



1. CREATION
OF SUSTAINABLE
VALUE

Founded in 1872 and listed on the Milan Stock Exchange in 1922, Pirelli has been making tyres for over a century. Pirelli designs, develops, produces and sells tyres for automobiles, industrial vehicles and motorcycles. It manufactures tyres in 13 countries around the world – Argentina, Brazil, China, Egypt, Germany, England, Italy, Mexico, Romania, Russia, Turkey, United States and Venezuela – and operates a far-flung sales network serving over 160 countries.

Pirelli business operations are represented by two main segments. The Consumer business (accounting for about 70% of total net sales), which makes tyres for automobiles, Sport Utility Vehicles (SUV), light commercial vehicles and motorcycles. The Industrial business (accounting for about 30% of net sales) makes tyres for buses, trucks and agricultural equipment.

These businesses are focused in turn on two different sales segments: the original equipment segment, which directly targets automotive makers, and the replacement segment, represented by the replacement of tyres for vehicles already on the road.

Its technological know-how and innovative prowess have allowed Pirelli to strike agreements with the most prestigious car and motorcycle makers in the world.

Participating in sports competitions since 1907, Pirelli is the exclusive supplier to the Formula 1™ Championship for the three-year period 2014-2016 and the world Superbike Championship.

The excellence of its products, the fame of the Pirelli Calendar, the prestige of its participation in Formula 1™ and presence in the fashion industry contribute to the global success of the Pirelli brand that, according to the latest estimates by Interbrand, is worth euro 2.27 billion.

In line with its Premium and Green Performance strategy, Pirelli focuses constantly on quality, technology and low environmental impact products. In pursuing its objectives, Pirelli aims to combine economic profitability and social responsibility. In keeping with its century-plus industrial tradition, it continues to invest in international projects while maintaining strong roots in the local communities where it operates.

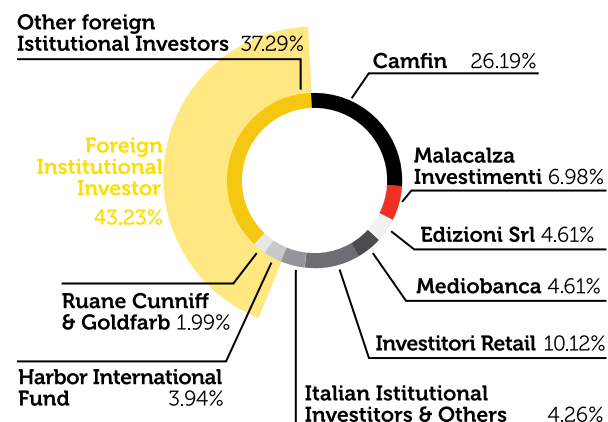
OWNERSHIP STRUCTURE OF PIRELLI & C.

On October 31, 2013, at the conclusion of consultations promoted by the Management of the Pirelli & C. S.p.A. Shareholders Agreement (Assicurazioni Generali S.p.A., Camfin S.p.A., Edizione S.r.l., Fondiaria-SAI S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A., Massimo Moratti and Sinpar S.p.A.) agreed to dissolve the agreement "effective from today", and thus prematurely in relation to its scheduled expiry on April 15, 2014. Therefore, since October 31, 2013 the participants have been definitively and irrevocably released from all the commitments and obligations resulting from the agreement.

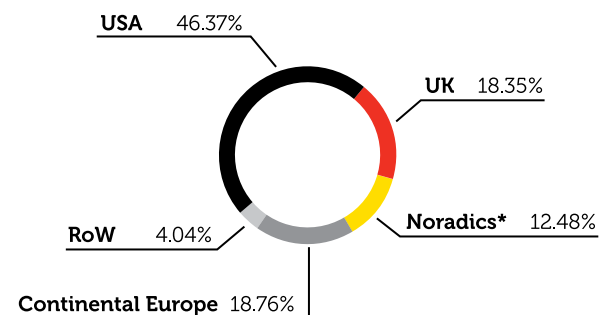
The following graphic illustrates the Pirelli ownership structure at December 31, 2013 and a focus on the significant number of shares owned by foreign shareholders.

There were no significant changes in the scope of the Group during 2013. More details are provided in the "Consolidated Financial Statements" section of the Annual Financial Report 2013.

SHAREHOLDER STRUCTURE AT 31/12/2013



FOREIGN INSTITUTIONAL INVESTORS BY AREA



SALES BY GEOGRAPHICAL AREA

In 2013 net sales totalled euro 6,146.160 million, up 1.2% from the previous year (euro 6,071.535 million), with 99.5% of net sales being generated by the Tyre Business, which is the core business of the Group. Excluding the exchange rate negative impact (-7.2%), the like-for-like figure was up 8.4%. A table illustrating the breakdown of Group sales by geographic area follows below:

SALES GEOGRAPHICAL BREAKDOWN (in thousands of euros)

	2013		2012		2011	
Europe						
• Italy	379,451	6.17%	425,260	7.00%	479,838	8.49%
• Rest of Europa	1,679,367	27.32%	1,688,549	27.81%	1,803,475	31.89%
• Russian	254,122	4.13%	255,160	4.20%	40,605	0.72%
Nafta	682,053	11.10%	692,618	11.41%	561,320	9.93%
Central America and South America	2,174,235	35.38%	2,067,525	34.05%	1,915,467	33.87%
Asia Pacific	481,493	7.83%	420,400	6.92%	352,815	6.24%
Middle East/Africa	495,439	8.06%	522,023	8.06%	501,273	8.86%
Total	6,146,160	100.00%	6,071,535	100.00%	5,654,793	100.00%

GREEN PERFORMANCE REVENUES

Pirelli Green Performance tyres are simultaneously able to maximise respect for the environment and safety performance. To calculate Green Performance net sales, the Company refers to the currently most restrictive tyre labelling regulation, issued by the European Union, with the classification including those products whose environmental impact (rolling resistance) and safety performance (wet grip) falls in classes A, B and C of the European scale, considering the Group world-wide products.

The impact of Green Performance net sales as a percentage of total net sales of tyres at December 31, 2013 was about 42.4%, up from 39.6% in 2012. This figure is on the way to achieving the impact target, which is equal to about half of net sales by 2017.

BREAKDOWN OF EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER

The Pirelli headcount at December 31, 2013 was 37,979 employees (37,338 in 2012 and 34,259 in 2011), for a net increase of 641 employees yoy, including 60 executives and staff employees and 581 blue collar employees.

EMPLOYEES GEOGRAPHICAL BREAKDOWN

	Tyre			Other businessw			Pirelli Total		
	Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Europe	12,770	2,692	15,462	104	108	212	12,874	2,800	15,674
Nafta	994	158	1,152	0	0	0	994	158	1,152
Central America and South America	13,466	779	14,244	0	0	0	13,466	779	14,244
Mea	3,231	80	3,311	0	0	0	3,231	80	3,311
Asia Pacific	2,817	780	3,597	1	0	1	2,818	780	3,598
Total	33,278	4,488	37,766	105	108	213	33,383	4,596	37,979

For a complete snapshot of employees during the three-year period 2013-2012-2011, with a breakdown by gender, category, average age, incoming and outgoing flows, reference is made to the sections "Pirelli employees around the World" and "Diversity Management" in the "Social Dimension" chapter of this report.

SUSTAINABILITY GOVERNANCE

"Sustainability Governance" at Pirelli means full integration of sustainability with the various aspects and ambits of business management. Sustainability represents the management system adopted by the Company and translates in the mapping, control and sustainable management of the economic, social and environmental impacts and opportunities connected with its own processes, products and services, in view of innovation and with the awareness of its role as a multinational group in a global context. The Underlying Principles of Pirelli, the Corporate Policies which implement them and the business development plans combine a precautionary approach with the creation of value.

THE PRINCIPLES UNDERLYING THE PIRELLI SUSTAINABILITY MODEL

The Pirelli sustainability model is inspired by the United Nations Global Compact, the Stakeholder Engagement principles set out in AA1000 and the ISO 26000 Guidelines, embracing the entire value chain to preserve and develop group assets. In October 2004, in a letter addressed to the Secretary General, Kofi Annan, Pirelli Group formally declared its adherence to the United Nations Global Compact and its commitment to observe and support its Ten Principles in the areas of human rights, labour standards, the environment and the fight against corruption. This letter is published in the Sustainability section of the Pirelli website.

Compliance of the Pirelli Sustainability Model with the AA1000 Principles and ISO26000 Guidelines was audited by a third party once again in 2013, as certified by the Assurance Statement at the end of this report.

UN GLOBAL COMPACT LEAD

Pirelli belongs to the Global Compact Lead Companies, and since 2013 it has been a member of the Steering Committee of the Global Compact Lead. This initiative was officially launched in 2011 at the World Economic Forum in Davos by United Nations Secretary General Ban Ki-moon and the Director of Global Compact, Georg Kell.

The initiative is reserved to the global companies deemed capable by Global Compact to play an international leadership role on account of their own commitment to sustainable development, not only by complying with the ten principles of the Global Compact, but also by actively promoting the United Nations Millennium Development Goals.

Pirelli adheres to the “Blueprint for Corporate Sustainability Leadership”, which offers leadership guidelines envisaged in the Global Compact that has been designed to inspire advanced sustainable and, above all, innovative performance in terms of management capacity for the creation of sustainable value. The Blueprint identifies three principal areas of interrelated and interdependent leadership criteria: (i) integration of the ten principles of the Global Compact in business activities and strategies; (ii) active participation in supporting the goals of the United Nations; (iii) establishing relationships, partnerships and activities with the other firms of the Lead, as well as with relevant bodies of the United Nations, in view of benefiting everyone.

As part of the Lead activities, Pirelli actively participated in the following activities in 2013:

- Post-2015 Development Agenda, in which the participating Lead Companies contribute to identification of the United Nations goals with a post-2015 vision, given that the Millennium Development Goals will be revised in 2015.
- Shaping the Future of Reporting, in which the participating Lead Companies work on identifying the best practices for complete and transparent reporting.
- Creating Long-term Value for Companies and

Investors, a joint effort by the UN Global Compact and the United Nations Principles for Responsible Investment (UNPRI) – in which Pirelli acts as co-chair – aimed at improving communication between companies and investors on environmental, social and governance issues.

On March 13, 2013, the Chairman and CEO, the CFO and the Sustainability Manager of Pirelli gave a briefing for investors. To do so, they used the dedicated Global Compact platform, explaining the ESG strategy of Pirelli based on the Value Driver Model, which guides the activities of the initiative Creating Long-term Value for Companies and Investors.

The Sustainability Plan 2014-2017 with Vision to 2020 of Pirelli has been constructed according to the Value Driver Model, as will be described in more detail in the section of this report specifically dedicated to that topic.

THE VALUES AND THE ETHICAL CODE

The document outlines Pirelli’s sustainable approach to business, by imposing strict, uniform guidelines for professional practices that everyone working in, for and with the Company must obey. Approved by the Board of Directors of Pirelli & C. S.p.A. in 2003, the Ethical Code was amended in 2009 to bring it in line with the evolution of the Group’s sustainability strategy and to satisfy new market and corporate governance requirements. The updated version was approved by the Board of Directors of Pirelli & C.

Within the ambit of their own functions and responsibilities, the directors, statutory auditors, executives and employees of the Pirelli Group, as well as everyone else who works on behalf or in favour of the Pirelli Group inside and outside Italy, or who have business relationships with it (the “Addressees of the Code”) must comply with the principles and obligations set out in the Code. More specifically, the Code:

- illustrates the values on which Pirelli’s own business activities are based, i.e. fidelity, fairness, transparency, sustainable growth, customer

focus, responsibility and results-oriented effort, professional excellence, innovation, quality and performance, integration and promptness;

- indicates the principles of conduct on which Pirelli bases its own business activity in internal and external relations;
- identifies the stakeholders with which Pirelli interacts, describing the sustainable approach that characterises their relationship with each one of them;
- imposes appropriate penalties for violation of the Code.

The Group's Whistleblowing procedure is a key tool for enforcing compliance with the Code, and is the subject of a special section of this chapter, "Group Whistleblowing Procedure."

The Values and Ethical Code and the Whistleblowing Procedure have been distributed to all Pirelli employees in local language versions. Suppliers are also formally required to comply with the values and business approach set out in the Code. For this reason, the document is published in the Sustainability section of the Pirelli website, and not only in the languages spoken by employees but also in those that are most representative of the panel of suppliers.

CODE OF CONDUCT

The Pirelli Group Code of Conduct was approved in its amended version in 2010 by the Board of Directors of Pirelli & C. S.p.A. and represents a guide to good practice in corporate conduct, compliance with the applicable law and regulations in the countries where Pirelli operates, to avoid creating environmental situations that are favourable to the commission of criminal offences. The Code of Conduct sets out the operating application of the Group Ethical Code, specifically in regard to three ambits:

- in relations with the public administration;
- in corporate and market disclosures;
- in relations with internal parties and parties outside the Group.

The Code of Conduct outlines – extensively but not exhaustively - a list of permitted and prohibited conduct. The permitted conduct enjoins compliance with applicable laws and regulations in all countries where Pirelli operates, as well as the rules of conduct to be followed, while the prohibited conduct identifies forbidden activities. The principles and commitments described in the Code of Conduct also apply to relations with suppliers. Therefore, the Code of Conduct is available in the languages spoken by Pirelli Group employees and in those that are most representative of the panel of suppliers. The document is published in the Sustainability section of the Pirelli website.

ANTI-CORRUPTION PROGRAMME

On August 5, 2013 the Board of Directors of Pirelli & C. S.p.A. approved the anti-corruption programme, called the Premium Integrity Programme. This is the set of benchmark guidelines concerning prohibited practices of corruption. These represent a systematic set of principles and rules that have already been adopted at Pirelli, complemented by "new" and specific measures, to prevent or reduce the risk of corruption, while further reinforcing the anti-corruption policy of the Group. In Italy, this programme also complements the Legislative Decree 231 Compliance Programme.

The Premium Integrity Programme defines the values, principles and responsibilities that Pirelli, all of its employees and everyone who has business or other collaborative relationships with the Company apply in the battle against corruption. It was developed after a specific audit of Group exposure to corruption risks in the countries where it operates.

This audit will be repeatedly periodically to guarantee constant monitoring of this risk. Adequate training and awareness programmes will also be defined as appropriate.

The Document was communicated to Group Employees in local language and is published in a number of different languages in the Sustainability section of the Pirelli website. For more information, reference is made to the "Compliance" section elsewhere in this chapter.

SOCIAL RESPONSIBILITY POLICY FOR OCCUPATIONAL HEALTH, SAFETY, RIGHTS, AND ENVIRONMENT

The Policy formally affirms Pirelli's adhesion to the Universal Declaration of Human Rights, to the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, to the Rio Declaration on Environment and Development and to the United Nations Convention against Corruption, from which the principles of the Global Compact are derived. The commitments set out in the Policy are based on the cited regulations, declarations and convention, and thus the United Nations Global Compact and the contents of the International Standard SA8000®.

The latter officially adopted by the Company in 2004 as the principal benchmark for management of its own Social Responsibility.

Suppliers are also formally required to comply with the principles and commitments stated in the Policy, just as they must comply with the Code of Conduct and the Ethical Code.

The Policy, issued in 2004 and updated and signed by the Chairman in 2009, has been distributed to all employees in their local language and published in the Sustainability section of the Pirelli website, not only in the languages spoken by employees but also in those that are most representative of the panel of suppliers.

EQUAL OPPORTUNITIES STATEMENT

The Equal Opportunities Statement sets out the proactive approach taken by Pirelli to equal opportunities in the workplace and career development, while also clearly illustrating the Group's approach to the development of diversity. It lists the commitments made by Pirelli in this area, as also set out in The Values and Ethical Code, in the Pirelli Group Social Responsibility Policy for Occupational Health, Safety, Rights, Environment and – a priori – the United Nations Global Compact and the SA8000® Standard.

Suppliers are also formally required to comply with the principles and commitments stated in the Declaration, just as they must comply with the Code of Conduct, the Ethical Code and the Group policy on Social Responsibility for Occupational Health, Safety, Rights, Environment. The Statement, which was issued by the Chairman in 2006, has been distributed to all employees in their local language and published in the Sustainability section of the Pirelli institutional website, available to the External Community.

For more details on the management of diversity and equal opportunities at the Company, please see the section dedicated to these topics in Chapter 4 – Social Dimension of this report.

QUALITY POLICY

The Quality Policy sets out the full integration of sustainability in the Group management strategy. Quality is at the centre of Pirelli activities, comprehensively extends to all functions and processes, from continuous innovation of products, services, processes and systems to protection of the safety, health and wellness of its employees, from environmental protection throughout the entire product life cycle to strategic collaboration with suppliers. The focus on the demands and interests of stakeholders, ethics, innovation, excellence and safety for sustainable competitiveness essentially correspond to "Corporate quality". Specific emphasis is given to personal involvement and the key role

that individuals play in promoting the cultivation of a sustainable quality culture.

The Policy, updated and signed by the Chairman in 2009, has been distributed to all employees in their local language and published in the Sustainability section of the Pirelli website, not only in the languages spoken by employees but also in those that are most representative of the panel of suppliers.

GREEN SOURCING POLICY

Pirelli issued its Green Sourcing Policy in December 2012. This document, which was signed by the Chairman, aims to stimulate and promote environmental awareness throughout the supply chain, and promote choices that can reduce the environmental impact of the sourcing of goods and services by Pirelli. The targets of this document are not only Group buyers but also the entire corporate population that can participate in the sourcing chain of a good or service. The document strongly urges everyone to broaden their perspective as much as possible on the basis of a method that is summed up by "Reduction, Reuse and Recover", and analysis of all the possibilities for reducing their associated environmental impact throughout the entire supply chain. This is why the term "sourcing" is preferred to "purchasing."

This Policy highlights the active role taken by Pirelli in the supply chain, and thus by including what is conceived and conceived in-house but outsourced for manufacturing.

The Green Sourcing Policy was defined in highly pragmatic and deliberately specific terms. It cites key words such as:

- "life cycle" – which is the only approach taken by the Group so that it may decide on the basis of complete and inclusive analyses;
- "Reduction, Reuse and Recovery" – these are the macro-categories that determine how the impact of a good or service is reduced.

The Policy explicitly requires that guidelines for implementation of the imposed principles be drafted. Therefore, interdepartmental working groups were

created in 2013, headed by the Quality, Sustainability and Purchasing Departments, which produced:

- the "Pirelli Green Sourcing Manual", an internal document containing operating Guidelines, intended to guide the activities of the Pirelli functions involved in the Green Sourcing process;
- the "Pirelli Green Purchasing Guidelines", a document targeting Pirelli suppliers, to be part of the Supply Agreement, based on the Green Sourcing Manual, which contains the KPI (Key Performance Indicators) to assess Suppliers' Green Performance.

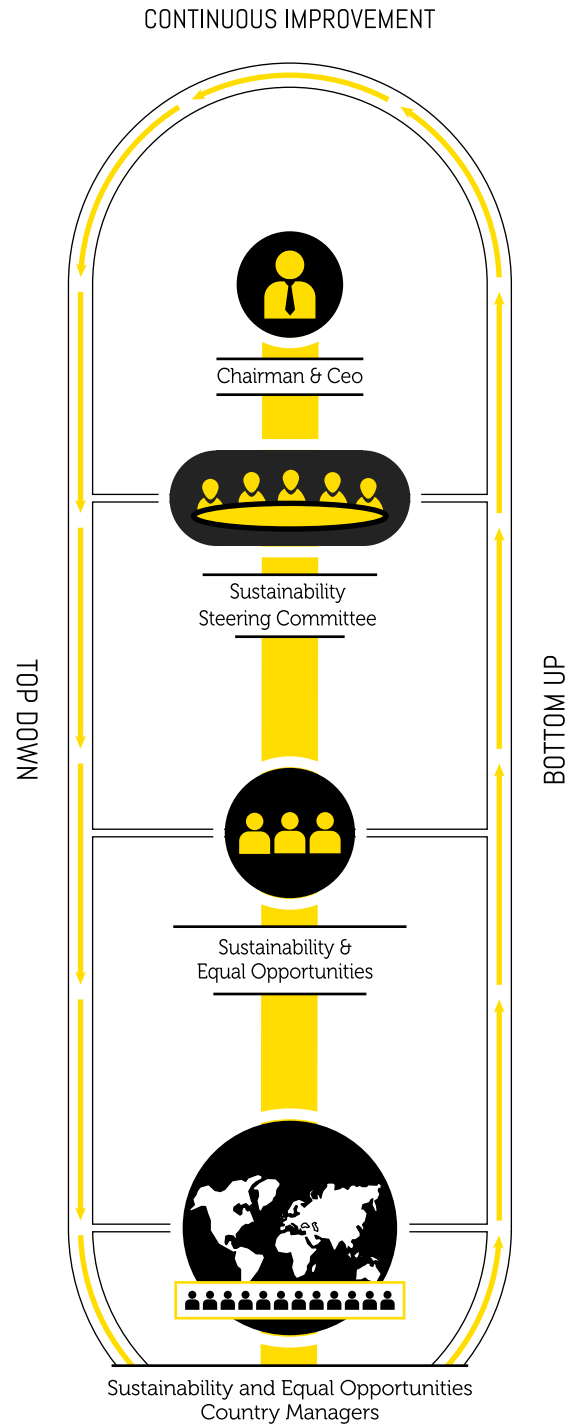
For more information about the sustainable management of the supply chain, reference is made to the section "Our suppliers" in this report.

SUSTAINABILITY IN THE ORGANISATIONAL STRUCTURE

The organisational basis of sustainability governance is represented by the Sustainability Steering Committee, which is also responsible for equal opportunity issues and policy. This body, which was formed by the Chairman at the beginning of 2004 and is chaired personally by him, is responsible for setting policy and guiding the advancement of sustainability throughout the Group. Then, the organisational structure is made up of a Group Sustainability and Risk Governance Department, and comprises the Group Sustainability and Equal Opportunities Office, and the Sustainability & Equal Opportunities Country Managers, covering all Group affiliates. The Board of Directors of the parent company Pirelli & C. approves the Sustainability Report, as well as the sustainability strategies and plans that are presented to the market together with the Group Industrial Plan.

The Sustainability Report is approved by the Italian listed Parent Company on a voluntary basis, since it is presently not mandated by any statutory or regulatory obligations. In regard to risks and opportunities, including environmental, social and governance (ESG) strategic and governance risks, the Board of Directors of the parent company Pirelli & C. examines and approves the Annual Risk Assessment and periodically monitors its implementation.

SUSTAINABILITY ORGANISATIONAL STRUCTURE

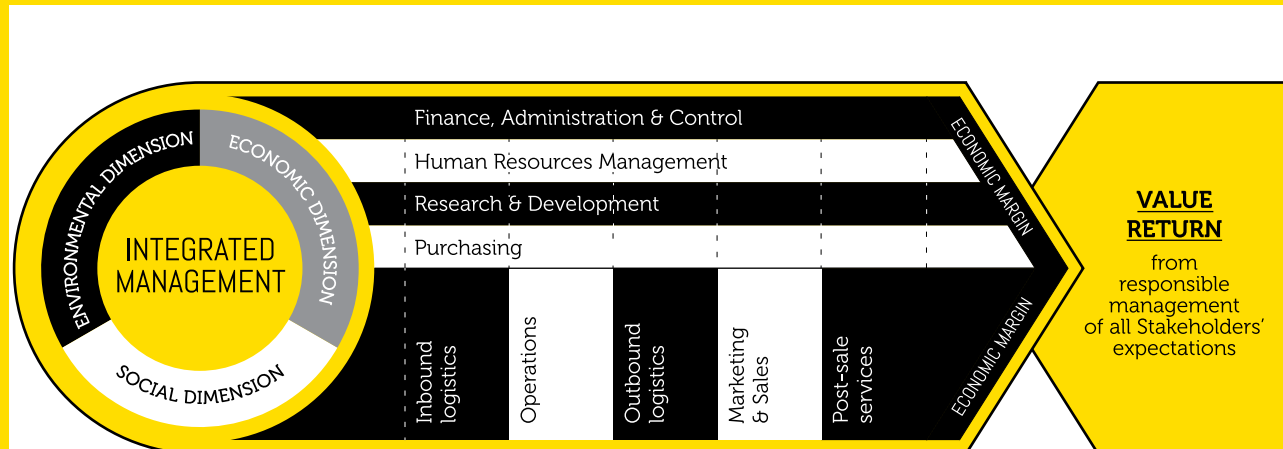


OPERATING APPROACH TO THE GENERATION OF SUSTAINABLE VALUE

As shown in the following infographic, responsible management at Pirelli flows through the entire value chain. Every operating unit integrates economic, social and environmental responsibility for its own activity, while cooperating constantly with the other units, implementing the Group strategic guidelines.

The adopted approach makes it possible to create sustainable value over time, from which the company benefits from a tangible and intangible return of value.

PIRELLI OPERATING APPROACH TO GENERATION OF SUSTAINABLE VALUE



JAIMÉ MAGÉN

Jaime Magén, the co-founder of the Spain-based architecture firm Magén Arquitectos, was selected as one of the 40 under 40 most important emerging European architects in 2013.

His firm has won numerous awards, including the 2011 Giancarlo Ius Gold Medal, awarded for an innovative, sustainable and high-energy performance construction, and an Honourable Mention of the XI Spanish Biennial of Architecture and Urbanism, in 2011.

His firm focuses on the integral development of Architecture, Urban Planning, Restoration and Interior Design, and has undertaken a wide range of complex projects, from large-scale public buildings to smaller ones, including the Environmental Centre of Zaragoza, the Liceo Performing Arts Centre in Alcañiz and 68 social housing in Zaragoza.

He also won first prize in the Bauwelt Preis (Munich, 2007) and the SAIE Selection Prize (Bologna, 2010).

40 YEARS OLD, SPANISH

2011: Honourable Mention
– XI Spanish Biennial of
Architecture and Urbanism
2011: Giancarlo Ius Gold Medal
2010: SAIE Selection Prize
2007: Bauwelt Preis

ARCHITECT



Jaime showed us the importance and magnificence of the circle, of unilateral symmetry, in architecture, from the theatres of the ancient Romans to the campuses of Apple.

How it embodies fortitude, elegance and the void – a sense of endlessness, without a point zero.

But it is also represented in the body, in the womb, the head, the mouth and the vagina, places from which there is an emergence and genesis.

Jaime talked captivatingly about the history of circles, how they have the dual faculty of keeping this enclosed while keeping things external too.

His own architecture and design seeks to explore these themes, and his latest project an elliptical school, uses the endless exuberance of the circle to encourage playfulness in its central playground.

While being a contained space, it eschews corners and angular barriers affording instead a sense of limitlessness and freedom.

It offers security within - protecting children - while guarding them from others outside, without being constrictive.

His concepts are functional while being patently philosophical too, and this vivifies his work.

Jaime produces not just buildings, but ideas.

[Hanif Kureishi]





Do you consider your talent a gift or a burden?

A gift, but also a responsibility.

What you would do if one day you woke up and discovered you had lost your talent?

It is difficult to imagine, but maybe I'd try to find a new passion, exploring other fields.

Who is the living talent you most admire?

Creative talents, for example Jonathan Ive, the head of design of Apple.

What do you like about your talent and what don't you like?

I like the ability to imagine new buildings and interior spaces.

I don't like the critic's views of the pursuit of beauty and perfection.

Sometimes it can be harsh.

When or where does your talent make you happy?

When I visit new cities or buildings "through the eyes of an architect", to quote Rafael Moneo.

If you could change your talent, how you would change it?

I wouldn't change it, even I could.

*My wheel is a space built
for children – a school.
In a few words, it is a space that
is continuous and fluid,
without corners, with a curved outline: façade,
roof and windows.
It is an independent environment,
safe and protected from the outside.*



A SCHOOL



STAKEHOLDER ENGAGEMENT

Pirelli's role in the economic and social context is inseparably tied to its capacity to create value with a multi-stakeholder approach, which means it pursues sustainable and lasting growth based as far as possible on the fair reconciliation of the interests and expectations of all those who interact with the Company, and in particular:

- shareholders, investors and the financial community;
- customers, since the Pirelli way of doing business is based on customer satisfaction;
- employees, who are the repository of Group know-how and drive its development;
- 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, governmental and non-governmental bodies and the communities around the world where the Group operates but also with an awareness of its own global responsibilities as a Corporate Global Citizen.

The existing interrelationships between stakeholders are based on the AA1000 Model adopted by the Company, and are analysed in detail for effective management of relations with them and creation of sustainable and shared value.

The following graphic illustrates the principal areas and manners of value creation and value return linked to the different stakeholders.

Dialogue, interaction and engagement are calibrated according to the consultation needs of different groups of stakeholders, and include meetings, interviews, surveys, joint analyses, roadshows and focus groups. The received feedback substantiates the corporate assessment of the action priorities, influencing the development strategy outlined in the Sustainability Plan, which in turn is fully integrated in the Industrial Plan. The frequency of consultation is very high, several times a year on average for each group of stakeholders.

The results of dialogue with the stakeholders and their forms are illustrated in detail in the sections of this report that are dedicated to documenting activities related to each of one of the different groups of stakeholders.

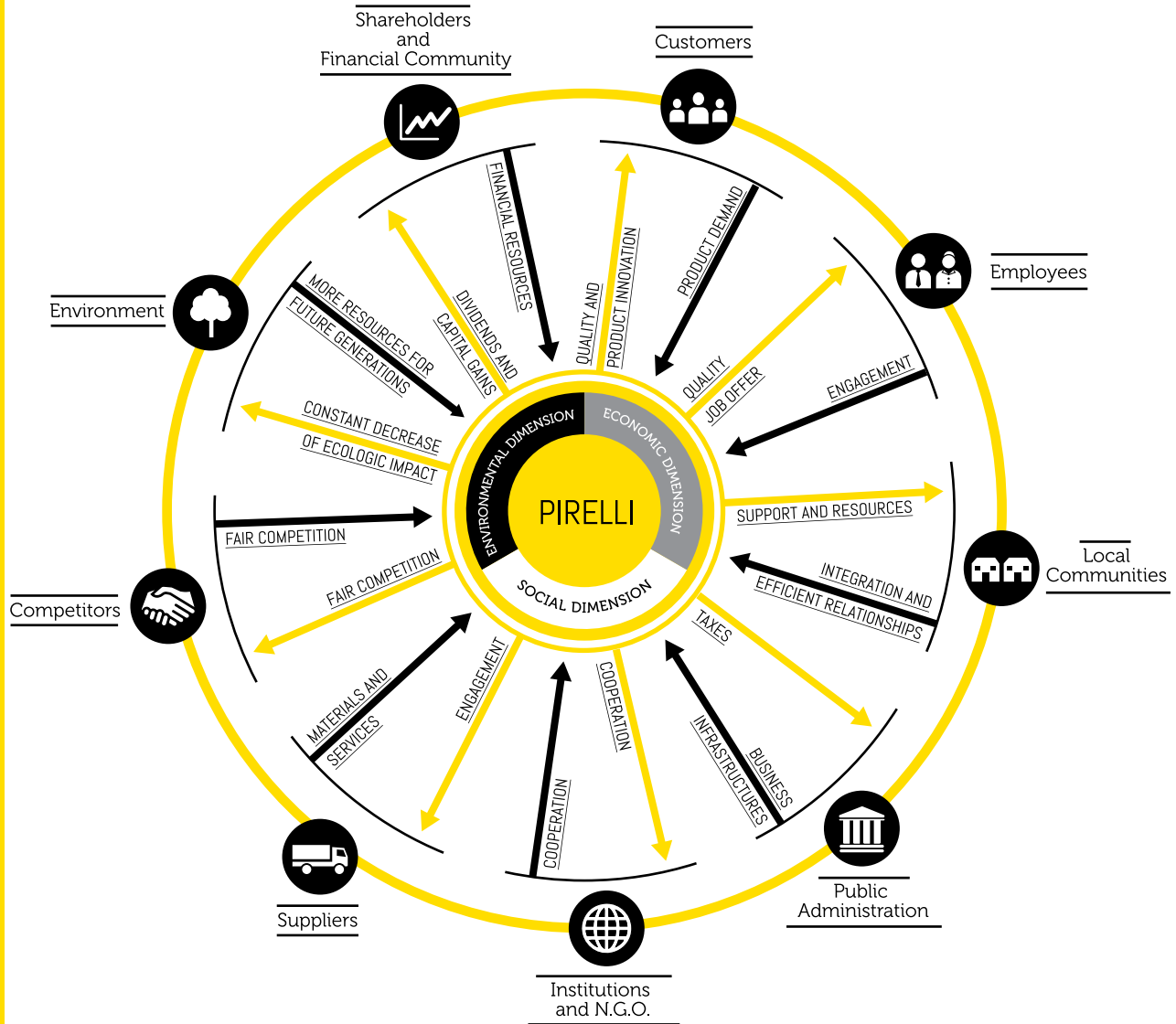
Pirelli provides all of its stakeholders with a Whistleblowing channel – published in a number of different languages both internally and on the Pirelli website – through which they can communicate with the company openly or anonymously.

The purpose of this specific channel is to report any act or omission committed by parties inside Pirelli, related to Pirelli or on behalf of Pirelli, where that act or omission might constitute a violation or inducement to violate laws and/or regulations, the principles set out in "The Values and Ethical Code" of Pirelli, the principles of internal control, corporate policies, rules and procedures, and/or that might directly or indirectly cause economic or financial damage or harm the reputation of Pirelli companies.

For more information about the Procedure and the complaints received in 2013, reference is made to the specific section located elsewhere in this chapter.

PIRELLI MODEL OF STAKEHOLDER ENGAGEMENT

MAXIMIZATION OF VALUE FLOW FROM COMPANY TO STAKEHOLDERS AND VICE VERSA



STAKEHOLDER ENGAGEMENT ELEMENTS

Shareholders and Financial Community
 Dialogue / Economic and Financial Performance / Transparency / Corporate Governance

Customers
 Dialogue/Product Excellence (safety, performance, eco-efficiency) / Reliability / Full Customer Satisfaction

Employees
 Dialogue/Fair remuneration / Talent attraction, development and retention / Care for diversity and equal opportunity / Health and Safety on the workplace

Local Communities
 Dialogue / Job creation / Social and Financial contribution / Respect for Human Rights / Plants with low environmental impact

Public Administration
 Dialogue / Compliance / Global citizenship / Business ethics / collaboration

Institutions and N.G.O.
 Dialogue / Partnership / Support

Suppliers
 Dialogue / Shared development partnership / Supply chain sustainability

Competitors
 Loyal competition

Environment
 Product and process eco-efficiency / LCA management approach

SUSTAINABLE PLANNING AND MANAGEMENT

The infographic below illustrates the operating steps focused on continuous improvement of sustainable performance.

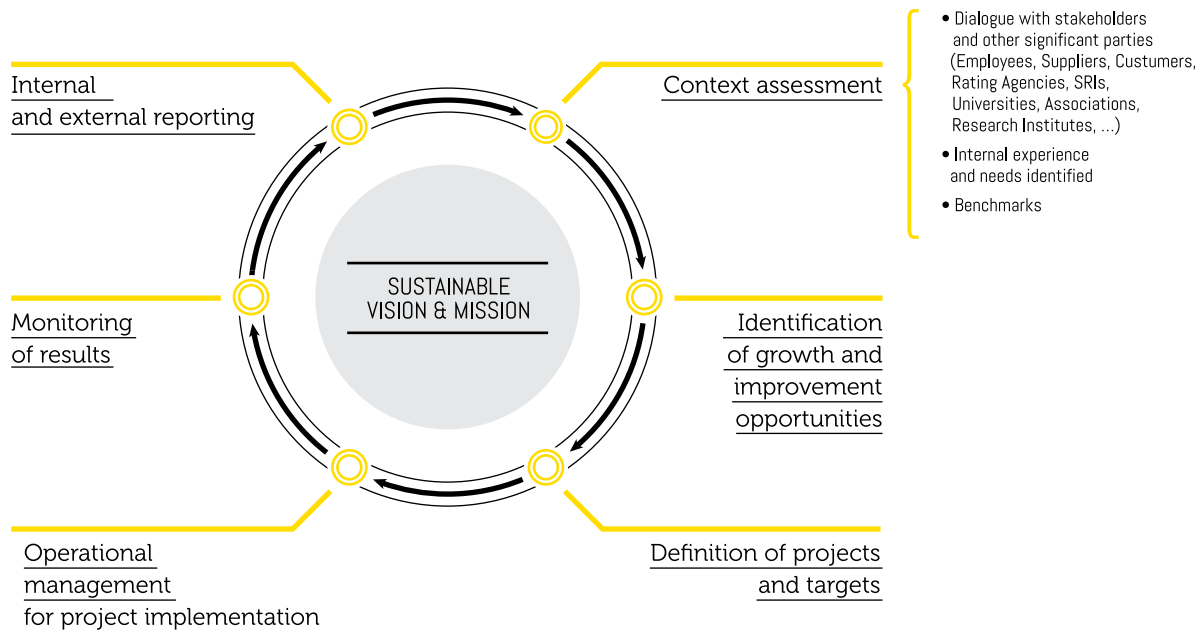
MATERIALITY ANALYSIS OF SUSTAINABLE GROWTH ELEMENTS

To optimise calibration of the commitment that Pirelli dedicates to sustainable growth issues, the Company has conducted a sophisticated stakeholder engagement activity. This involved comparing the expectations of the principal stakeholders of Pirelli on these issues with the relevant importance to business success.

Considering the complexity of Company stakeholders, their dispersal around the world and thus the variety of their expectations, this report has been prepared according to the "comprehensive" approach set out in the GRI-G4 Reporting Guidelines. This is to guarantee all stakeholders complete information about the sustainability elements that each of the categories has found in different ways to be more or less significant.

The materiality analysis of the strategic issues of sustainable growth have resulted in Pirelli asking for the opinion of its own stakeholders at the international level, considering their level of interest in the Company

SUSTAINABLE MANAGEMENT PROCESS



and vice-versa, and identifying them with the support of the Group departments with which the Pirelli Sustainability and Governance Department interfaces every day. The panel of Company stakeholders who have been asked to give feedback have included:

- the biggest original equipment customers;
- hundreds of end customers for each representative market;
- the most important dealers worldwide;
- numerous employees who work in the various nations where the Group has a presence;
- the biggest suppliers (in terms of sales to Pirelli) in each procurement category;
- the principal shareholders, investors and financial analysts of Pirelli;
- national and supranational institutions and public administrations;
- Journalists from domestic and international newspapers;
- NGO present in each of the countries where Pirelli has productive activities;
- Universities located in each of the countries where Pirelli has productive activities.

The stakeholders were engaged through a request – made in their local language – to assign an action priority to the following ESG themes, according to their expectations on Pirelli :

- product energy efficiency: commitment to reduce the tyre rolling resistance during use; this allows fuel savings and reduction of CO₂ emissions in the environment;
- process energy efficiency: commitment to reduce the energy consumption of the tyre manufacturing process; this makes it possible to reduce CO₂ emissions into the environment;
- renewable energy: commitment to introduce the use of renewable energy in the tyre manufacturing process; this makes it possible to reduce CO₂ emissions into the environment;
- water management: commitment to reduce water consumption in the tyre production process, so as to minimise the impact on water resources;
- waste management: commitment to reduce the

production of waste in the tyre production process, while simultaneously reusing and recycling waste products;

- product safety performance: commitment to improve tyre safety performance, particularly in the most critical use situations, such as cold, wet, snow and other conditions;
- responsible management of the supply chain: application of procedures that require suppliers to comply with social responsibility, environmental and business ethics rules and policies; monitoring of supplier performance in this regard;
- compliance: company commitment to full compliance with local and international laws, regulations, procedures and guidelines;
- evolution of sustainable mobility: capacity of the Company to have a long-term vision (2030-2050), to anticipate market expectations and swiftly adapt its own business to the evolution of sustainable mobility;
- biodiversity: collaboration with the local communities in what are considered “protected” areas to preserve and improve local biodiversity;
- employment sustainable governance: the Company’s commitment to constantly improving job conditions, such as health and safety, training and development, and remuneration;
- human rights: commitment by the Company to respect and support human rights, to prevent and manage the risk of negatively impacting human rights that might result from its own activities;
- corporate citizenship: commitment by the Company to support local communities through social support projects and the commitment to build and maintain positive relationships with institutions and non-governmental organisations;
- diversity management: commitment by the Company to guarantee equal opportunity at the workplace and to develop diversity as a business tool;
- customer satisfaction: commitment by the Company to assure maximum customer satisfaction, through the excellence of its products, customer relations and offered services;
- research, development and product innovation:

commitment by the Company to invest in research, development and innovation as key to long-term success;

- transparent and complete reporting: transparency of the Company in giving clear and complete reports on its own financial, social and environmental performance and the related targets.

The priorities expressed by Pirelli and its stakeholders were then consolidated and visualized in a map, on a matrix whose vertical axis indicates the expectations of external stakeholders, while the horizontal axis indicates the importance assigned by the Company to the analysed elements for the success of this business. Finally, the draft map was submitted for assessment by an independent third party that is a leading ESG (Environmental, Social and Governance) analysis firm. The ESG Independent Analysts have compared the Pirelli draft map results with the contents of the

ten international studies they considered as the most significant and trustworthy ones among those focused on Auto Components sector materiality, evaluating the prioritization level attributed to the different ESG themes. The results of this analysis, together with their own International ESG experience, allowed Analysts to suggest little changes to the position of some issues in the Pirelli draft map.

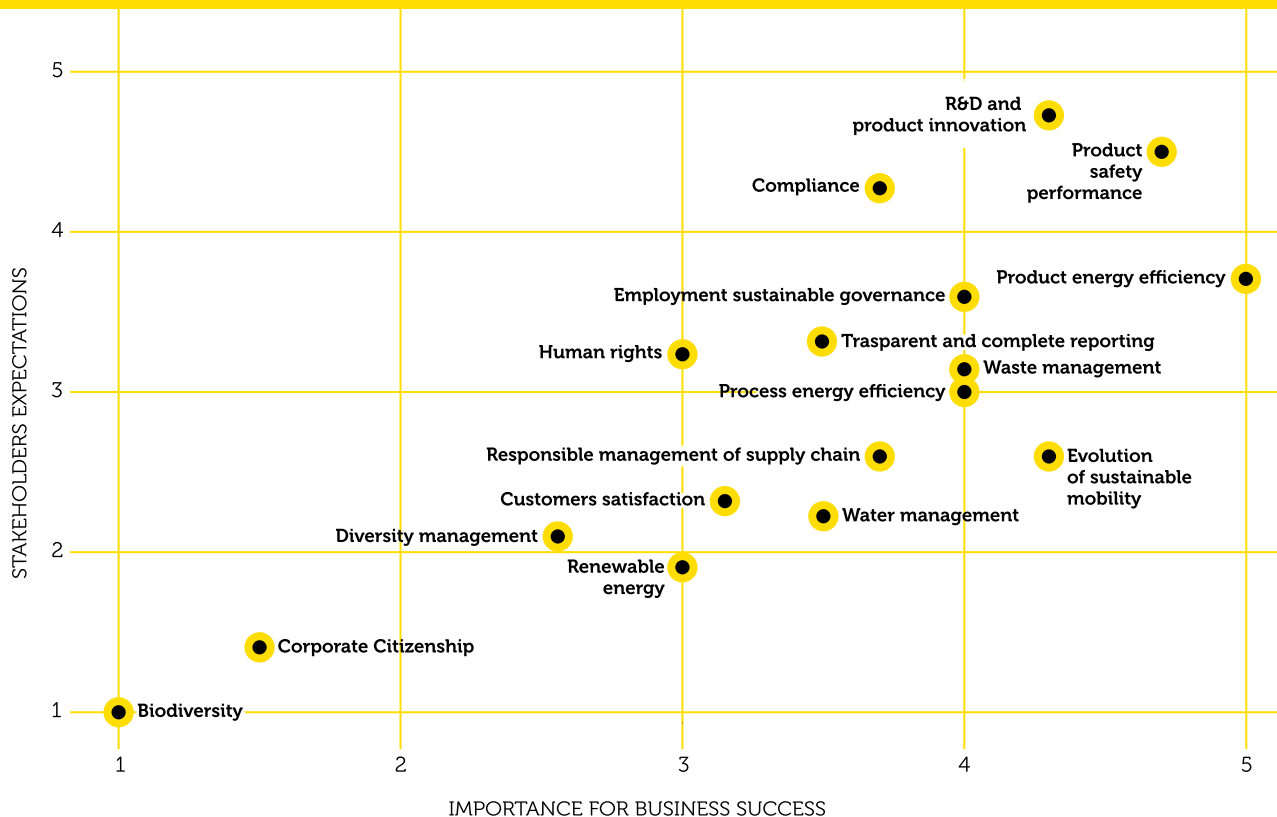
The result of the whole process above described is the following Pirelli Materiality map:

The map shows an high concentration of sustainability elements in the upper right quadrant that indicate those issues deemed fundamental by the parties involved.

A low degree of materiality then concerns the themes in the lower left quadrant.

The "diagonal line" that results from the mapping of the sustainability factors is extremely important, insofar as it indicates the level of consistency between the vision of Pirelli and its stakeholders. Finally, the the substantial

PIRELLI MATERIALITY MATRIX



alignment with stakeholder expectations results in the targets of the Sustainability Plan 2014-2017 with Vision 2020 that the Company has adopted.

SUSTAINABLE GROWTH STRATEGY: INDUSTRIAL PLAN 2013-2017 WITH SUSTAINABILITY TARGETS 2020

The top management of the Group presented the Industrial Plan 2013-2017 to the financial community in London on November 6 2013. This plan includes the Sustainability Plan with Vision to 2020.

ECONOMIC AND FINANCIAL TARGETS

The Industrial Plan forecasts revenues to grow by an average growth rate of approximately 7.5% between 2013 and 2016, enabling Pirelli to reach 7.5 billion euro by the end of the period. Growth in value-added segments and an incisive efficiency plan underpin the expected improvement in profitability: ~15% Ebit margin before restructuring costs expected in 2016, +2pp growth with respect to 2013.

The expected strong cash flow generation will be used to fund investments, distribute dividends and reduce indebtedness to reach a target ratio between net debt and Ebitda of 0.3x in 2017 as compared with 1.2x in 2013.

RESEARCH AND DEVELOPMENT

To Pirelli, "Premium" means cutting edge technology coupled with product excellence.

Pirelli R&D can count on:

- More than 40 years of experience in the Premium segment;
- HQ in Milan and 10 Regional centres, 1400 engineers and numerous 'open innovation' projects with University research centres and car makers;
- R&D budget totally dedicated to Premium equals 7% of Premium sales;
- Global partnerships with the most prestigious car makers to meet the more demanding requirements in terms of performance, safety and product customization, which are key for the Replacement

market development.

Meeting the 2013-2017 targets calls for an additional push in innovation, as follows:

- CAR: Development of 14 new product lines, of which 6 for the Winter season, designed for the global market and taking into consideration the specific Regional peculiarities. Focus on niche products, like Runflat, Seal Inside and Noise Reduction;
- MOTO: Launch of 10 new Pirelli and 11 Metzeler products, including a new Radial line for the South American market and Metzeler Custom Touring line for North America;
- TRUCK: 11 new Tyres, including the new Regional with a greater mileage and tread reconstruction technology, Highway and City with top rolling resistance and completion of the Winter range. A further development of Cyber Fleet service range is also envisaged;
- AGRO: Renewal of the product range and co-operation with major brands - John Deere, CNH and AGCO – in OE, with the further aim of developing products meeting local requirements.

EFFICIENCY PROGRAMME

A continuous search for efficiencies is one of the elements making Pirelli an increasingly profitable company. Between 2010 and 2013, Pirelli profitability almost doubled, also due to a cost reduction amounting to 322 €/mln.

According to the Plan, further efficiencies of approximately 350 €/mln are to be achieved by 2017, equal to approximately one percentage point of revenues every year.

Of these:

- approximately 320 €/mln will come from efficiencies in industrial and product activities (materials, labour cost, cost control and production picking up in countries with low industrial costs);
- 30 €/mln will come from SG&A, including projects for the optimisation of the sales structure and for central and regional overhead cost reduction.

INVESTMENTS AND PRODUCTION CAPACITY

The investments made until 2013 allowed Pirelli to achieve the adequate plant size. Plants are characterised by:

- a progressive technological upgrade, consistent with our focus on Premium;
- a location in countries with low industrial costs (100% of Industrial and 78% of Consumer production capacity).

Having reached the investment peak in 2011, Pirelli is embracing a whole new phase of value generation and benefits from past investments and from the reorganization of the production setup, including the opening of high-mix plants in Mexico, China and Romania. The new Plan provides for investments up to 1.6 €/bln over the next four years, accounting for 5% of revenues in 2017 as against 7% in 2013.

Through these investments, the overall capacity of the Consumer Business will grow from the current 69 mln pcs per year to 81 mln in 2017, with the Premium segment forecast to increase to 63% of the total production compared with the current 48%. In the Industrial Business, capacity will grow from the current 6.2 mln to 6.8 mln in 2017.

GENERATION OF CASH FLOW

Strong cash generation to be used for investments, dividend distribution and to reduce indebtedness

Between 2014 and 2017, Pirelli envisages a gross cash generation, before investments and dividend distribution, equal to 3 billion euro, in addition to the sale of financial assets for 150 million euro.

These resources will be used to:

- Fund 1.6 billion euro to be invested over the four years of the Plan;
- Distribute more than 700 million euro in dividends, with a payout confirmed at 40% of consolidated net profits;
- Reduce our net financial position, with what is left, i.e. 850 million euro of net cash flow.

The strong cash generation will improve our net

financial position from the estimated <-1.4 billion euro at the end of 2013 to approximately -500 million euro in 2017, with the resulting improvement of the net debt/EBITDA ratio going from 1.2x to 0.3x.

SUSTAINABILITY TARGETS

The Sustainability Plan 2013-2017 includes selected targets for 2020.

It integrates, supports, accompanies and protects the Group Industrial Plan and was developed according to the "Value Driver" model developed by UN PRI (United Nations Principles for Responsible Investment) and the UN Global Compact to promote dialogue between investors and companies on Sustainability issues. Growth, productivity, governance and risk management are the development guidelines used in defining the targets for 2020.

Inter alia, the Plan forecasts:

- Green Performance product net sales to be 48% of Tyre net sales in 2017;
- a rolling resistance reduction that in the Car segment will reach -40% in 2020 as compared with 2007;
- further expansion of Pirelli technology to produce silica from risk husks, which will also be applied to premium tyres by 2017;
- the results of research on alternative sources of natural rubber from Hevea are expected by 2016, with possible use of rubber from guayule (project conducted with Versalis – ENI Group);
- the use of innovative, function-enhancing polymers is expected by 2015, guaranteeing reduced environmental impact, improved driving safety and process efficiency;
- a reduction by 90% in the workplace accident frequency rate by 2020 compared to 2009 figure. This target will be achieved by investing in increasingly safe machinery and programmes to reinforce the safety culture among Group employees;
- reduction of 15% in CO₂ specific emissions and of 18% in energy specific consumption by 2020 compared to 2009 level, with an expected saving of about euro 25 million and 400,000 tons of CO₂ during the 2014-2017 period;

- reduction of 58% in the specific water withdrawal by 2020, with an expected saving of 2,700,000 water cubic metre during 2014-2017;
- Towards zero waste to landfill: 95% waste recovery rate by 2020, with an expected savings of about euro 60 million by 2017 due to the reuse of industrial wastes;
- keeping research and development spending for premium products at 7% of net premium products sales, with the aim to further develop and increase premium products safety while lowering the environmental impact;
- growing investment in risk mitigation and prevention of business interruption: CAGR -8.3% by 2017 as compared with 2013; new proxy to monitor gender equal remuneration, including performance, rank and labour market seniority parameters;
- investment in employee training equivalent to average of seven man days by 2015 and ≥ 7 in the following years;
- adoption of increasingly advanced models for management of economic, social and environmental responsibility in the supply chain, in view of shared development.

LONG-TERM GOVERNANCE TOOLS

CORPORATE GOVERNANCE

The Pirelli Corporate Governance system is based on: the central role played by the Board of Directors, in its capacity as the supreme body in charge of strategic policy and overall company management, with authority to set general management policy and to take direct action on a series of significant decisions that are necessary or useful to pursuing the corporate purpose;

- the central role played by the Board of Directors, in its capacity as the supreme body in charge of strategic policy and overall company management, with authority to set general management policy

and to take direct action on a series of significant decisions that are necessary or useful to pursuing the corporate purpose;

- the central role of independent directors who account for the large number of the members of the Board of Directors;
- an effective internal control system;
- an innovative and proactive risk management system;
- a remuneration system, in general, and an incentive system, in particular, of managers tied to medium and long-term economic goals, by creating a strong link between remuneration, on the one hand, and individual and Pirelli performance, on the other;
- a rigorous set of rules governing potential conflicts of interest and a robust code of conduct for executing related party transactions.

For the fourth year in a row, Pirelli was recognised as having the “Best Corporate Governance in Italy” by the World Finance Corporate Governance Award.

Pirelli & C. has adhered to the Corporate Governance Code of listed companies ever since it was first published by Borsa Italiana (in October 1999; Pirelli subsequently adopted the new July 2002 version, and then the March 2006 version). At the Board of Directors meeting held on March 12, 2012, Pirelli declared its acceptance of the new Corporate Governance Code (December 2011) published on the Borsa Italiana website. In accordance with the provisions of the traditional management and control model, management of the Company is delegated to the Board of Directors, which plays a key role in its strategic guidance, and in supervision of the overall business activity, with authority to set policy for overall management and to act directly in a series of significant decisions that are necessary or useful to pursue the corporate purpose.

The Board of Directors relies on the support of its own internal committees to perform its duties. These standing committees have investigative, policy making and/or consultative duties. The Board is also supported by managerial committees whose members are drawn from Group senior management to implement the directives and policies issued by the Board and

delegated bodies, with which they collaborate on the definition of proposals to be made to the Board of Directors as a whole.

After its renewal on April 21, 2011, the current Board of Directors established four committees: the Internal Control, Risks and Corporate Governance Committee, the Remuneration Committee, the Nominations and Succession Committee and the Strategies Committee, designating their members and the Chairman of each one. At the first meeting that can be held after the committee meetings, the Chairmen of these committees report to the Board of Directors on the activities that they perform, possibly submitting proposals for resolutions. Moreover, at least once every six months, the Internal Control, Risks and Corporate Governance Committee and the Remuneration Committee send a report to the Board of Directors on the activities performed during the six-month period (see the functions of the committees as illustrated in the Corporate Governance Report).

Since 2004 the "slate voting" system assures non-controlling interests the right to designate one fifth of all Directors, if at least two slates of nominees are submitted. At December 31, 2013 the Pirelli Board of Directors had 20 Directors, who were elected by the Shareholders' Meeting on April 21, 2011. Non-controlling interests were able to designate four directors, or one fifth of the total number.

After it was renewed, the Board of Directors elected Mr Marco Tronchetti Provera as Chairman and Chief Executive Officer. Since 2006, a large number of seats on the Board of Directors has been held by independent directors.

Since November 2005, in view of further reinforcing the role of independent directors, the Board of Directors decided to introduce the position of Lead Independent Director as the contact person for coordination of motions and contributions made by the independent directors. During 2013 members of senior management attended the Board of Directors and Board committee meetings. Their participation aims at providing the Directors with detailed information about financial, social and environmental issues, among others.

In particular, aside from the detailed analysis of the

period results, when the Board of Directors approved the Sustainability Report 2012 (which is an integral part of the Annual Financial Report), it also verified the integration of the financial choices made by Pirelli with those adopted in the social and environmental areas.

Moreover, consistently with the the recommendations made by the Corporate Governance Code of Borsa Italiana and consolidated Company practice, in view of improving the knowledge of Company affairs and dynamics by all Directors and Statutory Auditors, several working lunches were also held in 2013 to examine specific business and corporate governance issues in closer detail. Since 2004 the Pirelli by-laws have required that the Board of Directors be elected by using the slate voting system. To comply with the modifications introduced by Law 120 of July 12, 2011 in regard to gender quotas for the composition of listed companies and, therefore, to assure gender balance, the by-laws require that the slates submitted for election of the Board of Directors which contain three or more candidates must include a number of candidates of the least represented gender that is at least equal to the minimum number required by current law and/or regulations, as specified in the notice of call for the Shareholders' Meeting. For more information about the mechanisms established to guarantee gender balance on the Board of Directors, reference is made to the Company By-laws available on the Pirelli website, Governance section. When the shareholders prepared the slates for election of the Board of Directors, they considered the individual candidates' experience in handling economic, social and environmental issues. This was stemmed partly from the fact that the Corporate Governance Code of Borsa Italiana requires that at least one member of the Internal Control, Risks and Corporate Governance Committee and the Remuneration Committee have adequate experience in accounting, finance or risk management and in finance or remuneration policies. In the Directors' Report to the Shareholders' Meeting for renewal of the Board of Directors, the Board of Directors recommended that shareholders consider the slate preparation recommendations of the Corporate Governance Code when they submit their slates.

Similar attention was also dedicated by the Board of Directors when they co-opted directors when Board seats were vacated.

In regard to "conflicts of interest", the Director must notify the Board of each interest (even if not in conflict) that he has on his own behalf or on behalf of third parties in a specific transaction of the Company, by specifying its nature, terms, origin and scope. If this involves the Chief Executive Officer, he must abstain from executing the transaction, deferring the decision to the Board of Directors. In these cases, the Board of Directors must adequately justify the reasons and advantages of the transaction for the Company.

It is also noted that:

- in the Annual Report on Corporate Governance and the Structure of Share Ownership 2013 prepared by the Board of Directors pursuant to Art. 123-bis of the Consolidated Law on Finance ("TUF", available on the Pirelli website, Governance section), information is provided about the principal positions held by the Directors in other companies not belonging to the Pirelli Group.. Moreover, the Board of Directors has also adopted a specific policy consistent with the recommendations of the Corporate Governance Code that limit the number of positions that each Director may hold in other companies;
- in the Annual Report on Corporate Governance and the Structure of Share Ownership 2013 prepared by the Board of Directors pursuant to Art. 123-bis of the Consolidated Law on Finance information is provided about the principal positions held by the Directors in other companies not belonging to the Pirelli Group, with those positions being construed as holdings that exceed 2% of the Pirelli share capital. Moreover, the Investors section on the Pirelli website provides a detailed view of the ownership structure;
- no shareholder presently exercises control or dominant influence over the Company pursuant to Art. 2359 Italian Civil Code;
- in the Annual Financial Report, the Half-yearly Financial Report, the quarterly reports and the Annual Report on Corporate Governance and the Structure of Share Ownership the relationships between Pirelli and its related parties is documented.

For more information on the experience of the individual Directors in regard to economic, social and environmental matters, reference is made to their curricula vitae, which are available on the Pirelli website, Governance section.

The Board of Directors approves the Sustainability Report, as well as the sustainability strategies and plans that are presented to the market together with the Group Industrial Plan.

The Sustainability Report is approved on a voluntary basis, since for the Company this is presently not mandated by any statutory or regulatory obligations.

In regard to risks and opportunities, including environmental, social and governance (ESG) strategic and governance risks, the Board of Directors of the parent company Pirelli & C. examines and approves the Annual Risk Assessment by periodically monitoring its implementation.

For more details on the Corporate Governance System, please refer to the "Annual Report on Governance and Share Ownership" – Volume 2 of the Annual Financial Report at December 31, 2013.

HUMAN RIGHTS GOVERNANCE

The Pirelli Group pursues and supports the respect of human rights affirmed in international venues. These values have always been firmly anchored in corporate management.

Human Rights Governance is fully integrated in the Sustainable Management System adopted by Pirelli, which is based on the United Nations Global Compact of the, of which the Company has been an active member since 2004 – as well as a member of the Steering Committee of Global Compact Lead – the ISO26000 guidelines and the provisions of SA8000® Standard.

The commitment of Pirelli to Human Rights is specifically addressed in "The Pirelli Group Values and Ethical Code", approved by the Board of Directors, and in detail, in the Social Responsibility Policy for Occupational Health, Safety, Rights, and Environment", signed by the Chairman and which provides that "The sustainable development strategies of the Group

presume, inter alia, a commitment to continuous improvement of the environmental, occupational health and safety aspects related to its own activities, in firm compliance and support of the contents of the “Universal Declaration of the Rights of Man”, the “International Labour Organisation Declaration on Fundamental Principles and Rights at Work”, the “Rio Declaration on Environment and Development” and the “United Nations Convention against Corruption”, before listing all the commitments made by Pirelli in this regard, including reference to each of the ILO Core Labour Standards and its extension to the supply chain. The “Equal Opportunities Statement”, also signed by the Chairman, is dedicated to the Group commitment to equal opportunities and non-discrimination.

Any human rights violation may be reported to the Company by using the Whistleblowing Procedure. A section is dedicated to the Procedure elsewhere in this chapter, to which reference is made for more detailed information on the received reports. However, none of the Reports received in 2013 concerned alleged violations of human rights or ILO Core Labour Standards, with specific reference to forced labour, child labour, freedom of association and bargaining, and non-discrimination, as also stated in the Independent Assurance Statement published at the end of this report, and to which reference is made.

All of the aforementioned documents have been distributed to employees in their local language. They are also an integral part of the sustainability clauses of contract applied to Group suppliers, as well as being published on the Pirelli website in the languages spoken by Pirelli employees and its principal suppliers. In regard to human rights governance, Pirelli acts on the basis of the recommendations set out in the “Guiding Principles for Business and Human Rights: implementing the United Nations Protect, Respect and Remedy Framework” of 2011, which translate into actual company practise the three pillars “Protect, Respect and Remedy” identified in 2008 in the “Framework for business and Human Rights” by Professor John Ruggie, Special Representative for companies and human rights at the United Nations.

Moreover, human rights are included in the mapping of

materiality of sustainability factors for Group strategies. The mapping, which consolidates the opinion of all categories of Company stakeholders, including employees, suppliers, institutions and dozens of NGOs present in the countries where the Company operates, is published in this chapter.

The human rights management processes are handled by the Pirelli Sustainability & Risk Governance Department, which acts in concert with the affected and responsible functions, and in reference to the internal and external community.

Before investing in a specific market, ad hoc assessments are conducted of any political, financial, environmental and social risks, including those related to the respect of human and labour rights. The context inside and outside the company is monitored in those countries where Pirelli does operate, in view of preventing negative impacts on human rights in the ambit of the sphere of corporate influence, and if so, remedying them.

In terms of materiality in the corporate value chain, the respect of human rights assumes particular importance in the human resources and the supply chain areas..

The management of human rights in the supply chain is reported in the section dedicated to Pirelli suppliers, Chapter 2 of this report, to which reference is made for more details.

The management of human and labour rights in the Pirelli internal community is reported in the section dedicated to “Compliance with statutory and contractual obligations governing overtime, time off, freedom of association, equal opportunities and non-discrimination”, in Chapter 4 of this Report and to which reference is made for more details.

Both management areas – Employees and Suppliers – are managed by using training and monitoring tools that have been consolidated over the years.

The Pirelli Training Model also draws newly hired employees’ attention to the Group’s sustainability policies and the commitments they involve, as detailed in the Ethical Code, the Code of Conduct, the Equal Opportunities Policy, and the Social Responsibility Policy for Occupational Health, Safety, Rights, and Environment, thus including Pirelli upholding the

contents of the “Universal Declaration of Human Rights”, the International Labour Organisation’s “Declaration on Fundamental Principles and Rights at Work”, the “Rio Declaration on Environment and Development” and the United Nations “Convention against Corruption”, as well as the indications of Standard SA8000®, beginning with the ban on forced labour and child labour, and then free bargaining, equal opportunities and non-discrimination. All of these issues are also the subject of training courses for all Sustainability and Purchasing Group managers..

Specifically in regard to Suppliers training, following the training project targeting strategic suppliers provided by e-learning format in 2012, Pirelli extended the same sessions to all Group security service providers worldwide during 2013. This training course addressed aspects of labour rights, human rights, respect for the environment and business ethics..

Together with constant co-ordination and monitoring at the corporate level, compliance with Pirelli human rights and labour rights requirements and environmental sustainability and business ethics rules is assessed in periodic audits commissioned by Pirelli to specialised independent firms, as well as through Audits performed by the Pirelli Internal Audit Department. The audit activities carried out in 2013, both at Pirelli sites and supplier sites, are extensively discussed in the Risk Governance section of this chapter, as well as in the section “Industrial Relations” of the third chapter, to which reference is made for more details. It should be noted that none of the audits revealed any breach of the ILO Core Labour Standards, with specific reference to forced labour or child labour, free association and bargaining, and non-discrimination, as also stated in the Independent Assurance Statement published at the end of this report, and to which reference is made.

In regard to the context outside the Company, beginning with the local communities where the Company operates, Pirelli pursues dialogue, especially with representatives of local and national institutions and non-governmental organisations. This allows the Company to define its own activities in support of local development. The Company dedicates special attention to initiatives in support of children, training,

sport and health. The initiatives in favour of the external community are described in Chapter 4 of this report, to which reference is made for more details.

The Human Rights Management System was audited once again this year by independent party, in the terms and with the results described in the Assurance Statement at the end of this report.

CONFLICT MINERALS

The concept of “conflict minerals” was introduced in Section 1502 of the Dodd-Frank Act, the 2010 United States federal statute. “Conflict minerals” means gold, columbite-tantalite (coltan), cassiterite, wolframite and their derivatives, such as tantalum, tin and tungsten that originate (or are extracted) in the Democratic Republic of Congo (DRC) and/or bordering countries.

The objective of the Conflict Minerals Rules is to discourage the use of minerals whose trade might finance violent conflicts in Central Africa, where serious human rights violations have been reported for years.

In accordance with the Conflict Minerals Rules, listed United States companies are asked to conduct reasonable due diligence to trace the origin of these materials, reporting the results to the SEC and publicly on its own website. The first report must be published by May 31, 2014 (for 2013), and subsequently updated every year.

The European Commission on March 5th 2014 proposed a draft Regulation setting up an EU system of self-certification for importers of tin, tantalum, tungsten and gold who choose to import responsibly into the Union. The proposed Regulation is accompanied by a “Communication” (a proposal), a paper that presents the overall comprehensive foreign policy approach on how to tackle the link between conflict and the trade of minerals extracted in affected areas.

The focus devoted by Pirelli to human rights issues and, at the same time, its own position as a supplier in the supply chain of customers that actively perform due diligence, have led the Company to conduct a thorough investigation of its own supply chain during 2013, to identify the existence of any conflict minerals.

It is worth indicating, however, the substantially very limited impact of the issue within Pirelli: the volume of minerals (3T+G) used by Pirelli Tyre on a yearly basis is less than 1 ton. This quantity corresponds approximately to one millionth of the raw material volume used annually by the Company and is equally distributed among the large majority of the tyres produced; as an example, a 10 kg passenger tire contains 10 mg (milligram) of tin equivalent, in the very low concentration of 1 ppm (one part per million).

With the ambition to source only conflict-free minerals, Pirelli has asked its own suppliers to fill out form EICC GeSI (EICC/GeSI Conflict Minerals Reporting Template), developed by EICC (Electronic Industry Citizenship Coalition) and GeSI (Global e-Sustainability Initiative), in an attempt to obtain full visibility of the supply chain, all the way to the mines. This process of reasonable due diligence will be completed in 2014 and then will continue with continuous monitoring. The results as of December 31, 2013 were positive, with a significant portion of due diligence already completed and no suspicion of conflict minerals in the supply chain.

RISK GOVERNANCE

The current macroeconomic situation, financial market instability, management processes complexity and continuous legislative and regulatory evolution entail a renewed capacity to protect and maximise tangible and intangible sources of value and the strategic objectives that characterise the corporate business model. Pirelli adopts a pro-active risk management system. It uses a systematic process of identifying, analysing and assessing risk-prone areas to provide the Board of Directors and management with decision-making tools so that they can anticipate and manage the effects of these risks, guided by the awareness that the assumption of risk is a fundamental part of business management. Strategic objectives are not only economic but also social and environmental, reflecting full integration of the sustainability model in corporate development plans. In accordance with this philosophy, Pirelli has implemented an integrated risk management system

(Enterprise Risk Management) aimed at:

- managing risks in terms of prevention and mitigation;
- pro-actively seizing opportunities;
- disseminating inside the Company the “culture” of the value at risk, particularly in strategic and operating forecast and planning processes and in the most important corporate choices ;
- assuring transparent disclosure of the assumed risk profile and implemented management strategies, through periodic and structured reporting to the Board of Directors and top management, and adequate disclosure to shareholders, as well as to all stakeholders in general.

Consistently with these aims, the Pirelli Enterprise Risk Management is characterized by being:

- enterprise-wide, i.e. extended to all potentially significant types of risk/opportunities;
- value-driven, i.e. focused on the most significant risks or opportunities according to their capacity to prejudice attainment of the strategic objectives of Pirelli or to impair critical corporate assets (“Key Value Drivers”).
- top-down, insofar as top management establishes the guidelines for identifying the priority risk areas and events having the greatest impact on business;
- quantitative, insofar as it is based, wherever possible, on exact measurement of the impact of risks on expected financial results according to the likelihood of their occurring;
- integrated in decision-making and business processes and, in particular, in the strategic and operating planning process.

The Pirelli Risk Model systematically assesses three categories of risks: external risks, strategic risks and operating risks. These risk families guide the objectives of risk management, the control system and governance bodies (see the next section). The Board of Directors Internal Control, Risks and Corporate Governance Committee is supported by two Managerial Risk Committees in managing the various risk macro-families, with each committee monitoring specifically assigned areas of risk. The Internal Control, Risks and

Corporate Governance Committee analysed the results of risk assessment during four meetings held in 2013.

RISKS AND UNCERTAINTIES

The principal areas of risk to which the Company may be exposed are also illustrated in detail in the section "Principal Risks and Uncertainties" included in the Directors' Report on Operations – *Volume 01: Annual Financial Report at December 31, 2013*, to which reference is made for an extended discussion of these risks. The three risk macro-families, the risk management objectives, and the dedicated Control Model are described as follows.

Risks related to the external context in which the company operates, whose occurrence is beyond the Company's control.

This category includes the risks related to macroeconomic trends, changes in demand, the strategy of competitors, technological innovation, new regulations, and country risk (and specifically economic, security, political and environmental risks). The aim of risk management is to monitor risks and mitigate their impact if they materialise. The Control Model is based on the adoption of internal and external tools to identify and monitor risks, stress tests to assess the robustness of plans, identification of alternative scenarios, business case studies to assess the impact of material changes in context, etc.

After a year, 2013, dominated by a high degree of uncertainty, Pirelli expects – consistently with forecasts by leading analysts – that the global economy will gradually accelerate in 2014.

In mature economies, a partial relaxation of austerity measures in the public sector and a lower level of indebtedness in the private sector (especially in the United States) should sustain growth on both sides of the Atlantic. Improvement in the economic fundamentals of the United States and, to a lesser extent, in Europe, should also permeate emerging economies in terms of greater exports and further improvement in financial market confidence.

Elements of uncertainty will remain and might derive, inter alia, from the tapering of quantitative easing in the United States, possible political tensions in the more economically fragile emerging countries and, last but not least, geopolitical tensions in the Middle East.

Although subject to impact by the exogenous factors indicated above, the automotive market is forecast to expand at an average annual rate of 3.7% until 2017, with a steady increase in the impact of the premium segment. Even during economic crisis, the performance of the tyre market confirms the wisdom of the choice made by Pirelli to focus its activities on the premium segment. Even in the face of a situation caused by the difficult international business cycle, the premium segment will continue to grow at a rate three times faster than the non-premium segment, with a forecast annual average global increase of 7.3% between 2013 and 2017, as compared with a 2.4% rate in the non-premium segment (+3.6% overall growth).

In regard to the evolution of demand over the long-term, some social and technological trends might have a material impact on the automotive sector and indirectly on the tyre market. On the one hand, these are represented by growing urbanisation (according to United Nations estimates, about 70% of the global population will live in urban areas in 2050) and, on the other hand, by changes in the values and behaviour of younger generations (increase in the average age when a driver's license is obtained, loss of importance of owning a car, increased recourse to various types of car sharing). These factors will be complemented by the spread of information technologies, with a concurrent expansion of e-commerce and/or telecommuting, and frequent regulatory changes in both mature and emerging economies to limit the presence of polluting vehicles within and near metropolitan areas. These dynamics might be followed by an evolution in automotive sector demand (from changes to vehicle dimensions or type of propulsion system to possible resizing of cars to satisfy the transportation preferences of citizens), with contingent impact on tyre sector dynamics. Pirelli constantly monitors the evolutionary changes in automotive sector demand by actively participating in international working groups, such as

the one engaged in the Sustainable Mobility 2.0 (SMP 2.0) project sponsored by the World Business Council for Sustainable Development (WBCSD). The principal aim of SMP 2.0 is to study the possible long-term evolution in urban mobility and promote solutions that might improve the social, environmental and economic well-being of the urban population.

Strategic risks, that are typical for a specific business sector. Proper management of these risks is a source of competitive advantage or, on the contrary, a cause for failure to achieve plan targets (annual and multi-year targets).

This category includes market risk, product innovation and process risk, raw material price risk, production process risk, financial risk, organisational risk, and M&A risk. Risk management aims to manage risk by means of specific tools and protections designed to reduce its likelihood or limit its impact should it materialise in a risk – yield perspective.

The Control Model is based on identifying and measuring PBIT/Cash Flow@Risk when strategic management plans are prepared, defining risk appetite and risk tolerance for principle risk events, introducing Key Risk Indicators in Group reporting, monitoring of mitigation plans associated with material risks in the absence of specific, previously implemented and operational business protection measures. Specific analysis, as reported in Volume 1: Annual Financial Report at December 31, 2013, to which reference is made made for an extended discussion of these risks, has been performed on:

- transaction exchange rate risk;
- currency translation risk;
- liquidity risk;
- interest rate risk;
- price risk associated with financial assets;
- credit risk.

The identification of priority risk areas and their measurement in terms of their contingent impact and

likelihood of occurrence is guided by the business regions on the basis of the objectives and strategic policies outlined in the industrial plan (key value drivers). Central corporate functions coordinate the analysis of centrally monitored risks, such as raw materials and currency rates. The use of quantitative metrics of impact permits the aggregation of risks and representation of the Group's comprehensive risk exposure ("Profit@Risk"), which the Board of Directors assesses before approving plan targets. In regard to strategic risks, commodities (natural rubber, synthetic rubber and petroleum based raw materials – especially chemicals and carbon black) and exchange rates (especially South American currencies) will continue to represent a factor of uncertainty in the structure of Group costs.

Operational Risks, that are the risks generated by the organisational structure, processes and systems of the Group and do not attribute any competitive advantage if they are assumed.

The principal areas of risk in this category are information technology, security, business interruption, legal & compliance, and health, safety & environment risk.

The aim of risk management is to manage these risks through prevention measures and internal control systems integrated in corporate processes. The Control Model is based on the development of ad hoc methods for measuring risk, defining mitigation and prevention plans, and continuous monitoring of their implementation. Specific analysis, as reported in Volume 1: Annual Financial Report at December 31, 2013, to which reference is made made for an extended discussion of these risks, has been performed on:

- environmental risks;
- employee health and safety risks;
- product defect risk;
- litigation risks;
- risks associated with human resources;
- business interruption risks;
- risks associated with information systems;
- corporate criminal liability risks.

The analysis of operational risks is an integral part of the Group internal control system. Ad hoc methods are developed for each area of risk to measure the vulnerability of control systems and their possible impact on the Group. The vulnerable areas revealed by this analysis are the object of continuous follow-up activity by the Operational Risk Committee.

In 2013 the Group undertook a series of mitigation actions to reduce the vulnerability of the supply chain. In particular, this involved extending the portfolio of approved plants by individual supplier, approval of alternative materials/suppliers, increase in the levels of safety stocks of critical materials, supplier audits, etc.

A joint effort was launched in 2013 with certain of the Group's principal suppliers to agree on areas for improvement of the principal business interruption risks at their production sites, including the sharing of Pirelli best practices applicable to loss prevention.

In regard to the impacts from climate change, no significant risks have been found in relation to production processes. Instead, in terms of opportunities, Pirelli Green Performance tyres exhibit growth potential, given the relevant lower environmental impact and the possible regulatory evolution in many countries as it was in Europe with European labelling standards.

In 2013 the ESG (Environmental, Social, Governance) risk assessment and monitoring system was refined and reinforced in terms of the number of monitored Key Risk Indicators.

In 2014 a new control panel will be used for constant monitoring of the evolution in the environmental, social and governance Key Performance Indicators linked to the targets defined during strategic planning and for prompt identification of possible risk factors that might slow down achieving them.

Moreover, since 2013 Pirelli has decided to develop an ad hoc method to identify and measure reputational risks, construed as the present or prospective risk of lost profits or lower share price resulting from negative perception of the Company by one or more stakeholders. While on the one hand reputational risk has to be construed as the contingent occurrence of a negative event tied to one of the three macro-families of risks mentioned above, on the other hand it must be

managed as an independent event precisely because its scope depends on the expectations of stakeholders and the impact of the negative event.

The method that will lead to identification of reputation risks in 2014 will consider a series of internal and external drivers, such as: negative events with an impact on reputation that occurred in the industry worldwide over the last ten years; interviews with external Key Opinion Leaders on sector trends, particularly mobility and sustainability; interviews with internal Key Opinion Leaders. The identified risk events will be measured by the stakeholders general public in the key countries for the Group and will lead to definition of the governance and management structures, as well as the preparation of any mitigation and/or crisis management plans.

For more details on risk governance, reference is made to *Volume 02: Annual Report on Corporate Governance and the Structure of Share Ownership 2013*.

INDEPENDENT AUDITS OF SOCIAL AND ENVIRONMENTAL RESPONSIBILITY AND BUSINESS ETHICS

As previously mentioned, risk management at Pirelli is enterprise-wide and includes the identification, analysis and monitoring of environmental, social, financial and business ethics risks that are directly or indirectly associated with the Company, at Pirelli affiliates or in relations with them, such as sustainability of the supply chain.

Ad hoc assessments are also carried out before entering a specific market, in order to assess any political, financial, environmental and social risks, including those connected with respect of human and labour rights.

Together with constant co-ordination and monitoring at the corporate level, compliance with Pirelli economic, social (especially human rights and labour rights) and environmental sustainability rules is assessed in periodic audits commissioned by Pirelli to specialised independent firms, and by the Pirelli Internal Department

Particular attention is devoted to the sustainability of Pirelli's sites and the company's suppliers' sites operating in emerging countries.

The Internal Audit function has been directly involved in the sustainability audit process at Pirelli affiliates and monitoring of supplier compliance recovery plans since 2012. This function stands out for its independence at Pirelli insofar as, aside from the Board of Statutory Auditors, it reports to the Internal Control, Risks and Corporate Governance Committee of Pirelli & C. S.p.A., which is composed only of Independent Directors.

The three-year internal auditing plan covers all Pirelli sites. Normally every audit is carried out by two auditors and takes three weeks on site. The Internal Audit Team received training on the environmental, social and ethical elements of an audit to enable them to carry out an effective, clear and structured audit, granting Pirelli an effective control over all aspects of sustainability.

Both the external and internal auditors conduct their audits on the basis of a check-list of sustainability parameters derived from the SA8000® standard (the reference tool officially adopted by the Group for the management of social responsibility since 2004), from the Pirelli Social Responsibility Policy for Occupational Health, Safety, Rights, and Environment and from the Group Ethical Code.

Third party audits, each lasting an average of two-three days on site, include extensive interviews with workers, management and trade union representatives. The Purchasing Managers and the Sustainability Managers that coordinated local audits of suppliers performed by third party were adequately trained and informed about the audit aims and procedures by the delegated headquarters functions: in this case, Sustainability and the Procurement Department. All managers of the audited affiliates were also adequately trained and informed about the audit aims and procedures by the central Sustainability and Industrial Relations functions. In regard to Pirelli sites, audits were conducted in 2008 at Company facilities in Turkey, Brazil, Venezuela, Argentina, Egypt, China, Romania, Colombia, Mexico and Chile. In 2011 Pirelli commissioned third party audits that covered the production sites in Argentina, Venezuela, Brazil, China, Egypt, Turkey and Romania.

In 2012 the Internal Audit function conducted sustainability audits at Company facilities in Italy, Brazil, Argentina, Venezuela and Turkey and, in 2013, in Argentina, the United States, Romania and Brazil. The audits will continue in Italy, United Kingdom, Egypt and China in 2014.

Although the compliance violations uncovered by the audits were not serious, they were addressed in action plans agreed by the local managers and central management. The Internal Audit Department is monitoring the status of implementation of agreed action plans, through specific follow-up measures.

It should be noted that none of the audits revealed any breach of the ILO's Core Labour Standards, with specific reference to forced labour or child labour, freedom of association and bargaining, and non-discrimination.

With reference to Suppliers' sites, seventy-two audits were carried out between the end of 2009 and the beginning of 2010, a further 56 were conducted between the end of 2010 and the beginning of 2011, and in the second half of 2012 some 62 new audits on suppliers of raw materials, machinery, logistics and services were started, concluding in 2013. In the majority of cases the audits involved suppliers of Pirelli Tyre operating in ESG risk countries, namely Brazil, Argentina, Egypt, China, Romania, Turkey, and Venezuela, or countries from which Pirelli purchases raw materials, such as Indonesia, India, Malaysia, Thailand, Japan, Russia and Korea. Among the Western countries in which Pirelli conducts its business, audits were carried out on Pirelli Tyre suppliers in Italy, UK, Germany, the Netherlands and the United States.

On the basis of the audit results, Pirelli required a recovery plan to Supplier, designed to prevent, mitigate or remedy any non-compliance found. The Plan typically envisages specific actions to be implemented by precise deadlines agreed by the parties, in addition to clear identification of the person in charge of the action at the supplier company. Since 2012, the Internal Audit function has also been directly involved in the process of monitoring the implementation status of the suppliers' compliance plans.

Critically observing the results of the supply-chain audits performed between 2009 and 2013, the observed

non-compliances continued to be related to the health and safety management processes, use of overtime and proper implementation of the Environmental Management Systems. However, from one audit cycle to another, their number is steadily decreasing, just as their seriousness has steadily decreased. No violations of human rights or fundamental work rights have been found. There has been no contract termination due to the results of the audits. The recovery plans following the 2013 Audits have been completed.

The achieved results are attributable to the Sustainable Management System adopted by Pirelli, which is extensive and covers all phases of the relationship with the supplier. Over the years, it has allowed constant improvements in the panel of suppliers.

Then, it must be considered that the Pirelli suppliers perceive the importance of compliance with the sustainable management factors, partly in consequence of the engagement of their other customers. This certainly contributes to a virtuous circle of continuous improvement.

REPUTATION GOVERNANCE

In an ever-more competitive macroeconomic environment, the new behaviour of stakeholders dictates the evolution of the dynamics of how businesses must relate to them. We have transformed from a consumer economy to a reputation-based economy, where stakeholders' expectations go beyond the quality of the product and financial performance. The performance of the Company is measured in terms of produced and shared value, ethics and transparency, and care for sustainable environmental and social management. It suffices to note that 5 points of improvement in the perceived environmental, social and governance performance of a firm corresponds to a 9% increase in consumer support – according to the result of the Reputation Institute's 2013 Global CSR RepTrak® 100 Study, a survey of more than 55,000 consumers in 15 countries.

This is why environmental, social and governance issues, in the Italian example according the Reputation

Institute, the wish to trust determines the desire of 42% of people to admire and support a business.

In this sort of context, traditional communication no longer has the expected effectiveness. What the stakeholders say about the Company is more important than what the Company says about itself. This new way of critically evaluating the performance of a Company influences the purchasing process, its stock performance, its appeal to new talent and the acceptance of industrial sites in local communities, just to mention a few. High reputation and good performance are (and will increasingly be) inextricably interrelated. Pirelli, aware that its own success as a company will also depend not only on its own work, but also on the support that the Company will receive from stakeholders, has been able to intercept these dynamics and equip itself for this new phase, among the first multinational companies to set up its own organisation dedicated specifically to reputation governance.

Pirelli has established and is introducing specific procedures to improve its own reputation, using a precise measurement system and working on alignment of the intangible activities with the strategic drivers set out in the Industrial Plan, with the drivers that have the greatest impact on its reputation and considering the diversity between geographical areas and markets. The Company is also working on the construction of a system for protection and mitigation of reputational risks, as mentioned in the previous section.

COMPLIANCE

Compliance management activities are performed by the Group Compliance Function, a unit of the Corporate Affairs and Compliance Department, through cross-disciplinary interaction with all corporate functions to guarantee that internal regulations, process and corporate activities are always consistent with the applicable statutory and regulatory framework. The Compliance Function discharges its duties by actively participating in the identification of risks of compliance violation with the internal and external regulations that might result in legal and administrative penalties and

consequent harm to the Company's reputation. During 2013, revision of the Legislative Decree 231 Compliance Programmes adopted by Group companies continued, resulting in the updates and modifications deemed necessary in the light of the new "presumed offences" added to the list of offences given in Legislative Decree 231/2001. This includes the offence of "bribery between private parties". Methodological support activities on Law 262/05 also continued for the "Corporate Financial Reporting Manager" and Group companies to guarantee that corporate activities are performed in compliance with Law 262/05.

The activity begun at the end of 2011 in connection with the anti-corruption programme was completed in 2013. The aim of this programme is to evaluate several areas deemed potentially at risk of bribery (intermediaries; relations with the Public Administration; business transactions for purchase or sale; gifts, trips and entertainment expenses; sponsorships and promotional activities; charitable activities; financing of parties or politicians; human resources; facilitation payments), in the 15 countries of material interest to the Group, the issue of business liability for corruption offences to determine specific safeguards, if appropriate.

On August 5, 2013 the Board of Directors of Pirelli & C. S.p.A. approved the anti-corruption programme, called the Premium Integrity Programme. This is the set of benchmark guidelines concerning prohibited practices of corruption. These represent a systematic set of principles and rules that have already been adopted at Pirelli, complemented by "new" and specific measures, to prevent or reduce the risk of corruption, while further reinforcing the anti-corruption policy of the Group. In Italy, this programme also complements the Legislative Decree 231 Compliance Programme.

The anti-corruption programme was agreed with the Internal Control and Corporate Governance Committee and then approved directly by the Company Board of Directors. Formal notice thereof was given to all Group employees in their local language. The document has also been published on the Company website in 22 different languages for the benefit of all stakeholders. The programme is fully consistent with the approach

taken by the Company which, as set out in the Group Values and Ethical Code and Code of Conduct, has a clearly stated position of not tolerating "corruption in any guise or form, or in any jurisdiction, or even in places where such activity is admissible in practice, tolerated, or not challenged in the courts. "For this reason," the Code continues, "addressees of the Code are prohibited from offering complimentary gifts or other benefits that could constitute a breach of rules, or are in conflict with the Code, or might, if brought to public notice, damage the Pirelli Group or just its reputation." The Code also states that Pirelli "defends and protects its corporate assets, and shall procure the means for preventing acts of embezzlement, theft, and fraud against the Group"; and that it "condemns the pursuit of personal interest and/or that of third parties to the detriment of social interests."

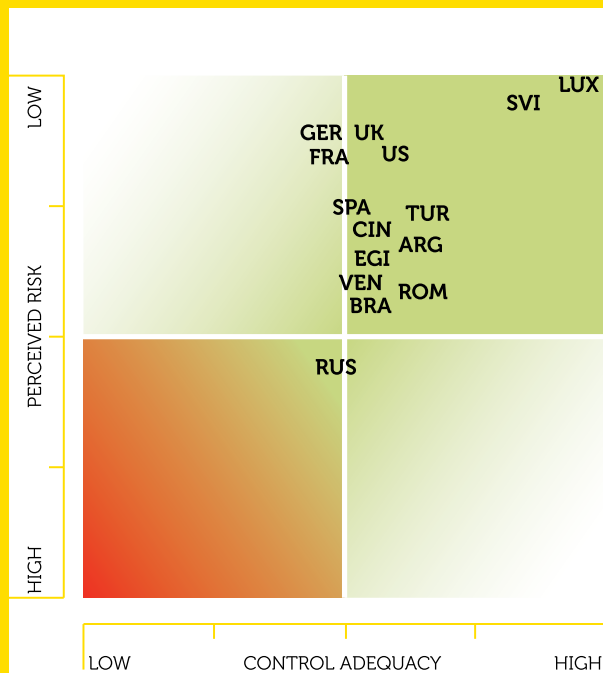
Premium Integrity has been developed out in the following steps:

- Mapping of National and International Regulatory Framework applicable to corporate liability for acts of corruption;
- Risk Profile Analysis on the basis of two scenarios:
 - perceived risk stemming from combination of the level of perceived corruption (associated with the Corruption Perception Index 2011 benchmark calculated by Transparency International) with management's perception of the level of risk in each country;
 - adequacy of safeguards against vulnerability derived from combination of the guaranteed protection in areas deemed to be exposed to contingent corruption risks associated with the benchmark provided by the Internal Audit Function on the Internal Control System.

The risk profile analysis made it possible to rank the vulnerability risks of analysed countries in ascending order, as illustrated in the following figure.

Pirelli monitors the risk of corruption, and if appropriate updates its risk analysis if its scope changes following "the admission" of "high-risk" countries (as defined in the Transparency International index), and defining education and awareness programs as appropriate.

CORRUPTION RISK PROFILE ANALYSIS



In 2013 training and communication of the administrative liability of companies continued, pursuant to Legislative Decree 231/2001. This activity has been substantially completed and affected 98% of 1,649 employees at 12 Italian companies. A project to implement a Segregation of Duties ("SoD") program was launched in 2013, aimed at further reinforcing the internal control system and preventing fraud.

In regard to the contributions made in favour of the External Community, for years Pirelli has adopted an internal procedure to regulate the distribution of gifts, contributions and payments to the External Community by Group companies and in regard to the roles and responsibilities of the functions involved, the operating process of planning, realisation and monitoring of the initiatives and disclosures related to these projects.

A key contribution to the initiatives satisfying local requirements is given by the dialogue with the locally operating NGOs. Priority is given to the 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.

As envisaged in the "Pirelli Values and Ethical Code", the Pirelli Group, "does not provide contributions, advantages, or other benefits to political parties or trade union organizations, or to their representatives or candidates, this without prejudice to its compliance with any relevant legislation."

In regard to sponsorship activities, in 2013 Pirelli updated its own operating procedure regulating the conception, planning, approval, management and control process of sponsorship activities by defining the roles and responsibilities of the functions involved, while guaranteeing the functional segregation of the activities. The projects to be sponsored must always satisfy specific Guidelines in order to be approved by the Brand and Advertising Committee. The responsible function may grant formal and traced authorisation of the sponsorship only upon complete and total compliance with the Guidelines and necessary requirements.

The Guidelines define the following as prerequisites for obtaining approval of sponsorship projects:

- synergy with Group strategy and consistency with brand strategies and corporate communication;
- high visibility and impact of sponsored project;
- measurable return in terms of business or measured on the basis of media equivalent measurement standards for brand and communication projects;
- morality, fairness and integrity of the sponsored party, the parties controlled by, controlling or otherwise related to the sponsored party;
- expected use of Pirelli brands in accordance with Group policy.

As in the case of the procedure that governs charitable donations, the rules governing sponsorships specifies that no initiatives may be taken in favour of political parties, labour unions or their representatives or candidates, or in favour of beneficiaries for whom there is direct or indirect evidence of violation of human or worker rights, environmental protection, or business ethics.

Finally, the Pirelli Compliance Programme envisages two specific internal control systems concerning sponsorships and charitable donations, respectively based on the definition of criteria for:

- identification of the sponsorship projects and adequate contractual organisation;
- identification of the initiatives and adequate assessment of how the donations or payments are used or the outcome of the initiatives.

For control and prevention purposes, all internal audits are also designed to monitor the risk of criminal offences, including corruption and fraud risk.

Once again, in 2013 there was no case of corruption or any public prosecution involving corrupt practises.

Finally, in 2013 support of the activities of Transparency International continued to be provided. Pirelli has joined this organisation as a supporter of educational projects, aimed at promoting the active role of civic and moral education in strengthening civil society against crime and corruption, holding that only proactive and concrete measures to promote values can lead to general improvement in the quality of life.

GROUP WHISTLEBLOWING PROCEDURE

The Group Whistleblowing Procedure is a tool that supports compliance and internal control activities, as well as risk prevention. Pirelli provides its shareholders, employees, suppliers, customers, all its stakeholders, and the general public with this channel to report any acts or omissions adopted by any party within Pirelli, in its relations with Pirelli or on its behalf such that constitute or may constitute a violation or inducement to violate laws and/or regulations, the principles enshrined in the Pirelli Values and Ethical Code – obviously including equal opportunities –, principles of internal control, company policies, rules and procedures and/or that can either directly or indirectly give rise to economic, financial or reputational damage for Pirelli Group companies.

The Procedure explicitly encourages employees who are aware of potential or real situations of violation to

report them immediately – even anonymously – to the Company, with the guarantee that their identity will be kept absolutely confidential and that they will not suffer reprisals of any kind.

These reports may involve Company directors, statutory auditors, management and employees, as well as anyone else who operates inside or outside Italy on behalf of the Pirelli Group or has business relationships with the Group. This includes partners, customers, suppliers, consultants, independent contractors, accounting firms, and public institutions and entities.

An e-mail address (ethics@pirelli.com) is provided to anyone who wishes to file a report. That e-mail address is managed at the corporate level by the independent Internal Audit Function and is to be used by all Group affiliates and the External Community. The Group Internal Audit Department is responsible for:

- preparing, managing and updating the guidelines for transmitting notices; receiving, recording and analysis the reports received;
- engaging the participation of other corporate departments and offices for investigation as necessary and forwarding any reports to the supervisory bodies with jurisdiction according to the situations where a specific supervisory body exists (for Italian companies: the Board of Statutory Auditors, the Supervisory Bodies for offences pursuant to Legislative Decree 231/01);
- planning specific action plans;
- ensuring the retrieval and storage of documentation for five years after the conclusion of the investigation;
- filing a quarterly report with the Internal Control Committee of Pirelli & C S.p.A. on reports received and actions underway.

If it is ascertained that the report is valid, the Company must take appropriate disciplinary measures and legal action to protect itself and the Group, if necessary.

An updated version of the Whistleblowing Policy was approved during a meeting of the Board of Directors in March 2013. The updated procedure has been distributed internally in local language versions and is also published on the Pirelli website.

Group suppliers also have the Whistleblowing

Reporting Channel (ethics@pirelli.com) specifically indicated in the Sustainability Clauses included in every supply contract.

The following table summarises the content and the number of reports received in 2012 and 2013.

WHISTLEBLOWING REPORTS

	2013	2012
Total Report	11	8
Anonymous reports	6	3
Archived due to absolute vagueness	3	2
Investigated	8	6
Countries of origin of report	Italy, Brasil, Argentina, Venezuela	Italy, Brasil, Egypt, Polond, Mexico
Allegation made in report	Employee misconduct, one case of post-sales disservice	Employee misconduct, trade union claims, a case of discrimination
Outcome of investigated cases	Revision and modification of process if deemed appropriate, measures by the competent fuctions Human Resources Department, action in satisfaction of customer	Revision and modification of process if deemed appropriate, a measure by the Human Resources Department

Eight reports were received during 2012 from Italy, Brazil, Egypt, Poland and Mexico. Four of these reports were received at the e-mail address given in the Group Whistleblowing Procedure (ethics@pirelli.com); three reports were received directly by management, which in turn alerted the Internal Audit Department. One report was received by the Legislative Decree 231/01 Compliance Program Supervisoroy Body at a Group company, which in turn alerted the Internal Audit Department to conduct an investigation. Three of the eight Whistleblowing reports were received in anonymous form, while the remaining five were signed by the whistle-blower.

It was impossible to conduct any investigation into two of the anonymous reports, given the absolutely vague details provided. Instead, for the other six reports, the Internal Audit Department was able to conduct specific audits on what had been reported.

The examined reports concerned alleged misconduct by management, union claims, and discriminatory conduct against an employee. The results of the audits conducted on the basis of these six reports did not find any violations of laws, regulations, ethical principles or corporate procedures. In one case, it was decided to inform the Human Resources Department, which took the appropriate measures.

Eleven Whistleblowing reports were received instead in 2013, from four different countries (Italy, Brazil, Argentina and Venezuela). Of these, eight reports were received at the e-mail address provided in the Group Whistleblowing Procedure (ethics@pirelli.com) and/or directly at the Internal Audit Department. Three reports were received directly by management, which in turn alerted the Internal Audit Department to conduct an investigation.

Six of the eleven Whistleblowing reports were received in anonymous form, while the remaining five were signed by the whistle-blower.

It was impossible to conduct any investigation into three of the anonymous reports, given the absolutely vague details provided. Instead, for the other eight reports, the Internal Audit Department was able to conduct specific audits on what had been reported.

The examined reports mainly concerned alleged misconduct by employees. Upon conclusion of the audits carried out in response to these eight reports, no violations of laws, regulations, ethical principles or corporate procedures were found in four of the reported cases. However, the other four reports triggered the involvement of delegated corporate functions, and particular the Human Resources Department which, after reviewing the evidence, took action as provided by internal procedures and the applicable employment agreements.

Upon conclusion of the investigations, the Internal Audit Department conducted specific audits of the corporate processes involved in the Whistleblowing incidents, and revised or modified them as necessary. The Internal Audit Department has systematically informed the Pirelli Internal Control, Risks and Corporate Governance Committee and the Board of Statutory Auditors of Pirelli & C. S.p.A. about all Whistleblowing reports it has received and the progress of this analyses. In regard to reports by the External Community, it is confirmed that no Whistleblowing reports signed by suppliers or other categories of stakeholders were received at the Whistleblowing e-mail address, with the exception of one received in 2013 from a customer involving an alleged case of post-sale disservice, where the Company took action in satisfaction of the customer's requests.

However, it is objectively impossible to confirm that absolutely no such reports have been received from suppliers, insofar as certain reports were made anonymously, as mentioned above.

The slight increase in reports in 2013 from 2012 may be attributed to repetition of the communication campaign to employees in their local language, advising them about the procedure and how to use it.

STOCK MARKET INDICES AND ETHICAL FINANCE

The commitment to create long-term value that characterises the company's responsible management and economic, social and environmental performance, has led to Pirelli being ranked on some of the world's most prestigious stock market sustainability indices for years. Pirelli is also substantially held in the portfolios of socially responsible investors, both inside and outside Europe. Specific road shows are dedicated to socially responsible investors, as illustrated in more detail in the section on relations with investors and the financial community presented in Chapter 2 of this report.

The major ethical finance indices on which Pirelli appears in 2013 are illustrated as follows.

DOW JONES SUSTAINABILITY



Pirelli has been included in the Dow Jones Sustainability indices since 2002. For the seventh year in a row, Pirelli was confirmed as global sustainability leader in the ATX Auto Components segment in September 2013, as part of the Dow Jones Sustainability World and Europe indices. Pirelli's overall rating for 2013-2014 was 85 points, compared with an industry average of 51.

The Dow Jones indices are revised every year by RobecoSAM, a Swiss asset manager responsible for assessment, admission or exclusion of companies from the Dow Jones sustainability equity indices.

In January 2014 Pirelli was named World Sustainability Leader in the ATX Auto Components" Sector and Gold Class Company for the seventh year in a row in the prestigious Sustainability Yearbook 2014, published by RobecoSAM. The Yearbook is one of the most complete and authoritative global reference tools for sustainable finance specialists. It includes only the top sustainability scoring companies, ranked as such by RobecoSAM in the Dow Jones Sustainability Assessment, or 15% of firms in 58 business sectors.

FTSE4GOOD



Pirelli has been included in the FTSE Global and European STOXX indices since 2002. Pirelli's 2012

rating in the Automobiles & Parts sector was 100 out of 100, up from 99 in March 2012 and 98 in September 2011. The analysed universe is the one of the FTSE All-Share Index and the FTSE Developed Europe Index..

CARBON DISCLOSURE LEADERSHIP



Also in 2013 Pirelli has been included in the Carbon Disclosure Leadership Index (CDLI), with a rating of 96 (compared with 89 in 2012), which is the top ranking among leading global tyre makers.

Carbon Disclosure Project (CDP) is an independent, non-profit organisation that offers companies and countries a system for measuring, recording, managing and sharing global information on climate and water resource change. Today more than 3,700 organisations present in the most economically developed countries measure their own greenhouse gas emissions and analyse the risks and opportunities related to climate change through the CDP, with the aim of establishing emission reduction objectives and improving results. The CDP is supported by 655 institutional investors that manage over USD 78 billion and control the largest international database containing information about the climate change management policies implemented by the most important global organisations.

GLOBAL COMPACT 100



United Nations Global Compact



Pirelli is the only tyre manufacturer among the 100 companies that comprise the global index.

The Global Compact 100 is composed of 100 companies chosen on the basis of their compliance with the ten

guiding principles of the UN Global Compact, which expresses the commitment by management to issues related to sustainability and income level.

These companies, whose stock market performance was monitored by UN Global Compact over the last three years, have outperformed the FTSE® All World stock index over the past two years, generating a 26.4% return over the last 12 months. Inclusion in the Global Compact 100 is one of the most important forms of recognition in the sustainability sector for companies that are committed to aligning their activities and strategies with the ten universal principles in the areas of human rights, work, and environment in view of responsible globalisation.

OEKOM RESEARCH AG RANKING



Pirelli is the global sustainability leader among automotive sector suppliers, according to the Oekom Research AG ranking in 2013.

Oekom Research AG is one of the top rating agencies for responsible investments (i.e. Socially Responsible Investments, or SRI), partner of institutional investors and provider of financial services. Analysts have assessed the sustainability performance of the 40 top suppliers in the global automotive sector.

ETHIBEL EXCELLENCE INVESTMENT REGISTER



Pirelli & C has been included in the Ethibel EXCELLENCE Investment Register since December 19, 2013. Forum

ETHIBEL (www.forumethibel.org) only considers shares of firms that receive a high CSR rating on all related issues. The selection of Pirelli by ETHIBEL confirms the superiority of the Company's CSR performance compared to the industry average.

STOXX GLOBAL ESG LEADERS



For the third year in a row, Pirelli is part of the STOXX® Global ESG Leaders Indices 2013-2014.

The indices were compiled in 2011 by STOXX Limited which, on the basis of sustainability performance, selects 313 companies from among the 1,800 stocks included in an initial basket of international equities, the STOXX Global 1800 Index.

These indices base their own selection criteria on indicators suggested by EFFAS (European Federation of Financial Analysts Societies) and DVFA (Society of Investment Professionals in Germany), awarding scores to the examined firms on the basis of ESG assessment principles given by the rating agency Sustainalytics.

EURONEXT-VIGEO EUROZONE 120

In 2013 Pirelli entered the Euronext-Vigeo Eurozone 120 index, which is comprised by the 120 listed companies with the highest sustainability rating in the eurozone.

ECPI



Pirelli has been included in ECPI sustainable finance indices since 2008, and in particular:

- in the ECPI Ethical EMU Index, which ranks the 150 largest companies by capitalisation in the EMU (Economic and Monetary Union) market;
- in the FTSE ECPI Italia SRI Benchmark, whose

components, selected from the FTSE MIB and FTSE Italia Mid-Cap baskets, are distinguished by their good rating in environmental, social and governance (ESG) terms;

- in the FTSE ECPI Italia SRI Leaders index, whose members, selected from the FTSE MIB and FTSE Italia Mid-Cap baskets, are qualified as excellent in terms of environmental, social and governance (ESG) sustainability.

The ECPI Italia SRI Benchmark and FTSE ECP Italia SRI Leaders indices were launched on September 19, 2010 by ECPI and FTSE Group. They represent the first series of indices on the Italian market for responsible investment.

According to the ECPI assessment, Pirelli is one of the firms that have a transparent long-term strategic outlook, good operating management and make a positive contribution to society and the environment.

PRINCIPAL AWARDS AND RECOGNITION

Pirelli received numerous awards and recognition during 2013 for its sustainable performance accomplishments, the diversity of which reflects the sustainable approach throughout the entire value chain and towards all stakeholders. The principal awards it has received are listed below in reverse chronological order, from 2013. To give an overview on the last three-year period, the principal awards and recognition received by Pirelli in 2012 and 2011 are also mentioned.

NOVEMBER 2013

- Pirelli enters the Euronext-Vigeo Eurozone 120 index, which is comprised by the 120 companies with the highest sustainability rating of listed companies in the eurozone.
- Among the companies certified in information communication technology by SAP as a Skills Centre, Pirelli was a bronze winner in the innovation category.

OCTOBER 2013

- For the third year in a row, Pirelli is part of the STOXX® Global ESG Leaders Indices 2013-2014. The indices were compiled in 2011 by STOXX Limited which, on the basis of sustainability performance, selects 313 companies from among the 1,800 stocks included in an initial basket of international equities, the STOXX Global 1800 Index.
- "Pirelli Corporate App" was awarded as the best solution in the annual report category during the Digital Communication Awards 2013 ceremony. This is a prestigious European award given to digital communication campaigns and projects.

SEPTEMBER 2013

- Pirelli was added to the new sustainability index "Global Company 100" launched by UN Global Compact in collaboration with Sustainalytics. Pirelli is the only tyre manufacturer in the world to be included on the index.
- For the seven year in a row, Pirelli was confirmed the world leader in the ATX Auto Components sector in the Dow Jones Sustainability World and Dow Sustainability Europe sustainability indices, with 85 points compared with a sector average of 51 points.
- According to the ranking prepared by Oekom Research AG, Pirelli is number one in terms of sustainability among automotive sector suppliers. Oekom Research AG is one of the top rating agencies for responsible investments (i.e. Socially Responsible Investments, or SRI), partner of institutional investors and provider of financial services. Analysts have assessed the sustainability performance of the 40 top suppliers in the global automotive sector.

JULY 2013

- For its "commitment, competitiveness and capacity to innovate, with development of the Self Sealing technology that exhibits technological know-how and corporate capacity to meet future challenges", Pirelli was given the "Global Champion" award as part of the Volkswagen Group Award, the prize

that the car maker awards every year to its best suppliers. This award recognises the excellence of Pirelli in global partnership, product quality, competitiveness, project management and flexibility.

JUNE 2013

- Foreign Policy Association (FPA) awards the Chairman & C.E.O. of Pirelli, Marco Tronchetti Provera, with the Social Responsibility Award 2013 for his proven commitment to sustainability.

MAY 2013

- Pirelli Metzeler Tourance™ is ranked the best enduro street tyre by the German magazine Motorrad Motorrad. The new Metzeler Tourance™ tyre won because it offered the most balanced performance under all test conditions, performing outstandingly under dry conditions, while exhibiting excellent handling under wet conditions, combined with its high mileage.

APRIL 2013

- Pirelli was granted the Quality Award by the Fiat Chrysler Group, which is given annually to the best suppliers of the Fiat Chrysler Group in Latin America in different categories. Pirelli won the prize in the chemical materials category.
- Pirelli received a Certificate of Merit from Honda. This award was given to Pirelli for the excellence of its car tyre products supplied to the Honda plant in Sumaré.
- Pirelli Latam was rewarded by Peugeot-Citroën for its manufacturing excellence.
- Pirelli received the top score from J.D. Power for having offered "the best original equipment tyre in the opinion of consumers in the SUV and Truck segment" (out of about 27,000 persons interviewed).
- Pirelli was awarded by the J.D. Power and Associates Institute (United States) for the seventh time for the results it achieved in the Original Equipment (OE) category.

MARCH 2013

- Versalis (Eni) and Pirelli signed an important Memorandum of Understanding to undertake a joint research project on the use of natural rubber from guayule in tyre production. The agreement with Versalis will complement and expand the commitment made by Pirelli to research on innovative materials from renewable sources, and particularly from biomasses. Pirelli, which already makes tyres using raw materials derived from rice husks (the non-edible part of the rice grain and normally used for combustion), aims at steadily reducing petroleum-derived components by replacing them with new raw materials that simultaneously guarantee constant improvement in the performance and environmental sustainability of processes and products.

FEBRUARY 2013

- For the third year in a row, Pirelli was recognised as having the “Best Corporate Governance in Italy” in the World Finance Corporate Governance Award 2013.

JANUARY 2013

- Mv Agusta, the prestigious Italian motorcycle maker, chose the Pirelli Diablo Supercorsa™ SP as original equipment on the base versions of the R and RR models of the F4 2013 line.
- Pirelli was awarded by Jaguar Land Rover. Since 2011 Pirelli UK has always satisfied the requirements of JLRQ, the system used to monitor the performance of Jaguar Land Rover suppliers. Pirelli is the only tyre maker in Great Britain to have received this award.

NOVEMBER 2012

- Pirelli was awarded the international SAP Innovation award in Madrid for its skill in combining technology with particularly innovative projects.

OCTOBER 2012

- Pirelli China received the “Sustainability Development in China 2011-2012” award, organised by the Chinese magazine Economic Observer, considered

to be one of the three most important economic newspapers in China. The assessment criteria included economic performance, environmental protection and social responsibility.

- Pirelli was confirmed as the most famous tyre brand in Brazil for the tenth year in a row. This recognition comes in addition to the Top of Mind award. Pirelli was also the most famous company brand in the “Top Male” category of companies in all segments. The survey was conducted nationwide by the Instituto DataFolha. The award was given on October 24 in São Paulo, by the Folha de São Paulo Group.
- In the United States, the website of Pirelli & C. won the top spot in the prestigious WMA (Web Marketing Association – WebAward) ranking, being defined as an “Excellent Site” according to the standards of the New Media Awards, as part of a research project conducted by Columbia University.
- In Europe, the website of Pirelli & C. was ranked third in the Digital Communication Award 2012, the top European public relations and communication award hosted by the Berlin University of Applied Sciences. Here again, Pirelli competed against the top European contenders before a jury composed of 30 experts.
- For the third year in a row, Metzeler was the Italian Champion in the 600cc Supersport class of CIV.
- On the occasion of the 140th anniversary of the foundation of Pirelli in 1872, Chairman Marco Tronchetti Provera and the entire Pirelli top management were received by Italian President Giorgio Napolitano. “It is a great honour for me and all of us to have been received by President Napolitano on the occasion of the 140th anniversary of Pirelli,” said Marco Tronchetti Provera. “We are celebrating this birthday,” he continued, “together with the 36,000 persons around the world who share the pride of belonging to a Group that has been a standard bearer for the excellence of Italian industry worldwide.”
- The semi-annual audit conducted by the independent agency EIRIS reconfirms Pirelli on the ethical finance stock indices of the London Stock



Exchange FTSE4Good (FTSE Global and FTSE4Good Europe), with a score of 100 points out of 100, up from 99 in March 2012 and 98 in September 2011. Pirelli, which has been on the FTSE4Good indices since 2002, has also been reconfirmed as the only Italian company in the automotive and parts sector to be listed on the index.

- On the basis of the Dealer Satisfaction Survey 2012, Pirelli Spain was recognised for the second year in a row as having the best customer service in that country. The analysis was carried out by Pirelli Marketing together with the statistical analysis company CREA.

SETTEMBER 2012

- The Metzeler Roadtec Z8 Interact tyre won the "Tyre of the Year Award" given by Motorcycle News, one of the most prestigious awards in the motorcycle business.
- The Metzeler Roadtec Z8 Interact tyre was recognised as the Best Touring Tyre by the prestigious German Motorrad Magazine.
- Pirelli won the Marcas Confiables 2012 Award in Argentina for the fourth year in a row, proving to be one of the favourite tyres in Argentina according to the survey conducted by Selecciones (Reader's Digest), a leading magazine worldwide with more than 100 million readers.
- For the sixth year in a row, Pirelli was confirmed the world leader in the Autoparts and Tyres sector in the Dow Jones Sustainability World and Dow Sustainability Europe sustainability indices, with 86 points compared with a sector average of 53 points. The results of the 2012 revision of the Dow Jones Sustainability Indices were announced on September 13, 2012 by Robeco SAM, the Swiss asset manager focused on sustainable investments, and by S&P Dow Jones Indices.

AUGUST 2012

- In China the Pirelli P1 won the most highly sought recognition in the tyre business. On August 2, 2012 the magazine Motor Trend recognised the Pirelli Cinturato P1 as the "Environmentally Friendly Tyre

of China 2012," by affirming that it has absolutely unique characteristics in terms of efficiency and sustainability. The judges examined how the tyre can play an important role in reducing harmful emissions and how firms can improve their ethical and social responsibility practices to promote sustainable vehicle use.

JULY 2012

- Porsche gave Pirelli its Supplier Award 2011 for the great results it achieved as supplier. Pirelli was recognised in the "Material for Production" category in Munich for its commitment and reliability in managing new projects. The crowning achievement in development of the latest versions of the Porsche Carrera and Boxster, Pirelli was recognised for its extraordinary flexibility in satisfying requests.

JUNE 2012

- Pirelli received the "Best Enterprise Brand Image Award" for 2012 in China, at a finance summit that is one of the most important business events of the year. "The growing economic power of China" was the principal theme of the event, which was focused on four key aspects: green, innovation, reputation and development. Summit participants discussed the results and great improvements made by China, with a focus on the progress made in the green economy, business innovation and sustainable development.

MARCH 2012

- The March 2012 revision conducted by the independent agency EIRIS reconfirmed Pirelli on the ethical finance indices of the Financial Times "FTSE4Good," with a score of 99 points out of 100, up from 97 in March 2011.
- The Pirelli Water Project was rewarded in Brazil. The Pirelli factory at Campinas, Brazil won the prestigious prize awarded by FIESP (Federation of Industries São Paulo). This recognition highlighted the commitment of our Brazilian colleagues in treating water after it is used in production. This award marked a first for Pirelli Brazil, which beat

the tough competition fielded by several respected companies. The awarded project was the result of a gradual investment made over the last year, which allowed the reuse of 100% of the water treated in-house, plus a reduction of 35% in the volume of water drawn from the Capivari River. This important prize is the result of a series of analyses and tests conducted by public companies responsible for managing water resources.

JANUARY 2012

- The survey by Encircle Marketing, a firm specialised in post-sale automotive market research, Sell Out and Selling Way prices, declared Pirelli to be the most highly recommended tyre brand of the year, for the second year in a row, receiving 6.7% of all recommendations in the sector.
- Pirelli was named world sustainability leader in the "Autoparts and Tyres" Sector and Gold Class Company for the fifth year in a row in the prestigious Sustainability Yearbook 2012, published by SAM Group in collaboration with KPMG.
- The biennial study presented by the international rating agency Vigeo entitled Non-discrimination and Equal Opportunities in the workplace ranked Pirelli among the 20 most advanced European companies in terms of equal opportunity and workplace non-discrimination management. The survey covered 539 companies, 34 sectors and 18 countries, or 80% of European market capitalisation.

OCTOBER 2011

- Pirelli received the 82nd Tyre and Fast Fit Awards (TAFF) from the National Tyre Distributors Association (NTDA), an association that promotes the interests of tyre resellers in the United Kingdom. The various candidates that were selected by resellers, until they were narrowed down to the five most voted brands in 2011, were Continental, Michelin, Yokohama, Hankook and Pirelli. Product safety and reliability standards were the items that led to Pirelli being awarded.
- Pirelli was named the most famous tyre brand in Brazil for the ninth year in a row. This recognition

was flanked by the Top of Mind award, in the Top Male category. Pirelli was also the most famous brand among companies in all segments. The survey was conducted nationwide by the Instituto DataFolha. The award was given on October 25 in São Paulo, by the Folha de São Paulo Group.

SEPTEMBER 2011

- Following the 2011 revision of the Dow Jones indices – carried out by SAM Group, the Swiss asset manager responsible for assessment, admission or exclusion of the companies from the Dow Jones sustainability equity indices – Pirelli was confirmed global Sustainability Leader in the Auto parts & Tires sector for the fifth year in a row, as part of the Dow Jones Sustainability World and Europe indices.

JUNE 2011

- Pirelli is one of the 100 companies with the best reputation in the world, being ranked 31 in the 2011 Global RepTrak™100, the most authoritative annual reputational survey of the world's biggest companies conducted by the Reputation Institute. The ranking is the result of a survey conducted in April 2011 of 48,000 consumers in 15 countries who gave their opinion on a panel composed of the 100 top companies in the world.

MAY 2011

- The new Pirelli Diablo Rosso II tyres finished first in the annual comparative test of sports tyres conducted by two prestigious, specialised German publications: Motorrad and PS. The series of innovations developed over seven years as official supplier of WSBK enabled the Diablo Rosso II to beat the competition, with awesome track performance using highway tyres. It got the highest score for road hold and grip in dry conditions
- In China Pirelli won the "best marketing award" during the China Auto Aftersales Summit Forum Awards.

APRIL 2011

- Pirelli was rewarded at the London Stock Exchange as the Italian business with the best corporate

governance. This recognition took the form of the World Finance Award 2011, the prestigious international prize that since 2007 has selected leading businesses in the areas of corporate governance and financial activity management. The survey by The Boston Consulting Group (BCG), a global leader in business strategy consulting, ranked Pirelli in the top ten of value creators. In fact, the Company was one of the top ten Italian companies that posted the highest rates of stock earnings in 2010.

- At Moline, Illinois in the United States, John Deere, one of the biggest makers of agricultural and construction equipment in the world, gave Pirelli Agro its highest recognition in the Hall of Fame sector, awarded every year only to those suppliers that over time (five years) have been confirmed as offering excellent products and service. For the fifth year in a row, Pirelli Agro Brasil won the world prize for excellence as best supplier.

FEBRUARY 2011

- In Tokyo Pirelli won the Toyota Regional Contribution Award as best supplier of tyres to this Japanese car maker in South America. The prize, awarded by the Chairman of Toyota, was given as part of the Toyota Global Contribution Award. Pirelli, the first tyre supplier to receive this prestigious Toyota award, was recognised for quality, price and prompt deliveries.
- PZero won the summer tyre tests organised by the specialised German magazine Auto Zeitung, which pitted 14 different tyres makers against each other in the 225/45 R 17 tyre category. In six tests under wet conditions, PZero proved exceptional in stopping from 100 km/h, safe driving and road hold, and very good in aquaplaning. In the seven tests under dry conditions, PZero stunned observers by its extremely fast speed in curves and directional stability.

JANUARY 2011

- In China, at the Guangzhou Auto Show, the magazine Auto News ranked the Pirelli Cinturato

P7 tyre as "The best balanced tyre of the year." The Cinturato P7 stood out for its road hold, stability, tread pattern optimised to reduce noise and the low-carbon emissions production process.

- In England, Pirelli was ranked as the Most Recommended Tyre Brand for 2010, according to the market survey conducted by Encircle Marketing.
- Pirelli won the first edition of the Lundquist Employer Branding Online Awards Italy 100, qualifying as number one in Italy in online communication of employer branding, i.e. the company's appeal as employer on the basis of the transparent, clear and concise communication through which it seeks to attract job applicants. The analysis considers the principal components of online employer branding: Proposition (how the company presents itself and what it offers to employees), Recruitment (information for job candidates) and User experience (presentation of content).