

Pirelli & C. S.p.A. — Milan

Sustainability Report at December 31, 2009



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Annual Sustainability Report at December 31, 2009



First book

Annual Financial Report at December 31, 2009

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Second book

Annual Sustainability Report at December 31, 2009

SUSTAINABILITY REPORT

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“The 2009 financial year was a particularly important at Pirelli: launch of the “Green Performance” strategy further intensified our efforts to improve processes and products over their entire life cycle and confirmed the key role played by green business in the Group's development plans.

The economic crisis that has afflicted the global economy for the past two years, instability on the financial markets, the complexity of management processes and continual changes in the law and regulations have confirmed the competitive advantage of our approach to business management. This approach is based on full integration of sustainability not only in managing the economic, social and environmental impact of our activities, but also and above all in the Group's growth strategies. All of this is done in view of continuous improvements to create lasting value in behalf of all Stakeholders.

The performance of this management model is based on the professional skills of our human resources, our vocation for innovation, our technological skills and research aimed at anticipating industrial transformations, and our constant focus on quality and customer needs.

Once again, this approach enabled us to be included in the most prestigious indices of international sustainability in 2009 and to be honoured for the third year in a row for its Global Leadership in the Auto-parts & Tyres Sector of the Dow Jones Sustainability Indices.

We shall stay this course with the spirit that defines Pirelli Culture and Values.

”

Marco Tronchetti Provera
Chairman and CEO

A note on methodology

This, the fifth edition of the Pirelli Group Sustainability Report, is a comprehensive expression of the Pirelli corporate culture based on the **integration** of economic, environmental and social choices, in line with the “*Triple Bottom Line*” approach. For this reason, the present description of our sustainable performance (Book Two) is included in the Annual Report (Book One), instead of being published separately.

The **perimeter** of this annual report is the same as the Group’s consolidated report.

The report has been drawn up according to the *Sustainability Reporting Guidelines* issued by the Global Reporting Initiative (GRI). The analysis of sustainable performance is based on a set of “Key Performance Indicators” (KPI), developed in accordance with the GRI indicators (updated to the G3 standard) and the principles of the Global Compact, while also taking account of data periodically monitored by the leading rating agencies of sustainable finance. The sections on economic and social dimensions have also drawn on the Reporting Standards issued by the Italian Sustainability Report Study Group (GBS – Gruppo di Studio per il Bilancio Sociale).

In this report, we have concentrated on what we believe will be of most interest to the Group’s wide variety of stakeholders, highlighting and explaining the progress made in 2009 in relation to the contents of the 2008 report.

Specific qualitative and/or quantitative objectives have been indicated in the sections dedicated to each one of the Group’s stakeholders.

As regards **Corporate Identity** and **Group organisation**, please see Book One, *Directors’ Report*.

This report includes **the Assurance Statement**.

For detailed information on the Real Estate Sector, whose sustainability performance is consolidated in this report, please consult the **Pirelli Real Estate S.p.A. Sustainability Report**, which can be found on the website www.pirellire.com.

The present report is published in Italian and English in the *Sustainability* section of the website www.pirelli.com. For further explanations and information on the contents of the report below, please refer to the “**Contacts**” published in the above-mentioned section. Dedicated to the External Community, the Sustainability section also includes the “**Sustainability Channel**”. This is a new channel of interactive communication between Pirelli and the web community interested in sustainability news and events regarding the Group. Interested users may also comment on the news.



Pirelli and sustainable development

Mission

Backed by a strong industrial tradition, the Pirelli Group today is a world leader in tyre manufacturing and ranks alongside players of international stature in all its operating sectors. Through its development over the years our Group has acquired international scale that is complemented by its strong roots across a variety of local communities. We owe our competitive strength to the professional expertise of our human resources, to our technological know-how and research capability, to quality, and to an unwavering focus on customer needs. Thanks to these factors we can produce and market high-quality products and operate successfully out of different locations and in various markets worldwide.

A talent for innovation and an ability to pioneer industrial changes spurs us to continually improve on them in terms of quality and of environmental and social impact, as in our development of products and solutions in the green economy sector. In our conduct we are guided by an Ethical Code which anyone involved with the Pirelli Group, all over the world, is required to put into practice consistently and responsibly. The internationally renowned excellence of the Group's Corporate Governance is a foremost and systematic commitment for our top management. Our approach to enterprise aims to strike the best balance between personal responsibility and team work as well as between strategy that is planned centrally and operating responsibility that is decentralised locally. Our sustained growth owes its impetus to the sound creation of value for shareholders and investors in general and to our due regard for the interests of all who interact with the Group and with the companies in it.

Identification of Stakeholders and approach adopted

The term *Stakeholder* means "holder of legitimate interests" toward the company, i.e. those individuals or groups that have an interest in the company's decisions, influence its success and/or are impacted by the organisation's activities.

Pirelli Group adopts a “**multi-stakeholder**” approach, which means that it pursues lasting and sustainable growth based as far as possible on the equitable reconciliation of the interests and expectations of all those who interact with the company. In particular, these are:

- Shareholders, investors and the financial community
- Environment
- Customers
- Human Resources
- Suppliers and independent contractors
- External Community
- Competitors

The Pirelli identity is historically based on a plurality of values that have always been pursued and protected by all of us.

Over the years, these values have enabled us to consolidate and enrich our corporate culture and promote sustainable growth as the linchpin for responsible, long-term development that can satisfy the interest of all stakeholders.

Relations with stakeholders are to a certain degree heterogeneous, which may be regarded as a beneficial diversity in Pirelli's ways of listening to and involving its interlocutors.

On the other hand, the Group's approach to each class of stakeholders is based on the same principles and values, which firmly adhere to and apply the provisions of “The Values and Ethical Code of the Pirelli Group.” The first version of this document was drawn up in 2003 and then updated and integrated in 2009.

There are many and varied initiatives, activities, tools for dialogue and projects of specific interest to the classes of stakeholders listed above. These are addressed in detail in sections 2, 3 and 4 of this chapter, to which the reader is referred for specific information.

Sustainable Governance

For Pirelli, sustainable governance means **integrating sustainability with the various aspects and ambits of company management**. For Pirelli, “sustainability” is its adopted management model. Among other things, this translates into the mapping, control and sustainable management of all risks associated with the company's activities.

GUIDING PRINCIPLES

United Nations Global Compact

In October 2004, in a letter addressed to the Secretary General, Kofi Annan, Pirelli Group formally declared its **adherence** to the United Nations Global Compact and its **commitment** to observe and support its **Ten Principles** in the areas of human rights, labour standards, the environment and the fight against corruption.

Through its declaration in its **Social Responsibility Policy for Occupational Health, Safety and Rights, and Environment**, Pirelli formally adheres to the *Universal Declaration of Human Rights*, the *International Labour Organisation Declaration on Fundamental Principles and Rights at Work*, the *Rio Declaration on Environment and Development* and the *United Nations Convention against Corruption*, from which the principles of the Global Compact are derived.

The letter of adhesion is published in the Sustainability section of the website www.pirelli.com.

The Values and Ethical Code of the Pirelli Group

To provide all the Group's affiliates with cogent and uniform guidelines for the professional practices to be followed by those who work for the company, in 2003 the Board of Directors of Pirelli & C. S.p.A. approved the Values and Ethical Code of the Pirelli Group.

As anticipated in the *2008 Sustainability Report*, the Ethical Code was revised in 2009 to bring it in line with the evolution of the Group's sustainability strategy and to satisfy new market and *corporate governance requirements*. The amended version was then approved by the Board of Directors of Pirelli & C. S.p.A.

Any director, statutory auditor, manager, and employee in the Pirelli Group and, in general, anyone in Italy and abroad who works for or on behalf of the Pirelli Group, or has business dealings with it ("**Addressees of the Code**") must, in carrying out their functions and responsibilities, comply with the principles and rules in this Code.

In particular, this document:

- sets out the Group's mission, as stated at the beginning of this chapter
- illustrates the values on which Pirelli's own business activities are based, i.e. fairness and propriety, transparency, sustainable growth, customer focus, responsibility and striving after results, professional excellence, innovation, quality and performance, integration and speed;
- indicates the principles of conduct on which Pirelli bases its business activity in internal and external relations
- identifies the stakeholders with which Pirelli interacts, describing the sustainable approach that characterises the relationship with each one of them
- envisages appropriate penalties for violation of the Code

The Group's "*Whistle-blowing*" procedure is a key tool for enforcing compliance with the Code. This procedure was issued in 2009 and is described in more detail elsewhere in this chapter, in the section dedicated to Corporate Governance.

The updated version of the Code will be distributed to all Group employees through a specific internal communication campaign during the first several months of 2010. It will be translated into the various languages used at Group facilities worldwide (as was done for the previous version). The original and translated versions of this document, including versions in the languages used by Group suppliers, will then be published in the *Sustainability* section of the website www.pirelli.com, at disposal of the External Community.

Pirelli Group "Social Responsibility Policy for Occupational Health, Safety and Rights, and Environment"

The Pirelli Group pursues and supports compliance with internationally proclaimed human rights. Pirelli considers protection of the integrity, health and welfare of its employees and the environment as one of the primary needs to be satisfied in organising and developing its activities.

By publishing its "Health, Safety, Environment and Social Responsibility Policy" (HSE & CSR Policy), signed by the Chairman in June 2004, Pirelli has implemented and reinforced guarantees inside the company that a proper balance would be maintained between sustainability and industrial development.

As anticipated in the *2008 Sustainability Report*, this policy was amended between the end of 2009 and the beginning of 2010. The "name" of the Policy has also been changed to "**Social Responsibility Policy for Occupational Health, Safety and Rights, and Environment.**"

Among the various changes, the new version specifically mentions Pirelli's firm adherence to the international rules that also constitute the basis for the ten principles of the United Nations Global Compact.

Here is an excerpt from this new policy:

"Pirelli Group activities are governed by the Code of Ethics approved by the Board of Directors and comply with the Sustainability Model envisaged in the United Nations Global Compact that was signed in 2004."

The Group's sustainable development strategies pursue various objectives, including continuous improvement in the environmental and occupational health and safety conditions affected by its own activities, in firm compliance with and support of the *"Universal Declaration of Human Rights"*, the *"International Labour Organization's Declaration on Fundamental Principles and Rights at Work"*, the *"Rio Declaration on Environment and Development"* and the *"United Nations Convention against Corruption"*.

As in the previous version of 2004, the commitments made by Pirelli through the Policy also reflect the obligations set out in the Standard SA8000®, which has been the benchmark source used by the Group for years in managing its social responsibility.

Group suppliers are formally required to comply with the Policy, by signing the "sustainability clauses" included in the supply contracts and that are dealt with in more detail in a section elsewhere in this report.

The updated version of the Policy will be distributed to all Group employees through a specific internal communication campaign during the first several months of 2010. It will be translated into the various languages used at Group facilities worldwide (as was done for the previous version in 2004). The original and translated versions of this document, including versions in the languages used by Group suppliers, will then be published in the *Sustainability* section of the website www.pirelli.com, which is accessible to the External Community.

Pirelli Group Equal Opportunities Statement

Pirelli's commitment to equal opportunities in the workplace is clearly set out in its *Equal Opportunities Statement*, signed by the Chairman in 2006.

The document illustrates the Group's "valorization" approach to diversity management.

For more details on the management of diversity and equal opportunities at the company, as well as the framework of institutional commitments made by Pirelli in this regard, please see the section dedicated to these topics in the Social Dimension chapter of this report.

The Equal Opportunities Statement, which was distributed to all Group employees in their local languages at the end of 2006, has been published in the *Sustainability* section of the website www.pirelli.com, available to the External Community.

Pirelli Group "Quality Policy"

Pirelli drafted its new *Quality Policy* in 2009, which was immediately implemented by Pirelli Tyre. Applicable to the entire Group, it is currently being published both internally and externally.

The Policy reflects the full integration of sustainability in the Group's management strategy. Quality is a core value in Pirelli operations, pervading all of its functions and processes through a co-ordinated and synergetic approach. Its scope of application ranges from continuous innovation of products, services, processes and systems to protection of the integrity, health and wellness of Group employees, environmental protection throughout the entire product life cycle, and strategic collaboration with suppliers.

Corporate "quality" corresponds to a focus on the demands and interests of Stakeholders, ethics, innovation, excellence and safety for sustainable competitiveness.

Specific emphasis is given to individual involvement and the key role that individuals play in promoting the cultivation of a sustainable quality culture.

The updated version of this document will be distributed to all Group employees through a specific internal communication campaign during the first several months of 2010. It will be translated into the various languages used at Group facilities worldwide (as was done for the previous version in 2004). The original and translated versions of this document, including versions in the languages used by Group suppliers, will then be published in the *Sustainability* section of the website *www.pirelli.com*, available to the External Community.

The Group's sustainability tools

Corporate Governance

The awareness that an efficient corporate governance system is key to achieving sustainable value creation objectives drives the Group to keep its own corporate governance system constantly in line with national and international best practices.

Pirelli has adopted the traditional management and control system based on the central role of the Board of Directors. The Group's corporate governance model is based on fair practices for disclosure of the choices and processes followed in making business decisions, an effective internal control system and effective rules applicable to potential conflicts of interest.

Pirelli & C. has adhered to the Corporate Governance Code of listed companies ever since it was first published by Borsa Italiana (in July 2002). The company affirmed its adherence to the new version of the Corporate Governance Code (dated March 2006) at the Board of Directors meeting on March 12, 2007.

The other key features of the Pirelli governance system include:

- a high level of transparency, with semi-annual updates on additions/integrations to the corporate governance system so to reflect any changes from what was illustrated in the Annual Report;
- the presence in the board of a large number of Independent Directors, amounting to 55% of the Board of Directors and more than 65% of total non-executive directors;
- the important role given to minority shareholders, who elect 20% of the Board of Directors when lists are submitted (currently 4 out of 20);
- the establishment of a Board Committee comprised solely of Independent Directors;
- designation of a *Lead Independent Director*, who is assigned an active and effective role in co-ordinating the requests and contributions of independent directors.
- periodic meetings of the independent directors and work meetings of directors with top management in order to improve their familiarity with the company's actual operating conditions and facilitate their contribution to management;
- the Board of Directors' consolidated practice of reviewing its own performance, with the aid of an expert consulting firm.
- a new model for management and governance of managerial risks
- establishment of the *Group Compliance* function
- drafting of the *Group Whistle-blowing Procedure*

The corporate governance model of Pirelli & C. received major recognition in July 2009, complementing the positive ratings awarded by leading financial sustainability indices during the year: the specialised corporate governance research firm GMI (Governance Metrics International) named it **the best in Italy, after receiving a 10/10 score**. In its last Country Ranking (September 2008), the firm gave Italy an average score of 5.32/10.

Aside from topping the national ranking, **Pirelli received a rating of 9/10 in a ranking of 4,162 companies that were rated worldwide**. This rating puts it at the top of groups operating in the "Automotive and Components" sector, in which the average score is 5/10.

For further details on the Pirelli Corporate Governance system, reference is made to the relevant section in the Annual Report. The section dedicated to the company's Corporate Governance System can also be accessed through the homepage of the website www.pirelli.com.

The following three sections illustrate the details of the newly adopted Risk Management Model, the "Group Compliance" function and the Group Whistle-blowing Procedure.

Risk Governance

In July 2009 the Board of Directors of Pirelli & C. examined and approved a new risk management system that is in line with international best practices. This system addresses risks that could prevent achieving the strategic objectives set out in the company Industrial Plan and Management Plans.

Given the acceleration in economic changes, complexity of operating activities and recent regulatory changes in the areas of corporate governance and internal control, the Board of Directors decided to implement a structured process for management of corporate risks that would permit prompt, thorough identification and adoption of adequate measures for pro-active ex ante risk management instead of reactive ex post responses.

The Board assessed the importance of identifying risks before they arise and implementation of appropriate corporate decisions and instruments to prevent them, reduce their impact and, more generally, "govern them," without ignoring the fact that simply assuming them is fundamental to business management.

When fully implemented, the new risk management system envisages that the Board of Directors, as supported by its Internal Control, Risk and Corporate Governance Committee, annually define the "acceptable risk threshold", and annually approve a "risk assessment and management plan" that specifically defines the principal material risks and consequent mitigation plans. Finally, the Board will issue the guidelines for definition of the "risk policies" for governance of specific, existing and prospective risk events.

The chosen system is based on a "top-down" and "value driven" approach, involving identification and management of the risks that might prejudice the achievement of strategic objectives and/or impair the Group's value drivers.

The risks are then classified as **Strategic**, i.e. directly related to the realisation of one or more value drivers, and **Transversal** which, although they are not directly correlated with the value drivers, might still interfere with their realisation by affecting several corporate processes/areas. Consistently with this approach, top management sets the guidelines for identifying priority areas at risk and specific events with a potential impact on the objectives illustrated in the Industrial Plan or on strategic corporate assets. These events are then subjected to exact analysis, with the participation of the managers in charge of business units, central staff functions, and regional or country managers.

A special corporate department has been set up that reports directly to the Group General Counsel. The purpose of this department is to reinforce the Pirelli corporate governance system. This department, which is staffed by a Risk Officer, will guarantee adequate co-ordination with the Director assigned to supervise the functioning of the Internal Control System.

Reference is made to the "Directors' Report on Operations" in the 2009 Annual Financial Report, and specifically to the section on "Risks and Uncertainties" for discussion of the *Risks Associated with the Businesses in which the Group Operates*, *Financial Risks*, *Risks Connected with Human Resources*, *Risk Connected with the Country* and *Risks Connected with Environment*.

¹ Acceptable risk threshold or risk appetite are defined in the Committee of Sponsoring Organization Enterprise Risk Management Framework as "the amount of risk, on a broad level, an entity is willing to accept in pursuit of value".

Risk management includes the identification, analysis and monitoring of environmental, social and financial risks that are not only directly associated with the company but also connected with the sustainability of the supply chain.

Together with constant co-ordination and monitoring at the corporate level, compliance with **Pirelli economic, social (especially human rights and labour rights) and environmental sustainability** rules is constantly assessed in periodic audits commissioned to **external specialised firms**. Special attention is dedicated to the sustainability of Pirelli and supplier sites in countries of concern (as defined by EIRIS).

In 2008 **independent audits were carried out at Pirelli production plants and commercial locations** in Turkey, Brazil, Venezuela, Argentina, Egypt, China, Romania, Colombia, Mexico and Chile (commercial offices only are located in the last three countries) to monitor internal compliance with the SA8000® Standard (the benchmark tool used by the Group to manage social responsibility).

Several plans for remedial measures were implemented in 2008 in consequence of these audits. In 2009 **independent audits were carried out on the Supply Chain** operating in countries of concern, involving a total of 72 suppliers.

For more information about these audits, please see the “Suppliers” section elsewhere in this report.

Ad hoc assessments are also carried out before entering a specific market, in order to assess any political, financial and social risks, including those connected with respect of human and labour rights. Once the Company sets up operations in such a market, this will enable it to better manage the gap between local practises and Company, social and environmental responsibility policies, which will be applied on a mandatory basis.

In regard to the **prevention of corruption and related offences**, and conduct in violation of corporate ethics, the Ethical Code distributed to all employees and applied on suppliers provides that the Pirelli Group:

- *“will not tolerate corruption in any guise or form, or in any jurisdiction, or even in places where such activity is admissible in practice, tolerated, or not challenged in the courts. For this reason, Addressees of the Code are prohibited from offering complementary gifts or other benefits that could constitute a breach of rules, or are in conflict with the Code, or might, if brought to public notice, damage the Pirelli Group or just its reputation;”*
- *“defend and protect its corporate assets, and shall procure the means for preventing acts of embezzlement, theft, and fraud against the Group”;*
- *“condemns the pursuit of personal interest and/or that of third parties to the detriment of social interests”.*

The activities carried out within the framework of the Internal Control System are also of substantial importance. It has been described by the Ethical Code as follows:

“The efficiency and effectiveness of the internal control system are essential for operating the business in keeping with the rules and principles of this Code.”

“Internal control system” refers to a mix of aids, activities, procedures, and organizational units that, through an integrated process of identification, measurement, and monitoring of major risks, secures the following aims:

- *the efficacy and efficiency of business operations, so also guaranteeing that documents and decisions are traceable;*
- *the reliability of accounting and management information;*
- *compliance with laws and regulations;*
- *the safekeeping of Company assets.*

For the purposes of the above the Addressees of the Code are required to contribute to the constant improvement of the internal control system.

In carrying out their work and in connection with their separate spheres of responsibility, the

control and supervisory bodies, Internal Audit, and the independent auditors enjoy direct, full, and unfettered access all personnel, activities, operations, documents, archives, and assets of the business.

The Group Whistleblowing Procedure is used to handle any cases of corruption. More details are found in the specific paragraph below that addresses this topic.

Group Compliance Function

In 2009 Pirelli also set up a Group Compliance Function that is independent from the Internal Audit Department. This new department reports to the General Counsel and Group Compliance Officer. It works with other Group departments to ensure that internal rules, processes and corporate activities in general always comply with applicable laws and regulations.

In accordance with best practices, the Group Compliance Function monitors the risk of non-compliance with laws, regulations and internal codes of conduct in order to prevent judicial and administrative penalties or material financial losses or damage to reputation.

Group Whistleblowing Procedure

On September 7, 2009 the Group published its Whistleblowing “*Procedure for reporting violations, suspected violations and inducement to commit violations of laws and regulations, the principles set out in the Ethical Code, internal control principles, corporate rules and procedures, and/or any other acts or omissions that might cause direct or indirect financial damage or harm to the image of the Group and/or its subsidiaries.*”

Employees who are aware of potential or actual violations are encouraged to report them immediately to the Company, either anonymously or openly. They are guaranteed the absolute confidentiality of their identity and will not suffer reprisals of any sort.

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

The reports may be sent to the company by sending a message to a special e-mail address or by telephoning or sending a fax to dedicated telephone numbers. The e-mail box and telephone and fax numbers are managed at the corporate level by the independent Internal Audit Department and are to be used by all Group affiliates.

The Group Internal Audit Department will:

- set up, manage and update the addresses where reports can be sent;
- receive, register and analyse the received reports by engaging the participation of other corporate departments and offices for investigation as necessary and forwarding any reports to the supervisory bodies with jurisdiction according to the situations where a specific body exists (for Italian companies: the Board of Statutory Auditors, the Supervisory Bodies for offences pursuant to Legislative Decree 231/01);
- prepare specific action plans;
- ensure the retrieval and storage of documentation for five years after the conclusion of the investigation;
- file a quarterly report with the Internal Control Committee of Pirelli & C S.p.A. or of Pirelli & C Real Estate S.p.A. on reports received and actions underway.

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

The Whistleblowing Procedure was distributed to all Group employees in their local language

version, with distribution being completed at the end of October 2009. No report was received between that time and December 31, 2009. A suspected case of violation of the Ethical Code has been under investigation since 2009, not yet completed at the date of this report. In any event, the amount of this alleged violation is not material.

Organisational Structure

Governance of Sustainability is centred around the **Sustainability Steering Committee**.

This high-level body was formed by the Chairman at the beginning of 2004 to guide the advancement of sustainability throughout the Group. The organisational structure is made up of a Group Sustainability Director, who reports directly to the Group General Counsel, a Group Sustainability Manager and company Sustainability Referents (responsible for each Group affiliate).

In September 2009 the Equal Opportunities Steering Committee was merged with the Sustainability Steering Committee, following a decision taken by the latter, to realise operating opportunities and efficiency in regard to matters that had effectively been part of Group sustainability management.

Group operating Procedure

The Operating Sustainability Rule (issued on September 16, 2006) sets out and regulates the methods applied for internal management of the related activities, with particular attention to the roles and responsibilities of the departments involved. These regulations also govern the planning and control processes, the process of drawing up the Sustainability Report and the dissemination of information to the external community.

These rules specifically provide for the full integration of sustainability in the Group's financial reporting structure. The cycle of planning and control of sustainability follows the Group's reporting and planning calendar.

Adopted management systems

Pirelli devotes significant resources to management systems. The Group utilises these tools to improve the quality, effectiveness and efficiency of its processes, in view of continuously reducing impact on the health of its employees, on safety conditions in the workplace and on the environment.

The following management systems have been adopted:

OHSAS 18001	for occupational health and safety
ISO 14001	for the environment
ISO 9001, ISO/TS 16949, ISO/IEC 17025	for product quality

The international **SA8000®** standard was adopted in 2004 as the benchmark for assessing the consistency of the Group's conduct with the Social Responsibility principles set out in the standard.

The number of certified sites according to type of management system at December 31, 2009 and the targets for 2010 are described in the specific paragraphs of the chapters Social Dimension (sections on Health and Safety), Environmental Dimension (section on Environmental Management and Certifications System), and Economic Dimension (section on Customers).

IT System for CSR information management

The "CSR-DM" (CSR Data Management) system is an **IT system** for the management of Group sustainability information.

Created in 2007 to improve the efficiency of the process of contribution, validation, consolidation, analysis and management relating to sustainability, the system has been used to collect the data reported in the annual Sustainability Report.

Stock market indices and ethical finance

The commitment and results achieved by Pirelli in the field of sustainability have been recognised for years through its inclusion in some of the most prestigious international stock exchange sustainability indices.

It received widespread recognition once again in 2009, as illustrated in the following paragraphs.

DOW JONES SUSTAINABILITY INDICES

Launched in 1999, the Dow Jones Sustainability Indices are the first global indices to track the financial performance of leading companies in terms of sustainability. Compiled on the basis of cooperative efforts between Dow Jones, STOXX Limited and SAM Group, they provide reliable and objective information in the form of benchmarks for managers of sustainable fund portfolios. Pirelli was selected for the **Dow Jones Sustainability STOXX** (DJSI STOXX) index for the first time in 2002, and has also been included for many years in the **Dow Jones Sustainability World** index.



Pirelli's overall rating for 2009 was 88% (+11% from 2008), compared with an industry average of 48%.

In January 2009 Pirelli was named world sustainability leader in the "Autoparts and Tyres" Sector and Gold Class Company for the third year in a row and – for the first time – "Sector Mover" for its additional, significant improvement in terms of sustainable performance over the past year. This recognition was published in the **prestigious Sustainability Yearbook 2010**, published by SAM Group in collaboration with PricewaterhouseCoopers.

The *Yearbook* is the most complete and authoritative global benchmarking tool for sustainable finance specialists. It includes only the top scoring companies worldwide, ranked as such by SAM Group, or 15% of firms in 57 business sectors.

FTSE INDICES

Pirelli has been included in the **FTSE Global** and **European STOXX** indices since 2002. FTSE is an independent company, *owned by The Financial Times* and the London Stock Exchange.



The **FTSE4Good Series** indices were created by FTSE to measure the performance of companies in terms of their observance of internationally recognised standards of social responsibility, and to facilitate investment in these companies.

The information used to include or exclude a company from the FTSE4GOOD Indices is gathered on an independent basis by **EIRIS**.

The Group's rating (expressed in qualitative terms) in 2009 showed further improvement from previous years.

ASPI INDEX

Pirelli has been included since the beginning of 2005 in the **ASPI EURO-ZONE**® (Advanced Sustainable Performance Indices) index, which includes the 120 best-performing companies in terms of sustainability on the basis of the ratings issued by **Vigeo**, a social and environmental rating agency. The ASPI survey pool is comprised by the companies included in the DJ EURO STOXX SM index. The companies are included in the ASPI Eurozone® index and other ASPI indices according to Vigeo's assessments of their sustainability performance.

The assessment of Pirelli conducted in 2009 showed further improvement from the previous years.

In an important Vigeo assessment, whose results were published in Italy in September 2008, the Company was recognised as a leader in its sector for its policies and practices, especially in the fields of "Human Rights," "Environment," and "Customers and Suppliers" (which the Vigeo model considers to be some of the areas with the greatest risks/opportunities), for which Pirelli received the highest score. Its score for human rights was far higher than the sector average. Vigeo has also given Pirelli high marks in the environment category, reflecting the Group's environmental management systems. Appreciation was also expressed for the Group's equal opportunities and product safety policies and transparency in regard to Board of Directors compensation.



AXIA INDICES

Pirelli has been included in the **Axia Ethical Index** since 2004 (the year when the index was created) and in the **Axia Csr Index** since 2005 (the year it was created). Pirelli is also included in the Axia Euro Ethical Index and Axia Euro Csr Index.



The Axia indices interact with the major international platforms for financial operators and encompass international best practices in corporate social responsibility for a range of companies selected from those with the highest capitalisation for the S&P MIB and Eurostoxx60 indices.

Pirelli's current rating is **A+++**, which is the highest obtainable in the "ethical class."

ECPI INDICES

Since 2008 Pirelli & C has been included in the ECPI Ethical Index EMU, ranking prepared by **E. Capital Partners (ECPI)**, a leader for socially responsible investments (SRI).



This index is comprised by the 150 largest companies in terms of capitalisation belonging to the EMU (Economic and Monetary Union), which were found to be **sustainability leaders** in the screening carried out according to ESG (Environmental, Social, Governance) parameters for assessment of environmental risk, social impact and corporate governance structure.

Pirelli was listed on the ECPI Ethical Index EMU and in the investment universe of companies listed on the ECPI Ethical Index Global and ECPI Ethical Index Euro.



KEMPEN INDICES

Pirelli has held "Pass Status" since 2003 in the entire Kempen Capital Management "SNS Socially Responsible Investing Universe," with continually improving ratings.

The investing universe includes companies listed in Europe that prove they have adopted the highest standards in terms of ethical, environmental, and human resources standards.



PRINCIPAL INTERNATIONAL COMMITMENTS

Certain of the principal commitments made by Pirelli worldwide are illustrated as follows.

The list does not include the numerous agreements existing at the local level with Group affiliates. However, some of these will be mentioned in other chapters, in the sections relating to them.

Membership in the European Alliance for CSR

Pirelli's participation in the European Alliance, formalised in 2007, is based on its full acceptance of the role of sustainability as a strategic and competitive way to manage a company. So far, Pirelli's participation in the initiative promoted by the European Commission to encourage the spread and exchange of the best sustainability practises amongst businesses, has been expressed through its active participation in the **Alliance's European Laboratories**, coordinated in Italy by the Sodalitas Foundation.

In 2009 the Multiculturalism Laboratory created the toolkit *Multiculturalism, an Asset for Business. A Comparison of Experiences and Programmes: Stimulus for Improvement of Company Life*, presented in Milan on October 27, 2009 by Pirelli and the other companies that co-authored the book, together with UNAR-National Office against Racial Discrimination, during the conference "Diversity Management: an Asset for Business."

The **Equal Opportunities Workshop** held in 2008 produced a toolkit entitled *Practising Gender Equality in Careers*, which was presented in Brussels on June 19, 2008 at the CSR Europe General Meeting.

For more information about the workshops mentioned here and the companies participating in them with Pirelli, please visit the website www.sodalitas.it.

Chairmanship of ETRMA – European Tyre and Rubber Manufacturers Association

Tyre manufacturers commemorated 50 years of presence in Brussels in 2009.

Under the chairmanship of Francesco Gori, CEO and General Manager of Pirelli Tyre and serving his second three-year term as ETRMA Chairman, ETRMA worked intensively during 2009 in response to unprecedented regulatory changes in Europe.

The initiatives taken by the European Commission in the areas of environmental protection, road safety and greater competitiveness resulted in:

- regulation of the general safety of vehicles and tyres, under which industry is required to make a major commitment to reducing tyre noise, improving performance on wet road surfaces and reducing fuel consumption;
- regulation of energy efficiency, which will require that tyres be sold by informing buyers about the energy efficiency, road hold on wet surfaces and noisiness of tyres.

The Association, backed by the institutional support provided by the Pirelli Group, was the principal partner of European Union institutions in Brussels during development of these regulations. ETRMA is expected to make a big commitment over the next two years for harmonised implementation of these regulations in the European Union.

ETRMA is also active in implementing the REACH (*Registration, Evaluation and Authorisation*

of *Chemicals*) regulation in collaboration with the European Chemical Agency (ECHA), and in supporting the European Commission for implementation of the *Greenhouse Gas Emission Trading Scheme* (EU ETS) in Member States.

Two years after signing the European Road Safety Charter, which contains a commitment to halve the number of highway accident deaths by 2010, the ETRMA safe driving campaign continued with dissemination of the best practices existing in Europe.

WBCSD – World Business Council for Sustainable Development

Pirelli actively participated in the **WBCSD – World Business Council for Sustainable Development** once again in 2009. Headquartered in Geneva, this is an association of about 200 international companies based in over 30 countries that have made a voluntary commitment to link economic growth to sustainable development.

Pirelli Tyre is a member of the **Tire Industry Project Group**, the project launched in 2006 to identify, from a sustainable development perspective, the potential impact on health and the environment of the materials associated with the manufacture and use of tyres. This project focuses on raw materials and tyre debris. It aims to further the development of knowledge and devise a new industrial approach that will not only meet but even anticipate the challenges of sustainable development. After three years of research, in 2010 the heads of the world's leading tyre manufacturers and members of the group will have to assess the progress made on achieving the group's objectives and what next steps it would take.

The members of the group also published a report on the handling of tyres at the end of their life cycle, aiming to promote their recovery and reuse as a resource (secondary raw material) in emerging countries, so that the exploitation of raw materials and its environmental impact could be reduced.

Partnership with the European Occupational Safety and Health Agency (EU-OSHA)

Pirelli has officially joined the “**Safe and Healthy Workplaces**” campaign as partner of the **European Agency for Safety and Health at Work (EU-OSHA)**.

Francesco Gori, CEO and General Manager of Pirelli Tyre and Parts, clearly described the spirit with which the Group is participating in these initiatives: “*Attention to health and safety in the workplace has always been an important part of the culture of Pirelli, in all our factories and offices throughout the world. Knowledge, understanding and above all internal sharing of the concept of risk are key elements that we focus on, with the goal of raising the general awareness of the Company on a theme which, more than a collection of rules to respect, is a matter of culture. It is with this spirit that we adhere to the EU-OSHA campaign.*”

Since 2000, the Agency has organised the European campaign that, with the participation of over 30 countries and about 4 million pieces of informational material distributed in all the official languages of the European Union, has become one of the biggest annual public awareness initiatives.

The Campaign addresses a different issue every two years, being dedicated in 2008 and 2009 to “Risk Assessment.” Its objective was to promote a participatory approach to risk assessment, based on consultation and the involvement of everyone present at the workplace, so that all hazards would be accounted for, not only on the basis of theoretical principles but also through actual knowledge of the environmental conditions and situations that have a negative impact on workers.

The commitments made by the Group with the EU-OSHA during this Campaign have ranged from promoting the risk prevention culture through internal and external communication channels to

organisation of ad hoc meetings at Pirelli sites with the participation of Agency representatives.

In 2010 the theme of the new Campaign will be “Maintenance” and engage Pirelli in new projects.

More details about the Campaign and the commitments made by Pirelli are found in the dedicated section of the EU-OSHA website:

<http://osha.europa.eu/en/campaigns/hw2008/partners/Pirelli>

Subscription of the Copenhagen Declaration

In 2009 Pirelli signed the **Copenhagen Communiqué**, an initiative sponsored by the British entity **Prince of Wales's Corporate Leaders Group on Climate Change** and supported by over 500 firms worldwide.



The aim of this commitment is to develop new policies – especially for controlling CO₂ emissions – in response to the pressing issue of climate change.

The basic framework of the agreement calls for:

- a cap on global emissions and a long-term programme of reducing all emissions and sources of greenhouse gases between 2013 and 2050;
- immediate commitments by industrialised countries to “de-carbonise” their economies;
- participation by developing countries to define emissions abatement plans.

The Copenhagen Communiqué was presented to **the United Nations Climate Change Conference in Copenhagen**, testifying to the commitment made by the participating companies to environmental sustainability.

At the United Nations Climate Change Conference on Bali in 2007, Pirelli Tyre had already endorsed the **Bali Communiqué** together with 150 international firms. This document promotes the development of concrete strategies through joint action by governments on a comprehensive global climate accord.

PRINCIPAL AWARDS RECEIVED

The main awards received from outside organisations for sustainable performance in 2009 are mentioned in the following chapters, where they are discussed in the related sections.

For a complete, detailed overview of the awards and recognition received by the Group in 2009, please see the Sustainability section on the website www.pirelli.com, **Sustainability Channel** area.



Economic dimension

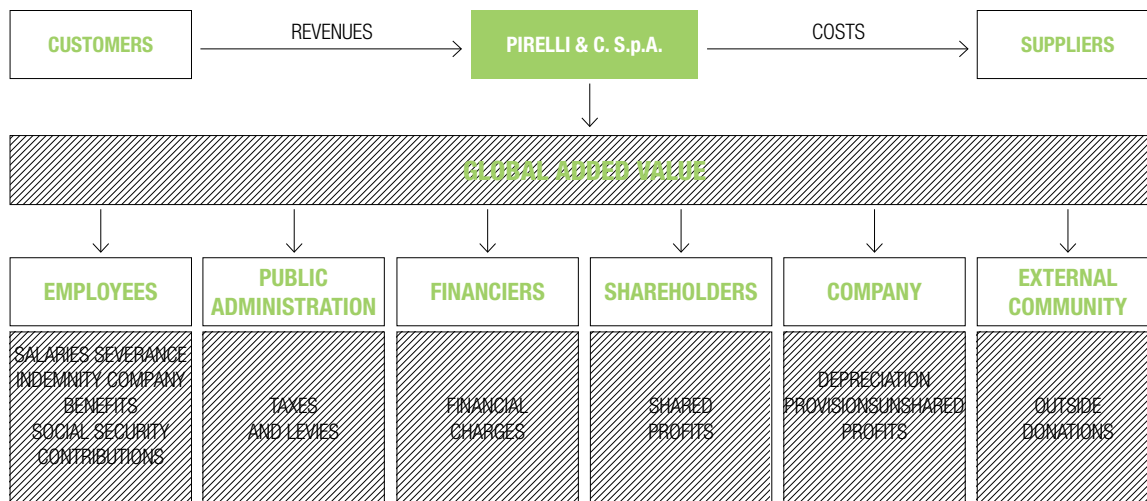
“Working to ensure long-term responsible growth in full awareness of the inter-dependence of the economic, social, and environmental spheres, and being mindful of the effects a decision in one such sphere has on the others. Seeking to be a leader of R&D in green technologies and products, ahead of market demand, in the knowledge of the benefits that today’s achievements will bring to tomorrow’s world. Linking together value creation, social progress, concern for stakeholders, and higher standards of living and environmental quality”
(Ethical Code/Values – “Sustainable Growth”)

“The Pirelli Group intends to contribute to the prosperity and growth of the communities it operates in by providing efficient and technologically advanced services.”
(Ethical Code – “The Wider Community”)

Added value

Added value means the wealth created over a given reporting period, calculated as the difference between the revenues generated and the external costs sustained in the period.

The distribution of added value between stakeholders enables the expression, in monetary terms, of the existing relations between Pirelli and the major stakeholders, thus shifting attention to the socio-economic system in which the Group operates (as shown in the diagram below).



The added value created by Pirelli & C. Group in 2009, 2008 and 2007 is broken down as follows:

ADDED VALUE (in thousands of euros)

	2009		2008		2007	
GROSS OVERALL ADDED VALUE	1,429,659		1,169,029		1,871,969	
Remuneration of personnel	(1,053,732)	73.7%	(1,210,440)	103.5%	(1,156,170)	61.8%
Remuneration of Public Administration	(97,897)	6.8%	(78,335)	6.7%	(133,503)	7.1%
Return on credit capital	(85,353)	6.0%	(76,087)	6.5%	(36,288)	1.9%
Return on venture capital	(81,132)	5.7%	-	0.0%	(169,503)	9.1%
Remuneration of the company	(107,398)	7.5%	200,866	-17.2%	(368,132)	19.7%
External donations	(4,147)	0.3%	(5,033)	0.4%	(8,373)	0.4%

The changes in the items comprising gross overall added value is indicated hereinabove are adequately explained in Book One, Directors' Report. Reference is made to that report for further details.

The table below shows the contributions and donations made by Pirelli & C. Group in the three-year period 2009, 2008 and 2007, broken down by category:

AREA OF INTERVENTION (in thousands of euros)

	2009	2008	2007
Education	711	1,322	1,035
Culture	1,633	2,076	5,774
Sport	50	137	287
Research	923	615	483
Solidarity	830	880	656
Other	-	3	138
TOTAL	4,147	5,033	8,373

The current complexity associated with the economic situation has led to revaluation of what has been allocated to the different areas of intervention. The changes that have occurred over the last two years as compared with 2007 illustrate this situation, with a significant reduction in the total amount of contributions and donations although, when the individual items are observed, there has been a substantial increase in resources allocated to research, training and solidarity, which are of fundamental social importance during hard economic times.

Reference is made to the *Social Dimension* (“External Community” section) for a detailed description of the principal actions associated with these contributions and donations.

During FY 2009, no significant penalties were levied and paid on a final basis for violation of laws and regulations, including any penalties connected with the supply and use of Group products and/or services.

Finally, the Group *“The Pirelli Group does not provide contributions, advantages, or other benefits to political parties or trade union organizations, or to their representatives or candidates, this without prejudice to its compliance with any relevant legislation.”*
(Ethical Code – “The Wider Community”).

SIGNIFICANT LOANS RECEIVED IN 2009

The European Investment Bank (EIB) and Pirelli signed an agreement for a Euro 100 million loan granted by EIB to support Pirelli Group research and development projects in 2009-2012.

The loan is intended to support research and development in the field of product innovation and production processes intended to reduce the environmental impact of tyres, among other objectives, by improving their performance and safety standards through the identification of innovative materials and components. The project involves the activities carried out at the various Pirelli research and development centres located inside and outside Italy, and was culminated by drawing on the Euro 200 million credit line resolved by EIB in July 2009.

The new loan consolidates the relationship between Pirelli and EIB, which has previously contributed to the Group’s constant commitment to innovation and development of its global competitiveness.

“We are happy to continue in our tradition of supporting the Pirelli Group, which makes investment in research one of the pillars of its policy for growth in international markets, placing great attention on the goal of reduction of polluting emissions – which is a priority for EIB,” said Dario Scannapieco, EIB vice president in charge of Italy, Malta and the Western Balkans..

“The loan from EIB,” said Marco Tronchetti Provera, chairman of Pirelli *“represents a contribution to and an important recognition of the research activity of Pirelli, which has always been strongly committed in this direction with the aim of improving quality of products for the benefit of consumers and the competitiveness of the Group on the market. Today, in particular, this effort shows us committed to development of products and processes that are more and more eco-compatible, that is, oriented towards adopting technologies that offer customers not only safety and high performance, but also solutions which are respectful of the environment.”*

Shareholders, Investors and the Financial Community

“In its relations with all classes of shareholders, with institutional and private investors, financial analysts, market operators and, in general, with the financial community, the Pirelli Group is fully transparent, complies with the requirements of accuracy, timeliness, and equal access, and aims to ensure that a proper valuation of Group assets can be made.”
(Ethical Code – “Shareholders, Investors and the Financial Community”).

Pirelli attributes great strategic importance to financial communication, considering it a key tool for building a trust-based relationship with the financial markets. Accuracy, timeliness, equality and transparency are the basic rules that Pirelli applies to its financial disclosures.

Through top management and the Investor Relations Department, the Group maintains an open and transparent dialogue with analysts and investors – both individuals and institutional investors – in view of promoting fair valuation of its assets. At the same time, Pirelli believes that constant dialogue with professionals in the financial sector represents a key tool to enhancing the value of Company assets by keeping up to date on changes in business trends affecting the Group and, more generally, macroeconomic trends.

Financial communication activities in 2009 promoted the new Pirelli equity story and highlighted the gradual implementation of the Industrial Plan presented to the financial market in February 2009. The 2009-2011 Business Plan is based on four guidelines:

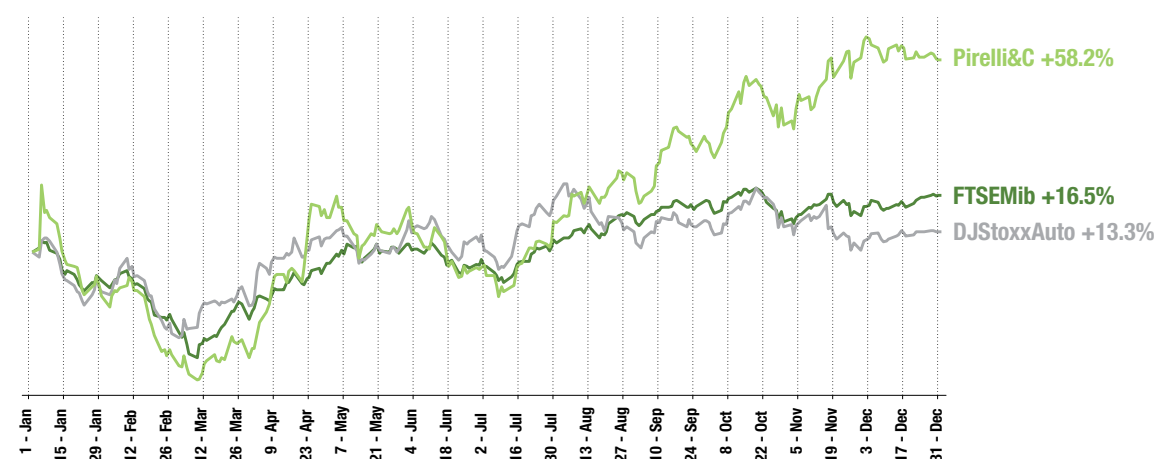
- *focus on core business (tyres and particulate filters)*
- *stimulus for the development of cutting-edge products and solutions in the “green economy”*
- *acceleration in reorganisation of Pirelli Real Estate*
- *sale of certain non-strategic equity holdings to improve the Group's financial flexibility to support growth in its core business*

In 2009 the Group met more frequently with investors on major financial markets (Milan, London, Edinburgh, New York, Boston, Paris, Frankfurt, Zurich, Copenhagen and Stockholm) during dedicated roadshows and participation at industry conferences. Pirelli representatives met with 240 institutions, comprised of both current and prospective investors.

At the same time, coverage of Pirelli stock by investment banks was expanded, especially amongst international investment banks with specialised coverage for the tyre industry. At December 31, 2009 Pirelli stock was covered by 18 brokers who regularly publish on it (+50% from December 31, 2008), including 33% global (25% at December 31, 2008).

Special attention was also dedicated to web-based communication, by upgrading the *Investor Relations* section with new information services: from “*Investor Channel*,” a Pirelli financial and business news channel, to *Peers and Market*, a weekly financial newsletter, to *Tyre Market Watch*, an observatory of tyre market trends in the principal geographical areas where the Group operates. Finally, to promote greater transparency on the financial market, Pirelli regularly publishes a summary of analysts estimates (Consensus) covering Pirelli stock in the Investors section.

PIRELLI & C STOCK MARKET PERFORMANCE IN 2009



For years the Group has also been dedicating special attention to the ratings agencies that specialise in sustainable finance. In January 2010 Pirelli confirmed its leadership in terms of sustainability for the **third consecutive year**, winning the top rating in the **Sustainability Yearbook 2010** (published by SAM Group in collaboration with PricewaterhouseCoopers) as

"**Sector Leader**" and "**Gold Class Company**" in the "Autoparts and Tyres" sector. Pirelli was also recognised as "**Sector Mover**" for its continued, significant growth in terms of sustainable performance during the last year.

During the 2009 financial year, Pirelli also confirmed its position in the most prestigious rankings of ethical finance at the global level, with steadily improving scores. This topic has been illustrated extensively in the introductory section of this report, to which reference is made for more details.

In 2010 Financial Communication activity will continue by enhancing the visibility given to steady implementation of the Pirelli Equity Story, through wider contacts with analysts and investors. Special attention will also be dedicated to the Group's sustainability strategy.

Information on the **composition of company shareholders and its share capital** is provided in Book One - Corporate Governance Report, to which reference is made for more details. The cited information is also published in the "**Governance**" section of the company website, www.pirelli.com.

For more details on the topics addressed in this section, reference is made to the "**Investors**" section of the website www.pirelli.com. It provides a complete information tool for matters of interest to shareholders and the financial community.

Customers

"The Pirelli Group bases the excellence of its products and services on non-stop innovation. Its goal is to anticipate customers' needs and meet their demands with an immediate and professional response that is delivered with propriety, courtesy, and unstinting cooperation."
(Ethical Code – "Customers").

Types of Group Customers

The types of customers vary greatly from one business to the next.

Pirelli Tyre customers can be broken down into two big categories:

- "Original Equipment", which includes the leading international makers of cars, motorcycles, scooters, commercial vehicles (light, medium and heavy), buses and agricultural machinery;
- "Replacement", which includes a total of about 15 distribution channels (for car, truck and motorcycle tyres), and whose importance differs from country to country.

The customers of **Pirelli Eco Technology**, both for the FEELPURE™ particulate filter technology and the GECAM™ white diesel technology are public and private firms that operate in the public transport, freight transport, waste collection, mining and construction sectors. In the case of GECAM™ technology for heating use alone, Pirelli Eco Technology also provides the product to independent licensees operating in the vehicle and heating segments. In the last case, the end users are condominiums, industrial plants or public administration buildings. In addition to receiving royalties on its licensee's sales, the company also indirectly performs the technical and marketing activities connected with the product.

The companies owned by **Pirelli & C. Ambiente** have the following categories of customer:

- customers in the “Renewable Energy” sector, i.e. companies that convert solid urban waste to energy;
- customers in the “Site Remediation” sector, i.e. companies – mainly in the Group and other closely affiliated companies – that assess, plan and manage the demolition and decontamination of buildings and/or lands;
- customers in the “Solar Utility” sector, i.e. national electricity grid operator to which Solar Utility sells the electric power produced by photovoltaic plants and receive the incentive rate for the generated energy

Pirelli Real Estate operates on the market in accordance with a model that has a high degree of integration between two components of activity:

- "Investment" activity, whose customers are comprised almost entirely of funds and property holding companies and non-performing loans in which Pirelli RE has qualified minority shareholdings
- "Fund & Asset Management and Service Provider" activity, whose customers include funds, property holding companies and non-performing loans managed by the Asset Management departments. As a service provider, the Company provides non-captive and in-house customers with a complete range of specialised services connected with the different phases of the real estate business cycle. These services, which are organised according to the Group's international perspective, target not only private customers but also public entities and are provided both directly and through the network of franchised outlets.

The domestic and international customers of **Pirelli Broadband Solutions** can be divided into the following categories:

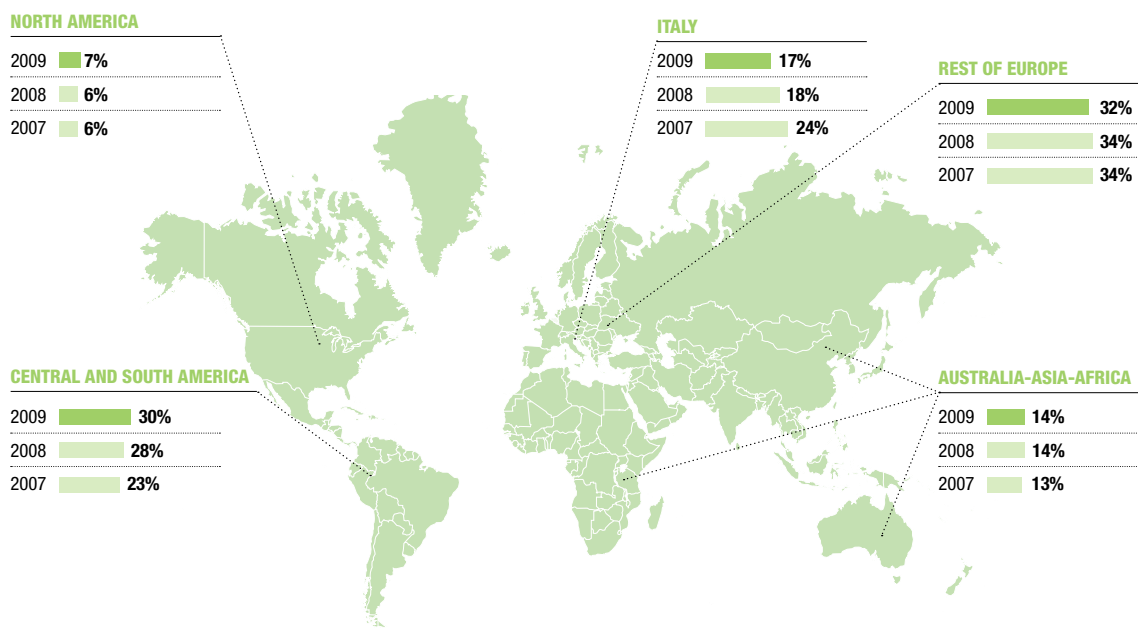
- telecommunication operators;
- system integrators;
- added value distributors and retailers.

PZero customers are mainly multi-brand stores in the medium-high segments of the fashion sector. End customers in all European Union countries can be reached through the online sales website *www.pzeroweb.com*.

The following table shows the breakdown of Group sales by geographical area:

BREAKDOWN OF SALES BY GEOGRAPHICAL AREA

% on total value of sales



Group Policies

Customer orientation, a key aspect of *The Values* and *Ethical Code* of the *Pirelli Group*, presumes that Pirelli has a constant and on-going commitment in terms of:

- comprehension of the market context in which the Group operates;
- consideration of the impact of the Group's actions and behaviour on the customer;
- exploitation of every opportunity offered by doing business to satisfy the customer's needs;
- "anticipation" of customer needs;
- top product quality, as well as excellence of production systems and processes;
- constant focus on performance to satisfy customer performance and safety expectations;
- excellence and competitiveness on the market to offer customers quality products and services that efficiently satisfy their demands.

The Company's commitments as listed above are similarly made explicit in the *General Conditions of Supply applied by Group companies*.

With reference to **Advertising Communication**, a steady centralisation of activities has been underway since 2009. This initiative partly reflects the code of conduct adopted by the parent company, as well as compliance with various locally applied laws and regulations in the countries where Pirelli operates. Pirelli ATL activities comply with the **Advertising Code of Conduct issued by UPA** (Utenti Pubblicità Associati).

The Pirelli representative has been named Deputy Chairman of this association in recognition of the role played by Pirelli in support of this code. The Company participates in the Consumer Forum through the UPA. The Forum is an entity created by businesses and consumer associations to promote consumer protection.

Pirelli is also a member of **WSA (World Federation of Advertisers)**, whose entire code of conduct has been adopted.

The Company only uses suppliers in the communication sector (promotions, sponsorships, advertising, producers) that, by virtue of their membership in certain business associations, adopt ethical codes envisaging respect for consumers.

Information and Training

No legal obligations currently apply to information about tyre product performance at the European level, but these will come into force in 2012.

Instead, in the United States providing information about *Uniformity Tyre Quality Grading* (UTQG) indicators is mandatory. Aside from compliance with these obligations, all products sold in the United States bear a safety warning on the sidewall of tyres (although this is not legally mandatory). No obligations currently exist in other countries.

Regardless, product information is provided to dealers and end customers in the following ways. The main tools used by the Company to constantly provide customers – distributors and end customers – with information about both the product and the related initiatives include the following:

- the website *www.pirelli.com* and local sites on the markets where the Company operates;
- product leaflets;
- the Pirelli magazines that are dedicated both to Group employees, such as *Pirelli World* or *Giro* in Brazil, and to the public and international market, such as *Pirelli Truck*, *Pirelli Club Truck*, *Street* and *Motopasion* in Brazil;
- institutional events, participation at international trade fairs and shows, and the launches of new products organised by the Company worldwide. The most significant events in 2009 were the "Pirelli Truck Day" in Bologna for the launch of FR:01 and TR:01 products and the institutional event "80 Years of Pirelli in Brazil." Particularly successful motorcycle launch events included "the Pirelli Angel ST", the tyre that changes design, tread and road marks, holder of the 24 h Duration World Record" for the 24 hour race at the Nardò in Puglia racing strip (running 5,135.071 km at an average speed of 213.96 km/h with just one set); and the Metzeler Racetec, supersport racing product presented on the principal racetracks of Europe (Valencia, Misano, Brands Hatch).

Furthermore, to promote interaction with customers, Pirelli created **an international blog in 2009 with educational content about tyres and especially road safety**, particularly during the winter season (*www.tourofthealps.com*)

Pirelli Spain organised another series of initiatives at Barcelona service stations to increase road safety awareness, called "El principio de un buen viaje."

Forty-five days of training were held in Germany for a total of over 1,000 participants. They were given lessons that included driving, vehicle and tyre maintenance, and road safety tips.

Pirelli was also a partner or sponsor at several major safe driving schools, including "Audi Driving Experience" in Germany, "BMW Motorsport Academy" and "Centro internazionale guida sicura"(International Centre for Safe Driving) in Italy and "BMW Driving Training" in Brazil.

Finally, Pirelli Tyre played a major role within the framework of ETRMA (European Tyre and Rubber Manufacturers Association), which plays an especially active role on the theme of road safety. Its chairman is the General Manager and CEO of Pirelli Tyre & Parts.

For more information about the Company's activity in ETRMA, reference is made to the section *Pirelli and Sustainable Development*.

Dialogue and interaction

Customer relationships are managed principally through two channels:

- the local **sales organisation**, which has direct contact with customers and, by using the Sales Force Automation (SFA) information management system, can process and respond on-site to all customer information requirements;
- the **Contact Centers** (the Tyre sector alone has 31 worldwide), which provide both information assistance and order management (inbound), telemarketing and teleselling (outbound), with over 1,700,000 calls a year. An international training programme was developed in 2009 to perfect customer relations skills and develop proactive sales skills, with over 200 operators participating worldwide.

Specific reports and analyses are generated on the basis of available tools to assess efficiency, effectiveness and customer satisfaction.

Many initiatives engage the participation of end customers, in order to better understand their expectations. In 2009, the **Consumer Relations** activity of Metzeler brand were particularly intense. To establish close contact with the motorcycling community, the Company engaged it through corporate blogs, relations with online communities, offline encounters (events and meetings) and dialogue on the principal social networks.

In particular, "Ridexperience," the Metzeler blog, is active in Italy, Germany and Spain. It is the site where Metzeler describes itself and interacts with motorcyclists, collecting travel stories from motorcyclists and all sorts of enthusiasts. Ridexperience is linked with Facebook, Netlog, My Space, Flickr and Youtube, and has attracted over 15,000 "friends."

Following are the results of the 2009 Dealer Satisfaction Surveys, which are periodic surveys of distributor satisfaction ranked on a scale from one to five, conducted in the form of interviews with native language operators, anonymous surveys, and web based questionnaires.

The 2009 index of overall dealer satisfaction as compared with the 2008 index in leading European countries grew (Italy +12.2%; Germany +2.4%; France +1.4%), and particularly brilliant results were achieved in the following areas:

- **Product range**: higher than market average preference for Pirelli in Italy (+3.7%) and Spain (+3.4%);
- **Marketing**: higher than market average preference for Pirelli in Italy (+ 9.2% and best in class of all competitors) and higher than in 2008 (+12.4%);
- **Logistics**: growing appreciation for Pirelli in Italy (+6.7%), France (+6.8%), Spain (+4.6%), and Germany (+2.7%).

In Brazil, major improvements over 2008 were realised in all areas investigated, especially Marketing (+22%) and Logistics (+26%).

Quality certifications

The focus placed on quality by Pirelli Tyre, both as producer and supplier, is demonstrated by the certifications it has received, which comply with international standards and address aspects regarding processes and products and services.

In particular:

ISO 9001

The group Quality Management System, set up in 1970, has gradually been introduced at all plants. The Pirelli quality system has been ISO 9001 certified since 1993. All of its car, truck, motorcycle, steel cord and particulate filter plants are certified in accordance with the most recent version of this standard.

ISO/TS 16949

To meet the requirements of car makers, the Group obtained certification for its quality management system under the ISO/TS 16949 standard in 1999, and has since maintained its certification in compliance with the current version of that standard. All plants that supply car makers have obtained this certification.

ISO/IEC 17025

In 1993 the Pirelli Group Materials and Products and Outdoor Experimentation Lab implemented a quality management system that is accredited under the ISO/IEC 17025 standard. This quality management system is maintained in accordance with the current standard.

Pirelli's car tyres are an excellent example of the Company's focus on quality, which is confirmed by its pre-eminence in a large number of product tests, and also ensured by the Company's close links with highly prestigious partners (famous car makers, specialist magazines, driving schools, etc.) for product development and experimentation.

European Regulation no. 1907/2006 (REACH)

Monitoring of the producers and suppliers of raw materials used by the Group continues as part of certification of the compliance of chemical products pursuant to European regulations to protect worker health and the environment. In accordance with REACH requirements, Pirelli does not produce or directly import chemical substances from non-EU countries, constantly controls the chemical substance registration processes implemented by its suppliers, verifies their certification and requests continual updates in accordance as necessary to carry on its business.

Safety, performance and eco-sustainability

The R&D commitment of Pirelli continues for the development of **innovative products** that offer both **performance** and **eco-sustainability** which can anticipate market demand.

Respect for the environment, performance and safety are the key features of the new lines of Pirelli products, such as the **Cinturato** Family and the **Scorpion Verde** tyre, as well as the new models for industrial vehicles (the innovative **Series 01**) and motorcycles. Compounds without highly aromatic oils (introduced in 2008, ahead of European regulations), innovative tread structure and designs reduce fuel consumption and CO2 emissions, increase mileage and enhance safety performance on both dry and wet road surfaces. The **eco-impact mark** on tyre sidewalls identifies products that reduce rolling resistance, fuel consumption and external noise (**the new generations of tyres already comply with European noise standards that will come into force in 2012**) and extend mileage and thus the overall tyre life.

For more details about the "green" characteristics of Pirelli products, please see the *Environmental Dimension* chapter in this report.

The Group has always pursued product innovation to improve quality and safety for the end consumer. To achieve this, Pirelli Tyre relies in part on its close ties with the leading car makers in a segment that is particularly scrupulous and demanding in terms of safety: the ultra *high performance market*. Continuous improvements in braking performance under dry and wet conditions offer customers top-quality products in terms of road safety.

Safety and innovation are at the heart of self-supporting or *Run Flat* tyres, which guarantee vehicle mobility and control even in the event of a sudden loss of pressure.

Then there are new generation winter tyres like the new **Winter Snowcontrol Serie II**, introduced during the 2009-2010 season and presented to the public with the aid of the most recent web tools, the most famous social networks and the most popular bloggers on the internet. Finally, there is **WINTER**, the first winter tyre for motorcycles and scooters, and the super-advanced **Cyber™Tyre** and **Cyber Wheel** safety systems.

For more details about the innovative characteristics of these products, see the website www.pirellityre.com, *Technology/Technology* in Revolution section.

Awards

Pirelli was named by Brazilian consumers **the best-known brand of all** merchandise categories according to the principal market survey *Top of Mind*.

In the 2009 global survey of the top 250 by Deloitte, Pirelli is the first of six Italian companies in the rankings of *Global Powers of Consumer Products*, the annual ranking of the world's 250 top producers of consumer goods.

According to the 2009 ranking by *Reputation Institute*, the Group was confirmed as one of the top hundred brands in the world with the best reputation.

Pirelli Tyre won the *Tire Technology International Award 2009* for the creation of innovative materials and the environmental benefits of its products.

As far as the Original Equipment relationship with car makers is concerned, in 2009 Pirelli was ranked as one of the Top 10 Suppliers of Daimler in Germany, won the *Quality Excellence Performance Award* and the Logistic Excellence Performance Award with Toyota, and the *Certificado de Mérito/Qualidade & Atendimento* with Honda in Brazil.

In Japan Pirelli was named the best supplier of tyres and won the *Autobacs Award 2009*.

Then there are the product appreciation rankings given by end customers: Metzeler won the *Motorrad* survey for the second year in a row, confirming its position as the "Beste Marke 2009." The brand was also preferred by the German motorists who are readers of *SportAuto*, on account of its "sportiness and strong emotions".

The P7 and P Zero were named the "Best tyre of the year" in China. P Zero won the same ranking in the United Kingdom. At the China Tyre Enterprise Summit 2009 in Shanghai, the Cinturato P7 was named the "Best tyre of the year" and the P Zero as "Best Ultra-High performance tyre of the year."

Details on the recognition won in 2009 are available on [www.pirelli.com /Sustainability section](http://www.pirelli.com/Sustainability)/"Sustainability Channel" area.

Suppliers

Suppliers and outside workers play a key role in improving the competitiveness of the business. While seeking the keenest competitive edge, the Group bases its relations with suppliers and outside workers on fairness, impartiality, and ensuring equal opportunities for all parties concerned. The Pirelli Group requires that its suppliers and outside workers comply with the principles and rules in this Code."

(Ethical Code – "Suppliers and Outside Workers").

Group Policies

Sustainability is fully integrated in the relationships between Pirelli and its suppliers.

In compliance with the Group Ethical Code and the "Social Responsibility for Occupational Health, Safety and Rights, and Environment" Policy, Pirelli has developed the necessary procedures to assess and select suppliers and subcontractors according to their commitment in the field of economic, social and environmental responsibility, and in view of continuous improvements. These procedures will be updated in 2010, as mentioned in the paragraph on *2010 Targets*.

Sustainability clauses of contract

Since 2008, sustainability clauses have been systematically included in contracts and purchase orders for goods and/or services and/or works, both with private suppliers and with the Public Administration (or entities/companies controlled by them).

The clauses envisage the implementation of adopted sustainability policies: Ethical Code, Code of Conduct, and the "Social Responsibility for Occupational Health, Safety and Rights, and Environment" Policy. Execution of the contract gives Pirelli the right to carry out audits of its suppliers to assess compliance with the principles and commitments they have agreed to by signing the clauses.

The sustainability clauses have been translated into 22 foreign languages. This guarantees the maximum clarity and transparency towards the supplier in terms of his sustainability obligations under contract, which he assumes not only in his relations with Pirelli itself but also at his own facility and in relations with his suppliers.

In 2009, the consolidation of large-scale distribution and acceptance of sustainability clauses permitted structured substantial review of their application through independent audits, as described in the specific paragraph below.

Breakdown of Group purchasing by geographical area and type

The following table illustrates the geographical breakdown of purchases made by the Group, which are distinguished as OECD and non-OECD countries, with the "weight" of the various areas on the total amount.

GROUP PURCHASES BY GEOGRAPHICAL AREA - % OF SUPPLIERS ON TOTAL NUMBER OF SUPPLIERS

		2009	2008	2007
OECD countries	Europe	68.7%	51.6%	69.9%
	North America	3.8%	1.4%	2.1%
	Others	2.9%	0.4%	0.2%
Non OECD countries	Latin America	19.3%	25.4%	19.0%
	Asia	4.1%	19.4%	7.3%
	Africa	1.1%	1.8%	1.5%
	Others	0.1%	-	-
		100%	100%	100%

GROUP PURCHASES BY GEOGRAPHICAL AREA - % OF PURCHASES ON TOTAL VALUE OF PURCHASES

		2009	2008	2007
OECD countries	Europe	52.1%	50.7%	67.0%
	North America	2.7%	1.3%	3.0%
	Others	2.6%	0.4%	1.0%
Non OECD countries	Latin America	22.6%	25.0%	13.0%
	Asia	16.0%	20.9%	15.0%
	Africa	1.2%	1.8%	1.0%
	Others	2.7%	-	-
		100%	100%	100%

The following table instead shows the breakdown of purchases by type of purchased goods and services, and the relevant percentage “weight” of the types of supplies over the total number of suppliers and over the total value of all purchases made.

BREAKDOWN OF GROUP PURCHASES BY TYPE OF GOODS AND SERVICES / WEIGHT ON TOTAL NUMBER OF SUPPLIERS

	2009	2008	2007
Raw materials	4%	3%	6%
Consumables	9%	6%	7%
Services	75%	82%	80%
Plant and equipment	12%	9%	7%
	100%	100%	100%

BREAKDOWN OF GROUP PURCHASES BY TYPE OF GOODS AND SERVICES / WEIGHT ON TOTAL VALUE OF PURCHASES

	2009	2008	2007
Raw materials	49%	59%	48%
Consumables	4%	5%	5%
Services	39%	27%	39%
Plant and equipment	8%	10%	8%
	100%	100%	100%

It should be emphasised that the goods and services purchased by the Industrial, Tyre and Eco Technology Sector – the Company’s core business – represent more than 80% of all purchases by the Group.

The following table shows the distribution by type of goods and services purchased by Pirelli Tyre and Parts in 2009 (and thus including the Eco Technology business for 2009, while the figures shown for 2008 and 2007 refer only to the Tyre business). The table also gives the percentage weight of purchases made in each category over the total number of suppliers and over the total value of all purchases made.

BREAKDOWN OF PIRELLI TYRE AND ECO TECHNOLOGY

PURCHASES BY TYPE OF GOODS AND SERVICES / WEIGHT ON TOTAL NUMBER OF SUPPLIERS

	2009	2008	2007
Raw materials	4%	3%	6%
Consumables	10%	6%	7%
Services	73%	82%	80%
Plant and equipment	13%	9%	7%
	100%	100%	100%

BREAKDOWN OF PIRELLI TYRE AND ECO TECHNOLOGY

PURCHASES BY TYPE OF GOODS AND SERVICES / WEIGHT ON TOTAL VALUE OF PURCHASES

	2009	2008	2007
Raw materials	53%	59%	48%
Consumables	5%	5%	5%
Services	34%	27%	39%
Plant and equipment	9%	10%	8%
	100%	100%	100%

Note: the 2007 and 2008 figures do not include the Eco Technology business

Raw materials are selected in order to reduce as much as possible the use of substances that are harmful to humans and the environment. Accordingly, Pirelli systematically evaluates the environmental and toxicological characteristics of any new chemical before using it in production processes.

The average volume of raw materials used in 2009 for the production of tyres was about 800,000 tonnes, including 4% derived from recycled material.

The following graph illustrates the percentage composition of the mix of raw materials purchased by Pirelli Tyre in 2009. The 2008 figure published in last year's Sustainability Report is shown aside.

RAW MATERIAL MIX

Percentage composition of the mix of raw materials purchased by Pirelli Tyre



INTERACTION BETWEEN PIRELLI AND ITS SUPPLIERS

Relations with suppliers are defined and enforced by specific Company processes. There are two fundamental underlying phases to supplier management:

- **Approval of new suppliers (or Vendor Approval)**, where the interdepartmental process based on specific “Quality Standards” led to the addition of the approved material/vendor to the Vendor List. This is the Company’s List of approved suppliers for each individual product. The sustainability requisites have been integrated in this phase since 2007.
- **Monitoring of suppliers (Vendor Rating)**, assessed on the basis of the quality of the product supplied or service provided, the quality of the commercial relationship, technical/scientific cooperation, performance in terms of occupational safety, environmental and social responsibility through on-site audits and periodic monitoring of the progress of the actions scheduled in any improvement plans that have been signed. The vendor's sustainability is assessed in an independent audit. The Vendor Rating covers all merchandise and geographical areas of purchase and is used as an integral component of commercial negotiations.

These procedures are supported by a special website available online through the Purchasing Portal. This website supports the Regulations (including the Purchasing Manual, General Conditions to be applied by suppliers), the Vendor List, surveys, Vendor Rating with feedback and the definition of support actions. This portal provides both an assurance of process uniformity and a guarantee of transparency, in addition to being a communications, ongoing training and knowledge sharing tool.

The processes of dialogue and interaction with suppliers are the object of process improvement, in terms of both quality and tools.

Specifically, the *Vendor Rating* results are regularly revised and commented on by the Sector Purchasing Department. This process involves meetings organised with the suppliers, aimed at identifying any corrective actions or measures to improve performance. Each purchase contract includes the name of the buyer contact, to provide the supplier with a company channel that is always available for any feedback.

Several new projects to improve the purchasing process and support relationships with suppliers were developed and implemented in 2009. In particular:

- refinement of the raw materials business intelligence tools, for more efficient monitoring and management of purchases in each merchandise category and by individual vendor;
- refinement of **management and audit tools** by the corporate Purchasing Department for CAPEX purchases, and creation of a **register of approved vendors**, which are classified and assessed according to their strategic importance to production;

- development of **IT systems** for systematic analysis and monitoring of the provision of indirect materials and services;
- preparation of **quarterly reports** for monitoring service contracts at the Italian sites, in order to audit enforcement of the safety rules; these reports are issued by the Purchasing Department and verified by the Supervisory Body;
- creation of a **list of professional service and specialised consulting providers**, shared and approved by the Department that uses the service, the Purchasing Department, the Finance and Audit Department and the Security Department, and ratified by the Supervisory Body.

Independent audits of vendor sustainability

Independent audits of **72 suppliers** of Pirelli Tyre operating in countries of concern (as defined by the EIRIS classification) were carried out between November 2009 and January 2010. These audits satisfy the FY 2009 targets set in the 2008 Annual Report and were aimed at verifying vendors' compliance with the sustainability clauses they signed.

These 72 vendors, operating in 10 nations where the Group has facilities (Argentina, Brazil, Egypt, China, Romania, Turkey and Venezuela) or purchases natural rubber (Brazil, Indonesia, Malaysia and Thailand) account for the following at Pirelli:

- 50% of natural rubber purchases in 2009;
- 50% of billings for purchased services in 2009.

The audits were carried out both at the Pirelli sites, where the suppliers provide services with their own personnel, and at suppliers' administrative facilities.

Both workers and supervising managers were interviewed as part of these audits.

A special project team was created for this purpose, with its members being comprised of the corporate and local Sustainability and Purchasing Managers. This team selected the vendors and supported the audit activities.

The audits were performed by a leading international service auditor of Quality, Health and Safety, Environment and Social Responsibility (QHSE) compliance. This auditor used a checklist of sustainability parameters based on the SA 8000® standard, the "Social Responsibility for Occupational Health, Safety and Rights, and Environment" Policy, and the Pirelli "Ethical Code," and thus in compliance with the provisions of the Group's sustainability clauses signed by the vendors.

The results of the audits, which will be made available to the Company at the beginning of 2010, will be immediately analysed to identify any criticalities and/or areas for improvement and to prepare corrective measures to be shared and developed with the suppliers themselves, according to a priority plan tied to the criticality of any instances of non-compliance that are found.

Information about the actions taken on the basis of these results will be provided in the Sustainability section of the Company website or at the latest in the next annual report at December 31, 2010.

2010 Targets

- drafting of the Pirelli Vendor Sustainability Code;
- revision of the contents and web tools dedicated to Group vendors, with a focus on sustainability;
- implementation of any recovery plans applying to the affected audited vendors;
- new independent audits involving:
 - providers of services corresponding to 25% of sales in western countries;
 - suppliers of raw materials, natural rubber and services accounting for 25% of sales in countries of concern.



Environmental dimension

“In running its operations the Pirelli Group is mindful of the Environment and public health. A key consideration in investment and business decisions is environmental sustainability, with the Group supporting eco-compatible growth, not least through the adoption of special technologies and production methods (where this is operationally feasible and economically viable) that allow for the reduction of the environmental impact of Group operations, in some cases even below statutory limits. The Group has adopted certified Environmental Management Systems to control its operations, chooses production methods and technologies that reduce waste and conserve natural resources, and assesses the indirect and direct environmental impact of its products and services. The Group works alongside leading national and international organizations to promote environmental sustainability both on a local and a global scale.”
(Ethical Code – “Environment”).

The above principles are discussed in detail in the Group “Social Responsibility Policy for Occupational Health, Safety and Rights, and Environment,” which has been discussed in detail in the first chapter of this report.

Pirelli approach to the management of environmental subjects

ENVIRONMENTAL MANAGEMENT SYSTEM AND CERTIFICATIONS

The Group has implemented environmental management policies for years that pursue continual improvements in performance.

The benchmark standard for certification of environmental management systems is **ISO 14001**. The project to implement an environmental management system at its production units based on shared Group procedures and guidelines led Pirelli to obtaining its first ISO 14001 certifications in 1998.

ISO14001 certification is concentrated at Pirelli Tyre production units, which have the greatest potential impact on the environment.

All the same, other non-industrial installations of the Group, where design, research, logistic or service activities are operated, are preparing for or have already obtained this certification.

Special mention should be made of the ISO 14001 certification obtained by the **Tyre Test Track at Vizzola Ticino**. This is a scientific study and test centre for the vehicle tyre performance under different user conditions, designed and built near the Ticino River at the end of the 1960's. Although this centre's impact on the environment and biodiversity of the area are not insignificant, the environmental certification – obtained in 2005 – was sought by Pirelli to guarantee maximum environmental protection. In fact, the centre's 26 hectare site lies within the “Parco Lombardo della Valle del Ticino” (Lombardy Ticino Valley Park), an Italian nature reserve listed as a UNESCO MAB (“Man and Biosphere” area, one of 425 biosphere reserves located in 95 countries around the world).

At the time this report was being prepared, a new Group audit was underway to update its map of land possibly owned, leased or managed in protected areas and/or areas of significant importance for their biodiversity, on the basis of the updated list of declared World Heritage Sites or Biosphere Reserves by UNESCO and sites protected under the Ramsar Convention.

Following is a list of the certificates that have been obtained:

Company	Certification of the Environmental Management System pursuant to the UNI EN ISO 14001 – 2009 standard
Pirelli Tyre – production sites (Group perimeter)	100% of manufacturing sites certified – 100% of Tyre and Steel Cord output obtained at Certified Sites
Pirelli Tyre – Test Track at Vizzola Ticino, Italy	Certified
Pirelli Eco Technology	Arese Research Centre Certified
Pirelli Broadband Solutions	Milan Product Development Centre Certified

In parallel with the definition of specific common guidelines and procedures for drawing up and implementing management systems, the Pirelli company intranet contains a web-based management system for “**Health, Safety and Environment Data Management**” (HSE DM), created and operated at the corporate level by the Health, Safety and Environment Department. This system permits the monitoring of environmental performance at every production plant and the preparation of a wide variety of reports that are required for management and operational purposes.

Alongside the HSE-DM system, the Group completed the “**CSR Data Management**” (CSR-DM), an IT system for managing Group sustainability information, which is used to consolidate the environmental performance of all Pirelli sites, including non-manufacturing units.

No spills or other significant environment-related incidents occurred in 2009. Consequently, no significant fines were imposed.

However, several minor events did occur which had no negative impact on health or the environment and that were promptly dealt with and resolved in accordance with the procedures set out in the implemented environmental management systems.

360° ENVIRONMENTAL SUSTAINABILITY: PROCESS AND PRODUCT INNOVATION

The Pirelli Group businesses include:

- the manufacture of car, industrial and commercial vehicle, bus, motorcycle tyres and steel cord, all produced by Pirelli Tyre S.p.A.;
- the development of sustainable mobility technologies (new fuels, innovative systems for exhaust gas reduction), which is the activity of Pirelli & C. Eco Technology S.p.A.;
- the real estate sector, headed by Pirelli & C. Real Estate S.p.A.;

- environmental clean-up, waste-to-energy generation and environmental services performed by Pirelli & C. Ambiente S.p.A.;
- the development of innovative products for broadband access by residential and business customers, performed by Pirelli Broadband Solutions S.p.A.;
- research and development in the fields of new materials and optoelectronic components.

The common denominator in all areas of activity is the environmentally sustainable management of processes, products and services, in view of developing **cutting edge green solutions**. According to the report on patents and registered trademarks published in 2009 by Unioncamere, Pirelli Tyre is one of the 10 Italian companies that **between 1999 and 2006 filed 3 thousand patent applications at the European Patent Office (EPO), accounting by themselves for 11.4% of the national total**. This shows Company's strong commitment to innovation.

Full integration of environmental sustainability with competitive development strategies is the principal driver for the profound **green revolution** that is taking place throughout the Group. In each of the business activities listed above, this awareness translates into concrete planning of:

- green improvement activities throughout the life cycle of products;
- provision of products and services in the fields of sustainable mobility, energy efficiency, renewable energy, sustainable building construction and recovery of tyres at the end of their life cycle.

Eco-sustainability of Pirelli products

TYRES

In 2001 the study Life Cycle Assessment of an Average European Car Tyre (Prè Consultants B.V. on behalf of BLIC, 2001) highlighted the substantial environmental impact of a common tyre during its useful life, which is far greater than its impact during the other two phases, production and end of life.

According to this prestigious publication, about **90% of this impact** is attributable to fuel consumption due to friction between the tyre and the road surface, while the remaining part reflects the impact of the results of this friction (i.e. tyre debris). It has been estimated that during its life cycle, a tyre produces debris accounting for between 10% and 14% of the tyre's weight. The impact of these debris particles is still being studied at the international level.

The Pirelli Group is monitoring this issue through a continual exchange of information and experience with other tyre manufacturers, by participating on the specific working group set up by the World Business Council for Sustainable Development.

In order to minimise the environmental impact associated with tyre use, Pirelli is constantly engaged in the design and development of compounds and product lines that, by using new materials, innovative internal structures and different tread designs, can reduce rolling resistance while guaranteeing the same durability and performance of the tyre. Pirelli is actively developing and using a series of new, increasingly ecological materials for compounds.

In 2009 Pirelli conducted research on raw materials from renewable sources that will lead it to produce ecological silica derived from food processing scraps (rice husks) by 2010.

Raw materials are selected in order to reduce as much as possible the use of substances that are harmful to humans and the environment. Accordingly, Pirelli **systematically evaluates the environmental and toxicological characteristics** of any new chemical before using it in production processes.

Pursuant to recent European classification, labelling and packaging rules for hazardous substances and preparations, Pirelli has updated the list of substances that cannot be used in production processes, or for which replacement programmes have been initiated.

Pirelli Cinturato: environmentally friendly innovation and performance

Environmental friendliness, safety and performance are the key features of the new Pirelli Cinturato, whose innovative compounds, structure and tread patterns ensure lower consumption and carbon dioxide emissions, greater durability and improved safety characteristics under both wet and dry conditions.

In particular, the new Cinturato, available in tread sizes **P4**, **P6** and **P7** (dedicated to the premium car segment) and featuring **ECOIMPACT** on the sidewall, can **reduce rolling resistance by 20%** and **energy consumption by 4%**, while **increasing overall mileage by up to 30%** in the case of the P4 Cinturato line.

The new generation compounds used to fabricate the tyre, not only in the portion subject to wear and tear or in the tread portion but also inside, since 2008 call for extremely limited use of highly aromatic oils in full compliance with the new regulations that came into force on January 1, 2010.

The tread pattern also offers improved acoustic comfort, by reducing tyre noise levels both inside and outside the vehicle.

In 2009, new green performance products like the “Snowcontrol serie II”, “Ceat Formula Winter” and “Pirelli Scorpion Verde All Season” joined the Cinturato family.

All of these new models, like the ones that are currently being designed, share the same eco-sustainability characteristics: improved energy efficiency (with reduced carbon dioxide emissions), external noise abatement that **already complies with the strict new noise limits** imposed by the European Union that will come **into force in November 2012**. These features are complemented by improved grip on wet surfaces, enhancing safety even under the most extreme conditions.

Moreover, the new tyres benefit from **lighter structures**, with a positive impact on disposal at the end of their life cycle.

A focus on the green performance of the New Cinturato Pirelli follows.

Lower fuel consumption and CO₂ emissions.

The new Cinturato cuts rolling resistance by 20%, thus providing savings of up to 4% in terms of fuel consumption and harmful emissions. Rolling resistance is the opposing force of the tyre to vehicle movement, i.e. energy dissipated while driving.

Together with mechanical resistance and air resistance, rolling resistance impacts fuel consumption and carbon dioxide emissions. Rolling resistance depends on factors both outside (vehicle speed and weight, type of road surface, air temperature and tyre pressure) and inside the tyre, such as structure, compounds and tread pattern. In designing the new Cinturato, Pirelli has made changes to all these factors, introducing innovative solutions covered by Pirelli patents.



Improved durability: thousands more miles

The tread compound of the new Cinturato has been reinforced with specific ingredients to extend the durability of the tyre without sacrificing grip characteristics. In addition, the tyre geometry has been completely redesigned, from sidewall to tread, in order to strike the right balance between rolling resistance, durability and safety. These improvements have increased the average durability of the Cinturato P4 line by 30%. This means changing tyres once every four years rather than every three years for a “normal” driver.



Elimination of harmful substances

Pirelli eliminated highly aromatic oils from the new Cinturato's compounds in 2008, before the applicable European Directive came into force. The impurities present in these types of oils consist of polycyclic aromatic hydrocarbons, which are potentially harmful to human health.

These oils can represent a hazard for factory workers who, during the compound preparation phase – principally during measurement of the ingredients and loading of mixers – might be exposed to them.

Furthermore, the Group is actively working to **replace these substances outside of Europe as well**, even if the new regulatory restrictions mentioned above do not apply there.

The highly aromatic oils used as plasticizers in non-European countries continue to be phased out. It is expected that purchases of these substances will be reduced in 2010 from final 2009 levels, in concomitance with increased purchasing of mineral oils that satisfy the requirements set out in Appendix XVII of EU Regulation no. 1907/2006, as amended by EU Regulation no. 552/2009.



Noise abatement

One of the distinctive characteristics of the new car tyres is their significantly reduced acoustic impact. This simultaneously satisfies new European regulations that will come into force in 2012 and the expectations of car makers. The purpose of the EU 2012 regulation is to reduce noise pollution, a cause of stress that is especially acute in large urban areas. For their part, car makers are interested in guaranteeing their customers the maximum possible level of comfort both inside and outside the passenger compartment.

This corresponds with Pirelli's interest in satisfying its end customers. Since 2005, reducing noise inside and outside the passenger compartment has been one of the objectives shared by all new product lines.

Recently introduced product lines will thus comply with the stricter limits to be imposed by the EU from November 2012, and have already received the praise of car makers.

Noise has been reduced by an average of 27% both inside and outside the vehicle.



Enhanced safety and performance

This is achieved by improved braking on wet and dry surfaces.

Safety, which along with high performance has always been the hallmark of Pirelli research and was already brought to maximum levels by the Cinturato back in the 1950's, is the other key parameter according to which the new models were designed.

In particular, they offer improved road hold when cornering on wet surfaces and, most importantly, shorten braking distances. On wet surfaces, the stopping distance is reduced by 11%, while on dry surfaces the braking distance is also significantly reduced as compared with other tyres.

The Cinturato P7 is synonymous with ecology applied throughout the production process, from research to the end product and beyond. This is confirmed by the tyre scrapping campaign, financed entirely by Pirelli. Participants are offered a free coupon for fuel purchase if they decide to replace their current tyres with eco-compatible ones.

This product was also launched at the international level with “zero impact” (“Impatto Zero®”). The event, held April 3-8 at the International Test Track in Nardò, Province of Lecce, engaged over 500 guests in a marathon of dynamic tests, with the participation of journalists, testers and dealers from all over Europe. All carbon dioxide emissions generated by the static and dynamic presentation of the Cinturato P7 will be offset by the creation and protection of a new forest measuring 56,800 square metres in the Amistad Caribe Reserve in Costa Rica (the country with the world's highest degree of biodiversity), which has already implemented courageous environmental policies to limit deforestation.

“Truck” green innovation

The principal objective of research and development in the Truck Business Unit is to strike the right balance between all the characteristics that a tyre must have in terms of performance, total safety and environmental friendliness.

This means developing a tyre that is not limited to compliance with regulatory requirements governing integrity, eco-compatibility, and so on, but extends to all those elements or factors that a tyre must have to offer complete safety both for the driver and the world surrounding him. In a truck tyre, eco-compatibility also means reducing weight, since this in turn reduces both the energy and the quantity of raw materials used to fabricate it.

The use of recyclable raw materials plays a key role in design.

Another key aspect is tyre **durability**: not only its first life, but also the number of **retreads that can be realised on the same carcass** translate not only into energy savings but also savings of raw materials.

This involves reducing its **overall environmental impact** while remaining focused on improving the product's performance.

SERIES 01: SUSTAINABLE INNOVATION

ECOIMPACT



High mileage

- Improved mileage and longer first life of the tyre.



Energy™ Efficient

- Low rolling resistance with reduced fuel consumption and CO₂ emissions.



Retreadability

- Easy tyre reuse thanks to high retreadability and recyclable materials containing no environmentally-harmful highly-aromatic oils (HAOF).



Low noise levels

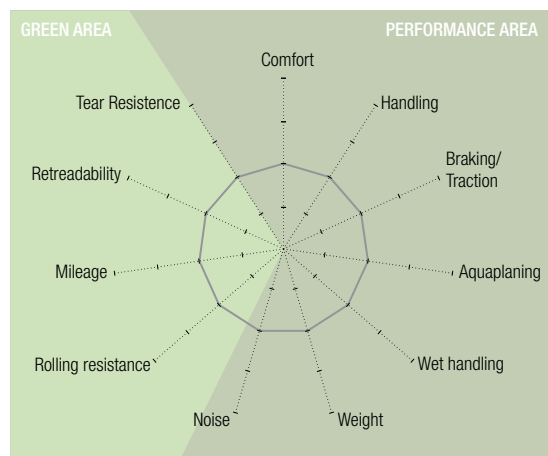
- Improved quietness and excellent travel comfort.
- Noise levels already compliant with 2012 European Directives.



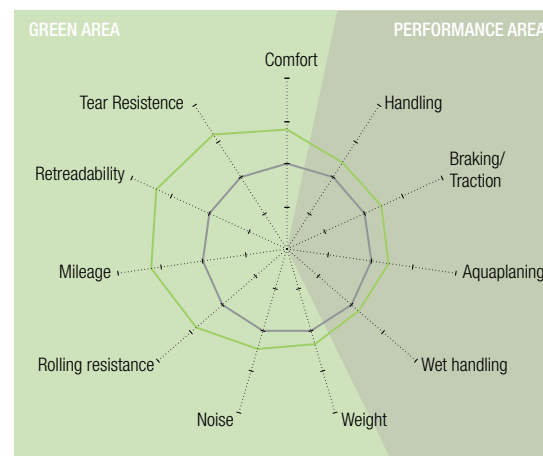
The year 2009 brought great satisfaction. The trailblazers were represented by the **new FR01 and TR01**. The technological innovations realised on the new **Regional** were adopted by other tyres in the Pirelli product line. These include the new **semitrailer ST01** and the new 88 on-off and highway series (**FH88 and TH88 Amaranto Energy**). In this last user segment, the 385/65 R 22.5 FH88 tyre designed for transport of extremely heavy loads on the front axle represents an excellent balance between safety and green performance.

ENVIRONMENTAL IMPACT / LEGISLATION ON TYRE DESIGN

from



to



Economic management and retreadability

The R:01 series offers **high mileage**, up to an average of **30% more than** the previous product. The new belt structure, combined with the SATT 0° spiral steel technology, improves durability during the first life of the tyre and further increases its total life through **resculpting and several retreadings**. This is complemented by **reduced fuel consumption** due to its low rolling resistance, for an annual estimated savings of **3%**. The **Pirelli Retreading System** enhances the quality of the carcass and investment in the new tyre, reducing costs per kilometre, overall operating costs and environmental impact.

Pirelli quality is the same for all “lives” of the tyre. This is the aim of the Pirelli reconstruction system that is already available for all new products in the R:01, H88, G88 and ST:01 series. It was conceived to exploit the high quality of the worn tyre and is characterised by three key elements: design and production quality, the new line of **Novateck** products, and the network of selected retreaders. Pirelli maximises the retreadability of the carcass by starting with the quality of the design and materials of the new tyre. Consequently, the design is a key step. During development of the tyre, engineers take into account the variables that will play a role throughout its entire life cycle and have a major impact during reconstruction.

The Pirelli retreading system calls for use of the renewed Novateck belts that cover the entire range of new Pirelli products and reproduce the original treads in order to preserve the interaction between tread pattern and carcass unchanged, even after retreading. This enables the reconstructed product to maintain levels of performance and quality that are absolutely comparable to a new tyre.

Using qualitative audits, Pirelli selects and certifies a network of retreaders that it commissions to guarantee that the quality of the new tyre remain unchanged after each successive retreading process. Qualitative monitoring is carried out both during selection of the retreadable casings and during inspections of the retreading process, offering additional guarantees for the finished product. Pirelli has already selected about ten retreaders in Italy and about eight in Turkey, while it is selecting them on the Spanish and German markets.

Reduction of environmental impact.

The R:01 Series has many ecological features. Over the entire life cycle of the tyre, considering not only the reduction in consumption and thus harmful emissions, the high level of retreadability and durability compared with the old model, **raw material use has been reduced by 20% and energy consumption during the manufacturing process by 22%.**

PIRELLI LIFE CYCLE MANAGEMENT

Retreadability of carcass

- Innovative compounds
- New structure

Certified Pirelli network

- Quality assessment
- Continuous monitoring of performance



Carcass warranty

- New product
- Retreaded product

Novatek brand

- Wide range: Certified Belts for all Applications available
- High performance through use of Specific Compounds

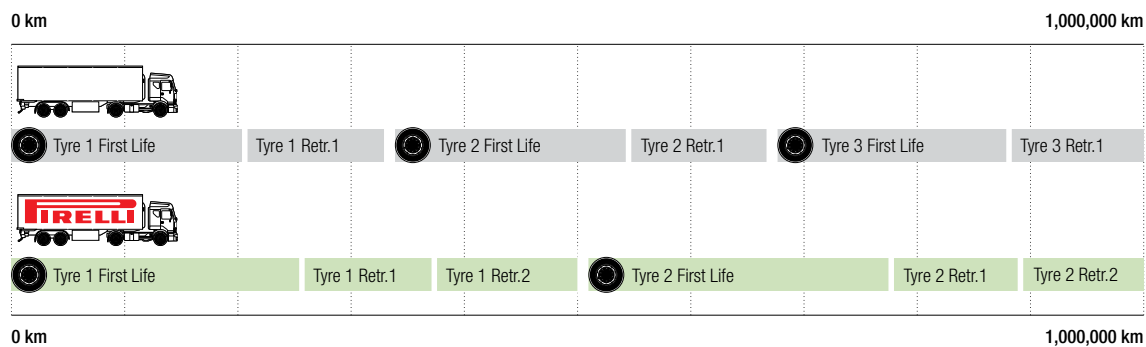
The R:01 Series also **anticipates** new Europe noise abatement regulations.

The new tyre reduces noise from 76 to 73 decibels (ahead of the EU regulation that will come into force in 2012). This reduction is equivalent to **50% reduction in perceived noise**, as if two lanes on a four-lane motorway were absolutely silent.

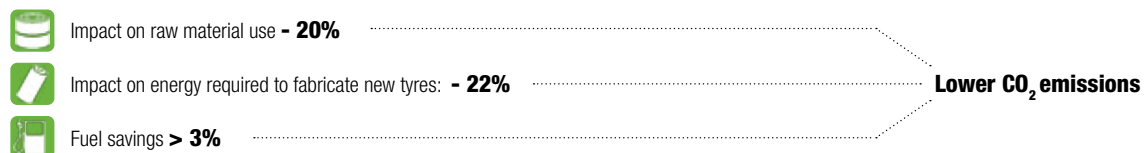
TYRE LIFE: ENVIRONMENTAL IMPACT

Life = **+ 30%** vs. Existing products

- + 30% mileage
- + 1 Life (retreaded tyre) - minimum



Energy savings of Series 01 compared with existing products



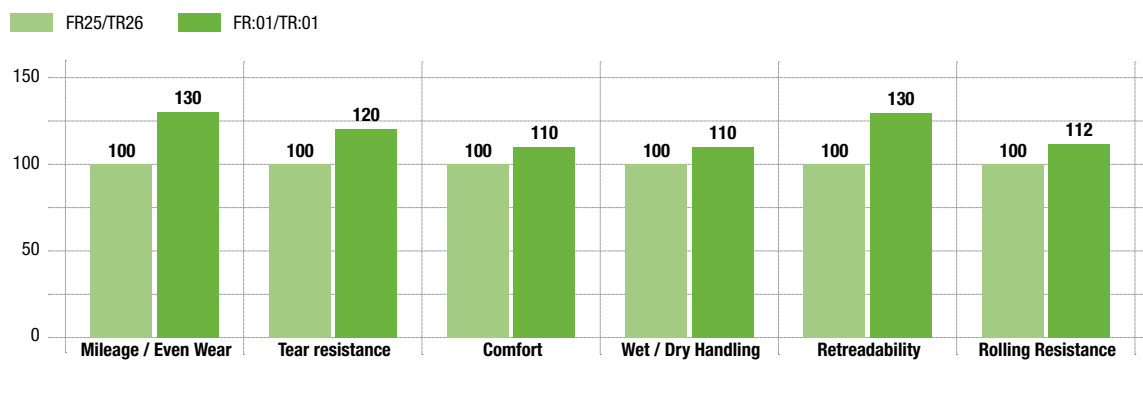
Safety and comfort

Economical and environmentally friendly, as well as offering high safety standards. The R:01 Series guarantees better handling than existing products under all road conditions, including the most challenging ones, in dry or wet weather, improving traction and confirming the excellent dry braking performance of Pirelli products.

Thanks to the new second generation SATT belt structure, the new Regional line permits further improvements in passing performance, steering precision and absorption of road surface shocks, increasing overall comfort.

The integrated Pirelli design has focused on the interaction between design, materials and structure.

NEW REGIONAL LINE: PRODUCTS AND PERFORMANCE



Innovative design

This is one of the highlights of the new Series R:01, which was designed and fabricated by optimising all components of the tyre, from compounds to tread pattern.

This approach can be summarised by four acronyms:

- 3SB, i.e. *Three Sandwich Belts*, which are the superimposed belts that lengthen tyre life, offer consistent performance, retreadability and improve handling.
- DLTC, or *dual layer tread compound*: one compound is external, optimised to increase mileage, increase road hold and shorten braking distance; the other is internal, to reduce rolling resistance and ensure greater structural integrity.
- HBW, or *HEXA Bead Wire*, a ring that allows maximum flexibility during assembly, facilitating retreadability and ensuring stability and durability.
- FRC, or *fully rubberized cord for belt*, which reinforces the tyre.

Innovative materials.

The materials used for the Series R:01 are protected by three Pirelli patents. They are highly eco-compatible, mainly due to the absence of highly aromatic oils and reduced zinc oxide content. But that is not all: they are designed to guarantee maximum economy and emissions reductions, as well as facilitate retreadability.

PRODUCT INNOVATION: NEW DESIGN

3SB

Three Sandwich Belts

- enhanced even wear
- extended tyre life
- retreadability
- handling

HBW

HEXAbead Wire

- high flexibility for easy fitting
- bead thermal stability and durability
- retreadability



DLTC AOF

Dual Layer Tread Compound

- | | |
|-------------------------|------------------------------|
| External | Internal |
| • Higher mileage | • Reduced Rolling Resistance |
| • Excellent grip | • Structural integrity |
| • Low breaking distance | |

FRC

Fully Rubberized Cord for belt

- Increased Tyre durability
- 0° Cord New generation durability and handling performance

Innovative structure.

The belt and heel load-bearing structure plays a key role in truck tyres. Forty years of Pirelli experience is concentrated in the Series R:01. In 1970 Pirelli patented the use of zero degree metal belt technology for commercial vehicle tyres.

Continuous technological evolution led to the invention of new belting formats, including:

- zero degree strips
- the SATT spiral technology used in the Amaranto Product lines, leading to the SATT NEXT structure used in the new FR and TR:01 line.

PRODUCT INNOVATION: MATERIALS PORTFOLIO

Last generation of SSBR functionalized polymers for grip and mileage.

Large Aggregate Size Distribution Carbon Blacks for low heating generation

High molecular weight BR polymers for aging & durability



New HEP Cord generation to increase impact and puncture resistance

New 0° Cord generation to increase durability and handling performance

Green technology: Cyber™ Tyre "Lean"

Normal use of a car whose tyre pressure is 20% less than its nominal pressure can cause fuel consumption to increase by up to 3% (with a consequent increase in air pollution). Studies by the U.S. National Transportation Safety Board have shown that for every 0.2 bars of under inflation, there is an average increase in fuel consumption of 1%. Furthermore, tyre pressure that is 20% below what it should be causes irregular wear on the tyre tread and consequently increases wear and tear by 25%, which translates into a 30% reduction in the lifetime of the tyre.

This is precisely why a tyre pressure monitoring system needs to be installed on the car. The simplest, surest and most economical way to increase the life of one's tyres, reduce gasoline, diesel or gas consumption and reduce the pollution caused by particulates released in the atmosphere is to **inflate the tyres on one's car to their proper pressure** (i.e. the pressure specified by the car maker, which is normally indicated in the relevant section of the vehicle user and maintenance manual) and constant, periodic controls.

Pirelli is now able to offer the most evolved system for measuring tyre pressure and temperature on original equipment: the **Cyber™ Tyre “Lean”**.

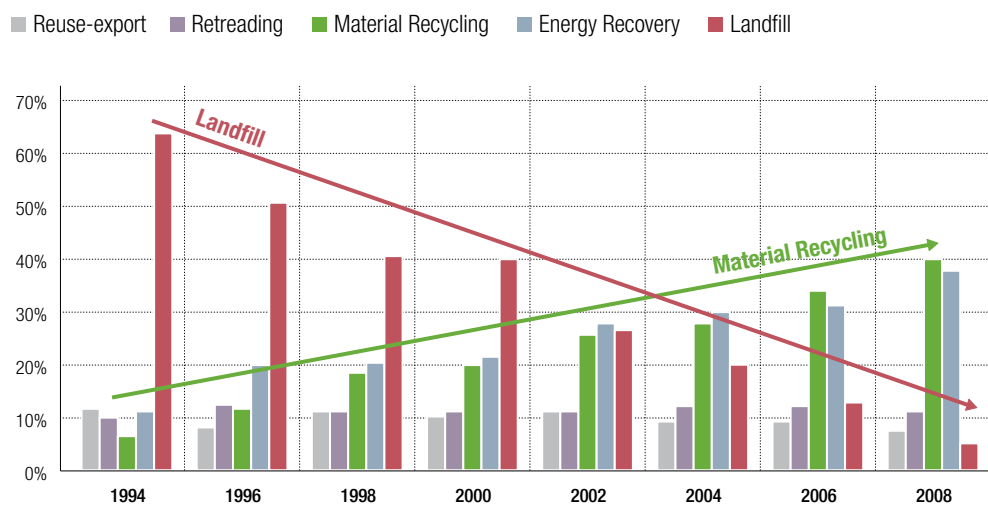
Consisting of a sensor that is little bigger than a 2 Euro coin mounted on the tyre inside the rim, it is the first step towards a radical transformation of the tyre into an active system capable of transmitting data and information necessary for maintaining optimal pressure under all vehicle load conditions, with **benefits** both in terms of **fuel consumption** and driver **safety**.

End-of-life management of tyres (ELT)

As previously mentioned, a tyre's end-of-life phase makes a small contribution to the overall environmental impact of the entire life cycle of the tyre and has a decidedly less impact than those stemming from the use and production phases. Among the various final disposal options, burial in a landfill is by far the least desirable in terms of environmental compatibility. European Union Directive 1999/31/EC has prohibited disposal in landfills of entire end-of-life tyres (ELTs) since 2003, and of fragmented ELTs since July 2006.

About 3.3 million tonnes of ELTs were produced in Europe in 2008; 95% of these were recovered or recycled.

TRENDS OF EU MANAGEMENT OF ELTS



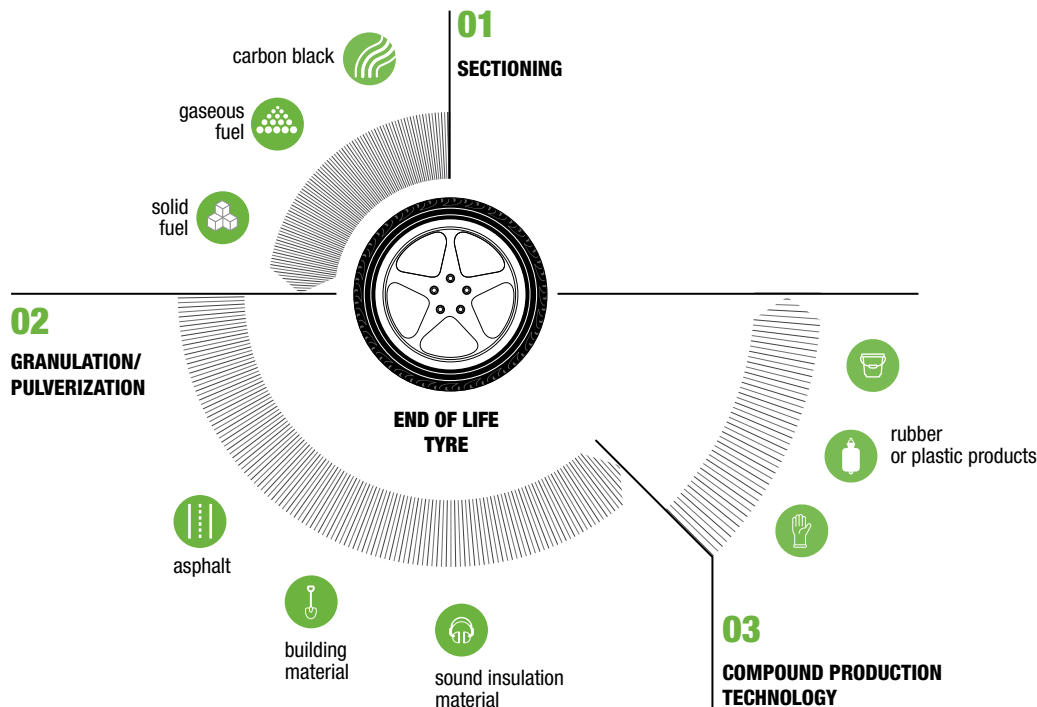
Source: ETRMA (European Tyre and Rubber Manufacturers' Association)

The Pirelli Group has been dedicated for years to research on the management of ELTs, considering the major environmental benefits resulting from their recovery and recycling. Through cooperation with Pirelli Labs, a number of possibilities have been developed for ELTs in terms of recovery of the raw materials that comprise them (“material recycling”), and recovery in the form of high-energy fuel (“energy recovery”), as a valid alternative to the use of fossil fuels.

This can include:

- the use of ELT granules in the production of sound insulation products;
- the production of powder to be used in the tyre production process;
- the use of ELTs to produce Pirelli CDR-Q, a fuel derived from high quality waste.

TYRE RECYCLING DIAGRAM



PIRELLI ECO TECHNOLOGY PRODUCTS

In metropolitan areas, it is becoming increasingly urgent to find effective solutions for the reduction of air pollution, especially particulates – i.e. all those solid and liquid substances that are suspended in the air.

In urban areas, one of the principal sources of particulate are heating plants or combustion in the endothermic engines of vehicles.

Emissions of pollutants, especially particulates, cause respiratory diseases, including chronic bronchitis, asthma and lung cancer. These pollution caused pathologies have high social and economic costs.

Direct action on these sources represents the most effective and immediate solution for improving urban air quality. Pirelli Eco Technology is focused on providing concrete, sustainable solutions to the problem of reducing particulate emissions.

Pirelli Eco Tecnology offers the following products: **GECAM**, the **white diesel™** for reduced particulate emission and **Feelpure™**, a particulate filtering system.

Feelpure™

Pirelli has been producing and developing Feelpure™ particulate filtering systems since 2004 as mufflers to substitute the original equipment mufflers on diesel engines.



Environmental Performance

- Reduction of PM10 by more than 90%
- Average reduction of NO₂ by 50%
- No increase of NO_x

The Pirelli filtering system can reduce diesel engine mass particulate emissions of PM10 by over 90% (and the number of nanoparticles < 1 micron, the most hazardous to health, by over 99%) and emissions of NO₂ by 50%.

The Feelpure™ system is comprised by three principal components:

1. **a particulate filter** in porous silicon carbide (SiC), fitted in a stainless steel can inside the muffler;

PARTICULATE FILTER

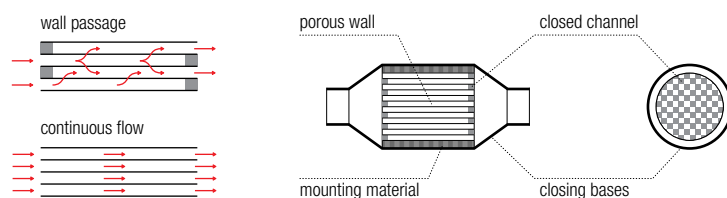


2. **the CAM FBC™ additive** to be added to ordinary fuel, which permits complete combustion of the carbonaceous particulate previously trapped by the filter (regeneration process); the additive is an organic metallic iron-based compound (ferrocene), whose purpose is to activate regeneration of the filter;
3. an **electronic control unit (ECU)** that manages the entire system by monitoring back-pressure and temperature in the exhaust, regulates the dosing of the additive necessary to activate regeneration of the filter on vehicles with this feature, and manages ignition of the spark plugs if the assisted regeneration system is installed.

The Feelpure™ system operating principle

The particulate filter is made of a honeycomb structure with porous walls that permit the passage of exhaust gases and mechanically block the solid particles.

FILTER WORKING PRINCIPLE



All the filters operate according to a two-phase cycle

- Accumulation
- Regeneration

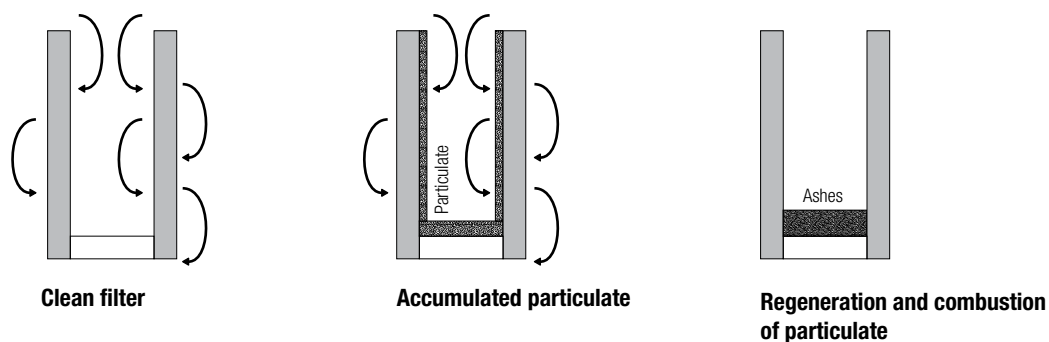
Accumulation: when PM is deposited in the filter:

- The temperature of the exhaust gas is not high enough to trigger the process for burning accumulated particulate.
- Backpressure increases exponentially during this phase.

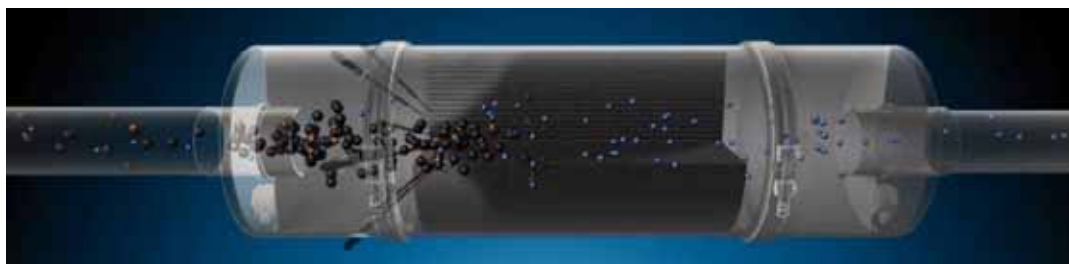
Regeneration when the PM accumulated in the filter is burned by:

- the temperature of the exhaust gases (passive regeneration);
- introduction of external heat (assisted regeneration).

FILTER WORK CYCLE



SIMULATION OF ACCUMULATION OF PARTICULATE



Product range and local availability

With its production facilities in the Milan area and the new plant in Romania, Pirelli Eco Technology aims to become one of the leading producers of particulate filters on the market, both as original equipment (new vehicles) and retrofit systems for vehicles already in use, with solutions that are applicable to all EURO0-EURO5 diesel engines and all transmission configurations. Pirelli Eco Technology is based in Italy and has commercial offices in major European countries. One of its principal customers in Italy is the GTT consortium, the operator of public transport in Turin and the Region of Piedmont, ATM in Milan, Trambus in Rome, the ARRIVA Group and the SAL-SAB Group.

The production plant for silicon carbide filters is located in Bumbesti-Jiu, Gori County, Romania. Currently staffed by 250 workers, it will have 500 employees when it reaches full operating capacity and produce about 1,100 tonnes annually.

A new production centre is to be built in Shandong Province, China in 2010, and will have the same output as the Romanian plant once it reaches operating capacity (expected to take place in 2012).

In 2009 the procedure began to obtain ISO-TS Quality certification for the plant in Romania, and is expected to be completed at the end of 2010.

The product line has been further extended and the company has begun to expand abroad, in Germany, Spain, Portugal and China.







New products with a higher concentration of cells (cells per square inch - CPSI) are being developed, which will permit better filtering performance and consolidation of the company's presence on the most interesting markets.

Certifications – Approval and recognition of Feelpure™ system

Pirelli operates in compliance with the most rigorous standards imposed by various countries to limit harmful emissions and has received the most rigorous certifications at the international level. In Italy, Pirelli Eco Technology was the first to win approval, pursuant to Transport Ministry Decree no. 39 of January 25, 2008, for particulate filters used on light and heavy duty commercial vehicles.

Pirelli filters have also received some of the most important European certifications: they have been tested by the European Joint Research Centre in Ispra, obtained the VERT and BAFU certificates in Switzerland, received RDW approval on the Dutch market and LEC certifications for the Low Emission Zone in London. In Germany, they obtained TUV and DEKRA certification and approval from the KBA (German Transport Ministry) in 2009. They have obtained IMT approval in Portugal. In China, the product has been approved by the Environmental Protection Bureau in Beijing. For the South American market, in CHILE.

FEELPURE™: APPROVALS

 IT	approved by the Ministry of Transport	EURO 0/1/2 - with the filter it becomes PM EURO 3 EURO 2/3 - with the filter it becomes PM EURO 4/5	– NAD 8001
 CH	VERT certified		– B200/40.07
 NL	RDW approved	EURO 2/3 - with the filter it becomes PM EURO 4/5	– 432101 16
 UK (London)	LEC certified	EURO 0 - with the filter it becomes PM EURO 3 EURO 1/2/3 - with the filter it becomes PM EURO 4/5	– LE 10414
 DK	certified pursuant to local law	EURO 2/3 - with the filter it becomes PM EURO 4/5	– nr° 23
 DE	approved by the German Federal Transport Ministry (KBA)	EURO 1/2/3 - with the filter it becomes PM EURO 4/5	– ABE 17234'01
 CINA	approved by the Beijing Environmental Protection Bureau		– QA09XX2Z16881
 PT	IMTT approved	EURO 1/2/3 - with the filter it becomes PM EURO 4/5	– 4321101 16
 CL	3CV approved	EURO 1/2/3 - with the filter it becomes PM EURO 4/5	– 0012/2010

GECAM™, the white diesel

GECAM™ - patented by the Group – is an emulsion of water (10%) and diesel for vehicle use and heating that permits **reduction of particulate emissions by 50%**. This result was achieved by using the emulsified water, which can reduce PM emissions and the formation of nitrous oxides, one of the principal pollutants typically found in urban areas.

GECAM™ has been tested by various national and international research institutes. In the vehicle fuel segment, Eni Tecnologie Laboratories have found reductions of more than 50% in particulate emissions, 5-6% of nitrous oxides and over 30% of carbon monoxide.

Tests conducted at the European Commission JRC Research Centre in Ispra – performed on an IVECO Cursor Euro 3 engine, pursuant to Directive 88/77 EEC-DIR 2001/77EC (ESC stationary cycle) – demonstrate that the GECAM™ emulsified diesel can significantly reduce particulate emissions by heavy duty vehicles.



PIRELLI & C. AMBIENTE S.p.A. ECO-SUSTAINABLE PRODUCTS AND SERVICES

The Group is actively engaged on **energy and environmental issues**, and offers solutions for sustainable development through its subsidiary Pirelli Ambiente S.p.A.

By recovering urban solid waste, Pirelli Ambiente produces **CDR-Q, a high-quality fuel** developed and patented with the contribution of Pirelli Labs.

Its **Solar Utility** subsidiary generates electric power from photovoltaic cells, providing customers with "100% green" energy.

Pirelli Ambiente Site Remediation offers solutions in the environmental and energy management fields by performing **energy audits** and providing advice on the **design of energy saving systems**.

ECO-SUSTAINABLE BUILDING BY PIRELLI & C. REAL ESTATE S.P.A.

Pirelli Real Estate addresses its environmental impact in three main ways:

1. **offering eco-innovative solutions** to reduce the environmental impact of operating buildings;
2. **development of designs for new buildings** that enhance the local area in terms of attractiveness, competitiveness on a wider scale and eco-sustainability.

These two activities are fully implemented in the **Ecobuilding** programme, an integrated method for the application of eco-sustainability principles in construction of new buildings (energy efficiency class, bio-architecture and technology) and the management of existing properties (improved energy performance and living comfort), conceiving a new, multi-disciplinary approach to design.

The combination of solutions adopted by the Ecobuilding programme ensure the achievement of high standards of quality, eco-sustainability and energy saving. Significant environmental benefits include the reduction of CO₂ emissions, the lower amount of electricity required to meeting a building's needs and increasing use of renewable energy sources.

ECO-COMPATIBILITY OF PIRELLI BROADBAND SOLUTIONS S.P.A. RESOURCE CONSUMPTION AND PRODUCTS

Pirelli Broadband Solutions specialises in offering products for broadband access. It is a window open on the future: it develops innovative solutions that enable new telecommunication services for the home and office.

PBS has made **eco-sustainable development one of the principal requirements of its own roadmap.**

The roadmaps of PBS products introduce two lines of action for environmental sustainability according to the following gradual plan of action.

- **Reduction of electric power consumption:** this policy has a major impact on reduction of the carbon footprint of ICT technologies and consumer electronics. PBS uses European Union requirements and guidelines as its benchmark for limiting the power consumption of broadband network devices and applies design standards that aim to reduce consumption by the principal device and accessories, including the power adapter units. The principal regulatory benchmarks are comprised by:
 - Directive 2005/32/EC Energy using Products (EuP) and implementing regulations (1275/2008 and 278/2009);
 - Codes of Conduct ("Code of Conduct on Energy Efficiency of external power supplies", "Code of conduct on energy consumption of broadband equipment", "Code of conduct on energy efficiency of Digital TV service systems").

To realise this commitment, PBS has added the policy of modifying its products in compliance with the European Union EuP regulation to its own environmental improvement programme. Many of these products already comply with the stricter requirements envisaged for the second phase defined in the regulations, in view of further reducing product electric power consumption ahead of regulatory deadlines.

- **Use of eco-compatible materials:** in line with its own sustainable approach, PBS is focused on the study of eco-compatible materials with a low environmental impact. It is consequently stepped up research on the introduction of plastics no longer made from petroleum but from biodegradable materials that naturally decompose within a reasonable amount of time, by transforming into carbon dioxide and water. Research has been conducted on the use of polylactic acid or polylactide (PLA), which is derived from renewable resources such as corn starch or sugar cane, in order to create materials that use it and satisfy the thermal and mechanical characteristics required for their use in these products (resistance to blows, humidity and temperature).

In the second half of 2009, PBS started offering its customers the option of housing products made of eco-compatible plastics.

ACHIEVEMENT OF 2009 ENVIRONMENTAL TARGETS

For the three-year period 2009-2011, Pirelli aims to raise the proportion of the “green” component on Group revenues from about 20% at the end of 2008 to about 40% by the end of 2011. The target of realising 25% of total revenues in 2009 from “green” products, as defined in the Group Industrial Plan, was achieved.

Eco-sustainability of Pirelli processes

The Group operates a total of 25 production sites. These are distributed as follows:

- Pirelli Tyre: 4 in Italy, 5 in Brazil, 2 in Great Britain, 2 in Germany, 1 in China, 2 in Turkey, 2 in Romania, 1 in Argentina, 1 in Egypt, 1 in Spain, 1 in the United States and 1 in Venezuela.
- Pirelli Eco Technology: 1 in Italy and 1 in Romania.

All Pirelli Tyre facilities have an **ISO 14001** certified environmental management system that is co-ordinated at the corporate level by means of Group procedures. These procedures are also being modified and extended to the Eco Technology production sites.

Pirelli periodically audits the environmental performance of all facilities that are not classifiable as manufacturing sites (offices etc.), focusing in particular but not only on their power and water consumption.

The ecological impact of these facilities is marginal (i.e. 1.3% of total Group consumption) in comparison with the impact generated by production plants. However, measures are currently being taken both to reduce the consumption of natural and energy resources and to improve awareness of the specific environmental issues that depend on the different sizes of each facility.

ENVIRONMENTAL PERFORMANCES

The environmental data presented here cover the entire perimeter of the Group, and thus include both offices and production centres. The 2009 figure for production facilities also includes the performance of the Pirelli Eco Technology plant located in Romania, which started full operation on January 1, 2009.

It should be emphasised that in comparison with 2007 and previous years, the figures shown were impacted by the under-utilisation of production capacity caused by the global recession. The capacity utilisation factor renders process eco-sustainability extremely rigid.

This type of “inefficiency” is clearly highlighted in the following graphs, which show both the absolute quantities of the principal environmental parameters (energy, water, etc.) and specific values (as measured according to units of finished product).

The scope of analysis of **total consumption** at Group production sites during the three-year period 2007-2009 is illustrated as follows:

- **FY 2007:** all tyre and steel cord production plants;
- **FY 2008:** all tyre and steel cord production plants, plus – for the second half of the year only – the Eco Technology factory in Italy;
- **FY 2009:** all tyre and steel cord production centres, with the addition of the contributions of the Eco Technology factories.

In regard to environmental performance, the **specific consumption** during the last three years reported in the following graphs were calculated by standardising the data with tyre production (**about 800,000 tonnes in 2009**).

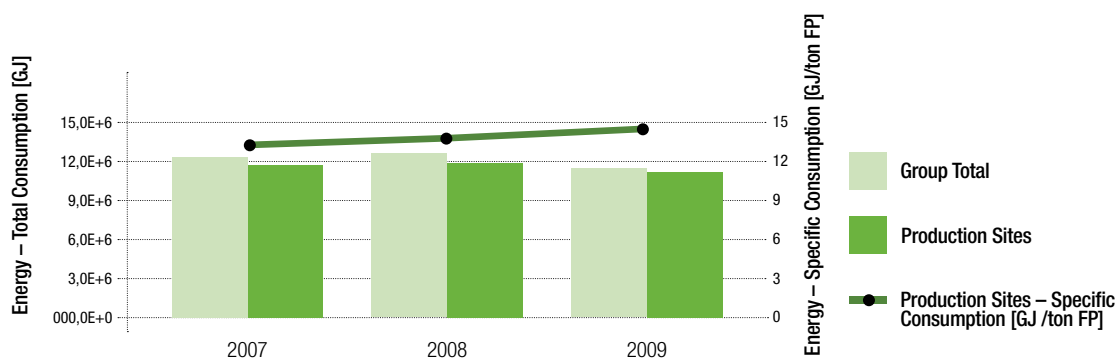
Energy consumption

Specific measures are being implemented at all of the Group's production units in order to:

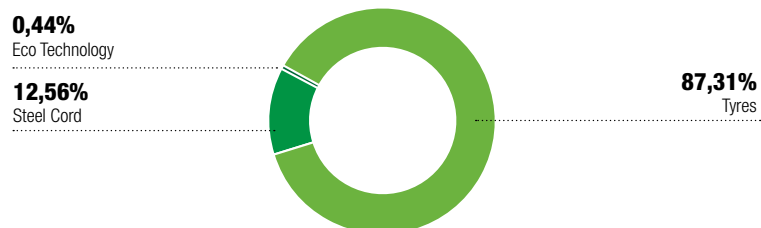
- **improve energy management systems**, through daily focus on key indicators;
- **improve the thermal insulation** of machines and devices;
- **increase maintenance activities** on energy distribution systems, in order to reduce “energy losses”.

In regard to the energy consumption associated only with **office activity**, the total value for 2009 was about **1.3%** of total Group consumption.

ENERGY CONSUMPTION

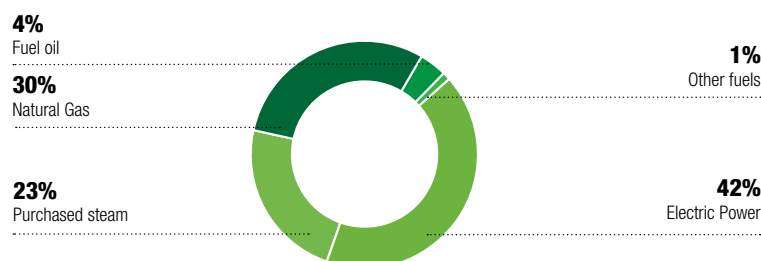


PRODUCTION SITES – DISTRIBUTION OF ENERGY CONSUMPTION - 2009



The following graph illustrates the percentage distribution of the energy sources used, which shows that 65% of consumption comes from “indirect” sources (purchased electric power and steam).

GROUP – DISTRIBUTION OF ENERGY SOURCES - 2009



In summary, the following table illustrates the percentage change in total and specific consumption at the Group level and at production sites.

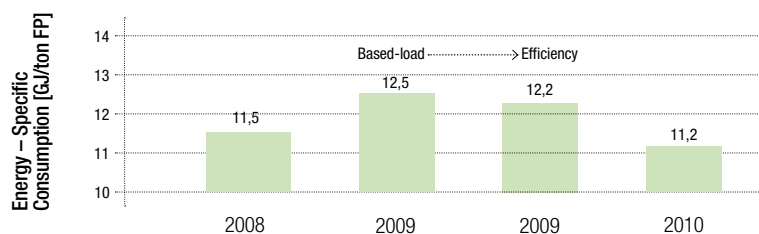
ENERGY	2009 vs 2008	2009 vs 2007
Group Total	- 8.4%	- 5.7%
Production Sites	- 5.2%	- 4.2%
Production Sites – Specific Consumption	7.9%	10.3%

Activities in 2009 concentrated on energy efficiency and reduction of the base-load, both during plant shutdown periods and during reduced output operation.

This was particularly challenging in light of the simultaneous inefficiency that necessarily occurred due to underutilisation of production capacity. For this reason, the results were even more satisfying.

For example, at the tyre production sites along, energy efficiency measures implemented in 2009 reduced specific consumption by about 2.5% (see the following graph).

TYRE PRODUCTION SITES



Energy efficiency targets

Partly in view of returning to normal production conditions, specific objectives were defined to reduce energy consumption at tyre and steel cord production plants by a total of 6% during the three-year period 2010-2012, using 2008 as the benchmark, or 11% as compared with 2009.

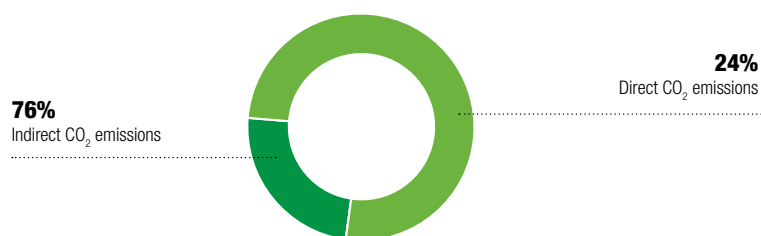
CO₂ emissions

The following graphs illustrate CO₂ emissions (both in absolute terms and by unit of production). Their trends, which are strictly related to energy consumption, reflect the condition stated in the previous paragraph.

CO₂ EMISSIONS – TOTAL AND SPECIFIC



GROUP - DIRECT AND INDIRECT EMISSIONS OF CO₂ - 2009



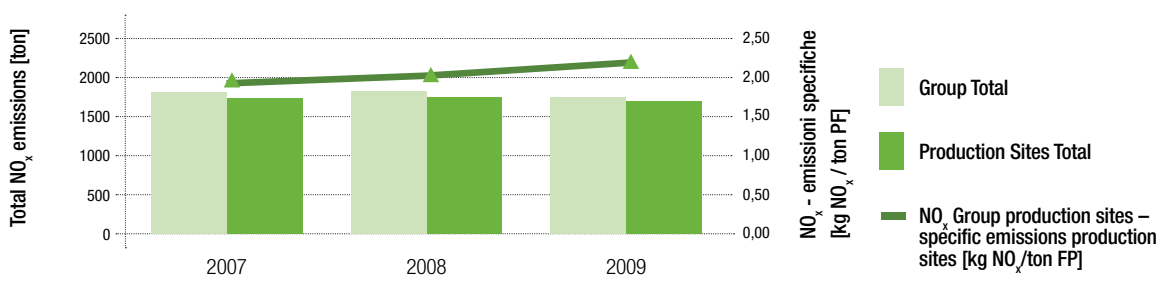
CO ₂ EMISSIONS	2009 vs 2008	2009 vs 2007
Group Total	- 5.9%	- 4.9%
Production sites	- 4.9%	- 4.1%
Production sites – Specific Emissions	8.2%	10.4%

In 2009 a preliminary analysis was carried out to assess the CO₂ emissions impact of Italian employees using trains and aircraft. This travel was estimated to contribute about 0.5% to all Group emissions, and was reduced by 15% from 2008 as a result of the implementation of policies encouraging steady reduction of travel by using conference calls or video conferences. A pilot project is starting in 2010 to assess the carbon dioxide emissions generated by all means of transport used by Italian employees for work transfers, including automobiles.

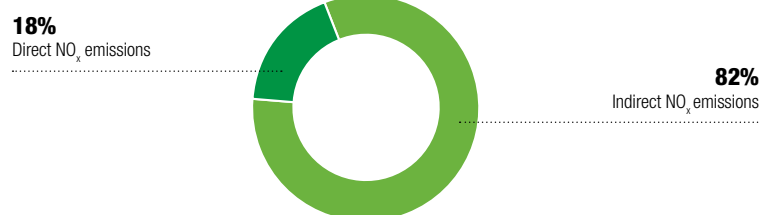
NO_x emissions

Analogously to the foregoing, NO_x emissions (both in absolute terms and according to unit of output) were directly impacted by the energy consumption trends illustrated above.

NO_x EMISSIONS – TOTAL AND SPECIFIC



GROUP – DIRECT AND INDIRECT EMISSIONS OF NO_x - 2009

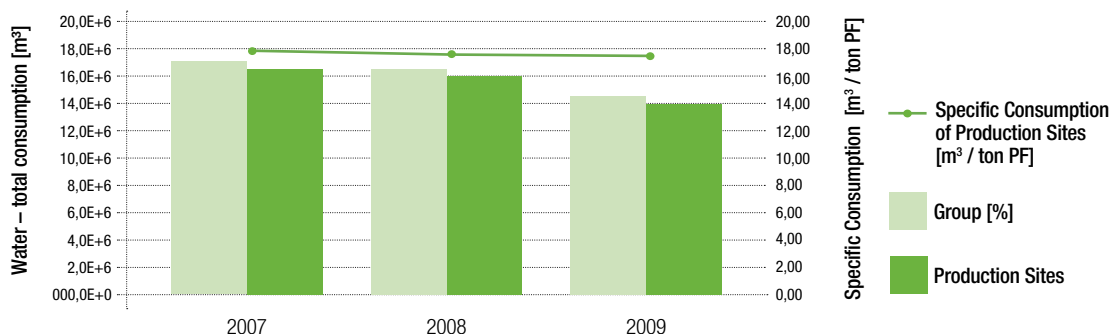


NO _x EMISSIONS	2009 vs 2008	2009 vs 2007
Group Total	- 4.3%	- 3.9%
Production sites	- 4.0%	- 3.8 %
Production sites – Specific Emissions	9,3%	10.8%

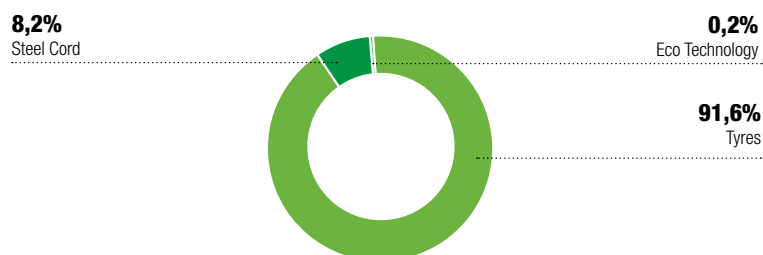
Water Consumption

Targeted measures continued in 2009 to streamline the water consumption of production units, which substantially confirmed specific consumption, while water consumption for the entire Group fell by 12% from 2008.

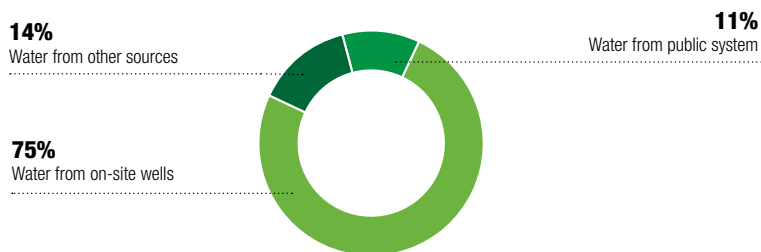
WATER - CONSUMPTION



WATER - DISTRIBUTION OF CONSUMPTION - PRODUCTION SITES 2009



WATER - WATER SOURCES - GROUP 2009



WATER	2009 vs 2008	2009 vs 2007
Group Total	- 12.3%	- 14.0 %
Production sites	- 12.8 %	- 15.1 %
Production sites – Specific Consumption	-0.7 %	- 2.2 %

As far as water discharges are concerned:

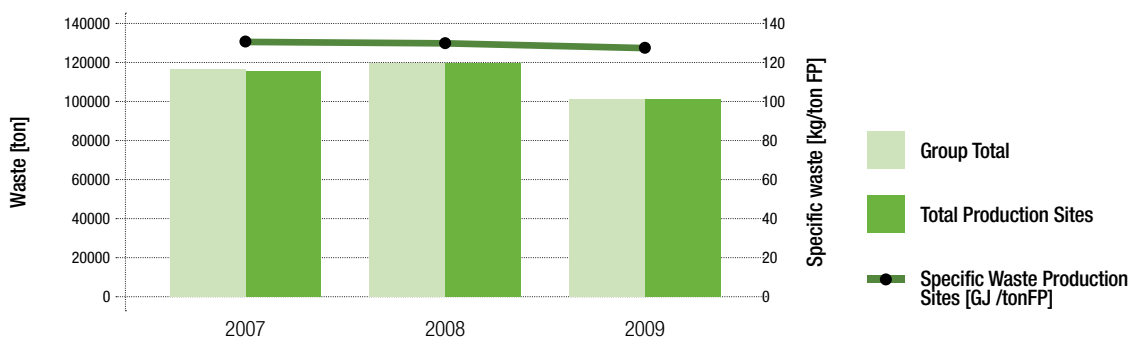
- the volume of discharged industrial water could be estimated in the amount of 10 million cubic metres, of which about 80% was channelled to surface catch basins;
- the remainder was discharged in the sewage system, to which non-industrial waste water was channelled;

- before being discharged in the final catch basin, industrial waste water was subjected to periodic analysis, which did not reveal any violation of maximum concentrations allowed by local standards.

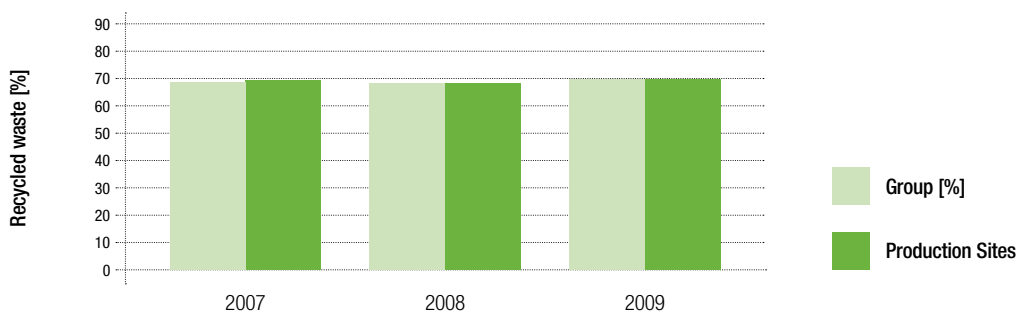
Waste production and recycling

The total amount of waste generated by the Group fell sharply in 2009, not only in absolute terms (-13.9%) but also in specific terms (- 2.1%), associated with an increase in the percentage of recovered waste (+ 2.2%, see following graphs).

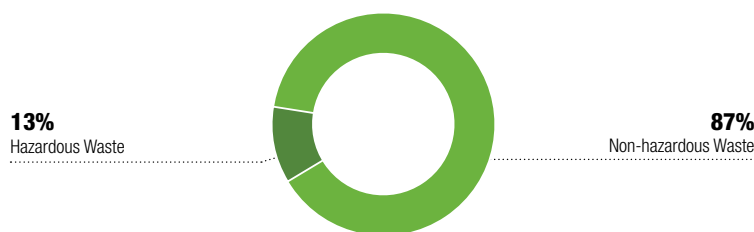
WASTE – TOTAL AND SPECIFIC PRODUCTION



RECYCLED WASTE [%]



GROUP – DISTRIBUTION OF HAZARDOUS AND NON-HAZARDOUS WASTE - 2009



Wastes are classified according to their hazardousness pursuant to specific European Union regulations, specifically EC Decision no. 532 of May 3, 2000 (as amended) and EC Directive 98 of November 19, 2008.

All waste generated by Group sites are managed in the country where it is generated.

TOTAL WASTES	2009 vs 2008	2009 vs 2007
Group Total	- 13.9 %	- 11.7 %
Production Sites	- 14.0 %	- 11.6 %
Production Sites – Specific Production	- 2.1 %	- 3.3 %

Handling of Packaging

Different procedures for handling packaging materials, if any, exist for different types of products. While tyres are sold without packaging materials, steel cord and particulate filters are sold in specific containers. It should be pointed out that tyre sales accounted for 89% of all Group sales in 2009.

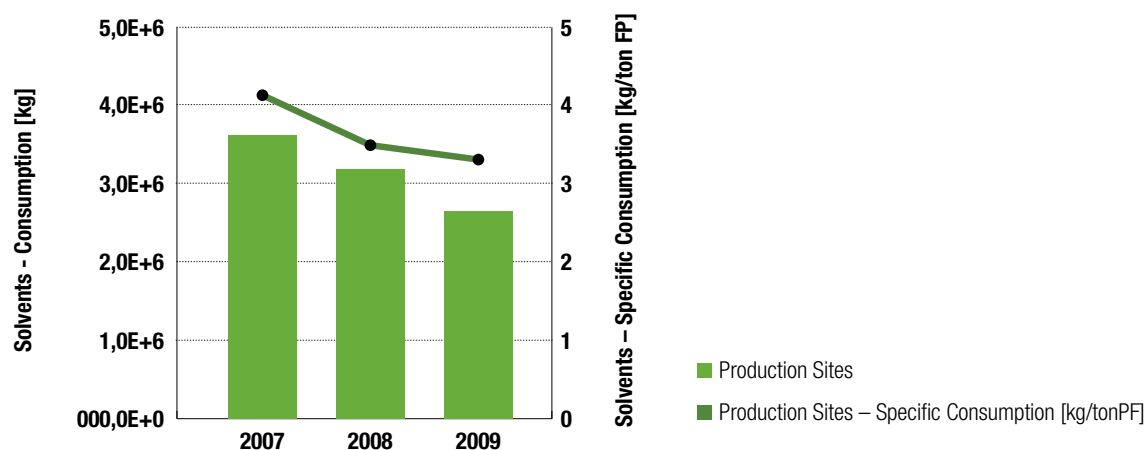
Amongst the various programmes implemented to reduce the packaging materials used for making product sales, the Steel Cord Business Unit undertook a series of steps to manage and streamline the use of packaging materials, in collaboration with its own customers. The purpose of these actions was to increase the quantities of reusable packaging materials, both through their being returned to production sites and through replacement of certain types of packaging with more resistant models that are less subject to wear and tear and thus having a longer useful life.

Solvent Consumption

The following graph illustrates the net positive trend in solvent consumption, which reflects continued **replacement** by Group companies worldwide of organic base products with other water base products. During the three-year period 2007-2009, this reduced the specific consumption of organic solvents by over **19%**, which fell from over 3,100 tons consumed in 2008 to about 2,600 tons in 2009.

Following the installation and activation of catalytic abatement plants at certain production sites, the estimated quantity of volatile organic substances released in the atmosphere in 2009 was significantly lower than the aforementioned consumption of 2,600 tons.

SOLVENTS – CONSUMPTION AND SPECIFIC CONSUMPTION



SOLVENTS	2009 vs 2008	2009 vs 2007
Group Total	- 16.7 %	- 26.7 %
Production Sites	- 16.8 %	- 26.8 %
Production Sites – Specific Consumption	- 5.3 %	- 19.9 %

Other environmental aspects

Substances harmful to the ozone layer

The presence of substances harmful to the ozone layer is entirely attributable to liquid refrigerants used by air conditioners, which are equipped with closed circuits.

Except for unforeseeable leaks of these substances, there are no free releases in the atmosphere that could be correlated with production activities.

SO₂ Emissions

Direct emissions of SO₂ stemming from the combustion of diesel and fuel oil was estimated to be about 200 tons in 2009.

GREEN FACTORY

Work on creation of the **technological and production centre at Settimo Torinese** for production of “green performance” tyres continued in 2009, as part of the process to **improve efficiency and productivity** standards. This project is being carried out as part of a framework agreement between Pirelli Tyre and the Region of Piedmont, Province of Turin and the City of Settimo Torinese.

This will be a state-of-the-art industrial centre, the Group’s most advanced in terms of technology and efficiency.

The most advanced production technologies developed by Pirelli research will be used and, perfectly in line with its sustainable development strategy, appropriate measures will be taken **to limit environmental impact and resource consumption as much as possible**. All of this will be done within the framework of eco-compatible architecture and design.

Energy saving and renewable energy exploitation initiatives

In order to limit the environmental impact of the Settimo Torinese as much as possible, all of its subsystems have been conceived and designed for the most rational use of energy from fossil fuels and encourage maximum use of solar energy through the study of highly innovative and efficient systems.

The following technologies are used, among others:

- **double recovery flow air treatment unit**, capable of maximising the recover of heat in the served spaces;
- **adiabatic cooling units**, capable of limiting the ambient temperature of the hottest parts of the plant (e.g. those near curing machines) within acceptable limits, even during summertime, exclusively by using modest quantities of running water;
- **high efficiency heat regenerators** installed in every department;
- **use of solar panels** for the production of hot tap water equipped with special thermostat valves capable of preventing overheating and consequent waste of water necessary for cooling;
- feasibility study of an approximately 1MWp **photovoltaic field**;
- feasibility study for the **use of solar panels** to cool offices in summertime by using an innovative solar cooling technology.

Study for installation of a photovoltaic solar field

The construction of an approximately 1 MWp photovoltaic plant would result in major energy savings for the served facility. Use of this technology is based on the need to combine:

- compatibility with architectural and environmental protection requirements;
- the absence of noise pollution;
- fossil fuel savings;
- generation of electric power without causing pollution.

The system that is currently being studied would generate about 1,000,000 kWh of electricity a year, with a savings of about 194 TEP (tons of equivalent petroleum).

Finally, the estimate of potentially avoidable pollution emissions can be summarised as follows:

Estimate of potentially avoidable air pollution	CO ₂	SO ₂	NO _x	PARTICULATE
Specific air pollution [g/kWh]	496.0	0.670	0.523	0.024
Emissions avoided in one year [kg]	≈ 516,000	≈ 700	≈ 550	≈ 25
Emissions avoided over 20 years [kg]	≈ 9,500,000	≈ 13,000	≈ 10,000	≈ 460

Data source: ENEL 2007 Environmental Report

Production of hot tap water

To comply with the most recent energy saving regulations, plans call for installation of a system of solar panels capable of producing 60% of total hot tap water requirements for the plant. Estimating annual consumption of about 6,750,000 litres of hot water, it is estimated that about 25,000 Nm³ methane gas will be saved, or 52,800 kg of CO₂ every year.

The use of a special, innovative technology named “Heat Pipe” will prevent overheating of the water stored in tanks even if the plant is not used (e.g. during summertime plant shutdowns). Unlike traditional systems, the heat transfer fluid contained in the solar panels is blocked by a special valve that prevents the heat from being transmitted to the water in the solar panel. This improvement makes it unnecessary (extremely frequent in plants of this type) to dump accumulations of excessively hot water and then replenish it from the public water supply.

Solar cooling system

A cutting edge project is currently under study for the production of cold fluid (at a temperature of 7-10 °C , and thus usable for summertime air conditioning) by using solar panels and heat absorption refrigerator units. This system is called “solar-cooling.”

It is obvious that machines that permit the transformation of solar heat into a source of cooling represents an effective method of exploiting renewable energy (the greatest need for cooling coincides with the period of greatest sun exposure, and thus at the systems highest yield point) permits major energy savings and, consequently, reduced air pollution.

In the context of the framework agreement for creation of the Settimo Torinese Technology and Production Centre for the production of “green performance” tyres, Pirelli Tyre and the Turin Polytechnic have pursued joint research and technological innovation projects dedicated not only to minimising the impact of the new industrial site but especially further innovation of the most advanced processes and products of Pirelli Tyre research (such as TSM, Next Mirs™, and the “intelligent” Cyber Tyre), activated in 2008.

THE CCM PROCESS

The CCM process for producing compounds uses a 100% computer controlled pneumatic distribution system to transport the ingredients from their storage silos to the twin-screw extruders that operate continuously. This technology was designed to manage the complexity of the process resulting from the dozens of ingredients necessary to produce the compound. The computer controlled process improves the quality of the produced compound, and consequently the quality of the finished product.

By means of a specially designed capture and recycling system for solid materials, CCM technology has reduced dust levels in production areas to extremely low levels. The CCM process also saves energy, enabling a **reduction of approximately 20%** in energy consumption per unit of product.

THE TSM PROCESS

TSM (Twin Screw Mixing) is the new process for preparation of compounds and is the result of a combination of traditional batch mixing with continuous CCM technology. It offers high levels of quality, reliability and efficiency, developed specifically for the production of compounds used in the new Pirelli green performance tyres. This technology makes it possible to realise major improvements in terms of compound uniformity, reduced dispersal of ingredients and a **30% reduction** in energy consumption as compared with traditional techniques.

The PTSM process has optimised the silanization reaction of silica based compounds ("green" tyres). This has made it possible to significantly reduce tyre rolling resistance, which directly translates into vehicle fuel savings. The TSM technology streamlines production efficiency, guaranteeing productivity increases of at least 300% as compared with the previous continuous CCM technology.

During execution of the PTSM project, special attention was also dedicated to definition of the layouts, in order to significantly limit the final size of the plants and reduce their industrial impact.

In 2009, PTSM project activities concentrated on development of the mixing process on pilot plants, product tests and the design of new industrial plants.

THE NEXT MIRS™ PROCESS

MIRS™ is an integrated, modular robotic system for making tyres. It has a very high degree of flexibility due to its ability to optimise modularity and logistics. In the MIRS™ process, tyres are fabricated around a heated drum that is tailor-made for a particular tyre model. The drum is continuously rotated by a robot under an extrusion device that distributes rubber over the surface. The drum rotation and compound feeding movements are coordinated to provide the correct distribution of materials to create the specific tyre model. Compared to traditional, large-scale tyre-building systems with their exceptionally high production rates, designed for customers in different geographic locations, the MIRS™ is a compact production "island," flexible and easily programmable for extremely rapid adaptation to the production of new models. This system represents a real improvement, in terms of both technology and logistics, as it can be easily located near the manufacturing process that it serves.

The use of robotics in the production process makes it possible to realise extremely high product quality, due to the geometric distribution of the rubber fibres that is constant for each model.

The Next MIRS represents a huge technological leap in the tyre fabrication process after MIRS. It expands its scope of flexibility to different lines characterised by families of different materials and permits the fabrication of products for the most diverse uses in terms of performance requirements: highway and racing supercars.

The contribution made by Next Mirs to eco-compatibility is based on three principal aspects:

1. **curing process:** as part of the Next Mirs project, Pirelli has developed a new concept that will lead to a more uniform degree of curing between the different parts of the tyre. This will make it possible to improve the production efficiency of the curing machine **up to 30%**, resulting in:
 - a proportionate reduction in the number of curing machines and moulds, and thus a reduction in CO2 emissions during production;
 - a considerable reduction in the energy used, mainly for the energy dispersed by the curing machines and thermal plants serving them.
2. **Extrusion process:** in comparison with the MIRS project, the Next Mirs process has adopted a new “cold,” i.e. low temperature extrusion system, with consequent reduction in heat use. The efficiency of extruder screws has also been improved. All of this translates into improved product performance, especially in terms of maintaining the original characteristics of the compounds during use.
3. **The Next MIRS product:** with the Next Mirs technologies, it is possible to realise semi-finished products that are more exact in terms of weight (the variability of weight is about 1/3 compared with NP) and more complex.

Due to the combined effect of these two peculiarities, the weight of the specific products can be significantly reduced by this process (about -4/5%) and, therefore, aside from an equivalent reduction in raw materials used, a significant reduction will also be realised in the rolling resistance base load of the product in use.

CAPITAL EXPENDITURE FOR IMPROVEMENT OF ENVIRONMENTAL PERFORMANCE

Capital expenditure in 2009 to improve the environmental performance of production sites totalled Euro 2.8 million (Euro 3.5 million in 2008)

RECOGNITION FOR COMMITMENT TO RESEARCH, DEVELOPMENT AND INNOVATION

Its commitment to innovation and the results it achieved allowed Pirelli Tyre to win the ‘**Businesses for Innovation**’ Prize as part of the 2009 ‘National Prize for Innovation’ sponsored by **Confindustria**. The prize was awarded “For the major contribution of innovation to business results, realised by integrating innovative concepts and tools in the daily activity of personnel at all levels of the organisation.”

The Prize, sponsored by Confindustria in collaboration with APQI – Associazione Premio Qualità Italia – and various industry experts, aims to publicise and promote the dissemination of organisational and strategic models focused on growth through innovation.

Furthermore, in recognition of the score it received “for dynamic and integrated management of innovation used as a tool to engage the entire Company and thereby ensure its growth and international competitiveness,” Pirelli Tyre won the ‘**Prize of Prizes**’.

The **awards ceremony** took place at the Quirinal Palace in Rome. The Chairman of Pirelli received the ‘2009 National Prize for Innovation’ from the head of state, the **President of the Republic of Italy**.



Social dimension

Internal Community

“The Pirelli Group recognizes the crucial importance of human resources, in the belief that the key to success in any business is the professional input of the people that work for it in a climate of fairness and mutual trust.

The Pirelli Group safeguards health, safety and industrial hygiene in the workplace, both through management systems that are continually improving and developing and by promoting an approach to health and safety based on prevention and the effective handling of occupational risk.

The Pirelli Group consider respect for workers’ rights as fundamental to the business. Working relationships are managed placing particular emphasis on equal opportunity, on furthering each person’s career development, and on turning their diversity to account by creating a multi-cultural working environment.”

(Ethical Code – “Human Resources”).

The above-mentioned principles are reiterated in the “Social Responsibility Group Policy for Occupational Health, Safety and Rights, and the Environment”. The commitments taken by Pirelli through this Policy reflect not only the contents of the regulations above but also the SA8000® prescriptions. This standard has long represented the reference tool for the Group social responsibility management.

Such Policy has been largely dealt with in the first chapter of the present report.

DESCRIPTION OF WORKFORCE

To facilitate reading of the following tables, note that the indicated professional categories are identified according to the “Hay” international occupation classification system. The higher the Hay score, the higher the degree of complexity and responsibility associated with the position.

The categories mentioned in the tables imply the following Hay scores:

- Executives = Employees with Hay Points >750
- White collar = Employees with Hay Points >300 and <750
- Blue collar = Employees who work mainly on the factory floor. The classification is also based on local legislation.

WORKFORCE BREAKDOWN BY CATEGORY



	Tyre	Pre	Pbs	Other * Businesses	Other **	TOTAL
2009						
Executives	232	90	11	15	59	407
White collar	5,029	963	114	126	434	6,666
Blue collar	22,220	86	3	182	6	22,497
TOTAL	27,481	1,139	128	323	499	29,570
2008						
Executives	241	143	9	14	57	464
White collar	5,109	1,324	101	105	472	7,111
Blue collar	23,251	91	3	128	8	23,481
TOTAL	28,601	1,558	113	247	537	31,056
2007						
Executives	250	216	15	16	67	564
White collar	5,135	1,954	166	66	536	7,857
Blue collar	21,839	522	15	13	13	22,402
TOTAL	27,224	2,692	196	95	616	30,823
DELTA 2009 VS 2008						
Executives	-9	-53	2	1	2	-57
White collar	-80	-361	13	21	-38	-445
Blue collar	-1,031	-5	0	54	-2	-984
TOTAL	-1,120	-419	15	76	-38	-1,486
DELTA 2009 VS 2007						
Executives	-18	-126	-4	-1	-8	-157
White collar	-106	-991	-52	60	-102	-1,191
Blue collar	381	-436	-12	169	-7	95
TOTAL	257	-1,553	-68	228	-117	-1,253

* OTHER BUSINESSES: They include the employees of the companies: Pirelli & C Ambiente SpA, Pirelli Eco Technology and Pzero Moda

** OTHER: It includes the employees of the corporate companies and service centres

GEOGRAPHICAL DISTRIBUTION OF EMPLOYEES

2009

NORTH AMERICA

Tyre	248
Real Estate	0
Broadband Solutions	0
Other Businesses*	0
Other	0

CENTRAL AND SOUTH AMERICA

Tyre	11,750
Real Estate	0
Broadband Solutions	4
Other Businesses*	0
Other	0

EUROPE

Tyre	10,526
Real Estate	1,139
Broadband Solutions	124
Other Businesses*	323
Other	499

ASIA, AFRICA, OCEANIA ¹

Tyre	4,957
Real Estate	0
Broadband Solutions	0
Other Businesses*	0
Other	0

	Tyre	Pre	Pbs	Other * Business	Other**	TOTAL
2009						
Europe	10,526	1,139	124	323	499	12,611
North America	248	0	0	0	0	248
Central and South America	11,750	0	4	0	0	11,754
Asia, Africa, Oceania ¹	4,702	0	1	0	0	4,703
TOTAL	27,481	1,139	128	323	499	29,570

2008						
Europe	11,830	1,558	111	247	523	14,269
North America	265	0	0	0	0	265
Central and South America	11,804	0	1	0	14	11,819
Asia, Africa, Oceania ¹	4,702	0	1	0	0	4,703
TOTAL	28,601	1,558	113	247	537	31,056

2007						
Europe	11,893	2,692	191	95	599	15,470
North America	262	0	3	0	0	265
Central and South America	10,531	0	1	0	16	10,548
Asia, Africa, Oceania ¹	4,538	0	1	0	1	4,540
TOTAL	27,224	2,692	196	95	616	30,823

DELTA 2009 VS 2008						
Europe	-1,304	-419	13	76	-24	-1,658
North America	-17	0	0	0	0	-17
Central and South America	1,219	0	3	0	-14	-65
Asia, Africa, Oceania ¹	255	0	-1	0	0	254
TOTAL	-1,120	-419	-15	76	-38	-1,486

DELTA 2009 VS 2007						
Europe	-1,367	-1,553	-67	228	-100	-2,859
North America	-14	0	-3	0	0	-17
Central and South America	1,219	0	3	0	-16	1,206
Asia, Africa, Oceania ¹	419	0	-1	0	-1	417
TOTAL	257	-1,553	-68	228	-117	-1,253

* OTHER BUSINESSES: They include the employees of the companies: Pirelli & C Ambiente SpA, Pirelli Eco Technology and Pzero Moda

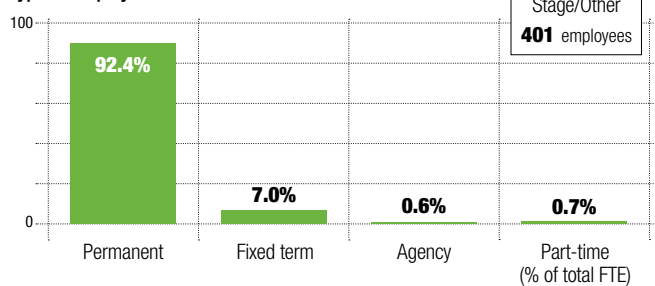
** OTHER: It includes the employees of the corporate companies and service centres

¹ Includes Turkey

TREND OF GROUP EMPLOYMENT

2009

Type of employment contract

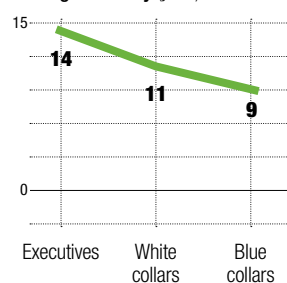


Incoming and outgoing group flows

Newly employed
3,595 workers

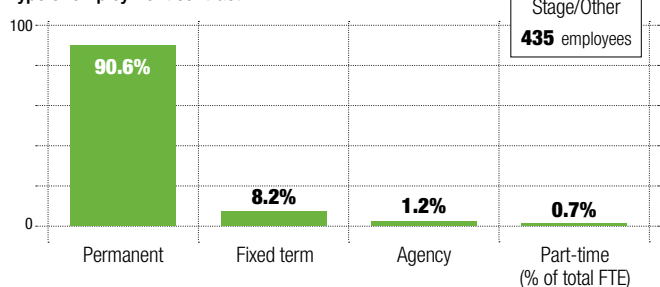
Outgoing employees:
4,857 workers

Average seniority (years)



2008

Type of employment contract

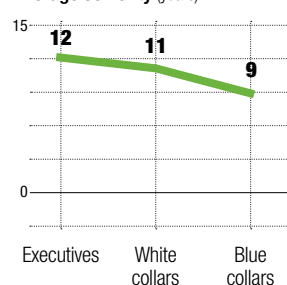


Incoming and outgoing group flows

Newly employed
6,740 workers

Outgoing employees:
5,899 workers

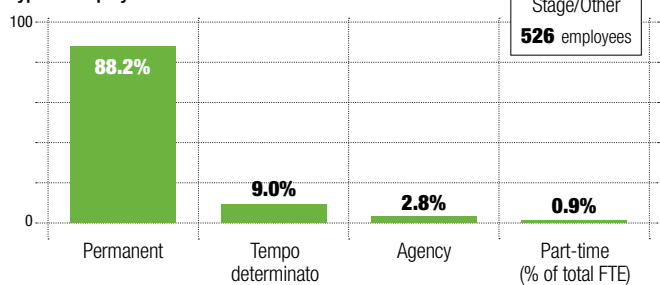
Average seniority (years) *



* This figure differs from the one published in the 2008 Annual Financial Statements due to revision of the method used for the figure referring to PRE (Previously published values: Executives=11, White collar=10, Blue collar=9).

2007

Type of employment contract

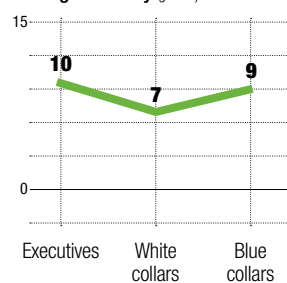


Incoming and outgoing group flows

Newly employed
5,630 workers

Outgoing employees:
3,504 workers

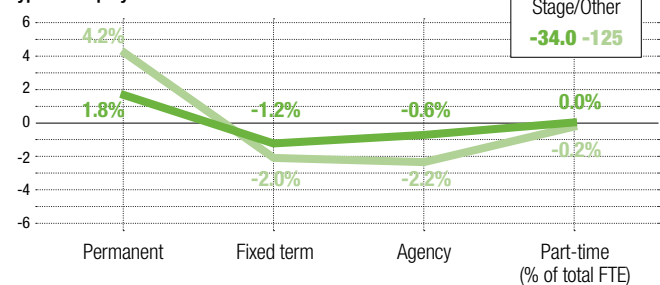
Average seniority (years)



DELTA

2009 vs 2008 2009 vs 2007

Type of employment contract

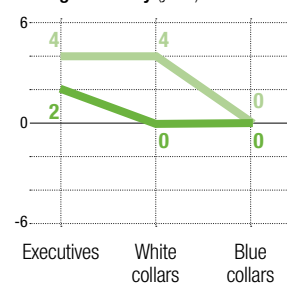


Incoming and outgoing group flows

Newly employed
-3,145 -2,035

Outgoing employees:
1,042 2,395

Average seniority (years)



INCOMING AND OUTGOING GROUP FLOWS - GEOGRAPHICAL BREAKDOWN

	Incoming	Outgoing
2009		
Europe	852	2,164
North America	7	13
Central and South America	1,752	1,961
Asia, Africa, Oceania ¹	984	719
TOTAL	3,595	4,857
2008		
Europe	1,703	2,034
North America	28	18
Central and South America	3,803	2,803
Asia, Africa, Oceania ¹	1,206	1,044
TOTAL	6,740	5,899
2007		
Europe	2,166	1,472
North America	35	35
Central and South America	1,972	1,211
Asia, Africa, Oceania ¹	1,457	786
TOTAL	5,630	3,504

¹ it also includes Turkey.

During the past year, a substantial headcount reduction took place at the Group (-1,486 employees), especially in the Tyre and Real Estate Businesses.

At Pirelli Tyre, there was a reduction of 1,120 employees compared with December 31, 2008, including 89 management and staff employees and 1,031 blue collar workers. The total reduction for "mature countries" was 1,384 employees, including 247 management and staff and 1,137 blue collar workers. Most of the decrease occurred in the following countries: Spain (-444) following the shutdown of production activity at the Manresa plant, Italy (-397), both at the Turin Centre due to technological and organisational changes in view of construction and start-up of the new Car and Truck Centre, and in the staff areas, UK (-384) including sale of the company Central Tyre, and Germany (-137).

Counting the additional layoffs at the Manresa plant at the beginning of January 2010, resulting from the second and final phase of terminating production activity, there was a total reduction of 1,569 employees.

However, Pirelli Tyre hired 264 new employees in emerging countries. At Pirelli Real Estate, there was a reduction of 419 employees from 2008, due to restructuring and reorganisation of the entire business. The cuts were made both in Italy (-314) and abroad (Germany -67, Poland -29, and other countries -9).

In terms of annual incoming and outgoing flows of employees, there was a net decrease from 2008 due to reduced labour market mobility after worsening of the global economic crisis. Seasonal employees, who are a characteristic of the Tyre Business to maintain constant production volumes, declined in number (about 250 as compared with the traditional 700).

The Group does not employ anyone under the age of 14. The Tyre Business employs 16 young workers between 16 and 18 years of age (7 in Brazil and 9 in Germany), and 6 young workers between the ages of 14 and 16 (all in Brazil), as part of training and induction schemes in compliance with local laws.

DIVERSITY AND EQUAL OPPORTUNITIES

Just as in previous years, Pirelli placed special emphasis in 2009 on promoting the diversity and spread of an "inclusive" labour culture, i.e. a culture that relies on mutual diversity to increase

the possibilities of success of the entire organisation and the capacity to meet challenges posed by the external market.

Relying on different nationalities, for example, represents a competitive advantage for a company like Pirelli, which has made internationalism its priority. Likewise, enforcing respect for individual differences, be they gender-based or otherwise, and even more so exploiting them as a common factor of the organisation is key to healthy, competitive business development.

This inclusive approach has been decisively encouraged by Pirelli's commitment to spreading an "equal opportunities culture." Since 2005, this commitment has been fully expressed with the "Group Equal Opportunities Project" and the "**Group Equal Opportunities Statement**" signed by the Chairman and distributed with the Project objectives to all employees in their local language on the website *www.pirelli.com*.

Compliance with workplace equal opportunity principles is monitored locally and centrally through a dedicated **Complaint Procedure**, which is designed to reveal any cases of sexual harassment and/or discrimination that the employee believes he/she has suffered at the Company. It is worth noting that not even in 2009 this Procedure was ever activated.

Specific actions support the enhancement of diversity amongst Pirelli employees. In particular: From this point of view, Pirelli has long supported the growth and development of its own managers through international experiences that are designed to develop the creative and managerial potential inherent in multiculturalism and in the context of different professional environments, even through its advanced policies in the field of international mobility (please refer to the following paragraph).

Of note, **eighty-five per cent** of the Group's senior management was hired and is working in their native country.

Effective equal opportunity and multicultural dialogue, like the perception of diversity (gender, religion, race...) are constantly monitored at the central level through adequate KPIs and **Opinion Surveys conducted by the Group**. The new survey will be carried out in 2010, while the operating measures suggested by the outcome of the previous one, conducted in 2008, were implemented in 2009. In the 2008 Survey analysis, the equal opportunity and diversity indicators did not reveal particular criticalities. On the contrary, in the case of the plants in Romania for example, where there is a higher proportion of female employees, the results were particularly positive.

To monitor compliance with the equal opportunity and non-discrimination principles affirmed by the Group from the **recruitment stage** on, a control mechanism was introduced in Italy in 2008 based on the compilation of an anonymous postcard/questionnaire by every candidate interviewed by the Company. In 2009, 97% of the candidates confirmed the perception of total respect of equal opportunity principles during the recruitment process.

In the area of **training**, which has long been identified as a key tool for impacting the cultural change connected with enhancement of diversity, specific modules are dedicated to "diversity management" in the company. Group sustainability and Equal Opportunity principles are also included in "Pirelli's way Joining the Group," a course dedicated to the new hires.

At the end of 2009 a workshop was also held that targeted the human resources population, aimed at raising the sensitivity of HR Managers on the issues related to providing advice to mothers returning to work after maternity leave.

Specific **positive actions** for monitoring compliance with cultural diversity have also been adopted at affiliated companies: different foods are clearly marked in company canteens so that everyone may freely comply with their own religious dietary restrictions, multilingual bookstores in the factory, multilingual welcome kits for those joining Pirelli at a facility in a country other than their home country.

Initiatives designed to **promote reconciliation** of personal life and work, like day care centres or organised holidays for employee children round out a pro-active scenario.

In regard to **the breakdown of employees according to gender**, 19% of managerial positions were filled by women at 31 December 2009, which reflects the 12% of executive positions and 20% of middle management positions held by women, unchanged from the previous two years. Women hold 38% of white collar staff positions (substantially unchanged over the past two years) and 4% of blue collar positions (unchanged from the past two years). Their number as a percentage of the total workforce is substantially the same as the figure reported for 2008.

The following statistics illustrate the situation of **wage and salary equity** – while emphasising that the situations described here represent a snapshot of 3/4 of the total work force covered by wage and salary policy (blue collar employees are normally covered by national collective bargaining contracts):

Italy – the average wage or salary for men is about 4% higher than the average wage or salary for women in the contractual category of middle managers, while the difference falls to about 2% in the case of white collar staff.

Latin America – the difference reported for Italian contracts is even further reduced. In the white collar staff category, the difference is 2% in favour of men, while there is no difference for the middle manager category.

Executive – considering the fact that women represent 12% of this population, it is observed that, when the position of men and women carries the same weight, the pay difference falls within a maximum of 8%, in favour of men.

To satisfy its obligations under Law 68/99, the Pirelli Group has made and signed specific agreements with the relevant authorities to promote hiring of disabled workers. The Group believes that these agreements, in compliance with current law, are the best way to satisfy the social interest in employing these workers, by reconciling their needs with the Company's organisational and technical-productive requirements. Outside of Italy, it is objectively difficult to measure the number of disabled workers, both because there are no specific regulations protecting the employment rights of disabled persons in certain countries where Pirelli operates and because this information is sensitive and often protected by privacy laws.

The Group is highly committed in valorizing diversity even outside Pirelli, both at a national and international level.

Pirelli has been a member of the **European Alliance for CSR** since 2007. This initiative is promoted by the European Commission to encourage the spread and exchange of the best sustainability practices amongst businesses. This membership is based on the conviction that sharing experiences with the external community and especially with other firms that seriously wish to address the issue of equal opportunity and management of cultural and other forms of diversity and desire to establish forms of governance for this purpose creates social value.

Through this Alliance, the Group participates at the **European Laboratories** coordinated in Italy by the **Sodalitas Foundation**, whose Executive Committee has a member representing Pirelli. In 2009 the "Multiculturalism Laboratory" created the toolkit **Multiculturalism, an Asset for Business. A Comparison of Experiences and Programmes: Stimulus for Improvement of Company Life**, presented in Milan on October 27, 2009 by Pirelli and the other companies that co-authored the book, together with UNAR-National Office against Racial Discrimination, during the conference "Diversity Management: an Asset for Business."

This document, based on a general scenario of the situation of multiculturalism, presents best business practices in various ambits: strategies and organisational process for the management of multiculturalism, management of human resources and business areas (customer relations, new products development, suppliers' management, relationship with the internal and external community).

In 2008, the "Equal Opportunities" Laboratory created the toolkit **Practicing Gender Equality in Careers**, presented at the Marketplace on CSR in 2007 and again on June 19, 2008 in Brussels, during the CSR Europe General Meeting.

Between 2008 and 2009 Pirelli, together with other Sodalitas' member firms, drafted the Italian **Charter for Equal Opportunities and Equality at Work**, presented in Milan on October 5, 2009 and promoted by the Sodalitas Foundation, AIAF (Italian Association of Family Businesses), AIDDA (Association of Women Business Owners and Corporate Executives), Impronta Etica, UCID (Christian Union of Business Owners and Executives), the National Equal Opportunity Advisor's Office, with the participation of the Ministry of Labour, Health and Social Policies and the Equal Opportunity Ministry.

The Charter provides a benchmark framework of values to guide the businesses who want to sign it. It does not contain detailed rules but a few programmatic commitments based on principles and key elements of effective programmes of change. The Charter, and the description of the commitments that it envisages for the signatory businesses, may be found on the dedicated website www.cartapariopportunita.it.

In 2009 Pirelli continued its participation in the activities of the Diversity Management Observatory at the Bocconi University, in order to monitor business activities and trends in the management of diversity.

COMPENSATION AND INTERNATIONAL MOBILITY POLICIES

To manage the crucial phases of integration and development of human resources, Pirelli implements an extensive policy system both at Group and Sector/foreign affiliate company level.

Salary Review policies are implemented locally on a country-by-country basis, except for procedures involving Group executives and key resources involved in international mobility schemes, as these categories are centrally coordinated by the parent company in order to ensure uniform application of these policies worldwide.

In the area of **compensation**, Pirelli decided to implement two joint measures for 2009, consistently with the economic trends and the results achieved. On the one hand, it adopted a zero bonus policy for the 2008 skills incentive, and on the other hand, it took the decision to freeze any pay increase tied to merit policies.

In regard to the Group **annual incentive system (MBO – Management by Objectives)**, which involves all executives and about 60% of managers), the process of defining objectives was radically simplified in 2009. This was in response to the rigour imposed by the changed macroeconomic situation at the beginning of the year, and the application of parameters consistently with the firm's business strategy (e.g. great focus on cash and cost containment).

In April 2009 a **Medium Term Cash Incentive Plan for 2009-2011** was implemented, affecting about 90 Group senior managers, based on challenging targets defined in accordance with the 2009-2011 Industrial Plan submitted to the financial community on February 11, 2009.

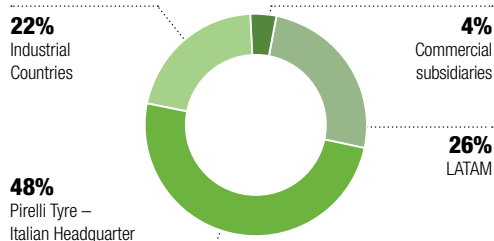
The principal characteristic of the Plan was the introduction of a mechanism for "co-investment" by the individual manager of a portion of his annual bonus to support the three-year plan. The purpose was to promote medium-term performance over short-term interests, in view of realising a greater return at the end. The three-year bonus, including the "deferred" portion of the annual incentive with the additional amount granted by the Company on the basis of a given multiplier is paid out only when the three-year targets are met.

The **International Mobility Policy**, of considerable strategic value in the development of leadership within the Company, deserves special attention. About half of current Pirelli management and senior management personnel have had one or more significant work experiences in a foreign country, which represents a strategic value for internationalisation in the development of leadership.

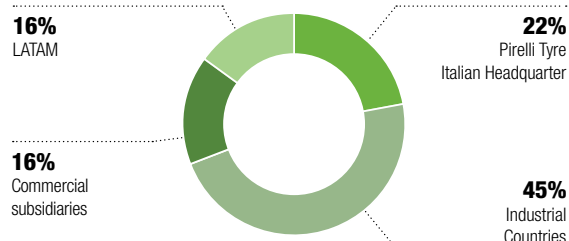
Over the past decade, an average of about 250 people, including executives, managers and white-collar employees of different nationalities and cultures have exchanged know-how, developed their professional skills and exploited new managerial opportunities, thereby contributing to the creation of truly international Group.

DISTRIBUTION OF EXPATRIATES

By country of origin

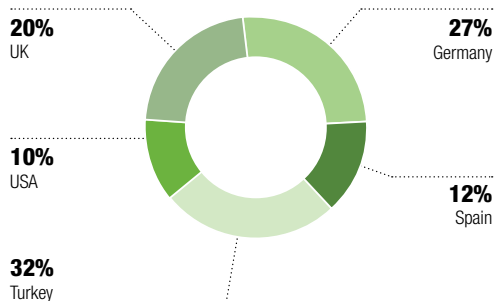


By destination country

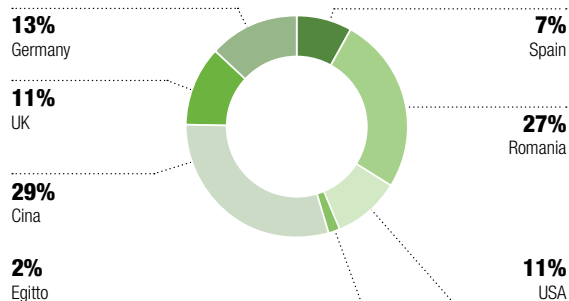


BREAKDOWN OF INDUSTRIAL COUNTRIES

Country of origin



Destination



Many aspects of the global labour market have imposed a more flexible approach to the international framework that can readily satisfy organisational and individual requirements. With this aim in mind, a thorough audit was carried out in 2008 on processes and practises adopted for international mobility, leading to a proposal for general revision of Group policy. The new international mobility policy was introduced worldwide in June 2009. This new policy substantially revised all possible cases of foreign assignments, regulating the different scenarios in a uniform manner. The principal drivers are comprised by development/growth of talent resources and the transfer of technical know-how in support of the start-ups.

The percentage of all expatriates who are women remained unchanged for the second year in a row, with this figure standing at about 15% on December 31, 2009.

SELECTION, TRAINING & DEVELOPMENT

Selection: Talent Attraction initiatives and tools and Employer Branding

Due to cyclical market conditions, the recruitment and selection of new university graduates were temporarily suspended for the first two quarters of 2009, in view of containing costs. These activities gradually resumed only in the fourth quarter, with increasing emphasis being placed on streamlining the process to identify and select recruitment channels that best meet Pirelli targets and to emphasize the principles of transparency and clarity during the communication process.

Once this process was implemented, these efforts resulted in a significant increase in the percentage of candidates who passed the classroom assessment process as compared with the previous year.

The corporate recruitment department constantly supervised the process of recruiting new interns, so that it would address real needs and offer genuine hiring opportunities at the end of the internship period.

The monitoring of candidate feedback continued, through the anonymous compilation of post-cards and questionnaires distributed at the end of the interviews to measure the candidates' perception of the fairness and quality of the day-long assessment process (see paragraph "Diversity and Equal Opportunities").

In consequence of the reduced hiring of new university graduates in 2009, the employer branding activities carried out during the year were increasingly focused to support students approaching graduation from university and provide them with useful tools for making career choices through specially designed events.

In this view, the Company maintained its presence on university campuses, by using channels and tools that had already been consolidated over the years, in particular Career Days, Career Books, presentations by Pirelli managers at major Italian universities, orientation meetings for young university students, visits to Group facilities by student delegations from foreign universities.

In 2009 the Group's employer branding activity was focused on updating Pirelli's image among young recent university graduates and consolidation of its orientation practises.

The principal orientation projects that were started and/or continued in 2009 included:

- **Romania:** in November 2009 the corporate and Romanian employer branding managers formally initiated employer branding and recruitment projects at local institutions, particularly the University of Petrosani, the Tirgujiu Technical Institute and University, and the Bumbesti-Jiu Technical Institute.
- **POLITONG:** a cooperative project between the Milan Polytechnic and Turin Polytechnic and Tongji University in Shanghai began 2007 and continued for two consecutive years, with targeted actions involving our managers in China. After attending alternate years studying at the participating Italian and Chinese universities, the Italian and Chinese students participating in the project received a specialised degree recognised both in Italy and in China.
- **Egypt,** the first Career Day at the University of Alexandria was held as scheduled in January 2009.

Aside from the usual programmes of collaboration between Pirelli and leading national and international university centres, a project launched in 2008 was continued in 2009 for the financing of academic research on materials at **Jinan University** in Shandong Province, China. A contract for setting up an IT project with the **University of Craiova** was also made for the first year.

In addition to its long-standing presence in the academic world, the Group reinforced its network in Italy with local technical high schools. The Company actively participated in the working groups envisaged by the experimental **project of reform by the Ministry of Education** and designed to revise the study plans. The objective was to encourage alignment between scholastic training and the technical needs of local enterprise, to facilitate the hiring of young graduates.

As part of the project launched in 2008 to promote the Company's image amongst its target pool of new university graduate job candidates, Pirelli continued to update the "Career" section on its website, www.pirelli.com, revising its content and style. An Edutainment Video was added, with the specific aim of promoting visits to the website by young university graduates and providing them with an enjoyable, informal tool for learning about the Group and undergoing a simulated selection process.

These efforts resulted in the "Career" section being ranked as one of the best sites in the international ranking prepared by Halvarsson & Halvarsson.

Thanks to the policy of internal and external transparency, as well as to the numerous projects involving young talents at the Group, Pirelli earned the “Top Employers Italy 2009” recognition.



Training and Development

Talent Management and Talent Retention tools and measures

The mapping and management of Group talent pools initiated in the second half of 2008 continued in 2009, through the Career Development Program. The career growth and development of persons belonging to this pool are monitored and managed at the corporate level through special meetings arranged with members of senior management, continuous updates and tracking of opportunities, and ad hoc compensation measures designed to promote individual career development and retention. All of these activities were carried out at the corporate and local country Human Resources Department.

The Group **Career Development Programme** continued in 2009. This historic, international programme supports the identification, growth and development of talented individuals in the Company. The entire programme is dominated by constant alternation of opportunities for assessment and development of strategic skills (local and Group Development Centers) and actual training courses (on “Understanding Business Complexity”, “Managing Growing Complexity” and “Developing Managerial Excellence”).

The following tables illustrate the number of events and participants in the Career Development Programme over the last three years:

TRAINING WORKSHOPS

Understanding Business Complexity (UBC)																
	Italy	Germany	Spain	Turkey	Brazil	UK	China	Egypt	France	Argentina	USA	Mexico	Romania	Australia	Portugal	TOT
2009	21	10	2	10	5	4	2	7	1	2		2	3	1	1	71
2008	27	7	2	12	7						1		7			63
2007	18	8	2	5	16	2	5	1	1							68

Managing Growing Complexity (MGC)																	
	Italy	Germany	Spain	Turkey	Brazil	UK	China	Egypt	Romania	Singapore	USA	Argentina	France	Russia	Benelux	Poland	TOT
2009	29	1	3		2	5		1				2	1	1	1	1	47
2008	16	6	1	3	4	1	1	4			2	1	2				41
2007	27	8			4	2	4	3	1	1							50

Developing Managerial Excellence (DME)											
	Italy	Germany	France	UK	Romania	China	Turkey	Brazil	Canada	Switzerland	TOT
2009	7	1			1			2		1	12
2008	13	3		3				1			20
2007	10	4	1	2	1	2	1		1		22

The methods used at the Development Centres were significantly improved in 2009.

A series of online tests were introduced, and the activities for assessment upgrading of the skills according to which participants are assessed and challenged were redesigned. These changes made the entire process of monitoring and assessing skills more reliable, making it possible to transmit the consequent training strategies more effectively.

In April 2009 a **Medium Term Cash Incentive Plan for 2009-2011** was implemented, affecting about 90 senior managers at the Group, based on challenging targets defined in accordance with the 2009-2011 Industrial Plan and presented to the financial community on February 11, 2009. More details about this plan are provided in the section dedicated to Compensation in this report.

Performance Management Process

The PMT-Performance Management Tool is the online tool for measuring performance that was introduced at the Group level in 2007 and gradually extended to all the staff of the Pirelli industrial companies linked by SAP HR. In 2009, the process involved over 4,700 employees, more than 85% of whom have received performance objectives to pursue over the course of the year. In anticipation of being involved in the online system, the remaining population of countries not operating on the SAP HR system participated in the process by using an analogous paper tool. In 2009, the performance management process was carried out more quickly than in previous years. In view of updating the personal and professional data of employees and updating the data resident on the various HR systems currently in use, an automatic process of updating HR Management data amongst the SAP HR, LearningLab and PM Tool systems and other data repositories (e.g. final data received from consulting firms on assessment centres) was defined in 2009.

The Performance Management Tool is of enormous importance both for managing employee skills and promoting their continuing education.

A specific space is dedicated inside the tool, so that the supervisor and employee may discuss the employee's training needs and enter them on the PM.

A section dedicated to filling out the curriculum vitae has also been created inside the Performance Management Tool. Using the precompiled form, the employee may update and complete his own data and emphasise any future projects in the specially created spaces.

The PM Tool will be updated again in 2010 and revised consistently with other projects for human resources development and improvement.

Principal international projects in 2009

Contact Centre Training. In 2009 the entire Customer Service unit at the international level participated in training to realise the following objective: driving the contact centre through a common and shared vision able to build a new identity focused on value added services and proactive approach.

The training project was carried out in May-July 2009 and involved over 200 from 20 countries.

International training program for Outbound Logistics. This was an international training project conceived and provided in collaboration with MIP Milan Polytechnic and dedicated to 28 individuals belonging to the Logistics Team from local and corporate departments. Four days of intense activity were offered, full of training opportunities to promote growth and the exchange of professional experience in the Distribution Logistics unit. The first three were held at the Istituto Piero Pirelli and focused on topics regarding supply chain management theories and theories/models based on distribution logistics, using both the didactic part and tools including best practices and comparisons with other industries (Whirlpool, etc). On the morning of the fourth day, the team was received by DHL EXEL Supply Chain Italy in Liscate, where

it visited the Samsung Electronics Italy warehouse with the training opportunity to analyse the logic and practices of a logistic service provider operating in a sector different from our own. In the afternoon, the team travelled to Verona to visit the highly automated spare parts warehouse of Volkswagen Group Italy, where they observed the business and organisational logic of in-house logistics and the management of a highly automated warehouse.

BU Moto Sales Training: organised on the basis of the survey of the BU Moto sales force conducted in 2008, this training course was focused on the entire commercial team. It was launched in 2009 in order to develop the capacity to build business partnerships. The project involved 150 persons in five countries, for an average total of six training days a person.

HR Training Lab: this programme consists of four training courses and will be held between 2009 and 2011. This three-year training programme is dedicated to HR professionals and managers HR and focuses on updating their professional skills and knowledge. It will specifically support evolution of the HR professional family towards a closer relationship with the Line. The programme began in 2009 with 10 different training sessions and involved 85 persons in 13 countries for a total of 3.6 training days on average per person.

Sustainability Training

The communication campaign to raise employee awareness of sustainability issues that began in 2007 continued in 2008 with specific classroom training activities involving blue-collar and white-collar employees in the United States, Germany, Turkey, Romania, Egypt and Switzerland. In 2009 classroom training continued for employees in Brazil, Venezuela, Argentina and Italy (Turin Centre). Training activities at Group facilities in the other countries will continue in 2010. Training activities, which were led by local managers supported by CSR Referents, focused on the concept of sustainability, the internal and external competitive advantage stemming from being a CSR Company that integrates it in its growth strategy, review of all corporate policies, from the Ethical Code to the HSE&CSR Policy and Global Compact as the model for sustainability formally adopted by the Group.

The analysis of stakeholders, the Company's approach to human rights and the environment completed the training, which was offered to employees on an interactive basis. They were reminded of the importance of full operating collaboration to maintain Pirelli's high sustainability profile. The contents of the presentations, which offered a uniform basis for training in the various countries, were defined by the corporate departments in view of disseminating business sustainability in a uniform way. Local managers were contacted in advance and their comments were obviously taken into consideration.

Training activities also included a post-training questionnaire so that the training experience could be tracked.

LearningLab

In 2009 the Group's new training portal, LearningLab, went online. It contains all of Pirelli's international training courses and programmes dedicated to Italian employees. The area dedicated to training in Turkey was released in 2009, and the area dedicated to Romania was released in January 2010. Implementation of the project in the major industrial countries will continue in 2010.

Turin Centre

The training programme at the Settimo Torinese Centre was started up in 2009. It provided three man days of training for blue collar and white collar staff (involving a total of 1,200 persons) and six man days of training for the heads of all organisational levels (including the shift foremen having direct contact with worker teams).

This programme consisted of an intensive professional retraining course for employees at all levels, including operative levels. The scope of the planned investment is infrequent at the industrial companies: from 10 to 20 training days pro capita in the three-year period 2009-2011, in order to align technological and product skills with the new technologies that the Centre will host, and to focus employee activity and attention on the quality of internal processes, product processes and relationships.

Health & Safety in the Office Training Project

An online training programme on Health and Safety in the Office was launched in 2009, dedicated to everyone who works in the office. The first course of the project was offered in the form of e-learning and targets all employees whose activity involves use of the computer, with special attention being dedicated to pregnant women. The course lasts a total of about one hour and was broken down into three training modules:

1. applicable laws and regulations;
2. health, safety and prevention for visual processors;
3. focus on pregnant women.

At the end of each module, simulations and interactive games assisted in the memorisation of course content, while a test assessing what was learned was carried out at the end of the course.

2009 Italy Catalogue

This programme has been the mainstay of training courses offered to employees at the Italian companies for years. Participation in Catalogue initiatives is decided by each supervisor together with his own assistant without having to obtain the approval of superiors, and is closely connected with the areas of improvement identified during the annual performance management interview. All courses are provided at the Piero Pirelli Institute, the Group's training centre.

The number of participants and courses remained steady in 2009 as compared with previous years, involving a total of 634 participants, 105 classroom days and 50 courses.

The Italy Catalogue courses are attended by persons from all Company businesses and departments, and were conceived to improve management and behavioural skills through short, highly focused training sessions.

In 2009 the Catalogue was updated with courses on the most innovative topics (e.g. "Web 2.0," "Decision Making," "Communication Tools") and updated with new classroom methods (e.g. diagnostic questionnaires, "forum theatre," etc.). Invitations to participate in Catalogue courses are given only if participation was indicated in the Performance Management Tool.

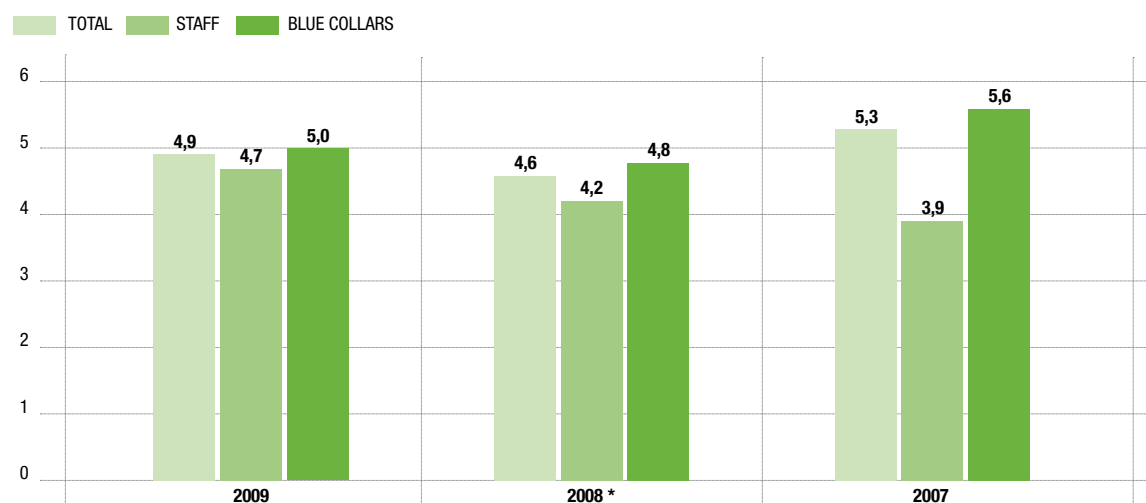
Management of registration in courses using the *LearningLab* training portal was also implemented.

The second year of training for apprentices was initiated in 2009 ("Talent in Action" project), with conclusion of the project at a meeting dedicated to self-development skills. Forty youths now participate in the course (young university graduates with apprenticeship contracts).

Quantitative summary of training expenditure

In spite of the economic crisis and reduction in resources dedicated to training in 2009, there was a slight increase in total man/days provided at the Group level. Specifically, 4.7 man/days (1 man/day = 8 hours) were provided to white collar employees and 4.95 man/days to blue collar employees.

AVERAGE NUMBER OF PRO CAPITA TRAINING DAYS



* It includes the Pirelli Real Estate perimeter (Total man/days 2008 for Pirelli Real Estate only: 1.16).

This trend is explained by considering the use of:

- greater resources dedicated to in-house training (e.g. in-house instructors) rather than external training;
- major training expenditure on blue collar employees in Italy (Settimo Torinese Centre training project) and in Spain (professional retraining plan for employees at Manresa).

In a measure resulting from the 2008 Opinion Survey, a massive training programme was offered to white collar staff in Brazil, on HR management and CSR issues.

In all Latin American countries, two skills assessment programmes were completed in corporate operations and plants (involving 350 persons) and the Research and Development Departments (50 persons). These activities will lead to specific training plans for Latin American countries beginning in 2010.

2010 training action plan

Numerous training programmes will be carried out in 2010. A summary of these programmes follows below. All of them will largely depend on and be determined by a highly strategic project, i.e. revision and distribution of the new leadership model throughout the Group.

In 2009 Pirelli initiated a review that would lead to revision of its leadership model in response to the new challenges posed by the strategic plan to management and the entire Company.

This project is broken down into several phases, of which the first was undertaken during the last two months of 2009. The bulk of the project will be realised in a plan activities spanning all of 2010.

The initial phase involved an analysis based on 60 interviews of individual Group executives from all countries where Pirelli operates and from all Company departments. These interviews were followed by workshops for strategic alignment with senior management and an encounter with top management.

Therefore, a model of new leadership skills was elaborated that all of Pirelli management must possess and develop over the next few years. It is essentially based on three priorities: skills for development of the business, enhancing individual skills, and management of consequent changes in organisation.

This new set of skills will be the basis for training measures in 2010, assessment of management and realignment of all human resource management systems.

A summary of the principal actions planned for 2010 follows.

1. **Leadership Training and Development Course** for all executives and a pool of other key managers, in accordance with the new model drafted by senior management;
2. **Performance Management:** participation in the performance management process with the online tool of all employees who are currently in countries without the HR SAP system (industrial and commercial units);
3. **Performance Management:** conception, development and implementation of new sections dedicated to employee development and mapping of technical skills, in view of increasing alignment of the performance assessment system with the leadership project;
4. **Continued updating** of the career section on the website and alignment of the www.pirelli.com website with the Group's other foreign or business sites;
5. **Continuation and consolidation of Group collaboration projects** with local technical institutes and with the Spinelli Technical Institute;
6. **Launch of 3rd Group Opinion Survey** involving all employees worldwide;
7. **Lean Manufacturing Programme:** the new training programme dedicated to the "Operations" and "Quality" professional families will be launched in the first several months of 2010. The objective will be to integrate "lean" methods and logics in managerial processes;
8. **Initiation of the second training phase dedicated to the Contact Centres** (RAINBOW project) for on the job implementation of sales skills and the new role of the Contact Centre teams;
9. **Updating of the Italian Training Catalogue** with the introduction of several changes to its content and communications approach;
10. **Creation of the new fully dedicated Apprentices Catalogue** (Young in Action project) with the inclusion of several changes to behavioural and management training and professional training;
11. **Redesign of the Career Development Program.**
12. **Initiation of the second phase of Office Health & Safety training** through e-learning and planning of an off-the-job safety training course;
13. **New training step for the logistic professional family** in all countries (about 80 persons from all countries);
14. **Italy sales training:** launch of a training course dedicated to the Italian professional sales force family;
15. **Product Experience Project:** planning and start-up of training activities in the project in order to improve product knowledge and technical training.

INTERNAL COMMUNICATION

In 2009, communication with the internal community was dedicated to information activities aimed mainly at familiarising the employee with the Company's strategic choices, in response to the specific request made during the Opinion Survey 2008 and in favour of mass distribution of the contents of the 2009-2011 Three-Year Plan, which was published on February 1, 2009.

Green Performance, Refocusing on industrial business and Internationalisation are the topics that have inspired all internal communication worldwide, using all available channels – Intranet, company magazines, events – and newly introduced tools (the industry magazine Truck, the newsletter for the Settimo Torinese community, Polonews) – with content and language targeted to their specific audiences.

Other priority objectives in 2009 were **employee involvement and personal improvement**, in accordance with the development programme established in previous years and in synergy with the principal values of the Group industrial system.

The only intranet shared by *all* employees at *all* Group companies worldwide, the Pirelli Intranet reconfirmed its role in 2009 as the key tool used by white collars for participation in the life of the company on the informational, functional and collaborative levels. Every day it carries news about the Company before it is reported in the external media (1,000 news items published during the year); it includes resident applications for the different professional families; through interviews and free comments, it publishes the contributions submitted by individual employees. By means of this function, which distinguishes the Pirelli Intranet from other companies and is the source of satisfaction for the community (with over 350 free comments being posted in 2009), several opinion leaders “concealed” amongst employees assumed visibility during the year. They represent a genuine intangible asset for the Company, which can be exploited through internal communication testifying to values and programmes for the entire community.

New services

As previously announced in the 2008 Sustainability Report, new services designed in response to specific employee requests have been implemented.

First and foremost, there is the **Bacheca dei pirelliani** (“Pirelli Community Bulletin Board”), which is restricted for legal reasons to the Italian population of 3,000 users. “A fabulous idea that has stimulated the collective imagination of employees for years. My compliments to the person who proposed it, to the person who had the courage to create it and to those who maintain it!!!”: this comment, posted on May 6 on the intranet by an employee at Milano-Bicocca testifies to the level of satisfaction with this new service, which has collected 160 wanted-offered announcements and a monthly average of 1,600 visits.

PZero online shop has also been online since the beginning of the year. This is the e-commerce of fashion products dedicated to Pirelli employees in the eurozone, with savings of up to 50% off the list price. This is the Company’s tangible answer to the numerous requests made by employees over the intranet through the free comments tool.

The **Travel Risk Intelligence System** has been online on the intranet since May. This platform is managed by Pirelli Security for all Group employees worldwide who travel either on business or for personal reasons. Directly accessible from the intranet, the portal provides real time updates about the political, social, health and other situations in all countries worldwide, and are useful for travelling safely. This portal is connected with an emergency service: in the event of real emergency – risk to personal safety, natural disasters, support in relations with law enforcement officers – every employee can contact Pirelli Security through dedicated telephone numbers.

The **Portuguese home page** on the intranet was up and running at the end of the year, in response to growing demand by the 3,500 Brazilian users so that they could participate more directly and effectively in the exchange of information amongst “pirelliani” (Pirelli employees).

Involvement and interaction in 2010

The introduction of new communication formats is planned, serving specific campaigns (Performance Management, 2010 Opinion Survey, etc.) and capable of involving employees ever more effectively through the use of multimedia language. Taken from television and internet, they will enrich the content of the intranet with communication increasingly focused on employees and in step with the reality of communication outside the Company.

Pirelli Group Intranet – 2009 figures

Number of users: 14,000

Number of countries: 35 (Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, China, Colombia, Egypt, France, Germany, Greece, Hungary, Indonesia, Italy, Japan, Mexico, Netherlands, Poland, Portugal, Romania, Russia, Singapore, Slovakia, South Africa, Spain, Sweden, Switzerland, Taiwan, Turkey, United Kingdom, United States, Venezuela)

Individual visitors (annual average): 10,000

(Italy 36.8% - Brazil 14.3% - Germany 13.0% - United Kingdom 6.9% - Turkey 6.6% - Romania 4.7% - Spain 2.3% - Others 15.4%)

Corporate Press

Communicating strategies and reorganisations

During 2009, Group magazines gave extended coverage to institutional communication, which punctually informed employees about strategic choices, reorganisation decisions and visions for the future, periodically using the most appropriate tools for the target audience.

In **Fatti&Notizie**, the periodical for Pirelli Group employees in Italy, the Chairman himself comments in an editorial complete with details on the highlights of the 2009-2011 Three-Year Plan: “Green performance,” refocusing on the industrial business and focusing. In **Pirelli World**, which is the quarterly magazine for Group management worldwide, research and development, “green” tyres and particulate filters are the focus of articles, interviews and focus items.

CORPORATE PRESS



The Group magazines “Fatti&Notizie”, “Pirelli World”, “Pirelli Truck” e “Polonews”

This was the context for communication about Pirelli Eco Technology, the Group company dedicated to reducing harmful emissions that represents a strategically important business for the Company. In 2009, the objective of the magazines was to familiarise the entire community of employees – from top management to blue collar workers - with Pirelli Eco Technology employees, through individual interviews.

The operations newsletter **PMS-Pirelli Manufacturing System** has grown rapidly since its creation in 2008, to link the various plants worldwide with the experiences and projects of the individual countries with the new Pirelli production process. A monthly publication available on the Group intranet in Italian and English, *PMS-Pirelli Manufacturing System* enjoyed

increasing international distribution in 2009, with spontaneous initiatives for translation in local editions.

The new magazine **Truck** was created in 2009 to serve the truck business unit – and in the framework of the Group refocusing on its industrial business. With 18,000 copies published in four editions (Italian, English, Spanish and German), it is the principal communications tool focused on trucks dedicated to transport professionals inside and outside Pirelli, providing them with updates about products, services, partnerships and legislation.

Managing Change

The magazine **Polonews** was created to support the radical transformation of the Settimo Torinese production site.

The main purpose of this bimonthly, which has a press run of 2,000 copies, is to support the direct link between the company and employees during the gradual, complex process that will lead to construction of the most innovative and sustainable tyre factory, the Settimo Torinese Industrial Centre. With 90% of its target readers being blue collar employees, the magazine uses concrete language reflecting daily issues : managers and foremen step forward and submit signed statements, articles and in-depth analyses. The interviews with department assistants, who are key to the success of the transformation process, recount the mood of workers and the project. In the column “*L’Azienda risponde*,” employees receive unequivocal answers to questions about quality, safety and other issues raised during training courses.

Polonews is part of the broader communication and training plan that is supporting and leading the entire Pirelli community at Settimo Torinese towards the new Industrial Centre. It helps provide the tools necessary to generate trust, cohesion and commitment towards this important industrial project, which needs the involvement and contribution of everyone.

Brazil and Germany, success stories: two communication cultures in comparison

"Comunica Pirelli - A Pirelli Mais Perto de Você"

The in-house communication programme that was successfully introduced in Brazil two years for a community of about 11,000 blue collar and white collar employees, was consolidated and further developed in 2009. It now boasts about 16 communication tools, divided amongst magazines (e.g. *Giro em Casa*), newsletters (e.g. *MaisQNotícia online*), bulletin boards (e.g. *Jornal Mural*), canteen tool (video), meetings, etc. These tools target different audiences with different formats, frequency of publication and content, covering the entire community of employees at all levels, synergically responding to a plethora of needs, from **information** to **collaboration** and **cohesion**. In 2009 *Comunica Pirelli - A Pirelli Mais Perto de Você* was extended to cover Group affiliates operating in Argentina and Venezuela and to the affiliates located in Chile, Mexico and Colombia with several tools that have been specifically created in the Spanish language, such as the newsletter, *MásQNoticia online*. It consequently feeds a continuous, coherent flow of information for about 13,000 employees within Latin America.

In 2009 the new communication channel *Fale com o Superintendente* (i.e. *Contact the CEO*) was launched: this is an e-mail address to which all employees may write, asking the Chairman questions, to which he replies daily with at least ten letters. The purpose of this tool is to encourage direct **dialogue between employees and the CEO**.

The objectives of this advanced programme are to keep employees on track with Company strategies and policies, promoting communication and the exchange of information and guaranteeing an equal standard of information for everyone. This programme has received major recognition at the national level.



Germany, a single channel of communication for everyone: lean, punctual and focused on individuals

In Germany, the two tools that have been informing and engaging employees for years – the newsletter *PirelliNews* and general meetings – simultaneously target all audiences in the Company. Both have been confirmed over the years as highly appreciated, requested and used: the loyalty of the over 2,000 readers to *Pirelli News* is nearly absolute (as confirmed by the intranet statistics for the digital version available for download), as well as the general meetings that are held three times a year at the factory and bring all employees together in a single space with the CEO.

Punctuality and transparency are the hallmarks of these tools, combined with constant focus on each employee as an individual: in the newsletter through the columns dedicated to birthdays, weddings, births, retirements and obituaries, but also travel stories or small ads for buying, selling and exchanging.

German in-house communication is simultaneously massive but lean, confirming its success year after year.

COMPANY INITIATIVES FOR THE INTERNAL COMMUNITY

The Company's initiatives for the Internal Community vary from country to country, to respond to the specific needs that are typical of the various social contexts in which the affiliates operate.

Some of the most common of these initiatives are:

1. **subsidised holidays** for employees' children
2. **scholarships and support for the education of employees' children**
3. **Company** social and sports **clubs**
4. **preventive health activities** through campaigns and specialised medical examinations
5. **agreements** with retailers and health care providers **for Company employee discounts**

These initiatives address all Pirelli employees regardless of their having a permanent, fixed term or part-time employment contract.

Details about some significant initiatives carried out in 2009 follow below.

Seasonal flu and swine flu A(H1N1) prevention campaigns

Once again in 2009, Pirelli offered all its employees the opportunity to be inoculated with the seasonal flu vaccine free of charge.

The seasonal flu prevention campaign was given new impetus by the A(H1N1) virus, also known as "new influenza" or "swine flu," pandemic. But that was not all: Pirelli, in accordance with the guidelines issued by the World Health Organization, implemented a programme of information and prevention measures against the A(H1N1) flu virus, targeting employees at all Company locations worldwide.

In particular:

- an **information campaign in the local language** of all Group locations was developed;
- the importance of **obtaining the free vaccination** against seasonal flu was emphasised;
- **qualified emergency contacts** were provided;
- a **"traveller's kit"** was prepared for "transient" employees, containing first aid drugs and medicine and specific individual protection supplies (e.g. FFP3/N95 masks and single-use gloves);
- hundreds of **automatic distributors** of alcohol-based detergents were installed;
- **cleaning of work areas** and their furnishings was intensified.

The Company deemed this to be a priority investment, reflecting its constant commitment to protecting the health of its own employees, many of whom travel on business and are consequently exposed to potential local epidemics.

Over one thousand employees participated at the Open Day at the Bicocca (Milan).



Arts and crafts workshops and ecology manuals were offered to children, together with safe driving courses for adults and children. Green was the theme colour used for Open Day once again in 2009, in synergy with all the internal communication tools that gave priority to illustrating the theme of “Green Performance” introduced by the 2009-2011 Three-Year Plan.

But ecology was not the only theme of interest. Guided tours to sites that are normally closed to the public, such as the 16th century Castello degli Arcimboldi, and a prize game invented by the Internal Communication Department, with questions about items and themes drawn from Pirelli history, reinforced the sense of identity and spirit of belonging amongst Pirelli employees.

INDUSTRIAL RELATIONS

Pirelli Group industrial relations are conducted on the basis of constructive dialogue, fairness and respect of the various roles involved. Guaranteeing and respecting employees' freedom to engage in union activities has always been one of the Company's main aims.

Relations and negotiations with trade unions are managed locally by each affiliate in accordance with the laws, national and/or company-level collective bargaining agreements, and prevailing customs and practises in each country. At this level, these activities are supported by the Central Departments, which coordinate activities and ensure that the aforementioned principles are observed throughout the Group.

Industrial relations activity realised major negotiating accomplishments in 2009, including renewal of collective bargaining agreements in Romania (for the Tyre and Steel Cord production units) and in Spain (for the Manresa production unit).

Due to expansion of the global economic crisis in 2009, the Company had to continue the cost-cutting process of organisational and productive rationalisation that began in the second half of 2008. This structural revision led to a reduction in the overall Group headcount, especially in high-cost countries.

More specifically, the cost and production negotiation measures undertaken in 2008 in Spain, Italy, Great Britain, Turkey and Germany were finalised.

Corporate reorganisation and restructuring processes were carried out in Great Britain, as well as a major sale of a branch of business on the sales network. In Germany, an agreement was signed with trade union representatives, focused on cost containment through the revision of certain economic and pay issues and through corporate restructuring, in exchange for a commitment by the Company to production volumes and capital expenditure. Restructuring of the local corporate organisation was carried out in Turkey.

In Spain, as announced during the year by the CEO of Pirelli Tyre S.p.A., the industrial production of tyres at the Manresa plant was terminated in December 2009. New projects in the logistic and photovoltaic sectors are currently under development. These new projects, together with the remaining activities being carried out at the site, absorbed about 130 employees from the current factory, in addition to 250 who will continue handling the Group's commercial activities. Laid off workers received the welfare benefits agreed on with the trade unions and local authorities.

In Italy, a trade union agreement was signed on June 9, 2009 in confirmation of the guidelines drafted in 2007 for creation of the new Settimo Torinese Industrial Centre, a new, highly advanced technological and production complex for car and truck vehicle product lines. This agreement envisages, for the period necessary to prepare the new Centre for operational activity, the use of both welfare benefits and implementation of a two-year training programme in 2010 and 2011, in order to develop the workers' technical and professional skills and abilities at the same level. The parties confirmed that once it becomes fully operational, the organisation of the new Centre will require that about 264 workers be made redundant. Accordingly, in 2009 two distinct procedures for staff cutbacks at the two production units at Settimo Torinese were initiated, involving about 131 workers. Ninety-one have already been laid off with long-term unemployment benefits on a voluntary basis, pursuant to other, specific trade union agreements, while management of the other layoffs will continue in 2010.

Three other staff reduction procedures were also initiated in Italy, involving two of the Group's companies located at Milano Bicocca (Centro Servizi Amministrativi Pirelli Srl and Pirelli Labs S.p.A.) and the Steelcord production unit located at Figline Valdarno. As part of the negotiations with trade unions, specific agreement was reached on the most appropriate ways to handle the lay-offs at the latter company with as little trauma as possible. Following the aforementioned union agreement, the number of laid-off workers was reduced from 40 to 36 compared to what was previously announced. The same approach was taken for the same purpose at Pirelli Labs S.p.A. and CSAP Srl.

Again in response to the effects of the crisis, which severely impacted the real estate sector, Pirelli Real Estate underwent not only streamlining of its human resources organisation but also structural measures involving purchases and sales of branches of business in the "Credit Management" and "Appraisals" units of Pirelli & C. Real Estate Property Management S.p.A. These measures were accompanied by major information and consultation activities with workers and their trade union representatives.

At the international level, the Group confirmed its interest in establishing production activities in emerging market countries, especially in Russia and North Africa, as well as a greater presence in China and Romania.

In compliance with local law and/or contractual regulations, these organisational streamlining and production measures designed to contain costs were implemented by Pirelli by giving the trade unions and/or worker representatives advance and/or prompt notice at the national or local site level.

Consistently with the Company's sustainable approach to restructuring processes, professional reassignment plans were adopted through framework agreements with major outplacement companies.

European Works Council (EWC)

The Pirelli European Works Council (EWC), set up in 1998, holds an ordinary meeting once a year, following the presentation of the Group's financial statements, to be updated on operating performance, financial-economic forecasts, investments made and planned, research progress, etc. The agreement establishing the EWC also allows for the possibility of holding other extraordinary meetings to fulfil its obligations to provide information and consult with its delegates in view of transnational events involving significant changes to the corporate structure: new openings, restructuring or closure of sites and major changes in the organisation of work. EWC delegates are provided with the IT tools that they need to perform their duties and a connection with the corporate intranet system, for the real time communication of official Company press releases.

Pursuant to its founding agreement, the European Works Council was promptly informed about the most significant restructuring activities mentioned above through negotiations with local unions. At their annual meeting, together with the Industrial Relations Department, EWC members discussed the global economic crisis and its impact on Europe.

The Committee currently has 14 members from the Pirelli sites located in the countries entitled to representation on it: Italy, Germany, Spain, France, Romania, Poland and Great Britain.

Compliance with statutory and contractual obligations governing overtime, time off, and bans against child and forced labour

Pirelli Group policy has always promoted compliance with all legal and/or contractual requirements concerning working hours, the use of overtime and the right to regular days of rest.

These matters are often the subject of agreements with trade unions, in line with the regulatory context of each country. There are no restrictions on any of the workers' right to use their total number of holidays, and the holiday period is generally agreed between the worker and the company.

Likewise, and as declared in the Group Social Responsibility Policy, Pirelli does not use child or forced or compulsory labour.

In accordance with the prescriptions of the SA8000® international standard, which was adopted by Pirelli in 2004 as the benchmark tool for management of social responsibility at its own affiliates, the respect of labour rights described hereinabove is constantly monitored both through coordination between corporate headquarters and its subsidiaries, and through independent audits. These issues have been specifically addressed in the first section of this Report, in the part entitled "Risk Management System".

Labour and social security lawsuits

In 2009, as in previous years, the level of disputes remained low, generating a very small number of labour and social security lawsuits that was virtually unchanged from the previous year. The litigation level remains high in Brazil, to the point of representing about 90% of all the labour lawsuits currently pending against the entire Group, just as in previous years. This remains a traditionally widespread phenomenon in Brazil, due to the local judicial culture, affecting not only Pirelli but also other multinational companies operating there. Labour lawsuits are generally initiated when an employment agreement is terminated, and they usually involve the interpretation of regulatory, legal and contractual issues that have long been controversial.

The Company has made a major commitment both to prevent these disputes – to the extent possible within the previously mentioned cultural context – and resolve them, including use of settlement procedures.

In 2009, a settlement agreement satisfactory to both parties resolved a long-standing dispute that had been initiated by a group of 77 workers against Pirelli Hellas S.A. (a company that is now in liquidation). It originated from a series of strikes held between April and September 1991 against the company's decision to close the plant at Patrasso, which was closed in September that year.

Unionisation levels and industrial action

The Group's unionisation levels cannot be calculated precisely, as this information is not available in all countries. However, it is estimated that about half the Group's employees are trade union members. The percentage of employees covered by collective bargaining agreements in 2009 (81%) remained largely unchanged from previous years. This figure is largely the result of the historical and cultural differences between one country and another.

Individual contracts continue to be held by about 10% of the employee population, including executives worldwide, except for Italy, managers in the United Kingdom, the "Non Tarif" in Germany, the "Excluidos" in Spain, the "Senior" and the "Esecutivi" in Brazil.

The total number of industrial actions reported in 2009 was far lower than what was reported in 2008. Most of the industrial actions that took place during the year occurred in Italy, Argentina, Turkey and Brazil, and were caused by strictly operational and/or labour organisation issues, as well as - at the Bollate plant - renewal of the framework agreement for production award.

Occupational pension and health care plans

During 2009, in compliance with the guidelines adopted by the Group in previous years that envisage abandonment of defined benefit plans in favour of defined contribution plans, major negotiations were positively concluded between the Company and Fund member representatives in the United Kingdom, which will extend the defined contribution plan to all workers, effective April 1, 2010. This arrangement replaces the previous system, which limited defined contribution treatment only to workers hired after a certain date.

Defined benefit plans are in place in the United Kingdom (the fund will be closed for all employees on the payroll at April 2010, pursuant to the agreements mentioned above), in the United States (these plans were closed a number of years ago to active employees in favour of defined contribution plans; since then, the fund covers retired employees and is not tied to wage increases) and in Germany (this scheme was closed to new hires in 1982). Other defined benefit plans exist in The Netherlands and at Pirelli Real Estate in Germany, but they represent a relatively insignificant liability for the Group.

Group affiliates still provide supplemental Company health care plans according to local requirements. These healthcare schemes vary from country to country in terms of allocation levels and the types of coverage provided. These schemes are managed by insurance companies or specially created plans. The Company participates by paying a fixed fee, as in Italy, or an insurance premium, as in Brazil and the United States.

For measurement of the liabilities and costs represented by these benefits, reference is made to Book One Notes 23 ("Employee benefit obligations") and 31 ("Personnel costs") on the Consolidated Financial Statements of Pirelli & C. S.p.A. at December 31, 2009.

OCCUPATIONAL HEALTH, SAFETY AND HYGIENE

“The Pirelli Group safeguards health, safety and industrial hygiene in the workplace, both through management systems that are continually improving and developing and by promoting an approach to health and safety based on prevention and the effective handling of occupational risk.”
(Ethical Code– “Human Resources”)

“The Pirelli Group pursues and supports compliance with internationally proclaimed human rights. Pirelli considers protection of the integrity, health and welfare of its employees and the environment as one of the primary needs to be satisfied in organising and developing its activities.omitted.....

The Pirelli Group is committed to:

- *management of its activities by adopting occupational health, safety and rights and environmental policies in compliance with the highest international standards;;*
- *the dissemination of occupational health, safety and labour rights and environmental information to its internal and external stakeholders, both by communicating with them and actively co-operating with national and international government and academic bodies;*
- *promoting use of the most advanced technologies to achieve excellence in occupational health and safety and environmental protection ”*

(Pirelli Group “Social Responsibility Policy for Occupational Health, Safety and Rights, and Environment”)

“The Pirelli Group considers protection of employee safety, health and well- to be basic and general elements in defining its own strategies and objectives, in view of obtaining ever-more competitiveness on the global market on a long-lasting and sustainable basis.”
(Pirelli Group “Quality Policy”)

The management approach to Occupational Health, Safety and Hygiene is based on the principles and commitments set out in the cited Sustainability documents, which are discussed in the introductory section of this report and whose complete text has been distributed to all Group employees in their local languages as well as having been published in the “Sustainability” section of www.pirelli.com.

A note on methodology:

The procedures used for processing and reporting 2009 financial figures have changed from the previous years. To improve comprehension of Pirelli activities and performance in the Occupational Health, Safety and Hygiene filed, aggregate "group" data will be provided, while no longer providing such data on a separate basis for each company. Furthermore, to permit comparison with the data reported in 2008 while also focusing attention on the core business, the group figures will be broken down for the Pirelli Tyre and Eco Technology plants.

Safety management system

A Safety Management System organised and certified to meet **OHSAS 18001** standards has long been in operation in the Tyre Sector (which also comprises steel cord production plants). Following implementation of the system at the new plant in Slatina, Romania, an objective set in 2008 for 2009, the operating units were certified under this standard have climbed to 21 out of a total of 23 plants.

In the particulate filters sector (Eco Technology), implementation of the management system is currently being assessed at the Bumbesti, Romania plant.

The process that would lead to certification of the Milano Bicocca site was temporarily suspended following internal reorganisation.

The Safety Management System implemented at the Pirelli Tyre production units has been developed on the basis of centrally drafted common procedures and guidelines. This has enabled the use of a “common language” within the Group, in terms of the key elements of occupational safety management and a uniform shared mode of operations. This system has also been replicated for the sites of other companies outside the Tyre Sector that might decide to implement a management system.

Pirelli decided many years ago to adopt the **same standards of safety worldwide** for machines, installations and work environments as those in force at its European facilities, which are regulated by specific EU directives.

This decision has resulted in the installation of machines and equipment in emerging countries with safety features **that are not required under local law** but rather in compliance with European standards.

The principles of the adopted excellence system are based on a consolidated process, named **PDCA (plan, do, check, act)**:

Plan

- Define the corporate organisation for management of safety issues and management methods (procedures, operating instructions, etc.).
- Identify and assess the specific significance of all aspects regarding worker health and safety, defining improvement objectives to reduce their significance.

DO

- Implement what is planned.

Check

- Periodically audit actual performance of the planned activities and their effectiveness.

Act

- Subject the management system to periodic effectiveness reviews to verify achievement of the assigned targets and define subsequent ones.

SAFETY CULTURE

The **Excellence in Safety** project was launched in 2009, aiming to introduce safety culture in factories, which consequently does not base the wellness of individuals only on the application of rules, but leads those individuals to “sense” this issue as a form of responsibility first and foremost towards themselves.

The project, which was implemented in collaboration with **Dupont**, an international leader for activities of this type, was undertaken at the new industrial centre currently being constructed at Settimo Torinese. That centre will serve as a benchmark for other Group plants both in terms of occupational safety and in terms of technological applications and savings. Conclusion of the project is scheduled for 2011, and the programme envisages involving the entire population of workers who will be assigned to the site.

The principles and guidelines for Excellence in safety have already been distributed to other Group operating units.

In 2009, additional measures were implemented for changing internal culture, including creation of the *Safety Bulletin* newsletter, training courses for comprehending, controlling and modifying behaviour, entitled “BBS, Behaviour Based Safety,” and periodic announcement of important events through the usual channels of internal communications.

In 2009 Pirelli officially joined the “**Safe and Healthy Workplaces**” campaign as partner of the **European Agency for Safety and Health at Work (EU-OSHA)**.

The Campaign addresses a different issue every two years, being dedicated in 2008 and 2009 to *Risk Assessment*. Its objective was to promote a participatory approach to risk assessment, based on consultation and the involvement of everyone present at the workplace, so that all hazards would be accounted for, not only on the basis of theoretical principles but also through actual knowledge of the environmental conditions and situations that have a negative impact on workers.

The commitments made by the Group with EU-OSHA during this Campaign have ranged from promoting the risk prevention culture through internal and external communication channels to organisation of ad hoc meetings at Pirelli sites with the participation of Agency representatives.

Pirelli's commitment with the European Agency will continue during the two-year period 2010-2011 as part of the new campaign, focusing on safety in maintenance work.

Safety training

The initiative **Pirelli HSE Campus** was launched at the beginning of 2009.

It offers a catalogue of courses and seminars given at Group operating units by qualified Company personnel.

This programme targeted managers in order to provide them with skills and knowledge about the best operating practises. The campus offered about 100 hours of classroom instruction, with about 150 persons participating at the plants in Turkey, Italy, Germany, Egypt and China. Both the importance of this initiative and internal satisfaction with it have encouraged increasing the number of training hours and workers involved in the HSE Campus, with simultaneous refinement of the system used to monitor the hours dedicated to it and the number of participants (see paragraph "Objectives for 2010-2011").

Monitoring of performance and sharing of experience

In parallel with the definition of specific common guidelines and procedures for drawing up and implementing management systems, the Pirelli company intranet contains a web-based management system for "Health, Safety and Environment Data Management" (HSE DM), created and operated at corporate level by the Health, Safety and Environment Department. This system permits the monitoring of HSE performance and the preparation of a wide variety of reports that are required for management and operational purposes.

In particular, the HSE-DM system collects all the information regarding accidents that take place in factories (accident analysis, adopted corrective measures, etc.) and, if the dynamics of the specific case are significant, all plants are not only provided with the information but also urged to conduct an internal audit as to whether conditions similar to the ones that caused the injury exist at their plants too and define any corrective measures.

This information system is used to pool the solutions adopted by the various sites and share those that are considered the best.

In 2009, the HSE DM system was extended to Pirelli Broadband Solutions, and starting from 2010 it will be gradually extended to other production sites, and then to other non-industrial sites.

PERFORMANCE

The accident **frequency index (FI)** (the ratio of the number of reported accidents to the number of hours actually worked) in 2009 fell overall by 15% from 2008.

However, the **severity index (SI)** increased by 19% due to worse performance in the Tyre Sector (industrial) and certain significant events that occurred at companies classified as "Others".

The information is also provided by business, i.e. Pirelli Tyre, Eco Technology and Others. The Others category is comprised of several companies that are grouped together according to the type of activity performed or their size. This group includes Pirelli RE, Pirelli Labs, PBS and Pirelli & C.

The trend for the frequency index at Pirelli Tyre industrial was particularly significant. It **fell by 20%** from the previous year and **by 32%** over the 2007-2009 period.

The values reported for Others are impacted by the occurrence of certain significant events (fracture). Consequently, the frequency index rose to 1.99 (a 27% increase from 2008) and the seriousness index rose sharply, to 0.49 from 0.18 in 2008.

To better understand these data, it should be kept in mind that the SI was calculated by considering all calendar days (excluding the date of the accident) between the injured person's work interruption and the employee's return to the factory as "lost," i.e. the actual days necessary for complete rehabilitation.

The calculation of the aforementioned indices does not include "*in itinere*" accidents, which will be separately discussed in the following table and that show a significant decrease from 2008.

The following table illustrates the principle indicators of the companies belonging to the Pirelli Group. As previously mentioned in the introductory section, all information is processed on a final basis for the Group.

Calculation of the indicators refers to the activities performed by both industrial and office employees. The indicators referring to frequency and severity for external entities cannot be calculated, insofar as it is not possible to monitor the hours that are actually worked or the days that are actually lost.

FREQUENCY INDEX (FI) (total injuries/hours worked * 100,000)

	2007	2008	2009
Pirelli	2.34	2.06	1.76
Pirelli Tyre (industrial)	2.54	2.15	1.73
Pirelli Eco Technology	-	13.61 *	1.16
Pirelli Other Business	0.94	1.56	1.99

* The high level of the 2008 index, which reflects only the Arese research centre (the Eco Technology factory in Romania began operation in 2009), is impacted by the small size of the organisation and the low total number of hours worked on which the calculation was performed. However, it is confirmed that a low number of injuries were suffered and all had an extremely short duration.

SEVERITY INDEX (SI) (total days lost/hours worked * 1,000)

	2007	2008	2009
Pirelli	0.48	0.43	0.51
Pirelli Tyre (industriale)	0.53	0.47	0.52
Pirelli Eco Technology	-	0.54	0.28
Pirelli Other Business	0.12	0.18	0.49

INJURIES IN ITINERE

	2007	2008	2009
Pirelli	108	148	119
Pirelli Tyre (industrial)	84	114	82
Pirelli Eco Technology	-	0	2
Pirelli Other Business	24	34	35

Fatal accidents

No Pirelli employee or employee of outside contractors working at the Group's operating sites suffered a fatal accident in 2009.

Best practices

Mention of the internal benchmark plants must be made in regard to Pirelli Tyre industrial activity. In particular, the Slatina Tyre and Slatina Steel Cord sites (both in Romania) had the lowest frequency index, i.e. 0,16.

Just as worthy of mention are the Settimo Veicoli Industriali (Italy) and Celikord (Turkey) plants, whose improvement trend in the frequency index for the period 2006-2009 exceeded 75%.

Occupational Diseases

As shown in the table, the Frequency Index of occupational diseases at the Company fell over the three-year period, to 0.27 in 2009.

OCCUPATIONAL DISEASE FREQUENCY INDEX (total of new cases of occupational disease/hours worked *100,000)

	2007	2008	2009
Gruppo Pirelli	0.43	0.33	0.27
Pirelli Tyre (industrial)	0.49	0.38	0.34
Pirelli Eco Technology	-	-	-
Pirelli Other Business	-	-	-

Improved definition of the cases required revision of the calculations made in previous years, resulting in a revision of the indices for 2007 and 2008 as well. A refinement in the definition of the cases attributable to "occupational disease" together with internal information activities regarding them resulted in a revision of the indices for 2007 and 2008, which were erroneously higher (0.51 in 2007 instead of 0.49) or lower (0.21 in 2008 instead of 0.38) than they actually were.

In 2009 the Frequency Index of new cases of occupational diseases reported at Pirelli Tyre was 0.34, down 11% from 2008 and 30% from 2007.

The decrease in hours worked (the parameter used to calculate the index) recorded in 2009, did not have a significant impact on the Frequency Index.

Investments for Health and Safety

The largest investments for 2009 were made at Pirelli Tyre. In 2009 health and safety investments by Pirelli Tyre totalled Euro 10 million.

INVESTMENTS (in millions of euro)

	2007	2008	2009
Pirelli Tyre	7	11.3	10

The System for Identification and Assessment of Improvement Opportunities, introduced in 2008, made it possible to target the distribution of expenditure more effectively. Operational start-up of the computerised management system in 2009 further improved the capacity of assigning economic resources, based on the concept of priority and number of persons that will benefit from the measure.

The expenditure made targeted improvements on machines and plant and, more in general, workplace environment as a whole (e.g. improvement of microclimate and lighting conditions, changes in layout for ergonomic improvement of activities, measures to protect the healthfulness of infrastructure, etc.).

These expenditures were complemented by safety related expenses that are essentially attributable to environmental monitoring (i.e. sampling and analysis, consultancy studies, etc.), the purchase of personal protection equipment (e.g. safety boots, gloves, safety goggles, etc.) and collective protection devices (e.g. better protection of machinery, suction systems and measures to improve the workplace environment not covered by specific expenditure projects).

SATISFACTION OF 2009 "HEALTH AND SAFETY" OBJECTIVES

QUANTITATIVE	
10% reduction in the frequency index of accidents at factories (Pirelli Tyre Industrial)	fully satisfied
QUALITATIVE	
OHSAS 18001 certification of the Slatina Tyre (Romania) site	obtained
Certificazione OHSAS 18001 Pirelli Broadbandsolutions	obtained
OHSAS 18001 certification of Milano Bicocca site	certification process temporarily suspended (see the above section dedicated to the Safety Management System)
Refinement of data collection procedure for accidents at non-production sites	initiated and continued in 2010.

OBJECTIVES FOR 2010-2011

QUANTITATIVE	
2010	Reduction of frequency index (Pirelli Tyre Industrial) by 10% vs. 2009 (FI 2010=1.55%)
2010	Increase in number of HSE Campus training hours: >100 hours
QUALITATIVE	
2010	Monthly monitoring of training hours at industrial sites using HSE-DM
2010	Extension of HSE Campus activities to LATAM plants
2010	Audit of level of application of Group Risk Assessment standard
2010	targeted investments to resolve riskiest situations
By 2011	Definition of a new Group standard for maintenance activities
By 2011	OHSAS 18001 certification of the Eco Technology plant in Bumbesti, Romania
By 2011	OHSAS 18001 certification of Guacara plant in Venezuela

HEALTHCARE ASSISTANCE DURING WORKING HOURS

Pirelli has operated infirmaries for decades in its production plants, with nurses and doctors available to provide all employees with medical care during working hours. These facilities provide first aid care, advice on health problems unrelated to work and health supervision for workers exposed to specific hazards.

For example, the Bicocca-Milano, Italy infirmary provided a total of more than 20,000 medical services to a resident population of about 2,000 employees.

Healthcare promotion campaigns developed in line with local programmes also make use of these facilities (see paragraph “Initiatives for the Internal Community” and the followings).

External Community

RELATIONS WITH INSTITUTIONS AND PUBLIC AUTHORITIES

“Relations between the Pirelli Group and public authorities at local, national, and supranational levels are characterized by full and active cooperation, transparency, and due recognition of their mutual independence, economic targets, and the values in this Code.

The Pirelli Group intends to contribute to the prosperity and growth of the communities it operates in by providing efficient and technologically advanced services.

The Pirelli Group endorses and, where appropriate, gives support to educational, cultural, and social initiatives for promoting personal development and improving living standards.

The Pirelli Group does not provide contributions, advantages, or other benefits to political parties or trade union organizations, or to their representatives or candidates, this without prejudice to its compliance with any relevant legislation.”

(Ethical Code – “The Wider Community”)

In 2009, relations with institutions were maintained at the national, European Union and international levels, with a focus on the different countries where the Pirelli Group has a presence. This activity was characterised by a series of initiatives to build lasting and stable relations that have always been based on maximum transparency and collaboration. The principal objective is to constantly provide information to the Group’s various institutional stakeholders regarding presentation of the Group and its different companies, especially in regard to its industrialisation projects inside and outside Italy. Preventive and cooperative attention to the requests and demands made by institutional bodies, coupled with punctual monitoring of relations, makes it possible to prevent any criticalities from arising and to undertake projects that are supported by those institutions.

In Italy, Pirelli operates in a system where numerous institutional bodies have a voice. At the parliamentary level, the Group monitors all legislative activity of interest to it, concentrating particularly on the work of the standing committees in the Chamber of Deputies and Senate responsible for matters affecting its business, and occasionally appearing at individual committee hearings in support of the parliamentary information gathering process that precedes the drafting of bills.

At the governmental level, the Group cultivates ongoing relations with the Prime Minister’s Office and the Ministers of Economic Development, Transport, Environment, Labour and Foreign Affairs. The issues that received the most attention during meetings with Ministers were the Group’s projects on road safety, reducing the energy impact of the transport sector, employment in areas hit by the economic crisis, incentives for businesses committed to re-industrialisation and other forms of financing for investment projects and scientific, technological and socio-economic research.

The Pirelli Group also considers its relationship with European institutions to be fundamental in defining the principles, general objectives and strategic choices of European Union policies. Relations with the European Commission, the European Parliament and its standing committees, and the Council are conducted in this perspective.

In 2009 monitoring of legislative activity and active participation in the decision making process focused both on more specialised issues, such as urban mobility, transportation safety, labeling, environmental protection and trade policy, and on more general policies such as sustainable development and programmes in support of research and competitiveness.

The Group relies on the customary tools of information for daily management of its institutional relations; it frequently participates with its own contributions at working or institutional meetings on public policy issues, focused on specific targets and offering complete, transparent information on these topics. Its objective is to establish a permanent dialogue.

At the local level, Pirelli maintains constant relations with various entities, including the Milan and Rome municipal governments, with which it collaborates on various socio-cultural projects. In the field of international relations, constant contact is maintained with institutional and diplomatic representatives in the various countries where the Group already has a consolidated presence or in those where new sites are planned.

In view of improving its relations with the State of Georgia in the United States, where Pirelli operates a production plant, it hosted a visit to the Pirelli general headquarters at Milano-Bicocca by the Deputy Commissioner of the Department for Economic Development and several representatives from the United States business community.

In view of the new industrial installation to be opened in Russia, a visit by the Italian Minister of Economic Development and the Russian Federation Minister of Industry and Trade was organised at Pirelli Group headquarters in Milano-Bicocca.

The Group also collaborated on setting up the Italo-Egyptian Business Council on logistics created with the Italian Foreign Trade Institute and the Italian and Egyptian Ministries of Transport, where a major bilateral agreement between the two countries was signed.

COMPANY INITIATIVES FOR THE EXTERNAL COMMUNITY

Since it was founded in 1872, Pirelli has been aware that it plays a major role in promoting business culture and civil progress in all communities where it operates. This commitment addresses a global strategy of protecting local interests and is formalised in the principles set out in the Ethical Code and the “Social Responsibility for Health, Safety and Rights at Work, Environment” policy.

For this reason, the Group realises and supports – in all countries where it operates – initiatives for the diffusion of education and culture, promotion of the arts, solidarity, protection of human rights and improvement of the living conditions of local populations, as well as sport used as a tool for bringing people together. A series of activities are carried out in collaboration with public institutions and local private partners that are chosen according to criteria designed to guarantee a high standard of quality.

Business culture: instruction about innovation

The Pirelli Group has been recognised for over a century, both in Italy and around the world, as one of the most prestigious examples of “business culture”. The **Fondazione Pirelli** (Pirelli Foundation) was established in 2009 specifically in order to provide continuing, holistic and authoritative support for business culture. Its guiding principle is to promote the creativity of new generations of artists and researchers, offer a platform for the thought that links the tangible industrial experience and memory conserved in the Historic Archive with the drive for design, while promoting the value of current experience as it gradually becomes history.



FONDAZIONE PIRELLI

The Fondazione Pirelli took its first steps in March 2009, by creating the Association for Excellence in Education together with the Fondazione Agnelli and the Fondazione Edoardo Giarone. This is a non-profit entity whose mission is to promote initiatives for excellence in education according to the needs and prospects of the working, research and business world. Its first initiative was the opening of the **Scuola di Alta Formazione al Management** (Top Management School) in collaboration with the Collège des Ingénieurs, one of the most authoritative European institutions in that field.

The Scuola di Alta Formazione al Management is located in Turin and targets young university graduates (25 initially, 40 when it reaches full capacity) in engineering and scientific and economic disciplines, offering them a full-time Master in Business Administration course based on four months of classroom training and six months of action learning at a company. This MBA course is offered free of charge to participants, who are chosen solely on the basis of their merit and preparation and are compensated with a fixed-term employment contract for the entire duration of the training period.

Participation in the Association for Excellence in Education is only the latest of many partnerships between the Group and the academic and educational world.

Since 2008 Pirelli and the **Milan Polytechnic** support the professor's chair in "Chemical Foundations of Rubber and Compound Technology," which is the result of an agreement between the Group and the university, which also provides for scholarship funding of five doctorates over the course of ten years. Innovative materials and the application of nanotechnologies to the development of new generation tyres are being studied at the G. Natta Department of Chemistry, Materials and Chemical Engineering.

Joint research on tyres continued in 2009 within the framework of the five-year agreement made by Pirelli and the **Turin Polytechnic** in 2007, which was officially signed on February 22, 2008. In the context of development of the **New Settimo Torinese Centre**, the agreement has resulted in close collaboration between researchers from Pirelli and the university. This cooperation is designed to implement three cutting-edge technology projects in the tyre industry, including the "intelligent" Cyber Tyre. Aside from the joint activity conducted by the pool of researchers, the programme also serves as the platform for periodic general meetings at both Pirelli and the Turin Polytechnic.

Numerous patents resulting from this joint venture are currently being prepared. These innovations are also being implemented at the New Industrial Centre in Settimo Torinese, one of the most modern and efficient tyre manufacturing plants in the world. The Group contributes to financing of a professorship in mechanical engineering at the Turin Polytechnic.

Pirelli's collaboration with the academic world also involves the **University of Milan - Bicocca**. Once again in 2009, Pirelli funded three research doctorates in the School of Science, through the Corimav (Consorzio ricerca materiali avanzati – advanced materials research consortium). Two of the scholarships are dedicated to the study of photovoltaic applications and the third to particulate filter technologies. Pirelli Labs researchers also participate in seminars and tutoring of students.

The Group has also undertaken collaborative projects with universities and general education activities outside of Italy. These include the programmes set up in Romania and China, countries where the creation and development of the new production plant have been flanked by a series of training and research activities in collaboration with local universities. In Romania, in collaboration with the **University of Craiova**, aside from the establishment of thematic scholarships of interest to the Company, university professors have held courses for Pirelli staff, and Pirelli staff have held preparatory courses for students enrolled in several departments at the university in view of possibly hiring them. In China several joint development projects have been realised in collaboration with the **University of Jinan Shandong**, with the patronage and financing of the Fondazione Tronchetti Provera.

The **Silvio Tronchetti Provera Foundation**, in which Pirelli participates, has the mission of promoting research and nurturing talents in economics, science, technology and management

through funding, awards, scholarships, and contributions to university and scientific institutions. This activity is carried out directly or in collaboration with other parties, particularly in partnership with three universities: Milan Polytechnic, the Luigi Bocconi Business University and the University of Milan-Bicocca.

In association with the Umberto Veronesi Foundation and the Giorgio Cini Foundation, over the past four years the Silvio Tronchetti Provera Foundation has promoted the **Global Conference on the Future of Science**, a three-day programme of presentations and discussions by world-famous scientists and researchers, including many Nobel Prize winners. Entitled *The DNA Revolution*, the 2009 programme – which included the participation of AIRC - Italian Cancer Research Association – previewed and discussed in September the results of one of the most important revolutions in the recent history of human thought, the decoding of DNA.

The above relates to the relationships between the Group and the academic and university world. But before arriving at the summit of learning, Pirelli believes that attention should be dedicated to basic education and the right to education from early childhood on.

In 2008 the Company joined the foundation that operates the **Scuola Materna G.B. Pirelli nursery school in Varenna**, in the Province of Lecco. This initiative aims to recognise the merit of a nursery school operating in the birthplace of the Group's founder. Since December 2009, the Group has been represented in the Fondazione Scuola materna G.B.Pirelli by the Fondazione Pirelli.

From Lake Como to Rome: in May 2009 the high school that had been named “Via Rocca di Papa” was officially named after Leopoldo Pirelli. This school is open to educational experimentation and is equipped with cutting-edge technology, which now testifies to the attention that the Pirelli family and the company named after it have always dedicated to young people and their ability to create a future.

Then, two scholarships for high school students at the **Liceo Classico Giosué Carducci** in Milan were established in 2007 by the alumni association – with support from the Group – and dedicated to the memory of Leopoldo and Giovanni Pirelli. With a value of Euro 10 thousand each, they are earmarked for students who wish to pursue studies in the humanities (“Giovanni Pirelli” scholarship) and the sciences (“Leopoldo Pirelli” scholarship).

Mindful that education is not acquired only in the classroom, in 2009 Pirelli made a fundamental contribution to creation of the “Rubber Museum” at the **Leonardo da Vinci National Science and Technology Museum in Milan**. This space inaugurated a new period of collaboration between the Science Museum and Pirelli, as part of their commitment to promote technological culture amongst young people.

Solidarity as a social duty

The Group's support for social solidarity have deep roots. It dates back to the very birth of an enterprise that immediately - on its own path towards internationalisation - confronted the most diverse situations around the world.

Its social solidarity commitment is based primarily in its country of origin, Italy, with a series of joint ventures that in many cases have been active for over a decade. This is the case of **Emergency**, an Italian humanitarian association that provides assistance to the civil victims of war worldwide and of which Pirelli is one of the founding members, and **Children in Crisis Italy**, the Italian association that belongs to the international network dedicated to improving the conditions of children who are the victims of conflict, poverty, and disease. More support for children's rights – and particularly their right to health – took the form of assistance for the **Bambin Gesù Children's Hospital in Rome** in holding the Luce dei Bambini concert at the Vatican in November 2009, in order to provide the hospital with a neuro-navigator robot for neurosurgery on children suffering from drug resistant epilepsy.

Support for young people is a mission that Pirelli also pursues at the local level in Milan. This is the case of its contribution to the activities of the Fondazione Boccafogli, which is dedicated to the recovery of juvenile delinquents by encouraging their artistic and expressive potential, or its support for the ancient Milanese institution **Asilo Mariuccia Foundation**, which takes care of abandoned children.

Another “historic” initiative undertaken by the Group in the field of social solidarity for disadvantaged groups is the **Dialogo nel Buio** walk-through exhibit installed at the Milan Institute for the Blind, so that people with normal vision can enter the world of the blind and experience the problems and extraordinary abilities that the condition of being “challenged” causes one to develop.

Aside from its institutional role as a “solidarity enterprise”, the Pirelli Group is active in the social field through its promotion of **fund raising** amongst its own employees. On October 8 and 9, 2009, the Bicocca canteen was the site of “An Apple for Life”, a fund-raising initiative in favour of AISM-Italian Multiple Sclerosis Association, while AIL-Italian Leukaemia Association had its turn on December 3 and 4 with a benefit sale of Christmas items. Then, between April and June 2009, an initiative that certainly was not desired before the event occurred involved establishment of the **Fund in Support of the People of the Region of Abruzzo** hit by the earthquake on April 6, 2009, with employees being asked to donate the amount of one-hour’s pay and the Company promising to donate matching funds.



“Seringueiros” (latex collectors) of the project “Xapuri – Guardians of the Forest” – Brazil)

A highly international enterprise like the Pirelli Group naturally tends to act as a “solidarity enterprise” in the other countries where it operates, especially in those nations where social inequalities are starkly apparent.

Present in **Argentina** for a century and for over eighty years in Brazil, Pirelli maintains a dense network of support for local people, especially in rural areas. It suffices to mention the big Brazilian project “**Xapuri – Guardians of the Forest**”, whose mission is to guarantee the survival of the seringueiros in Amazonia by providing them with the means and knowledge necessary for dignified, sustainable growth, or collaboration with the numerous “micro-associations” that – by means of their profound roots in the local territory in support of marginal populations in Rio Grande do Sul (the area where the Gravataí plant is located) and Bahia (Feira de Santana).

In another project in Latin America, Pirelli collaborates with Mexico through the Fundación Familiar Infantil I.A.P., which provides assistance to the non-adult children of parents serving time in prison. Its commitment is not limited to the immediate objective of offering emotional support to the youngsters who are deprived of their parents but also looks beyond, to their positive growth in society.



Fundación Familiar Infantil I.A.P., supported by Pirelli in Mexico, provides assistance to children of parents serving time in prison.

At Slatina, where the Group's industrial plant is located, Pirelli has been financing the bilateral medical cooperation programme between the Niguarda Ca' Granda Hospital in Milan and the **Slatina Hospital** since 2007 for the professional training and continuing education of Romanian healthcare professionals in the Emergency Medicine, Emergency Surgery, Intensive Care, Resuscitation and Emergency Gynaecology Wards.

Art, theatre and music

Active support for art and, more in general, cultural initiatives is part of the Group's tradition, which has been committed for years to the promotion of exhibitions and art shows (in the spaces of the Pirelli Building in the 1960's and 1970's), or directly commissioning works of art like "La Ricerca Scientifica" ("Scientific Research"), a mosaic based on the original design by Renato Guttuso for the Pirelli Pavilion at the Turin Universal Exposition in 1961; or the collection of works commissioned from major 20th century Brazilian painters that are now kept at the São Paulo office, or the works produced as part of the "Pittori in Fabbrica" ("Painters in the Factory") initiative promoted by the *Rivista Pirelli*.



Milan, June 23, 2009. Pirelli exhibition "Working. Uomini, macchine, idee" was inaugurated at the Triennale.

Company support for art now takes the form of collaboration with some of the biggest international institutions. For over two years, the Pirelli Group and the **Triennale di Milano** have belonged to an institutional partnership for the systematic and shared analysis of strategies that promote "design culture" and "product culture."

This is an alliance between two of the most important historic institutions in Milan: the Triennale – one of the most important institutions in Italy in the field of visual arts and architecture – is profoundly Milanese by birth but now, like Pirelli, has a strong international vocation. The Pirelli Group in turn is one of the firms that has contributed the most to the growth and development of graphics in the international field. The Triennale is the institutional symbol of graphic culture. This does not involve only graphics and design: it was the Triennale that "baptised," at the end of the 1980's, the international city planning competition that was supposed to lay the basis for the Bicocca Project, the biggest urban renewal project in Europe. The Triennale is still the place that is delegated to host exhibitions and shows sponsored by the Group, as in the case of *Un viaggio, ma..* in 2008 on graphics – both historic and modern graphic works – associated with the Cinturato and *Working. Uomini, macchine, idee of 2009*, with photographs of Pirelli Group plants in Europe – and the faces of the people who work at those plants – taken by the young photographer Carlo Furgeri Gilbert.

On the other hand, Pirelli and the Triennale, have long-standing ties. The collaboration between the then Chairman Alberto Pirelli and Gio Ponti, protagonist of the history of the exhibition, dates back to the 1950's. Gio Ponti was commissioned to design the Pirelli Building skyscraper. The Group's partnership with the Triennale di Milano was further reinforced in 2008 with Pirelli's participation in the **Rete dei Giacimenti del Design Italiano** ("Network of Italian Design Deposits"), formed under the auspices of the Museo del Design at the Triennale.

Another tribute to Pirelli design was given in Rome at the exhibition **Disegno e Design** ("Drawing and Design") that opened in November at the Ara Pacis. At this exhibition dedicated to the patent heritage of Italian enterprises – organised by the Fondazione Valore Italia as part of design work on the Permanent Exhibition of Made in Italy - Pirelli presented objects that, in the past and now, have made and make the history of Italian design, from Angel motorcycle tyres to PZero apparel or, going back in time, the Meo cat puppet, designed and patented over 60 years ago by the genius Bruno Munari. This vocation was confirmed yet again in 2009 when the Group won the prestigious "Red Dot Design Award" for the Pirelli PZero rubber dinghy, a genuine jewel of technology created as part of the Pirelli industrial design project.

Another international partnership with great artistic institutions is represented by continued implementation of the agreement with the **Solomon R. Guggenheim Foundation of Venice**, which has enabled Pirelli to join the small number of partner-companies belonging to the Intrapresae group and that, among other benefits, provides for free entry to all Pirelli employees and their families at the prestigious Palazzo Venier dei Leoni museum.

Aside from previously mentioned cited base requirements of authoritativeness and prestige, the support given by Pirelli to a cultural project must consider the consistency of that project with the Group's core business. In other words, it must respond to the Group's vocation to innovate, promote research, develop new technologies and invest in young people. The Group's partnership with the **Pinacoteca di Brera** art museum, dating back to more than ten years, is emblematic. Moreover, it is not limited to financing an extremely important series of restoration projects but has also led to the development of an innovative, highly advanced restoration technology embodied by the apparatus designed by Ettore Sottsass, which enables gallery visitors to view the long work of restoration of a work.

The Group's commitment to Italian art and cultural institutions is reflected in its similarly deep commitment to similar South American institutions. The exhibition *Retratos do Brasil*, which is dedicated to the pictorial and photographic assets owned by Pirelli Brazil and put on exhibition in 2009 at the São Paulo Biennial to celebrate the 80th anniversary of Pirelli Group operations in that country, re-evokes the long collaboration with the **MASP-Museo de Arte Moderna** de São Paulo modern art museum, for construction of the immense "Coleção Pirelli" photography collection.



São Paulo Biennial, November 9, 2009. Opening of "Retratos do Brasil", pictorial and photographic exhibition dedicated to the artistic assets owned by Pirelli in Brazil

Pirelli has supported the Pirelli al **Salon de Jovenes Artistas in Venezuela** for over ten years. This event has been open to the best local representatives of "young" art.

The distance between art and support for the environment is short. The Group has long been a member of the **FAI-Fondo per l'Ambiente Italiano** (National Trust for Italy), with which it has collaborated on various initiatives, including the organisation of art and architectural history courses for the public. In 2009, the first part of the course dedicated to Italian royal

palaces was held, addressing the theme of the relationship between artistic heritage and systems of power, with lessons being held by professors from various universities at the University of Milan.

The comprehensive approach of Pirelli to culture is also realised in its collaboration in the fields of theatre and music.

In 2009 Pirelli renewed its historic ties with the **Teatro Franco Parenti**, a theatre founded in 1996, when the Group decided to participate in the creation of the Fondazione Pier Lombardo. This foundation was established to support the growth of one of the most active, firmly rooted theatres in Milanese cultural life.

Pirelli also renewed its support for the **Piccolo Teatro di Milano**, of which cui Pirelli is a Supporting Member. This was the first permanent publicly funded theatre in Italy, and Giovanni Pirelli was a founding member in 1947. At both the Teatro Franco Parenti and the Piccolo Teatro di Milano, Pirelli support has provided it with a number of tickets to each event that are reserved for employees.



Poster of "I Giorni di Milano", series of free lessons on the history of Milan created by Editori Laterza and supported by Pirelli

The second edition of **Teatro Scienza** began in March 2009. This event was conceived to attract young people to the study of science through the experience of stage performances. The result of collaboration amongst the Fondazione Silvio Tronchetti Provera, Fondazione Umberto Veronesi, Milan Polytechnic, University of Milan-Bicocca and Scienza Under 18, and naturally the Piccolo Teatro di Milano, "Teatro Scienza" has attracted the participation of over 400 young people from a dozen middle schools in Milan and its hinterland. The culmination of the event was the show Darwin...fra le nuvole produced at the Piccolo Teatro.

I Giorni di Milano also began in March 2009. This series of free lessons to the most important events of the city's past was created by Editori Laterza for the city of Milan with the contribution of Milanese sponsors, including Pirelli. Ten of the most authoritative scholars in Italy today narrate I Giorni di Milano ("The History of Milan") at the Basilica of Santa Maria delle Grazie.

In the field of music, the Group also supported the 2009 edition of **MiTo Settembre Musica**, the international festival of music that filled the city squares of Milan and Turin with art music, jazz, pop rock, ethnic and avant-garde music. Once again, a considerable number of tickets were reserved for Pirelli employees.

Likewise, Pirelli confirmed its support in 2009 for the **Festival di Villa Arconati**, a music festival that – between June and July every year – transforms the Bollate area into a veritable hub for the most diverse international music experience for over a month.

The **Hangar Bicocca** has played a key role in the Group's relationship with local area and the community. This is a dynamic place for the production, documentation, exhibition, promotion and dissemination of contemporary art whose mission is to explore and experiment with multi-disciplinary approach to all visual and performing arts and the other fields of contemporary knowledge. The Bicocca Hangar project originated with the opening to contemporary art of a vast industrial installation that once belonged to the Ansaldo Group and dedicated to the production of coils for the electric motors of trains.

Since 2008 Hangar Bicocca has been a foundation and its members – together with the Chamber of Commerce of Milan and the Region of Lombardy – include Pirelli RE.

When sport becomes an expression of solidarity

There is a close link between solidarity and sport, in a virtuous circle where commitment to sports becomes synonymous with the commitment to promoting solidarity and ethics, especially amongst young people. Without a doubt, soccer – the most popular sport in the world – easily lends itself to this “social” function, as reflected in the long-standing partnership between Pirelli and **F.C. Internazionale**. The binomium Inter/Pirelli is at the basis of the agreement, signed in February 2009, with the Russian club F.C. Krylia Sovetov. This collaboration aims above all at development – with the know-how accumulated at the Appiano Gentile sports centre – of new soccer methods for the Russian young people's soccer team.

Two Inter Milan soccer players Esteban Cambiasso and Javier Zanetti, set up the project “**Leoni di Potrero – Calcio per tutti**” (Potrero Lions – Soccer for Everyone) several years ago. It is a free training centre in Milan that is supported by Pirelli and targeted at children between 5 and 12 years of age. The objective is to participate in the development of young students, by fostering positive values such as friendship, loyalty, fidelity, respect and tolerance. This represents a way to teach the concept of integration to children from different social classes, working to prevent negative situations like isolation and loneliness.

Pirelli and Inter, soccer and South America represent a series of ties that can create other fine “soccer solidarity” initiatives. It was no accident that Brazil – Pirelli's second home country – witnessed the establishment of the first **Inter Pirelli Campus** more than ten years ago. This project was realised in collaboration with the Italian soccer team that was destined to appeal to youths – through the values of sport - in down-and-out communities of Brazilian cities, from the Capuava ad Araras favela in the State of São Paulo, to Recife in Pernanbuco, and to Porto Alegre in Rio Grande do Sul.

At Feira de Santana in the State of Bahia, Brazil, where Pirelli has one of its most modern factories, an agreement was recently signed with the Ministry of Sport and FAMS (Fundação de Amparo oa Menor de Feira de Santana) calling from the monthly donation of rubber scrap from the plant to construct track and field athletic surfaces for children and young people in different areas of the State.

The Group also supports sports in Venezuela. Present in this country with a manufacturing plant since 1990, the Pirelli supports the local community in Guacara by providing materials that are useful in various social projects. The **Pirelli Baseball School**, for example, is attended by over 300 children and teenagers: it fields a total of 25 teams that the Group supported in 2008 by donating the necessary uniforms and equipment, while the famous Tampa Bay Rays baseball team has held three training sessions with them.

The original project of Inter Pirelli Campus was “exported” to Europe and offered in 2007 in Romania, another country to which the Group dedicates special interest in accordance with its corporate social responsibility policies. Soccer has become a key tool for social action in Romania as well. In the city of Slatina – site of a Pirelli manufacturing plant – the Italian company, in November 2009, inaugurated **Romania InterCampus Sports High School**, set up in collaboration with Inter and the Associazione Comunità Nuova Onlus non-profit organisation. In this case, Comunità Nuova has been assigned the task of handling the social interaction and educational aspects together with the organisation of recreational and study related activities for the children. FC Internazionale, on the other hand, has been given the task of engaging youngsters by providing them with top-flight sporting and training.

The “soccer tool” is so powerful in the strategy of localisation of a business that it has been re-proposed by Pirelli as an aggregating factor even on an extremely diversified market full of opportunities like the Chinese market. Last spring a preliminary agreement was reached by the Group and the Chinese Soccer Federation for sponsorship of the **Chinese Super League**, a sort of gigantic major league championship capable of attracting and uniting an audience of 150 million spectators.

Summary Tables

This section is designed to enable readers to relate the issues addressed within the report to the international experience of the GRI and the Global Compact.

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KEY PERFORMANCE INDICATORS

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Product Responsibility	Customer Health and Safety	PR1	Book 2 pages 6; 9; 34; 43-57
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THE GLOBAL COMPACT PRINCIPLES AND GRI INDICATORS

Global Compact Issues Areas	Global Compact Principles	Directly Relevant GRI Indicators	Indirectly Relevant GRI Indicators
Human Rights	<i>Principle 1 - Business should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and</i>	HR1,2,3,5,6,7	S01
	<i>Principle 2 - Business should ensure that they are not complicit in human rights abuses.</i>	HR1-2	
Labour Standards	<i>Principle 3 - Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.</i>	HR5, LA4-5	
	<i>Principle 4 - Business should uphold the elimination of all forms of forced and compulsory labour.</i>	HR7	HR1-3
	<i>Principle 5 - Business should uphold the effective abolition of child labour.</i>	HR6	HR1-3
	<i>Principle 6 - Business should uphold the elimination of discrimination in respect of employment and occupation.</i>	HR4, LA2, LA12, LA13, LA14	HR1-2, EC5, EC7, LA3, LA4
Environment	<i>Principle 7 - Business should support a precautionary approach to environmental challenges.</i>	Profile disclosure 4.11	EN1, EN3, EN4, EN8, EN11, EN12, EN16, EN17, EN19, EN20, EN21, EN22, EN23, EN24, EN27, EN28, EN29, EN30, EN2, EN5, EN6, EN10, EN18, EN26
	<i>Principle 8 - Business should undertake initiatives to promote greater environmental responsibility.</i>	EN1, EN3, EN4, EN8, EN11, EN12, EN16, EN17, EN19, EN20, EN21, EN22, EN23, EN24, EN27, EN28, EN29, EN30	EC2
	<i>Principle 9 - Business should encourage the development and diffusion of environmentally friendly technologies.</i>	EN2, EN5, EN6, EN10, EN18, EN26	
Anti-corruption	<i>Principle 10 - Business should work against corruption in all its forms, including extortion and bribery.</i>	S02-4, S08	S05-6

Assurance Letter



ASSURANCE STATEMENT

ASSURANCE STATEMENT OF PIRELLI & C. S.p.A. 2009 SUSTAINABILITY REPORT

SGS Italia S.p.A. was commissioned to conduct an independent assurance of Pirelli & C. S.p.A. 2009 Sustainability Report.

The information in the Sustainability Report is the exclusive responsibility of Pirelli & C. S.p.A. SGS Italia S.p.A. was not involved in the preparation of any of the material included in this document.

The responsibility of SGS Italia S.p.A. is to express an opinion concerning the information, the graphs, the tables and the statements included in the Report, within below mentioned assurance scope, with the purpose to inform all the Interested Parties.

SGS Italia S.p.A. affirms its independence from Pirelli & C. S.p.A., being free from bias and conflict of interests with the Organization, its subsidiaries and stakeholders.

Scope of Assurance

The scope of assurance agreed with Pirelli & C. S.p.A. includes the verification of following aspects:

- evaluation of content veracity;
- evaluation of the report against the Global Reporting Initiative Guidelines (2006), referring to A+ application level;
- Type 2 evaluation of the Accountability Principles and of the Performance information against AA1000 Assurance Standard (2008)

Furthermore, the following specified sustainability performance information has been subject to a high assurance level:

- Survey of the supplier chain, with the support of second party audits, in order to check the compliance to accountability principles, with particular attention to human right principles.

Assurance methodology and limitations

The verification was performed by a pre-assurance research activity, examination of registrations and documents, interviews with personnel and management, and analysis of policies, procedures and customs of the Organisation. The texts, graphs and tables included in the Report have been verified by selecting, on a sample basis, qualitative and/or quantitative information, with the aim to confirm the accuracy and reliability of the process of collection and consolidation of data.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment.

Audit activity was conducted during March 2010 in several sites of Pirelli & C. S.p.A. in Italy, Argentine, Brazil, Egypt and Romania.

Financial data, drawn directly from independently audited financial accounts, has not been checked back to source as part of this assurance process.

Assurance Opinion

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within Pirelli & C. S.p.A. 2009 Sustainability Report verified are accurate, reliable and provides a fair and balanced representation of Pirelli & C. S.p.A. sustainability activities, and in addition represents a key communication tool with Stakeholders.

With regards to the AA1000APS 2008 principles, the Audit Team provides the following opinions:

- Inclusivity: Pirelli & C. S.p.A. is deemed to have satisfied the principle of inclusivity, through an on-going dialogue with its Stakeholders and various communication channels.
- Materiality: Pirelli & C. S.p.A. is deemed to have satisfied adequately the principle of materiality. In particular, by entering the "green performance" strategy, the Organization reconfirms its long past attention and commitment towards sustainability matters.
- Responsiveness: Pirelli & C. S.p.A. is deemed to have satisfied the principal topics of interest to its Stakeholders; however, a recommendation is made to continue with the involving activity in order to ensure that all the main decisions concerning sustainability have been sorted out by collection and consolidation of material and reliable data to all interested parties.

With reference to the assurance of specified performance sustainability information, the audit team expresses the following opinion:

- The information included in the 2009 Sustainability Report is reliable and complete, in relation to the above-mentioned principles. In particular, we deem the survey activity of the supplier chain performed by Pirelli & C. S.p.A. remarkable for its range of extension and clear demonstration of Management sustainability familiarity, as demonstrated by the definition of further challenging targets for 2010.

We also confirm that the report is aligned with the requirements of the GRI-G3 A+ application level, with the following recommendations and opportunities of improvement:

- The audit team recommends Pirelli & C. S.p.A. to continue the assessment and inclusion activity of performance indicators, in order to achieve a more careful assessment level either internally and externally.

Milan, April 6th 2010

SGS Italia S.p.A.



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Business Manager



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Systems & Services Certification
Project Leader



AA1000
Licensed Assurance Provider
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This is a free translation, in English, from the original in Italian. In the event of discrepancy, the Italian language prevails.

