

# **ORGANISATIONAL MODEL “231” SUMMARY DOCUMENT**

Milan, 3 August 2023

**Organisational Model comprising controls that, based on the Company's Ethical Code, focus increasingly on at-risk scenarios**

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## STRUCTURE OF THE DOCUMENT

This document is divided into a General Section and a Special Section. The first section looks at the regulations contained in Legislative Decree 231/01 (below also the “Decree”) and constitutes the guidelines setting out the process of adoption of the Model by Pirelli & C. S.p.A. (below also the “Company” and Pirelli & C.), the significant crimes for the Company, the addressees of the Model, the methods of adoption and implementation of the Organisational Model, the Supervisory Body (below also the “SB”), the penalty system for breaches, and the disclosure and staff training requirements for the Model.

The second section identifies the company processes and corresponding sensitive activities for the Company pursuant to the Decree, i.e. those at risk of crime, the general principles of internal control, the Internal Control Schemes covering those activities and the essential control measures designed to prevent and mitigate the offences.

In addition to the above, the following are an integral part of this document:

- the control and risk self-assessment aimed at identifying the sensitive activities, here endorsed in its entirety and held in the Company’s records;
- the Ethical Code, which sets out the company’s principles and rules of conduct (Annex 4);
- the HSE Model, which is the reference point for compliance with the requirements established by current legislation on Occupational Health and Safety, pursuant to Legislative Decree 81/2008, and environmental protection that are subject to specific company rules (Annex 3).
- the Code of Conduct, which consists of the operational application of the principles set out in the Ethical Code and introduces specific rules to prevent the creation of circumstances that favour the perpetration of crimes in general, and among these, particularly the administrative crimes and illegal actions that are relevant under Legislative Decree 231/2001 (Annex 5);
- the Anti-corruption Programme which defines the values, principles and responsibilities to which Pirelli & C, all its employees and all those who have business or other collaborative relationships with the Company adhere in the fight against corruption (Annex 6);
- all the provisions, internal measures, management and control systems (e.g. Italian Law no. 262/05 and the Tax Control Framework), documents and operational company procedures that are an implementation of this document (e.g. powers, organisational structures, bylaws). These measures and documents are available as per the procedures for their dissemination within the company;
- the summary document of the types of crimes listed in Legislative Decree 231/2001 on the date when this document was approved (Annex 1).

## GENERAL SECTION

## REGULATORY FRAMEWORK

Legislative Decree 231/2001 (*"Provisions governing the administrative liability of legal entities, companies and associations also without legal status, in accordance with Article 11 of Law 300 dated 29 September 2000"*), issued on 8 June 2001 and entered into force the following 4 July, intended to adapt Italian legislation on the liability of legal entities to several international agreements that Italy had subscribed to (Brussels Convention of 26 July 1995 on protecting the financial interests of European Communities, Brussels Convention of 26 May 1997 on the fight against corruption involving officers of the European Community or the Member States and the OECD Convention of 17 December 1997 on combating bribery of foreign public officials in international business transactions).

Legislative Decree 231/2001 introduced in Italy, for the first time, the liability of entities for certain crimes committed – or even just attempted – in the interests of or for the benefit of the entities by persons who have representative, administrative or management functions within the entities, or within an organisational unit of those entities with financial and functional autonomy, and, also, by persons under the management or supervision of one of the persons indicated above. This is a form of liability of the entity that is additional to the liability of the individual that actually committed the criminal action.

The legislation in question originally concerned certain crimes against the Public Administration and was later extended to cover crimes of forgery of coinage, legal tender and revenue stamps<sup>1</sup>, some forms of tax and corporate crimes<sup>2</sup>, offences of terrorism or subversion of the democratic order and crimes against the individual<sup>3</sup>, crimes involving abuse of inside information and market manipulation (*"Market abuse"*<sup>4</sup>), new forms of crimes against life and personal safety, in addition to *"transnational crimes"*<sup>5</sup>, expanding the set of predicate crimes with the introduction of the *"peddling of unlawful influence"*<sup>6</sup>). The legislator intervened on numerous occasions in later years extending the scope of this legislation to other types of crimes, including, in particular, crimes of involuntary manslaughter and serious or grievous bodily harm resulting from breaches of accident prevention, hygiene and occupational safety regulations; crimes of handling stolen goods, money laundering and use of money, goods or property of unlawful origin<sup>7</sup>; computer crimes and unlawful data processing<sup>8</sup>; organised crime; crimes against industry and trade

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<sup>1</sup> The title of which was amended to *"Forgery of coinage, legal tender, revenue stamps and distinctive signs and instruments"* with Law 99 of 23/07/09: *"Provisions for the development and internationalization of businesses, as well as energy"*, most recently modified by Legislative Decree 125/2016.

<sup>2</sup> On the subject of tax offences, the Legislator most recently intervened in Legislative Decree 156 of 4 October 2022, *"Corrective and supplementary provisions to Legislative Decree 75 of 14 July 2020, implementing Directive (EU) 2017/1371 on the fight against fraud to the Union's financial interests by means of criminal law"*.

<sup>3</sup> Most recently amended by Law 238 of 23 December 2021 containing *"Provisions for the fulfilment of obligations arising from Italy's membership of the European Union - European Law 2019-2020"*.

<sup>4</sup> Most recently amended by Law 238 of 23 December 2021 containing *"Provisions for the fulfilment of obligations arising from Italy's membership of the European Union - European Law 2019-2020"*.

<sup>5</sup> The *"transnational crimes"* were introduced into Italian legislation by Law 146/2006; *the crimes listed under Article 10 range from criminal association, crimes concerning the trafficking of migrants, to crimes involving the obstruction of justice; the conditions specified in Article 3 of the aforementioned law must apply for a criminal offence to be considered a transnational crime*.

<sup>6</sup> Article 9 of Law no. 3 of 9 January 2019 expanded the catalogue of offences and increased the penalties that can be imposed on entities.

<sup>7</sup> Most recently amended by Legislative Decree 195 of 8 November 2021 implementing the European directive (EU) 2018/1673 on combating money laundering *"Handling of stolen goods, money laundering and use of money, goods or property of unlawful origin as well as self-laundering"*.

<sup>8</sup> The most recent amendments to which were made by Law 238 of 23 December 2021 containing *"Provisions for the fulfilment of obligations arising from Italy's membership of the European Union - European Law 2019-2020"*.



and copyright offences; the criminal offence of incitement not to testify or to give false testimony to the Legal Authorities, already relevant for transnational crimes, environmental crimes and administrative offences<sup>9</sup>; the crime of employing illegally-resident foreign nationals, the crimes of “Extortion, illegal inducement to give or promise benefits”<sup>10</sup> and “private-to-private corruption”<sup>11</sup> and, most recently, the crimes of smuggling<sup>12</sup>, crimes of “self-laundering”<sup>13</sup>, so-called “eco-crimes”<sup>14</sup>, crimes relating to non-cash payment instruments<sup>15</sup>, crimes against cultural heritage”<sup>16</sup>.

The predicate criminal offences for liability pursuant to Legislative Decree 231/2001 are examined in full in Annex 1.

The change introduced by Legislative Decree 231/2001 is the establishment of the liability of legal entities based on the commission of a criminal offence. Following the entry into force of Legislative Decree 231/2001, companies can no longer say they are removed from the direct consequences of crimes committed by individuals in the interest or to the benefit of the company.

For administrative liability of the entity to be recognised there must be an “interest” or “benefit” for the entity strictly linked to the criminal action of a senior manager or their direct assistant. This must be specifically assessed by the courts.

In addition, the liability of the entity exists not only when it has gained an immediate financial benefit from the commission of the crime, but also when the act was carried out in the interest of the company, even when there is no financial benefit. The improvement of the entity’s market position, or the concealment of a financial crisis, for example, are circumstances involving the interests of the entity that do not however bring any immediate economic benefit. It should also be noted that, if the crime is committed by qualified persons of an entity belonging to a group, the concept in question can be extended to the parent company for the purposes of liability. The Court of Milan (ruling of 20 December 2004) held that the determining feature of a group interest is that it does not refer specifically and solely to one of the group members, but is common to all the entities that make up the group. Accordingly, an offence committed by a subsidiary can also be charged to the parent, if the individual who committed the crime – also as an accessory to the offence – is also functionally part of the parent.

However, Article 6 of Legislative Decree 231/2001 provides for exemption of the company from liability if it demonstrates that it has adopted organisational models capable of preventing the crimes listed above from being committed. Obviously, this exemption from liability is subject to the assessment of the internal organisation and control system the court is required to make during the criminal proceedings examining one of the crimes specifically identified by Legislative Decree 231/2001.

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*Article 25-undecies Legislative Decree 231/2001, introduced with the publication of Legislative Decree 121 of 7 July 2011, in force from 16 August 2011 - published in the Official Gazette 177 - containing the “Implementation of the Directive 2008/99/EC on the protection of the environment through criminal law, as well as directive 2009/123/EC amending Directive 2005/35/EC on ship-source pollution and on the introduction of penalties for infringements”. The article was amended by Law 68/2015 and subsequently by Legislative Decree 21/2018.*

<sup>10</sup> *Replaces and renames the crime of “Illegal inducement to give or promise benefits” (Article 25 Legislative Decree 231/2001). Article amended by Law 3/2019 and subsequently by Legislative Decree 75/2020.*

<sup>11</sup> *Introduced by Law 190 of 6 November 2012, published in the Official Gazette no. 265 of 13 November 2012, amended by Legislative Decree 38/2017 and by Law 3/2019.*

<sup>12</sup> *Most recently amended by Legislative Decree 156 of 4 October 2022, “Corrective and supplementary provisions to Legislative Decree 75 of 14 July 2020, implementing Directive (EU) 2017/1371 on the fight against fraud to the Union's financial interests by means of criminal law”.*

<sup>13</sup> *Introduced by Law 186 of 15 December 2014, published in the Official Gazette no. 292 of 17 December 2014 and most recently amended by Legislative Decree 195/2021.*

<sup>14</sup> *Introduced by Law 68 of 22 May 2015, amending Legislative Decree 121/2011.*

<sup>15</sup> *Introduced by Legislative Decree 184 of 8 November 2021*

<sup>16</sup> *Introduced by Law 22 of 9 March 2022.*

## **INSTRUCTIONS IN THE DECREE REGARDING THE CHARACTERISTICS OF THE ORGANISATION, MANAGEMENT AND CONTROL MODEL**

Merely adopting the model is not the only and sufficient condition for exempting the company from liability; the Decree only governs several general principles of the model without providing specific details. The model can only constitute grounds for exemption from punishment when it is:

- effective, i.e. reasonably capable of preventing the crime or crimes committed;
- actually implemented, i.e. its contents are applied in the company procedures and the internal control system.

According to the Decree, the model must have the following minimum content to be considered effective:

- the activities within which crimes may be committed are identified;
- there are specific protocols designed to assist management in formulating and implementing company decisions, in relation to the crimes to be prevented;
- procedures have been identified for managing the financial resources needed to prevent crimes from being committed;
- a suitable disciplinary system has been introduced capable of penalising failure to comply with the measures set out in the model;
- obligations of disclosure to the Supervisory Body have been established;
- in relation to the nature and size of the organisation, as well as the type of business conducted, suitable measures are in place to ensure the business is conducted in compliance with the law and to detect and promptly eliminate situations of risk.

In addition, following the entry into force of Law no. 179 of 30 November 2017 on whistleblowing, the model must provide for:

- - one or more channels that allow senior and subordinate persons to submit, for the protection of the integrity of the entity, detailed reports of unlawful conduct which is relevant pursuant to the Decree and based on precise and consistent factual elements, or of any breaches of the entity's model, of which they may have become aware by reason of the functions performed; these channels, moreover, must guarantee the confidentiality of the identity of the whistleblower;
- - at least one alternative reporting channel capable of ensuring, by computerised means, the confidentiality of the identity of the whistleblower;
- - the prohibition of retaliatory or discriminatory acts, whether direct or indirect, against the whistleblower for reasons directly or indirectly related to the report;
- - in the disciplinary system, sanctions against those who breach the measures for the protection of the whistleblower, as well as those who intentionally or grossly negligently make reports that prove to be unfounded.

The Decree requires the model to be checked periodically and updated, both when significant breaches of the requirements are identified, and when there are significant changes in the organisation or the company's business activity.

Although it changes and adapts to the nature, size and specific business of the enterprise, the model can be seen as a set of principles, instruments and conduct that regulate the organisation and management of the enterprise, together with the control instruments used.

## **CRIMES COMMITTED ABROAD**

Under Article 4 of the Decree, the entity can be held liable in Italy for predicate crimes

committed abroad.

However, the Decree makes this possibility subject to the following conditions:

- the crime is not prosecuted by the country where the crime was committed;
- the company has its principal place of business in Italy;
- the crime is committed abroad by a party functionally connected to the company;
- the general conditions established in Articles 7, 8, 9, 10 of the Italian criminal code apply for the prosecution in Italy of a crime committed abroad.

## PENALTIES

An entity considered liable can be subject to four types of penalty, which differ according to their nature and method of execution:

- 1 Financial penalties: which are always applied when the court finds the entity liable. These are based on a system of “quotas” which are set by the court. The amount of the financial penalty depends on the seriousness of the crime, the degree of liability of the company, and the actions taken to eliminate or mitigate the consequences of the crime or to prevent other offences from being committed. The court also takes into account at the company’s earnings and financial position, when setting the amount of the penalty.
- 2 Prohibitory penalties: can be applied in addition to financial penalties, but only when expressly established for the crime being punished and only when at least one of the following conditions apply:
  - the entity has gained a significant profit from the crime and the crime was committed by a senior manager, or by a subordinate, but only when the commission of the crime was rendered possible by serious organisational deficiencies;
  - in the event of repeated offences.

The prohibitory penalties established by the Decree are:

- a temporary or permanent ban on conducting the business activity;
- the suspension or withdrawal of authorisations, licenses or permits enabling the commission of the offence;
- a ban on contracting with the public administration, other than to obtain a public service;
- the exclusion from concessions, loans, grants and subsidies and possible revocation of those already granted;
- a temporary or permanent ban on advertising goods or services.

The prohibitory penalties are only exceptionally applied with permanent effects and are usually temporary, over a period ranging from three months to one year, and involving the specific activity to which the offence committed by the entity relates. They can also be applied on an interim basis, before conviction, at the request of the Public Prosecutor, when there is strong evidence of the entity's liability and there are specific grounds to believe that there is a danger of offences being committed of the same kind as those being prosecuted<sup>17</sup>.

- 3 Confiscation: consists of acquisition by the State of the proceeds or the profit from the crime (ordinary confiscation) or of an equivalent value (confiscation by equivalent). The profit from the crime has been defined by the United Divisions of the Italian Supreme Court (see Cass. Pen., S.U., 27 March 2008, 26654) as the direct and immediate

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<sup>17</sup>It should be noted that Decree-Law 2/2023 has established a limit to the applicable prohibitory penalties if the Entity qualifies as “of strategic-national interest” and the application of the prohibitory measure results in the suspension of production activities

economic benefit deriving from the crime, and calculated net of any actual benefit gained by the injured party within the bilateral relationship with the entity. The United Divisions specified that this definition does not include any company-related parameter, and therefore the gain cannot be considered as the net profit generated by the entity (unless the entity has been placed into compulsory special administration). In addition, the Court of Naples (ruling of 26 July 2007) held that the absence of a reduction in capital resulting from the absence of payment of sums for costs that should have been incurred must also be considered as profit<sup>18</sup>.

- 4 Publication of the ruling: consists of the publication of the ruling only once, as an excerpt or in full at the expense of the entity, in one or more newspapers indicated by the court in the ruling and also by display in the municipality where the entity has its head office.

Although they are applied by the criminal courts, all the penalties are administrative in nature. The penalties established in the Decree are very severe, both due to the high amount of the financial penalties, and because the prohibitory penalties can seriously limit the conduct of normal business activities, preventing a range of business operations.

The administrative penalties imposed on the entity are time-barred from the fifth year after the date of commission of the offence.

Lastly, pursuant to Article 26(2) of the Decree, the entity is not liable when it voluntarily prevents the completion of the action or the occurrence of the event.

## EVENTS MODIFYING THE ENTITY

The Decree governs the liability of the entity in the case of modifying events, i.e. in the event of transformation, merger, spin-off and sale of business.

The basic principle is that only the entity, through its assets or funds, has the obligation to pay the financial penalty. As result, regardless of the legal nature of the collective entity, according to the legislation members or associates are not directly liable with their assets.

The financial penalties imposed on the entity are generally subject to the principles of civil law on liability of the transformed entity for the debts of the original entity. The prohibitory penalties, on the other hand, continue to apply to the entity in which the business division that committed the crimes remains or has been transferred.

In the event of transformation, the entity remains liable for crimes committed before the date when the transformation took effect. The new entity will therefore be the recipient of the penalties applicable to the original entity, for acts committed before the transformation.

In the event of a merger, the entity resulting from the merger, including through absorption, is liable for the crimes that the entities involved in the transaction were responsible for. If the merger takes place before the conclusion of the proceedings investigating the entity's liability, the court must consider the financial situation of the original entity rather than the entity resulting from the merger.

In the event of the sale or transfer of the company within which the offence was committed, subject to the selling entity's right of prior enforcement, the transferee is jointly liable with the selling entity for the payment of the financial penalty within the limits of the value of the business sold and the limits of the financial penalties shown in the obligatory accounting records, or of which the transferee was nevertheless aware. In any event, the prohibitory penalties apply to the entities where the business division within

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<sup>18</sup> Legislative Decree 156/2022 intervened on the matter of capital security measures by providing that, in cases of smuggling, "when it is not possible to confiscate the items referred to in the above sentence, the confiscation of sums of money, goods and other utilities to an equivalent value, of which the convicted person has the availability, including through third parties, shall be ordered."

which the crime has been committed remains or has been transferred, in part or in full.

## **PURPOSE OF THE ORGANISATIONAL MODEL**

With the adoption of this document, the Company intends to specifically comply with the regulations and the principles underlying the Decree, in addition to improving and making the existing internal control and corporate governance system as efficient as possible.

The main objective of the Model is to create a cohesive and structured system of principles and control procedures designed, where possible and feasible, to prevent the commission of the crimes listed in the Decree. The Model will supplement the Company's governance system, and is designed to help promote a corporate culture based on fairness, transparency and legality.

The Model also has the following aims:

- providing suitable information to employees and persons acting on behalf of the Company or who are connected to the Company by significant relationships for the purposes of the Decree, regarding the activities that involve the risk of commission of the crimes;
- promoting a corporate culture based on lawfulness, where the Company condemns all conduct in breach of the law or the internal rules, and in particular the rules contained in its Organisational model;
- promoting a culture of control;
- effective and efficient organisation of the company, with particular attention to the making of decisions and their transparency, the establishment of, preventive and subsequent control measures, as well as the management of internal and external information;
- implementing all measures necessary to eliminate any situations of risk of commission of the crimes as soon as possible.

## **NATURE OF THE ORGANISATIONAL MODEL**

This document constitutes an internal regulation of the Company aimed at preventing the commission of offences and is therefore binding for the individuals ascribable to the Company.

In addition, the Company has long adopted an Ethical Code and a Code of Conduct, which set out the ethical principles and rules of conduct based on the relationships between the Company and its employees, customers and suppliers, establishing the means and instruments designed to ensure transparency concerning issues and problems that can influence the proper management of the Company. The ultimate purpose of these documents is to set out the rules of conduct and the ethical and social values that should be promoted throughout Pirelli & C. S.p.A., alongside the achievement of its company purpose and objectives, in line with the provisions in this document.

The Model assumes compliance with the provisions of the Ethical Code and the Code of Conduct, and together with them it forms a body of internal rules for the promotion of a culture guided by ethics, integrity and corporate transparency.

The Company's Ethical Code and the Code of Conduct – here endorsed in their entirety and, as will be seen below, contribute to creating Pirelli & C. S.p.A.'s internal control environment – represent the essential foundations of the Model and supplement the provisions contained herein.

## **THE COMPANY AND THE CORPORATE GOVERNANCE SYSTEM**

Pirelli & C. S.p.A. ("Pirelli" or the "Company") is a joint-stock company organised under

the laws of the Republic of Italy. Founded in 1883, Pirelli was listed on the Italian stock exchange from 1922 until February 2016, when it was delisted following the tender offer made in 2015 that resulted in the acquisition of the entire share capital of Pirelli by Marco Polo Industrial Holding S.p.A., which is indirectly controlled by the China National Chemical Corporation (“ChemChina”) via China National Tire and Rubber Co., Ltd.

Pirelli returned to the Stock Market on 4 October 2017, following a reorganisation process that led to the separation of the industrial business and placed the focus on the Consumer business.

As of the date of approval of this Model, Pirelli is the holding that manages, coordinates and finances the activities of the companies it controls.

The Company’s corporate governance system is currently structured as follows:

- Shareholders' Meeting

The Shareholders' Meeting is responsible for deciding, in ordinary and extraordinary session, on the matters reserved to it by law and the bylaws.

- Board of Directors

The Board of Directors is vested with full powers for the ordinary and extraordinary management of the Company with the authority to perform all acts deemed appropriate to achieve the company purpose, with the sole exception of those reserved by law to the Shareholders' Meeting.

- Board of Statutory Auditors

Management of the company is supervised by a Board of Statutory Auditors, composed of five members and three alternates appointed and acting in accordance with law.

The Board of Statutory Auditors monitors compliance with the law and the bylaws, as well as adherence to the principles of proper management and, in particular, the adequacy of the organisational, administration and accounting structure adopted by the Company and its actual implementation.

- Accounts auditing

The Company’s accounts are audited by an auditor or an audit firm entered in the register held at the Italian Ministry of Justice, or, at the discretion of the ordinary shareholders' meeting, by the Board of Statutory Auditors pursuant to Article 2409-bis, paragraph 3, Italian Civil Code, provided this does not conflict with any legal impediments.

The statutory financial statements of the Company are certified by external auditors in accordance with the provisions of the regulations and the applicable standards.

The external auditors verify that the individual financial statements have been prepared in a clear manner and provide a true and fair view of the company's financial position, cash flows and earnings.

In addition, the external auditors, in accordance with the auditing standards, carry out sample-based checks to reasonably determine that the data contained in the accounting records and other supporting documents are reliable and sufficient for the preparation of the individual financial statements and financial reports.

The Internal Control System is defined as the set of “processes” supervised by the Board of Directors, by the management and by other members of the company structure, aimed at providing reasonable certainty concerning the achievement of the following objectives:

- effectiveness and efficiency of operating activities;
- reliability of business/financial information and reporting;



- compliance with laws, regulations, and internal rules and procedures;
- protection of company assets.

## THE PIRELLI & C. INTERNAL CONTROL SYSTEM

In pursuing the objectives identified in the Bylaws, Pirelli & C. S.p.A. has placed particular emphasis on the design and subsequent implementation of an adequate internal control system, in line with national and international best practice.

Pirelli & C.'s Internal Control System pursues the objectives of: (i) efficiency and effectiveness of operating activities; (ii) reliability of information; (iii) protection of company assets; and (iv) adherence and compliance to laws and regulations to ensure proper information disclosure and suitable controls over all the Group's operations, with particular attention to the areas considered potentially at risk.

### Director responsible for the Internal Control System

The Board of Directors has identified the Chief Executive Officer as the director responsible for the Internal Control System, who has been assigned the following duties:

- identifying the main business risks;
- applying the guidelines drawn up by the Board of Directors, implementing and managing the internal control and risk management system, and continually monitoring its adequacy and effectiveness;
- adapting the system to changes in operating conditions and the legislative and regulatory scenario;
- requesting the internal audit function to carry out audits;
- proposing the appointment/dismissal of the person in charge of internal audit, ensuring that they are provided with the proper resources for carrying out their role, and proposing remuneration in line with company policies.

### Internal Audit Department

The main task of the Internal Audit Department is to assess the adequacy and the functioning of Pirelli & C.'s control processes, by means of independent assurance and consultancy work. The work of the Internal Audit Department is carried out in line with the mandate given to it and approved by the Board of Directors.

### Compliance

The Compliance Function is responsible for ensuring that internal regulations, processes and business activities are continuously aligned to the applicable regulatory framework, actively identifying any non-compliance risks that may result in judicial and administrative penalties and consequent damage to reputation.

## GENERAL PRINCIPLES OF INTERNAL CONTROL

The Internal Control System is structured according to general principles and its scope of application extends throughout the various organisational levels (Group, Business Unit, Function, Company – below “Business Unit”).

### Control framework

- The powers of representation must be awarded, setting the limits in relation to the normal sizes of the related transactions and according to areas of activity strictly linked to the duties assigned and the organisational structure.

- Responsibilities must be defined and appropriately distributed, avoiding functional overlaps or task allocations that result in the concentration of important activities with a single individual.
- No transaction that is significant for the Business Unit can be originated/activated without suitable authorisation.
- The operating systems<sup>19</sup> must be consistent with the Group policies and the Ethical Code.

In particular, the Company's financial information must be prepared:

- in compliance with the laws and regulations, established accounting standards, and international best practices;
- in line with the administrative procedures established;
- as part of a complete and up-to-date accounts plan.

### ***Risk assessment***

The risk assessment work (risk analysis and risk ranking) forming the basis of the Organisational Model's structure was performed with the corporate functions concerned to identify the so-called "sensitive" activities which are significant for the purposes of Legislative Decree 231/01<sup>20</sup>.

In addition, the principal risk factors spread across the organisation are assessed, with the support of the functions, according to the following procedures:

- the objectives of the Business Unit must be suitably defined and communicated to all the levels concerned, in order to clarify and share its general approach, and to identify the risks associated with achieving the objectives, with suitable monitoring and updating on a regular basis.
- adverse events that may threaten business continuity must be subject to specific risk assessment and enhancement of protections.
- innovation processes related to products/services, organisations and systems must include suitable assessment of the implementation risks.

### ***Control activities***

- Operating processes must be developed with adequate supporting documentation (policies, operating rules and regulations, internal procedures, etc.) and/or system support to ensure the processes can always be verified in terms of fairness, consistency and responsibility.
- Operational choices must be traceable in terms of their characteristics and motivations, and the people who authorised, executed and checked the individual activities must be identifiable.
- The exchange of information between adjacent phases/processes must have mechanisms (reconciliation, balancing, etc.) to ensure the integrity and completeness of the data handled.
- Human resources must be selected, hired and managed based on transparent criteria and in accordance with the ethical values and the objectives identified by the company.
- The knowledge and professional skills available within the Business Unit must be analysed periodically with respect to their consistency with the objectives assigned.
- Personnel must be duly trained to perform the duties assigned.

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<sup>19</sup> Procedures, organisation, processes, information systems, etc..

<sup>20</sup> See the Introduction to the Internal Control Schemes – page 34 – for a full description of the risk assessment methodology.



- Goods and services for the Company's operations must be procured on the basis of needs analyses and from sources which have been selected and monitored adequately.

### *Information and Communications*

- An adequate system of indicators must be established per process/activity, together with a periodic flow of reporting to the management.
- Administrative and operating Information Systems must be aimed at achieving integration and standardisation.
- Security mechanisms must provide adequate physical-login protection/access to the Business Unit's data and assets, on a “need to know-need to do” basis.

### *Monitoring*

- The control system is subject to ongoing monitoring for periodic assessments and continuous compliance.

## **METHOD OF PREPARATION OF THE ORGANISATIONAL MODEL**

In compliance with the provisions of the Decree, the Company continually updates its Organisation, management and control model adopted by the Board of Directors' resolution of 31 July 2003, and updated to the current version by Board of Directors' resolution of 3 August 2023. Both the adoption and the subsequent amendments to this document are the sole responsibility of the management body.

The Company's Organisational Model has been drawn up, also on the basis of the Confindustria guidelines (March 2008 version, updated to the latest version dated June 2021), taking into account the structure of the Company and its actual business operations, as well as the nature and size of its organisation. The Company conducted a preliminary analysis of its corporate environment and subsequently analysed the areas of activity that have potential elements of risk in relation to the commission of the crimes identified by the Decree. The following were analysed in particular: the Company's history, its corporate environment, its market, the company organisational structure, the existing corporate governance system, the system of delegated powers and authorities, the existing legal relationships with third parties, the company's operating entities, and the practices and procedures established and disseminated within the Company for the conduct of operations.

For the preparation of this document, in accordance with the provisions of the Decree, the Confindustria (Confederation of Italian Industries) guidelines and the indications currently available from case-law, the Company has therefore:

- identified the processes, sub-processes or business activities in which there is a possibility of the predicate crimes identified in the Decree being committed, by means of interviews with the Heads of the company Functions;
- performed a risk self-assessment of the commission of crimes and the internal control system capable of preventing unlawful conduct;
- identified suitable control measures, either already existing or to be implemented in the operating procedures and company practices, needed to prevent or mitigate the risk of commission of the crimes identified by the Decree;
- analysed its system of delegated authorities and powers and of allocation of responsibilities.

## STRUCTURE OF THE ORGANISATIONAL MODEL

The Organisational Model, involves the coordinated operation of a pyramid structure of principles and procedures, which can be outlined as follows:

- **Ethical Code.** The set of general principles (transparency, fairness, honesty) underlying the conduct and running of the business as part of a more general trajectory of sustainable growth, while also ensuring the efficiency and effectiveness of the Internal Control System.
- **Internal Control System.** The set of “processes” designed to provide a reasonable guarantee of achieving the operational efficiency and effectiveness objectives, reliability of the financial and management information, compliance with laws and regulations, as well as safeguarding company assets, including against possible frauds. The Internal Control System is based on and is defined by several general principles, specifically defined within the Organisational Model whose scope of application extends across all the organisational levels (Business Units, Central Functions and Companies).
- **Code of Conduct.** The practical application of the principles set out in the Ethical Code, introducing specific rules to prevent the creation of circumstances favourable to the commission of crimes in general, including, in particular, the administrative offences that are relevant under Legislative Decree 231/2001. Some rules are also specific to managing relations with the representatives of the Public Administration and with third parties in general, as well as the requirements and company-related activities and communications to the market.
- **Internal Control Schemes.** These have been prepared for all company processes. The schemes all have a similar structure, which consists of listing the sensitive activities relating to a particular company process, within a set of rules designed to identify the main principles and rules of control designed to prevent, within reason, the related risks of a crime being committed, as well as the relevant information flows to the Supervisory Body in order to highlight situations involving possible non-compliance with the procedures established in the organisation models. The internal control schemes have been drawn up based on three key rules, namely:
  1. separation of roles in the performance of the main activities relating to the processes;
  2. “traceability” of decisions, i.e. the constant visibility of these decisions (for example, by means of specific documentary records), to enable the identification of precise “points” of responsibility and the “reason” for the decisions made;
  3. objectivity in the decision-making processes, i.e. ensuring that decisions are not just made based on subjective assessments, but instead referred to pre-established criteria.

The Supervisory Body, which has independent powers of action and control, monitors the functioning of the Organisational Model and compliance with its requirements, and also ensures that it is kept up-to-date.

## CATEGORIES OF SIGNIFICANT CRIMES FOR PIRELLI & C.

Pirelli & C. S.p.A.’s Model has been prepared taking into account the structure of the Company and its actual business operations, as well as the nature and size of its organisation.

Based on those parameters, the Company has considered the following predicate crimes

identified by the Decree as relevant:

- Articles 24, 25 (Crimes against the Public Administration);
- Article 24-bis (Computer crimes and unlawful data processing);
- Article 24-ter (Organised crime);
- Art 25 1 (Peddling of unlawful influence);
- Article 25.bis.1 (Crimes against industry and trade);
- Article 25-ter (Corporate crimes);
- Article 25-sexies (Market abuse);
- Article 25-septies (Manslaughter or serious or grievous bodily harm, committed in breach of the rules on occupational health and safety);
- Article 25-octies (Receiving, laundering and using money, goods or assets of unlawful origin, as well as self-laundering);
- art. 25-octies.1 (Offences relating to non-cash payment instruments);
- Article 25-novies (Offences relating to breach of copyright);
- Article 25-decies (Inducement to refrain from making statements or to make false statements to the legal authorities);
- Article 25-undecies (Environmental offences)
- Article 25-duodecies (Employment of illegally staying third-country nationals);
- Article 25-quinquiesdecies (Tax offences);
- art. 25-septiesdecies (Crimes against the cultural heritage);
- art. 25-duodevicies (Recycling of cultural heritage and destruction and looting of cultural heritage and landscape);
- Article 10 Law 146, 16 March 2006 (Transnational crimes).

The Special Section of this document below identifies the Company activities that have been labelled as sensitive due to the inherent risk of commission of crimes of the type listed in this document and establishes prevention principles and protocols for each of the sensitive activities.

More details of the individual criminal offences applicable to the Company that could potentially arise in the performance of the sensitive activities listed in paragraph 3 of the Special Section below, are provided in Annex 1.

Lastly, the Company continually assesses the relevance of any additional, current and future, crimes for the purposes of the Model.

## **ADDRESSEES OF THE MODEL**

The Pirelli & C. S.p.A. Model applies to:

- a) those who perform, also on a de facto basis, functions of management, administration, direction or control in the Company or in one of its autonomous organisational units;
- b) the employees of the Company, even when seconded abroad to perform their work;
- c) all those persons who work with the Company under a quasi-employment relationship, such as contract workers, temporary workers, interim staff, etc.;
- d) those who, do not belong to the Company, but act on its mandate or on its behalf, such as legal advisers, consultants, etc.;
- e) persons acting in the interest of the Company because they are connected to it by legal contractual relationships or other arrangements, such as, for example, partners in joint ventures or partners for the implementation or acquisition of a business project.

Any doubts regarding whether and how the Model should be applied to a person or a class of third parties are resolved by the Supervisory Body in response to a query from the head of the area/function with which the legal relationship is held.

All addressees of the Model are required to fully comply with the provisions contained within it and its implementing procedures.

This document constitutes an internal regulation of the Company, which is binding for it.

## SUPERVISORY BODY

### Role and structure

Article 6 of Legislative Decree 231/2001 relates the liability exemption of the enterprise to the adoption and effective implementation of an organisation, management and control model that is able to prevent the commission of the criminal offences considered by such legislation and requires the establishment of a supervisory body within the entity (hereafter, also referred to as the “SB”) that is specifically assigned the “*function of supervising the operation and compliance of the organisational model and keeping it up-to-date*”.

In addition, Article 6 establishes that the Board of Statutory Auditors can perform the functions of the Supervisory Body.

The Board of Directors, based on the size of the company, its organisational structure and the characteristics of the business, shall establish the Supervisory Body by appointing its members, after having set their number, in accordance with the requirements indicated below, or by assigning its functions to the Board of Statutory Auditors appointed by the Shareholders' Meeting of the Company.

The functions assigned to the SB require it to have autonomous powers of action and control.

The Supervisory Body is characterised by the following requirements:

- **Autonomy and independence**

The autonomy and independence requirements are essential to ensure that the SB is not directly involved in the operations that it monitors. These requirements can be met by assuring that the SB's decisions cannot be challenged by the entity's bodies and by requiring reporting to the Board of Directors.

- **Professional expertise**

The SB's members must have suitable technical and professional expertise for the functions that it is required to perform. These characteristics, together with independence, ensure impartiality.

- **Continuous action**

The SB must:

- continuously supervise the Organisational Model using the necessary investigation powers;
- be an internal unit, in order to ensure continuous supervision;
- manage the Organisational Model's implementation and keep it continually updated;
- not perform operational duties that could affect its general overview of company activities.

Where the functions of the Supervisory Body are not assigned to the Board of Statutory Auditors, the Board of Directors can freely choose the members of the Supervisory Board from among those who meet the requirements listed.

The Supervisory Body reports directly and solely to the Board of Directors.

### **Professional and personal requirements**

The members of the Supervisory Body, including when they are members of the Board of Statutory Auditors, must be highly qualified with experience in management or control, or persons who have held management positions in enterprises, public entities, public administrations, or have performed or perform professional or university teaching activities in legal, economic and financial areas.

It is also necessary to ensure that, in addition to their professional skills, the members of the Supervisory Body also have personal characteristics that make them suited to perform the duty assigned to them, and they must declare this when they accept their appointment.

Accordingly, the members of the Supervisory Body must not have any grounds for incompatibility and conflicts of interest that could undermine their independence and freedom of action and judgement. When they are appointed, the members of the Supervisory Body must provide a specific statement attesting that they possess the necessary personal requirements.

### **Grounds for ineligibility**

Persons cannot be elected if they have been convicted (either in court – even if said conviction is not final – or by plea-bargaining, including suspended sentences, without prejudice to the effects of rehabilitation):

- 1) to imprisonment for a period of not less than one year for one of the crimes envisaged by Royal Decree 267 of 16 March 1942<sup>21</sup>;
- 2) to imprisonment for a period of not less than one year for one of the crimes identified by the rules governing banking, financial, securities, and insurance activities and by the laws relating to markets, securities, and payment instruments;
- 3) to imprisonment for a period of not less than one year for a crime against the public administration, against public faith, against property, against the public economy, or for a tax offence;
- 4) for any offence committed with criminal intent subject to imprisonment of not less than two years;
- 5) for one of the crimes listed under heading XI of book V of the Civil Code, as reformulated by Legislative Decree 61/2002<sup>22</sup>;
- 6) for a crime that entails or entailed being sentenced to a penalty resulting in disqualification, permanently or temporarily, from public offices, or temporary disqualification from the executive offices in legal entities and enterprises;
- 7) for one or more crimes among the crimes strictly envisaged by the Decree, even when sentenced to lesser penalties than those indicated in the preceding points:
  - persons who, by final judgement, have been made subject to one of the preventive measures envisaged under Article 10(3) of Law 575 dated 31 May

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<sup>21</sup> See Royal Decree 267/1942 “Bankruptcy Law”.

<sup>22</sup> See Legislative Decree 61/2002 “Regulations on criminal and administrative offences involving commercial companies pursuant to Article 11 of Law 366/2001”.

1965, as replaced by Article 3 of Law 55 dated 19 March 1990,<sup>23</sup> as subsequently amended;

- persons who have been made subject to the ancillary administrative fines envisaged under Article 187-quater of Legislative Decree 58/1998.

In addition, persons who have been disqualified or are ineligible cannot be appointed as members of the Supervisory Body.

### **Term of office, substitution, expiry of term of office and revocation**

The Supervisory Board remains in office up to the end of the mandate of the Board of Directors that appointed the Supervisory Body and, in any case, until its next appointment.

If Supervisory Body functions are assigned to the Board of Statutory Auditors, then the Board of Directors, upon its re-election, shall decide whether to constitute the Supervisory Board by assigning its functions to the Board of Statutory Auditors, or if the number of members of said Board has been established, it shall appoint those members. Failure to meet even only one of the professional and/or personal requirements/qualifications listed, or a change or loss of the role based on which the person was appointed as a member of the SB shall result in termination of their office. The member of the Supervisory Body involved shall immediately notify the Board of Directors that they no longer meet the above-mentioned requirements.

If a member of the Statutory Body resigns then the member concerned shall notify this decision immediately to the Board of Directors and the Board of Directors shall arrange to replace the member that has resigned.

In any event, the Chairman of the SB, or the most senior member of the SB, is required to notify the Board of Directors immediately regarding the occurrence of one of the circumstances giving rise to the need to replace a member of the Supervisory Body.

A member of the Supervisory Body can only be dismissed for just cause, for reasons associated with serious breaches with respect to the mandate accepted, including breach of the confidentiality obligations listed below, by decision of the Board of Directors, upon consultation with the Board of Statutory Auditors.

### **Confidentiality**

The members of the Supervisory Body are bound to secrecy concerning the details and information they become aware of while performing their functions. However, this obligation does not apply with respect to the Board of Directors.

The members of the Supervisory Body shall ensure the confidentiality of the information they become aware of, with particular regard to the protection of the confidentiality of the identity of persons who have made detailed reports relating to unlawful conduct which are relevant pursuant to the Decree and based on precise and consistent factual elements, or to breaches of the Organisational Model. In this regard, the members of the Supervisory Body undertake to avoid unduly revealing the identity of the persons who have made the aforementioned reports or of any other element suitable for tracing their identity, as well as any other information relating to such reports. Moreover, the members of the Supervisory Body shall refrain from receiving and using confidential information for purposes other than those included in the paragraph: "Duties and powers", and in any case for purposes that are not consistent with the Supervisory Body's own functions, unless specifically and knowingly authorised.

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<sup>23</sup> See Law 55/90 "New provisions to prevent mafia crime and other serious forms of social crime".



In any event, all information available to the members of the Supervisory Body shall be handled in accordance with the applicable legislation relating to the protection of persona data. Failure to comply with the above-mentioned obligations represents just cause for dismissal from the office of member of the Supervisory Body.

## **Duties and Powers**

The following duties are assigned to the Supervisory Body:

1. verifying the efficiency and effectiveness of the Organisational Model adopted in relation to preventing and impeding the commission of the crimes that are currently envisaged by Legislative Decree 231/2001 and the crimes that may entail the administrative liability of the legal entity in the future;
2. verifying compliance with the methods and procedures established by the Organisational Model and identifying any deviations in conduct emerging from the analysis of the information flows and from the reports that the managers of the various functions are required to prepare;
3. preparing proposals for the Board of Directors concerning any updates to and adjustments of the Organisational Model adopted, to be implemented by means of amendments and/or supplements which may be necessary due to (a) significant breaches of the provisions of the Organisational Model, (b) significant changes to the Company's internal structure and/or in how the business is conducted, and (c) legislative amendments to Legislative Decree 231/2001 or changes that identify new forms of direct liability of the entity;
4. inform the Internal Audit function, and make use of its support, if the Supervisory Body should receive detailed reports of unlawful conduct which are relevant under the Decree and based on precise and consistent factual elements, or of any breaches of the Organisational Model, without prejudice to the requirements of autonomy and independence that characterise the Board;
5. take note of reports of unlawful conduct which are relevant pursuant to Legislative Decree 231/2001, or breaches of the Model, received directly from the Internal Audit function in accordance with the provisions of the Group Whistleblowing procedure and coordinate the performance of the checks and investigations deemed appropriate;
6. when breaches of the Organisational Model have been identified, promptly reporting those breaches to the Chairman of the Board of Directors and/or the Chief Executive Officer or, for serious disciplinary breaches, to the Board of Directors, in order for the relevant disciplinary sanctions to be issued; the Supervisory Body is required to inform the Board of Directors and the Board of Statutory Auditors immediately if the breaches concern persons who are members of the Company's Senior Management and/or are Directors of the Company;
7. preparing an information report for the Board of Directors, at least half yearly, on the audit and control activities performed and their results;
8. sending the reports referred to above to the Board of Statutory Auditors.

The Supervisory Board has been granted all-encompassing powers to perform the duties listed above. In particular:

- the activities performed by the Supervisory Body cannot be questioned by any other company body or function;

- the Supervisory Body has unrestricted access to all of the Company's functions – without requiring any prior consent – to obtain all the information or data considered necessary to perform the duties required by Legislative Decree 231/2001;
- the Supervisory Body may use the aid of all the Company's units or those employed by the Company (in particular, the Internal Audit function and the Group Compliance Function of Pirelli & C. S.p.A.), or external consultants, to obtain their help in performing the task under the direct supervision and responsibility of the Supervisory Body, as well as asking company representatives, identified on a case-by-case basis by the Supervisory Body, to participate in the respective meetings;
- to perform its work, the Supervisory Body has been given full financial/operating autonomy, without any expenditure limitations.

### Information flows

Article 6(2)(d) of Legislative Decree 231/2001 identifies specific “*information disclosure obligations towards the body designated to supervise the functioning of the Models and compliance with their provisions*”.

A systematic and structured reporting system is required for risk areas/events, whose identification and analysis generates the red flags that can trigger checks or investigations by the SB regarding any abnormal situations and/or potential crimes.

To this end, an integral component of the “Internal Control Schemes” for the Processes and the associated sensitive activities is the implementation of specific information flows to the SB. The amount and the type of information may vary over time due to:

- inadequate and/or incomplete information that is unable to provide the details needed to facilitate monitoring of the Organisational Model's effectiveness;
- significant changes to the Company's internal structure and/or in how the business is conducted;
- regulatory amendments to Legislative Decree 231/2001 or changes that identify new forms of direct liability of the entity;

In addition, the Supervisory Body must be informed about the Company's structure (structure of the Board of Directors, company organisational structure, etc.).

The Company is responsible for informing the Supervisory Body in the event of any changes.

In addition, the following roles and responsibilities have been identified: - Data Transmission Managers, who coordinate the collection of the data, certify their completeness, consistency and accuracy, and send them within the cut off dates.

The information about corporate data flows sent to the Supervisory Body must be filed in electronic format and be retrievable in future by the members of the SB.

All the addressees of the Model must communicate directly with the Supervisory Body, to report any unlawful conduct which is relevant for the purposes of Legislative Decree 231/2001, or breaches of the Model, through secure internal mail or via a specific email address:

[organismo.vigilanza@pirelli.com](mailto:organismo.vigilanza@pirelli.com)



or by post to:

Supervisory Body  
Pirelli & C. S.p.A.  
Via Piero e Alberto Pirelli n. 25  
20126 - Milan (MI)

Reports may also be anonymous and must describe in detail the facts and persons reported. In addition, if they concern unlawful conduct pursuant to the Decree, they must be based on precise and concordant elements of fact.

As highlighted above, the Supervisory Body manages reports of any unlawful conduct and/or breaches of the Model in coordination with the Internal Audit function, which is informed of the reports received, without prejudice to the requirements of autonomy and independence that characterise the Supervisory Body.

The Internal Audit function also receives and analyses reports received, including anonymously, in accordance with the procedures set out in the Group Whistleblowing reporting procedure, i.e. via the dedicated e-mail address:

[ethics@pirelli.com](mailto:ethics@pirelli.com)

Or sent by regular mail to:

Internal Audit Director  
Pirelli & C. S.p.A.  
Via Piero e Alberto Pirelli n. 25  
20126 - Milan (MI)

The Internal Audit function also receives and analyses reports relating to any cases of bribery/breaches of internal control principles and/or precepts of the Code of Ethics, Equal Opportunities, company rules and regulations or any other commissive or omissive conduct that may directly or indirectly cause financial damage, or even damage to the image, of the Group and/or its companies, as well as, in any case, all detailed reports relating to unlawful conduct which is relevant under the Decree and based on precise and consistent facts, or breaches of the Organisational Model.

To this end, the same confidentiality obligations apply to the Internal Audit function and to any addressee of the aforementioned reports as to the members of the Supervisory Body, in compliance with the provisions of the Group Whistleblowing reporting procedure.

The Internal Audit function, after verifying the validity of the circumstances represented in the report in accordance with the provisions of the Group Whistleblowing procedure, notifies the Supervisory Body, in order to coordinate the carrying out of the checks and investigations deemed appropriate. Therefore, on a regular basis, meetings are scheduled between the members of the Supervisory Body and the Internal Audit function, in order to share the reports received and take the most appropriate action.

For a more complete representation of the management methods of the reports received by the Internal Audit function, reference should be made to the Group Whistleblowing reporting procedure in its entirety.

Pirelli & C, in encouraging the Addressees to promptly report possible unlawful conduct or irregularities, guarantees, including by computerised means, the confidentiality of the report and the data contained therein, as well as the anonymity of the whistleblower or anyone who may have sent it, even in the event that it should subsequently prove to be incorrect or unfounded.

No kind of threat, retaliation, sanction or discrimination will be tolerated against the whistleblower, or those who have collaborated in the follow-up activities as to the merits of the report. Any dismissals or other retaliatory or discriminatory measures adopted against the whistleblower, including a change of duties, shall be null and void and the burden of proof that the same measures are based on reasons unrelated to the report itself is placed on the Company<sup>24</sup>.

The Company reserves the right to take appropriate action against anyone who implements, or threatens to implement, acts of retaliation against those who have submitted reports in accordance with this Model, without prejudice to the right of the parties involved to legally protect themselves if criminal or civil liability related to the falsehood of what has been declared or reported has been determined for the reporting party.

Anyone who thinks he or she may be a victim of retaliation, or is aware of retaliatory behaviour adopted against others, for reasons directly or indirectly related to the reporting of illegal conduct relevant to the Decree or breaches of the Organisational Model, must immediately contact the Supervisory Body of the Company through the aforementioned channels, or the Internal Audit function, which, in any case, will promptly notify the Supervisory Body, according to the procedures described above and provided for in the Group Whistleblowing reporting procedure.

It is understood that the Company may take the most appropriate disciplinary and/or legal measures to protect its rights, assets and image, against anyone who has with intent or gross negligence made false, unfounded or opportunistic reports and/or for the sole purpose of slandering, defaming or causing prejudice to the whistleblower or other persons mentioned in the report.

## **Control work**

The Supervisory Body – where necessary with the aid of the Internal Audit Function and the Group Compliance Function of Pirelli & C. S.p.A., or external consultants – performs specific audits on involved Company and Group entities and units, according to the following procedures:

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<sup>24</sup> In this regard, the adoption of discriminatory measures against persons who make the reports described above, can be reported to the National Labour Inspectorate, for measures within its competence, either by the whistleblower, or by the trade union organisation indicated by the same.

- **“planned” audits**, where the checks on the Organisational Model's effectiveness are an integral part of a broader work plan; this type of audit is examined specifically and suitably assessed in conjunction with the Supervisory Body, during the risk assessment for the formulation of the Annual Audit Plan;
- **spot checks** in the event of:
  - a specific request from one of the other control bodies of the Company or the Group;
  - red flags generated by the information flow currently in operation in the Organisational Model.

## DISCIPLINARY SYSTEM

### Introduction

Article 6 of Legislative Decree 231/2001 relates the liability exemption of the enterprise to the adoption and effective implementation of an organisation, management and control model that is able to prevent the commission of the criminal offences considered by such legislation and requires the introduction of *“an appropriate disciplinary system to punish failure to comply with the measures set out in the model”*.

Accordingly, the disciplinary system is an essential part of the Organisational Model for the entity to qualify for the “exemption” (exoneration from corporate administrative liability) established by the above-mentioned legislation. Indeed, a disciplinary system capable of punishing failure to comply with the measures set out in the Model is an essential requirement for its correct implementation, and consequently for exoneration from corporate administrative liability when the entity is able to demonstrate that it has not only adopted, but also implemented the Model.

The application of the disciplinary system and the related penalties for breaches of the principles and the code of conduct set out in the Organisational Model is independent of the initiation of any criminal proceedings and the resulting judgement regarding the commission of one of the forms of unlawful conduct identified by Legislative Decree 231/2001.

The disciplinary system is continually monitored by the Supervisory Body and the Human Resources function.

The Supervisory Body is also necessarily involved in identifying breaches and enforcing penalties for breaches of the Organisational Model, as a disciplinary measure cannot be dismissed and a penalty for a breach of the Organisational Model cannot be enforced without notifying the Supervisory Body beforehand and without obtaining the Supervisory Body's opinion.

Considering the need to update the Disciplinary System, dictated, in particular, by the new whistleblowing provisions set out under letter d), paragraph 2 *bis* of art. 6 of the Decree, the following infractions within the scope of the company organisation should be considered serious no matter who commits them:

- Breaches of the measures aimed at protecting the confidentiality of the identity of persons who have made detailed reports relating to illegal conduct which is relevant under the Decree, or breaches of the Organisational Model.

- Retaliatory and/or discriminatory conduct, whether direct or indirect, against the person who has made the reports referred to in the previous point.
- Reporting, with intent or with gross negligence, of any breaches of the Organisational Model or of unlawful conduct relevant under the Decree, which prove to be unfounded.

The Company retains the right to recoup its losses with regard to any damages and/or liabilities it may incur as a result of the conduct of employees that breaches the Organisational Model.

The penalty measures for different professional figures are indicated below.

#### **Disciplinary system – Measures for non-compliance by: EMPLOYEES**

Breaches of the Organisational Model committed by employees are a disciplinary offence and are punished in full compliance with Article 7 of Law 300 of 20 May 1970, with current legislation, and with the applicable collective employment contract, namely, the “National Collective Employment Contract for workers in the rubber, electric cables and related materials industry, and the plastics industry” (below the NCEC).

Non-compliance and forms of conduct by employees in breach of the rules set out in this Organisational Model entail the imposition of disciplinary penalties which, in accordance with Legislative Decree No. 231/2001, are applied on a proportional basis as provided for in Article 2106 of the Civil Code, taking into account – for each specific case – the objective seriousness of the event constituting the disciplinary offence, the level of blame, the potential repetition of the same conduct, as well as the intentional nature of the conduct concerned.

The above is subject to all the provisions referred to in the cited Article 7 of Law 300/1970, here endorsed in their entirety, regarding the disclosure of the disciplinary codes “through display in a location accessible to all”, and the obligation notify the employee in advance of the alleged offence, also to enable the employee concerned to prepare an appropriate defence and to provide any justifications.

#### **MANAGERS, OFFICE WORKERS, AND MANUAL WORKERS**

The disciplinary system identifies breaches of principles, forms of conduct and the specific control measures contained in the Organisational Model and these are linked to the penalties set for the employees by the applicable laws and/or collective bargaining agreements, as detailed below.

The breaches<sup>25</sup> and the resulting penalty measures applied on a proportional basis, are detailed below.

#### **Breaches**

- Substantial non-compliance with the provisions identified in the “General Principles of Internal Control” with reference to the Scope of Control.

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<sup>25</sup> *The breach of company rules may be punished, even if the breach concerned is not a crime or consists of an attempt to commit the crime.*

- Non-compliance with the provisions identified in the “General Principles of Internal Control” with reference to Risk Assessment, Control Work, Information and Communications, and Monitoring.
- Non-compliance with the conduct prescribed in the Ethical Code and in the Code of Conduct.
- Non-compliance with the specific controls set out in the Internal Control Schemes due to negligence, without exposing the Company to an objective situation of danger.
- Failing to send the required notification to the Supervisory Body as specified in the Internal Control Schemes.
- Risky behaviour (as listed in the Internal Control Schemes).
- Conduct unequivocally and intentionally directed at committing a crime identified by Legislative Decree 231/2001.
- Conduct that has resulted in application of the measures established by Legislative Decree 231/2001.
- Any other form of conduct that potentially gives rise to the imposition on the Company of the measures established by Legislative Decree 231/2001.

#### **Non-executive employees**

(Penalties pursuant to Articles 53, 54, 55 NCEC, or corresponding provisions of a different national collective bargaining agreement, where applied).

The following disciplinary penalties are established on a proportional basis, according to the seriousness of the breach committed:

- verbal warning;
- written warning;
- fine up to an amount corresponding to three hours of pay and the cost of living allowance;
- temporary suspension from work and deduction of pay for up to three days;
- dismissal due to breaches.

#### **Disciplinary system – Measures for non-compliance by: EXECUTIVES**

The current provisions of law and/or collective bargaining agreements are applicable to executives, without prejudice to the fact that the Company may dismiss the executive who committed the breach, in the case of more serious breaches, as identified by this disciplinary system.

It is also a disciplinary offence for executives to **fail to supervise** the correct implementation by subordinate workers of the rules and procedures established by the Model, as well as the breach of disclosure obligations to the Supervisory Body concerning the commission of the crimes identified even when only attempted.

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#### **Disciplinary system – Measures for non-compliance by: DIRECTORS**

The Supervisory Body shall inform the Board of Statutory Auditors and the Board of Directors in the event of conduct by members of the Board of Directors in breach of the Organisational Model, and those Boards shall adopt the appropriate measures, which include, for example, calling a Shareholders' Meeting to adopt the most appropriate measures permitted by law (proposing to the Meeting the adoption of the relevant measures to be taken, if involving breaches that represent a just cause for dismissal, without prejudice to the right to compensation for any damage suffered).

**Disciplinary system – Measures for non-compliance by:  
STATUTORY AUDITORS**

The Supervisory Body shall inform the Board of Statutory Auditors and the Board of Directors in the event of conduct by members of the Board of Statutory Auditors in breach of the Organisational Model, and those Boards shall adopt the appropriate measures, which include, for example, calling a Shareholders' Meeting to adopt the most appropriate measures permitted by law (proposing to the Meeting the adoption of the relevant measures to be taken, if involving infractions which represent a just cause for dismissal, without prejudice to the right to compensation for any damage suffered).

**Disciplinary system – Measures for non-compliance by:  
NON-EMPLOYEE THIRD PARTIES**

Any breach<sup>26</sup> of the provisions set out in the Model by consultants, contractors, and persons identified from time to time as “addressees” of the model, is punished by the competent bodies based on the internal rules in accordance with the terms and conditions established by the contractual clauses used, and in any event with the application of agreed penalties, which may, in the event of serious infractions, also include the automatic termination of the agreement (pursuant to Article 1456 of the Civil Code), without prejudice to compensation for any damage suffered.

Accordingly, the provision of goods, work or services, that may involve sensitive activities, by third parties (e.g. other companies, including those belonging to the Group, consultants, partners, etc.) must be regulated in the form of a written contract.

The contract must impose the following on the Company's contractual counterparty:

- the obligation to certify the truthfulness and completeness of the documentation and information provided to the Company in accordance with the legal requirements;
- the commitment to respect, during the validity of the contract, the principles inspiring the Model and the Code of Ethics, as well as the provisions of Italian Legislative Decree 231/2001 and to operate in compliance with such;
- the obligation to comply with any requests for information, data or facts from the SB of the Company.

The contract shall also provide the option for Pirelli to implement forms of protection (e.g. termination of the contract, application of penalties, etc.), when a breach of the above items is identified.

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<sup>26</sup> See the provisions contained in the Code of Conduct concerning relations with third parties.

## **DISSEMINATION OF THE ORGANISATIONAL MODEL AND TRAINING**

Communications and training are essential tools for the effective implementation and disclosure of the Organisational Model and the Ethical Code. The Human Resources function works closely with and under the supervision of the Supervisory Body to ensure suitable awareness of the principles and the Code of Conduct adopted by the Company among the staff already working within the Company and future staff, with different degrees of detail based on the level of the staff's involvement in the operational processes considered sensitive and relevant.

### **Communications**

The Human Resources function ensures employees are made aware of the Organisational Model and the Ethical Code when they are hired. In particular, new recruits receive an information document that refers to the application within the Company and the Group of the rules set out in Legislative Decree 231/2001.

In addition, they are also provided direct access to a special section of the company intranet where all the reference documentation relating to Legislative Decree 231/2001 is available and kept constantly up-to-date.

The Human Resources function, with the aid of the Group Compliance Function, manages and ensures suitable dissemination when the Organisational Model is revised.

### **Training**

Training is designed to foster knowledge of the rules set out in Legislative Decree 231/2001 and to provide a comprehensive overview of the Decree and the resulting practical repercussions, as well as the content and principles underlying the Organisational Model and the related Ethical Code, among all the employees who are, consequently, required to know them, comply with them and adhere to them, thereby contributing to their implementation.

The training initiatives are implemented by the Human Resources function with the aid of the Group Compliance Function in relation to the content of the training initiatives.

The training is differentiated in terms of the content and the methods used to deliver the training, which may include on-line courses, and according to the role played by the addressees, the risk level of the area where they work, and whether or not the addressees act as representatives of the Company.

The Company organises specific classroom-based training courses for the people most involved in activities considered sensitive under Legislative Decree 231/2001.

The Human Resources function makes the training courses available on the company intranet in electronic format and ensures traceability of all the initiatives carried out.

Participation in the training courses is compulsory.

## **SPECIAL SECTION**



## 1. Introduction

In accordance with the requirements set out in Article 6(2)(a) of the Decree, the Company has undertaken a control and risk self-assessment to identify the processes and individual sensitive activities within which the crimes identified by the Decree may potentially be committed.

In order to prevent or mitigate the risk of those crimes being committed, the Company has drawn up general rules of conduct applicable to all company processes and the associated sensitive activities. In addition, for the same purposes, the Company has also drawn up the Internal Control Schemes, which set out the specific prevention protocols for each of the at-risk activities.

Each individual Internal Control Scheme identifies the:

- specific controls/protocols adopted by the Company aimed at preventing the commission of crimes under Legislative Decree 231/2001;
- information flows to the Supervisory Body to red flag the at-risk areas and facilitate monitoring of the Organisational Model's effectiveness.

## 2. General rules of conduct

All the addressees of the Model, as identified in the "*Addressees of the Model*" part of the General Section, adopt rules of conduct in accordance with the law, the provisions contained in this document and the principles contained in the Ethical Code and the Code of Conduct, to prevent the occurrence of the crimes identified by the Decree.

In particular, the principles set out in the Ethical Code and the Code of Conduct, here endorsed in their entirety, with reference to the various types of the addressee and/or counterparty, form the basis and are an integral part of the Internal Control Schemes, described in the paragraphs below.

For the adoption and implementation of the Organisation, management and control model, the Company is also committed to implementing the Internal Control Schemes described in the paragraphs below.

## 3. General prevention protocols

Within all the operations involving the processes and related sensitive activities, described below, the general prevention protocols implement the following principles:

- the persons permitted to deal with the public administration are those previously identified for that purpose;
- the Company makes and implements its decisions in accordance with the principles and requirements contained in the provisions of law and the Company's Bylaws, Ethical Code and Code of Conduct;
- the responsibilities for management, coordination and control within the Company are formalised;
- the levels of hierarchy are formalised and the various duties within the Company are described;
- the development phases and authorisation levels for the Company's actions are always documented and traceable;
- the system of mandates and external signing powers is consistent with the responsibilities assigned to each director, and knowledge of those powers by outside parties is ensured by suitable means of communication and public disclosure;

- the assignment and exercise of powers within a decision-making process is consistent with the positions of responsibility and with the significance and/or importance of the underlying financial transactions;
- the people who make and implement the decisions are not the same, and the recording of the decisions in the accounts and the checks on the decisions required by law or by the procedures set out in the internal control system are not carried out by the same people;
- access to the Company's data, including regulatory information, is compliant with Legislative Decree 196/2003 as amended;
- the documents relating to the formulation of decisions and their implementation are archived and kept by the function concerned. Access to already archived documents is only permitted for persons authorised under company operating procedures, as well as the Board of Statutory Auditors, the independent auditors and the Supervisory Body;
- the selection of outside consultants is justified and is made based on the requirements of professional expertise, independence and competence;
- the remuneration reward systems for employees and consultant staff are based on realistic objectives that are consistent with their duties, the work they perform and the responsibilities assigned to them;
- the Company's cash flows, both incoming and outgoing, are continuously monitored and always traceable;
- when operations are outsourced, the Company provides its Ethical Code and Model to the service provider, requiring it to adhere to the principles contained in those documents by means of appropriate contractual clauses;
- the Supervisory Body verifies that the control protocols contained in this Special Section are fully implemented within the company operating procedures that govern at-risk activities.

#### **4. Pirelli & C. Processes and associated Sensitive Activities**

Listed below are the 11 company process identified during Pirelli's control and risk self-assessment:

1. Purchasing;
2. Environment;
3. Administration, Finance and Control;
4. Legal/Corporate;
5. Market Abuse;
6. Relations with Government Agencies;
7. Sponsorships, Donations, Gifts and Entertainment Expenses;
8. Communications;
9. Human Resources;
10. Occupational Health and Safety;
11. Information Technology.

Listed below are the Sensitive Activities found to be significant, for each company process of Pirelli & C. S.p.A..

##### **4.1. Sensitive Activities in relation to the Purchasing process**

The risk assessment identified the following Sensitive Activities in relation to the Purchasing process:

- 1 Management of the process of purchasing goods and services;
- 2 Management of consultancy and professional services.

#### **4.2. Sensitive Activities in relation to the Environment process**

The risk assessment identified the following Sensitive Activities in relation to the Environment process:

- 1 Management of waste (resulting from the use of non-operational assets);
- 2 Maintenance management;
- 3 Management of company non-operational assets;
- 4 Management of environmentally significant suppliers.

#### **4.3. Sensitive Activities in relation to the Administration, Finance and Control process**

The risk assessment identified the following Sensitive Activities in relation to the Administration, Finance and Control process:

- 1 Management of financial resources;
- 2 Management of direct and indirect tax;
- 3 Recognition, recording and presentation of the business operations in the accounting records, financial statements, reports and other company documents;
- 4 Purchase, sale and other transactions, conducted in any form involving unlisted financial instruments or for which an application has not been made for listing in a regulated market, and entry into derivatives contracts not traded in Italian or European regulated markets;
- 5 Management of relations with insurance companies;
- 6 Management of extraordinary transactions (acquisition and disposal of companies or business divisions, establishment of temporary company consortiums and joint ventures, and capital transactions);
- 7 Management of relations with shareholders, the board of statutory auditors and the external auditors;
- 8 Request, management, and monitoring of subsidised loans, grants, exemptions and tax concessions, welfare support measures, subsidies, etc., including through outside consultants;
- 9 Management of intercompany transactions;
- 10 Management of customers and active billing;
- 11 Management of cultural heritage and landscape.

#### **4.4. Sensitive Activities in relation to the Legal/Corporate process**

The risk assessment identified the following Sensitive Activity in relation to the Legal/Corporate process:

- 1 Management of legal disputes and relations with judicial authorities, including through outside professional advisers

#### **4.5. Sensitive Activities in relation to the Market Abuse process**

The risk assessment identified the following Sensitive Activity in relation to the Market Abuse process:

- 1 Management of inside information and market disclosures.

#### **4.6. Sensitive Activities in relation to the Relations with the Public Administration process**

The risk assessment identified the following Sensitive Activities as regards the Relations with the Public Administration process:

- 1 Public relations and institutional relations with the Public Administration;

- 2 Management of relations with representatives of the Public Administration during assessments, inspections, and audits;
- 3 Management of activities relating to the requesting and granting of authorisations and concessions.

#### **4.7. Sensitive Activities in relation to the Sponsorships, Donations, Gifts and Entertainment Expenses process**

The risk assessment identified the following Sensitive Activities in relation to the Sponsorships, Donations, Gifts and Entertainment Expenses process:

- 1 Management of gifts and entertainment expenses (e.g. paddock passes and Inter Milan tickets);
- 2 Sponsorships, donations and organisation of events;
- 3 Management of relations with foundations (e.g. Hangar Bicocca).

#### **4.8. Sensitive Activities in relation to the Communications process**

The risk assessment identified the following Sensitive Activities in relation to the Communications process:

- 1 Management of communications and social media

#### **4.9. Sensitive Activities in relation to the Human Resources process**

The risk assessment identified the following Sensitive Activities in relation to the Human Resources process:

- 1 Selection, recruitment and management of personnel (including expatriates);
- 2 Management of expense sheets and company benefits (e.g. auto vehicles, mobile phones, credit cards, fuel expense statements).

#### **4.10. Sensitive Activities in relation to the Occupational Health and Safety process**

The risk assessment identified the following Sensitive Activities in relation to the Occupational Health and Safety process:

- 1 Identification of applicable regulatory provisions, to be aligned for compliance with technical and structural standards;
- 2 Identification of the staff, and the roles and responsibilities, required to perform the activities designed to ensure the implementation by workers of the procedures and instructions;
- 3 Risk assessment and formulation of the consequent prevention and protection measures;
- 4 Identification and management of collective and/or individual protection measures designed to limit or eliminate the risks;
- 5 Management of emergencies, firefighting actions and first aid;
- 6 Management of tender contracts;
- 7 Procedures and operating instructions for the control of specific risks;
- 8 Health monitoring;
- 9 Skills, education, training and awareness of workers;
- 10 Checks on purchases and the acquisition of documents and certifications required by law;
- 11 Maintenance work for compliance with applicable technical and health and safety standards;
- 12 Communications, involvement and consultation, management of periodic safety meetings, and consultation with worker safety representatives;
- 13 Management of documentation and recording systems designed to ensure traceability of the activities;

- 14 Management of worksites (Title IV);
- 15 Management of travelling personnel.

#### **4.11. Sensitive Activities in relation to the Information Technology process**

The risk assessment identified that the Sensitive Activities indicated below in relation to the Information Technology process are managed by a Group company:

- 1 Management of policies, procedures and communications;
- 2 Management and control of cyber security;
- 3 Management of logins;
- 4 Network and hardware management;
- 5 Business continuity management;
- 6 Software management;
- 7 Physical security management;
- 8 Document management (digital signature).

# Internal Control Schemes

*(omissis)*

# **Transactions originating directly from Top Management**

## TRANSACTIONS ORIGINATING DIRECTLY FROM TOP MANAGEMENT

### Background

Legislative Decree 231/2001 has not amended the regulations governing the management and governance of companies. As a result, the decision-making autonomy of the persons in the Top Management is a material and immutable expression of the freedom of management of the enterprise as a company. These persons are the Chairman of the Board of Directors and, if appointed, the Chief Executive Officer and other key managers of the Company as identified by the Board of Directors.

The persons in the Top Management decide on an ordinary basis on operations that follow the normal criteria established by the Organisational Model, which they are aware of and agree with. However, those persons are sometimes required – in the interests of the Company – to carry out transactions that follow a different procedure to the one detailed in the Organisational Model, as a result of exceptional situations due to extraordinarily urgent needs or specific confidentiality requirements or also due to the individual characteristics of the transaction.

This Internal Control Scheme refers to this type of transaction.

### Control activities

The control system is based on the two defining characteristics of **traceability of the documents** and the **information flows** to the Supervisory Body.

The specific controls are listed below:

- Traceability of the transaction in terms of documentation and supporting information necessary to enable ex post “reconstruction” of the reasons for the transaction and the circumstances in which it was carried out.  
Specific attention must be given to setting out the reasons and grounds, in summary (but not generic) form, that resulted in the operational choice made. The reasons for the decision do not necessarily need to be specified, but a description must be provided of the characteristics (e.g. confidentiality and urgency) that made it impossible to implement the decision in accordance with the established operational scheme.
- A specific report, by the member of the top management who implemented the transaction on an exceptional basis, to the Supervisory Body, so that it can systematically and promptly perform the necessary checks. The absence of exceptional transactions during the reporting period must in any case be specifically reported to the Supervisory Body by the member of the top management.

In addition, it should be noted that the information flows regarding “exceptional” transactions, required by the individual Internal Control Schemes, is an additional measure strengthening the control system on transactions carried out “by Members of the Top Management”. Indeed, these flows require the details of the “exceptional” transactions (regardless of their origin) to be sent to the Supervisory Body by the Heads of the Functions actually executing them.



**Annex 1**  
**Significant crimes pursuant to Legislative**  
**Decree 231/ 2001**  
***(omissis)***

**Annex 2**  
**The Public Administration: Criteria for  
defining a Public Official and a Public  
Service Officer**  
*(omissis)*

# **Annex 3**

## **Health, Safety and Environment**

### **Organisation and management model**

*(omissis)*

## **Annex 4**

### **Ethical Code**

*(omissis)*

# **Annex 5**

## **Code of Conduct**

### ***(omissis)***

# **Annex 6**

## **Anti-Corruption Program**

*(omissis)*