Manufacturer and distributor	Slatina	Rom. Leu	2,189,797,300	100.00%	Pirelli Tyre S.p.A.
Russia						
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.

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
Spain						
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.
Sweden						
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.
Switzerland						
Driver (Suisse) S.A.	Service provider	Bioggio	Swiss Franc	100,000	100.00%	Pirelli Tyre (Suisse) S.A.
Pirelli Group Reinsurance Company S.A.	Insurance	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.
Turkey						
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.
Hungary						
Pirelli Hungary Tyre Trading and Services Ltd.	Distributor	Budapest	Hun. Forint	3,000,000	100.00%	Pirelli Tyre S.p.A.
North America						
Canada						
Pirelli Tire Inc.	Agent	St-Laurent (Quebec)	Can. $	6,000,000	100.00%	Pirelli Tyre (Suisse) S.A.
U.S.A.						
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

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
Central/South America						
Argentina						
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..
Brazil						
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	710,994,861	85.00%	Pirelli Tyre S.p.A.
					15.00%	Pirelli Latam Participaçoes Ltda.
Pirelli Latam Participaçoes Ltda.	Holding	Sao Paulo	Bra. Real	513,179,752	100.00%	Pirelli Tyre S.p.A.
Pirelli Ltda.	Service provider	Sao Paulo	Bra. Real	14,000,000	100.00%	Pirelli & C. S.p.A.
Pirelli Pneus Ltda..	Manufacturer and distributor	Campinas (Sao Paulo)	Bra. Real	2,267,223,894	85.03%	Pirelli Tyre S.p.A.
					14.97%	Pirelli Latam Participaçoes 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 Participaçoes 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	Sao Paulo	Bra. Real	3,074,417	99.99%	Pirelli Pneus Ltda.
					0.01%	Pirelli Ltda.
Chile						
Pirelli Neumaticos Chile Ltda.	Distributor	Santiago	US $	3,520,000	85.25%	Pirelli Comercial de Pneus Brasil Ltda.
					14.73%	Pirelli Latam Participaçoes Ltda.
					0.02%	Pirelli Ltda.
Colombia						
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 Participaçoes Ltda.
Mexico						
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 Participaçoes Ltda.

Company	Business	Headquarters	Currency	Share Capital	% holding	Held by
Africa						
Egypt						
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.
South Africa						
Pirelli Tyre (Pty) Ltd.	Distributor	Gauteng 2090	S.A. Rand	11	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.
Oceania						
Australia						
Pirelli Tyres Australia Pty Ltd.	Distributor	Pyrmont (NSW)	Aus. $	150,000	100.00%	Pirelli Tyre (Suisse) S.A.
Asia						
China						
Pirelli Logistics (Yanzhou) Co., Ltd.	Service provider	Jining	Chinese Yuan	5,000,000	100.00%	Pirelli Tyre Co., Ltd.
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.
Korea						
Pirelli Korea Ltd.	Distributor	Seoul	Korean Won	100,000,000	100.00%	Pirelli Asia Pte Ltd.
United Arab Emirates						
Pirelli Tyre MEAI DMCC	Distributor	Dubai	AED	50,000	100.00%	Pirelli Asia Pte Ltd.
Japan						
Pirelli Japan Kabushiki Kaisha	Distributor	Tokyo	Jap. Yen	2,200,000,000	100.00%	Pirelli Tyre S.p.A.
Singapore						
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
Europe						
Germany						
Industriekraftwerk Breuberg GmbH	Electricity generation	Hoechst / Odenwald	Euro	1,533,876	26.00%	Pirelli Deutschland GmbH
Greece						
Eco Elastika S.A.	Tyres	Athens	Euro	60,000	20.00%	Elastika Pirelli C.S.A.
Italy						
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.
Poland						
Centrum Utylizacji Opon Organizacja Odzysku S.A.	Tyres	Warsaw	Pol. Zloty	1,008,000.00	20.00%	Pirelli Polska Sp. z o.o.
Slovakia						
ELT Management Company Slovakia S.R.O.	Tyres	Bratislava	Euro	132,000.00	20.00%	Pirelli Slovakia S.R.O.
Romania						
S.C. Eco Anvelope S.A.	Tyres	Bucharest	Rom. Leu	160,000	20.00%	S.C. Pirelli Tyres Romania S.r.l.
Spain						
Signus Ecovalor S.L.	Tyres	Madrid	Euro	200,000	20.00%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Asia						
China						
Xushen Tyre (Shanghai) Co, Ltd	Tyres	Shanghai	Renminbi	1,050,000,000	49.00%	Pirelli Tyre S.p.A.
Jining Shenzhou Tyre Co, Ltd	Tyres	Jining City	Renminbi	1,050,000,000	100.00%	Xushen Tyre (Shanghai) Co, Ltd
Indonesia						
PT Evoluzione Tyres	Tyres	Subang	Rupee	1,313,238,780,000	63.04%	Pirelli Tyre S.p.A.

FINANCIAL STATEMENTS

AT DECEMBER 31, 2023

STATEMENT OF FINANCIAL POSITION *(in euro)*

	Note	12/31/2023		12/31/2022	
			of which related parties (Note 39)		of which related parties (Note 39)
Property, plant and equipment	8	62,770,446		66,257,632	
Intangible assets	9	2,278,775,885		2,279,105,345	
Investments in subsidiaries	10	4,624,448,778		4,624,548,537	
Investments in associates	11	6,374,500		6,374,500	
Other financial assets at fair value through other comprehensive income	12	50,748,726		46,339,548	
Other receivables	13	1,700,615,890	*1,700,000,000*	611,841	-
Derivative financial instruments	17	12,751,956	*12,751,956*	26,069,768	*26,069,768*
Non-current assets		**8,736,486,181**		**7,049,307,171**	
Trade receivables	14	55,664,952	*54,682,932*	43,998,674	*42,901,414*
Other receivables	13	193,859,523	*180,323,214*	2,215,171,633	*2,200,674,916*
Cash and cash equivalents	15	34,444		36,115	
Tax receivables	16	34,811,976	*34,559,526*	97,981,425	*97,445,841*
Derivative financial instruments	17	6,884	*6,884*	3,297,794	*3,297,794*
Current assets		**284,377,779**		**2,360,485,641**	
Total assets		**9,020,863,960**		**9,409,792,812**	
Shareholders' equity:					
- Share capital		1,904,374,936		1,904,374,936	
- Other reserves		2,208,899,752		2,221,332,158	
- Retained earnings reserve		594,508,404		559,833,511	
- Net income of the year		242,882,239		252,485,607	
Total shareholders' equity	18	**4,950,665,331**		**4,938,026,212**	
Borrowings from banks and other financial institutions	19	2,823,717,789		3,318,862,779	
Other payables	23	405,644	*211,511*	354,820	*211,511*
Provisions for liabilities and charges	20	43,837,587	*22,144,151*	39,061,812	*21,842,562*
Provision for deferred tax liabilities	24	577,994,950		592,549,059	
Employee benefit obligations	21	15,490,804	*3,180,768*	13,104,639	*3,016,050*
Non-current liabilities		**3,461,446,774**		**3,963,933,109**	
Borrowings from banks and other financial institutions	19	443,660,509	*762,197*	363,155,814	-
Trade payables	22	28,344,467	*3,422,612*	25,548,576	*4,557,210*
Other payables	23	84,008,389	*33,240,532*	73,608,589	*36,536,630*
Provisions for liabilities and charges	20	31,200,000		25,135,738	
Employee benefit obligations	21	820,000		-	
Tax payables	25	20,714,671	*20,714,671*	20,353,208	*20,124,321*
Derivative financial instruments	17	3,819	*3,819*	31,566	*31,566*
Current liabilities		**608,751,855**		**507,833,491**	
Total Liabilities and Equity		**9,020,863,960**		**9,409,792,812**	

INCOME STATEMENT *(in euro)*

	Note	2023	of which related parties (Note 39)	2022	of which related parties (Note 39)
Revenues from sales and services	27	72,998,400	*72,988,718*	68,321,749	*68,282,024*
Other income	28	120,864,873	*116,905,955*	111,838,735	*105,847,048*
Raw materials and consumables used	29	(302,204)	-	(385,916)	*(21,200)*
Personnel expenses	30	(75,579,525)	*(10,123,237)*	(62,086,223)	*(7,420,158)*
Amortisation, depreciation and impairment	31	(10,288,263)		(9,696,166)	
Other costs	32	(118,949,871)	*(38,131,203)*	(111,636,220)	*(42,336,246)*
Net impairment loss on financial assets	33	-		(48,137)	
Operating income (loss)		**(11,256,590)**		**(3,692,178)**	
Net income (loss) from equity investments	34	277,269,278		277,295,790	
- gains on equity investments		*288,065*	*288,065*	*-*	*-*
- losses on equity investments		*(6,600,000)*	*(6,600,000)*	*(32,471,101)*	*(32,471,101)*
- dividends		*283,581,213*	*280,117,016*	*309,766,891*	*306,814,396*
Financial income	35	91,420,273	*91,390,202*	30,773,281	*30,336,630*
Financial expenses	36	(137,146,716)	*9,088,261*	(68,690,826)	*(8,736,753)*
Net income (loss) before taxes		**220,286,245**		**235,686,067**	
Taxes	37	22,595,994		*16,799,540*	
Total net income of the year		**242,882,239**		**252,485,607**	

STATEMENT OF COMPREHENSIVE INCOME *(in euro)*

		Note	2023	2022
A	**Net income of the year**		**242,882,239**	**252,485,607**
	- Remeasurement of employee benefits	21	(40,979)	320,681
	- Tax effect		9,835	(123,881)
	- Fair value adjustment of other financial assets at fair value through other comprehensive income	12	4,598,465	(8,477,808)
B	**Total items that may not be reclassified to income statement**		**4,567,321**	**(8,281,008)**
	Fair value adjustment of derivatives designated as cash flow hedge:			
	- Gains / (losses) for the year	17	(4,576,185)	57,732,239
	- (Gains) / losses reclassified to income statement	17	(17,542,816)	(2,310,568)
	- Tax effect		5,308,560	(13,301,201)
	Cost of hedging			
	- Gains / (losses) for the year	17	-	(120,571)
	- (Gains) / losses reclassified to income statement	17	-	(446,326)
	- Tax effect		-	136,055
C	**Total items reclassified / that may be reclassified to income statement**		**(16,810,441)**	**41,689,628**
D	**Total other components of comprehensive income (B+C)**		**(12,243,120)**	**33,408,620**
A+D	**Total comprehensive income / (loss) for the financial year**		**230,639,119**	**285,894,227**

STATEMENT OF CHANGES IN EQUITY *(in euro)* (note 18)

	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
Total at 12/31/2021	**1,904,374,936**	**380,874,988**	**630,380,599**	**12,466,897**	**133,734,599**	**7,538,741**	**1,022,927,715**	**504,214,886**	**216,618,625**	**4,813,131,985**
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
Total comprehensive income/(loss) for the year	-	-	-	-	-	*33,408,620*	-	-	*252,485,607*	*285,894,227*
Total at 12/31/2022	**1,904,374,936**	**380,874,988**	**630,380,599**	**12,466,897**	**133,734,599**	**40,947,360**	**1,022,927,715**	**559,833,511**	**252,485,607**	**4,938,026,212**
Dividend distribution as per resolution of June 29, 2023	-	-	-	-	-	-	-	-	(218,000,000)	(218,000,000)
Result carried forward	-	-	-	-	-	-	-	34,485,607	(34,485,607)	-
Other components of comprehensive income	-	-	-	-	-	(12,243,120)	-	-	-	(12,243,120)
Result for the year	-	-	-	-	-	-	-	-	242,882,239	242,882,239
Total comprehensive income/(loss) for the year	-	-	-	-	-	*(12,243,120)*	-	-	*242,882,239*	*230,639,119*
Other changes	-	-	-	-	-	(189,286)	-	189,286	-	-
Total at 12/31/2023	**1,904,374,936**	**380,874,988**	**630,380,599**	**12,466,897**	**133,734,599**	**28,514,954**	**1,022,927,715**	**594,508,404**	**242,882,239**	**4,950,665,331**

(in euro)

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**
Balance at 12/31/2021	**8,269,907**	**566,898**	**(3,991,464)**	**1,824,591**	**868,809**	**7,538,741**
Other components of comprehensive income	(8,477,808)	(566,898)	55,421,671	320,681	(13,289,027)	33,408,620
Balance at 12/31/2022	**(207,901)**	**-**	**51,430,207**	**2,145,272**	**(12,420,218)**	**40,947,360**
Other components of comprehensive income	4,598,465	-	(22,119,001)	(40,979)	5,318,395	(12,243,120)
Other changes	(189,286)	-	-	-	-	(189,286)
Balance at 12/31/2023	**4,201,278**	**-**	**29,311,206**	**2,104,293**	**(7,101,823)**	**28,514,954**

CASH FLOW STATEMENT *(in euro)*

		Note	2023	2022
	Net income (loss) before taxes		220,286,245	235,686,067
	Reversals of amortisation, depreciation, impairment losses	31	10,288,263	9,696,166
	Reversal of accruals/releases	32	19,776,987	27,456,296
	Reversal of (Financial income)/financial expenses	36	45,726,443	37,917,544
	Reversal of Dividends	34	(283,581,213)	(309,766,891)
	Reversal of (gain)/losses on investments	34	6,311,935	32,471,101
	Reversal of (Gains)/losses from sales of property,plant and equipment	28	-	(742)
	Change in Trade receivables	14	(11,666,278)	(3,931,262)
	Change in Trade payables	22	4,590,969	6,569,732
	Change in Other receivables	13	1,670,935	(1,806,201)
	Change in Other payables	23	898,846	8,824,839
	Change in Tax receivables/Tax payables	16	76,891,193	43,923,433
	Use of Provisions for employee benefit obligations	21	-	(105,872)
	Use of Other provisions	20	(2,871,356)	(1,117,641)
A	**Net cash flows provided by/(used in) operating activities**		**88,322,969**	**85,816,570**
	- of which related parties	39	*188,312,576*	*115,736,196*
	Investments in property, plant and equipment	8	(1,228,672)	(649,416)
	Disposal of property, plant and equipment	8	-	742
	Investments in intangible assets	9	(3,491,737)	(4,196,832)
	Disposal/(Acquisition) of investments in subsidiaries	10	387,824	-
	Disposals /(Acquisition) of other non current financial assets at fair value through other comprehensive income	12	189,287	-
	Dividends received	34	282,105,338	309,766,891
B	**Net cash provided/(used) by investment activities**		**277,962,040**	**304,921,385**
	- of which related parties	39	*279,028,965*	*306,814,396*
	Change in Financial receivables	13	344,008,736	579,297,000
	Financial income	35	68,524,537	30,665,824
	Change in Borrowings from banks and other financial institutions due to draw down	19	898,224,000	1,000,000,000
	Change in Borrowings from banks and other financial institutions due to repayments	19	(1,348,000,000)	(1,817,761,540)
	Dividends paid	18	(218,066,030)	(161,004,188)
	Financial expenses	36	(102,926,024)	(14,360,605)
	Repayment of principal and payment of interest for lease liabilities	19	(8,051,899)	(7,578,547)
C	**Net cash provided/(used) by financing activities**		**(366,286,680)**	**(390,742,057)**
	- of which related parties	39	*418,628,634*	*633,110,872*
D	**Total net cash generated/(used) in the year (A+B+C)**		**(1,671)**	**(4,102)**
E	**Opening balance of Cash and cash equivalents**		**36,115**	**40,217**
F	**Closing balance of Cash and cash equivalents (D+E)**		**34,444**	**36,115**

EXPLANATORY NOTES

1. 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.

As of October 4, 2017, the date on which trading of the Company's shares began on Euronext Milan organized and managed by Borsa Italiana S.p.A., Marco Polo International Italy Srl ("MPI Italy") has declared control pursuant to Art. 93 of the TUF over the Company, of which it holds approximately 37% of the share capital, without exercising activities of direction and coordination. MPI Italy, in turn is indirectly controlled by Sinochem Holdings Corporation Ltd ("Sinochem"), a state owned enterprise incorporated under the law of China, subject to control by the State-owned Assets Supervision and Administrative Commission of the State Council (SASAC) of the People's Republic of China.

Note that, following the issuance of the Golden Power Prime Ministerial Decree, the Board of Statutory Auditors together with management have been performed analysis regarding the permanence of the control by MPI Italy over Pirelli pursuant to both with Art. 93 of the TUF and IFRS 10; the aforesaid analysis is still ongoing. Similar activity is being carried out by MPI Italy. Pending the outcome of the mentioned analysis, the disclosure regarding MPI Italy's declaration of control at this stage has not changed.

On March 6, 2024, the Board of Directors authorized publication of these Annual Financial Statements ("Annual Financial Statements or Separate Financial Statements").

Significant Events 2023

On January 11, 2023, Pirelli placed its first sustainability-linked bond with institutional investors for a total nominal amount of euro 600 million, with a demand equal to almost six times the offer, amounting to approximately euro 3.5 billion. The transaction, which took place as part of the EMTN (Euro Medium Term Note) Program approved by the Board of Directors on February 23, 2022, offers a coupon of 4.25%. The securities are listed on the Luxembourg Stock Exchange.

On **March 6, 2023**, following what was already disclosed to the market on **February 22, 2023**, China National Tire & Rubber Corporation, Ltd. ("**CNRC**") notified to the Presidency of the Council of Ministers, pursuant to Legislative Decree 21/2012 ("**Golden Power Regulation**"), the agreement for the renewal of the shareholders' agreement relating, among other things, to the governance of Pirelli, signed on May 16, 2022 by and between, among others, CNRC, Marco Polo International Italy Srl, Camfin S.p.A. and Marco Tronchetti Provera & C. S.p.A. (the "**Agreement**", the updated extract of which is available on the Company's website).

On **June 18, 2023**, Pirelli announced that - in relation to the proceedings established pursuant to the Golden Power Regulations relating to the renewal of the Agreement (the "**Golden Power Proceedings**") - on June 16, 2023, it received communication of the provision with which the Board of the Ministers exercised the special powers pursuant to decree law no. 21/2012 (the "**Provision**"). The Provision provides for a series of requirements aimed at preparing a network of overall measures operating to protect the autonomy of Pirelli and its management, as well as to protect the technologies and information of strategic importance owned by the Company.

On **June 29, 2023**, the Shareholders' Meeting approved, with over 99.9% of the capital represented, the financial statements for the 2022 financial year, closed with a net profit of the Parent Company of euro 252.5 million and a consolidated net profit of euro 435.9 million, unanimously resolving the distribution of a dividend of euro 0.218 per ordinary share, equal to a total dividend of euro 218 million.

The Shareholders' Meeting also approved - with a unanimous vote of the capital present - to postpone the discussion of the further topics on the agenda to the meeting of July 31, 2023 (called on June 20, following the Golden Power Proceedings), including the renewal of the Board of Directors.

On **July 24, 2023,** Pirelli - with reference to the interest-free senior unsecured guaranteed equity-linked bond referred to as "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025" - communicated that following the resolution of the Shareholders' Meeting of June 29, 2023 of distribution of a dividend of euro 0.218 per ordinary share, the conversion price of the bonds is changed from euro 6.1395 to euro 6.0173 in accordance with the regulation of the bond loan itself.

On **July 27, 2023,** the Pirelli Board of Directors approved some Articles of Association amendments in compliance with the requirements of the Golden Power Provision.

In particular, the amendments concern:

- the introduction of a new paragraph 3.3 with the following wording: *"In any case, in relation to the Board resolutions relating to the assets of strategic importance of the Company as identified by the decree of the President of the Council of Ministers of June 16, 2023, with which the special powers were exercised pursuant to and for the purposes of article 2 of decree-law March 15, 2012, no. 21, converted, with amendments, by law May 11, 2012, no. 56, the proposal is reserved to the CEO and any decision contrary to it can only be adopted with the vote of at least 4/5 of the Board of Directors*";

- the introduction of a new paragraph 11.10 with the following wording: "*In relation to the relevant Board resolutions, the appointment and dismissal from the office of Key Managers, and therefore (i) of the General Manager, (ii) of the Financial Reporting Manager; (iii) of the Secretary of the Board of Directors of the Company and, in general (iv) of the managers qualified pursuant to the Executive Vice President company procedure, the proposal is reserved to the CEO and any decision contrary to the same can be adopted only with the vote of at least 4/5 of the Board of Directors*"; and

- the amendment of paragraph 12.8 in order to recall the articles of the Articles of Association, which require a qualified majority for the adoption of certain resolutions.

On **August 3, 2023**, the Board of Directors appointed Marco Tronchetti Provera as Executive Vice President, granting him powers relating to general strategies and the supervision of the implementation of the business plan, and Andrea Casaluci as CEO, granting him powers for the operational management of Pirelli. Chairman Jiao Jian is granted the legal representation of the Company and the other powers provided for by the current Articles of Association.

The Board of Directors also established - also to implement one of the provisions of the Golden Power Provision - the Corporate General Management, entrusting responsibility to Francesco Tanzi.

The Board - taking into account the new composition of the Board of Directors - proceeded to appoint the members of the Board Committees - confirming all the previous Committees and introducing the Sustainability Committee with focus on sustainability issues related to the exercise of Company activities. For further information on the composition of the Board Committees, please refer to the website www.pirelli.com.

The Board of Directors, subject to the favorable opinion of the Board of Statutory Auditors, finally confirmed Fabio Bocchio as Financial Reporting Manager and Carlo Secchi (Chairman), Antonella Carù and Alberto Bastanzio as members of the supervisory body, in continuity with the previous mandate, which expired together with the Board that had appointed him.

On **December 22, 2023**, Pirelli signed an agreement with a selected pool of international banks for a revolving committed credit line for an amount of euro 500 million with a 4-year maturity in December 2027. The new line, created as part of the usual management and optimization activity of the financial structure, made it possible to strengthen the liquidity margin. As part of the agreement signed with the pool of banks, Pirelli will be able to parametrize the new credit line to the new and more challenging Science Based Targets - in line with its Commitment to Net Zero - which the company will define as part of the new Industrial Plan after having achieved the decarbonization objectives initially set for 2025 two years early.

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 Explanatory 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, 2023 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, 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 recognized among the other components of the Comprehensive Income Statement in previous years directly in the Comprehensive Income Statement and not in the explanatory 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 Cash Flow Statement, the cash flows deriving from operating activities are presented using the indirect method, according to which the profit or loss for the period 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 the following:

- 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 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 recognised in the Income Statement. In the event that the loss pertaining to the Company exceeds the carrying amount of the investment and the subsidiary is obliged to fulfil legal or implicit obligations of the subsidiary or however to cover its losses, any excess with respect to the carrying amount is recognized in a specific provision of liabilities under the provisions for risks and charges.

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, 2023

In accordance with IAS 8 "Accounting standards, changes in accounting estimates and errors", the IFRS effective from January 1, 2023 are indicated below:

- 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 amendmens had no impacts on the disclosures on the accounting standards applied to the Company's Separate Financial Statements.

- 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. There are no impacts on the Financial Statements of the Company.

- 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. There are no impacts on the Financial Statements of the Company.

- IFRS 17 – Insurance contracts and Amendments to IFRS 17 – First-time application of IFRS 17 and IFRS 9 Comparative information

  IFRS 17, which replaces IFRS 4 “Insurance Contracts”, defines the accounting of insurance contracts issued and reinsurance contracts held.

  The 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 allows the comparative information presented at the time of first application of IFRS 17 and IFRS 9 to be made more useful.

  There are no impacts on the Financial Statements of the Company.

- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two model rules

  Said amendments provide a temporary exemption to the accounting of deferred taxes resulting from the Organization for Economic Co-operation and Development’s (OECD) international tax reform. The OECD published Pillar Two model rules in December 2021 to ensure that large multinational companies are subject to a minimum tax rate of 15%.

The amendments include:

- a temporary exception to the accounting of deferred taxes and related disclosure arising from jurisdictions that apply global tax rules. This will help ensure consistency of financial statements, while facilitating the implementation of the rules; and
- the publication of disclosures aimed at helping investors better understand a company's exposure to income taxes resulting from the reform, in particular before the entry into force of the legislation implementing the rules.

The Separate Financial Statements at December 31, 2023 make use of the temporary exception mentioned above. For disclosures, see note 37.

3.2 International accounting standards and/or interpretations issued but not yet in force in 2023

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, 2023, 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 the liability in the short term has no impact on the classification. Said amendments have been endorsed by the European Union and will be applicable from January 1, 2024. No impacts are expected on the classification of financial liabilities following 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.

  Said amendments have been endorsed by the European Union and will be applicable from January 1, 2024. 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.

  Said amendments have been endorsed by the European Union and will be applicable from January 1, 2024. No impacts on the Company’s financial statements are foreseen as a result of these amendments.

- Amendments to IAS 7 Cash Flow Statement and IFRS 7 Financial instruments: Additional information – Supplier Finance arrangements

  Said amendments introduce new disclosure requirements to improve the transparency of the information provided in relation to supplier financing agreements, in particular regarding the effects of such agreements on the entity’s liabilities, cash flows and exposure to liquidity risk.

  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.

- Amendments to IAS 21 The effects of changes in exchange rates: lack of *exchangeability*

  Said amendments clarify when a currency is exchangeable for another currency and, consequently, when it is not. When a currency is not exchangeable with another, said amendments define how the exchange rate to be applied is determined. The amendments also specify the disclosure to be provided when a currency is not exchangeable.

These amendments, which will come into force on January 1, 2025, have not yet been approved by the European Union. The Company is analyzing whether the definition of lack of exchangeability is applicable to foreign currencies used in its transactions.

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, 2023 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%**	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Impact on Net income (loss)	(5,518)	(10,292)	5,518	10,292

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, 2023 are described in note 17 "Derivative financial instruments". The Company has not put in place derivatives or other optional structures that affect the linearity of rate sensitivity on debt.

Risk of failure to meet the sustainability targets set in bank loans and bonds

As reported in note 19 "Payables to banks and other lenders," to which reference is made for further details, the Company has outstanding "sustainable" bank lines of 2.2 billion euros, of which 2.1 billion euros had been drawn down as of December 31, 2023, and 0.1 billion euros available in the form of committed revolving credit facilities and 600 million euros in Sustainability Linked Bonds (SLBs).

Failure to meet these targets would result in an increase in the contractually required interest rate and consequently an increase in future borrowing costs and cash flows compared to what is expected with the achievement of sustainability targets, which is not material for the Company.

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 18,299 thousand (euro 16,570 thousand at December 31, 2022) and those represented by securities indirectly associated with listed shares (Fin. Priv. S.r.l.) amounted to euro 23,416 thousand (euro 18,864 thousand at December 31, 2022); these financial assets represent 82% 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 915 thousand of the Company's shareholders' equity (positive for euro 828 thousand at December 31, 2022), while a -5% negative change of these listed securities, other things being equal, would result in a negative change of euro 915 thousand of the Company's shareholders' equity (negative for euro 828 thousand at December 31, 2022).

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, 2023, the Company has, in addition to liquidity equal to euro 34 thousand (euro 36 thousand at December 31, 2022), an interest-bearing current account with Pirelli International Treasury S.p.A. equal to euro 143,675 thousand (euro 483 thousand at December 31, 2022), classified as current financial receivables, of unused credit lines equal to euro 600,000 thousand (euro 100,000 thousand at December 31, 2022).

The **maturities of financial liabilities at December 31, 2023** may be broken down as follows:

(in thousands of euro)	12/31/2023				
	up to 1 year	**from 1 to 2 years**	**from 2 to 5 years**	**over 5 years**	**Total**
Payables to banks and other lenders	530,197	1,391,587	1,625,993	4,953	3,552,730
of which lease liabilities:	*8,004*	*7,905*	*22,645*	*4,953*	*43,507*
Trade payables	28,344	-	-	-	28,344
Other payables	84,008	406	-	-	84,414
Derivative financial instruments	4	-	-	-	4
Total	**642,553**	**1,391,993**	**1,625,993**	**4,953**	**3,665,492**

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
of which lease liabilities:	*7,469*	*7,173*	*20,720*	*11,231*	*46,593*
Trade payables	25,549	-	-	-	25,549
Other payables	73,609	355	-	-	73,963
Derivative financial instruments	32	-	-	-	31
Total	**572,458**	**1,497,581**	**2,005,024**	**11,231**	**4,086,293**

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, which reflects the significance of the inputs used in determining the 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 different from the quoted prices referred to in the preceding 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 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 foreign exchange derivatives (forward contracts) is determined by using the forward exchange rate at the reporting date.

The fair value of unlisted equity securities classified in level 3 of the Fair Value hierarchy is determined mainly on the basis of data from the latest available financial statements.

The following table shows **assets measured at fair value as at December 31, 2023**, divided into the three levels defined above:

(in thousands of euro)	Note	12/31/2023	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Other financial assets at fair value through income statement					
Current derivative financial instruments	17	7	-	7	-
Other financial assets at fair value through other comprehensive income					
Equities and shares	12	50,725	18,299	23,416	9,010
Investment funds	12	24	-	24	-
Derivative hedging instruments					
Non-current derivative financial instruments	17	12,752	-	12,752	-
Current derivative financial instruments	17	-	-	-	-
TOTAL ASSETS		**63,508**	**18,299**	**36,199**	**9,010**
FINANCIAL LIABILITIES					
Financial liabilities at fair value through profit or loss					
Current derivative financial instruments	17	(4)	-	(4)	-
Derivative hedging instruments					
Non-current derivative financial instruments	17	-	-	-	-
Current derivative financial instruments	17	-	-	-	-
TOTAL LIABILITIES		**(4)**	**-**	**(4)**	**-**

The **breakdown at December 31, 2022** was as follows:

	Note	12/31/2022	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Other financial assets at fair value through income statement					
Current derivative financial instruments	17	16	-	16	-
Other financial assets at fair value through other comprehensive income					
Equities and shares	12	44,564	16,570	18,864	9,130
Investment funds	12	1,776	-	1,776	-
Derivative hedging instruments					
Non-current derivative financial instruments	17	26,070	-	26,070	-
Current derivative financial instruments	17	3,281	-	3,281	-
TOTAL ASSETS		**75,707**	**16,570**	**50,007**	**9,130**
FINANCIAL LIABILITIES					
Financial liabilities at fair value through profit or loss					
Current derivative financial instruments	17	(32)	-	(32)	-
Derivative hedging instruments					
Non-current derivative financial instruments	17	-	-	-	-
Current derivative financial instruments	17	-	-	-	-
TOTAL LIABILITIES		**(32)**	**-**	**(32)**	**-**

The following table shows the **changes of financial assets that occurred in level 3**:

(in thousands of euro)	12/31/2023	12/31/2022
Opening balance	**9,130**	**8,966**
Fair value adjustments through other comprehensive income	(120)	164
Closing balance	**9,010**	**9,130**

These financial assets mainly consist of the equity investment in Istituto Europeo di Oncologia (European Institute of Oncology) (euro 8,357 thousand).

In the year ended December 31, 2023, there were no transfers from level 1 to level 2 and vice versa, nor from level 3 to other levels and vice versa.

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	12/31/2023	12/31/2022
FINANCIAL ASSETS			
Financial assets at fair value through Income Statement			
Current derivative financial instruments	17	7	16
Financial assets at amortized cost			
Other non-current receivables	13	1,700,616	612
Current trade receivabels	14	55,665	43,999
Other current receivables	13	193,860	2,215,172
Cash and cash equivalents	15	34	36
		1,950,175	*2,259,819*
Financial assets at fair value through Other Comprehensive Income			
Financial assets at fair value through Other Comprehensive Income	12	50,749	46,340
Derivative hedging instruments			
Current derivative financial instruments	17	-	3,281
Non-current derivative financial instruments	17	12,752	26,070
		12,752	*29,351*
TOTAL FINANCIAL ASSETS		**2,013,683**	**2,335,526**
FINANCIAL LIABILITIES			
Financial liabilities at fair value through Income Statement			
Current derivative financial instruments	17	4	32
Financial liabilities at amortized cost			
Non-current borrowings from banks and other financial institutions (excl. Lease payables)	19	2,791,152	3,283,092
Current borrowings from banks and other financial institutions (excl. Lease payables)	19	437,166	357,015
Current trade payables	22	28,344	25,549
Other non-current payables	23	406	355
Other current payables	23	84,008	73,609
		3,341,076	*3,739,620*
Lease payables			
Non-current lease payables	19	32,566	35,770
Current lease payables	19	6,495	6,141
		39,061	*41,911*
TOTAL FINANCIAL LIABILITIES		**3,380,141**	**3,781,563**

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 2024 and in 2025” 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 amortisation, 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, 2023 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 risks and charges

Provisions are set aside against legal and fiscal risks related to indirect taxes, representing the risk of losing lawsuits. The amount of provisions recorded in relation to these liabilities represents the best estimate at the reporting date made by management for lawsuits and tax claims regarding a vast range of issues that are subject to the jurisdiction of various countries. Such an estimate entails making assumptions that depend on factors that may change over time and which could therefore have a material impact 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 an 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 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)	**12/31/2023**	**12/31/2022**
- Owned tangible assets	30,360	31,283
- Rights of use	32,410	34,975
Net Value	**62,770**	**66,258**

8.1 Owned tangible assets

The breakdown and changes are as follows:

(in thousands of euro)	12/31/2023			12/31/2022		
	Gross Value	Accumulated Depreciation	Net Value	Gross Value	Accumulated Depreciation	Net Value
Land	5,245	-	**5,245**	5,245	-	**5,245**
Buildings	44,349	(25,707)	**18,642**	44,313	(24,484)	**19,829**
Plant and machinery	3,271	(2,177)	**1,094**	3,208	(2,020)	**1,187**
Industrial and trade equipment	1,927	(1,730)	**197**	1,893	(1,489)	**404**
Other assets	15,065	(10,433)	**4,632**	14,799	(10,182)	**4,618**
Assets under construction	550	-	**550**	-	-	**-**
Total	**70,407**	**(40,047)**	**30,360**	**69,458**	**(38,175)**	**31,283**

NET VALUE *(in thousands of euro)*	12/31/2022	Increases	Decreases	Reclassif.	Depreciation	12/31/2023
Land	5,245	-	-	-	-	5,245
Buildings	19,829	36	-	-	(1,223)	18,642
Plant and machinery	1,187	64	-	-	(157)	1,094
Industrial and trade equipment	404	34	-	-	(241)	197
Other assets	4,618	266	-	-	(252)	4,632
Assets under construction	-	550	-	-	-	550
Total	**31,283**	**950**	**-**	**-**	**(1,873)**	**30,360**

NET VALUE *(in thousands of euro)*	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
Total	**32,433**	**647**	**-**	**-**	**(1,797)**	**31,283**

There were no significant increases and divestments in 2023.

Financial expenses were not capitalized on tangible assets.

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)	12/31/2023	12/31/2022
Rights of use Buildings	30,673	33,913
Rights of use Other assets	1,737	1,062
Net value	**32,410**	**34,975**

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 2023, also including remeasurement, amounted to euro 3,564 thousand (euro 3,947 thousand in 2022) and refer to vehicle and property lease contracts.

There were no reassessments or changes to significant contracts in 2023.

Depreciation of rights of use recorded in the income statement and included in the item "amortisation, depreciation and impairment" (note 31) are as follows:

(in thousands of euro)	**2023**	**2022**
Buildings	5,380	5,052
Other assets	728	776
Total depreciation of right of use	**6,108**	**5,828**

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)	**12/31/2022**	**Increase**	**Decrease**	**Transfers**	**Amortisation**	**12/31/2023**
Pirelli Brand - indefinite life	**2,270,000**	-	-	-	-	**2,270,000**
Software licenses	**855**	248	-	88	(280)	**911**
Other intangible assets	**4,820**	1,141	(27)	2,939	(2,026)	**6,847**
Assets under construction	**3,430**	615	-	(3,027)	-	**1,018**
Total	**2,279,105**	**2,004**	**(27)**	**-**	**(2,306)**	**2,278,776**

(in thousands of euro)	**12/31/2021**	**Increase**	**Decrease**	**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**
Total	**2,276,388**	**4,789**	**-**	**-**	**(2,072)**	**2,279,105**

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 2023.

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 amortisation, 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, 2023 was performed using the assistance of an independent third-party professional.

The recoverable value configuration for the purposes of the impairment test at December 31, 2023 is the Fair Value, calculated on the basis of the income approach (Level 3 of the hierarchy of IFRS 13 – Fair Value measurement).

The forecasts are based on the flows of the EBITDA adjusted of the 2024-2025 Industrial Plan, which was updated compared to the Industrial Plan 2021-2022|2025 and drawn up based on the new market context. The prospective flows obtained, reflecting the Group's market positioning thanks to its strategy of focusing on High Value, were prudently adjusted downwards, to reflect the reporting asymmetry between analysts' consensus and the updated 2024-2025 Industrial Plan, which was approved by the Board of Directors of the Parent Company, jointly with this document, and which at the date of this document had not been yet presented to the financial community.

The flows from the updated 2024-2025 Industrial Plan used for the purpose of determining recoverable value express a cumulative average annual growth rate (CAGR) of revenues in the two-year period 2024-2025 of 2.7 percent over 2023 and an average adjusted EBITDA margin for the period of 22.7 percent.

Furthermore, the estimate of fair value is based on:

- evaluation criterion for the sum of parts that also considers the contribution in terms of royalties from the Prometeon Tyre Group for the use of the Pirelli brand in the Industrial segment as per management forecasts;

- excess earnings pertaining to the Pirelli brand obtained by deducting the notional fee or royalty rate of the Group's operating activities other than the Brand, expressed at fair value, from prospective operating income;

- discount rate of 11.12%, which includes, a premium over WACC calculated for the purpose of impairment testing of goodwill in the consolidated financial statements and equal to 9%, a premium determined according to the riskiness of the specific asset, and growth rate "g" in the terminal value equal to 1%.; The pre-tax rate that equals the fair value, estimated with after-tax cash flows discounted to after-tax discount rate, to the fair value estimated by pre-tax flows discounted to pre-tax discount rate is 16.33%;

- TAB (Tax Amortisation Benefit), which is the tax benefit that could potentially benefit the market participant that acquired the asset separately due to the possibility of fiscally amortising it.

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 of 19.2% while, in order for the Fair Value to be equal to the carrying amount, a worsening variation of the key parameters is necessary with impact on the flows of the Business Plan and in particular:

- a percentage decrease in revenues of 513 basis points in the explicit forecast period and in the terminal value;

- a decrease in adjusted EBITDA margin of 89 basis points in the explicit forecast period and in the terminal value;

- an increase in the discount rate of 176 basis points in the explicit forecast period and in the terminal value;

- a decrease in the growth rate "g" of 192 basis points beyond the explicit forecast period.

With reference to climate change issues, the impacts were assessed in terms of both the discount rate and long-term cash flows. The impact on the cost of capital is favourable and reflects the decarbonization policies launched by the Group. The impact on long-term cash flows instead reflects the higher costs to be incurred over the coming years to achieve the decarbonization targets. The analysis therefore compared the benefits of the lower cost of capital with the burdens of the higher costs to verify whether the net balance was negative (a circumstance that would have led to a reduction in the recoverable value due to the climate change risk).

As regards the impacts on the discount rate, market data show that the ESG policies implemented by the Group entail a lower systematic risk, which translates into a lower cost of capital compared to comparable companies and used for the purposes of the impairment test exercise. Therefore, considering this effect, the recoverable value would be higher.

With reference instead to long-term cash flows, the elements of greatest economic - financial importance identified were considered - based on an update of Pirelli's Climate Change and Water Stress Risk Assessment with respect to the Group's Scope 1 and 2 GHG emissions. It concerns the costs that the Group expects to incur up until 2050 to meet the decarbonization targets, considering the introduction and/or tightening of the current CO_2 emissions pricing schemes in the countries in which it operates. The possible impacts, linked to an increase in production costs, were estimated on the basis of the evolution of the price of CO_2 emissions allowances, resulting both from the more prudential forecasts of the "Net Zero by 2050" (NZE) scenario published by the IEA (International Energy Agency), and by the Group's carbon emission intensity forecast according to its updated Climate Transition Plan.

Since the benefit of the lower discount rate is greater than the current value of the costs to be incurred, no impact of the climate change risk on the results of the impairment test was detected.

10. INVESTMENTS IN SUBSIDIARIES

At December 31, 2023, this item amounted to euro 4,624,449 thousand compared to euro 4,624,549 thousand at December 31, 2022, and the breakdown is as follows:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
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.	-	-
Pirelli International Treasury S.p.A.	75,000	75,000
Servizi Aziendali Pirelli S.C.p.A.	-	100
Total investments in subsidiaries	**4,624,449**	**4,624,549**

Below are the changes during the year:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Opening balance	**4,624,549**	**4,632,420**
Liquidation of Subsidiaries	(100)	-
Impairment	-	(7,871)
Closing balance	**4,624,449**	**4,624,549**

The change in the year refers to the liquidation of the consortium company Servizi Aziendali Pirelli S.C.p.A., finalized in August 2023.

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 subsidiary on which it was necessary to carry out the test is Pirelli Ltda. The impairment test did not give rise to the recognition of an impairment loss.

Further details are set out in the Annexes to the Explanatory Notes.

11. INVESTMENTS IN ASSOCIATED COMPANIES

At December 31, 2023, this item amounted to euro 6,375 thousand, unchanged compared to December 31, 2022, and the breakdown is as follows:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Consorzio per le Ricerche sui Materiali Avanzati (CORIMAV)	104	104
Eurostazioni S.p.A. - Roma	6,271	6,271
Total investment in associates	**6,375**	**6,375**

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 50,749 thousand at December 31, 2023 (euro 46,339 thousand at December 31, 2022). The breakdown of the item for each security is as follows:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Listed securities		
RCS Mediagroup S.p.A. - Milano	18,299	16,570
Unlisted securities		
Fin. Priv Srl	23,416	18,864
Fondo Comune di Investimento Immobiliare Anastasia	24	1,776
Istituto Europeo di Oncologia S.r.l.	8,357	8,140
Other companies	653	989
Total financial assets at fair value through other comprehensive income	**50,749**	**46,339**

The changes in the year are shown below:

(in thousands of euro)	
Opening balance	**46,339**
Decreases	(189)
Adjustment to fair value recognized in other comprehensive income	4,599
Closing balance	**50,749**

The decreases refer to the sale of the shares held in ECA International.

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. (positive for euro 1,729 thousand), in Fin. Priv. S.r.l. (positive for euro 4,551 thousand), in Genextra S.p.A. (negative for euro 371 thousand), in Istituto Europeo di Oncologia (positive for euro 218 thousand), in Fondo Comune di investimento Anastasia (negative for euro 1,751 thousand), in ECA International (positive for euro 189 thousand) and in Nomisma - Società di Studi Economici S.p.A. (positive for euro 34 thousand).

For listed securities, the fair value corresponds to the Stock Exchange listing at December 31, 2023. 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)	12/31/2023			12/31/2022		
	Total	Non-current	Current	Total	Non-current	Current
Other receivables from subsidiaries and associates	3,512	-	3,512	977	-	977
Financial receivables from subsidiaries	1,876,483	1,700,000	176,483	2,199,401	-	2,199,401
Guarantee deposits	341	341	-	340	340	-
Other receivables from third parties	2,863	275	2,588	6,999	272	6,727
Receivables from tax authorities for taxes not related to income	8,177	-	8,177	6,771	-	6,771
Financial accrued interest income	263	-	263	271	-	271
Financial prepaid expenses	2,837	-	2,837	1,025	-	1,025
Total other receivables	**1,894,476**	**1,700,616**	**193,860**	**2,215,784**	**612**	**2,215,172**

Financial receivables from subsidiaries include a loan of euro 1,700 million disbursed to Pirelli International Treasury S.p.A. accessed on January 31, 2023 with maturity January 31, 2025, the receivable for interest accrued not yet paid on the same line for euro 32,807 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 143,675 thousand.

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, 2023. 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 8,177 thousand mainly refer to receivables for VAT.

Accrued financial assets mainly refer to the 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 55,665 thousand compared to euro 43,999 thousand of the previous year and the breakdown is as follows:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Receivables from subsidiaries	54,646	42,782
Receivables from associates	3	3
Receivables from other companies	1,219	1,421
Total receivables - gross amount	**55,868**	**44,206**
Provision for bad debt	(203)	(207)
Total receivables	**55,665**	**43,999**

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)	**12/31/2023**	**% of total trade receivables**	**12/31/2022**	**% of total trade receivables**
EUR	52,114	93%	40,355	91%
USD (Dollar USA)	511	1%	325	1%
RUB (Ruble Russia)	888	2%	610	1%
CHF	2,355	4%	2,916	7%
Total	**55,868**	**100%**	**44,206**	**100%**

Receivables from subsidiaries at December 31, 2023 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 1,219 thousand (euro 1,421 thousand at December 31, 2022), shown gross of the provision for bad debts of euro 203 thousand, are past due for euro 804 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)	**12/31/2023**	**12/31/2022**
Opening balance	**207**	**734**
Accruals	-	48
Utilizations/reversals	(4)	(575)
Closing balance	**203**	**207**

For trade receivables, the carrying amount is considered to approximate the applicable fair value.

15. CASH AND CASH EQUIVALENTS

At December 31, 2023, they amounted to euro 34 thousand, against euro 36 thousand at December 31, 2022 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, 2023, they amounted to euro 34,812 thousand (euro 97,981 thousand at December 31, 2022). The amount mainly includes receivables from Group companies participating in the tax consolidation for euro 28,176 thousand (euro 97,450 thousand at December 31, 2022). The decrease compared to the previous year essentially depends on the lower contribution of positive taxable income by the subsidiary Pirelli Tyre S.p.A., which reflects the benefit deriving from the application of the facilitated Patent Box tax regime as a result of the preventive agreement signed on August 3, 2023 with the Italian Revenue Agency.

17. DERIVATIVE FINANCIAL INSTRUMENTS

The item includes the fair value measurement of derivative instruments. The breakdown is as follows:

(in thousands of euro)	12/31/2023				12/31/2022			
	Non Current Assets	Current Assets	Non Current Liabilities	Current Liabilities	Non Current Assets	Current Assets	Non Current Liabilities	Current Liabilities
Without adoption of hedge accounting								
Forex instruments - trade positions	-	7	-	(4)	-	16	-	(32)
In hedge accounting								
- cash flow hedge:								
Derivatives for interest rate - included in net financial position	12,752	-	-	-	26,070	3,281	-	-
Total derivative instruments	**12,752**	**7**	**-**	**(4)**	**26,070**	**3,298**	**-**	**(32)**

The above derivatives are intercompany derivatives stipulated with the Group's treasury company, Pirelli International Treasury S.p.A.

Derivative financial instruments in hedge accounting

The value of **interest rate derivatives** recorded under non-current assets for euro 12,752 thousand refers to the fair value measurement of 6 interest rate swaps with the following characteristics:

Derivative	Hedged element	Notional amount (Euro million)	Start date	Maturity	
IRS	Schuldschein	20.0	July 2020	July 2025	receive floating / pay fixed
IRS	Club Deal EUR 1.6 bn ESG 2022 5y	500.0	February 2023	February 2026	receive floating / pay fixed
Total		**520.0**			

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).

The change in fair value for the period is negative for euro 4,576 thousand. This change was entirely recorded among other components of the Comprehensive Income Statement.

In the income statement, euro 14,700 thousand were transferred under the item "Financial expenses" (note 36) to correct the financial expenses recognized on the liabilities hedged. This amount consists of:

1) euro 9,180 thousands of interest income on IRS in hedge accounting;

2) euro 5,520 thousand, corresponding to the portion of the positive cash flow hedge reserve accrued on IRS forward start pre hedge receive floating EURIBOR / pay fix EURIBOR closed early in 2022. This amount corrects the financial expenses of the related hedge item, a sustainability-linked bond issued in January 2023 for a total nominal amount of euro 600 million;

With reference to the IRS receive floating EURIBOR / pay fix EURIBOR closed early in the first quarter of 2023, a positive euro 2,690 thousand were also transferred to the income statement under the item "Fair value measurement of derivative instruments" (note 35).

A change of +0.5% in the EURIBOR curve, other conditions being equal, would lead to a positive change net of the tax effect of euro 3,608 thousand in the Company's equity, while a change of -0.5% in the same curve would lead to a negative change net of the tax effect of euro 3,666 thousand in the Company's 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.

18. SHAREHOLDERS' EQUITY

Equity amounted to euro 4,950,665 thousand (euro 4,938,026 thousand at December 31, 2022).

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 242,882 thousand), the adjustment to the fair value of derivatives designated as cash flow hedges net of the tax effect (negative for 16,810 thousand), the adjustment to the fair value of financial assets at fair value recorded as other components of the statement of comprehensive income (positive for euro 5,318 thousand) and the distribution of dividends for euro 218,000 thousand.

Share capital

The share capital at December 31, 2023, 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, 2022.

Legal reserve

The legal reserve at December 31, 2023 amounted to euro 380,875 thousand, unchanged compared to December 31, 2022, having already reached the limit set by art. 2430 Civil Code.

Share premium reserve

At December 31, 2023, the share premium reserve amounted to euro 630,381 thousand and unchanged compared to December 31, 2022.

Concentration reserve

At December 31, 2023, concentration reserves amounted to euro 12,467 thousand and unchanged compared to December 31, 2022.

Other reserves

At December 31, 2023, other reserves amounted to euro 133,735 thousand and unchanged compared to December 31, 2022. 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 loan.

Other O.C.I. reserves

At December 31, 2023, Other O.C.I. reserves were positive for euro 28,515 thousand and refer to the cash flow hedge reserve, net of the tax effect (positive for euro 22,277 thousand), to the employee benefit remeasurement reserve (positive for euro 2,037 thousand) and to the reserve for the fair value adjustment of financial assets at fair value through comprehensive income (positive for euro 4,201 thousand).

Merger reserve

At December 31, 2023, the merger reserve amounted to euro 1,022,928 thousand, unchanged compared to December 31, 2022. 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 594,508 thousand compared to a 559,834 at December 31, 2022. The increase is attributable in part to the residual result carried forward from the previous year, as per meeting resolution of June 29, 2023.

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 three 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	28,515	-	-	-
- Merger reserve	1,022,928	A, B, C	1,022,928	-
Retained earnings	594,508	A, B, C	594,508	(36,044)
Total	**4,707,784**		**2,774,894**	**(36,044)**
Non distributable			514,610	
Residual quota available			2,260,284	

A to increase the share capital
B to cover losses
C to distribute to the shareholders

19. PAYABLES TO BANKS AND OTHER LENDERS

The item payables to banks and other lenders, is broken down as follows:

(in thousands of euro)	12/31/2023			12/31/2022		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Bonds	1,095,029	1,095,029	-	713,098	490,452	222,646
Borrowings from banks	2,095,728	1,696,123	399,605	2,917,566	2,792,641	124,925
Lease liabilities	39,061	32,566	6,495	41,911	35,770	6,141
Other financial payables	1,547	-	1,547	780	-	780
Accrued liabilities	36,014	-	36,014	8,664	-	8,664
Total borrowings from banks & other financial institutions	**3,267,379**	**2,823,718**	**443,661**	**3,682,019**	**3,318,863**	**363,156**

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 6.0173 per share (originally euro 6.235 per share), subject to additional anti-dilutive adjustments envisaged by the loan regulations. At December 31, 2023, the component recorded under non-current financial payables was equal to euro 480.2 million. The difference with the nominal value refers to the fair value of the option 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;

- "Schuldschein" loan at variable rate (Euribor + spread) for a total nominal value of euro 20 million, classified entirely as non-current financial payables (maturity July 2025). The loan, subscribed by primary market operators, was originally made up of three tranches for a total of euro 525 million: a 3-year tranche of euro 82 million (original maturity July 2021) repaid early in January 2021, a second 5-year tranche of euro 423 million (original maturity July 2023) repaid in advance for a portion equal to euro 200 million in January 2022 and the remaining 223 in January 2023 and a third 7-year tranche of euro 20 million (original maturity July 2025).

- rated sustainability-linked bond for a nominal value of euro 600 million, placed on January 11, 2023 with international institutional investors with fixed coupon of 4.25% and maturity January 2028. The transaction, classified entirely as non-current financial payables, was issued as part of the EMTN (Euro Medium Term Note) Program approved by the Board of Directors on February 23, 2022. The securities are listed on the Luxembourg Stock Exchange. The regulation of the securities provides for each of the two sustainability parameters indicated contractually, the increase in the coupon of 0.25% in the event of failure to achieve each of the related objectives by 2025. The notes were assigned a BBB- rating with stable outlook by the two rating agencies Standard & Poor's and Fitch.

The carrying amount of the item bonds was determined as follows:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Nominal value	1,120,000	743,000
Equity convertible bond component	(41,791)	(41,791)
Transaction costs	(11,244)	(8,046)
Bond discount	(1,776)	-
Amortisation of effective interest rate	5,085	3,534
Non-monetary interest convertible bond loan	24,755	16,400
Total	**1,095,029**	**713,097**

Below are the changes of the item bonds.

(in thousands of euro)	
Bonds as at 12/31/2022	**713,097**
Transaction costs	(6,163)
Bond repayment "Schuldschein"	(223,000)
Bond issuance "Bond SLB EUR 600 mln	600,000
Cash changes	**370,837**
Non-cash interest convertible bond	8,354
Amortised cost of the year	2,741
Non-cash changes	**11,095**
Bonds as at 12/31/2023	**1,095,029**

The change in the item bonds relating to the previous year is shown below:

(in thousands of euro)	
Bonds as at 12/31/2021	**1,453,762**
Bond repayment "EMTN program"	(553,000)
Bond repayment "Schuldschein"	(200,000)
Cash changes	**(753,000)**
Non-cash interest convertible bond	8,185
Non-cash interest convertible bond	4,150
Non-cash changes	**12,335**
Bonds as at 12/31/2022	**713,097**

The breakdown of the item **borrowings from banks**, which amounted to Euro 2,095,728 thousand, is as follows:

(in thousands of euro)					**12/31/2023**	
	Due Date	**Interest rate**	**Nominal value**	**Balance**	**Non - current**	**Current**
Club Deal EUR 1.6 bn ESG 2022 5y	02/22/2027	EURIBOR + spread	600,000	598,206	598,206	-
Club Deal EUR 800 m ESG 2020 5y	04/02/2025	EURIBOR + spread	800,000	798,450	798,450	-
Bilateral ESG EUR 400 m 2021 3y facility	12/27/2024	EURIBOR + spread	400,000	399,605	-	399,605
Bilateral ESG EUR 300 m 2023 2,5y facility	02/27/2026	EURIBOR + spread	300,000	299,467	299,467	-
Total borrowings from banks				**2,095,728**	**1,696,123**	**399,605**

and refer to:

- use of the "*Club Deal EUR 1.6 bln ESG 2022 5y*" for euro 598,206 thousand and classified under non-current financial payables. The variable rate loan line (Euribor + spread), guaranteed by Pirelli tyre S.p.A., was signed on February 21, 2022, with a pool of leading

Italian and international banks and with 5-year maturity. The line, linked to the Group's ESG objectives, is made up 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, 2023;
- Pirelli International Treasury S.p.A. revolving cash credit facility of euro 900,000 thousand, unused at December 31, 2023.

- "*Club Deal EUR 800 mln. ESG 2020 5y*" for euro 798,450 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 most recent 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 regarding 2023 results;
- "*Linea bilaterale ESG 400 mln. 2021 3y*" for euro 399,605 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, 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 current financial payables;
- "*Linea bilaterale ESG 300 mln. 2023 2.5y*") for euro 299,468 thousand relating to the bilateral loan for a nominal amount of euro 300 million disbursed in July 2023 in favor of Pirelli & C. S.p.A. by a leading bank, with maturity February 2026, 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.

In December 2023, Pirelli signed an agreement with a selected pool of international banks for a revolving committed credit line for an amount of euro 500 million with a 4-year maturity (December 2027). The new line, created as part of the usual management and optimization activity of the financial structure, made it possible to strengthen the liquidity margin. As part of the agreement signed with the pool of banks, Pirelli will be able to parametrize the new credit line to the new and more challenging Science Based Targets that the company will define as part of the new Industrial Plan. At December 31, 2023, the line was unused and therefore entirely included in the calculation of the liquidity margin.

At December 31, 2023, the Company has a liquidity margin of euro 743,709 thousand made up of euro 600,000 thousand of unused committed credit lines (increased by euro 500 million euro compared to December 31, 2022 thanks to the new revolving credit facility signed in December 2023), euro 143,675 thousand relating to the interest-bearing current account with Pirelli International Treasury S.p.A. recognized as current financial receivables and euro 34 thousand relating to cash and cash equivalents.

Below are the changes in payables to banks:

(in thousands of euro)	
Borrowings from banks at 12/31/2022	**2,917,566**
Repayment "ISP 125m" financing	(125,000)
Repayment "ISP 600m" financing	(600,000)
Repayment “Club Deal EUR 400m ESG 2022 19m” financing	(400,000)
Transaction costs	(703)
Issuance of “ ISP ESG 300m" financing	300,000
Cash changes	**(825,703)**
Amortised cost of the year	3,865
Non-cash changes	**3,865**
Borrowings from banks at 12/31/2023	**2,095,728**

The change in total payables to banks for the previous year is shown below:

(in thousands of euro)	
Borrowings from banks at 12/31/2021	**2,967,539**
Reimbursements of unsecured financing (*Facilities*)	(960,280)
Reimbursements of bilateral borrowings	(100,000)
Transactions costs	(3,277)
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
Cash changes	**(63,557)**
Amortised cost of the year	6,277
Translation differences	7,307
Non-cash changes	**13,584**
Borrowings from banks at 12/31/2022	**2,917,566**

Lease payables 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)	
Lease liabilities as at 12/31/2022	**41,911**
Increase of lease obligations	1,738
Remeasurement and early termination	1,808
Cash outflow for lease obligations - principal amount	(6,397)
Lease liabilities as at 12/31/2023	**39,060**

The change in total lease payables for the previous year is shown below:

(in thousands of euro)	
Lease liabilities as at 12/31/2021	**44,773**
Increase of lease obligations	1,079
Remeasurement and early termination	2,165
Cash outflow for lease obligations - principal amount	(6,106)
Lease liabilities as at 12/31/2022	**41,911**

Non-discounted future payments for lease contracts for which the exercise of extension options is not considered reasonably certain amounted to euro 58,163 thousand at December 31, 2023 and are not included in this item (euro 54,623 thousand at December 31, 2022).

The item **other financial payables** includes for euro 774 thousand the payable to shareholders following the squeeze out and euro 773 thousand of transaction costs relating to the new revolving committed credit line.

Accrued financial expenses (euro 36,014 thousand) mainly refers to the accrual of interest on loans from banks for euro 10,405 thousand (euro 6,640 thousand at December 31, 2022), and to the accrued interest matured on bonds for euro 24,780 thousand (euro 2,002 thousand at December 31, 2022).

At December 31, 2023, there are no financial payables secured by collateral (pledges and mortgages).

For current financial payables, it is considered that their carrying amount approximates their relative *fair value*.

For non-current financial payables, with the exception of lease obligations, the fair value is shown below, compared to the carrying amount, in line with the requirements of IFRS 7 - *Financial Instruments: Disclosures*:

(in thousands of euro)	12/31/2023		12/31/2022	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Bonds	1,095,029	1,114,812	490,452	462,098
Borrowings from banks	1,696,123	1,724,865	2,792,641	2,806,825
Total borrowings from banks and other financial institutions - non current	**2,791,152**	**2,839,677**	**3,318,863**	**3,304,693**

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 fair value of the rated sustainability-linked bond issued by the Company under the EMTN program is listed and the related fair value was measured with reference to year-end prices. It has therefore been classified in level 1 of the hierarchy, as provided for by IFRS 13 – Fair Value Measurement.

With reference to the currency of origin of the payable, it is noted that payables to banks and other lenders at December 31, 2023 and December 31, 2022 are all denominated in Euro.

At December 31, 2023, there are interest rate hedging derivatives in place.

Considering the effects of the hedging derivatives, the Company'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 1,595,728 thousand, the interest rate of which is subject to redetermination in 2024;
- fixed-rate payables for euro 1,595,029 thousand, the interest rate of which is not subject to redetermination until the natural maturity of the reference debt (maturity beyond twelve months).

For the sake of completeness, it is specified that the obligation to comply with the financial covenants envisaged by the "Schuldschein" loan signed in July 2018, by the "Club Deal EUR 800m ESG 2020 5y", signed in March 2020, ceased due to the achievement of certain Total Net Leverage levels identified in the relevant contracts.

With regard to other outstanding financial payables, as December 31, 2023, the Company is not subject to financial covenants.

It is noted that at December 31, 2023, no event of default or non-fulfilment has occurred.

The "Club Deal EUR 1.6 bln ESG 2022 5y", the "Schuldschein" loan, the "Club Deal EUR 800m ESG 2020 5y" loan, the "Linea bilaterale ESG 400m line 2021 3y", the "Linea bilaterale EUR 300m ESG 2023 2.5y" and the "500m 4y revolving committed credit line" also provide for 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.

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, 2023 and December 31, 2022, 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	12/31/2023	of which related parties (note 39)	12/31/2022	of which related parties (note 39)
Current borrowings from banks and other financial institutions	19	443,661	-	363,156	-
Non-current borrowings from banks and other financial institutions	19	2,823,718	-	3,318,863	-
Total gross debt		**3,267,379**		**3,682,019**	
Cash and cash equivalents	15	(34)	-	(36)	-
Current financial receivables and other assets	13	(179,583)	*(176,746)*	(2,200,697)	*(2,199,672)*
Derivative financial instruments - assets	17	-	-	(3,281)	*(3,281)*
Net financial debt *		**3,087,762**		**1,478,005**	
Non-current financial receivables and other assets	13	(1,700,341)	-	(340)	-
Derivative financial instruments	17	(12,752)	*(12,752)*	(26,070)	*(26,070)*
Total net financial (liquidity)/debt position		**1,374,669**		**1,451,595**	

* 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 net financial debt is summarized below based on the format provided by the ESMA guidelines:

(in thousands of euro)	12/31/2023	12/31/2022
Cash and cash equivalents	(34)	(36)
Other current financial asset	(179,583)	(2,203,978)
of which current financial receivables	*(179,583)*	*(2,200,697)*
of which Current derivative financial instruments (assets)	-	*(3,281)*
Liquidity	**(179,617)**	**(2,204,014)**
Current borrowings from banks and other financial institutions	443,661	363,156
Current derivative financial instruments (liabilities)	-	-
Current financial debt	**443,661**	**363,156**
Current net financial debt	**264,044**	**(1,840,858)**
Non-current borrowings from banks and other financial institutions	2,823,718	3,318,863
Non current financial debt	**2,823,718**	**3,318,863**
Net financial debt *	**3,087,762**	**1,478,005**

* 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 RISKS AND CHARGES

The following is a detail of changes of the item in question:

(in thousands of euro)	12/31/2022	Increases	Uses	Reversals	Reclass	12/31/2023
Provision for employees disputes	497	809	(206)	-	-	1,100
Provision for tax risks	1,141	-	-	-	-	1,141
Provision for environmental risks	15,366	4,110	(69)	-	-	19,407
Provision for other risks and charges	22,058	8,020	(2,582)	(170)	(5,136)	22,190
Provision for liabilities and charges - non current portion	**39,062**	**12,939**	**(2,857)**	**(170)**	**(5,136)**	**43,838**
Provision for losses of subsidiaries	24,600	6,600	-	-	-	31,200
Provision for other risks and charges	536	-	(15)	(521)	-	-
Provision for liabilities and charges - current portion	**25,136**	**6,600**	**(15)**	**(521)**	**-**	**31,200**
Total Provisions for risks and charges	**64,198**	**19,539**	**(2,872)**	**(691)**	**(5,136)**	**75,038**

The **increases in provisions for risks and charges** mainly refer to:

- provisions of euro 4,110 thousand for charges relating to environmental remediation of abandoned areas;
- provisions for the STI (Short term Incentive) and LTI (Long term Incentive 2022 – 2024 and 2023 – 2025) incentive plans of the Directors for a total of euro 8,020 thousand;
- provision to cover losses of investee companies for euro 6,600 thousand, which refers to the subsidiary Pirelli UK Ltd.

The **uses** are mainly attributable to labor disputes and the directors' end-of-term provision.

The **reclassifications** mainly concern the reclassification from non-current provisions to payables to directors of the portion of the 2021-2023 LTI plan set aside in previous years, which will be paid in the first half of 2024.

21. PERSONNEL PROVISIONS

Employee benefit obligations amounted to euro 16,311 thousand (euro 13,105 thousand at December 31, 2022), and the breakdown is as follows:

(in thousands of euro)	12/31/2023			12/31/2022		
	Total	Non current	Current	Total	Non current	Current
Employee leaving indemnities (TFR)	1,957	1,957	-	1,562	1,562	-
Other benefits	14,354	13,534	820	11,543	11,543	-
Total employees' benefit obligation	**16,311**	**15,491**	**820**	**13,105**	**13,105**	**-**

Employees' leaving indemnities (TFR)

The changes in the year 2023 for Employees' leaving indemnities are the following:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Opening balance	**1,562**	**1,997**
Movements through income statement:		
- interest expense	68	18
Remeasurements recognised in equity:		
- actuarial (gains) or losses arising from changes in financial assumption	41	(321)
Indemnities, advance payments, relocations, payment to funds	286	(132)
Total employees' leaving indemnities (TFR)	**1,957**	**1,562**

Net actuarial losses accrued in 2023 recorded directly in other components of the Comprehensive Income Statement amounted to euro 41 thousand and are related to the change in the reference economic parameters (discount and inflation rates).

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, 2023 are as follows:

	2023
Discount rate	3.4%
Inflation rate	2.0%

The main actuarial assumptions used at December 31, 2022 were as follows:

	2022
Discount rate	4.1%
Inflation rate	2.5%

Hired employees at December 31, 2023 amounted to 425 units (387 units at December 31, 2022).

In other conditions being equal, a hypothetical change of 0.25% in the discount rate would result in a decrease in liabilities equal to 1.57%, in the case of an increase (1.56% at December 31, 2022), and an increase in liabilities of 1.60%, in the case of a decrease (1.59% at December 31, 2022).

Other employee benefits

The breakdown of other benefits is as follows:

(in thousands of euro)	12/31/2023			12/31/2022		
	Total	**Non current**	**Current**	**Total**	**Non current**	**Current**
Long-term incentive plans	5,075	5,075	-	6,315	6,315	-
Jubilee awards	1,556	1,556	-	1,436	1,436	-
Other benefits	7,723	6,903	820	3,792	3,792	-
Total	**14,354**	**13,534**	**820**	**11,543**	**11,543**	**-**

The item “**Long-term incentive plans**” relates to the amount set aside for the three-year monetary incentive plans Long Term Incentive 2022-2024 and 2023-2025 intended for Group management. The portion of the LTI 2021 – 2023 plan set aside in previous years, which will be paid in the first half of 2024, has been reclassified as other current payables.

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)	**12/31/2023**	**12/31/2022**
Payables to subsidiaries	3,423	4,433
Payables to associates	-	105
Payables to other companies	24,921	21,011
Total trade payables	**28,344**	**25,549**

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)	12/31/2023			12/31/2022		
	Total	Non-current	Current	Total	Non-current	Current
Payables to subsidiaries	12,773	-	12,773	6,382	-	6,382
Payables to social security and welfare institutions	4,915	-	4,915	4,899	-	4,899
Payables to employees	29,539	-	29,539	30,923	-	30,923
Other payables	37,170	406	36,764	31,745	355	31,390
Deferred income	17	-	17	15	-	15
Total other payable	**84,414**	**406**	**84,008**	**73,964**	**355**	**73,609**

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 amounts to be paid to employees and include the portion of the LTI 2021 – 2023 plan and the deferred portion of the STI (Short-term incentive) incentive plan relating to 2022, which will be paid in the first half of 2024.

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 item includes the portion of the LTI 2021 – 2023 plan and the deferred portion of the STI (Short-term incentive) incentive plan relating to 2023, which will be paid in the first half of 2024.

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 577,995 thousand at December 31, 2023 (euro 592,549 thousand at December 31, 2022).

The breakdown of deferred tax liabilities gross of offsetting is as follows:

(in thousands of euro)	12/31/2023	12/31/2022
Deferred tax assets	**62,437**	**53,201**
- of which within 12 months	53,421	37,356
- of which over 12 months	9,016	15,845
Provision for deferred tax liabilities	**(640,432)**	**(645,750)**
- of which within 12 months	(1,325)	(12,420)
- of which over 12 months	(639,107)	(633,330)
Total	**(577,995)**	**(592,549)**

The breakdown of deferred taxes, relating to temporary differences and tax losses carried forward is shown in the following table:

(in thousands of euro)	**12/31/2023**	**12/31/2022**
Deferred tax assets		
Provision for risk and charges	5,702	8,503
Employees provision	3,506	2,961
Provision for bad debt	38	38
Tax losses carried forward	5,057	9,209
ACE Benefit	37,938	23,846
Interests	5,108	5,138
Other	5,088	3,506
Total deferred tax assets	**62,437**	**53,201**
Provision for deferred tax liabilities		
Brand Pirelli	(633,330)	(633,330)
Exchange differences not realised	(7,035)	(12,343)
Employees provision	(67)	(77)
Total provision for deferred tax liabilities	**(640,432)**	**(645,750)**
Total	**(577,995)**	**(592,549)**

At December 31, 2023, the value of unrecognized deferred tax assets relating to temporary differences amounted to euro 25,856 thousand (unchanged compared to December 31, 2022).

The tax effect of gains and losses recorded in OCI was positive for euro 5,318 thousand (negative for euro 13,289 thousand in 2022), 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 20,715 thousand at December 31, 2023 (euro 20,353 thousand at December 31, 2022) 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, 2023, there were no commitments for lease contracts. At December 31, 2022, the total of future non-discounted payments for lease contracts not yet in force and for which no financial payable had been 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 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 community 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 settlement of the aforementioned community proceeding, in 2014 and 2019, Pirelli took two actions before the Court of Milan against Prysmian CS (the first) and against Prysmian CS and Prysmian S.p.A. (the second) in order to obtain, in addition to the reimbursement of the sanction imposed by the European Commission, the order to hold it harmless and indemnified from any burden, expense, cost and/or damage resulting from claims of public and/or private third parties relating, connected and/or consequential to the facts covered by the European Commission’s decision.

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.

Prysmian CS and Prysmian S.p.A. appeared in the aforementioned judgements, 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 (the one in 2014 and the one in 2019) were merged and subsequently merged with them, in 2022, were also two segments of the judgement introduced by Terna S.p.A. – Rete Elettrica Nazionale (“Terna”) against, among others, Pirelli, Prysmian CS and Prysmian S.p.A.; in the context of said segments, Pirelli, on the one hand, and Prysmian CS and Prysmian S.p.A., on the other hand, made mutual requests for indemnity with respect to what they had to pay to Terna (see below – *section Other litigation consequent to the European Commission Decision*).

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, 2023.

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 against Pirelli until the final passing of judgement that will define the Italian judgement already pending.

In April 2019, Terna summoned Pirelli, three Prysmian Group companies and another company recipient 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, in total 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 – *Litigation against the companies of the Prysmian Group before the Court of Milan*).

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, overall quantified during the case at euro 472 million. 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 plaintiffs lodged an appeal against this ruling before the Court of Appeal of Amsterdam, proceedings currently suspended following an incidental question raised by the Court of Appeal of Amsterdam before the Court of Justice of the European Union.

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, 2023.

INCOME STATEMENT

27. REVENUES FROM SALES AND SERVICES

Revenues from sales and services amounted to euro 72,998 thousand for 2023 compared to euro 68,322 thousand in 2022 and the breakdown is as follows:

(in thousands of euro)	**2023**	**2022**
Sales of services to subsidiaries	72,531	67,900
Sales of services to other companies	467	422
Total revenues from sales and services	**72,998**	**68,322**

Revenues from subsidiaries refer to services provided by the central functions.

28. OTHER INCOME

Other income amounted to euro 120,865 thousand in 2023 (euro 111,839 thousand in 2022), and the breakdown is as follows:

(in thousands of euro)	**2023**	**2022**
Other income from subsidiaries	116,848	105,828
Other revenues from third parties	4,017	6,011
Other income from other companies	**120,865**	**111,839**

Other income from subsidiaries mainly include royalties accrued with Group companies for the use of the brand (euro 94,017 thousand in 2023 compared to euro 96,137 thousand in 2022). The decrease in royalties compared to the previous year is offset by the increase in the charge-back of costs to Group companies.

Other income from other companies include royalties paid by other companies for the use of the Pirelli brand (euro 2,774 thousand in 2023 compared to euro 3,033 thousand in 2022).

29. RAW MATERIALS AND CONSUMABLES USED

They amounted to euro 302 thousand in 2023 (euro 386 thousand in 2022) and include purchases of advertising material, fuels and various materials.

30. PERSONNEL COSTS

Personnel costs amounted to euro 75,580 thousand (euro 62,086 thousand in 2022), and the breakdown is as follows:

(in thousands of euro)	**2023**	**2022**
Wages and salaries	62,948	49,338
Social security and welfare contributions	8,804	9,789
Employee leaving indemnities	2,242	1,597
Retirement and similar obbligations	676	614
Other costs	910	748
Total	**75,580**	**62,086**

The average staff headcount is the following:

- Executives 90
- White collars 315
- Workers 3

The increase in personnel costs is due to the increase in the average number of staff (from 372 people in 2022 to 408 in 2023) and restructuring expenses for euro 5,789 thousand.

31. AMORTISATION, DEPRECIATION AND IMPAIRMENT

The breakdown of the item is as follows:

(in thousands of euro)	**2023**	**2022**
Amortisation - intangible assets	2,306	2,072
Depreciation - property, plant and equipment (excl. Depreciation of Right of Use)	1,874	1,796
Depreciation of right of use	6,108	5,828
Total depreciation, amortisation and impairments	**10,288**	**9,696**

For the breakdown of the amortisation 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)	**2023**	**2022**
Advertising and sponsorship	37,499	24,929
Remuneration of Directors and supervisory bodies	24,401	29,598
Consultancy and collaboration services	15,940	16,114
IT expenses	9,125	8,773
Accruals to provisions	4,919	10,000
Insurance premiums	3,378	3,129
Security service	3,060	1,895
Membership fees and contributions	3,014	3,372
Travel expenses	2,871	2,721
Property maintenance	2,843	1,836
Energy, gas and water expenses	2,247	1,627
Rental and lease instalments	1,475	833
Legal and notarial expenses	871	283
Patents and trademarks expenses	749	888
Cleaning and property ordinary maintenance expenses	579	512
Other	5,979	5,126
Total other costs	**118,950**	**111,636**

The item **Rental and Lease instalments** includes costs relating to the application of the accounting standard IFRS 16, in particular:

- euro 198 thousand for lease contracts with a duration of less than twelve months (euro 55 thousand at December 31, 2022);
- euro 227 thousand for lease contracts for low unit value assets (euro 199 thousand in 2022).

33. NET IMPAIRMENT OF FINANCIAL ASSETS

The value of the net impairment of financial assets is zero for 2023, compared to a negative value of euro 48 thousand, recorded in the previous year.

34. RESULT FROM INVESTMENTS

34.1 Gains on equity investments

The item includes the gain deriving from the liquidation, in August 2023, of the company Servizi Aziendali Pirelli S.c.p.A., in which Pirelli & C. S.p.A. held a 90.35% investment.

34.2 Losses on equity investments

In 2023, a provision was made to cover losses of the subsidiary Pirelli UK Ltd.

In 2022, an impairment of euro 7,871 thousand of the aforementioned investment was recognized and a provision was made to cover losses for euro 24,600 thousand.

34.3 Dividends

They amounted to euro 283,581 thousand in 2023 compared to euro 309,767 thousand in 2022, and the breakdown is as follows:

(in thousands of euro)	**2023**	**2022**
From subsidiaries:		
- Pirelli Tyre S.p.A. - Italy	275,000	300,000
- Pirelli Group Reinsurance Company SA - Switzerland	3,011	979
- Pirelli Sistemi Informativi S.r.l. - Italy	450	200
- Pirelli International Treasury S.p.A. - Italy	-	5,635
- Pirelli Servizi e Amministrazione Tesoreria S.p.A. - Italia	180	-
From associates		
- Eurostazioni S.p.A.	1,476	-
From other financial assets:		
- RCS S.p.A. - Italy	1,482	1,482
- Fin. Priv. S.r.l. - Italy	1,668	1,471
- Genextra S.p.A. - Italy	314	-
Total	**283,581**	**309,767**

35. FINANCIAL INCOME

The breakdown of the item is as follows:

(in thousands of euro)	**2023**	**2022**
Interest and other financial income	88,730	30,560
Valuation at fair value of derivatives	2,690	-
Net gains on exchange rates	-	213
Total financial income	**91,420**	**30,773**

The item **interest and other financial income** includes euro 75,336 thousand of interest accrued on loans disbursed in 2023 in favor of subsidiaries and euro 13,364 thousand of interest accrued on the interest-bearing current account with Pirelli International Treasury S.p.A.

36. FINANCIAL EXPENSES

The breakdown of the item is as follows:

(in thousands of euro)	**2023**	**2022**
Interest and other financial expenses	134,165	61,902
Commissions	1,118	868
Interest expenses on lease liability	1,651	1,472
Net interest on employee benefit obligations	117	32
Net exchange rate losses	4	-
Valuation at fair value of derivatives	92	4,417
Total financial expenses	**137,147**	**68,691**

Interest and other financial expenses for a total of euro 134,165 thousand mainly include:

- euro 112,043 thousand for the bank loan lines held;
- euro 36,707 thousand of financial expenses relating to bond loans, of which euro 25,328 thousand relating to the sustainability-linked bond, euro 9,706 thousand relating to the non-monetary interest of the senior unsecured guaranteed equity-linked bond loan and euro 1,673 thousand relating to the “Schuldschein” loan;
- euro 14,700 thousand for net interest income, including interest on 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”.

The item **valuation at fair value of currency 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)	**2023**	**2022**
Current taxes	(13,360)	(70,043)
Deferred taxes	(9,236)	53,243
Total income taxes	**(22,596)**	**(16,800)**

Current taxes for the year 2023 were positive for euro 13,360 thousand compared to euro 70,043 thousand in the previous year and mainly include income from tax consolidation. The increase compared to the previous year is substantially attributable to the lower taxable income of the subsidiary Pirelli Tyre, which reflects the benefit deriving from the application of the Patent Box concessional tax regime as a result of the preventive agreement signed on August 3, 2023 with the

Italian Revenue Agency and equal to euro 41.383 thousand for the three-year period 2020-2022, in addition to the benefit for the year 2023, equal to euro 20,924 thousand.

Deferred tax assets/liabilities are positive for euro 9,236 thousand (negative for euro 53,243 thousand in the previous year) and mainly refer to the activation of deferred tax assets.

The table below shows the reconciliation of the effective tax rate with the theoretical rate of the Parent Company:

(in thousands of euro)	**2023**	**2022**
A) Profit/(loss) before taxes	220,286	235,686
B) Theoretical taxes	**52,869**	**56,565**
Main causes that give rise to changes between theoretical and effective taxes:		
Dividends and gains from investments not subject to taxation	(64,740)	(70,627)
Tax incentives	(83)	(16)
Loss on investments	1,584	7,793
Non-deductible costs and other items	(305)	1,298
Deferred tax assets on previous tax losses and other temporary differences	(11,921)	(11,813)
C) Effective taxes	**(22,596)**	**(16,800)**
Theoretical tax rate (B/A)	24%	24%
Effective tax rate (C/A)	-10.3%	-7.1%

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 only by companies that are eligible.

Disclosure on the impacts of the Pillar Two model

The legislation Pillar Two is enacted in Italy (Legislative Decree 208/2023, transposing European Directive 2022/2523) and enacted or substantively enacted in some jurisdictions in which the Pirelli Group operates and will come into force from January 1, 2024.

The Pirelli Group falls within the scope of the legislation and has carried out an assessment of the Pirelli Group's potential exposure to the impacts of Pillar Two on income taxes.

Taking into account what is stated in note 1 "General Information" to which reference is made, either in the event that the Ultimate Parent Entity is Pirelli or Sinochem, in the majority of jurisdictions in which the Pirelli Group operates, the effective Pillar Two tax rates are above 15% or the so-called transitional safe harbour apply. There are a limited number of jurisdictions where safe harbours do not apply where however, the Pirelli Group does not anticipate a material impact of Pillar Two on income tax.

The assessment of potential exposure to Pillar Two income taxes is based on the most recent tax returns, country-by-country reporting and the financial statements of the entities that make up the Pirelli Group.

38. NON-RECURRING EXPENSES AND INCOME

Pursuant to Consob Communication no. DEM/6064293 of July 28, 2006, there were no non-recurring events in 2023.

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 Statement of Financial Position, Income Statement and Cash Flow Statement that include transactions with related parties and their impact:

(in thousands of euro)	**12/31/2023**	**of which related parties**	*% share*	**12/31/2022**	**of which related parties**	*% share*
BALANCE SHEET						
Non current assets						
Other receivables	1.700.616	*1.700.000*	100,0%	612	-	0,0%
Derivative financial instruments	12.752	*12.752*	100,0%	26.070	*26.070*	100,0%
Current assets						
Trade receivables	55.665	*54.683*	98,2%	43.999	*42.901*	97,5%
Other receivables	193.860	*180.323*	93,0%	2.215.172	*2.200.675*	99,3%
Tax receivables	34.812	*34.560*	99,3%	97.981	*97.446*	99,5%
Derivative financial instruments	7	*7*	100,0%	3.298	*3.298*	100,0%
Non-current liabilities						
Other payables	406	*212*	52,1%	355	*212*	59,6%
Provision for liabilities and charges	43.838	*22.144*	50,5%	39.062	*21.843*	55,9%
Employee benefit obligations	15.491	*3.181*	20,5%	13.105	*3.016*	23,0%
Current liabilities						
Payables to banks and other financial lenders	443.661	*762*	0,2%	363.156	-	0,0%
Trade payables	28.344	*3.423*	12,1%	25.549	*4.557*	17,8%
Other payables	84.008	*33.241*	39,6%	73.609	*36.537*	49,6%
Tax payables	20.715	*20.715*	100,0%	20.353	*20.124*	98,9%
Derivative financial instruments	4	*4*	100,0%	32	*32*	100,0%

(in thousands of euro)	**2023**	**of which related parties**	*% share*	**2022**	**of which related parties**	*% share*
INCOME STATEMENT						
Revenues from sales and services	72.998	*72.989*	100,0%	68.322	*68.282*	99,9%
Other income	120.865	*116.906*	96,7%	111.839	*105.847*	94,6%
Raw materials and consumables used	(302)	-	0,0%	(386)	*(21)*	5,5%
Personnel expenses	(75.580)	*(10.123)*	13,4%	(62.086)	*(7.420)*	12,0%
Other costs	(118.950)	*(38.131)*	32,1%	(111.636)	*(42.336)*	37,9%
Income on equity investments	288	*288*	100,0%	-	-	0,0%
Losses on equity investments	(6.600)	*(6.600)*	100,0%	(32.471)	*(32.471)*	100,0%
Dividends	283.581	*280.117*	98,8%	309.767	*306.814*	99,0%
Financial income	91.420	*91.390*	100,0%	30.773	*30.337*	98,6%
Financial expenses	(137.147)	*9.088*	n.a.	(68.691)	*(8.737)*	12,7%

(in thousands of euro)	**2023**	**of which related parties**	*% share*	**2022**	**of which related parties**	*% share*
CASH FLOW STATEMENT						
Net cash flows provided by/(used in) operating activities	88.323	*188.313*	n.a.	85.817	*115.736*	n.a.
Net cash provided/(used) by investment activities	277.962	*279.029*	n.a.	304.921	*306.814*	n.a.
Net cash provided/(used) by financing activities	(366.287)	*418.629*	n.a.	(390.742)	*633.111*	n.a.

The equity, economic and cash flow effects of transactions with related parties for the year ended December 31, 2023 are detailed below.

(in thousands of euro)	**Subsidiaries**	**Associates**	**Other related parties**	**Directors and Key Managers**	**Total 12/31/2023**
Other non-current receivables	1,700,000	-	-	-	1,700,000
Derivative financial instruments (non current assets)	12,752	-	-	-	12,752
Trade receivables	54,646	3	34	-	54,683
Other current receivables	178,847	1,476	-	-	180,323
Tax receivables	34,560	-	-	-	34,560
Derivative financial instruments (current assets)	7	-	-	-	7
Other payables (Non-current liabilities)	-	-	-	212	212
Provision for liabilities and charges (Non-current liabilities)	-	-	-	22,144	22,144
Employee benefit obligations (Non-current liabilities)	-	-	-	3,181	3,181
Payables to banks and other lenders (current liabilities)	762	-	-	-	762
Trade payables	3,423	-	-	-	3,423
Other payables (current liabilities)	12,773	-	-	20,468	33,241
Tax payables	20,715	-	-	-	20,715
Derivative financial instruments (current liabilities)	4	-	-	-	4

(in thousands of euro)	Subsidiaries	Associates	Other related parties	Directors and Key Managers	Total 2023
Revenues from sales and services	72.531	-	458	-	72.989
Other income	116.848	-	58	-	116.906
Raw materials and other consumables used	-	-	-	-	-
Personnel expenses	-	-	-	(10.123)	(10.123)
Other costs	(13.946)	(330)	-	(23.855)	(38.131)
Gains from investments	288	-	-	-	288
Losses from investments	(6.600)	-	-	-	(6.600)
Dividends	278.641	1.476	-	-	280.117
Financial income	91.390	-	-	-	91.390
Financial expenses	9.088	-	-	-	9.088

(in thousands of euro)	Subsidiaries	Associates	Other related parties	Directors and Key Managers	Total 2023
Net income (loss) before taxes	548.240	1.146	516	(33.978)	515.924
Reversal of accruals/releases	-	-	-	10.067	10.067
Reversal of (Financial income)/financial expenses	(100.478)	-	-	-	(100.478)
Reversal of Dividends	(278.641)	(1.476)	-	-	(280.117)
Reversal of (gain)/losses on investments	6.312	-	-	-	6.312
Change in Trade receivables	(11.864)	-	82	-	(11.782)
Change in Trade payables	(1.012)	(105)	(18)	-	(1.135)
Change in Other receivables	(1.059)	-	-	-	(1.059)
Change in Other payables	6.391	-	-	(16.705)	(10.314)
Change in Tax receivables/Tax payables	63.477	-	-	-	63.477
Use of Other provisions	-	-	-	(2.582)	(2.582)
Net cash flows provided by/(used in) operating activities	**231.366**	**(435)**	**580**	**(43.198)**	**188.313**
Disposal/(Acquisition) of investments in subsidiaries	388	-	-	-	388
Dividends received	278.641	-	-	-	278.641
Net cash provided/(used) by investment activities	**279.029**	**-**	**-**	**-**	**279.029**
Change in Financial receivables	345.822	-	-	-	345.822
Financial income	68.495	-	-	-	68.495
Financial expenses	4.312	-	-	-	4.312
Net cash provided/(used) by financing activities	**418.629**	**-**	**-**	**-**	**418.629**

Below is a breakdown of the equity, economic and cash flow effects of transactions with related parties for the previous year:

(in thousands of euro)	Subsidiaries	Associates	Other related parties	Directors and Key Managers	Total 12/31/2022
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)	Subsidiaries	Associates	Other related parties	Directors and Key Managers	Total 2022
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)

(in thousands of euro)	Subsidiaries	Associates	Other related parties	Directors and Key Managers	Total 2022
Net income (loss) before taxes	456.775	(339)	347	(36.488)	420.295
Reversal of accruals/releases	-	-	-	12.300	12.300
Reversal of (Financial income)/financial expenses	(21.600)	-	-	-	(21.600)
Reversal of Dividends	(306.814)	-	-	-	(306.814)
Reversal of (gain)/losses on investments	32.471	-	-	-	32.471
Change in Trade receivables	(3.667)	-	79	-	(3.588)
Change in Trade payables	1.652	33	18	-	1.703
Change in Other receivables	403	-	-	-	403
Change in Other payables	1.663	-	-	5.036	6.699
Change in Tax receivables/Tax payables	(26.133)	-	-	-	(26.133)
Net cash flows provided by/(used in) operating activities	**134.750**	**(306)**	**444**	**(19.152)**	**115.736**
Dividends received	306.814	-	-	-	306.814
Net cash provided/(used) by investment activities	**306.814**	**-**	**-**	**-**	**306.814**
Change in Financial receivables	580.705	-	-	-	580.705
Financial income	30.337	-	-	-	30.337
Financial expenses	22.069	-	-	-	22.069
Net cash provided/(used) by financing activities	**633.111**	**-**	**-**	**-**	**633.111**

TRANSACTIONS WITH SUBSIDIARIES

Transactions – Balance Sheet

Other non-current receivables amounted to euro 1,700,000 thousand at December 31, 2023 (nil at December 31, 2022). The amount at December 31, 2023 refers to a loan granted to Pirelli International Treasury S.p.A. taken out on January 31, 2023 with maturity January 31, 2025.

Derivative financial instruments (non-current assets) for euro 12,752 thousand (euro 26,070 thousand at December 31, 2022) refer to hedging transactions with Pirelli International Treasury S.p.A.

Trade receivables from subsidiaries amounted to euro 54,646 thousand (euro 42,782 thousand at December 31, 2022) and mainly refer to receivables for services/provisions provided to Group companies (euro 49,267 thousand from Pirelli Tyre S.p.A., euro 2,366 thousand from Pirelli Group Reinsurance Company SA, euro 994 thousand from Limited Liability Company Pirelli Tyre Russia, euro 420 thousand from Pirelli Industrie Pneumatici S.r.l., euro 364 thousand from Pirelli Digital Solutions S.r.l.).

Other current receivables amounted to euro 178,847 thousand (euro 2,200,675 thousand at December 31, 2022) and refer for euro 143,675 thousand to the intragroup current account with Pirelli International Treasury S.p.A., for euro 33,070 thousand to interest accrued but not yet liquidated relating to the loan with Pirelli International Treasury S.p.A., for euro 1,627 thousand to receivables from Pirelli Tyre S.p.A., for euro 409 thousand to VAT receivables transferred from the subsidiaries (of which euro 213 thousand with Pirelli Servizi Amministrazione e Tesoreria S.p.A., euro 194 thousand with Pirelli Sistemi Informativi Srl, and euro 2 thousand with Pirelli International Treasury S.p.A.) and for euro 66 thousand to deferred assets relating to software licenses with Pirelli Sistemi Informativi S.r.l.

Tax receivables amounted to euro 34,560 thousand (euro 97,446 thousand at December 31, 2022) and refer to receivables from Group companies that adhere to tax consolidation (mainly euro 22,176 thousand from Pirelli Tyre S.p.A., euro 10,056 thousand from Pirelli International Treasury S.p.A., euro 1,245 thousand from Pirelli Industrie Pneumatici S.r.l., euro 633 thousand from Pirelli Digital Solutions S.r.l.).

Derivative financial instruments (current assets) for euro 7 thousand (euro 3,298 thousand at December 31, 2022) refer to hedging transactions with Pirelli International Treasury S.p.A.

Payables to banks and other lenders to subsidiaries amounted to euro 762 thousand (nil at December 31, 2022) and refer to payables to the company Pirelli International Treasury S.p.A..

Trade payables amounted to euro 3,423 thousand (euro 4,434 thousand at December 31, 2022) and mainly refer to payables for the provision of services. These payables mainly refer for euro 1,296 thousand to Pirelli Tyre S.p.A. and for euro 1,260 thousand to HB Servizi S.r.l.

Other payables (current liabilities) to subsidiaries amounted to euro 12,773 thousand (euro 6,382 thousand at December 31, 2022) and mainly refer to payables with Group companies that adhere to the VAT consolidation. The main ones are: euro 12,075 thousand with Pirelli Tyre S.p.A., euro 312 thousand with Pirelli Digital Solutions S.r.l., euro 154 thousand with Pirelli Industrie Pneumatici S.r.l. and euro 115 thousand with Driver Servizi Retail S.p.A..

Tax payables amounted to euro 20,715 thousand (euro 20,124 thousand at December 31, 2022) and refer to payables to subsidiaries that adhere to tax consolidation (euro 14,327 thousand to Pirelli Tyre S.p.A., euro 6,388 thousand to Pirelli International Treasury S.p.A.).

The amount of euro 4 thousand (euro 32 thousand at December 31, 2022) 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 72,531 thousand in 2023 (euro 67,900 thousand in 2022) and mainly refer to service contracts. The main transactions with subsidiaries are: euro 69,188 thousand with Pirelli Tyre S.p.A., euro 1,099 thousand with Pirelli Servizi Amministrazione e Tesoreria S.p.A., euro 589 thousand with Pirelli Sistemi Informativi S.r.l., euro 472 thousand with Pirelli International Treasury S.p.A., euro 386 thousand with HB Servizi S.r.l..

Other income from subsidiaries amounting to euro 116,848 thousand in 2023 (euro 105,828 thousand in 2022) mainly refer to: royalties (euro 85,709 thousand from Pirelli Tyre S.p.A., euro 4,870 thousand from Pirelli Group Reinsurance Company SA, euro 3,428 thousands from Limited Liability Company Pirelli Tyre Russia); euro 10 thousand from Pirelli International Treasury S.p.A.); revenues for charges relating to personnel seconded to other group companies (euro 683 thousand with Pirelli Tire LLC., euro 455 thousand with Pirelli Tyre Co. Ltd); revenues for euro 1,083 thousand with Pirelli Digital Solutions S.r.l., for the activity carried out as part of a research and development project; other recoveries (euro 19,220 thousand with Pirelli Tyre S.p.A.).

Other costs to subsidiaries for euro 13,946 thousand in 2023 (euro 12,875 thousand in 2022) mainly refer to charges for services and miscellaneous costs (euro 5,010 thousand HB Servizi S.r.l., euro 3,454 thousand Pirelli Tyre S.p.A., euro 3,372 thousand Pirelli Sistemi Informativi S.r.l., euro 1,209 thousand Pirelli Servizi Amministrazione e Tesoreria S.p.A.).

Gains from investments amounting to euro 288 thousand in 2023 and refer to the capital gain from the liquidation in August 2023 of the company Servizi Aziendali Pirelli S.c.p.A., in which Pirelli & C S.p.A. held a 90.35% share.

The item **losses from investments** includes the provision to cover losses from investee companies for euro 6,600 thousand, which refers to the subsidiary Pirelli UK Ltd.

Dividends for euro 278,641 thousand in 2023 (euro 306,814 thousand in 2022) refer to dividends collected during the year (euro 275,000 thousand from Pirelli Tyre S.p.A., euro 3,011 thousand from Pirelli Group Reinsurance Company SA, euro 450 thousand from Pirelli Sistemi Informativi S.r.l. and euro 180 thousand from Pirelli Servizi Amministrazione e Tesoreria S.p.A.).

Financial income for euro 91,390 thousand in 2023 (euro 30,337 thousand in 2022) mainly refers to interest income on receivables from Pirelli International Treasury S.p.A..

Financial expenses positive for euro 9,088 thousand in 2023 (negative for euro 8,737 thousand in 2022) mainly refer to interest income on hedging instruments stipulated with Pirelli International Treasury S.p.A.

TRANSACTIONS WITH ASSOCIATED COMPANIES

Transactions – Balance Sheet

Trade receivables from associated companies amounted to euro 3 thousand in 2023 (nil in 2022) and refer to receivables for services/provisions rendered to the associated company PT Evoluzione Tyres.

Other current receivables amounted to euro 1,476 thousand in 2023 (nil in 2022) and refer to receivables for dividends from the associated company Eurostazioni S.p.A. not yet collected.

Trade payables to associated companies are nil in 2023 (euro 105 thousand in 2022). The amount for 2022 referred to payables to the Consortium for the Research of Advanced Materials (CORIMAV).

Transactions – Income statement

Other costs to associated companies amounted to euro 330 thousand in 2023 (euro 339 thousand in 2022) and refer to relations with the Consortium for Research on Advanced Materials (CORIMAV).

Dividends for euro 1,476 thousand in 2023 (nil in 2022) and refer to dividends from the associated company Eurostazioni S.p.A.

TRANSACTIONS WITH OTHER RELATED PARTIES

Taking into account what is stated in note 1 “General Information” to which reference is made, pending the outcome of the analysis performed in this regard, in the Annual Financial Statements as of December 31, 2023 the perimeter of Pirelli’s related parties under IAS 24R has been kept unchanged.

Transactions – Balance Sheet

Trade receivables from other related parties for euro 34 thousand at December 31, 2023 (euro 116 thousand in 2022) include commercial relations with the Prometeon Group and Camfin S.p.A.

Trade payables to other related parties are nil at December 31, 2023 (euro 18 thousand at December 31, 2022). The value at December 31, 2022 mainly concerned payables for consultancy from related parties.

Transactions – Income statement

Revenues from sales and services from other related parties for euro 458 thousand in 2023 (euro 382 thousand in 2022) refer to services/provisions with Prometeon Tyre Group S.r.l. and Camfin S.p.A.

Other income from other related parties for euro 58 thousand in 2023 (euro 19 thousand in 2022) refers to service contracts in place with Marco Tronchetti Provera & C. S.p.A. and Camfin S.p.A.

Other costs to other related parties were nil in 2023 (euro 54 thousand in 2022). The amount for 2022 referred 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 2022-2024 and 2023-2025 for euro 2,385 thousand, the short-term benefits terms relating to the Short Term Incentive plan for euro 4,279 thousand, as well as end-of-term indemnity for euro 16,802 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 3,895 thousand relating to employees' severance indemnities and end-of-term indemnity (euro 5,932 thousand in 2022), as well as short-term benefits for euro 11,400 thousand (euro 11,866 thousand in 2022) and long-term benefits for euro 8,303 thousand (euro 9,609 thousand in 2022).

40. OTHER INFORMATION

Directors and auditors' fees

The fees due to Directors of Pirelli & C. S.p.A. amounted to euro 23,855 thousand in 2023 (euro 29,068 thousand in 2022). The fees due to the Statutory Auditors for the function performed at Pirelli & C. S.p.A. amounted to euro 393 thousand in 2023 (euro 390 thousand in 2022).

Independent auditors' fees

For the fees for the 2023 financial year for the auditing activities and other services rendered by the independent auditors PricewaterhouseCoopers S.p.A., references 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 a concession decree from the MUR (Ministry of University and Research) for the facilitation of Research and Development activities within the Innovation Ecosystem "MUSA – Multilayered Urban Sustainability Action" 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 2023.

42. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

On January 30, 2024, the European Commission announced the launch of an investigative activity against certain tyre manufacturers active in the European Economic Area, for alleged violations of community competition legislation, with reference to the possible coordination of prices of new replacement tyres for cars and trucks intended for sale in the European Economic Area. At the same time, it conducted inspection activities at the offices of the aforementioned tyre manufacturers, including those of Pirelli. The latter, in confirming the correctness of its actions and that it has always acted in compliance with the applicable legislation, ensured full collaboration with the Authority in the context of the investigations carried out. Based on the few elements available to date, Pirelli has not deemed it necessary to recognize any specific provision in the separate financial statements at December 31, 2023.

— ANNEXES TO THE NOTES

MOVEMENTS OF INVESTMENTS IN SUBSIDIARIES FROM 12/31/2022 TO 12/31/2023

	12/31/2022				CHANGES		12/31/2023			
	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
INVESTMENTS IN SUBSIDIARIES										
ITALY										
Unlisted:										
Pirelli Servizi Amministrazioni e Tesoreria S.p.A. - Milan	2,047,000	3,238	100.0	100.0	-	-	2,047,000	3,238	100.0	100.0
Maristel S.r.l. - Milan	1 share	1,315	100.0	100.0	-	-	1 share	1,315	100.0	100.0
Pirelli International Treasury SpA - Milan	37,500,000	75,000	100.0	30.0	-	-	37,500,000	75,000	100.0	30.0
Pirelli Sistemi Informativi S.r.l. - Milan	1 share	1,655	100.0	100.0	-	-	1 share	1,655	100.0	100.0
Pirelli Tyre S.p.A. - Milan	558,154,000	4,528,245	100.0	100.0	-	-	558,154,000	4,528,245	100.0	100.0
Servizi Aziendali Pirelli S.C.p.A. - Milan	93,964	100	100.0	90.4	(93,964)	(100)	-	-	-	-
HB Servizi Srl - Milan	1 share	230	100.0	100.0	-	-	1 share	230	100.0	100.0
Total investments in Italian subsidiaries		4,609,783				(100)		4,609,683		

	12/31/2022				CHANGES		12/31/2023			
	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
FOREIGN COMPANIES										
Brazil										
Pirelli Ltda - Sao Paulo	13,999,991	8,420	100.0	100.0	-	-	13,999,991	8,420	100.0	100.0
Pirelli Latam Participações Ltda.	1	-	-	-	-	-	1	-	-	-
UK										
Pirelli UK ltd. - London - ordinary	163,991,278	-	100.0	100.0	-	-	163,991,278	-	100.0	100.0
Switzerland										
Pirelli Group Reinsurance Company S.A.	300,000	6,346	100.0	100.0	-	-	300,000	6,346	100.0	100.0
Total investments in foreign subsidiaries		14,766				-		14,766		
Total investments in subsidiaries		4,624,549				(100)		4,624,449		

MOVEMENTS OF INVESTMENTS IN ASSOCIATES FROM 12/31/2022 TO 12/31/2023

	12/31/2022				CHANGES		12/31/2023			
	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
INVESTMENTS IN ASSOCIATES										
ITALY										
Unlisted:										
Consorzio per le Ricerche sui Materiali Avanzati (CORIMAV) -Milan	1 share	104	100.0	100.0	-	-	1 share	104	100.0	100.0
Eurostazioni S.p.A. - Rome	52,333,333	6,271	32.7	32.7	-	-	52,333,333	6,271	32.7	32.7
Total unlisted companies		6,375				-		6,375		
Total investments in associates - Italy		6,375				-		6,375		
Total investments in associates		6,375				-		6,375		

MOVEMENTS OF OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPRENSIVE INCOME FROM 12/31/2022 TO 12/31/2023 (Continue)

	12/31/2022				Changes		12/31/2023			
	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
INVESTMENTS IN OTHER COMPANIES										
ITALIAN LISTED COMPANIES										
RCS Mediagroup S.p.A. - Milan	24,694,918	16,570	4.7	4.7	-	1,729	24,694,918	18,299	4.7	4.7
Total other Italian listed companies		16,570				1,729		18,299		
Total other listed companies		16,570				1,729		18,299		

	12/31/2022				Changes		12/31/2023			
	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
ITALIAN UNLISTED COMPANIES										
Aree Urbane S.r.l. (in liquidazione) - Milan	1 share	-	0.3	0.3	-	-	1 share	-	0.3	0.3
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	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
Societa' 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	18,864	14.3	14.3	-	4,552	1 share	23,416	14.3	14.3
Istituto Europeo di Oncologia S.r.l. - Milan	1 share	8,140	6.1	6.1	-	217	1 share	8,357	6.1	6.1
Nomisma - Società di Studi Economici S.p.A. - Bologna	959,429	360	3.3	3.3	-	34	959,429	394	3.3	3.3
Tiglio I S.r.l. - Milan	1 share	1	0.6	0.6	-	-	1 share	1	0.6	0.6
Genextra S.p.A.	592,450	629	0.6	0.6	-	(371)	592,450	258	0.6	0.6
Total other Italian unlisted companies		27,994				4,432		32,426		

MOVEMENTS OF OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPRENSIVE INCOME FROM 12/31/2022 TO 12/31/2023

	12/31/2022				Changes		12/31/2023			
	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
FOREIGN COMPANIES										
Libia										
Libyan-Italian Joint Company - ordinary shares B	300	-	1.0	1.0	-	-	300	-	1.0	1.0
UK										
Eca International	100	-	2.8	2.8	(100)	-	-	-	-	-
Total other foreign companies		-				-		-		
OTHER PORTFOLIO SECURITIES										
Fondo Comune di Investimento Immobiliare - Anastasia	53 shares	1,776	-	-	-	(1,752)	53 shares	24	-	-
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS		1,776				(1,752)		24		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPRENSIVE INCOME		46,340				4,409		50,749		

LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (PURSUANT TO ART. 2427 OF THE CIVIL CODE)

(in thousand of euro)	Legal address	Carrying amount	Share %	Share capital	Attributable equity	Attributable net income (loss)
INVESTMENTS IN SUBSIDIARIES - ITALY						
Pirelli Servizi Amministrazioni e Tesoreria S.p.A.	Milan	3,238	100%	2,047	3,387	389
Maristel S.p.A.	Milan	1,315	100%	50	3,296	36
Pirelli Sistemi Informativi S.r.l.	Milan	1,655	100%	1,010	3,284	904
Pirelli Tyre S.p.A.	Milan	4,528,245	100%	558,154	1,848,170	111,820
HB Servizi S.r.l	Milan	230	100%	10	579	1
Pirelli International Treasury S.p.A.	Milan	75,000	30%	125,000	80,644	6,842
Total investments in subsidiaries - Italy		**4,609,683**				
INVESTMENTS IN FOREIGN SUBSIDIARIES						
Switzerland						
Pirelli Group Reinsurance Company S.A.	Lugano	6,346	100%	3,047	17,354	3,054
Brasil						
Pirelli Ltda	Sao Paulo	8,420	100%	2,616	(7,497)	(339)
UK						
Pirelli UK Ltd.	London	-	100%	188,701	(31,576)	(2,031)
Total investments in foreign subsidiaries		**14,766**				
Total investments in subsidiaries		**4,624,449**				
INVESTMENTS IN ASSOCIATES - ITALY						
Consortium for the Research into Advanced Materials (CORIMAV)	Milan	104	100%	104	104	-
Eurostazioni S.p.A. *	Rome	6,271	32.7%	16,000	7,757	1,136
Total investments in associates - Italy		**6,375**				
Total investments in associates		**6,375**				

*balance sheet at July 31, 2023

Report of the Board of Statutory Auditors to the Shareholders' Meeting

pursuant to article 153 of the TUF and article 2429(2) 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, presents this report ("**Report**") to the Shareholders' Meeting convened to approve the financial statements of the Company for the year ending on 31 December 2023 ("**Financial Statements**"), to document the supervisory activities carried out during the financial year and 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.

During 2023, 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 December 2023 ("**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, as well as the most recent recommendations of the Corporate Governance Committee.

The supervisory activity carried out by the Board of Statutory Auditors and detailed below therefore concerned (i) compliance with the law, the deed of incorporation and the Bylaws; (ii) compliance with the principles of proper administration; (iii) the adequacy of the organisational structure adopted by the Company (iv) the adequacy and functioning of the internal control and risk management system; (v) the adequacy of the administrative and accounting system, as well as the reliability of the latter to correctly represent management events, also monitoring the financial reporting and auditing process pursuant to article 19 of Legislative Decree No. 39 of 27 January 2010; (vi) the procedures for the implementation of corporate governance rules; (vii) the non-financial disclosure and (viii) transactions with related parties.

***

The Board of Statutory Auditors appointed by the Shareholders' Meeting of 15 June 2021 for the financial years 2021 - 2023 (and, therefore, expiring with the approval by the Shareholders' Meeting of Pirelli of the financial statements for the year ending 31 December 2023) consists 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.

Pursuant to both Article 148(3) of the TUF and the provisions of the Corporate Governance Code, the Board of Statutory Auditors verified that its members in office as of 31 December 2023 continue to meet the independence requirements (already ascertained at the time of their appointment, and verified on an annual basis, together with the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of Directors).

The Board of Directors in office as of the date of the Report consists of 15 Directors, 13 of whom qualify as non-executive and, among the latter, 9 of whom are deemed to meet the independence requirements set forth by the Corporate Governance Code and the Consolidated Law on Finance; the number of independent directors is deemed adequate with respect to the overall composition of the Board of Directors.

SUPERVISION OF THE LAW AND BYLAWS AND COMPLIANCE WITH THE PRINCIPLES OF PROPER ADMINISTRATION

The entire Board of Statutory Auditors participates - in addition to Board meetings - in the activities of the Audit, Risks and Corporate Governance Committee, the Remuneration Committee and the Related-Party Transactions Committee ("**RPT Committee**"); the Chairman of the Board of Statutory Auditors is also invited to attend meetings of the Appointments and Succession Committee, the Strategies Committee and the Sustainability Committee. The Board of Statutory Auditors also attends the Shareholders' Meeting.

During the 2023 financial year, the Board of Statutory Auditors attended eight meetings of the Board of Directors and 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 members of the Board of Statutory Auditors attended five meetings of the Risk and Corporate Governance Committee[1], four meetings of the Remuneration Committee, three meetings of the Related-Party Transactions Committee and two Shareholders' Meetings. 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.

In addition, the Board of Statutory Auditors attended induction sessions for members of the Board of Directors organised by the Company.

Participation in the meetings of all corporate bodies, also through the Chairman, allowed for a constant exchange of information with the aforesaid bodies and with the relevant corporate functions (administrative, audit, compliance and risk control and management) as well as with the Supervisory Body - also through joint meetings - established pursuant to Legislative Decree No. 231 of 8 June 2001. During its periodic meetings, the Board of Statutory Auditors received constant updates from the company entrusted with the legal audit of the accounts and had the opportunity to meet with the members of the boards of statutory auditors of the main subsidiaries, from whom it received information on their performance.

In general, the Board of Statutory Auditors monitored compliance with the law, the deed of incorporation and the Bylaws, learning about and monitoring, to the extent of its responsibilities, the adequacy of the Company's organisational structure and its actual functioning, compliance with the

[1] Formerly Audit, Risks, Sustainability and Corporate Governance Committee.

principles of proper administration and the adequacy of the instructions issued by the Company to its subsidiaries, pursuant to Article 114(2) of the TUF.

As part of this supervisory activity, 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 reasonably regard the information flow established as adequate for its purposes and guarantee that the transactions approved and implemented 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 such as to compromise the integrity of the company's assets.

The Board of Statutory Auditors also supervised the fulfilment of the requirements related to the "Market Abuse" and "Protection of Savings" regulations on corporate disclosure and "internal dealing", with particular regard to compliance with the handling of inside information and the procedure for the dissemination of statements and information to the public.

Lastly, the Board of Statutory Auditors acknowledges that the Board of Directors identified the Company's beneficial owner pursuant to Legislative Decree No. 231/2007 (most recently on 3 August 2023), identifying him as the Chief Executive Officer in the absence of shareholders holding a significant percentage for the purposes of the anti-money laundering regulations in force in Italy.

The Board of Statutory Auditors also acknowledges that it received a request for information from Consob pursuant to Article 9(3) of Legislative Decree No. 254/2016 and Article 115(1)(a) of the TUF, which was received within the prescribed time limits and which was not followed by further requests for clarification and/or supplementary documentation from Consob.

The Board of Statutory Auditors 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**", together with the "**Financial Statements**"); the Board of Statutory Auditors obtained information on the effects of the aforementioned crisis on the Group, also taking into account the restrictive measures adopted in this regard by the EU. The Board of Statutory Auditors acknowledges that it has supervised and verified that the Company has put in place (taking into account the indications of the Compliance department) the functional safeguards to ensure compliance with the restrictive measures, as required by Consob's Call for Attention 3/2022.

GOLDEN POWER PROVISION

The Board of Statutory Auditors has also been constantly informed on the administrative procedure, initiated pursuant to Legislative Decree no. 21/2012 (the "**Golden Power Procedure**") before the

Presidency of the Council of Ministers in relation to the renewal of the shareholders' agreement signed on 16 May 2022 between China National Tire & Rubber Co., Ltd, Marco Polo International Italy S.r.l. ("**MPI Italy**"), Camfin S.p.A. and Marco Tronchetti Provera & C. S.p.A. (the "**Shareholders' Agreement**"). At the end of the Golden Power Procedure, the Board of Statutory Auditors acknowledged the decision communicated to the Company on 16 June 2023, in which the Council of Ministers exercised special powers in accordance with Decree-Law no. 21/2012 (the "**Golden Power DPCM**"). The Provision, considering that the Company holds assets of strategic importance under and for the purposes of the aforementioned decree-law, provides special prescriptions aimed at creating a network of measures to protect the autonomy of Pirelli and its management. Pirelli is required to send to the Ministry of Enterprises and Made in Italy ("**MIMIT**"), within thirty days from the approval of the annual Financial statements, starting from those related to 2023, a report drafted by the Board of Statutory Auditors, which communicates the measures adopted in accordance with the Provision and any other relevant corporate or business measure in relation to the same.

As of 4 October 2017, the date on which trading of the Company's shares commenced on the Euronext Milan market organised and managed by Borsa Italiana S.p.A., MPI Italy declared - pursuant to Article 93 of the TUF - its control over the Company, of which it holds a stake of approximately 37% of the share capital, without exercising management and coordination activities over the same. MPI Italy is in turn indirectly controlled by Sinochem Holdings Corporation Ltd ("Sinochem"), a Chinese state-owned company subject to control by the State-owned Assets Supervision and Administrative Commission of the State Council (SASAC) of the People's Republic of China.

Following the issuance of the Golden Power Prime Ministerial Decree, the Board of Statutory Auditors and the management conducted in-depth investigations to verify the continued existence of control by MPI Italy over Pirelli pursuant to both Article 93 of the TUF and IFRS 10; these investigations are still in progress. A similar activity is being carried out by MPI Italy. Pending the outcome of the aforementioned investigations, the disclosure relating to MPI Italy's declaration of control has not been modified at this time. This circumstance is also disclosed in the Financial Statements and in the Consolidated financial statements.

SUPERVISORY ACTIVITIES ON THE ADEQUACY OF THE ORGANISATIONAL STRUCTURE

The Board of Statutory Auditors has assessed the Company's organisational structure - which changed during the financial year, also following the renewal of the Board of Directors - as being adequate for the nature, needs and size of the same, as well as being suitable to ensure compliance with the principles of proper administration and the pursuit of the corporate purpose, and in accordance with the provisions of the Golden Power Prime Ministerial Decree.

The Report on the Corporate Governance and Share Ownership structure describes in detail the types of powers conferred on the Executive Vice Chairman and Chief Executive Officer and indicates the matters reserved to the competence of the Board of Directors of Pirelli.

The Board of Statutory Auditors was able to verify the appropriateness of the procedure followed to confirm the appointment of Mr Fabio Bocchio as the Manager responsible for the preparation of the corporate financial documents ("**Manager in charge**") by the Board of Directors for the duration of the term of office of the Board appointed by the Shareholders' Meeting of 31 July 2023. On this occasion, the Board of Statutory Auditors found that the requirements of the Bylaws for the confirmation of Mr Bocchio were met, and therefore expressed its favourable opinion on the appointment. The Board of Statutory Auditors also took note of the report made by the Manager in charge who, lastly 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 in charge 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.

SUPERVISION OF THE ADEQUACY AND FUNCTIONING OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Board of Statutory Auditors, also in collaboration with the Audit, Risks 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 effectiveness and adequacy of the Internal Control System and also received the Audit Plan for the financial year and the related final results, as well as the risk analysis and the report on activities aimed at preventing and managing cyber risks, expressing a favourable opinion to the Board of Directors on their approval, where requested. During the meetings, it was also constantly updated on the application within the Pirelli Group of the so-called Whistleblowing procedure, being able to verify - also pursuant to the provisions of Legislative Decree No. 24 of 10 March 2023 - that the Company has set up a group whistleblowing channel whose management is entrusted to the Internal Audit department.

Furthermore, every six months it received the reports of the Audit, Risks and Corporate Governance Committee and the Supervisory Body on the activities they had undertaken.

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.

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 received the annual report from the Company's Data Protection Officer which showed the Company is fully compliant with privacy legislation.

The Board of Statutory Auditors received from the Supervisory Body, of which Standing Auditor Prof. Antonella Carù is also a member, information on the results of the control activities of said body, from which no anomalies or misconduct emerged. In particular, the Board of Statutory Auditors examined the reports issued by the Supervisory Body in relation to compliance with the Code of Ethics and the Organisation and Control Model pursuant to Legislative Decree No. 231 of 8 June 2001 and its implementation, as well as in relation to the activity performed by the Body itself on the reports received pursuant to the Whistleblowing procedure.

The controls specified in Law 262/2005 for the Financial Statements highlighted that the administrative-accounting procedures had been applied correctly. The controls required by Legislative Decree 254/2016 with regard to the Non-Financial Disclosure showed that the procedures on non-financial data were correctly applied.

The Board of Statutory Auditors therefore assessed the internal control and risk governance system as adequate in its entirety, and states that there are no findings to be submitted to the Shareholders' Meeting.

SUPERVISORY ACTIVITIES ON THE ADEQUACY OF THE ADMINISTRATIVE AND ACCOUNTING SYSTEM AND ON THE STATUTORY AUDITING OF ACCOUNTS AND SUPERVISORY ACTIVITIES PURSUANT TO LEGISLATIVE DECREE NO. 39/2010 "EXTERNAL AUDITORS"

The Board of Statutory Auditors, also in collaboration with the Audit, Risks and Corporate Governance Committee and pursuant to changes to the regulations introduced by legislative decree no. 135 of 17 July 2016, supervised:

- administrative and accounting system and 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.

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. Without prejudice to the foregoing, in order to meet the need to comply with the principle of independence of the external auditor, as required under the provisions of European Regulation no. 537/2014, and to ensure a more gradual and efficient rotation between external auditors, in collaboration with the relevant departments of the Company, the Board of Statutory Auditors - defining the procedure - started in the 2023 financial year, in accordance with best practices, the process of selecting the new auditor for the nine-year period 2026-2034 (the "**New External Auditor**"), whose appointment is submitted for approval to the Shareholders' Meeting called to approve the Financial Statements. In this regard, reference is made to the recommendations made by the Board of Statutory Auditors contained in the reasoned proposal for the appointment of the New External Auditor of Pirelli & C. for the nine-year period 2026-2034 available to the Shareholders' Meeting.

The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, has supervised the adequacy of the administrative and accounting structure, the financial reporting process and the independence of the company appointed as Pirelli's external auditor, as well as the selection process of the company appointed as external auditor for the 2026-2034 period.

The Board of Statutory Auditors 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.

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 13 March 2024. 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 2023, 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 2023, 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 13 March 2024, 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 13 March 2024, pursuant to article 3(10) of Legislative Decree no. 254 of 30 December 2016, it 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 financial year ending 31 December 2023 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 website, pursuant to article 18 of legislative decree no. 39 of 27 January 2010.

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.

The Board of Statutory Auditors also 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.

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.

With regard to the independence of the external auditor an operating procedure applicable to all Group companies has been issued, most recently amended in October 2023 which, in accordance with the provisions of Legislative Decree no. 39 of 27 January 2010, forbids all Pirelli Group companies from assigning 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 European Regulation 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 13 March 2024, 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 2023 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:

(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.	91		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	1,503		
	Network PricewaterhouseCoopers	Subsidiaries	1,547	**3,141**	*76%*
Independent certification services (1)	PricewaterhouseCoopers S.p.A.	Pirelli & C. S.p.A.	227		
	PricewaterhouseCoopers S.p.A.	Subsidiaries	94		
	Network PricewaterhouseCoopers	Subsidiaries	33	**354**	*9%*
	PricewaterhouseCoopers S.p.A.	Subsidiaries	293		
	Network PricewaterhouseCoopers	Pirelli & C. S.p.A.	265		
	Network PricewaterhouseCoopers	Subsidiaries	68	**626**	*15%*
				4,121	*100%*

(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.

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.

We would like to remind you that pursuant to European Regulation 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 put in place a procedure to enable compliance with the above-mentioned rule.

The Board of Statutory Auditors, therefore, 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 external auditor the methodological system used for the calculation and periodic update of the aforementioned fee cap and payments made to the external auditor 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 external auditor itself, and

- that the remuneration received by PWC during 2023 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 2020-2022.

CONSIDERATIONS ON THE DRAFT 2023 FINANCIAL STATEMENTS AND SUPERVISORY ACTIVITIES ON 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 2023 ("**Integrated Financial Statements**") [2] have been prepared in accordance with the xHTML format (European Single Electronic Format - ESEF). Therefore, 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 2022 taxonomy as a reference taxonomy for these Integrated Financial Statements, which are therefore to be considered ESEF compliant.

The Board of Statutory Auditors specifically checked that: (i) the data and information contained in the Integrated Financial Statements of Pirelli are coded based on the provisions of the ESEF XBRL 2022 taxonomy in force and that (ii) the directors, based on the assessments carried out on

[2] 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.

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.

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 2023 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 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 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 ESMA32-193237008-1793 of 25 October 2023 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 2023 Annual Report. It should be noted that the assurance activities carried out by 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 external auditors 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 2024 remuneration policy ("**2024 Policy**") and the report on compensation paid in 2023.

Pirelli's 2023 Integrated Financial Statements include statements of compliance by the CEO and by the Manager responsible for the preparation of the corporate financial documents ("**Manager in charge**").

Pirelli's 2023 Consolidated Financial Statements present the following summary data:

Revenues	€ 6,650.1 million
Operating income (EBIT)	€ 808.3 million
Adjusted EBIT	€ 1,001.8 million
Consolidated net profit	€ 495.9 million

Net financial position was equivalent to 2,261.7 million euros, compared to 2,552.6 million euros at 31 December 2022.

Parent company Pirelli closed the financial year with positive net income to the amount of 242.9 million euros (252.5 million euros in 2022).

The most significant events that occurred during the financial year, as well as those that occurred after its closure, are detailed in the Directors' Management Report, to which reference should be made.

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 Company has adopted a specific "Related-Party Transactions Procedure" ("**RPT Procedure**"). Subject to the favourable opinion of the Related-Party Transactions Committee and the Board of Statutory Auditors, on 3 August 2023, the Board of Directors appointed by the Shareholders' Meeting of 31 July 2023 confirmed and endorsed the RPT Procedure as last approved on 17 March 2022.

The Board of Statutory Auditors, by virtue of the supervisory duties prescribed by the regulations in force, supervised the correct application of the provisions of the RPT Procedure (which will undergo the regular three-yearly updating process during the 2024 financial year). 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).

Transactions with related parties mainly include transactions with subsidiaries relating to services (technical, organisational, general) provided by the head office; charging of royalties for use of the brand; and financial transactions. These transactions - even when carried out with Aeolus Tyre Co., Ltd. and the Prometeon Group - cannot be qualified as atypical or unusual, as they are part of the ordinary course of business of the Group companies and are carried out in the interest of the individual companies. These transactions, when not concluded at standard conditions or dictated by specific regulatory conditions, are in any case regulated at conditions in line with market conditions. Furthermore, they were carried out in compliance with the RPT Procedure.

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 transactions and the expediency and substantial correctness of their conditions. Regarding such transactions, the Board of Statutory Auditors has 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 economic and financial effects of the aforesaid transactions for the financial year 2023 are fully reflected in the Financial Statements and adequately disclosed in the notes to the Financial Statements.

Bearing in mind the information given in the Financial Statements in relation to the Golden Power Prime Ministerial Decree, pending the outcome of the in-depth investigations carried out in this regard, no change has been made to the scope of Pirelli’s related parties pursuant to IAS 24 as reported in the Financial Statements.

On 6 March 2024, the Company informed the market that negotiations are underway for a possible revision of the terms and conditions of the existing licences between the Pirelli Group and Aeolus Tire Co. Ltd. (“**Aeolus**”) and Prometeon Tyre Group S.r.l. (“**PTG**”), aimed, inter alia, at reshaping the royalties due and the terms of the concession of the rights to use Pirelli technology in the industrial segment by these companies, as well as the PIRELLI brand by PTG. The ongoing discussions are part of a broader negotiating context that also involves the renegotiation of additional agreements with Aeolus and PTG originally signed under the segregation of the industrial business carried out by the Group between 2016 and 2017. If successful, all such negotiations will be submitted for the necessary approval by the relevant corporate bodies of the parties, including, as far as Pirelli is concerned, the RPT Committee. At present, the outcome of these negotiations is not expected to affect the targets of the 2024-2025 business plan, announced to the market on the same date.

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 in this regard.

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 and Corporate Governance Committee and the Board of Statutory Auditors; in particular, this was done with regard to the accounts for the financial year 2023, at the meetings:

(i) of 26 July 2023, therefore, independently and prior to the meeting of [27 July 2023] for the approval of the Half-yearly financial report at 30 June 2023;

(ii) of 5 February 2024, therefore, independently and prior to the meeting of 6 March 2024 for the approval of the draft Financial Statements at 31 December 2023.

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 an 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 2023 adequate and the relative information comprehensive.

With reference to the Financial Statements, the Board of Statutory Auditors confirms that Directors' Management Report 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.

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.

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.

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 disclosure (the "**NFD**"), furthermore verifying, also through regular meetings with the representatives of Pirelli and the external auditor, 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.

The prescribed controls on the application of the control framework for the NFD evidenced that the internal procedures had also been applied correctly.

Lastly, it should be noted that the Board of Statutory Auditors verified the proper fulfilment of Pirelli's disclosure obligations (to the market, shareholders, the Register of Companies, etc.) in relation to the NFD as required by current legislation.

SUPERVISORY ACTIVITIES ON THE ACTUAL IMPLEMENTATION OF CORPORATE GOVERNANCE RULES

The Board of Statutory Auditors assessed the Company's actual and proper application of the corporate governance rules set forth in the Corporate Governance Code and verified that they are implemented in the corporate governance model that the Company itself has adopted, fully described in the Report on the Corporate Governance and Share Ownership available to shareholders on the Company's website (www.pirelli.com). The Board of Statutory Auditors found that Pirelli's corporate governance model is substantially in line with the principles contained in the above-mentioned codes of conduct. 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 and in accordance with the provisions of the Bylaws.

SUPERVISORY ACTIVITIES ON RELATIONS WITH SUBSIDIARIES

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 has issued instructions to its subsidiaries regarding compliance with the provisions of Article 114(2) of the TUF; in this regard, the Board of Statutory Auditors, 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 - the Board of Statutory Auditors deems these provisions to be adequate.

The Board of Statutory Auditors noted 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.

As already mentioned, the Board of Statutory Auditors obtained - through specific meetings - 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). Similar information was obtained concerning the main foreign subsidiaries, also through meetings with some of the region managers.

Lastly, the Board of Statutory Auditors, with reference to the provisions of article 15 of Consob Regulation 20249 of 28 December 2017 concerning market discipline, 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 2023, are of significant importance under article 15 of Consob Market Regulation are listed in detail by the Company in the Report on Operations.

ANY OMISSIONS AND MISCONDUCT NOTED AND OPINIONS RENDERED DURING THE FINANCIAL YEAR

During the course of its supervisory activities as described above, 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 17 meetings of the Board of Statutory Auditors held during 2023.

The Board of Statutory Auditors reports that on 29 June 2023, the Company received by certified electronic mail a complaint pursuant to Article 2408 of the Italian Civil Code addressed to the Chairman of Consob as well as to the Board of Statutory Auditors and to the Chairman of the Company. The shareholder considered that some of the questions he had asked at the Shareholders' Meeting held on 29 June 2023, which were answered by the Company on 25 June 2023, remained unanswered, and therefore requested (i) the Board of Statutory Auditors to "reprimand the management for failure to answer"; and (ii) the Chairman of Consob to order the Company to answer the unanswered questions. The Board of Statutory Auditors promptly carried out the appropriate investigations, including through hearings of the relevant departments of the company. As a result of the investigations and analyses carried out, the Board of Statutory Auditors believes that it can rule out the grounds for the allegations raised by the shareholder in the aforesaid complaint given that, based on the information gathered, the allegations contained therein are groundless and no irregularities were to have been committed on the part of the Company concerning the matters referred to in the complaint.

During 2023, the Board of Statutory Auditors has expressed the opinions required by law regarding proposals for the remuneration of Directors holding specific offices, pursuant to the provisions of article 2389 of the Italian Civil Code. In particular, the Board of Statutory Auditors, at the following meetings of the Board of Directors:

- 22 February 2023, expressed its favourable opinion on the approval of the 2023 STI Plan;
- 5 April 2023, expressed its favourable opinion on the approval of the 2023-2025 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;
- 3 August 2023, expressed a favourable opinion regarding the distribution of the overall remuneration allocated to the Board itself by the Shareholders' Meeting of 31 July 2023;
- 13 September 2023, expressed a favourable opinion regarding the allocation of remuneration to the Executive Vice Chairman and the CEO for the position held.

In addition, following the end of the 2023 financial year, at the meeting of the Board of Directors held on 6 March 2024, the Board of Statutory Auditors expressed a favourable opinion on the approval of (i) the 2024 STI Plan, (ii) the 2024-2026 LTI Plan, (iii) the specific end-of-term benefit for the CEO due to his specific career path in the company, which saw him work as Group Executive for many years, with roles of increasing responsibility, most recently as General Manager of Operations; (iv) the 2024 remuneration report (consisting of the 2024 Policy and the Report on Compensation Paid in 2022), as well as the related Directors' Reports to the Shareholders' Meeting on remuneration matters.
For more details see the Report on the Remuneration Policy and the Compensation Paid.

In addition to the aforementioned favourable opinion expressed regarding the confirmation of the Manager in Charge, the Board of Statutory Auditors issued a favourable opinion pursuant to article 2386 of the Italian Civil Code on the occasion of the appointment of Director Wang Feng, who was co-opted to the Board of Directors on 22 February 2023.

BOARD EVALUATION

In 2023, 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 self-assessment 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. The positive outcomes of this process were discussed and shared by the Board of Statutory Auditors in the meeting held on 1 March 2024.

The Board of Statutory Auditors noted that the self-assessment of 2023 - the current Board of Statutory Auditors' third and last year of mandate - further strengthened a broadly positive picture of the composition and operation of the Board of Statutory Auditors, as already outlined in the previous years.

Particularly appreciated were the:

(i) adequacy of size and composition, the presence of five members of the Board of Statutory Auditors in fact ensured a proper mix of technical and professional skills and experience;

(ii) frequency, duration, degree and manner of attendance at meetings of the Board of Statutory Auditors, the Board of Directors and the various board committees, which ensured transparent, effective, adequate and systematic information flows with management and top management;

(iii) scheduling and management of work by the Chairman of the Board of Statutory Auditors, particularly considering the Company's organisational and internal control system, both in relation to the time set aside for debate at meetings for decision-making purposes, which allows each Statutory Auditor to make his or her professional contribution in full freedom, thereby fostering a climate of trust, cooperation and sharing in the work carried out and at the same time enhancing the different skills of the individual members of the Board, and with reference to relations with the other members of the Board, always extremely polite and highly respectful of one another's roles.

The Board of Statutory Auditors also 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 2023 financial year.

PROPOSALS TO THE SHAREHOLDERS' MEETING

Financial statements at 31 December 2023

The Board of Statutory Auditors expresses a favourable opinion on the approval of the 2023 Financial Statements and has no observations to make regarding the proposed distribution and allocation of the profits for the year, in line with the dividend policy disclosed to the market.

Conferral of the assignment for the external auditing of the accounts for the nine-year period 2026-2034 and determination of the related remuneration

Pursuant to article 13 of the Legislative Decree no. 39 of 27 January 2010, and article 16(2) of Regulation (EU) no. 537/2014, the Board of Statutory Auditors has stated its preference and recommendation in the reasoned proposal prepared in this regard, to which full reference should be made.

Appointment of the Board of Statutory Auditors for the financial years 2024, 2025 and 2026 and determination of the related remuneration

The Board of Statutory Auditors is due to expire due to the completion of its mandate. We would like to thank you for the trust you have put in our Company and we would like to remind you that all Shareholders are invited to appoint the Board of Statutory Auditors for the next three year period using the slate voting mechanism. In this regard, we invite you to consider the guidelines of the outgoing Board of Statutory Auditors on the composition of the new control body drawn up in compliance with the instructions given in the Rules of Conduct and available on the Company's website.

Remuneration policy and compensation paid

Please note that the Board of Statutory Auditors expressed a favourable opinion of the Remuneration Policy for the 2024 financial year subject to the binding vote of the Shareholders' Meeting and the Report on Compensation Paid in the 2023 financial year, subject to the advisory vote of the Shareholders' Meeting and has no further observations to express to the Shareholders' Meeting.

Three-year monetary incentive plan for the Pirelli group's management

We inform you that the Board of Statutory Auditors expressed a favourable opinion, to the extent of its competence, on the adoption of the new 2024-2026 LTI plan and has no further observations to express to the Shareholders' Meeting.

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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).

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 regulatory provisions laid down by Consob governing the "maximum number of positions to be held".

Milan, 13 March 2024

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, 2023 closed with a profit of euro 242,882,239.00.

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 0.198 for each of the 1,000,000,000 outstanding ordinary shares and the carry-forward of the remaining profit of euro 44,882,239.00.

The aforementioned proposal provides for a distribution equal to ~40% of the consolidated net result of the year.

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, 2023;
- having acknowledged the report of the Board of Statutory Auditors;
- having acknowledged the report of the Independent Auditors;

RESOLVED

a) to approve the Company's financial statements for the year ended December 31, 2023, as presented by the Board of Directors as a whole, in the individual entries and with the proposed provisions, showing a profit of euro 242,882,239.00;

b) to distribute to shareholders a dividend, gross of withholding taxes, of euro 0.198 for each of the 1,000,000,000 outstanding ordinary shares, for a total of euro 198,000,000.00;

c) to carry forward the remaining profit of euro 44,882,239.00;

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 2023 will be paid as from June 26, 2024, with ex dividend date on June 24, 2024 (record date June 25, 2024).

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 Andrea Casaluci, in his capacity as 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, 2023 – December 31, 2023.

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, 2023 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.

March 6, 2024

The Chief Executive Officer

(Andrea Casaluci)

The Corporate Financial Reporting Manager

(Fabio Bocchio)

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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 2023

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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 2023, 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 significant accounting policy.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Pirelli group as of 31 December 2023, 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

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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 2023 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 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 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.

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Key audit matter	*Audit procedures to address the key audit matter*
Revenue recognition	
Note 3 "Adopted Accounting Standards"	
The recognition of revenues, amounting to € 6,650 million in 2023, represented a key matter in the audit of the consolidated financial statements, 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.

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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;

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- 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.

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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.

Report on Compliance with other Laws and Regulations

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 2023, 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 2023 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 2023 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, 13 March 2024

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 Andrea Casaluci, in his capacity as 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, 2023 – December 31, 2023.

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, 2023 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.

March 6, 2024

The Chief Executive Officer	The Corporate Financial Reporting Manager
(Andrea Casaluci)	(Fabio Bocchio)

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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 2023

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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 2023, 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 signficant accounting policy.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as of 31 December 2023, 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 2023 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 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 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.

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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;

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- 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

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 2023, 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 2023 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 2023 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, 13 March 2024

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

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GRI 3: Material Topics 2021	3-3 Management of material topics	Development	253-254			
		Training	255-261			
		Training on sustainability and corporate governance	259-261			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	Page	OMISSION REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Statistics on Pirelli training	260-261			
	404-2 Programs for upgrading employee skills and transition assistance programs	Talent development	254			
		Training	255-261			
	404-3 Percentage of employees receiving regular performance and career development reviews	Performance management	253-254			
Diversity, Equity and Inclusion & Human Rights						
GRI 3: Material Topics 2021	3-3 Management of material topics	Impact materiality	79-92			
		Main policies	97-99			
		Respect for human rights	226-233			
		Diversity, equity and inclusion	240-250			
		Our suppliers	131-151			
		Compliance with legislative-contractual requirements on overtime, rest periods, association and bargaining, equal opportunities and nondiscrimination, prohibition of child and forced labour	267-269			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Pirelli employees around the world	234-240			
		Diversity policies	343			
		Composition	340-342			
	405-2 Ratio of basic salary and remuneration of women to men	Diversity, equity and inclusion	240-250			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	Page	OMISSION REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Diversity, Equity and Inclusion & Human Rights						
GRI 3: Material Topics 2021	3-3 Management of material topics	Impact materiality	79-92			
		Diversity, equity and inclusion	240-250			
		Main policies	97-99			
		Respect for human rights	226-233			
		Our suppliers	131-151			
		Compliance with legislative-contractual requirements on overtime, rest periods, association and bargaining, equal opportunities and nondiscrimination, prohibition of child and forced labour	267-269			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Diversity, equity and inclusion	240-250			
		Whistleblowing policy	105-108			
Human Rights & Responsible Management of the Supply Chain						
GRI 3: Material Topics 2021	3-3 Management of material topics	Main policies	97-99			
		Respect for human rights	226-233			
		Diversity, equity and inclusion	240-250			
		Our suppliers	131-151			
		Compliance with legislative-contractual requirements on overtime, rest periods, association and bargaining, equal opportunities and nondiscrimination, prohibition of child and forced labour	267-269			
GRI 407: Freedom of Association and Collective Bargaining 2016	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	134-137			
		Focus: esg on-site audits	138-140			
		Respect for human rights	226-233			
		Compliance with legislative-contractual requirements on overtime, rest periods, association and bargaining, equal opportunities and nondiscrimination, prohibition of child and forced labour	267-269			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	Page	OMISSION REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Human Rights & Responsible Management of the Supply Chain						
GRI 3: Material Topics 2021	3-3 Management of material topics	Main policies	97-99			
		Respect for human rights	226-233			
		Diversity, equity and inclusion	240-250			
		Our suppliers	131-151			
		Compliance with legislative-contractual requirements on overtime, rest periods, association and bargaining, equal opportunities and nondiscrimination, prohibition of child and forced labour	267-269			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	The ESG Elements in the Procurement Process	134-137			
		Focus: esg on-site audits	138-140			
		Respect for human rights	226-233			
		Compliance with legislative-contractual requirements on overtime, rest periods, association and bargaining, equal opportunities and nondiscrimination, prohibition of child and forced labour	267-269			
Human Rights & Responsible Management of the Supply Chain						
GRI 3: Material Topics 2021	3-3 Management of material topics	Main policies	97-99			
		Respect for human rights	226-233			
		Diversity, equity and inclusion	240-250			
		Our suppliers	131-151			
		Compliance with legislative-contractual requirements on overtime, rest periods, association and bargaining, equal opportunities and nondiscrimination, prohibition of child and forced labour	267-269			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	Page	OMISSION REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	The ESG Elements in the Procurement Process	134-137			
		Focus: esg on-site audits	138-140			
		Respect for human rights	226-233			
		Compliance with legislative-contractual requirements on overtime, rest periods, association and bargaining, equal opportunities and nondiscrimination, prohibition of child and forced labour	267-269			
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures				Information unavailable/ incomplete	% of security personnel trained on human rights currently not available
Human Rights						
GRI 3: Material Topics 2021	3-3 Management of material topics	Main policies	97-99			
		Respect for human rights	226-233			
		Diversity, equity and inclusion	240-250			
		Our suppliers	131-151			
		Compliance with legislative-contractual requirements on overtime, rest periods, association and bargaining, equal opportunities and nondiscrimination, prohibition of child and forced labour	267-269			
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Whistleblowing policy	105-108			
Corporate Citizenship						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sharing of added value	109-111			
		Company initiatives for the external community	296-304			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	Page	OMISSION REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Stakeholder engagement	96-97		Information unavailable/ incomplete	information currently unavailable
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		Sustainability of the natural rubber supply chain	141-144			
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		Compliance with legislative-contractual requirements on overtime, rest periods, association and bargaining, equal opportunities and nondiscrimination, prohibition of child and forced labour	267-269			
		Biodiversity	160-164			
		The Pirelli group's environmental footprint and strategy	165-168			
		External community	283-314			
		Company initiatives for the external community	296-304			
	413-2 Operations with significant actual and potential negative impacts on local communities	Respect for human rights	226-233			
		Sustainability of the natural rubber supply chain	141-144			
		Biodiversity	160-164			
		The Pirelli group's environmental footprint and strategy	165-168			
		Water management	198-201			
		External community	283-314			
		Company initiatives for the external community	296-304			
Responsible Management of the Supply Chain						
GRI 3: Material Topics 2021	3-3 Management of material topics	Our suppliers	131-151			
		Respect for human rights	226-233			
		Policy on conflict minerals	147-150			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	The ESG Elements in the Procurement Process	134-137			
		Focus: esg on-site audits	138-140			
	414-2 Negative social impacts in the supply chain and actions taken	Risk factors and uncertainty	45-58			
		Focus: ESG on-site audits	138-140			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	Page	OMISSION REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 415: Public Policy 2016	415-1 Political contributions	Contributions for the benefit of the external community	109-111			
Business Ethics and Integrity & Product Quality and Safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	Product safety, performance and eco-sustainability	122-125			
		Product: research, development and sustainability of raw materials	171-175			
		Product: eco & safety performance targets	176-181			
		Tyre wear and twrp	183			
		Management of end-of-life tyres	184-185			
		Pirelli and its management model	75-78			
		Main policies	97-99			
		Compliance programmes, anti-corruption, privacy, trade compliance, antitrust, compliance with laws and regulations	100-103			
		Whistleblowing policy	105-108			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Product safety, performance and eco-sustainability	122-125			
		The ESG Elements in the Procurement Process	134-137			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Compliance	129			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	Page	OMISSION REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Transparency, information and customer training	118-120			
		Quality and product certification	127-129			
		Product: eco & safety performance targets	176-181			
		Management of end-of-life tyres	184-185			
		Product: research, development and sustainability of raw materials	171-175			
	417-2 Incidents of non-compliance concerning product and service information and labeling	Compliance	129			
	417-3 Incidents of non-compliance concerning marketing communications	Compliance	129			
Cybersecurity						
GRI 3: Material Topics 2021	3-3 Management of material topics	Information and Cyber Security	103-105			
GRI 418: Customer Privacy 2016	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	100-103			

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	186-190	TR-AP-130a.1
Waste Management	(1) Total amount of waste from manufacturing, (2) percentage hazardous, (3) percentage recycled	202-204	TR-AP-150a.1
Product Safety	Number of recalls issued, total units recalled	122-125	TR-AP-250a.1.
Design for Fuel Efficiency	Revenue from products designed to increase fuel efficiency and/or reduce emissions	7-11	TR-AP-410a.1.
Materials Sourcing	Description of the management of risks associated with the use of critical materials	141-150	TR-AP-440a.1.
Materials Efficiency	Percentage of products sold that are recyclable	184-185	TR-AP-440b.1.
	Percentage of input materials from recycled or remanufactured content	172	TR-AP-440b.2.
Competitive Behavior	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	100-103	TR-AP-520a.1.

Activity Metrics	Page Number	SASB Code
Number of parts produced	NA	TR-AP-000.A
Weight of parts produced	186	TR-AP-000.B
Area of manufacturing plants	8	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	**Principle 1** – 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
	Principle 2 – Business should ensure that they are not, albeit indirectly, complicit in human rights abuses.	Disclosure 410: Security Practices Disclosure 414: Supplier Social Assessment	

Areas of the Global Compact	Global Compact Principles	Directly Relevant GRI Indicators	Indirectly Relevant GRI Indicators
Labour Standards	**Principle 3** – 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	
	Principle 4 – Business should uphold the elimination of all forms of forced and compulsory labour.	Disclosure 409: Forced or Compulsory Labor Disclosure 410: Security Practices	
	Principle 5 – Business should uphold the effective elimination of child labour.	Disclosure 408: Child Labor Disclosure 410: Security Practices	
	Principle 6 – 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

Areas of the Global Compact	Global Compact Principles	Directly Relevant GRI Indicators	Indirectly Relevant GRI Indicators
Environment	**Principle 7** – 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
	Principle 8 – 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
	Principle 9 – 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	**Principle 10** – 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)
1 - No Poverty	Company initiatives for the external community (Social Solidarity pp. 301-302)
2 - Zero Hunger	Company initiatives for the external community (Social Solidarity pp. 301-302)
3 - Good Health and Well-being	Welfare and initiatives for the internal community (pp. 263-266) Occupational health, safety and hygiene (pp. 270-282) Company initiatives for the external community (Road Safety pp. 297-299, Sport and Inclusion pp. 300-301, Social Solidarity pp. 301-302, Health pp. 302-303) Target: • Accident Frequency Index: ~1 by 2025
4 - Quality Education	Training (pp. 255- 261) Company initiatives for the external community (Training pp. 299-300, Culture and Social Value pp. 304) Target: • Training: training on Diversity, Equity and Inclusion and Human Rights
5 - Gender Equality	Diversity, equity and inclusion (pp. 240-250)
6 - Clean Water and Sanitation	Water Management (pp. 198-201) Target: • Specific water withdrawal: -43% by 2025 compared to 2015
7 - Affordable and Clean Energy	Joining the task force on climate-related financial disclosures (TCFD) and TCFD reporting (pp. 154-159) Energy Management (pp. 186-190) Management of greenhouse gas emissions and climate transition plan (pp. 190-197) Targets: • Specific Energy Consumption: -10% by 2025 compared to 2019 • Renewable Electricity purchased at Group level: 100% by 2025 • Group Carbon Neutrality by 2030
8 - Decent Work and Economic Growth	Our suppliers (pp. 130-150) Internal Community (pp. 226- 282)

<table>
<tr><th>Sustainable Development Goals (SDGs)</th><th>Paragraphs describing the Group's activities in support of the SDGs and relevant targets (from Sustainability Plan 2025-2030)</th></tr>
<tr><td>9 - Industry, Innovation and Infrastructure</td><td>Company initiatives for the external community (Training pp. 299-300)

<u>Target</u>:
• 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</td></tr>
<tr><td>10 - Reduced Inequalities</td><td>Diversity, Equity and Inclusion (pp. 240-250)</td></tr>
<tr><td>11 - Sustainable Cities and Communities</td><td>Main international commitments for sustainability (WBCSD pp. 292-294)
Company initiatives for the external community (Road Safety pp. 297-299, Social Solidarity pp. 301-302)

<u>Target</u>:
• Absolute CO_2 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_2 Emissions: -9% by 2025 compared to 2018
• Evolution of the total product range, by 2025:
o more than 70% of new products will be in Rolling Resistance Class A/B;
o more than 90% of new products will be in Wet Grip Class A/B.</td></tr>
<tr><td>12 - Responsible Consumption and Production</td><td>Joining the task force on climate-related financial disclosures (TCFD) And TCFD reporting (pp. 154-159)
Energy Management (pp. 186-190)
Management of greenhouse gas emissions and climate transition plan (pp. 190-197)
Water Management (pp. 198-201)
Waste management (pp. 202-204)
Company initiatives for the external community (Environmental Initiatives pp. 303-304)

<u>Targets</u>:
• Specific Energy Consumption: -10% by 2025 compared to 2019
• Absolute CO_2 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</td></tr>
</table>

Sustainable Development Goals (SDGs)	Paragraphs describing the Group's activities in support of the SDGs and relevant targets (from Sustainability Plan 2025-2030)
13 - Climate Action	CDP Supply Chain (pp. 146) Joining the task force on climate-related financial disclosures (TCFD) and TCFD reporting (pp. 154-159) Management of greenhouse gas emissions and climate transition plan (pp. 190-197) Main international commitments for sustainability (International Commitments against Climate Change pp. 295-296) Targets: • Specific Energy Consumption: -10% by 2025 compared to 2019 • Absolute CO_2 Emissions: -42% by 2025 compared to 2015 • Renewable Electricity purchased at Group level: 100% by 2025 • Group Carbon Neutrality by 2030 • Eco & Safety Performance Revenues: > 66% on total car tyres revenues e > 71% on High Value revenues by 2025 • Evolution of the total product range, by 2025: o more than 70% of new products will be in Rolling Resistance Class A/B ; o more than 90% of new products will be in Wet Grip Class A/B;
14 - Life below Water	Water Management (pp. 198-201)
15- Life on Land	Sustainability of the natural rubber supply chain (pp. 141-144) Company initiatives for the external community (Environmental Initiatives pp. 303-304)
16- Peace, Justice and Strong Institutions	Compliance programmes, anti-corruption, privacy, trade compliance, Antitrust, compliance with laws and regulations (pp. 100-103)
17 - Partnerships for the Goals	Sustainability of the natural rubber supply chain (pp. 141-144) Main international commitments for sustainability (WBCSD pp. 292-294) Company initiatives for the external community (Road Safety pp. 297-299)

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

	Topics from D. Lgs 254/2016	Reference Paragraph	Page number
Environmental Aspects	**Use of Energy Resources (from renewables and non-renewables)**	• Risks Related To Environmental Issues • Energy Management	51, 186-190
	Use of Water Resources	• Risks Related To Environmental Issues • Emerging risks related to climate change and water stress • Water Management	51, 56-58, 198-201
	Greenhouse Gas Emissions and Air-Polluting Emissions	• Emerging risks related to climate change and water stress • Joining the Task Force on Climate-Related Financial Disclosures (TCFD) • Management Of Greenhouse Gas Emissions and Carbon Action Plan • Solvents • NO_x Emissions • Other Emissions and Environmental Aspects	56-58, 154-159, 190-197, 205, 205-206, 206-207
Social Aspects	**Health and Safety**	• Employee Health and Safety Risks • Occupational Health, Safety and Hygiene	52, 270-282
	Training and Development	• Risks associated with Human Resources • Development • Training	52, 253-254, 255-261
	Welfare	• Welfare and Initiatives for the Internal Community	263-266
	Dialogue with Employees	• Litigation Risks • Listening & Engagement • Industrial Relations	52, 261-263, 266-270
	Actions for Gender Equality	• Diversity, Equity and Inclusion • Diversity Policies	240-250, 343
	Respect for Human Rights: Measures Taken and Prevention	• Risks relative to Social and Environmental Responsibility, and Business Ethics • Respect for Human Rights • Diversity, Equity and Inclusion	55-56, 226-233, 240-250
Governance Aspects	**Fight against Active and Passive Corruption**	• Risks Relative to Social and Environmental Responsibility and Business Ethics • Compliance programmes, anti-corruption, privacy, trade compliance, antitrust, compliance with laws and regulations	55-56, 100-103

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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 2023

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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 & C 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 2023 prepared in accordance with article 4 of the Decree, included in section "Report on Responsible Management of the Value Chain" of the Pirelli annual report 2023 (NFD) and approved by the board of directors on 6 March 2024.

Our review does not extend to the information set out in paragraph "The European Regulation on the Taxonomy of environmentally sustainable economic activities" of the NFD, required by article 8 of European Regulation 2020/852.

Responsibilities of Management and Those Charged with Governance for the NFD

Management is 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), as described in the Methodological note of the NFD.

Management is 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, management is responsible for identifying the content of the NFD, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the group and to the extent necessary for an understanding of the group's activities, development, performance and related impacts.

Finally, management is 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.

PricewaterhouseCoopers SpA

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Those charged with governance are responsible for overseeing, in the terms prescribed by law, the compliance with the Decree.

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 (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, professional competence and due care, 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 ISAE 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 that 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 in relation 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;

2. analysis and assessment of the criteria used to identify the consolidation area, to assess their 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 in 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 those matters, we compared the information obtained with the information presented in the NFD and carried out the procedures described under item 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 Pneus Ltda and Pirelli Industrie Pneumatici Srl 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 Campinas (Brazil) and Settimo Torinese (Italy), which were selected on the basis of their activities, their contribution to the key performance indicators at a 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 the Pirelli group for the year ended 31 December 2023 is not prepared, in all significant 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 conclusion on the NFD of Pirelli group does 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.

Milano, 13 March 2024

PricewaterhouseCoopers SpA

Signed By

Paolo Caccini (Partner)	Paolo Bersani (Authorized signatory)

This report has been translated into English from the Italian original solely for the convenience of international readers.

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