PIRELLI SUSTAINABILITY PLAN
2017-2020 with selected targets to 2025
AGENDA

— PIRELLI SUSTAINABILITY MODEL
— ACHIEVEMENTS
— EVOLVING CONTEXT & KEY INDUSTRY TRENDS
— SUSTAINABILITY PLAN: RETURN ON CAPITAL
  • GROWTH
  • PRODUCTIVITY
  • GOVERNANCE & RISK MANAGEMENT
PIRELLI SUSTAINABILITY MODEL

PIRELLI MULTI-STAKEHOLDER SUSTAINABILITY MODEL ALIGNS TO

GOVERNANCE
- Board of Directors
- Board Committee
- Sustainability Steering Committee
- Group Sustainability and Risk Governance dept.
- Country Sustainability Managers (CEOs)

MANAGEMENT SYSTEMS

- Quality
  - ISO 9001
  - IATF 16949
  - ISO/IEC 17025
- Labour and Social
  - OHSAS 18001
  - Standard SA8000® (Reference Std)
- Environment
  - ISO 14001
  - ISO 14040
  - ISO 14064
- Anti-Bribery
  - ISO 37001
- Purchasing
  - ISO 20400

PLAN
Using the “Value Driver Model”** to better assess and communicate the financial impact of sustainable strategies.

- Growth opportunities
- Productivity
- Risk management

Return on capital

REPORTING*
Sustainable performance is integrated in the Group Annual Report:

- Economic development
- Environmental Stewardship
- Social Responsibility

*Using Global Reporting Initiative (GRI – Standards), Comprehensive option; principles of integrated reporting contained in the Framework of the International Integrated Reporting Council (IIRC), Assurance Engagements, ISAE 3000 – Assurance Engagement on GHG ISAE 3000; **Tool developed by the UN Global Compact and UN Principles for Responsible Investment (PRI).
A COMPREHENSIVE CORPORATE POSITIONING & INTERNATIONAL ENGAGEMENT

MAIN GROUP POLICIES*

- The Values and the Ethical Code
- Antitrust and Fair Competition
- Health, Safety and Environment
- Product Stewardship
- Green Sourcing
- Tax
- Personal Data Protection
- Whistleblowing

Code of Conduct and Premium Integrity Program
Equal Opportunities
Human Rights
Quality
Social Responsibility for Occupational Health, Safety, Rights and Environment
Corporate Lobbying
Intellectual Property
Sustainable Natural Rubber

ADVOCACY: PLAYER WITHIN MAIN INTERNATIONAL ORGANIZATIONS IMPACTING ON SUSTAINABLE DEVELOPMENT

United Nations Global Compact LEAD
World Business Council for Sustainable Development**
Corporate Social Responsibility Europe***
European Occupational Safety and Health Agency (EU-OSHA)****

Key Global sustainability issues

*Published on Pirelli’s website in multiple languages and communicated to all employees in their local language; **Member of the Tire Industry Project Group (TIP) and of the SiMPify Project on Sustainable Mobility; ***Member of the Board; ****Campaign partner.

SUSTAINABILITY PLAN 2017-2020
with selected target to 2025

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2017 MAJOR ACHIEVEMENTS

- **Green performance revenues** 2017: 42% on total tyre revenues (vs 40% in 2016 and vs 5% in 2009)
- Issuance of **new Pirelli «Sustainable Natural Rubber Policy»**
- Compliance of Pirelli **Purchasing Model with ISO 20400** confirmed by third party (Feb. 2018)
- Compliance of Pirelli **Anti-Corruption Management System** with ISO 37001 confirmed by third party (Feb. 2018)
- Pirelli awarded **Global Sustainability Leader of Auto Components** Industry and Gold Class Company with a score of 83 points vs. sector average of 42** (Feb. 2018)

- **Avg Rolling resistance** of Pirelli car tyres reduced by -15% vs 2009
- **Specific energy consumption** -4% vs 2016 and -15% vs 2009
- **CO₂ specific emissions** -4% vs 2016 and -9% vs 2009
- **Specific water withdrawal** -14% vs 2016 and -62% vs 2009
- Towards «zero waste to landfill»: 93% of waste recovered in 2017 (+1% vs 2016 and +24% vs 2009)
- **Renewable Energy**: around 43% of purchased electricity came from renewable sources*** (+5% vs 2016)

- **International Stakeholder Consultations** on Natural Rubber Policy
- **National Stakeholder Consultations** on Sustainability Plans (Russia and Argentina)
- **Accident frequency index reduction**: -18% vs 2016 and -83% vs 2009
- **Training days per capita**: 8 average days per capita
- **Supplier Sustainability risk assessment**: 83 ESG**** audits performed by independent party; total number of non-conformities found on-site decreased by 16% compared to 2016

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* Figure obtained by weighing the value of sales of Green Performance tyres on the total value of sales of Group tyres. Green Performance products identify tyres that Pirelli produces throughout the world and that fall only under rolling resistance and wet grip classes A, B, C according to the labeling parameters set by European legislation; ** Sustainability Yearbook 2018 (by RobecoSAM –Analysts for Dow Jones Sustainability indexes); *** Internal evaluation on International Energy Agency (IEA) data considering Pirelli geographical breakdown; **** Environmental, Social and Governance.
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## EVOLVING CONTEXT & KEY INDUSTRY TRENDS

### SOCIO – DEMO TRENDS

<table>
<thead>
<tr>
<th>Purchasing power growth</th>
<th>Digitalization</th>
<th>Growing urbanization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Travel</strong></td>
<td><strong>Urban life</strong></td>
<td><strong>Transfer</strong></td>
</tr>
<tr>
<td>• Higher income and autonomous capabilities will increase miles driven</td>
<td>• Car sharing will reduce cars on the streets</td>
<td>• Thanks to autonomous driving capabilities, cars will compete with trains and planes on long distance trips</td>
</tr>
<tr>
<td><strong>Commuting</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Smart-working and multimodal transport will reduce private car use for daily commuting</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### MOBILITY EVOLUTION

**Travel**
- Higher income and autonomous capabilities will increase miles driven

**Urban life**
- Car sharing will reduce cars on the streets
- Autonomous driving will increase mobility demand including elderly and impaired

**Transfer**
- Thanks to autonomous driving capabilities, cars will compete with trains and planes on long distance trips

**Commuting**
- Smart-working and multimodal transport will reduce private car use for daily commuting

### CAR EVOLUTION

**Connected**
- 83% of sales in 2025

**Autonomous**
- 12% of total sales in 2025**
- 30% of Premium and Prestige sales in 2025**

**Shared**
- Only 1% of car sales but 5% of miles driven in 2025

**Electric**
- 10% of total sales in 2025
- 21% of Premium and Prestige sales in 2025

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*Research reports, Pirelli estimate; ** From level 3 (the driver can safely turn its attention away from the driving task but still be prepared to intervene) to level 5 (fully autonomous vehicle).*
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The Plan 2020 with selected target 2025:

• was drafted and is presented according to Pirelli Value Driver Model, with a Return on Capital approach;

• integrates Group Industrial Plan and its High Value development strategy;

• replaces previous 2013-2017 Sustainability Plan with selected targets 2020 (vs 2009);

• maintains 2009 as base reference year to allow long-term numerical trends to be appreciated;

• impacts on 12 UN SDGs (Sustainable Development Goals 2030) set forth by the United Nations: following slides show which SDGs are related to the targets therein described.
RETURN ON CAPITAL: PIRELLI VALUE DRIVER MODEL *

Sustainability Plan Structure

RETURN ON CAPITAL

GROWTH
- Long-term Strategy
- Product Innovation

PRODUCTIVITY
- Operation Efficiency
- Human Capital Governance

GOVERNANCE & RISK MANAGEMENT
- Corporate Governance, Risk Management
- Supply Chain

REVENUE GROWTH

COST SAVING & AVOIDANCE

REVENUE AND REPUTATION RISK REDUCTION; SUSTAINABILITY RISK CONTAINMENT

* Pirelli model is inspired to the Value Driver Framework of the UN-PRI (United Nations - Principles for Responsible Investment) and UN Global Compact, aimed at supporting dialogue between investors and operations on ESG themes
## SUSTAINABILITY LEVERS IN PIRELLI INDUSTRIAL PLAN

### INDUSTRIAL PLAN 2017-2020

**HIGH VALUE FOCUS**
- O.E. HOMOLOGATION PIPE LINE
- PRODUCT INNOVATION
- SHIFTING CAR CAPACITY TO HIGH VALUE
- CONSUMER CENTRIC APPROACH

### TRANSFORMATION PROGRAMS

- INTEGRATED FORECASTING
- SMART MANUFACTURING & FLEXIBLE FACTORY
- DESIGN TO COST
- ENHANCED SUPPLY CHAIN
- UPGRADING MANUFACTURING ASSET

### SUSTAINABILITY PLAN 2017-2020 with selected target 2025

- Green Performance revenues 2020 for High Value Products: >65% on total revenues
- Raw materials: for selected segments Pirelli will double the share of renewable materials and reduce the fossil based materials by 30% within 2025 vs 2017
- Natural Rubber value chain: implementation of Pirelli Policy, ESG risk-based approach, traceability upstream
- Future Mobility: Cyber Technology with PIRELLI CONNESSO™, Cyber Tyre™, Cyber™ Fleet
- Business Velo: looking to future mobility & high performance

### RETURN ON CAPITAL

- People: shift to digital, agile and cross-functional mindset
- Training: ≥7 man / days per employee per year
- Target Zero Workplace Accidents: Frequency Index reduction by 87% within 2020 vs 2009
- Growing investment in operational risk mitigation: double digit CAGR
- Reduce energy consumption by 19% within 2020 vs 2009
- Reduce CO₂ emission by 17% within 2020 vs 2009
- Towards zero waste to landfill
- Reduce water withdrawal by 66% within 2020 vs 2009
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GROWTH: ALIGNING STRATEGY TO FOOTPRINT

Pirelli Carbon & Water Life Cycle Assessment

- Raw Materials: 3.5% GWP, 46.8% WD
- Manufacturing: 2.5% GWP, 10.9% WD
- Distribution: 0.2% GWP, 0.1% WD
- Use: 91.4% GWP, 38.3% WD
- End of Life: 2.4% GWP, 3.9% WD

Global Warming Potential (GWP)
Water Depletion (WD)
GROWTH: PRODUCT INNOVATION

Renewable Materials*

AN R&D ROADMAP
DRIVEN BY RENEWABLE* RAW MATERIALS

• INNOVATIVE NATURAL NANOFIBERS for high performance tyres
• BIORESINS research on new cost-effective grades
• TAILORED LIGNIN
• HIGH PERFORMANCE SILICA FROM RICE HUSK
• FUNCTIONALIZED POLYMERS
Research of innovative grades that guarantee reduced environmental impact in terms of fuel consumption, greater driving safety and improved production efficiency

AN R&D OPEN INNOVATION PLATFORM
BUILT ON A HOLISTIC MODEL

By 2025 (vs. 2017) for Specific Products Segments Pirelli aims to:
• Double the share of Renewable Raw Materials
• Reduce the Fossil-Based Materials by -30%

*Renewable Natural Resources are natural resources that, after exploitation, can return to their previous stock levels by natural processes of growth or replenishment. (source: OECD glossary definition at https://stats.oecd.org/glossary/detail.asp?ID=2290 )
GROWTH: PRODUCT INNOVATION

Intercepting shifts in Market Expectations

PRESTIGE & PREMIUM CAR EVOLVES IN 4 DIRECTIONS

TYRE HAS TO EVOLVE AS WELL

PIRELLI IS RESPONDING WITH SPECIFIC SOLUTIONS

Connected

Monitoring of tyres’ conditions, including wear and load, via smartphone or car electronics

Autonomous

Integrated real-time analysis of tyres and car performance, for the safest autonomous drive

Shared

Cloud-based solutions for fleets, enabling TCO reduction and higher uptime of vehicles

Electric

Homologation of «Green» tyres (A-label RR), specifically designed for electric cars

Runflat

Ultra Low Rolling Resistance

Pirelli Noise Cancelling System
SUSTAINABILITY PLAN 2017-2020
with selected target to 2025

GROWTH: TYRE DEVELOPMENT

Car

- Rolling Resistance: Today -15% → 2020 -20%
- Wet Grip: Today +10% → 2020 +15%
- Noise: Today -10% → 2020 -15%

RR HIGH VALUE*: Today -10% → 2020 -14%

Moto

- Rolling Resistance: Today 0% → 2020 -10%
- Wet Performance: Today +30% → 2020 +40%
- Mileage: Today +20% → 2020 +30%

VELO

- Rolling Resistance: Today 0% → 2020 0%
- Wet Performance: Today 0% → 2020 +10%
- Braking: Today 0% → 2020 +5%

Less rolling resistance  Less CO₂ emissions
Less noise    Better living environment
Increased mileage  Increased tyre life
Less weight    Less impact on natural resources

* Focus on HIGH VALUE products including RIM18+ and «specialties» (Run-Flat, PNCS, Seal Inside with rim ≤ 17); ** 2017: stating year of Velo Business.
**GREEN PERFORMANCE REVENUES**

**TOTAL RANGE PRODUCTS**

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2017</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>42</td>
<td>&gt;50</td>
<td></td>
</tr>
</tbody>
</table>

- Figure calculated in % by weighing the value of sales of Green Performance Products on the total value of Group sales; **Focus on HIGH VALUE products including RIM18+ and «specialties» (Run-Flat, PNCS, Seal Inside with rim ≤ 17)

**GREEN PERFORMANCE REVENUES HIGH VALUE PRODUCTS**

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2017</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>52</td>
<td>&gt;65</td>
<td></td>
</tr>
</tbody>
</table>

• Figure calculated by applying the EU-label regulation to all tyre products sold WW
• Criteria to categorize the Green Performance products: Rolling Resistance and Wet Grip that falls ONLY in A, B, C classes

*S Figures calculated in % by weighing the value of sales of Green Performance Products on the total value of Group sales; ** Focus on HIGH VALUE products including RIM18+ and «specialties» (Run-Flat, PNCS, Seal Inside with rim ≤ 17)
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SUSTAINABILITY PLAN 2017-2020

PRODUCTIVITY: PROCESS EFFICIENCY

Energy Consumption

- Energy specific consumption in 2017 vs 2009: -15%
- Target 2020: energy specific consumption -19% vs 2009

* Value calculated in % and normalized on tons of produced tyres.
**CO₂ SPECIFIC EMISSION**

2020 Target: -17% vs 2009

<table>
<thead>
<tr>
<th>Year</th>
<th>CO₂ Emission</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>100</td>
</tr>
<tr>
<td>2017</td>
<td>91</td>
</tr>
<tr>
<td>2020</td>
<td>83</td>
</tr>
</tbody>
</table>

• CO₂ specific emissions in 2017 vs 2009: -9%. Positive impacts from steam generated from biomass, and from the use of renewable electrical energy;

• In 2017 around 43% of the electricity purchased by the Company came from renewable sources** (+5% vs 2016);

• Target 2020: CO₂ specific emissions -17% vs 2009

* Value calculated in % and normalized on tons of produced tyres; ** Internal evaluation based on Pirelli specific projects and International Energy Agency (IEA) data considering Pirelli geographical breakdown.
• Water specific withdrawal in 2017 vs 2009: -62% (around 60 million cubic meters of water saved since 2009)
• Target 2020: water specific withdrawal -66% vs 2009 (estimated 100 million cubic meters of water saved in the decade 2009-2020)

* Value calculated in % and normalized on tons of produced tyres.
**PRODUCTIVITY: PROCESS EFFICIENCY**

*Waste Recovery*

- Waste recovered (on total waste) in 2017 vs 2009: 93% (+24% vs. 2009)
- Target 2020: *towards no waste to landfill* with a recovery rate ≥95%

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*Value calculated in % and normalized on tons of produced tyres.*
### PRODUCTIVITY: HUMAN CAPITAL CULTURE

#### Digital Transformation

**A Digital, Agile, Cross-functional and Responsible Mindset**

**supporting Pirelli long-term development**

<table>
<thead>
<tr>
<th>CULTURE &amp; EDUCATION</th>
<th>WAY OF WORKING</th>
<th>DATA &amp; TECHNOLOGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Customer centric with focus on products</td>
<td>- Work horizontally</td>
<td>- Sharing information</td>
</tr>
<tr>
<td>- Trust and transparency</td>
<td>- Open collaboration</td>
<td>- Single source of truth</td>
</tr>
<tr>
<td>- Adaptiveness to respond to changes and capture value</td>
<td>- Agile to stress customer centric and iterative approach</td>
<td>- Technical excellence practices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Flexible technology stack</td>
</tr>
</tbody>
</table>
DIALOGUE & ENGAGEMENT
- As from 2018: introduction of new “Sustainable Engagement Index” to measure employees satisfaction

OCCUPATIONAL HEALTH & SAFETY
- Safety Culture focused on reaching «Zero Accident »
- Target 2020: reduction of accident frequency index (IF) by -87% vs. 2009 (2017 Performance : -83% vs 2009)

REMUNERATION
- ESG Targets integrated in management* annual and long-term incentives

DIVERSITY
- Historically, a multi-cultural” Company: 89.5% employees work outside Italy
- 53% of Senior Management experienced at least an assignment abroad during her/his career
- Women in the Board of Directors: 29%
- Women in management positions: 21.6%

WELFARE
Group Welfare Guidelines applied throughout the Group
- 4 pillars: lifestyle, support for families, working life and working environment, leisure time

TRAINING & DEVELOPMENT
- Average training days per capita/year ≥ 7
- 90% of employees involved in at least 1 training program/year
- Focus on developing skills and competences strategically supporting digital transformation

*Applied to the generality of Group top management and executives.
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**GOVERNANCE & RISK MANAGEMENT: SUPPLY CHAIN SUSTAINABILITY**

*Full compliance of Purchasing Model with ISO 20400 provisions attested*

**STEPS**

**SELECTION + QUALIFICATION/HOMOLOGATION ESG**
- ESG assessment questionnaire

**CONTRACTUAL STAGE**
- Sustainability Clause

**ONSITE THIRD-PARTY AUDIT**
- >500 audits from 2009 to 2017
- checklist derived from SA8000®, sustainability contractual obligations, local law

**ENGAGEMENT**

- ESG** yearly training Campaign
- CDP*** Supply Chain 2020 target: 90% response rate of raw materials suppliers (2017 rate: 71%)
- Sustainability Supplier Award
- Joint Development Agreements on Innovative and Renewable Raw Materials.

**FOCUSING ON THE ORIGIN OF THE VALUE CHAIN**

**SUSTAINABLE NATURAL RUBBER POLICY**

ONGOING CONSULTATION WITH

- NGOs
- Suppliers
- Customers
- Development Agencies
- Multilateral Organisations

*Third Party Opinion released in February 2018 by SGS Italy S.p.A; **ESG: environmental, social, governance; ***CDP: Carbon Disclosure Project.*
The Policy…

- is the result of one year and a half analysis, *consultation and engagement* process with key international Stakeholders
- imports *governance models* from major international reference documents and tools
- targets *transparency and traceability* of the whole supply chain upstream, with a *risk-based* approach

...and is based on substantial pillars:

- Protection of *labour and human rights*, local *community development*, prevention of *conflict related to land ownership*
- No Deforestation, No Burn, No Peat, No land grabbing; Ecosystems protection through land planning
- a call to co-operation and constructive dialogue among *Stakeholders* playing a material role in natural rubber value chain
- encouragement to invest in solid and *internationally recognized forms of certifications*
- transparent *reporting* on implementation *results*

...in 2018

- Release of the Policy Implementation Manual (drafted with the contribution of key stakeholders) and on-site training
- Deforestation risk mapping through innovative digital tools
- Traceability and ESG risk evaluation activities through local engagement
Pirelli By-Laws set forth that the corporate governance of Pirelli is inspired to the international best practices.

In line with Pirelli fundamental legacy, traditions and entrepreneurial culture:

(i) technological know-how is to remain owned by Pirelli and never to be transferred to any third parties, and

(ii) Pirelli headquarters is to remain in Milan (Italy)

Unless either resolution is approved by an overwhelming majority representing 90% of Pirelli shareholding

One-fifth of the board is to be appointed by minority shareholders

Members of the Board of Directors are highly qualified, and have a suitable mix of competences

Half of the Board made up of independent directors

Internal committees are in line with international best practices

Independent directors with key role are the majority in:

i. the Remuneration Committee;

ii. the Audit, Risks, Sustainability and Corporate Governance Committee;

iii. the Related-Party Transactions Committee.

Separation between the office of Chief Executive Officer and Chairman

Pirelli Chief Executive Officer to lead top management and ensure Pirelli business culture continuity

Leading role of Marco Tronchetti Provera in the designation of his successor in 2020

Internal role of the Board of Directors regarding the maximum number of appointments deemed compatible with the office as director of the Company

Appointment of a Director as responsible of all sustainability matters
**GOVERNANCE & RISK MANAGEMENT: ENTERPRISE RISK MANAGEMENT**

A Holistic Approach: Stretching from Sustainability to External Risks

### EXTERNAL RISKS*

External risks refer to events whose occurrence is outside the Company's control (i.e., country risk-macroeconomic volatility)

### STRATEGIC RISKS*

Strategic risks refer to events that stem from business. The correct management of such risks is a source of competitive advantage, or otherwise, the cause of failing to achieve planned targets

### OPERATIONAL RISKS*

Operational risks refer to events generated by the organisational structure. Assuming these risks do not produce any competitive edge. (i.e., ICT-HSE-Loss Prevention and Business Continuity-Compliance)

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*Sustainable clusters may be trasversal to more areas*