



SUSTAINABLE NATURAL RUBBER POLICY

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Pirelli is committed to promoting, developing and implementing a sustainable and responsible procurement and use of natural rubber throughout its entire value chain.

With global demand for natural rubber expected to rise, a sustainable governance of the natural rubber supply chain is essential in order to preserve forests and biodiversity, and to allow long-lasting development for local communities and economies.

From upstream to downstream, the natural rubber supply chain includes Producers/Farmers, Dealers, Processing Plants, Trading Companies, and Manufacturers. Pirelli is positioned at the last step of the chain, as a Tyre Manufacturer that does not own either natural rubber plantations or processing plants.

Within this context Pirelli strives to be an active player in global efforts towards natural rubber sustainability, and to this aim will work together with its value chain and industrial sector to enhance transparency and further develop processes and instruments to enhance traceability, using a risk-based approach.

Pirelli requires from its joint-ventures, suppliers and their subcontractors involved in producing, processing and marketing natural rubber to have appropriate management systems to ensure compliance with laws and regulations and to conform with the principles of this Policy.

Pirelli's sustainable natural rubber policy is based on the following pillars.

I. TAKING CARE OF PEOPLE

Protecting Human Rights and promoting decent working conditions

Respect for universal human rights and protection of employees' health, safety and welfare, are fundamental and non-negotiable principles. Safeguards apply to all workers, including contract, temporary and migrant workers.

Pirelli expects all actors in its supply chain:

- to adopt high standards of prevention, assessment and management of Occupational Health and Safety risks;
- to support diversities and avoid discrimination based on gender, marital status, sexual orientation, religious or political beliefs, union membership, racial ethnicity, nationality, age, social background or status, physical or mental disability;
- to comply with applicable local, national and international laws on human and labour rights and to uphold the UN Guiding Principles on Business and Human Rights (UNGPs);
- to promote adequate working conditions, including regular employment contracts, salaries at least equal to the country's minimum salaries for an equivalent job, legal working hours, freedom to form or join trade unions and to collective bargaining in accordance with national and international applicable laws, supporting those living on plantations to obtain access to the necessary resources for adequate living conditions as described in ILO Convention 110;
- to have no tolerance for any form of labour exploitation, child labour, forced or compulsory labour, or any forms of abuse or mental or physical coercion towards direct employees and workers employed throughout the supply chain.



Fostering the development of local communities and preventing conflicts related to land ownership

The economic and social development of local communities implies creating jobs and increasing the employability of the local populations, improving living standards and avoiding making any contribution knowingly, directly or indirectly, to actions which might lead to the detriment of local communities or populations.

Pirelli recognizes the right of indigenous people and forest-dependent communities to access and benefit fairly from forest resources.

Pirelli expects its suppliers:

- to comply with applicable local, national and international laws on land use and to carry out operations in accordance with the UN Declaration on the Rights of Indigenous Peoples (UNDRIP);
- to act responsibly, supporting decent living conditions of local communities and avoiding compromising local food supplies, granting fair compensation to local communities for conservation measures or commercial land use;
- to respect and protect customary, traditional and communal land tenure rights;
- to strive for no-land grabbing approaches;
- to promote the cultural development of local communities;
- to support access to education for local communities.

The risk of contributing knowingly, directly or indirectly, to actions which might lead to the illegitimate appropriation of land and/or to the detriment of local communities or populations shall be avoided and to this aim Pirelli suppliers - especially if and when setting up or transforming plantations and/or industrial sites - are expected to apply the methodology and Guidelines on Free, Prior and Informed Consent (FPIC) developed by the UN-REDD Programme, thereby including compensation or accommodation through appropriate and mutually agreed measures when operations impinge on Indigenous Peoples and Local Communities (IP/LC) rights.

Where operations previously caused or contributed to the appropriation of or harm to the lands, territories, or resources of IP/LC without securing FPIC, measures to provide remedy through mutually agreed procedures are expected. Implementation is jointly monitored with the community and/or by mutually agreed third party(ies).

II. PROTECTING ECOSYSTEMS, FLORA AND FAUNA

Along the entire material lifecycle, continuous improvement on environmental impacts implies assessing, securing and possibly restoring ecosystems while avoiding, mitigating or remedying adverse environmental impacts on resources, climate change, ecosystems, flora and fauna.

In line with this approach, Pirelli expects from the actors in its supply chain:

- to comply with applicable local, national and international environmental laws;
- to develop proper land use plans to prevent the overexploitation of natural resources, to preserve surface water and groundwater resources, protecting water quality and preventing its contamination from agricultural and industrial chemicals, erosion and sedimentation;
- to protect soil quality, preventing erosion, nutrient degradation, subsidence and contamination;
- to comply with laws and regulations concerning the use of chemical products in the industrial sector and to manage chemicals to ensure their safe handling, movement, storage, use, recovery or disposal;



- to manage operations minimizing the rate of energy usage, minimizing and mitigating carbon emissions and maximizing natural resources efficiency, and to reduce, manage and recover produced waste;
- to apply proper processes and technologies to reduce odours produced by rubber milling.

III. NO DEFORESTATION, NO PEAT, NO BURN

Pirelli advocates for the protection, preservation and restoration of primary and natural forests and areas of high environmental value, including key ecosystems of peat lands and intact forest landscapes that could be negatively impacted by the development of rubber cultivation, and calls for its supply chain:

- to refrain from any form of rubber production on known peat land;
- to refrain from the use of fire in the preparation of new plantings, or re-plantings or any other developments;
- to adopt the internationally recognized High Conservation Value (HCV) and High Carbon Stock (HCS) approaches. Pirelli considers the latter as a trustworthy tool towards a Zero Deforestation goal while fostering sustainable development for local communities and capitalizing on fair and open dialogue with the affected Stakeholders.

Natural rubber from areas deforested or where HCVs have been degraded after the cut-off date of 1 April 2019 is considered to be non-conforming with this policy.

IV. PRESERVING RESOURCES

Pirelli undertakes to use natural rubber in a highly qualitative and efficient way, engaging in research and development activities aimed at reducing the average mass of tyres, extending tyre life, increasing material recovery.

Pirelli promotes the same qualitative and efficient approach along its supply chain in order to reduce pressure on biodiversity, increasing product efficiency and reducing disposal costs.

Value chain support to natural rubber producers including smallholders to improve yield and rubber quality is considered a priority.

V. ETHICS AS THE BASE

Fighting corruption

Active and/or passive corruption shall not be tolerated, in any guise or form, in any affected jurisdiction and even in places where such activity was admissible in practice, tolerated, or not challenged in the courts.

VI. TRACEABILITY AND RISK MAPPING

Pirelli has been studying procedures for tracing its natural rubber supply chain and, to that end, partners and engages with contractors to develop and use social and environmental traceability and risk mapping tools along the relevant chain that are efficient and trustworthy, in order to reach full traceability in the medium-term.

Pirelli cannot precisely state how long this process will take, due to the high fragmentation of the natural rubber supply chain and the complexity of the traceability and risk mapping process. Pirelli will report on progress made as per Section XI of this Policy.



Risk mapping results, as well as the willingness of the supply chain to engage in recovery plans when necessary, will impact on Pirelli's natural rubber purchasing decisions and development strategies.

VII. GOVERNANCE

Pirelli expects its natural rubber suppliers:

- to comply with this Policy;
- to promote it along the relevant supply chain;
- to develop and implement a due diligence system related to this Policy towards the supply chain;
- to consider joining the [Global Platform for Sustainable Natural Rubber \(GPSNR\)](#) to benefit from a shared effort to drive and advance the sustainable development of natural rubber.

This Policy integrates the commitments¹ already taken by Pirelli towards sustainable management of its supply chain, and the management model Pirelli has been applying to, namely:

- encouraging suppliers to apply continuous improvement by implementing knowledge-building opportunities and capacity building activities by themselves, with Pirelli and through other collaborative efforts;
- assessing potential natural rubber suppliers on their environmental, social and business ethics performance from the pre-homologation phase through onsite audits conducted by a third party;
- requiring its suppliers to sign the Pirelli sustainability clause (which translates Pirelli's above-mentioned commitments into specific environmental, human and labour rights, as well as business ethics and anti-corruption compliance requirements for suppliers), with the formalized request to cascade the same sustainable management model into their direct supply chain and to properly monitor the relevant implementation, so as to enable a virtuous cycle;
- monitoring suppliers' compliance with the Pirelli sustainability clause through third party on site audits and defining time-bound recovery plans when required.

Evidence of serious non-compliance with this Policy or refusal to set a recovery plan, or failure to implement an agreed recovery plan, may lead to the suspension or termination of Pirelli's business relations with the supplier in question.

Should any tier 2 supplier in Pirelli's supply chain be implicated with evidence of serious non-compliance, Pirelli will discuss the most proper way to act with the tier 1 supplier involved. Proven good faith and a proactive approach to countermeasures are considered by Pirelli as a starting point towards responsible and shared mitigation, rather than immediate termination.

VIII. COOPERATION AND CONSTRUCTIVE DIALOGUE AS KEY LEVERS

Pirelli believes that the global challenge of natural rubber sustainability requires engagement, cooperation, dialogue and partnership among all involved actors.

¹ Reference is made to the commitments taken by the Company towards sustainable management of its supply chain, specifically according to: Pirelli [Values and Ethical Code](#), [Code of Conduct](#), [Social Responsibility Policy for Occupational Health, Safety and Rights, and Environment](#), [Global Human Rights Policy](#), [Product Stewardship Policy](#), [Green Sourcing Policy](#), [Quality Policy](#), [Health, Safety and Environment Policy](#), [Anti-corruption Program](#), Pirelli Suppliers [Sustainability Clause](#), [Pirelli Suppliers Handbook](#) and related documentation, [Whistleblowing Policy](#).

All the mentioned Pirelli documents are published in multiple languages on [Pirelli website](#).

Pirelli also is a founding member of the [Global Platform for Sustainable Natural Rubber \(GPSNR\)](#).



In addition to engaging with its suppliers, Pirelli fosters and supports active cooperation at industry level and among stakeholders playing a material role in the natural rubber value chain, with the conviction that in addition to corporations' individual engagement, a shared effort can result in stronger and faster progress towards sustainable development of the global natural rubber supply chain.

Pirelli is a founding member of the [Global Platform for Sustainable Natural Rubber \(GPSNR\)](#) and cooperates with national and international governmental, non-governmental, industry-wide and academic initiatives to develop global sustainable natural rubber policies and principles.

Pirelli supports multi-stakeholder planning activities that uphold GPSNR principles at a landscape, jurisdictional or other spatial level.

Natural rubber that is produced and processed in accordance and conformance with the GPSNR Policy Framework will be preferred.

IX. INTERNATIONALLY RECOGNIZED FORMS OF CERTIFICATION

Pirelli encourages its supply chain to engage in internationally recognized, robust third-party audited certification systems for environmental, social and business ethics sustainable governance at all levels of the supply chain, from plantations to dealers, to processing plants and trading, ending downstream with Pirelli tyre manufacturing process.

X. POLICY IMPLEMENTATION

To facilitate the implementation of this Policy, Pirelli has drawn up a dedicated [Implementation Manual](#) and has been providing dedicated training sessions and materials at the different levels of its natural rubber supply chain, as well as to its employees engaged in the process.

Pirelli supports and interacts with capacity building and capacity development initiatives aimed at securing the development of a skilled, qualified and sustainable natural rubber supply base.

Commitments taken are embedded in Pirelli's natural rubber procurement decision-making, processes and business relations throughout the Group, and are considered for performance metrics definition.

Time-bound and geographic-specific targets and milestones with associated indicators/metrics are set by Pirelli, as well as required to Pirelli's supply-chain partners.

XI. COMMUNICATION ON PROGRESS

Pirelli will communicate regularly on targets and progress made on Policy implementation through its institutional channels, including the Company web site and the Group Annual Report.

Where opportune, progress made and obstacles found will be discussed in dedicated Stakeholder Dialogues, aimed at supporting Policy implementation in the most sustainable and efficient way by the involved actors within the chain.

XII. COMPLAINT PROCEDURE

An accessible grievance mechanism consistent with UNGP effectiveness criteria and OECD guidelines, as outlined in the Annex 1, is available to enable stakeholders expressing their grievance independently and to give opportunities to remedy adverse impacts caused through production or sourcing.



This Policy is subject to future updates in light of the results and experience arising from its implementation on the field.

EXECUTIVE VICE CHAIRMAN and CEO

Marco Tronchetti Provera



ANNEX 1: GRIEVANCE MECHANISM

1. INTRODUCTION

For the purpose of fully implementing the natural rubber sustainable management policy (hereinafter the “policy”) and guaranteeing a significant contribution to the reduction and elimination of negative impacts, Pirelli provides to its Stakeholders² a grievance mechanism to report breaches of policy within the scope of the entire natural rubber supply chain.

This document indicates the forwarding and management of grievance reports, understood as breaches or problems directly or indirectly concerning Pirelli (i.e., relative to a direct or indirect supplier within the scope of the natural rubber supply chain) and which a Stakeholder intends to raise with Pirelli for the purposes of identifying a solution.

The grievance mechanism complies with the efficiency criteria outlined in the United Nations Guiding Principles on Companies and Human Rights and, in particular, in Principle no. 31 “Criteria of effectiveness of the out-of-court complaints mechanism”, in paragraph IV of the “OECD Guidelines aimed at Multinational Companies” and the Global Platform for Sustainable Natural Rubber (GPSNR) Policy Framework.

2. GENERAL PRINCIPLES

Pirelli has undertaken to ensure continuous dialogue with its suppliers and with the stakeholders involved in the natural rubber supply chain, in order to ensure it is supplied and used sustainably.

All breaches of policy are managed by dedicated staff appointed to carry out the role in accordance with specific time frames and methods dependent on the involvement of: (i) Pirelli directly; (ii) a direct supplier of Pirelli; (iii) an indirect supplier of Pirelli. In particular:

- In the event of a direct supplier, Pirelli undertakes to establish a dialogue with said supplier to discuss issues raised and define corrective actions, if necessary. If the supplier does not collaborate or undertake to implement the agreed actions, Pirelli may reconsider its relationship with the supplier, including by suspending or terminating all commercial relations with the same.
- Concerning areas of the supply chain with which it does not have a direct relationship, Pirelli evaluates options made legitimately available to develop appropriate investigations and ensure the implementation of any corrective actions (e.g., leveraging relationships with direct suppliers, also by means of respective Grievance mechanisms if available). If the reported subject does not make itself available to collaborate or does not undertake to implement the agreed actions, Pirelli may ask its direct suppliers to suspend or terminate all commercial relations with said subject.

All the activities relating to the investigation, together with their outcomes, will be adequately documented.

3. CONFIDENTIALITY AND PROHIBITION OF RETALIATORY ACTS

Pirelli, in encouraging Stakeholders to promptly report possible unlawful conduct or irregularities, guarantees the confidentiality of the report and the data contained therein, as well as the anonymity of the whistleblower, even in the event that it should subsequently prove to be incorrect or unfounded.

No kind of threat, retaliation, sanction or discrimination will be tolerated against the whistleblower or reported subject, or those who have collaborated in the follow-up activities as to the merits of the report.

² “Stakeholders” mean: the components of the corporate bodies, Group employees, customers, suppliers, partners, advisors, shareholders and, in general, third parties directly or indirectly involved within the scope of the natural rubber supply chain (e.g. local communities).



Pirelli reserves the right to adopt the appropriate disciplinary and/or legal measures to protect its rights, goods and image:

- against whomever delivers, in bad faith, false, unfounded or opportunistic reports and/or for the sole purpose of slandering, defaming or causing prejudice to the reported party or other persons mentioned in the report.
- against anyone who implements, or threatens to implement, acts of retaliation against those who have submitted reports in accordance with this procedure, without prejudice to the right of the parties involved to legally protect themselves if criminal or civil liability related to the falsehood of what has been declared or reported has been determined for the Reporting Party.

4. OPERATING PROCEDURES

4.1 SENDING THE REPORT

The reporting of breach in relation to the natural rubber sustainable management policy may be forwarded to Pirelli by the Stakeholders through the following official channels:

- E-mail: grievance.naturalrubber@pirelli.com;
- Physical letter, to the ordinary postal address: Pirelli & C. S.p.A. – Viale Piero e Alberto Pirelli, 25 – Milan (Italy), to the attention of the Group Purchasing – Grievance Natural Rubber Department.

Within the scope of reporting it is useful that the whistleblower undertakes to provide the following information:

- Name and Surname;
- Company and associated function;
- Telephone number / e-mail address;
- Description of the breach of which it becomes aware;
- Evidence supporting the description provided.

Pirelli considers that remaining in direct contact with the whistleblower is of fundamental importance for the purpose of effectively resolving the issue raised; the department responsible for the management of reporting (i.e., Group Purchasing) updates the whistleblower regarding the main steps involved in the process (for example, assuming responsibility for, closure of investigations, definition of action plan, etc.), as described in the following paragraphs.

In any case, Pirelli undertakes to consider also the anonymous reports in respect of the mechanism envisaged, as applicable.

4.2 ASSUMING RESPONSIBILITY FOR REPORTING

All reports received through Pirelli's official and unofficial channels are recorded by the Group Purchasing Department which informs the Internal Audit Department. An acceptance notification is forwarded to the whistleblower within five working days of its receipt.

4.3 VERIFICATION OF RELEVANCE OF REPORT

The Group Purchasing department, supported by the Internal Audit department, examines the report received with the purpose to check whether it is actually a grievance report concerning a breach of the company's natural rubber sustainable management policy. When carrying out the activity, where necessary, the Group Purchasing department may request intervention by other company departments and may engage in discussion with the whistleblower if it needs further information for the purpose of the evaluation.



Any reports relative to the breaches of the law, regulations, principles and procedures which are not to do with the natural rubber processed by the Internal Audit department in accordance with the "Group Whistleblowing Policy". In that case, the author of the report is informed of the outcome of the evaluation carried out within ten working days of the assumption of responsibility for reporting.

4.4 ANALYSIS OF REPORT (INVESTIGATIONS)

If the report received directly concerns Pirelli or one of its direct suppliers, the Group Purchasing department carries out the necessary related investigations with the support of the Internal Audit department and, if necessary, of other competent company departments. If deemed useful, Pirelli may also avail itself of the support of specialised external advisors.

When carrying out the investigation activities Pirelli may, if deemed useful and feasible, engage in discussion and collaborate with the whistleblower and/or with other directly or indirectly involved stakeholders for the case in point, as specified in paragraph 2.

Each investigation activity must be adequately documented and must be completed within three months from the report, except in situations which are particularly and justifiably complex.

4.5 DEFINITION OF ACTION PLAN (OR ARCHIVING)

If the report is deemed grounded and it is considered necessary to carry out specific forms of intervention and/or adopt remedial measures, the Group Purchasing department, in discussion with the Internal Audit department, agrees with the involved subjects an action plan (in accordance with the relative time frames and responsibilities) within a month of the deadline of the investigations (except in situations which are particularly and justifiably complex); the author of the report is promptly informed thereof.

If, at the outcome of the analysis of the report, the report were deemed unfounded, the documentation is archived and a notice of closure of the grievance procedure is forwarded to the whistleblower, including indications of reasoning.

4.6 MONITORING OF IMPLEMENTATION OF THE ACTION PLAN

According to the time frames provided for in the action plan, Pirelli (with the support of external advisors, if necessary) verifies that the actions agreed were effectively implemented, also through collaboration with direct, and in turn, indirect, suppliers. Once the implementation of the interventions is verified, the grievance procedure is considered concluded; a notification in that regard will be sent to the whistleblower.

4.7 APPEAL

If the whistleblower is unsatisfied with the development and/or outcome of the grievance procedure described above, it may use the GPSNR Grievance Mechanism in accordance with the methods defined in the GPSNR Grievance Procedure.

5. ARCHIVING AND REPORTING

Within the scope of the entire grievance procedure, the Group Purchasing department archives all documentation collected and forwarded to the whistleblower and promptly updates the list of grievances received, analysed and the relative outcome, also informing the Internal Audit department.



Concerning reports received and their outcomes, the Internal Audit department periodically refers to Pirelli & C. S.p.A.'s Audit, Risks, Sustainability and Corporate Governance Committee, availing itself, if necessary, of support from the Group Purchasing department.

Furthermore, Pirelli regularly makes public a report on the grievances received and analysed.

6. PERSONAL DATA PROCESSING

Pirelli informs that the personal data (including any sensitive data, concerning race and ethnicity, religious, philosophical beliefs, political opinions, membership of political parties, trade unions, as well as personal data that would reveal state of health and sexual orientation) of the whistleblowers and any other people involved or acquired for the management of reports, will be processed in full compliance with the provisions of the personal data protection laws in force and, in any case, in line with the provisions of Pirelli's Global Personal Data Protection Policy (available at www.pirelli.com) and limited to data strictly necessary for the purpose of substantiating and managing the report.

The processing of personal data will be carried out by the Sustainability Department in its capacity as Data Controller (except for cases governed by specific local regulations on the subject), for the sole purposes of carrying out the procedures established in the present policy and, therefore, for the correct management of the reports received, as well as to fulfil the legal or regulatory obligations in full respect of the confidentiality, rights and fundamental freedoms and dignity of those involved.

The data processing operations will be entrusted, under the surveillance of the Sustainability department, to staff duly appointed to carry out the role and with special training on carrying out grievance procedures, with particular reference to the security protocols and the protection of the confidentiality of those involved and of the information contained in the reports.

The personal data contained in the reports may be communicated by the Sustainability department to the corporate bodies and internal departments competent from time to time, as well as to the Judicial Authority, for the purpose of activating procedures necessary to guarantee, following reporting, suitable judicial and/or legal protection with respect to reported subject(s), if from the elements collected and verifications carried out it emerges that the circumstances initially reported are substantiated.

In some cases, the data may also be communicated to external subjects involved in the analyses of reports received.

Throughout the activities carried out to substantiate the report, all the measures necessary to protect the data from accidental or unlawful destruction, loss and unauthorised dissemination will be adopted. Furthermore, the documents relative to the report will be stored for a period which does not exceed the time required to correctly finalise the procedures laid out in the policy.



ANNEX 2: INTERNATIONAL MAIN REFERENCE DOCUMENTS

- Global Platform for Sustainable Natural Rubber (GPSNR) Policy Framework;
- International Bill of Human Rights of the United Nations, consisting of the Universal Declaration of Human Rights, International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights;
- The Ten Principles of the UN Global Compact;
- United Nations Convention on the Rights of the Child;
- United Nations Declaration on the Rights of Indigenous People;
- United Nations Convention against Corruption;
- United Nations Sustainable Development Goals;
- United Nations Guiding Principles on Business and Human Rights (UNGP);
- OECD Guidelines for Multinational Enterprises;
- UN International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the relevant applicable conventions;
- ILO Conventions 87 and 98 concerning freedom of association and collective bargaining;
- ILO Convention 29 and its 2014 protocol concerning no forced labour;
- ILO Conventions 111 and 100 concerning no discrimination and equal pay;
- ILO Convention 105 concerning the abolition of forced labour;
- ILO Convention 110 concerning Conditions of Employment of Plantation Workers;
- ILO Convention 131 concerning Minimum Wage Fixing Convention;
- ILO Conventions 138 and 182 concerning no child labour;
- ILO Convention 184 concerning Safety and Health in Agriculture Convention;
- ILO Convention 169 concerning indigenous and tribal people;
- European Convention on Human Rights;
- The United Nations Programme on Reducing Emissions from Deforestation and Forest Degradation (UN-REDD) ;
- New York Declaration on Forests;
- Rio Declaration on Environment and Development;
- “Principles for Responsible Investment in Agriculture and Food Systems” issued by the Committee on World Food Security;
- Convention on Biological Diversity;
- Convention on “International Trade in Endangered Species of Wild Fauna and Flora”;
- UN Food and Agriculture Organization (FAO) Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests;
- UN FAO International Code of Conduct on the Distribution and Use of Pesticides;



- China Chamber of Commerce of Metals Minerals and Chemicals Importers and Exporters (CCC MC) Guidance for Sustainable Natural Rubber;
- The Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria;
- Integration of High Conservation Values (HCV), High Carbon Stock (HCS) Forest and Free, Prior and Informed Consent (FPIC) by HCS Approach Steering Group;
- The Guidelines for Environmental and Social Impact Assessment (ESIA) from the World Business Council for Sustainable Development (WBCSD);
- The International Finance Corporation (IFC) Performance Standards.