

APPENDIX

A | GOVERNANCE

B | SUSTAINABILITY STRATEGY & TARGETS

OUR INTEGRATED MODEL



MULTI-STAKEHOLDER APPROACH

Governance



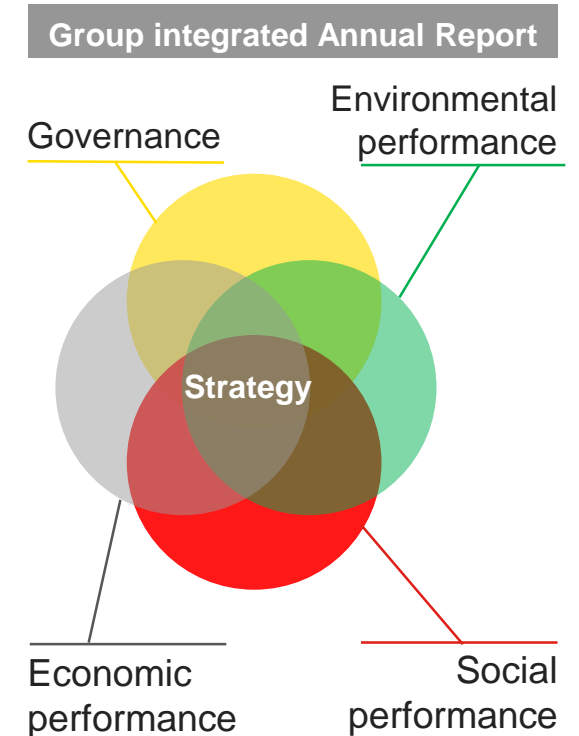
Management systems

- Quality**
ISO 9001
IATF 16949
ISO/IEC 17025
- Labour and Social**
OHSAS 18001/ISO 45001¹
Standard SA8000® (Reference Std)
- Environment**
ISO 14001¹
ISO 14040 (Reference Std)
ISO 14064 (Reference Std)
- Anti-Bribery**
ISO 37001
- Purchasing**
ISO 20400¹

Planning

- Return on capital**
- Growth Opportunities
Productivity
Risk Governance
- Competitive scenario analysis:
Economic - Environmental
Social - Governance

Reporting²



OUR SUSTAINABILITY LEADERSHIP IN NUMBERS

► 2020 KPIs¹

-54% Accident frequency index
(vs. 2015)

58% Eco & Safety performance² revenues

-9% Avg. rolling resistance of car tyres
(vs.2015)

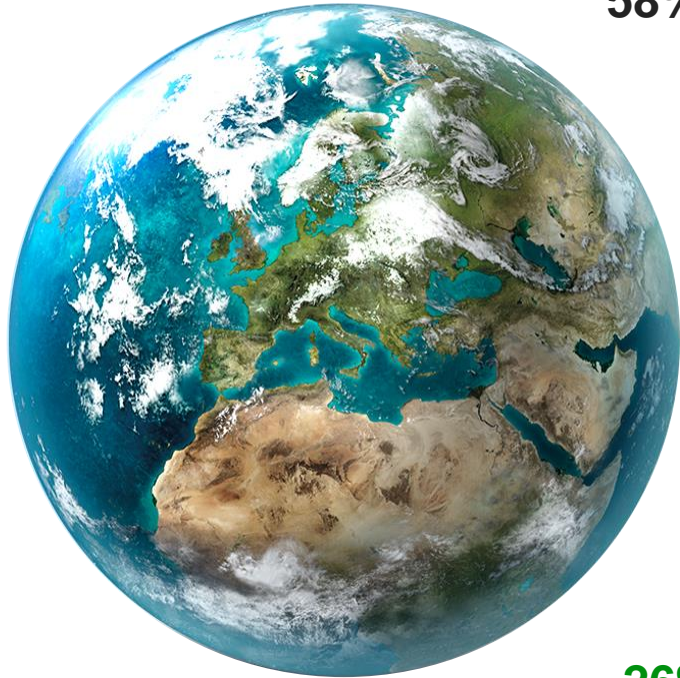
52%³ Electricity from renewable sources

-31%⁴ Plant CO₂ absolute emissions
(vs.2015)

-22%⁵ Raw materials suppliers CO₂ absolute emissions
(vs.2018)

-26% Specific water withdrawal
(vs.2015)

97% Waste sent to recovery



LEADING THE SECTOR IN MAJOR SUSTAINABILITY RANKINGS & INITIATIVES

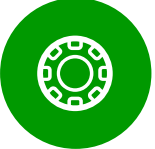






Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

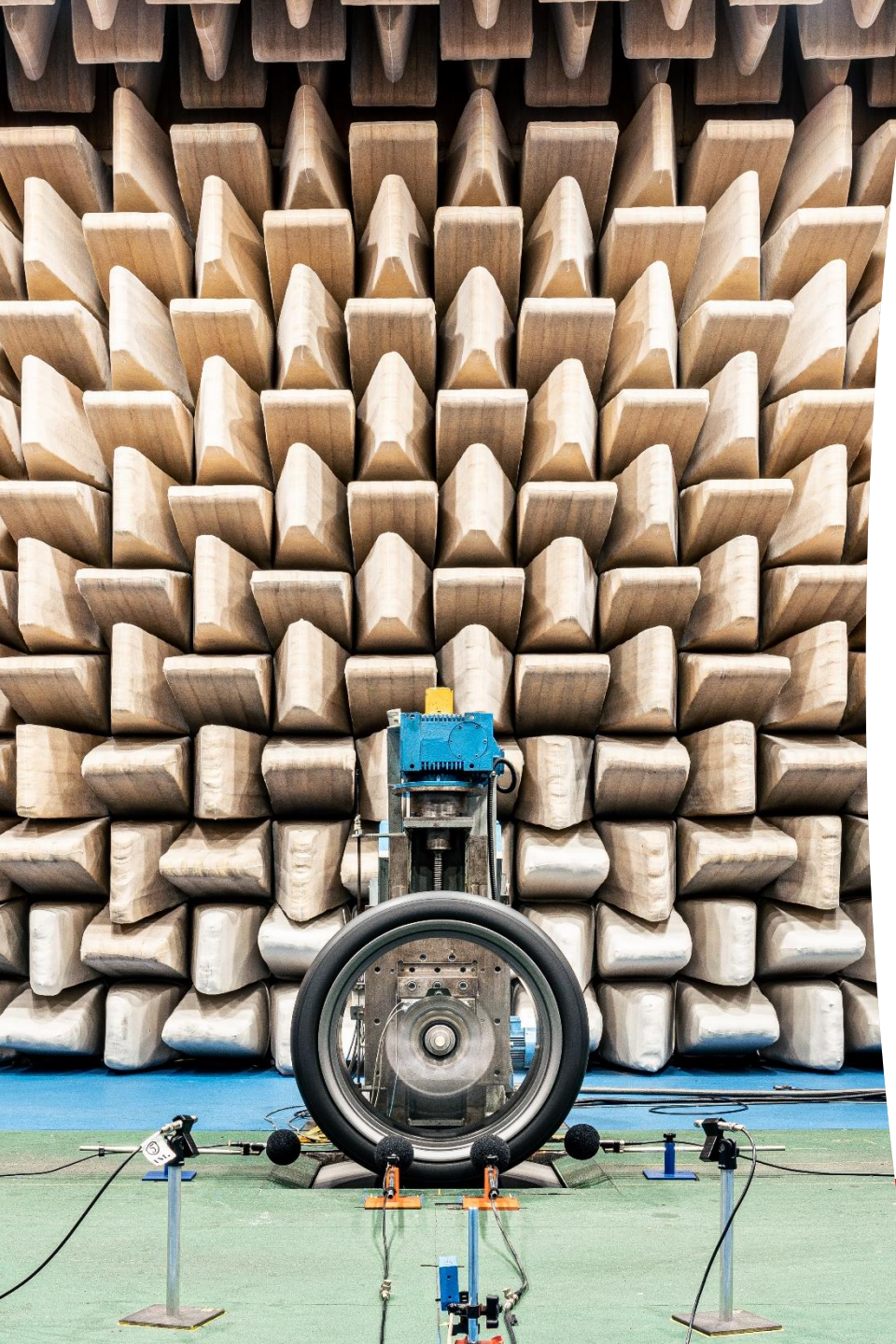
Sustainability Award
Gold Class 2021
S&P Global



1. Non exhaustive list; 2. Eco-Safety Performance products, previously known as “Green Performance Products”, refer to car tyres that Pirelli produces worldwide and which fall exclusively into classes A, B, C for rolling resistance and wet grip, standardized according to the European labelling parameters. Figure is obtained by weighing Eco & Safety Performance sales on total car tyres sales; 3. Internal assessment based on data from the International Energy Agency (IEA) taking into account the geographical distribution of Pirelli; 4. Impacted by COVID, target for 2020 was -12.5% vs 2015; 5. Impacted by COVID, target for 2020 was -2.5% vs 2018;

OUR SUSTAINABILITY LEADERSHIP «IN REAL LIFE TERMS»

		2020A	Savings From 2015 to 2020	
	Avg. rolling resistance	-9% vs 2015	FUEL SAVED 1.2 Bn liters	= EMISSIONS OF 600k Cars driven for 1 year
	Electricity from renewable sources	52%¹	FOSSIL BASED ELECTRICITY SAVED⁴ 590 Mln kWh	= ELECTRICITY CONSUMED BY 370k EU inhabitants in a year 
	Plant CO ₂ absolute emissions	-31%² vs 2015	EMISSIONS SAVED 550k tons of CO₂	= CARBON SEQUESTERED BY 3.6 mln
	Raw materials suppliers CO ₂ absolute emissions	-22%³ vs 2018	680k tons of CO₂	= 4.5 mln⁵ Trees over their lifespan ⁶
	Specific water withdrawal	-26% vs 2015	WATER SAVED 11 Mln m³	= WATER AMOUNT 12 hours Tiber river volume of water flow
	Waste sent to recovery	97%	WASTE RECOVERED 16k tons	= WASTE EQUIVALENT OF 31k EU inhabitants in a year



GLOBAL SCENARIO @2025-2030

Opportunities & challenges must match the global journey towards UN SDGs

Demographic growth and urbanization

- ▶ Population reaching **8.5 Bn. in 2030¹** (7.8 Bn. in '20) of which **60%²** will live in **urban areas**
- ▶ **Mega and Smart cities**

Future of work

- ▶ Manufacturing **productivity gain**
- ▶ **Aging** pressure
- ▶ **Competition** on talents
- ▶ **Social inequality** rising
- ▶ **Remote working**
- ▶ **Inclusivity** and **well-being** in employer propositions

Technological breakthroughs

- ▶ **Automation, Robotics**
- ▶ **Artificial Intelligence**

Climate change

- ▶ **Flooding, weather emergencies, displaced people** impacting businesses, governments and economies
- ▶ **Stress on natural resources**

Mobility

- ▶ **Electric vehicles** sales accelerating
- ▶ **Autonomous vehicles** investments not stopped despite the crisis
- ▶ **Bikes and e-bikes** sales booming

Cybersecurity

- ▶ **Cybercrime** may cost several **trillions dollars** by 2030 if not properly tackled

COVID impacts all areas at least for the mid-term

OUR GROUP SUSTAINABILITY STRATEGY AND TARGETS @2025-2030

**Eco & safety growth
shaped around sustainable
development goals
is our must
to tackle future scenarios
in a resilient and competitive way**



THE LEVER ACROSS TO REACH SDGS: HUMAN RIGHTS

Protect, Respect, Remedy, and ENGAGE



Beyond due diligence: engage to impact

UN Global Compact Action Platform “Decent Work in Global Supply Chains”

WBCSD CEO Guide to Human Rights

Global Platform for Sustainable Natural Rubber

Support areas: health, education, sport, solidarity and inclusiveness

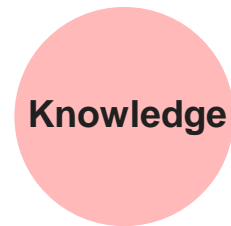
PEOPLE AT THE HEART OF OUR JOURNEY



Our Priorities



- ▶ **Protect our employees**, safe workplace and healthy lifestyle
- ▶ Shift from traditional welfare programs to **tailored wellbeing initiatives**
- ▶ New policies to increase **flexibility and autonomy of people**



- ▶ **Support** business transformation with **up/reskilling initiatives**
- ▶ Exploit **Professional Academies**, leveraging on **senior experts' knowledge**
- ▶ Develop **life-long learning culture**

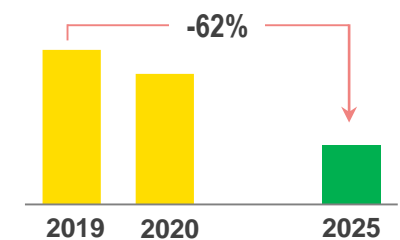


- ▶ Support education and knowledge development partnering with **local Communities & Universities**
- ▶ Promote **social values** and **improve standard of living** (cooperation with hospitals, volunteering initiatives,...)
- ▶ Integrate company culture with perspectives, coming from **diverse personal and professional areas**

Our Ambitions in 2025

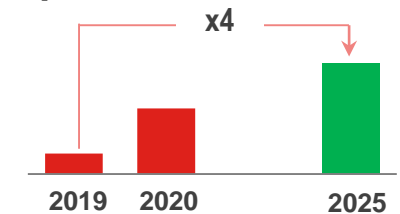
Protect Employees

[Frequency Index]



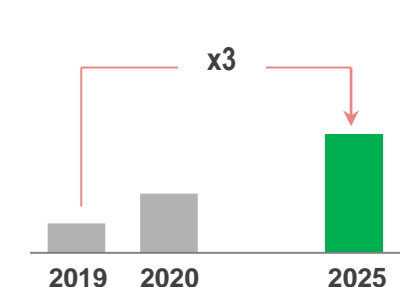
Up/Re-Skilling

[People Involved/Total HC]



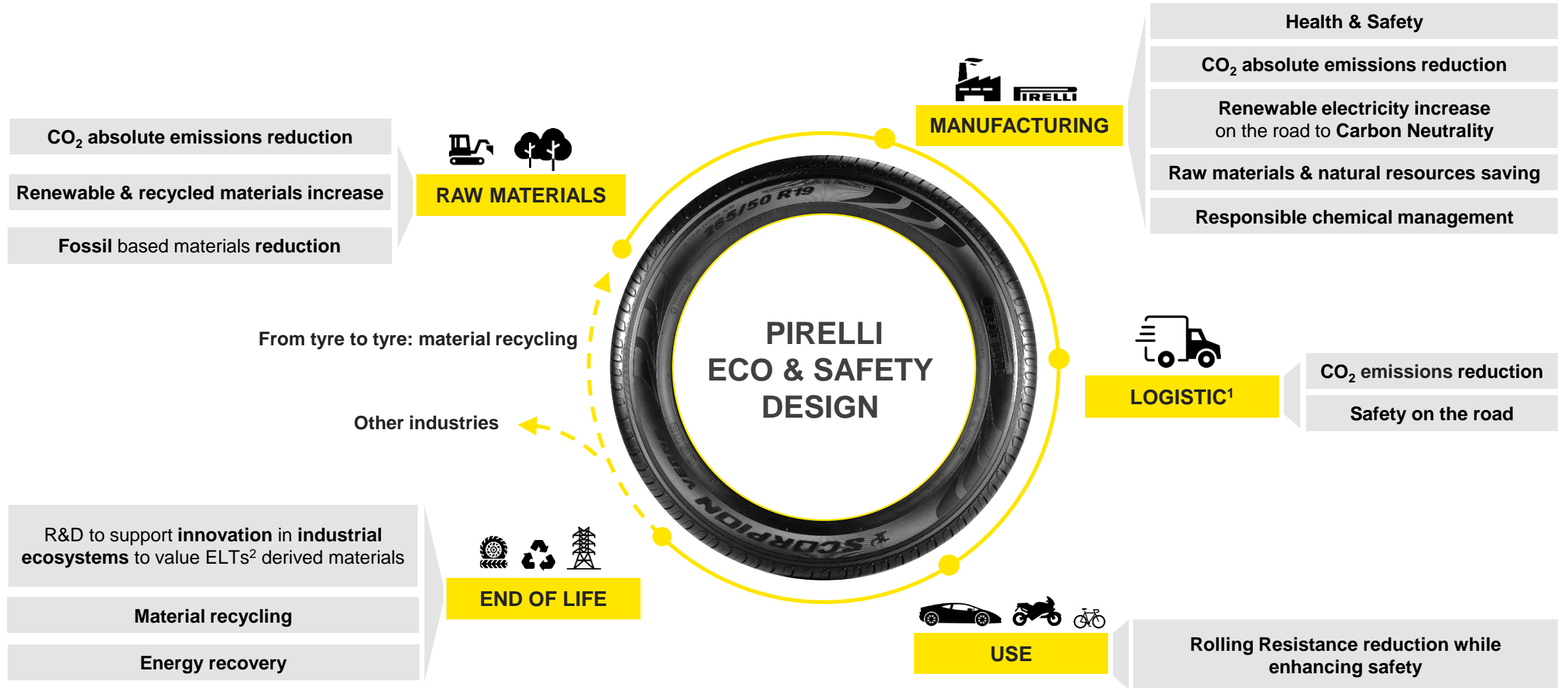
Wellbeing

[# of New Initiatives]



OUR LIFE-CYCLE STRATEGY: ECO & SAFETY DESIGN

To minimize impacts on people and planet while maximizing performance



OUR CONSUMER TYRES RAW MATERIALS TARGETS

Eco & Safety Design

Our Eco & Safety strategy starts from raw materials

We push innovation to increase bio-based and recycled materials while decreasing fossils



Targets

	2020A	By 2025	By 2030
Renewable materials ¹	23%	>40%	>60%
Recycled materials ²	1% ³	>3% ³	>7% ³
Fossil based materials	68%	<40%	<30%

Scope: Selected products

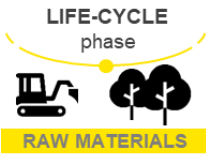
Note: Pirelli's Eco & Safety targets refer to consumer tyres and, therefore, should only be compared, where relevant, with consumer tyre targets and not other tyre categories or consolidated production segments; 1. Renewable Materials are natural resources, such as agricultural product or biomass, that, after exploitation, can return to their previous stock levels by natural processes of growth or replenishment(), on a human time scale(**). Fossil resources and minerals are not renewable resources. Definition based on: (*) OECD glossary definition at <https://stats.oecd.org/glossary/detail.asp?ID=2290> ; (**) ISO 17422:2018(en) Plastics — Environmental aspects — General guidelines for their inclusion in standards); 2. Recycled materials are materials derived from the conversion of waste, by means of any recovery operation which returns substances or materials used to fulfil a particular function, in place of virgin raw materials. Recycled materials are no more classified as a waste. Recycled materials do not include materials that are to be used as fuels, as other means to generate energy, or for backfilling operations. Definition based on Dir 2008/98/EC "Waste Framework Directive"; 3. Excluding metals*



OUR RENEWABLE AND RECYCLED MATERIALS INNOVATION

Eco & Safety Design

To achieve our targets, we are introducing new polymers, reinforcements, fillers and chemicals including



	What	Why	When
RICE HUSK SILICA	<p>Silica produced from rice husk, one of the major by-products of rice production</p> <p>It replaces silica from quartz-sand</p>	<ul style="list-style-type: none"> ▶ Avoid new raw material exploitation ▶ Recovering a by-product of the food industry ▶ Reduce CO₂ emission due to less energy-intensive process 	<ul style="list-style-type: none"> ▶ Introduction in 2021 in Pirelli materials' portfolio ▶ Extensive use in selected categories in following years
LIGNIN	<p>Lignin is sourced from paper pulp and can be used as antioxidant instead of fossil-derived products</p>	<ul style="list-style-type: none"> ▶ Most abundant bio-polymer on earth ▶ Light weight filler ▶ Reduced water depletion and CO₂ emissions vs replaced filler ▶ Pirelli patented process and Trademark 	<ul style="list-style-type: none"> ▶ Already in use in normal production for cycling application ▶ Extension to top sustainable selected Car products in 2022
PYROLYSIS CARBON BLACK	<p>Recovered Carbon Black (rCB) is obtained by pyrolyzed end of life tyres</p>	<ul style="list-style-type: none"> ▶ Favorable CO₂ impact thanks to energy co-generation during process through pyrolytic gas ▶ Relevant opportunity of end of life tyres recycling (circular economy in closed loop) ▶ Cost advantage vs standard fossil based Carbon Black 	<ul style="list-style-type: none"> ▶ Introduction in limited application in 2021 ▶ Specific cooperation with suppliers to extend the use to a broader range of applications

OUR MANUFACTURING TARGETS

Eco & Safety Design

There is a urgent need for climate action to reduce greenhouse gas emissions in line with Paris Agreement goals

CO₂ abatement is only one among the key sustainability areas in operations



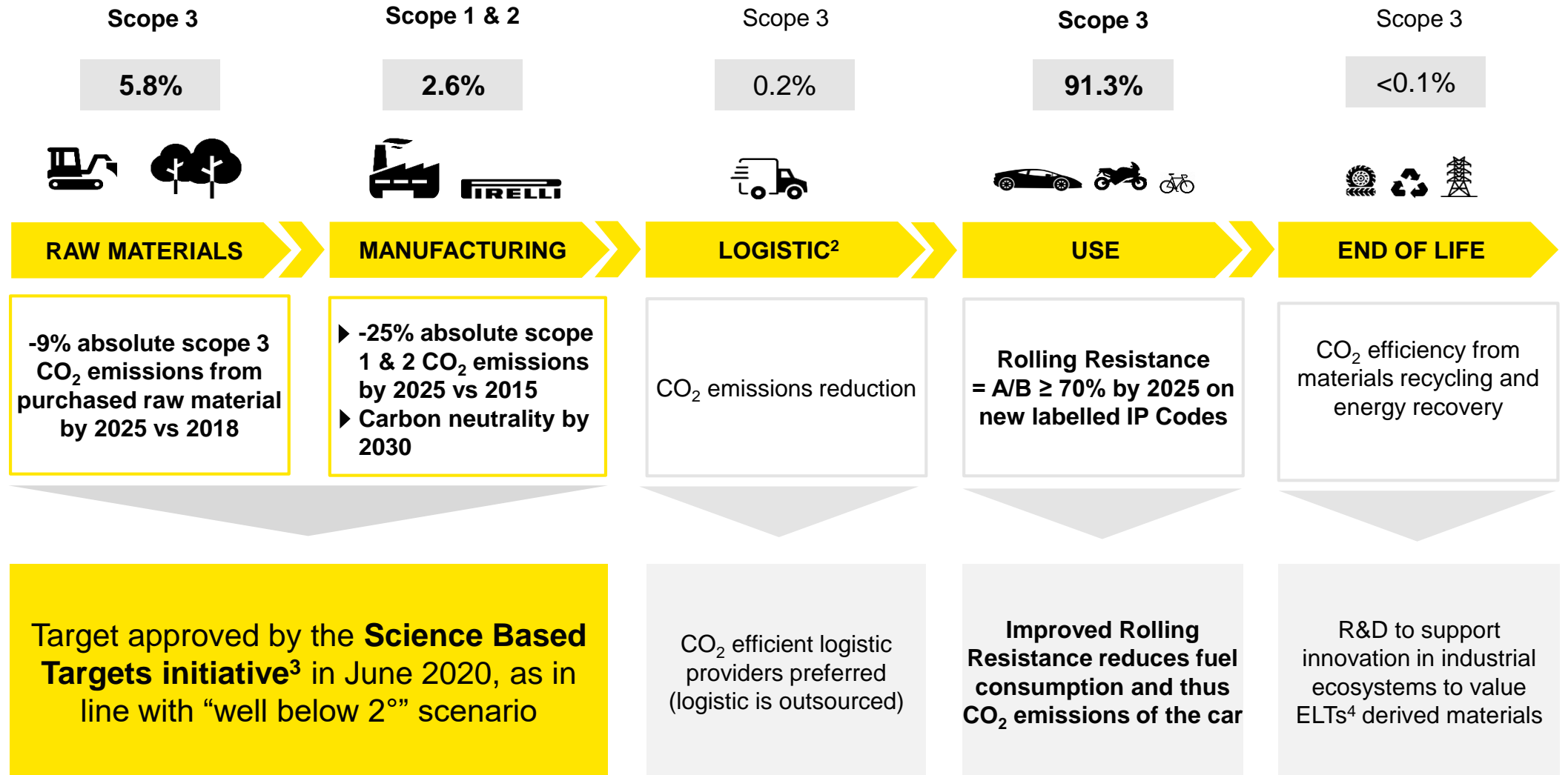
Targets

		2020A	By 2025	
CO ₂	Absolute emissions approved by the SBTi ³	-31% ¹ vs 2015	-25% vs 2015	 Carbon Neutrality by 2030
	Renewable Electricity	52%	100%	
Resources eff.	Specific energy cons.	+9.5% ² vs 2019	-10% vs 2019	
	Specific water withdrawal	-26% vs 2015	-43% vs 2015	
	Waste to recovery	97%	98%	
People	Accident frequency index	0.22	0.10	



OUR DECARBONIZATION STRATEGY IN LINE WITH THE PARIS AGREEMENT GOALS

GWP¹
impact





OUR FOCUS ON WATER

Excellence in Water Management, every drop counts

LIFE-CYCLE
phase

Transversal



WATER STEWARDSHIP

Group water footprint
Water use and quality

Sustainable water management

Water risks
assessment

Identification of
water scarcity
areas, adoption of
mitigation
measures

Minimize water
demand

Water Specific
Withdrawal
2025 target:
-43% vs 2015

Ensure safe water
and its quality

Promotion of **safe**
water, sanitation
and hygiene
according to
international best
practices

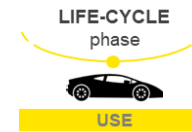
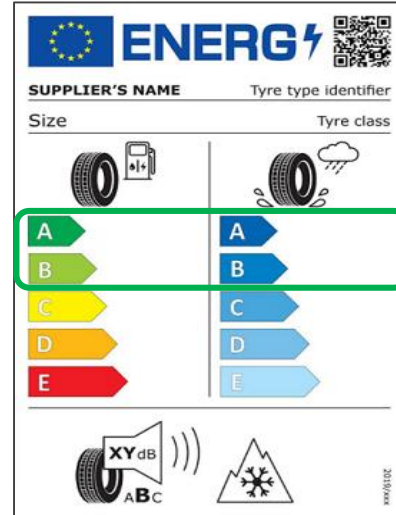
Return clean water
back to
ecosystems

Replenish water
ecosystem with
water at equal or
better conditions

OUR PRODUCT PERFORMANCE TARGETS

Eco & Safety Design

- ▶ Tyre rolling resistance plays a key role in **reducing fuel and energy consumption** and thus CO₂ emissions.
- ▶ Our **Eco and Safety approach** consists on a continuous reduction of rolling resistance without **any compromise on safety in all driving conditions.**



Targets

	2020A	By 2025
Rolling Resistance	A/B=39%	A/B ≥ 70%
Wet Grip	A/B=87%	A/B ≥ 90%

Scope: New products (all new labelled IPcodes)





OUR TECHNOLOGY FOR ELECTRIC VEHICLES



Electric vehicles are key to decarbonize mobility and have specific features that our tyres perfectly match

Elect™ is the answer to the specific needs of Electric Vehicles:

- ▶ High load capacity for heavier vehicles
- ▶ Ultra low Rolling Resistance to improve battery range
- ▶ Lower noise
- ▶ Maximum grip for high torque
- ▶ Specific development for specific Electric vehicles, following the Perfect Fit Strategy



OUR TYRES FOR AUTONOMOUS VEHICLES

Sensorized tyres can play a key role in road safety, enhancing ADAS and targeting Autonomous Vehicles

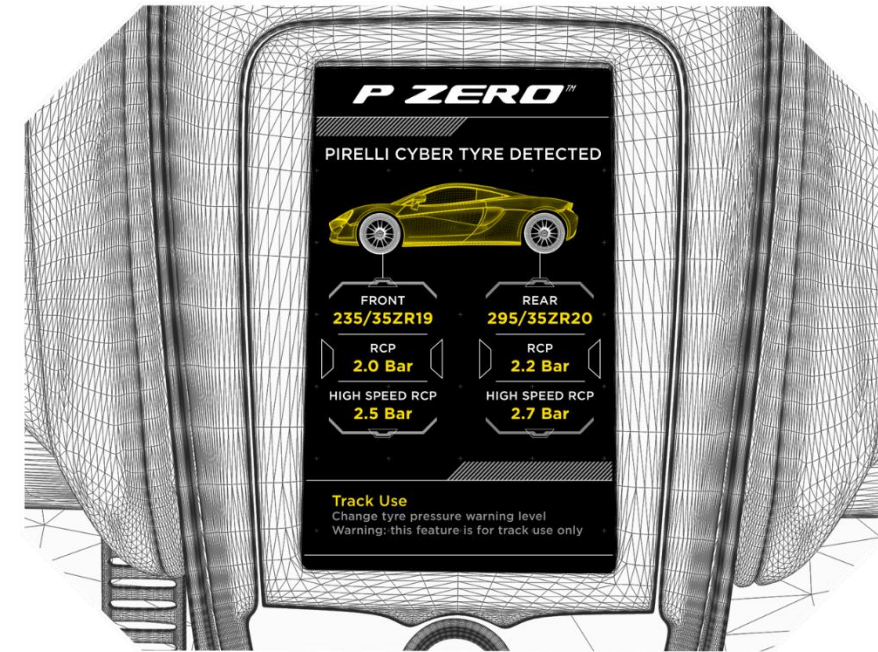


Pirelli Cyber Tyre™ can provide important safety related real-time data to the vehicle, the driver and the infrastructure:

- ▶ High-accuracy Pressure and Temperature monitoring
- ▶ Tyre ID for actual tyre fitted information
- ▶ Car Load for accurate Battery Range estimation (EVs) and optimal suggested tyre inflation
- ▶ Tyre wear indication
- ▶ Aquaplaning risk information
- ▶ Data distribution through 5G network and V2X¹ technologies

In 2019, Pirelli world first company to develop tyres interacting with the 5G network, providing road conditions information through smart tyres.

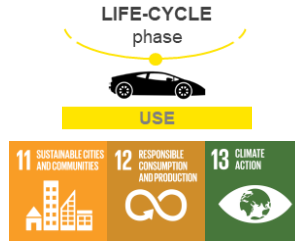
In 2021, Pirelli world first company to supply a sensorized tyre as original equipment for McLaren Artura



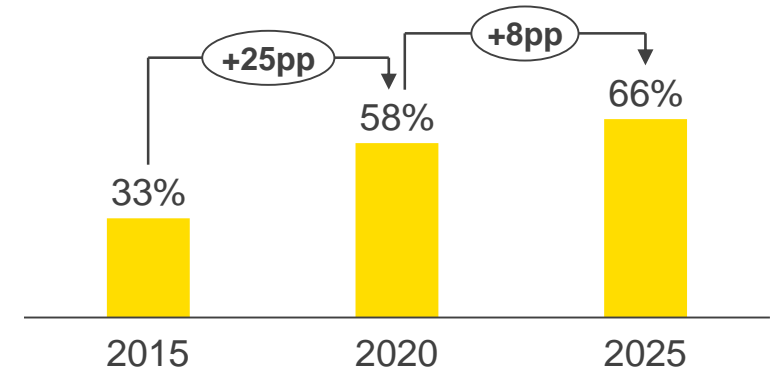


ECO & SAFETY PERFORMANCE REVENUES¹

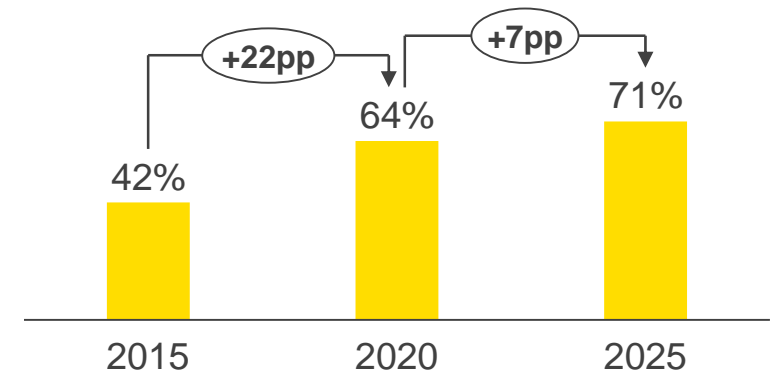
Our targets



ECO & SAFETY PERFORMANCE REVENUES²
TOTAL RANGE PRODUCTS



ECO & SAFETY PERFORMANCE REVENUES
HIGH VALUE PRODUCTS³



1. Eco-Safety Performance products, previously known as "Green Performance Products", refer to car tyres that Pirelli produces worldwide and which fall exclusively into classes A, B, C for rolling resistance and wet grip, standardized according to the European labelling parameters; 2. Figures calculated in % by weighing the value of sales of eco & safety performance products on the total value of Group car sales; 3. Focus on HIGH VALUE products including RIM18+ and «specialties» (Run-Flat, PNCS, Seal Inside with rim ≤ 17)

PIRELLI CYCLING

Our history and outlook



- **1890:** Pirelli produces its first tyre, a **bicycle tyre**
- **2017:** Pirelli **re-enters in the cycling business**
- **2020: The turning point**
 - ▶ Bicycle **market booming** worldwide
 - ▶ Pirelli in its best shape to take advantage of this scenario: new **OE partnership**, product **range extension**
 - ▶ **Racing: Pirelli** in 3 top World Tour teams and MTB¹ World Cup teams
- **2021: Made in Italy** production and Urban Strategy revamping
- **2025:** Challenging plan to become a leading player in the industry, targeting 8x volumes (vs 2020)

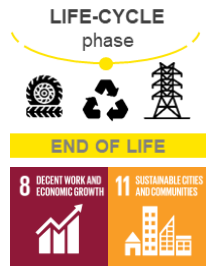




OUR APPROACH TO ELT¹

Eco & Safety Design

End of life consumer tyres are a precious source of secondary raw materials for a number of industries, importantly valorized in circular economy



Pirelli's Open Innovation Model

Joint Development Agreements with key suppliers to enhance the quality of secondary raw materials deriving from ELTs



from tyre to tyre

R&D to support **innovation in industrial ecosystems** to value ELTs derived materials through:

- ▶ **Dedicated partnerships**
- ▶ **Cooperation** with key national and international stakeholders (eg. TIP – WBCSD, ETRMA)²

OUR FOCUS ON 5R¹ CIRCULAR ECONOMY



Re-think: Eco & Safety Design

Design outstanding products, processes and services in terms of performance, environmental impact, health and safety

Refuse

Avoid processes, products, services, materials that can be made redundant
Enhance chemicals safety through substitution

Anticipation of Raw Material & Chemicals HSE concerns

Health, safety and hygiene risk prevention

Phase out of single use plastics

Reduce

Reduce use of resources, especially those not renewable
Reduce waste, air, soil and water emissions

CO₂ reduction, towards carbon neutrality

Fossil based / non-renewable materials reduction

Energy, water, waste reduction

Tyre Rolling Resistance reduction

Reuse

Reuse resources and products as much as possible
Prevent waste generation and resource depletion

Acceleration on plant closed loop water cycles

Plant-scraped material enhancement and reuse

Innovative materials based on non-tyre production by-products

Recycle

Ensure that ELT² are recovered or recycled
Enhance new solutions to maximize ELT secondary raw materials quality and performance

Increase in use of recycled materials






Tyre design to improve recyclability either in open or closed loop

R&D to support innovative industrial ecosystems valorizing ELT derived materials

SOME ENVIRONMENTAL BENEFITS «IN REAL LIFE TERMS»

Pirelli journey continues: by 2025 we are committed to almost double the environmental benefit delivered since 2015



	From 2015 to 2020	From 2020 to 2025	Targets @2025
 Electricity from renewable sources	FOSSIL BASED ELECTRICITY SAVED ¹ 590 Mln kWh = 370k EU inhabitants in a year	FOSSIL BASED ELECTRICITY SAVED ¹ 4.6 Bn kWh = 2.9 mln EU inhabitants in a year	100%
 Plant CO₂ absolute emissions	EMISSION SAVED 550k tons of CO₂ = 3.6 mln CARBON CONSUMED BY	EMISSION SAVED 925k tons of CO₂ = 6 mln CARBON CONSUMED BY	-25% vs. 2015
 Raw materials suppliers CO₂ absolute emissions	680k tons of CO₂ = 4.5 mln² Trees over their lifetime ³	817k tons of CO₂ = 5 mln Trees over their lifetime ³	-9% vs. 2018
 Specific water withdrawal	WATER SAVED 11 Mln m³ = 12 hours Tiber river volume of water flow	WATER SAVED 20 Mln m³ = 1 day Tiber river volume of water flow	-43% vs. 2015
 Waste sent to recovery	WATER RECOVERED 16k tons = 31k EU inhabitants in a year	WATER RECOVERED 32k tons = 65k EU inhabitants in a year	98%

OUR SUPPLY CHAIN: COMPLIANCE, ENGAGEMENT AND SHARED VALUE CREATION

Starting with common business values is a pre-requisite for a shared growth



Management model: UN GLOBAL COMPACT – ISO 26000 – SA8000 - ISO 20400¹
Policies designed to embed Suppliers engagement

Digital tools adopted to support and boost in-depth Market analysis

Compliance

ESG² fully integrated in PROCUREMENT PROCESS and ERM³

SELECTION + QUALIFICATION

- ESG² on-boarding assessment
- 3rd Party pre-qualification on on-site audit (high value supplies)
- Cobalt & conflict minerals assessment

CONTRACTUAL STAGE

Sustainability & anti-corruption clause

RATING STAGE

- 100% coverage of ESG² Risk suppliers with 3rd Party on-site audit based on yearly risk mapping on all supply base
- Vendor Rating: ESG² KPIs (on-boarding assessment, on site audit performance, CDP⁴ response) weighting on average 20% on the overall score

Engagement

- ▶ Science Based Target to **reduce raw material suppliers CO₂ absolute emissions** by 9% in 2025 vs 2018
- ▶ **CDP⁴ Supply chain**: target to reach 90% response rate from raw materials suppliers (84% in 2020)
- ▶ **Joint development partnership** for innovative eco & safety raw materials
- ▶ **Training** sessions on-line and on-site
- ▶ **Dialogue**: the business case is natural rubber sustainability strategy, co-developed with suppliers, clients, NGOs
- ▶ **Awarding Suppliers' best practices**

Shared Value Creation

- ▶ Human rights and environmental performances enhanced
- ▶ Innovative eco & safe materials
- ▶ Enhanced Quality
- ▶ Efficiency, productivity & competitive advantage
- ▶ Business continuity along the value chain

RESILIENCY & DEVELOPMENT

OUR FOCUS ON NATURAL RUBBER SUSTAINABILITY

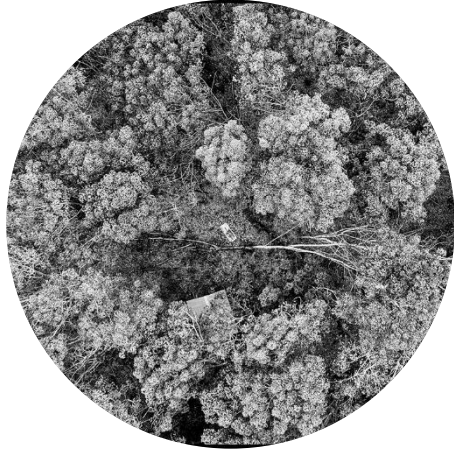
Pirelli Policy, Implementation Manual and Roadmap drafted in *multi-stakeholder dialogue*

Implementation Roadmap 2019-2021 – focus areas

<p>TRAINING to improve farmers' productivity and resiliency</p>	<p>TRACEABILITY towards more & more precise RISK assessments</p>	<p>SHARING THE COMMITMENT along the supply chain</p>	<p>ENGAGE with value-chain stakeholders</p>
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Plan 2021

<ul style="list-style-type: none"> ▶ Training on critical topics as identified through risk assessment, outcomes from training and dialogues ▶ Tapping competition 	<ul style="list-style-type: none"> ▶ Engage with suppliers to improve upstream traceability and transparency ▶ on-site audits to detect social and environmental risks 	<ul style="list-style-type: none"> ▶ Suppliers' Roadmap monitoring and implementation support on activities planned for 2021, including 2020 ones delayed due to COVID. 	<ul style="list-style-type: none"> ▶ Active engagement within GPSNR¹ by participating in four working groups, co-chairing 2 of them
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The new forward-looking plan will be released end 2021/early 2022

Photo taken by Alessandro Scotti for Pirelli
Check out more at www.naturalrubber.pirelli.com

1. Initiated by WBCSD's TIP Tyre makers, the Global Platform for sustainable Natural Rubber (GPSNR) was launched in 2018 and is today an independent multi-stakeholder initiative pursuing sustainable development of the natural rubber value-chain

CORPORATE CITIZENSHIP: OUR KEY AREAS OF ENGAGEMENT



Culture

OUR CULTURE STEMMING FROM OUR LONG HISTORY

A 147-year story made up of people, technology and a pioneering spirit recognized throughout the world, an important historic tradition and a corporate culture that brings together industry and humanity

- **Pirelli Foundation** preserves the historical heritage of the company and promotes the bond between the Group and culture with a multi-disciplinary approach towards schools, universities and other cultural institutions
- **Pirelli HangarBicocca™** is a non-profit foundation, an institution for producing and promoting contemporary art, one of the largest contiguous exhibition spaces in Europe presenting major solo exhibitions every year by international artists, cultural events and educational projects



Community projects

OUR ROOTS IN COMMUNITIES

Supporting personal development and the improvement of living standards

Health, education and sport as a lever of inclusivity, with a particular focus on children; even in 2020 more than 3000 children involved in sporty activities around the world



Road Safety

POWER IS NOTHING WITHOUT CONTROL™

Control is the heart of performance: safety shall be embedded in the way people approach moving

- Donor and Member of the Advisory Board of the United Nations Road Safety Fund
- Partnership with FIA supporting both motorsport and road safety initiatives