



**Pirelli & C. S.p.A.**

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

## **REPORT ON RESPONSIBLE MANAGEMENT OF THE VALUE CHAIN**

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

## METHODOLOGICAL NOTE

This section of the Annual Report 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](http://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](http://www.pirelli.com).

## **PIRELLI AND ITS MANAGEMENT MODEL**

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

With 18 production plants in 12 countries, a commercial presence in more than 160 countries, 31,072 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<sup>25</sup>, 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<sup>®</sup> World Championship, of which it is the Global Tyre Partner.

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

Responsible management by Pirelli runs through the entire value chain, including the procurement of goods and services (including in and out logistics), research & development, management models and processes, production processes, product positioning on the market, and its use and end-of-life phase. A value chain that did not register any significant change during 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<sup>®</sup> for the management of Social Responsibility at its subsidiaries and along the supply chain, ISO 45001 for the management of Health and Safety in the workplace, ISO 14001 for environmental management and ISO 37001 on anti-corruption measures. The Company refers to ISO 14064 for the quantification and reporting of greenhouse gas emissions (GHG), and to the ISO 14040 family rules for the methodology for calculating the environmental footprint of the product and the Organisation and, specifically, ISO 14067 and ISO 14046 for the determination of the Carbon Footprint and Water Footprint. In December 2021, the Company also

<sup>25</sup> Specifically, the High Value segment includes:

- (I) Auto tyres with rim size  $\geq 18$ ";
- (II) Auto tyres, defined as Specialties and Super Specialties, which meet specific customer needs: Run Flat<sup>™</sup>, Seal Inside<sup>™</sup>, PNCS<sup>™</sup>, Elect<sup>™</sup>, Pirelli Cyber<sup>™</sup>, 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  $\geq H$  (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<sup>26</sup> 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

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<sup>26</sup> 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:

<b>1. Identification of material issues for the organisation and their prioritisation (materiality mapping)</b>	<p>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.</p> <p>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.</p> <p>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:</p> <p>→ 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</p>
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<b>2. Identification of the impacts generated by the organisation on the economy, environment, people and human rights</b>	<p>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&amp;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.</p> <p>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.</p> <p>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.</p>
<b>3. Evaluation of impacts generated on the economy, environment, people and human rights</b>	<p>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.</p> <p>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.</p>
<b>4. Impact materiality: list of material issues in order of priority and assessment of impacts generated on the economy, environment, people and human rights</b>	<p>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.</p>

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 been 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](http://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	 	+ 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 <sub>2</sub> emissions by 2050 at the latest along the entire value chain. To this end, the Company is active on several fronts including: <ul style="list-style-type: none"> <li>investments in process energy efficiency and the procurement of 100% electricity from renewable sources by 2025;</li> <li>the commitment to achieve Group carbon neutrality by 2030;</li> <li>engaging the most impactful suppliers to reduce their emissions;</li> <li>product innovation to ensure increasing levels of energy efficiency.</li> </ul>	-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: <ul style="list-style-type: none"> <li>prevent unnecessary consumption of raw materials, with targets by 2025 to increase the use of renewable materials by 40%, recycled materials<sup>27</sup> by 8%, and decreasing the consumption of fossil-derived materials by 40%;</li> <li>prevent the generation of waste upstream, through innovation in production processes and the implementation of the Zero Waste to Landfill initiative, with the goal of sending 98% of the waste produced for recovery;</li> <li>make water consumption more efficient, with a target to reduce specific water withdrawals by 43% by 2025 compared to 2015 levels.</li> </ul>	-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 <sub>2</sub> emissions and pollution from the release of wear particles into the environment (soil, air, water).	●●●		

<sup>27</sup> > 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	 	+ 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	 	+ 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	 	+ 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 <sup>28</sup> 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.	●●●		

<sup>28</sup> > 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)
<b>Diversity, equity and inclusion</b>	5 - 8 - 10   	<p>+ 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.</p> <p>- Dissatisfaction, stress and lowered quality of life of people due to misalignments between individual expectations and company response.</p>	<p>●●●</p> <p>●●●</p>	<p>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.</p>	<p>-DIVERSITY, EQUITY AND INCLUSION</p>
<b>Responsible Management of the Supply Chain</b>	8 -12 - 16   	<p>+ Contribution to the development of a responsible and resilient supply chain, reducing negative social and environmental impacts.</p> <p>- Contribution to the generation of environmental harm or harm to employees by third parties due to inadequate monitoring of supplier practices.</p>	<p>●●●</p> <p>●●●</p>	<p>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.</p>	<p>-OUR SUPPLIERS -RESPECT FOR HUMAN RIGHTS -POLICY ON CONFLICT MINERALS</p>
<b>Training and Development</b>	5 – 6 – 10 – 16    	<p>+ 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.</p> <p>- Dissatisfaction and low employee performance due to outdated or inadequate training programmes.</p>	<p>●●●</p> <p>●●●</p>	<p>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.</p>	<p>-DEVELOPMENT -TRAINING -TRAINING ON SUSTAINABILITY AND CORPORATE GOVERNANCE</p>

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.	●●●		



## 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](http://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<sup>29</sup>>8%, fossil-derived materials <40%;

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<sup>29</sup> > 3% by 2025 and > 7% by 2030 excluding recycled metals

- by 2030: renewable materials >60%, recycled materials<sup>30</sup>>12%, fossil-derived materials <30%.

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

- more than 70% of new products will be in Rolling Resistance Class A/B<sup>31</sup>;
- more than 90% of new products will be in WetGrip Class A/B;
- growth in Eco & Safety Performance revenues with a target of >66% of total car sales and >71% of High Value products only<sup>32</sup>.

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

- with reference to CO<sub>2</sub> emissions, by 2025 it is planned that 100% of renewable electrical energy purchased at Group level should be renewable, as well as a 42% reduction in absolute CO<sub>2</sub> emissions compared to 2015 (Science Based Target approved by SBTi in 2022); by 2030 it is planned to achieve Carbon Neutrality (considering emissions both from electrical and thermal energy);
- with regard to natural resource efficiency, the following are also planned by 2025: reductions of 10% in specific energy consumption (compared to 2019) and 43% 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 foresees:

- reduction of absolute CO<sub>2</sub> 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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<sup>30</sup> > 3% by 2025 and > 7% by 2030 excluding recycled metals

<sup>31</sup> On all new ipcodes with Label, converting non-European scales to the European classification.

<sup>32</sup> High Value products are determined by callipers equal to or larger than 18 inches and, in addition, include all ‘Specialties’ products (Run Flat<sup>TM</sup>, Seal Inside<sup>TM</sup>, PNCSTM, Elect<sup>TM</sup>, Pirelli Cyber<sup>TM</sup>, 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](http://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](http://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](mailto: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](mailto: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:

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

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<sup>33</sup>, 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.

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<sup>33</sup> 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	
<b>Gross Global Added Value</b>	<b>2,611,717</b>		<b>2,523,729</b>		<b>2,194,760</b>	
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 <sup>34</sup>	(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.

<sup>34</sup> 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
<b>Training and research</b>	<b>1,307</b>	<b>1,053</b>	<b>755</b>
<b>Social-cultural initiatives</b>	<b>2,305</b>	<b>1,606</b>	<b>1,918</b>
<b>Sports and solidarity</b>	<b>881</b>	<b>865</b>	<b>465</b>
<b>Total contributions for the benefit of the external community</b>	<b>4,223</b>	<b>3,524</b>	<b>3,138</b>

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 <sup>35</sup>	147	178	186
<b>Total Trade associations</b>	<b>1,518</b>	<b>1,453</b>	<b>865</b>

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

<sup>35</sup> 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.

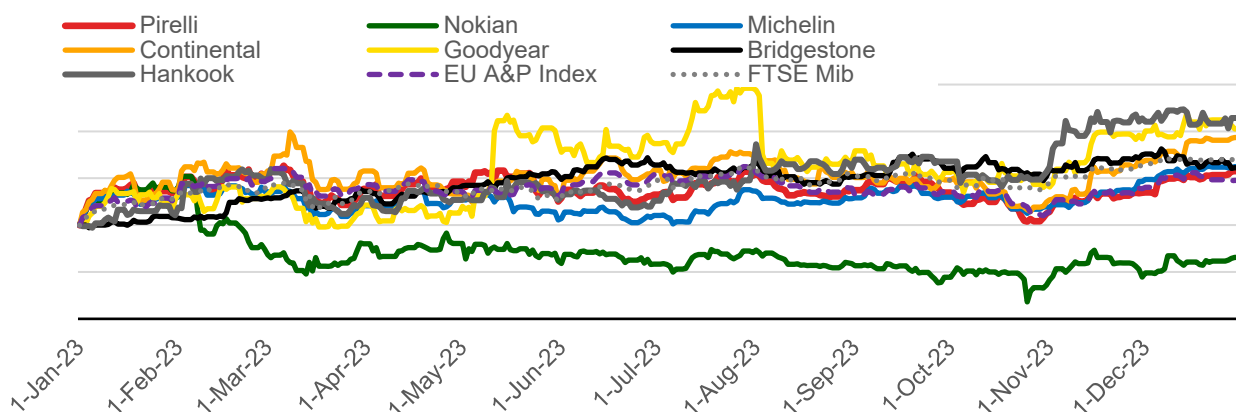
In 2023, the performance of equity markets was affected by uncertainties in the macroeconomic scenario, mainly related to inflation trends and the restrictive monetary policies adopted by central banks.

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

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<sup>36</sup> Stock market trend 1 January - 31 December; the value is net of dividend distribution and/or other extraordinary transactions.

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



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<sub>2</sub> 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](http://www.pirelli.com) for the benefit of all Stakeholders.**

Sustainability Linked Financing Framework - Main ESG Features			
Reference KPIs	Target	SDGs	Financial Products
 1: Absolute Scope 1 and 2 Greenhouse gas (GHG) emission reduction	-42% in 2025 vs 2015	 	Sustainability Linked Instruments: 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	 	

\* 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%.<sup>37</sup>

Within Replacement, there are two broad types of Pirelli customers: Specialised Resellers and Distributors. Specialised Resellers are tyre specialists operating on the market in the role of independent businesses; specialised dealers constitute a fundamental point of contact between the Group and the end consumer. Particular attention is devoted to specialised dealers in terms of shared development to enhance the product offering integrated with a high-quality level of service, in compliance with Pirelli values and consumer expectations. In 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.

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<sup>37</sup> 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 Zero™ range was presented to the media in a world premiere.

Finally, the Pirelli P Zero™ 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](http://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<sup>38</sup> survey in Pirelli's Top Market (Italy, Germany, United Kingdom, China and United States) and through surveys to consumers with whom Pirelli has a direct and constant dialogue thanks to structured CRM activities. The ongoing changes made to this study over the years have made it possible to refine and improve the precision of business insights into the brand role, image profile and characteristics of the different touchpoints that influence the end customer's purchase decision.

In terms of performance indicators, Pirelli considers Top of Mind, Brand Awareness and Brand Consideration. With reference to the Target Premium 18" Up represented by owners of Premium cars that can fit tyres of 18" and over, the analysis carried out in 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

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<sup>38</sup> 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 in 2022 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 then to 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<sup>39</sup> 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<sup>40</sup> 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.

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

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

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

<sup>40</sup> 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.

<b>VALUE OF PURCHASES BY TYPE</b>			
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Raw Materials<sup>41</sup></b>	46%	44%	45%
<b>Consumables<sup>42</sup></b>	12%	11%	11%
<b>Services<sup>43</sup></b>	39%	43%	39%
<b>Capital Assets<sup>44</sup></b>	2%	2%	5%

<b>NUMBER OF SUPPLIERS BY TYPE</b>			
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Raw Materials<sup>45</sup></b>	1%	1%	2%
<b>Consumables</b>	34%	33%	37%
<b>Services</b>	63%	64%	58%
<b>Capital Assets</b>	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.

<b>RAW MATERIALS MIX<sup>46</sup> PURCHASED AT VALUE</b>			
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Natural Rubber</b>	12%	14%	14%
<b>Synthetic Rubber</b>	24%	27%	25%
<b>Carbon Black</b>	12%	11%	11%
<b>Chemicals</b>	24%	23%	23%
<b>Textiles</b>	18%	15%	16%
<b>Steel</b>	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'

<sup>41</sup> Purchased to produce and package the organisation's primary products and services

<sup>42</sup> Indirect materials, auxiliary materials.

<sup>43</sup> Energy, logistics services, shared services, ICT, R&D, marketing, trademarks and patents..

<sup>44</sup> Machinery, civil works, moulds.

<sup>45</sup> Purchased to produce and package the organisation's primary products and services

<sup>46</sup> Purchased to produce and package the organisation's primary products and services

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<sub>2</sub> 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<sub>2</sub> emissions of more than 75%, saving about 19,000 m<sup>3</sup> of water and about 600 tons of CO<sub>2</sub>, 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 <sup>47</sup>
2022	82 <sup>48</sup>
2023	27 <sup>49</sup>

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.

<sup>47</sup> Of which 18 on potential new suppliers of raw materials.

<sup>48</sup> Of which 29 on potential new suppliers of raw materials.

<sup>49</sup> 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<sub>2</sub> 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<sub>2</sub>equivalent (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<sub>2</sub> equivalent, associated with economic savings estimated at \$2.5 billion<sup>50</sup>.

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.

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<sup>50</sup> 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 derivatives like tantalum, tin and tungsten that come from (or are extracted in) the Democratic Republic of Congo and/or bordering Countries. Such minerals are commonly called “3TG” (Tungsten, Tin, Tantalum, Gold).

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

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

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](mailto:conflictminerals@pirelli.com);*

*(v) to send the documents referred to in (iv) updated annually (always) or in the event of any change in the composition and/or parts/components and/or production process of the Goods and/or Services supplied, and/or any change in the list of foundries and/or the “Conformant” classification status referred to in (iii).*

In the event of breach by the Supplier of any of its obligations under this clause 1.15, Pirelli may suspend performance of the Contract and/or Order with immediate effect, without prejudice to its right to terminate the Contract(s) and/or Order(s) and exercise any remedy provided by law.

The Global Human Rights Policy, the Pirelli Suppliers’ Code of Conduct and the General Terms and Conditions of Purchase are available on the Company’s website.

Over the years, Pirelli has progressively strengthened its 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<sup>51</sup>, and the existence of numerous reports associating Cobalt mining with the risk of negative social (e.g., child labour, human rights violations) and environmental impacts.

Similarly with regard to Natural Mica (used on a large scale in cosmetics and paints), numerous reports indicate that the extraction and processing of the mineral, concentrated in India and Madagascar and heavily 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

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<sup>51</sup> 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](http://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<sup>52</sup>.

In supporting the initiative, Pirelli is committing to the voluntary disclosure of transparent reporting and the disclosure of all relevant information on risks and opportunities related to climate change, as indicated in the TCFD recommendations.

To this end, Pirelli publicly reports this information both within this report and through the CDP Climate Change programme where, in 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.

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<sup>52</sup> The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB) - the body that monitors the global financial system - with the goal of developing a set of recommendations on the reporting of Climate Change risks. The aim is to guide and encourage companies to align the information disclosed with investors' expectations and needs. In June 2017, the Task Force published 11 recommendations in the areas of Governance, Strategy, Risk Management, Metrics and Targets.

In addition, Pirelli's Board of Directors approves the General Remuneration Policy, which includes a target to reduce absolute CO<sub>2</sub> 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<sup>53</sup>, in order to have a constantly updated picture of potential risks and opportunities linked to climate change and water stress, which are of interest to the business, with the relative quantification of potential financial impacts. For further details, please refer to the section “Emerging Risks Related to Climate Change and Water Stress” within the “Directors’ Report on Operations” of this report, and to Pirelli’s public responses to the CDP Climate Change questionnaire<sup>54</sup>.

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

In line with the results of the last Group Climate Change and Water Stress Risk Assessment, in the short- to medium-term (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<sup>55</sup> products, which identify car tyres characterised by rolling resistance and wet grip belonging to the A, B, C values of European labelling, which is used as an internal metric to classify all the products Pirelli produces not only in Europe but worldwide.

#### b) Impacts of climate-related risks and opportunities

As discussed in the section “Emerging Risks Related to Climate Change and Water Stress” within the “Directors’ Report on Operations” of this report, to which reference should be made, in relation to internal metrics of potential financial impact, no risks with a significant impact in the short-medium

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<sup>53</sup> The Group’s latest Climate Change and Water Stress Risk Assessment considered the IPCC - Intergovernmental Panel on Climate Change - climate scenarios (RCP 2.6, RCP 4.5, RCP 7.0 and RCP 8.5) and the IEA - International Energy Agency - energy transition scenarios (STEPS, APS and NZE-2050) for the analysis.

<sup>54</sup> 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>).

<sup>55</sup> Eco & Safety Performance products identify car tyres that Pirelli produces not only in Europe but throughout the world and whose rolling resistance and wet grip performance fall within the A, B, C values of European labelling.

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<sub>2</sub> 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<sub>2</sub> emission reduction targets were developed in accordance with the guidelines of the Science Based Targets initiative (SBTi), which validated them in May 2022<sup>56</sup>, judging them to be consistent with the actions needed to keep global warming within 1.5°C. They cover both the production process (Scope 1 and 2 emissions) and the reduction of emissions in the supply chain (Scope 3). Furthermore, in June 2022, Pirelli expressed to SBTi its commitment to the Corporate Net Zero standard<sup>57</sup>, 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 lp-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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<sup>56</sup> Pirelli's previous emission targets, also validated in 2020 by SBTi in line with the "well below 2°C" scenario, had already been reached by the end of 2021, four years ahead of the original deadline.

<sup>57</sup> SBTi's Corporate Net Zero Standard is the framework that the Science Based Targets initiative has developed for companies to set consistent targets to achieve net zero emissions by 2050.

## **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<sup>58</sup> 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<sup>59</sup>.

### 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.

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<sup>58</sup> The Group's latest Climate Change and Water Stress Risk Assessment considered the IPCC - Intergovernmental Panel on Climate Change - climate scenarios (RCP 2.6, RCP 4.5, RCP 7.0 and RCP 8.5) and the IEA - International Energy Agency - energy transition scenarios (STEPS, APS and NZE-2050) for the analysis.

<sup>59</sup> 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<sup>60</sup> 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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<sup>60</sup> "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)<sup>61</sup>.

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)<sup>62</sup> framework and the criteria of *biodiversity importance, ecosystem integrity, water stress and potentially significant dependencies or impacts*<sup>63</sup>. 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**<sup>64</sup> 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**<sup>65</sup> (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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<sup>61</sup> Biodiversity Action Plans

<sup>62</sup> Beta framework v0.4, published in March 2023.

<sup>63</sup> 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.

<sup>64</sup> Species Threat Abatement and Restoration Metric (STAR)

<sup>65</sup> 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<sup>66</sup>) 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;

<sup>66</sup> 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<sup>67</sup>” for tyres developed by the Tire Industry Project Group of the World Business Council for Sustainable Development. This approach is based on the identification and quantification of all input and output flows of the various life cycle phases (resources, raw materials, emissions, waste), which are subsequently translated into environmental impact potentials using dedicated models. This method therefore makes it possible to consolidate the effects of a very large number of factors into a few synthetic quantitative parameters (for example, of all the types of emissions or waste that are generated in the production processes of the raw materials used).

The four main indicators used to summarise the quantitative impacts in terms of Carbon Footprint and Water Footprint are:

- Primary Energy Demand (PED), calculated in GJ of energy, refers to the quantity of renewable or non-renewable energy that is taken directly from the hydrosphere, the atmosphere or the geosphere.
- Global Warming Potential (GWP), calculated in tonnes of CO<sub>2</sub> equivalent, concerns the effect on the climate of anthropic activities (the greenhouse effect potential of the gas considered is assessed in relation to CO<sub>2</sub>, considering a residence time in the atmosphere of 100 years).

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<sup>67</sup> 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<sup>68</sup> 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".

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<sup>68</sup> Calculated considering all elements of the value chain, excluding the use phase at the charge of Vehicle Manufacturer Customers



<b>LIFE CYCLE PHASES</b>				
<b>RAW MATERIALS</b>	<b>MANUFACTURE</b>	<b>DISTRIBUTION</b>	<b>USE</b>	<b>END-OF-LIFE</b>
<b>DRIVERS OF THE CARBON AND WATER FOOTPRINT</b>				
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
<b>GHG DISTRIBUTION IN SCOPE</b>				
--> Scope 3	--> Scope 1 + 2 + 3	--> Scope 3	--> Scope 3 - indirect (in charge to vehicle manufacturers)	--> Scope 3

<b>RESPONSE STRATEGY (Plan in force at 31 December 2023)</b>				
<p><b>RAW MATERIAL INNOVATION</b></p> <ul style="list-style-type: none"> <li>• Research and development of raw materials with a low environmental impact</li> <li>• Progressive introduction of new materials from renewable and/or recycled sources</li> <li>• Biomaterials, such as high performance silica from renewable sources, biofillers such as lignin and plasticisers/resins of plant origin</li> <li>• Natural rubber: search for sustainable alternative sources</li> <li>• Functionalised Polymers: research on innovative polymers that guarantee reduced environmental impact, improved driving safety and improved production efficiency</li> </ul> <p><u>Targets</u></p> <ul style="list-style-type: none"> <li>• reduction of CO<sub>2</sub> emissions from raw material suppliers by 9% by 2025 compared to 2018 (target approved by SBTi*);</li> </ul> <p><i>for selected product lines:</i></p> <ul style="list-style-type: none"> <li>• by 2025: &gt;40% renewable materials, &gt;8% recycled materials*** and &lt;40% fossil-derived materials.</li> <li>• by 2030: &gt;60% renewable materials, &gt;12% recycled materials*** and &lt;30% fossil-derived materials.</li> </ul> <p><b>GREEN PURCHASING GUIDELINES/GREEN SOURCING POLICY</b></p> <p><b>CDP SUPPLY CHAIN</b></p> <p><b>THIRD-PARTY AUDITS OF CRITICAL SUPPLIERS</b></p>	<p><b>PROCESS EFFICIENCY</b></p> <p><u>Target 2025:</u></p> <ul style="list-style-type: none"> <li>• 100% renewable electricity sourcing</li> <li>• Absolute CO<sub>2</sub> emissions -42% vs 2015 (target approved by SBTi*)</li> <li>• Specific water withdrawal -43% vs. 2015</li> <li>• Specific energy consumption -10% vs. 2019</li> <li>• Waste sent for recovery 98%</li> </ul> <p><u>Target 2030:</u></p> <ul style="list-style-type: none"> <li>• Group Carbon Neutrality (Scope 1 and 2 emissions from electric and thermal energy);</li> </ul> <p><b>ISO 14001 IN ALL FACTORIES</b></p> <p><b>SCRAP REDUCTION PROGRAMME</b></p>	<p><b>GREEN SOURCING POLICY</b></p> <ul style="list-style-type: none"> <li>• Green Logistics procedure</li> <li>• Engagement to reduce Supply chain Carbon &amp; Water Footprint</li> </ul>	<p><b>PRODUCT INNOVATION</b></p> <p><u>Target 2025:</u></p> <ul style="list-style-type: none"> <li>• Rolling Resistance A/B ≥ 70% of new car products (new labelled IP Codes)</li> <li>• Wet Grip A/B ≥ 90% of new car products (new labelled IP Codes)</li> </ul> <p><b>ECO &amp; SAFETY PERFORMANCE REVENUES</b></p> <p><u>Target 2025:</u></p> <ul style="list-style-type: none"> <li>• ≥ 66% of Group car tyre sales and ≥ 71% of High Value products**</li> </ul> <p><b>CYBER™ TECHNOLOGIES</b></p>	<p><b>PRESENCE ON THE MAIN INTERNATIONAL WORKING GROUPS (WBCSD, ETRMA) to spread the culture of recovery</b></p> <p><b>REGENERATED RAW MATERIALS</b></p> <p>Research projects in order to improve the quality of regenerated materials, with the aim of increasing their percentage portion of the new compounds</p>
<p>* 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; *** &gt; 3% by 2025 and &gt; 7% by 2030 excluding recycled metals.</p>				
<p><b>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 <a href="http://www.pirelli.com">www.pirelli.com</a> for the benefit of all Stakeholders.</b></p>				

## 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<sub>2</sub> emissions compared to 2015, as approved by the SBTi in line with the 1.5°C scenario), the performance of new car products in terms of Rolling Resistance (≥70% A/B labelling classification by 2025) and the SBTi validated target for the reduction of CO<sub>2</sub> emissions of its raw material suppliers (-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<sup>69</sup> (over 12% by 2030) and to reduce the use of fossil-derived raw materials to less than 40% (less than 30% by 2030).
- **Recycle:** recycling the waste derived from production processes, promoting as far as possible, and compatibly with the contexts in which it operates, the recovery of materials and favouring the recovery of end-of-life tyres, also through research and development actions aimed at

<sup>69</sup> > 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<sup>70</sup>, as defined by the Stockholm Convention, or mercury and its derivatives as defined by the Minamata 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

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<sup>70</sup> 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<sup>71</sup> 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<sup>72</sup> by 2025 (more than 60% by 2030), more than 8% of the latter<sup>73</sup> (more than 12% by 2030)<sup>74</sup> 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](http://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

<sup>71</sup> International Sustainability and Carbon Certification

<sup>72</sup> Material of natural origin (bio-based): materials wholly or partly of biological origin (source: ISO 16620-2:2019)

<sup>73</sup> 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)

<sup>74</sup> 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<sup>75</sup>).

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

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<sup>75</sup> 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<sub>2</sub> 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<sup>76</sup>, 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

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<sup>76</sup> 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.<sup>77</sup>

Pirelli's 'Eco Safety performance' strategy aims to maximise environmental performance while keeping safety at the centre, without compromise.

The significant corporate investment in research and development on materials, compounds, structures and tread patterns allows Pirelli products to achieve extremely high performance in terms of braking in dry and wet conditions and, at the same time, improved environmental performance such as:

- less rolling resistance – lower CO<sub>2</sub> emissions 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%

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<sup>77</sup> 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](http://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<sup>78</sup>, 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<sub>2</sub> equivalent emissions compared to a previous generation Pirelli tyre<sup>79</sup>. 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<sup>80</sup>).

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.

<sup>78</sup> 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.

<sup>79</sup> 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

<sup>80</sup> 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<sup>81</sup>. 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<sub>2</sub> and has a braking distance in the wet 9% lower than the Pirelli benchmark (class B of wet grip) in the same segment. Comparative tests by TÜV SÜD show that at a speed of 80 km/h on a wet surface, the 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

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<sup>81</sup> 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<sup>82</sup>.

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<sup>®</sup> 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.

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<sup>82</sup> Auto tyres which meet specific customer needs: Run Flat<sup>™</sup>, Seal Inside<sup>™</sup>, PNCS<sup>™</sup>, Elect<sup>™</sup>, Pirelli Cyber<sup>™</sup>, 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 TRWP**

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%<sup>83</sup> of all out-of-use tyres (ELTs) generated are recovered, while in Europe and the United States the recovery stands at 95%<sup>84</sup> and 71%<sup>85</sup>.

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

As a member of TIPG 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.

<sup>83</sup> WBCSD 2019 – “Global ELT Management – A global state of knowledge on regulation, management systems, impacts of recovery and technologies”

<sup>84</sup> ETRMA 2021, 2019 data

<sup>85</sup> 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.

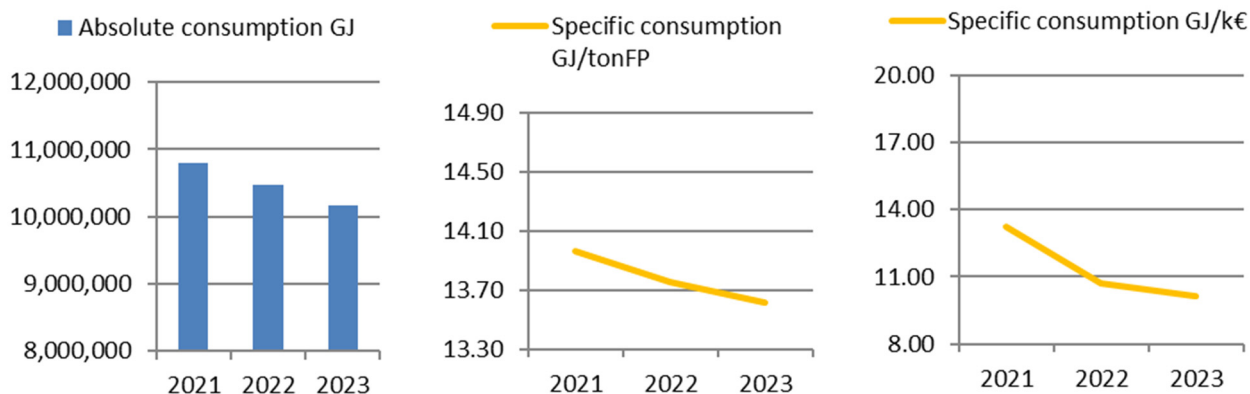
In 2023, the Group's specific energy index decreased by 1%, compared to the 2022 figure, and was more than 2.1% lower than in 2019, the year in which the 2025 reduction target is based. In absolute terms, energy consumption decreased by 3% compared to the previous year.

**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](http://www.pirelli.com) for the benefit of all Stakeholders.**

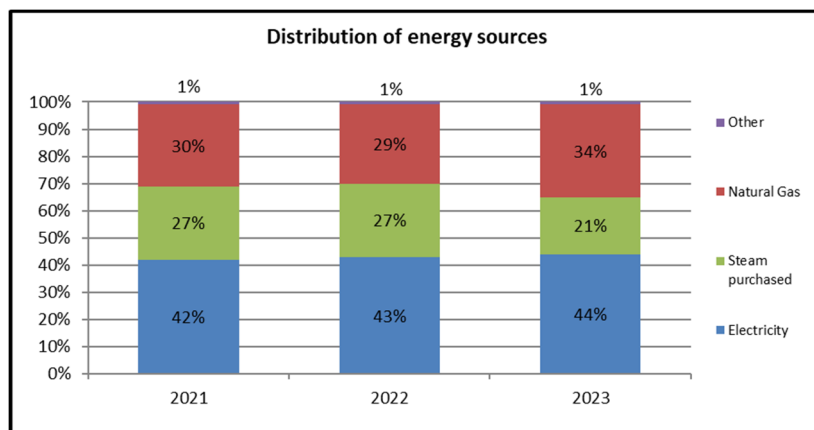
		2021	2022	2023
Absolute consumption	GJ	10,789,138	10,480,043	10,170,405
Specific consumption	GJ/tonFP	13.97	13.75	13.62
	GJ/k€	13.23	10.72	10.15

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%<sup>86</sup> 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%<sup>87</sup> 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<sup>88</sup> emissions of greenhouse gases through the calculation of CO<sub>2</sub>-equivalent (CO<sub>2</sub>e) – unit of measurement used for the emissions reported here below –, which takes into account the contribution of carbon dioxide, methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O). To quantify emissions, the energy consumption of all local units 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

<sup>86</sup> This value includes both the share from direct procurement initiatives (such as the purchase of energy from the grid certified with Energy Attribute Certificates withdrawn and cancelled in favour of Pirelli or production in on-site wind or photovoltaic plants), which weighs 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%.

<sup>87</sup> Includes the supply of steam generated by biomass plants.

<sup>88</sup> 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)<sup>89</sup>;
- Within location-based Scope 2:
  - National emission factors<sup>90</sup> taken from IEA Emission factors 2023<sup>91</sup>;
- Within market-based Scope 2:
  - Specific emission factors of suppliers where available;
  - Residual-mix emission factors<sup>92</sup> taken from AIB European Residual Mixes (EU)<sup>93</sup> and Green-e Residual Mix Emissions Rates (US)<sup>94</sup>;
  - 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

<sup>89</sup> Emission factors expressed in CO<sub>2</sub> equivalent, obtained by considering the GWP (Global Warming Potential) coefficients based on 100 years of the IPCC Sixth Assessment Report, 2021 (AR6)

<sup>90</sup> Emission factors expressed in CO<sub>2</sub>e /kWh

<sup>91</sup> 2023 Publication with update to the 2022 figure

<sup>92</sup> Emission factors expressed in CO<sub>2</sub>e /kWh

<sup>93</sup> 2023 Publication with update to the 2022 figure

<sup>94</sup> 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<sub>2</sub>e (Scope 1) and indirect CO<sub>2</sub>e (Scope 2) by using three principal indicators:

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

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

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

The 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<sub>2</sub> emissions (Scope 1 and Scope 2 market-based) by 2025 compared to 2015 values, and a 9% reduction in absolute CO<sub>2</sub> emissions related to the purchase of raw materials (Scope 3) by 2025 compared to 2018 values. In May 2022, these targets received validation by the Science Based Targets initiative (SBTi), which judged them to be consistent with the actions needed to keep climate warming within 1.5°C.

In June 2022, Pirelli also expressed to SBTi its commitment to the Corporate Net Zero standard<sup>95</sup>, 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.

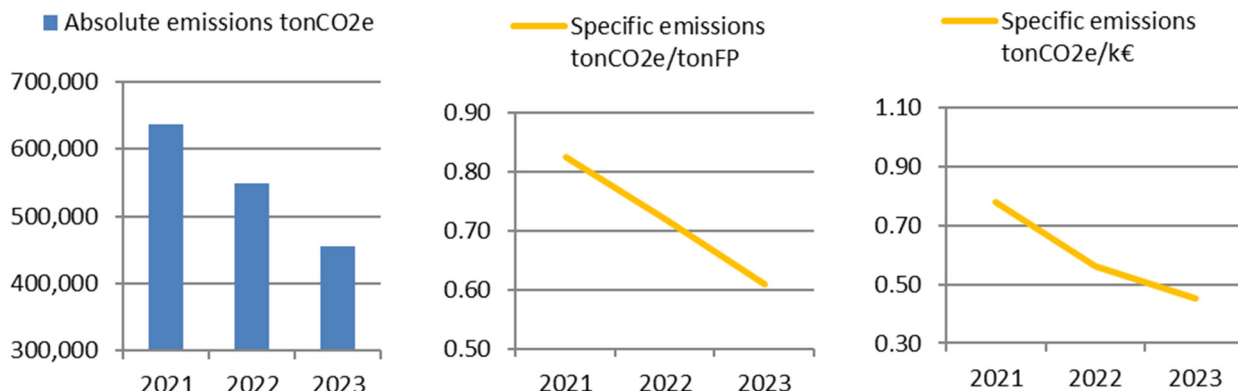
In addition, Pirelli envisages sourcing 100% of grid electricity supply from renewable sources used by 2025 and Group carbon neutrality (Scope 1 and Scope 2) by 2030.

***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](http://www.pirelli.com) for the benefit of all Stakeholders.***

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<sup>95</sup> 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<sub>2</sub> 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%<sup>96</sup> 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:

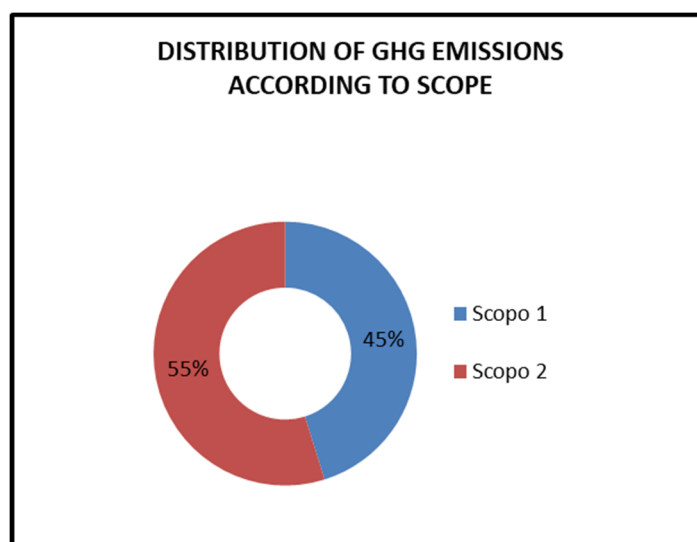
<sup>96</sup> This value includes both the share from direct procurement initiatives (such as the purchase of energy from the grid certified with Energy Attribute Certificates or production in on-site wind or photovoltaic plants), which weighs 75%, and the contribution from national electricity distribution 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 <sub>2</sub> e	636,190	548,132	454,965
Scope 1	tonCO <sub>2</sub> e	187,510	179,399	205,490
Scope 2 (market-based)	tonCO <sub>2</sub> e	448,680	368,733	249,475
Scope 2 (location-based)	tonCO <sub>2</sub> e	528,332	533,086	505,396
Specific emissions (Scope 1 and Scope 2 market-based)	tonCO <sub>2</sub> e/tonFP	0.824	0.719	0.609
	tonCO <sub>2</sub> e/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<sub>2</sub>e 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<sub>2</sub>e 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<sub>2</sub> emissions of over 55 ktonnes (Scope 2);

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

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

Considering the life phases of the product according to the GHG Protocol standard (Corporate Value Chain - Scope 3) and as reflected in the criteria of the Science Based Targets initiative, the emissions of the use phase of the tyre are assessed as "indirect" because they are already included in the use phase of the vehicle, of which the tyre is a component (with indirect responsibility for the energy consumption of the vehicle during use). These emissions, therefore, do not fall within the emission perimeter to be considered by tyre manufacturers for value chain reduction targets, which, instead, includes: Scope 1 and 2 emissions, generated by the group's production activities, and Scope 3 emissions mainly related to the supply chain, logistics and product end-of-life.

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<sup>97</sup> 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) <sup>98</sup>	10 <sup>3</sup> tonCO <sub>2</sub> e	2,500.7	2,422.7	2,174.8
Manufacturing (Scope 1 + 2 + 3) <sup>99</sup>	10 <sup>3</sup> tonCO <sub>2</sub> e	996.2	838.8	721.5
Distribution (Scope 3) <sup>100</sup>	10 <sup>3</sup> tonCO <sub>2</sub> e	90.1	89.3	115.5
End-of-Life (Scope 3) <sup>101</sup>	10 <sup>3</sup> tonCO <sub>2</sub> e	2.2	2.2	2.3
Total	10 <sup>3</sup> tonCO <sub>2</sub> e	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<sup>102</sup>) 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

<sup>98</sup> This includes the Scope 3 emissions of categories "1 - Purchased goods and services" and "4 - Upstream transportation and distribution" of the GHG Protocol (Corporate Value Chain - Scope 3 - Accounting and Reporting Standard).

<sup>99</sup> This includes the group's Scope 1 and Scope 2 market-based emissions, Scope 3 emissions of the categories "3 - Fuel-and-energy-related activities (not included in Scope 1 or 2)", "5 - Waste generated in operations", "6 - Business travel" and "7 - Employee commuting" and "8 - Upstream leased assets" of the GHG Protocol (Corporate Value Chain - Scope 3 - Accounting and Reporting Standard).

<sup>100</sup> This corresponds to the Scope 3 emissions of category "9 - Downstream transportation and distribution" of the GHG Protocol (Corporate Value Chain - Scope 3 - Accounting and Reporting Standard).

<sup>101</sup> This corresponds to the Scope 3 emissions of category "12 - End of life treatment of sold products" of the GHG Protocol (Corporate Value Chain - Scope 3 - Accounting and Reporting Standard).

<sup>102</sup> 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<sup>103</sup> of the new PCR updated at the end of the previous year:

		2021	2022	2023
Customers (Scope 3) <sup>104</sup>	10 <sup>3</sup> tonCO <sub>2</sub> e	37,527.8 <sup>105</sup>	36,399.3 <sup>106</sup>	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<sub>2</sub> 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<sub>2</sub>. 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<sub>2</sub> 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.

<sup>103</sup> PCR version 3.05

<sup>104</sup> This corresponds to an estimate of the Scope 3 "indirect use phase emissions" of category "11 - End of life treatment of sold products" of the GHG Protocol (Corporate Value Chain - Scope 3 - Accounting and Reporting Standard).

<sup>105</sup> 2021 value calculated according to new PCR 3.05: 20,821.2

<sup>106</sup> 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](http://www.pirelli.com) for the benefit of all Stakeholders.**

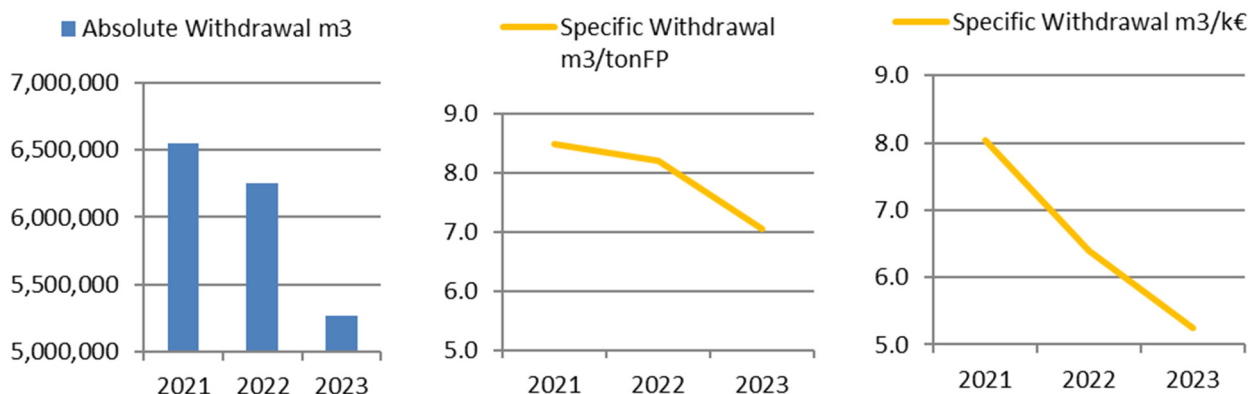
In absolute terms, the water withdrawal amounted to approximately 5.3 million cubic metres, down by 16% compared to the 2021 figure. Thanks to the actions implemented, since 2015, Pirelli has saved a total of more than 22.5 million cubic metres of water: an amount almost equivalent to the absolute withdrawal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

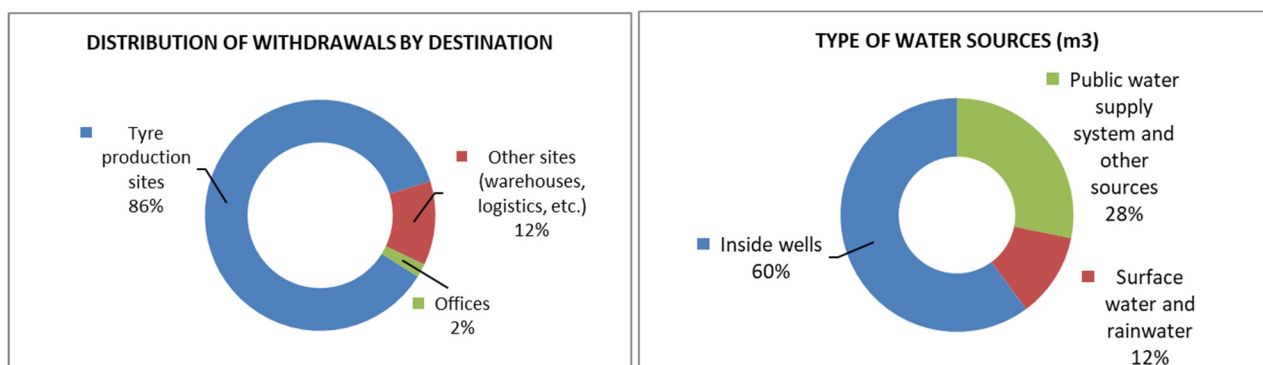
- absolute withdrawal, measured in cubic metres, which indicates the total withdrawal of water by the Group;
- specific withdrawal, measured in cubic metres per tonne of finished product, which indicates the withdrawal of water used to make one tonne of finished product;
- specific withdrawal, as measured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

		2021	2022	2023
Absolute Withdrawal	m <sup>3</sup>	6,552,628	6,253,654	5,264,047
Specific Withdrawal	m <sup>3</sup> /tonFP	8.5	8.2	7.0
	m <sup>3</sup> /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<sup>107</sup> 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.

<sup>107</sup> Water stress areas: this includes all those areas characterised by a level of “water stress” equal to or greater than “high” according to the classification of the WRI Aqueduct (Aqueduct Water Risk Atlas wri.org), as of 24 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<sub>5</sub> (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.

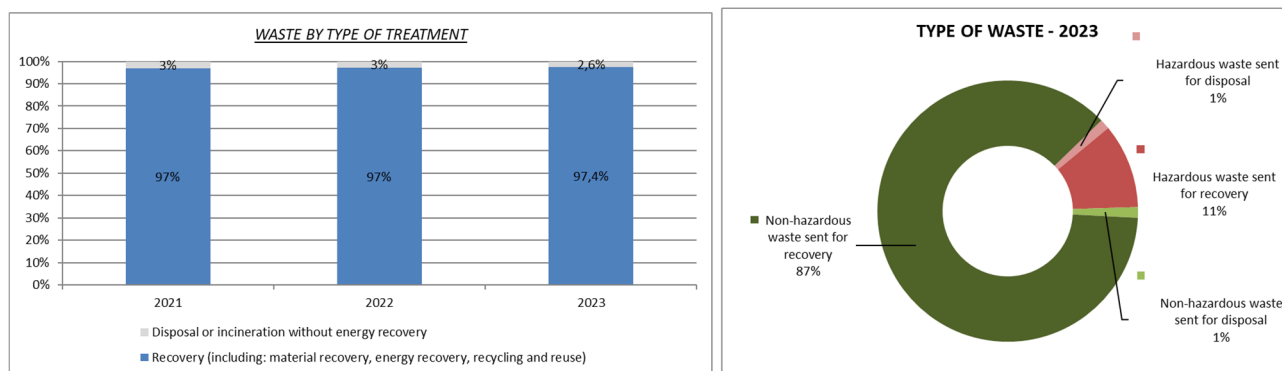
At Group level, 2023 saw a reduction of over 1% in absolute waste production compared to the previous year, with the specific production indicator, weighted on tonnes of finished product, remaining stable.

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](http://www.pirelli.com) for the benefit of all Stakeholders.***

In 2023, hazardous waste<sup>108</sup> 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.

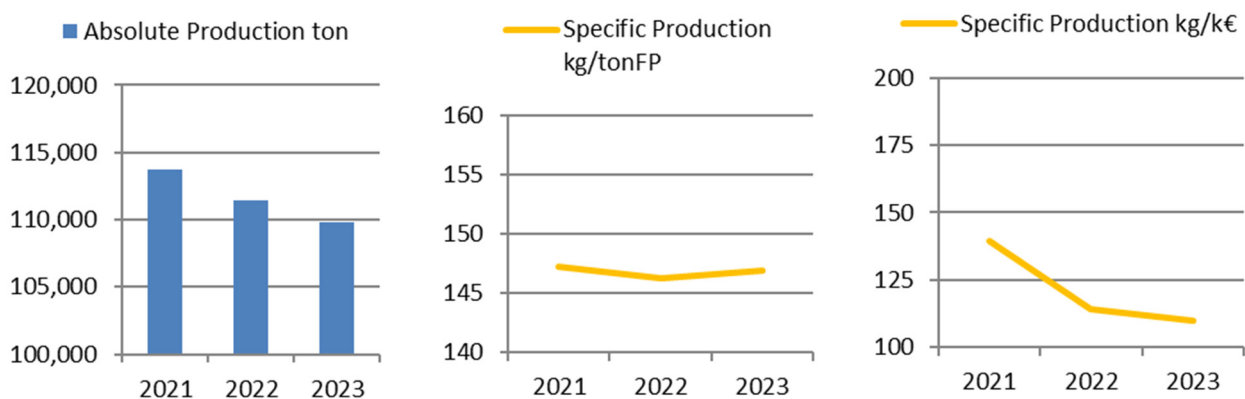


The graphs below detail waste production through three main indicators:

- 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

<sup>108</sup> The hazardousness of waste is generally defined according to the applicable local regulations (e.g. in Europe it is done according to the Waste Framework Directive 2008/9EC).



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)

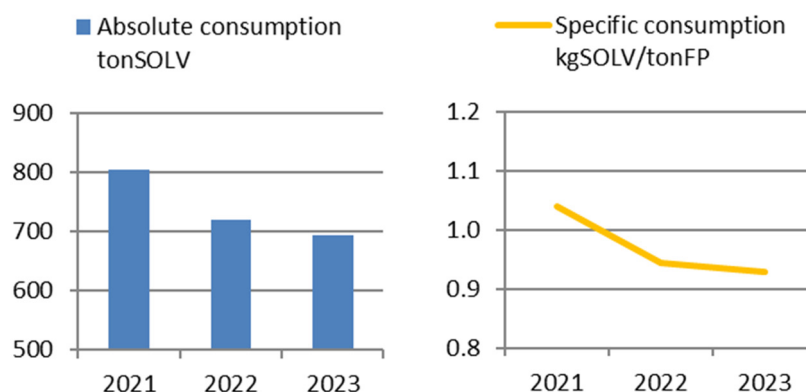
TYPE OF PROCESSING AT EXTERNAL SITES (DATA IN TONNES)	Non-hazardous waste	Hazardous waste	Total
Preparation for re-use	3,415	120	3,535
Recycling	46,804	1,844	48,648
Other recovery operations	16,363	6,086	22,448
<b>Waste not for disposal</b>	<b>66,581</b>	<b>8,049</b>	<b>74,631</b>
Incineration (without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

## 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<sup>109</sup> 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<sub>x</sub> EMISSIONS

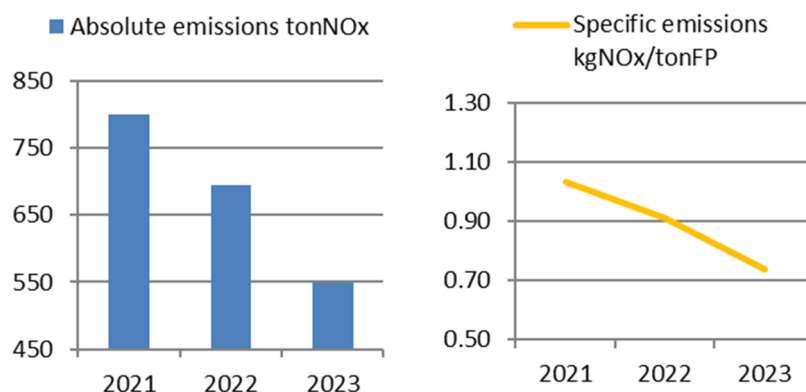
NO<sub>x</sub> emissions derive directly from the energy-generating processes used. In 2023, the index based on tonnes of finished product decreased by 19% compared to the 2022 figure, mainly due to a change in the mix of energy consumed, which saw in particular a significant growth in the share from renewable sources, as described above. The emissions were calculated by applying the emission factors indicated by the EEA (European Environment Agency)<sup>110</sup> to the energy consumption data.

In absolute terms, NO<sub>x</sub> emissions in 2023 decreased by 21% compared to the previous year.

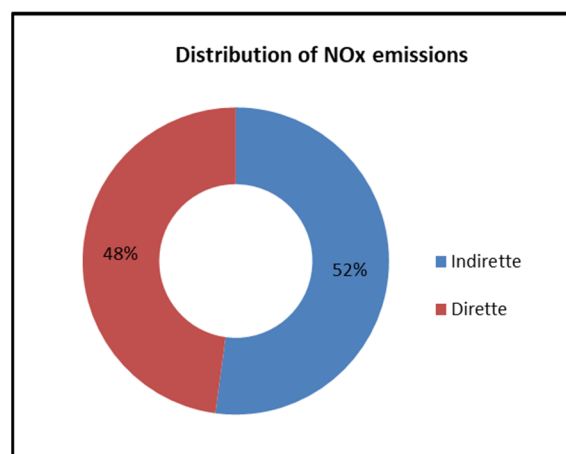
<sup>109</sup> Volatile Organic Compounds

<sup>110</sup> 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<sub>x</sub> 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<sup>111</sup> 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<sup>2</sup>, 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<sup>112</sup>), 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

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<sup>111</sup> European Environment Agency

<sup>112</sup> 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<sup>113</sup> 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

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<sup>113</sup> 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<sup>114</sup>. 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<sup>115</sup> are required to determine KPIs by ensuring general consistency with financial reporting and by using the same currency as for the annual or consolidated financial statements, with the additional requirement to include references to the relevant balance sheet items for turnover and capital expenditure indicators in their non-financial statements.

## THE TAXONOMY FOR THE PIRELLI GROUP

### METHODOLOGICAL NOTE

The Pirelli Group 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

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<sup>114</sup> 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.

<sup>115</sup> Pursuant to the legislation, a “non-financial undertaking” is defined as an undertaking subject to the disclosure requirements set out in Articles 19-bis and 29-bis of Directive 2013/34/EU which is not a financial asset manager, credit institution, investment firm, insurance undertaking or reinsurance undertaking (see EU Regulation 2021/2178 Article 1(9)).

immediately brought to light some unclear application and interpretation aspects both with reference to the general discipline<sup>116</sup> 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<sup>117</sup>. The interpretations published by the European Commission in 2022 have confirmed that the manufacture of automotive components is an economic activity automatically “eligible” and that therefore these companies, including tyre manufacturers, “can qualify” under the economic activity<sup>118</sup> 3.6 – “Manufacture of other low carbon technologies” if their products meet the characteristics set out in the Climate Delegated Act. The same document published by the European Commission in February 2022 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<sup>119</sup>, a circumstance that makes the interpretation questionable with reference to the tyre product, being the tyre a product conceived with the essential objective of serving mobility while taking multiple dimensions into account, starting with safety (e.g. wet grip, braking distances). Moreover, this economic activity includes a methodology for determining the substantial contribution to climate change mitigation that does not reflect processes, products, and technologies commonly found and applicable in the tyre sector.

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

<sup>116</sup> In the Assonime Circular no. 1/2022 “The European Regulation on the taxonomy of eco-sustainable activities: advertising obligations for companies” a series of aspects are explained for which clarification is requested from the European Commission.

<sup>117</sup> The NACE codes associated with this economic activity include C29.1 “Manufacture of motor vehicles” but not C29.3 “Manufacture of parts and accessories for motor vehicles” which, by its nature, could also include the manufacture of tyres.

<sup>118</sup> The FAQs published by the European Commission on 2 February 2022 clarified that “manufacturing specific car and vehicle components is not automatically eligible under the section ‘manufacture of low carbon technologies for transport.’” (ref. FAQ 8).

<sup>119</sup> The above-mentioned FAQ clarified that “the activity or product needs to have the objective of enabling a substantial reduction of GHG emissions in another sector of the economy” (ref. FAQ 9).

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<sup>120</sup> 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<sup>121</sup>.

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<sup>122</sup>. 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 referable 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.

<sup>120</sup> Regulation (EU) 2020/740.

<sup>121</sup> Regulation (EU) 2020/740 “(4) [...] Tyres, mainly due to their rolling resistance, account for between 20% and 30% of vehicle fuel consumption. A reduction of the rolling resistance of tyres would therefore contribute significantly to the fuel efficiency of road transport and thus to the reduction of greenhouse gas emissions and the decarbonisation of the transport sector”.

<sup>122</sup> 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<sup>123</sup>.

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<sup>123</sup> 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<sup>124</sup>. 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%<sup>125</sup> in CO<sub>2</sub> emissions. Among the Rolling Resistance classes considered permissible, with class C being the most common on the market<sup>126</sup>, 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;

<sup>124</sup> 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

<sup>125</sup> 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)”.

<sup>126</sup> 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<sup>127</sup> 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")										Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) turnover, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
	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)						
Economic Activities (1)		€/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			
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																						
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																						
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%					
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>2,094,95</b>	<b>32%</b>	<b>32%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>25%</b>					
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			
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																						
				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%					
<b>Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>2,363,59</b>	<b>36%</b>	<b>36%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>								<b>38%</b>					
<b>A. Turnover of Taxonomy-eligible activities (A.1+A.2)</b>		<b>4,458,55</b>	<b>67%</b>	<b>67%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>								<b>63%</b>					
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																						
Turnover of Taxonomy-non-eligible activities		2,191,55	33%																			
<b>TOTAL</b>		<b>6,650,10</b>	<b>100%</b>																			

<sup>127</sup> 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.

<sup>128</sup> 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<sup>129</sup> 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')							Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) CapEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
	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)			
Economic Activities (1)		€/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
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																			
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	
<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>171,22</b>	<b>34%</b>	<b>34%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>25%</b>		
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
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL								%		
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										
<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>210,81</b>	<b>42%</b>	<b>42%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>								<b>40%</b>		
<b>A. CapEx of Taxonomy-eligible activities (A.1+A.2)</b>		<b>382,03</b>	<b>75%</b>	<b>75%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>								<b>65%</b>		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																			
CapEx of Taxonomy-non-eligible activities (B)		124,88	25%																
<b>TOTAL</b>		<b>506,92</b>	<b>100%</b>																

<sup>129</sup> 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.

<sup>130</sup> 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<sup>131</sup> 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')							Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) OpEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
	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)			
Economic Activities (1)		€/min	%	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
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																			
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	
<b>OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>85,30</b>	<b>23%</b>	<b>23%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>23%</b>		
of which enabling		<b>84,56</b>	<b>22%</b>	<b>22%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>		<b>E</b>	
of which transitional		-	-							<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>			<b>T</b>
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			
				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%			
<b>OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>33,82</b>	<b>9%</b>	<b>9%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>							<b>7%</b>			
<b>A. OpEx of Taxonomy-eligible activities (A.1+A.2)</b>		<b>119,12</b>	<b>32%</b>	<b>32%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>							<b>30%</b>			
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																			
<b>OpEx of Taxonomy-non-eligible activities</b>		<b>257,83</b>	<b>68%</b>																
<b>TOTAL</b>		<b>376,95</b>	<b>100%</b>																

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<sup>131</sup> 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.

<sup>132</sup> 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<sup>133</sup>, Template 1 of Annex XII to Delegated Regulation 2021/2178 with respect to the activities of the Pirelli Group is set forth below.

<b>Activities related to nuclear energy</b>		
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
<b>Fossil Gas Activities</b>		
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

<sup>133</sup> 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<sup>134</sup>. 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.

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<sup>134</sup> 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 (HRRRA) allows Pirelli to systemise all the mitigation and prevention actions adopted with the aim of prioritising verification, monitoring, awareness-raising and training actions to intervene in an increasingly targeted manner on suppliers or subsidiaries that

might not be in line with Pirelli's human rights provisions, thus reinforcing the Due Diligence process already implemented.

Furthermore, the Company is aware that international frameworks on Business and Human Rights insist on the need for companies to involve stakeholders in assessing the negative impacts that may be caused by their activities along the value chain through a Human Rights Impact Assessment (HRIA). For this reason, following the risk analysis, Pirelli carried out a stakeholder engagement exercise involving internal company functions and external organisations with expertise in human rights, including NGOs, in order to understand the extent of the negative impacts linked to the 12 human rights identified as relevant. The assessment was based on international and GRI Standards, asking respondents to rate the likelihood and severity of negative impacts (the latter understood as the scale, scope and irremediable character of the impact).

The involvement of the corporate functions made it possible to make this assessment in the subsidiaries, finding an overall remote impact due to the effectiveness of the safeguards adopted. These affect not only the probability of occurrence, but also lower the level of severity, since even in the remote possibility of a violation occurring, the company's management and control system would allow for immediate action, limiting the severity of the possible negative impact.

With reference to the situation along the supply chain, the results obtained from the interviews with external experts show that although the necessary safeguards are in place to mitigate potential negative impacts, in some countries socio-political conditions may make it difficult for companies to effectively mitigate such impacts along the supply chain. For this reason, the probability and severity assigned by the experts tend to be higher than the corporate perspective, especially given the potential risks present in some of the countries Pirelli sources from and with reference to freedom of association and collective bargaining and occupational health and safety.

To reinforce the risk containment measures already in place, which the risk assessment carried out confirmed to be effective for the mitigation and recovery of the risk of human rights violations, considering the drive for continuous improvement of the management model and in response to regulatory changes and external expectations, the company 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<sup>135</sup> by category, geographical area<sup>137</sup>, gender, type of contract, and the flow of employees by geographical area, gender and age bracket.

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

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

### BREAKDOWN OF WORKFORCE BY CATEGORY

	EXECUTIVES	MIDDLE MANAGERS	WHITE-COLLAR	BLUE-COLLAR	TOTAL
<b>2023</b>	263	1,896	4,159	24,753	<b>31,072</b>
<b>2022</b>	253	1,775	4,196	25,077	<b>31,301</b>
<b>2021</b>	247	1,754	4,052	24,636	<b>30,690</b>

<sup>135</sup> 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.

<sup>136</sup> 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.

<sup>137</sup> 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	<b>13,652</b>	11,196	1,934	<b>13,130</b>	11,022	1,816	<b>12,838</b>
NORTH AMERICA	3,104	582	<b>3,686</b>	2,881	463	<b>3,344</b>	2,746	451	<b>3,197</b>
SOUTH AMERICA	7,136	726	<b>7,862</b>	7,633	711	<b>8,344</b>	7,321	653	<b>7,975</b>
APAC	2,944	883	<b>3,827</b>	3,023	907	<b>3,930</b>	2,999	899	<b>3,898</b>
MEAI & RUSSIA (in 2022 & 2021 RUSSIA, Nordics & MEAI)	1,471	574	<b>2,046</b>	1,966	588	<b>2,554</b>	2,190	593	<b>2,783</b>
<b>TOTAL</b>	<b>26,214</b>	<b>4,858</b>	<b>31,072</b>	<b>26,698</b>	<b>4,603</b>	<b>31,301</b>	<b>26,278</b>	<b>4,412</b>	<b>30,690</b>

**BREAKDOWN OF EMPLOYEES BY GEOGRAPHICAL AREA AND CONTRACT****2023**

	Permanent	Temporary	Agency	Total
EUROPE	12,332	1,307	13	<b>13,652</b>
NORTH AMERICA	3,668	0	18	<b>3,686</b>
SOUTH AMERICA	7,759	102	1	<b>7,862</b>
APAC	3,824	1	2	<b>3,827</b>
RUSSIA & MEAI	2,013	20	13	<b>2,046</b>
<b>TOTAL</b>	<b>29,595</b>	<b>1,430</b>	<b>47</b>	<b>31,072</b>

**2022**

	Permanent	Temporary	Agency	Total
EUROPE	11,827	1,284	19	<b>13,130</b>
NORTH AMERICA	3,312	0	32	<b>3,344</b>
SOUTH AMERICA	8,253	75	16	<b>8,344</b>
APAC	3,926	4	0	<b>3,930</b>
RUSSIA, NORDICS & MEAI	2,434	117	3	<b>2,554</b>
<b>TOTAL</b>	<b>29,751</b>	<b>1,480</b>	<b>70</b>	<b>31,301</b>

**2021**

	<b>Permanent</b>	<b>Temporary</b>	<b>Agency</b>	<b>Total</b>
<b>EUROPE</b>	11,636	1,192	10	<b>12,838</b>
<b>NORTH AMERICA</b>	3,166	0	31	<b>3,197</b>
<b>SOUTH AMERICA</b>	7,666	112	197	<b>7,975</b>
<b>APAC</b>	3,898	0	0	<b>3,898</b>
<b>RUSSIA, NORDICS &amp; MEAI</b>	2,658	125	0	<b>2,783</b>
<b>TOTAL</b>	<b>29,023</b>	<b>1,429</b>	<b>238</b>	<b>30,690</b>

**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%	<b>0%</b>	3%	3%	<b>3%</b>	22%	30%	<b>24%</b>	23%	16%	<b>22%</b>	21%	18%	<b>21%</b>
30-50	49%	58%	<b>51%</b>	64%	73%	<b>67%</b>	63%	57%	<b>61%</b>	63%	75%	<b>64%</b>	63%	69%	<b>64%</b>
>50	51%	42%	<b>49%</b>	32%	23%	<b>30%</b>	15%	13%	<b>15%</b>	15%	9%	<b>14%</b>	16%	12%	<b>15%</b>

**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%	<b>0%</b>	4%	3%	<b>3%</b>	20%	30%	<b>23%</b>	24%	15%	<b>23%</b>	22%	18%	<b>22%</b>
30-50	52%	61%	<b>53%</b>	65%	74%	<b>67%</b>	64%	58%	<b>62%</b>	63%	76%	<b>64%</b>	63%	70%	<b>64%</b>
>50	48%	39%	<b>47%</b>	32%	23%	<b>30%</b>	16%	12%	<b>14%</b>	13%	8%	<b>13%</b>	15%	11%	<b>14%</b>

**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%	<b>0%</b>	3%	4%	<b>3%</b>	20%	27%	<b>23%</b>	24%	16%	<b>23%</b>	22%	18%	<b>22%</b>
30-50	55%	61%	<b>56%</b>	67%	76%	<b>69%</b>	65%	60%	<b>63%</b>	64%	76%	<b>65%</b>	64%	71%	<b>65%</b>
>50	45%	39%	<b>44%</b>	30%	20%	<b>28%</b>	15%	13%	<b>14%</b>	12%	8%	<b>12%</b>	14%	11%	<b>13%</b>

### 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
<b>Total</b>	<b>147</b>	<b>104</b>	<b>251</b>

### 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
<b>Total</b>	<b>25,937</b>	<b>4,740</b>	<b>30,677</b>

### 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
<b>Total</b>	<b>96</b>	<b>1</b>	<b>97</b>

### EMPLOYEE FLOWS BY GEOGRAPHIC AREA, GENDER AND AGE BRACKET

The following data refer to incoming/outgoing employees (all incoming and outgoing movements of employees with permanent and temporary contracts, such as retirements, resignations, expiry of fixed-term contracts). The entry and exit rates are calculated by comparing the number of entries and exits of each category to the total number of employees belonging to that category as at 31 December. The disposals and acquisitions of companies or business units, and changes in work schedules from full-time to part-time are not considered.

In 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 & MEA	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<sup>138</sup>.

	2021	2022	2023
<b>Voluntary Turnover (Total)</b>	<b>6.7%</b>	<b>6.5%</b>	<b>7.5%</b>

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.

<sup>138</sup> 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 "Nextyou 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<sup>139</sup>: 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%
<b>Grand Total</b>	<b>31,025</b>	<b>100%</b>

**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%
<b>Grand Total</b>	<b>2,159</b>	<b>100%</b>

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%

<sup>139</sup> 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<sup>140</sup> 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
<b>PERMANENT</b>	25,011	4,584	<b>29,595</b>	25,398	4,353	<b>29,751</b>	24,807	4,216	<b>29,023</b>
<b>TEMPORARY</b>	1,169	261	<b>1,430</b>	1,250	231	<b>1,480</b>	1,246	183	<b>1,429</b>
<b>AGENCY</b>	34	13	<b>47</b>	51	19	<b>70</b>	225	13	<b>238</b>

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

<sup>140</sup> 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
<b>Women</b>	49	43	37	39	39
<b>Men</b>	51	45	39	39	39
<b>Total</b>	51	45	39	39	39

**2022**

	<b>Executives</b>	<b>Middle Managers</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Group Average</b>
<b>Women</b>	50	44	37	39	39
<b>Men</b>	51	45	39	38	39
<b>Total</b>	50	45	39	38	39

**2021**

	<b>Executives</b>	<b>Middle Managers</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Group Average</b>
<b>Women</b>	50	44	38	38	39
<b>Men</b>	50	45	39	38	39
<b>Total</b>	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**

	<b>Executives</b>	<b>Middle Managers</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Group Average</b>
<b>Women</b>	17	13	8	8	9
<b>Men</b>	18	14	10	10	10
<b>Total</b>	17	14	10	10	10

**2022**

	<b>Executives</b>	<b>Middle Managers</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Group Average</b>
<b>Women</b>	18	14	8	8	9
<b>Men</b>	17	15	10	10	10
<b>Total</b>	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<sup>141</sup> whose grade, determined using the Korn Ferry method, is equal to or greater than 20<sup>142</sup>, 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<sub>2</sub> emissions reduction with a weighting of 10%.

As regards the disclosure of remuneration paid during the year, as well as the ratios comparing highest pay and average pay, the Policy, to which reference is made, follows CONSOB guidelines and market best practices.

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<sup>141</sup> 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  $\geq 20$ , the latter representing 92.4% of the incentivised population.

<sup>142</sup> 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](http://www.pirelli.com), the Company provides a channel dedicated to those wishing to propose their candidacy for specific open positions, as well as giving ample information on the company history, management models adopted, objectives and results achieved. Targeted channels -

including the most popular social media and university portals - are also chosen by Pirelli for the publication of its job offers.

## DEVELOPMENT

### ***Performance Management***

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

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

The main features of the process of management by objective are as follows:

- the process and the platform are open all year, so as to better support the continuity of dialogue between boss and employee and alignment on priorities;
- the assessment is based on two dimensions: 'what' (results) and 'how' (behaviours expressed);
- the key Behaviours, 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 Behaviours are: Accountability, Teamwork and collaboration, Forward thinking, Agility, Cross-functional approach, Initiative and drive;
- the entire process is managed within a platform accessible from all company devices.

As usual in 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 2023 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.

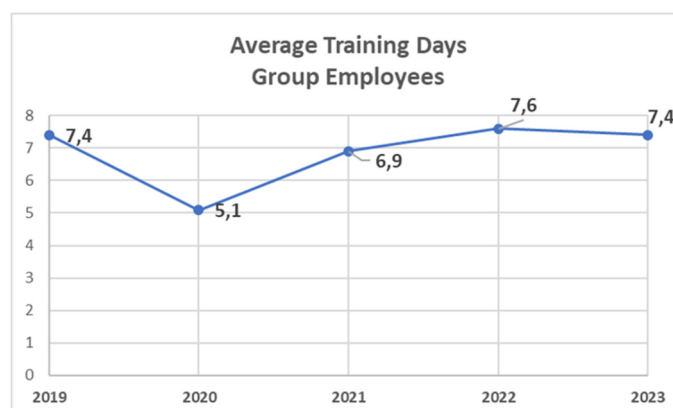
Pirelli's Professional Academies, in turn, delve deeply into all areas of sustainable management, e.g., product life cycle or sustainable supply chain management.

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.

TRAINING DAYS AVERAGE BY EMPLOYEES			
GROUP	FEMALE	MALE	
7,4	7,4	7,5	
	BLUE COLLARS	CADRES- STAFF	EXECUTIVES
	8,2	4,5	2,4

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.

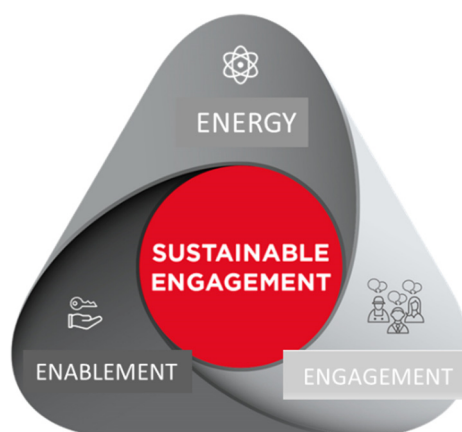
Health, Safety and Environment topics accounted for 26% of the total training, up from 19% in the previous year.

## 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	<b>79%</b>	<b>80%</b>
LOCAL SURVEYS BLUE-COLLAR 2023 <sup>143</sup>	<b>74%</b>	<b>85%</b>
GLOBAL SURVEY OVERALL SUSTAINABLE ENGAGEMENT SCORE	<b>75%</b>	<b>83%</b>

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

<sup>143</sup> 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 (HRRRA) was updated to identify the geographical areas and production categories most at risk of human rights violations. The assessment was conducted in line with the Company’s Enterprise Risk Management (ERM) model and allowed the identification

of subsidiaries and suppliers on which to intervene as a priority through the most appropriate mitigation and prevention actions.

For the results of the Risk Assessment and the planned mitigation actions, please refer to what is reported in detail in the section “Respect for Human Rights”.

Likewise, please refer to the sections on “Diversity, Equity and Inclusion” and “Our Suppliers” for a detailed account of the related Governance, and management, activity and performance Model.

## **LABOUR AND SOCIAL SECURITY LAWSUITS**

In 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:

<b>COVERAGE OF THE MANAGEMENT SYSTEM</b>	<b>Employees</b>	<b>Agency workers</b>
<b>Number of workers covered by management system</b>	<b>27,357</b>	<b>28</b>
<b>Percentage of workers covered by management system compared to total number of workers</b>	<b>88%</b>	<b>60%</b>

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.

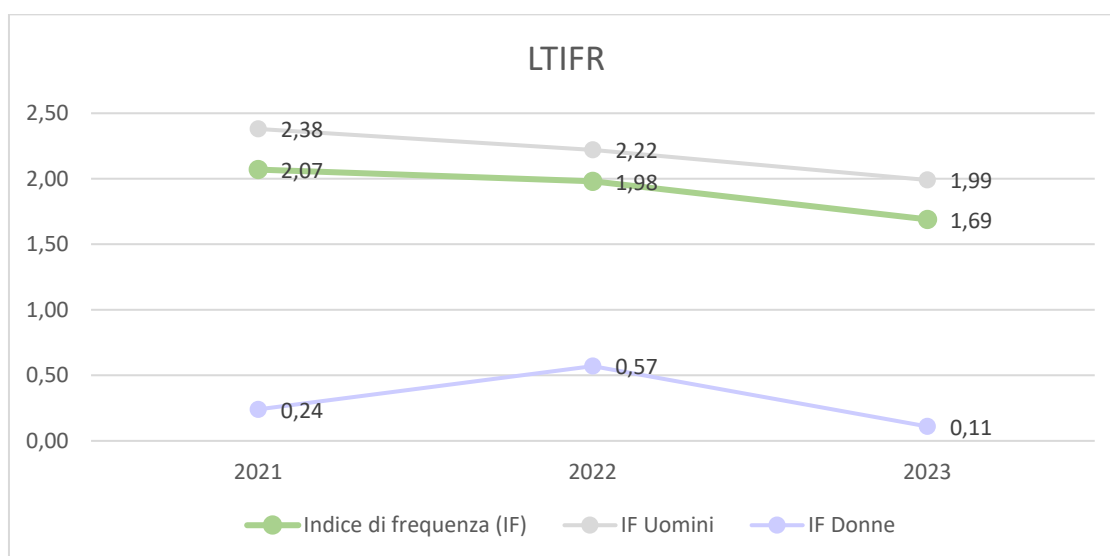
In March 2021 Pirelli presented the 2021-2022 Industrial Plan with Vision 2025 indicating an accident frequency index  $\leq 1.00$  if referred to 1,000,000 hours worked.

***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](http://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<sup>144</sup>.**

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<sup>145</sup> 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

<sup>144</sup> Accidents without lost days are not considered in the LTIFR calculation.

<sup>145</sup> 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:

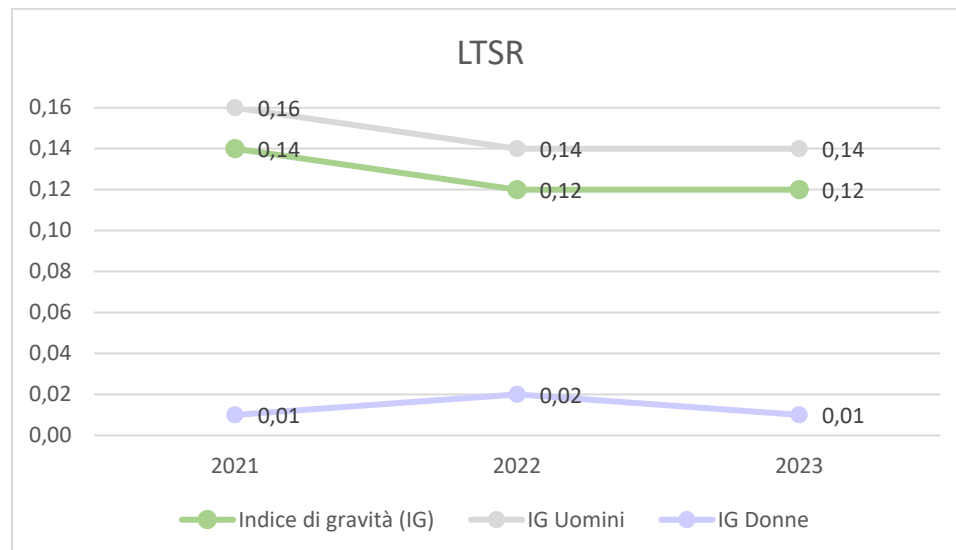
LTIFR INDEX	Europe	North America	South America	Russia, MEAI	Asia Pacific
2021	2.27	2.63	2.84	1.58	0.11
2022	2.74 <sup>146</sup>	1.54	1.88	2.60	0.12
2023	2.42	1.74	1.71	0.51	0.12

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.

<sup>146</sup> 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, MEA	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

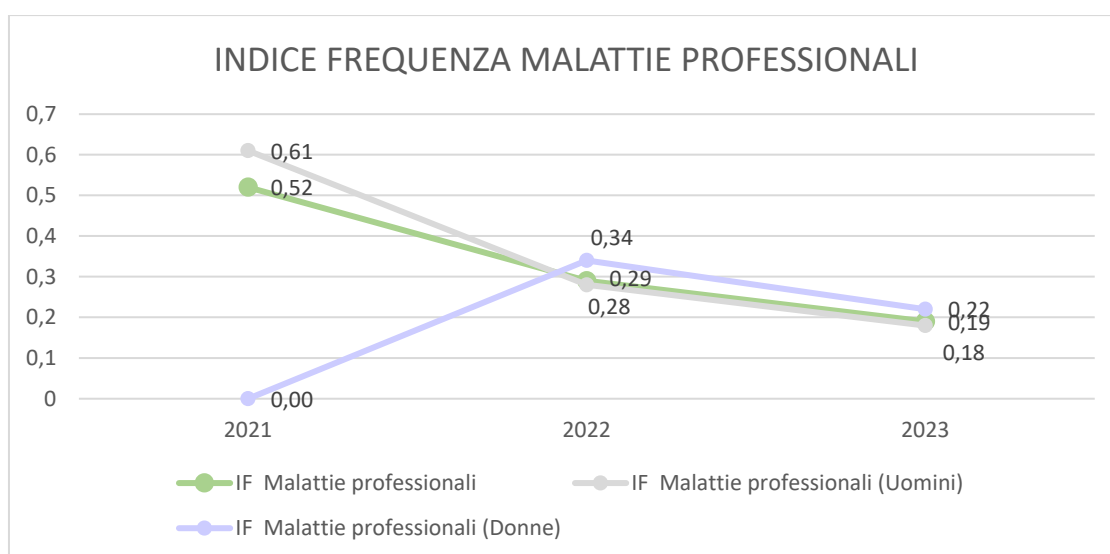
With reference to commuting accidents (not included in the calculation of the LTIFR and LTSR indices mentioned above), the following tables show the total number registered by the Group in the last three years and the distribution by geographical area of the cases. The recorded increase is due to external 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, MEA	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, MEA	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<sup>147</sup> 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

<sup>147</sup> Calculated on 1,000,000 hours worked; The Lost Time Index Frequency Rate - LTIFR considers the sum of accidents with at least one lost working day.

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 <sup>148</sup>	1,518	1,453	865
Lobbying, interest representation <sup>149</sup>	0	0	0
Political parties (campaigns/candidates)	0	0	0
<b>Total</b>	<b>1,518</b>	<b>1,453</b>	<b>865</b>

<sup>148</sup> 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.

<sup>149</sup> 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<sub>2</sub> 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<sub>2</sub> 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<sub>2</sub> 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<sub>2</sub> reduction through improved rolling resistance of tyres, improved road safety through new wet grip performance limits also for worn tyres, which also leads to a positive impact on the Circular Economy. The industry is also strongly committed to the development of a robust tyre abrasion test methodology to support the European Commission's objectives, set out in the new EURO 7 legislative proposal, to mitigate the emission of particulate matter into the environment.

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%<sup>150</sup>, through strong collaboration with the various management consortia present in European countries. ETRMA's (and European) best practices in fact continue to be an international benchmark.

ETRMA maintains a proactive role in the development of cognitive studies regarding environmental issues, e.g., Tyre Road Wear Particles (TRWPs), micrometric particles produced by combined road and tyre wear during vehicle circulation, and health issues, e.g. granulated filler material obtained from end-of-life tyres for sports fields. With regard to TRWPs, ETRMA launched in 2018, with the support of CSR Europe, the "European TRWP Platform", a multi-stakeholder initiative that aims to share the State of Scientific Knowledge (e.g. "Scientific Report on Tyre and Road Wear Particles, TRWP, in the aquatic environment") and to involve the relevant Sectors and Organisations in the definition of policy and of possible actions to mitigate the impacts of TRWPs (e.g. "The Way Forward Report"); in this regard, ETRMA launched a study with the objective of mapping and assessing all the solutions available today, in collaboration with the US Tire Manufacturers Association (USTMA), of which Pirelli is an active member. A micro-site was also created<sup>151</sup> 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

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<sup>150</sup> Data reported for 2019

<sup>151</sup> <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)<sup>152</sup>. 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%<sup>153</sup> of global production capacity of tyres, was founded in 2005 with the aim of meeting and anticipating the challenges related to the potential impacts on health and the environment of tyres throughout their life cycle. The project extends its evaluation activities to raw materials, TRWP (with research activities that have seen the completion of monitoring the impact of TRWP on air quality in the city of New Delhi, India) and nanomaterials.

On the subject of raw materials, the sharing of knowledge and collaboration 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<sup>154</sup> containing best practices of reference for the research, development and industrialisation of new nanomaterials so as to ensure that the use of any nanomaterial is safe for people and the environment. Also on this issue, TIP supported the OECD by actively supporting the preparation of the guide “Moving Towards a Safe(r) Innovation Approach (SIA) for More Sustainable Nanomaterials and Nano-enabled Products”<sup>155</sup> (published on 22 December 2020) which includes extremely topical elements, including those related to the emerging Safe and Sustainable-by Design (SSbD) theme, of certain importance for the debate launched in 2021 and carried on in 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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<sup>152</sup> [Our members \(wbcscd.org\)](https://www.wbcscd.org)

<sup>153</sup> [Tire Industry Project - World Business Council for Sustainable Development \(WBCSD\)](#)

<sup>154</sup> <http://www.oecd.org/chemicalsafety/nanosafety/nanotechnology-and-tyres-9789264209152-en.htm>.

<sup>155</sup> [www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=env/jm/mono\(2020\)36/REV1&doclanguage=en](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=env/jm/mono(2020)36/REV1&doclanguage=en).

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<sub>2</sub> 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 psychosocial risks in the workplace, the main aim of which was to encourage employers, managers and workers and their representatives to work together to manage these risks.

## **CSR EUROPE**

Since 2010 Pirelli has been a member of the Board of CSR Europe, the leading European network of companies for sustainability and corporate responsibility. CSR Europe supports companies and industries in their transformation and collaboration towards practical solutions and sustainable growth. The goal is systemic change both to achieve the SDGs and to build with European leaders and stakeholders a global strategy for a sustainable Europe 2030.

Pirelli has been supported by CSR Europe in the organisation and moderation of its Stakeholder Dialogues, which the Company holds at the local Affiliate level or internationally at Headquarters.

In this regard, reference should be made to the Stakeholder consultations held in Romania, Mexico, Germany, Turkey, Russia, Argentina, the United Kingdom and the United States. CSR Europe moderated the two multi-stakeholder consultations held by Pirelli for the definition of the Company’s Sustainable Natural Rubber Management Policy, the related Implementation Manual and the Activity Roadmap, published on Pirelli website.

For more information on CSR Europe’s many areas of activity, see [www.csreurope.org](http://www.csreurope.org).

## **INTERNATIONAL COMMITMENTS AGAINST CLIMATE CHANGE**

For years Pirelli has shown its commitment to the fight against climate change, promoting the adoption of adequate energy policies aimed at the reduction of CO<sub>2</sub> emissions.

In 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<sub>2</sub> emission reduction targets set by Pirelli for its production processes and supply chain obtained formal validation by the SBTi, which judged them to be consistent with the actions necessary to contain the increase in the Planet's temperature within 1.5°C. In 2020, Pirelli had already obtained validation by the SBTi of its emission targets that envisaged actions to contain temperatures “well below 2°C”, as indicated by the 2015 Paris Agreement, which were reached at the end of 2021, 4 years ahead of the original deadline.

In June 2022, Pirelli also expressed to SBTi its commitment to the Net Zero standard for the formalisation, within two years of a long-term target to reduce value chain emissions by around 90% by 2050 at the latest.

In 2021, the Company, together with UNGCN Italy and other major Italian companies, worked on the drafting and launch of the position paper “Italian Business and Decarbonisation: a just and inclusive transition” with the aim of leveraging the commitment of Italian companies adhering to the UN Global Compact on the issue of decarbonisation.

In September 2018, the Company joined the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB), committing to voluntarily disclose information on risks and opportunities related to Climate Change as outlined in the TCFD recommendations.

Over the years, Pirelli has also participated in numerous events and projects such as the Climate Conferences “COP24” in Katowice (2018), “COP23” in Bonn (2017) and “COP22” in Marrakech (2016), the “Business for COP21 Initiative” (2015) and participated in several side events organised during the “COP21” Climate Conference in Paris (2015).

Throughout 2014, the Group joined the “Road to Paris 2015” project and signed three initiatives consistent with its sustainable development strategy: Responsible Corporate Engagement in Climate Policy, Put a Price on Carbon, Climate Change Information in Mainstream Filings of Companies Communication.

## **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 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 André 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<sup>2</sup> 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 *Todavía 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](http://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 16<sup>th</sup> 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 Colonnello" ("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 Premiolo" Prize for Journalism**

Pirelli has supported "Il Premiolo", 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.ilpremiolo.it](http://www.ilpremiolo.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](http://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 Kunsthall 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 Higgin 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.

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	404-3 Percentage of employees receiving regular performance and career development reviews	Performance management	253-254			
<b>Diversity, Equity and Inclusion &amp; Human Rights</b>						
<b>GRI 3: Material Topics 2021</b>	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			
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	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	REASON	EXPLANATION
				REQUIREMENT(S) OMITTED		
<b>Diversity, Equity and Inclusion &amp; Human Rights</b>						
<b>GRI 3: Material Topics 2021</b>	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			
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	Diversity, equity and inclusion	240-250			
		Whistleblowing policy	105-108			
<b>Human Rights &amp; Responsible Management of the Supply Chain</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Main policies	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			
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	The ESG Elements in the Procurement Process	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	REASON	EXPLANATION
				REQUIREMENT(S) OMITTED		
<b>Human Rights &amp; Responsible Management of the Supply Chain</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Main policies	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			
<b>GRI 408: Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	The ESG Elements in the Procurement Process	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			
<b>Human Rights &amp; Responsible Management of the Supply Chain</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Main policies	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	REASON	EXPLANATION
				REQUIREMENT(S) OMITTED		
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	The ESG Elements in the Procurement Process	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			
<b>GRI 410: Security Practices 2016</b>	410-1 Security personnel trained in human rights policies or procedures				Information unavailable/incomplete	% of security personnel trained on human rights currently not available
<b>Human Rights</b>						
<b>GRI 3: Material Topics 2021</b>	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			
<b>GRI 411: Rights of Indigenous Peoples 2016</b>	411-1 Incidents of violations involving rights of indigenous peoples	Whistleblowing policy	105-108			
<b>Corporate Citizenship</b>						
<b>GRI 3: Material Topics 2021</b>	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	REASON	EXPLANATION
				REQUIREMENT(S) OMITTED		
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	Stakeholder engagement	96-97		Information unavailable/incomplete	information currently unavailable
		Respect for human rights	226-233			
		Sustainability of the natural rubber supply chain	141-144			
		Water management	198-201			
		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			
	413-2 Operations with significant actual and potential negative impacts on local communities	Company initiatives for the external community	296-304			
		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			
Responsible Management of the Supply Chain	3-3 Management of material topics	External community	283-314			
		Company initiatives for the external community	296-304			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Our suppliers	131-151			
		Respect for human rights	226-233			
		Policy on conflict minerals	147-150			
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria	The ESG Elements in the Procurement Process	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	REASON	EXPLANATION
				REQUIREMENT(S) OMITTED		
<b>GRI 415: Public Policy 2016</b>	415-1 Political contributions	Contributions for the benefit of the external community	109-111			
<b>Business Ethics and Integrity &amp; Product Quality and Safety</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Product safety, performance and eco-sustainability	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			
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	Product safety, performance and eco-sustainability	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	REASON	EXPLANATION
				REQUIREMENT(S) OMITTED		
<b>GRI 417: Marketing and Labeling 2016</b>	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				
<b>Cybersecurity</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Information and Cyber Security	103-105			
<b>GRI 418: Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Compliance programmes, anti-corruption, privacy, trade compliance, antitrust, compliance with laws and regulations	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	<p><b>Principle 1</b> – Business should promote and respect internationally proclaimed human rights in their respective spheres of influence.</p>	<p>Disclosure 407: Freedom of Association and Collective Bargaining</p> <p>Disclosure 408: Child Labor</p> <p>Disclosure 409: Forced or Compulsory Labor</p> <p>Disclosure 410: Security Practices</p> <p>Disclosure 411: Rights of Indigenous Peoples</p> <p>Disclosure 414: Supplier Social Assessment</p> <p>Disclosure 2-25: Processes to remediate negative impacts</p>	<p>Disclosure 413: Local Communities</p>
	<p><b>Principle 2</b> – Business should ensure that they are not, albeit indirectly, complicit in human rights abuses.</p>	<p>Disclosure 410: Security Practices</p> <p>Disclosure 414: Supplier Social Assessment</p>	

Areas of the Global Compact	Global Compact Principles	Directly Relevant GRI Indicators	Indirectly Relevant GRI Indicators
Labour Standards	<p><b>Principle 3</b> – Businesses should uphold the freedom of association of workers and recognise the right to collective bargaining</p>	<p>Disclosure 402: Labour/Management Relations</p> <p>Disclosure 403: Occupational Health and Safety</p> <p>Disclosure 407: Freedom of Association and Collective Bargaining</p> <p>Disclosure 410: Security Practices</p> <p>Disclosure 2-23: Policy commitments</p> <p>Disclosure 2-30: Collective Bargaining Agreements</p>	
	<p><b>Principle 4</b> – Business should uphold the elimination of all forms of forced and compulsory labour.</p>	<p>Disclosure 409: Forced or Compulsory Labor</p> <p>Disclosure 410: Security Practices</p>	
	<p><b>Principle 5</b> – Business should uphold the effective elimination of child labour.</p>	<p>Disclosure 408: Child Labor</p> <p>Disclosure 410: Security Practices</p>	
	<p><b>Principle 6</b> – Business should uphold the elimination of discrimination in respect of employment and occupation.</p>	<p>Disclosure 401: Employment</p> <p>Disclosure 404: Training and Education</p> <p>Disclosure 405: Diversity and Equal Opportunity</p> <p>Disclosure 406: Non-Discrimination</p> <p>Disclosure 410: Security Practices</p> <p>Disclosure 2-7: Employees</p>	<p>Disclosure 202: Market Presence</p> <p>Disclosure 401: Employment</p> <p>Disclosure 414: Supplier Social Assessment</p> <p>Disclosure 2-30: Collective Bargaining Agreements</p>

Areas of the Global Compact	Global Compact Principles	Directly Relevant GRI Indicators	Indirectly Relevant GRI Indicators
Environment	<b>Principle 7</b> – Businesses should support a precautionary approach to environmental challenges.	Disclosure 2-23: Policy commitments Disclosure 201: Economic Performance	Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water and Effluents Disclosure 304: Biodiversity Disclosure 305: Emissions Disclosure 306: Effluents and Waste Disclosure 307: Environmental Compliance
	<b>Principle 8</b> – Business should undertake initiatives to promote greater environmental responsibility	Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water and Effluents Disclosure 304: Biodiversity Disclosure 305: Emissions Disclosure 306: Effluents and Waste Disclosure 308: Supplier Environmental Assessment Disclosure 2-25: Processes to remediate negative impacts	Disclosure 201: Economic Performance
	<b>Principle 9</b> – Businesses should encourage the development and diffusion of environmentally friendly technologies.	Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water and Effluents Disclosure 305: Emissions	
Anti-Corruption	<b>Principle 10</b> – Businesses should work against corruption in all its forms, including extortion and bribery.	Disclosure 205: Anti-Corruption Disclosure 2-23: Policy Commitments Disclosure 2-26: Mechanism for seeking Advice and raising Concerns	Disclosure 205: Anti-Corruption Disclosure 2-23: Policy Commitments Disclosure 2-26: Mechanism for seeking Advice and raising Concerns

**SDGS SUMMARY TABLE**

Sustainable Development Goals (SDGs)	Paragraphs describing the Group's activities in support of the SDGs and relevant targets (from Sustainability Plan 2025-2030)
<b>1 - No Poverty</b>	Company initiatives for the external community (Social Solidarity pp. 301-302)
<b>2 - Zero Hunger</b>	Company initiatives for the external community (Social Solidarity pp. 301-302)
<b>3 - Good Health and Well-being</b>	<p>Welfare and initiatives for the internal community (pp. 263-266)</p> <p>Occupational health, safety and hygiene (pp. 270-282)</p> <p>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)</p> <p><u>Target:</u></p> <ul style="list-style-type: none"> <li>• Accident Frequency Index: ~1 by 2025</li> </ul>
<b>4 - Quality Education</b>	<p>Training (pp. 255- 261)</p> <p>Company initiatives for the external community (Training pp. 299-300, Culture and Social Value pp. 304)</p> <p><u>Target:</u></p> <ul style="list-style-type: none"> <li>• Training: training on Diversity, Equity and Inclusion and Human Rights</li> </ul>
<b>5 - Gender Equality</b>	Diversity, equity and inclusion (pp. 240-250)
<b>6 - Clean Water and Sanitation</b>	<p>Water Management (pp. 198-201)</p> <p><u>Target:</u></p> <ul style="list-style-type: none"> <li>• Specific water withdrawal: -43% by 2025 compared to 2015</li> </ul>
<b>7 - Affordable and Clean Energy</b>	<p>Joining the task force on climate-related financial disclosures (TCFD) and TCFD reporting (pp. 154-159)</p> <p>Energy Management (pp. 186-190)</p> <p>Management of greenhouse gas emissions and climate transition plan (pp. 190-197)</p> <p><u>Targets:</u></p> <ul style="list-style-type: none"> <li>• Specific Energy Consumption: -10% by 2025 compared to 2019</li> <li>• Renewable Electricity purchased at Group level: 100% by 2025</li> <li>• Group Carbon Neutrality by 2030</li> </ul>
<b>8 - Decent Work and Economic Growth</b>	<p>Our suppliers (pp. 130-150)</p> <p>Internal Community (pp. 226- 282)</p>

Sustainable Development Goals (SDGs)	Paragraphs describing the Group's activities in support of the SDGs and relevant targets (from Sustainability Plan 2025-2030)
<b>9 - Industry, Innovation and Infrastructure</b>	<p>Company initiatives for the external community (Training pp. 299-300)</p> <p><u>Target:</u></p> <ul style="list-style-type: none"> <li>For new product segments, by 2025: &gt; 40% renewable materials, &gt; 8% recycled materials and &lt; 40% fossil-based materials; by 2030: &gt; 60% renewable materials, &gt; 12% recycled materials and &lt; 30% fossil-based materials</li> </ul>
<b>10 - Reduced Inequalities</b>	<p>Diversity, Equity and Inclusion (pp. 240-250)</p>
<b>11 - Sustainable Cities and Communities</b>	<p>Main international commitments for sustainability (WBCSD pp. 292-294)</p> <p>Company initiatives for the external community (Road Safety pp. 297-299, Social Solidarity pp. 301-302)</p> <p><u>Target:</u></p> <ul style="list-style-type: none"> <li>Absolute CO<sub>2</sub> Emissions: -42% by 2025 compared to 2015</li> <li>Group Carbon Neutrality by 2030</li> <li>Eco &amp; Safety Performance Revenues: &gt; 66% on total car tyres revenues e &gt; 71% on High Value revenues by 2025</li> <li>Raw Materials Suppliers Absolute CO<sub>2</sub> Emissions: -9% by 2025 compared to 2018</li> <li>Evolution of the total product range, by 2025:             <ul style="list-style-type: none"> <li>more than 70% of new products will be in Rolling Resistance Class A/B;</li> <li>more than 90% of new products will be in Wet Grip Class A/B.</li> </ul> </li> </ul>
<b>12 - Responsible Consumption and Production</b>	<p>Joining the task force on climate-related financial disclosures (TCFD) And TCFD reporting (pp. 154-159)</p> <p>Energy Management (pp. 186-190)</p> <p>Management of greenhouse gas emissions and climate transition plan (pp. 190-197)</p> <p>Water Management (pp. 198-201)</p> <p>Waste management (pp. 202-204)</p> <p>Company initiatives for the external community (Environmental Initiatives pp. 303-304)</p> <p><u>Targets:</u></p> <ul style="list-style-type: none"> <li>Specific Energy Consumption: -10% by 2025 compared to 2019</li> <li>Absolute CO<sub>2</sub> Emissions: -42% by 2025 compared to 2015</li> <li>Renewable Electricity purchased at Group level: 100% by 2025</li> <li>Group Carbon Neutrality by 2030</li> <li>Water Specific Withdrawal: -43% by 2025 compared to 2015</li> <li>Waste Recovery: ≥ 98% by 2025</li> </ul>

Sustainable Development Goals (SDGs)	Paragraphs describing the Group's activities in support of the SDGs and relevant targets (from Sustainability Plan 2025-2030)
<b>13 - Climate Action</b>	<p>CDP Supply Chain (pp. 146)</p> <p>Joining the task force on climate-related financial disclosures (TCFD) and TCFD reporting (pp. 154-159)</p> <p>Management of greenhouse gas emissions and climate transition plan (pp. 190-197)</p> <p>Main international commitments for sustainability (International Commitments against Climate Change pp. 295-296)</p> <p><u>Targets:</u></p> <ul style="list-style-type: none"> <li>• Specific Energy Consumption: -10% by 2025 compared to 2019</li> <li>• Absolute CO<sub>2</sub> Emissions: -42% by 2025 compared to 2015</li> <li>• Renewable Electricity purchased at Group level: 100% by 2025</li> <li>• Group Carbon Neutrality by 2030</li> <li>• Eco &amp; Safety Performance Revenues: &gt; 66% on total car tyres revenues e &gt; 71% on High Value revenues by 2025</li> <li>• Evolution of the total product range, by 2025:               <ul style="list-style-type: none"> <li>o more than 70% of new products will be in Rolling Resistance Class A/B ;</li> <li>o more than 90% of new products will be in Wet Grip Class A/B;</li> </ul> </li> </ul>
<b>14 - Life below Water</b>	Water Management (pp. 198-201)
<b>15- Life on Land</b>	<p>Sustainability of the natural rubber supply chain (pp. 141-144)</p> <p>Company initiatives for the external community (Environmental Initiatives pp. 303-304)</p>
<b>16- Peace, Justice and Strong Institutions</b>	Compliance programmes, anti-corruption, privacy, trade compliance, Antitrust, compliance with laws and regulations (pp. 100-103)
<b>17 - Partnerships for the Goals</b>	<p>Sustainability of the natural rubber supply chain (pp. 141-144)</p> <p>Main international commitments for sustainability (WBCSD pp. 292-294)</p> <p>Company initiatives for the external community (Road Safety pp. 297-299)</p>

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

	Topics from D. Lgs 254/2016	Reference Paragraph	Page number
Environmental Aspects	<b>Use of Energy Resources (from renewables and non-renewables)</b>	<ul style="list-style-type: none"> <li>Risks Related To Environmental Issues</li> <li>Energy Management</li> </ul>	51, 186-190
	<b>Use of Water Resources</b>	<ul style="list-style-type: none"> <li>Risks Related To Environmental Issues</li> <li>Emerging risks related to climate change and water stress</li> <li>Water Management</li> </ul>	51, 56-58, 198-201
	<b>Greenhouse Gas Emissions and Air-Polluting Emissions</b>	<ul style="list-style-type: none"> <li>Emerging risks related to climate change and water stress</li> <li>Joining the Task Force on Climate-Related Financial Disclosures (TCFD)</li> <li>Management Of Greenhouse Gas Emissions and Carbon Action Plan</li> <li>Solvents</li> <li>NO<sub>x</sub> Emissions</li> <li>Other Emissions and Environmental Aspects</li> </ul>	56-58, 154-159, 190-197, 205, 205-206, 206-207
Social Aspects	<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>Employee Health and Safety Risks</li> <li>Occupational Health, Safety and Hygiene</li> </ul>	52, 270-282
	<b>Training and Development</b>	<ul style="list-style-type: none"> <li>Risks associated with Human Resources</li> <li>Development</li> <li>Training</li> </ul>	52, 253-254, 255-261
	<b>Welfare</b>	<ul style="list-style-type: none"> <li>Welfare and Initiatives for the Internal Community</li> </ul>	263-266
	<b>Dialogue with Employees</b>	<ul style="list-style-type: none"> <li>Litigation Risks</li> <li>Listening &amp; Engagement</li> <li>Industrial Relations</li> </ul>	52, 261-263, 266-270
	<b>Actions for Gender Equality</b>	<ul style="list-style-type: none"> <li>Diversity, Equity and Inclusion</li> <li>Diversity Policies</li> </ul>	240-250, 343
	<b>Respect for Human Rights: Measures Taken and Prevention</b>	<ul style="list-style-type: none"> <li>Risks relative to Social and Environmental Responsibility, and Business Ethics</li> <li>Respect for Human Rights</li> <li>Diversity, Equity and Inclusion</li> </ul>	55-56, 226-233, 240-250
Governance Aspects	<b>Fight against Active and Passive Corruption</b>	<ul style="list-style-type: none"> <li>Risks Relative to Social and Environmental Responsibility and Business Ethics</li> <li>Compliance programmes, anti-corruption, privacy, trade compliance, antitrust, compliance with laws and regulations</li> </ul>	55-56, 100-103





**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**



## **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 than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFD were based on our professional judgement and consisted of interviews, primarily of company personnel responsible for the preparation of the information presented in the NFD, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

1. analysis of the relevant matters reported in the NFD 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.*