



# Anti-Corruption Compliance Program

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## 1 Preamble

Ethically responsible conduct, permeated by values of loyalty, fairness and transparency, is one of Pirelli's key success factors.

Pirelli firmly believes that it is its responsibility to promote ethical, responsible business conduct and compliance with the laws, regulations, standards and guidelines of the countries where it is present, standing out as a company capable of exporting the values that permeate its actions by promoting them in the communities where it operates.

Fighting corruption, refusing it in all contexts and all jurisdictions, in any form or manner (even where such activities may in practice be admitted, tolerated or not legally pursued) constitutes a concrete commitment for Pirelli.

Knowledge of where the risk of corruption lurks and exemplary conduct characterise Pirelli's daily efforts to protect its most precious asset of all: its integrity.

This "Anti-Corruption Compliance Program" (hereinafter also "Compliance Program", "document" or "Program") defines the values, principles and responsibilities to which Pirelli adheres in the fight against corruption.

Pirelli has adhered to the principles of the United Nations Global Compact<sup>1</sup> and supports Transparency International<sup>2</sup>.

Also in compliance with Transparency International's Business Principles and the principles of the Global Compact, under which companies undertake to fight corruption in all its forms, including extortion and bribery, Pirelli reaffirms its commitment to fight corruption through the implementation and continuous updating of the Compliance Program adopted in 2013. This Program was also developed as a result of a specific risk exposure assessment activity that will be repeated periodically (including on the basis of the risk assessments and international best practices - in any case at least once every four years) to assess, monitor and prevent the risk of corruption and define appropriate education & awareness programmes.

The Compliance Program, also updated in the light of the international standard ISO 37001-"Anti-Bribery Management System"<sup>3</sup>, which provides guidelines for preventing, tracing and tackling bribery, is representative of Pirelli's commitment to fighting corruption and shows the approach taken by the Company towards continuous improvement.

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<sup>1</sup> The United Nations Global Compact is an action programme promoted by the United Nations, which aims to engage the corporate world through adherence to Ten Principles covering the following areas: human rights, labour protection, environmental protection and anti-corruption.

<sup>2</sup> Non-governmental, non-profit association that aims to fight corruption on a global level. Every year, TI calculates the Corruption Perception Index (CPI), a summary indicator representing the level of corruption in many countries around the world.

<sup>3</sup> International standard developed by the International Standards Organisations on anti-bribery management systems. This standard specifies the requirements and provides a guide to establish, implement, maintain, update and improve the anti-bribery system.

The Compliance Program was therefore adopted with a view to establishing a reference framework, thereby further strengthening the anti-corruption policy that Pirelli has implemented over time, first and foremost with the Ethical Code and with the Code of Conduct and then through specific programmes and models in the various countries in which Pirelli operates (the Organisation, Management and Control Model in accordance with Italian Legislative Decree 231/2001, applicable to Italian companies, is just one example). Pirelli acknowledges the central role played by its People in implementing and developing the Compliance Program. To this end, it promotes and pursues awareness-raising, training and continuous update initiatives that show and allow for a clear understanding of the risks of corruption linked to the business, the prevention and fighting tools that Pirelli adopts and implements over time and the consequences deriving from the violation of such tools and the Anti-Corruption Laws. In addition, Pirelli acknowledges the importance of transparently communicating its values and ethical principles to the third parties with which it collaborates too and, therefore, envisages suitable anti-corruption compliance commitments in its contracts.

## 2 Regulatory Context

At a global level, the legal framework is characterised by the constant tightening of the sanctioning system of corrupt phenomena and is based on international conventions and treaties aimed at defining a global strategy to reduce the heterogeneity between different national legal systems. In this context, many countries have already adopted laws that penalise not only bribery of public officials<sup>4</sup>, but also bribery between private individuals.

As a multinational group, headed by Pirelli & C. S.p.A. and with operations in over 160 countries, Pirelli is subject to the laws of various countries that generally prohibit:

- offering or promising the domestic or foreign public official, directly or indirectly, money, remuneration or any other benefit in order to induce him to omit or perform an act related to his official function (active corruption in the public sector);
- offering or promising third parties, directly or indirectly, money or remuneration or any other benefit in order to induce them to omit or perform an act related to their assigned duties (active corruption in the private sector);

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<sup>4</sup> For the purpose of this Program, the term “Public Official” means:

- anyone who performs a legislative, legal or administrative duty;
- anyone who acts officially in the interests or on behalf of a Public Administration;
- any member of a political party or candidate to a political role in Italy or abroad or any other public office;
- any member of the royal family of the reference country; any public servant, namely anyone who, in any way, provides a public service, where public service means an activity regulated in the same way as a public duty, but which is characterised by the lack of the typical powers of the latter.

If in any doubt as to whether or not a potential counterparty should fall under the above definition of Public Official, Group Compliance should be contacted in time for the necessary support.

- requesting or receiving from third parties, directly or indirectly, money or remuneration or any other benefit in order to omit or perform an act related to the assigned duties (passive corruption in the private sector).

Pirelli Group people are subject to the laws in force in the countries in which the Pirelli Group operates<sup>5</sup>, including the laws ratifying International Conventions prohibiting the bribery of Public Officials and between private individuals, including: (i) the Organisation for Economic Cooperation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; (ii) the United Nations Convention against Corruption. Any breach of these regulations would also expose Pirelli to serious and irreparable reputational damage as well as to specific sanctions, also independent of the local regulations of the country in which the corruption occurred. In some cases, these sanctions could go as far as a complete ban on all business activity in that country.

### 3 Characteristics of the Compliance Program

#### 3.1 Objectives

The Compliance Program is in line with the values and principles expressed in the Pirelli Group Ethical Code, the Code of Conduct, the Supplier Code of Conduct and all the relevant Policies.

The document aims to provide a framework of the policies adopted by Pirelli in the area of anti-corruption and pursue the aim of:

- setting out the policies, control measures and commitments in respect of anti-corruption, which Pirelli has established as a reference framework to define, review and achieve the corruption prevention objectives;
- indicating Pirelli's founding values and principles with which the Third Parties with which it collaborates must comply and uphold;
- presenting Stakeholders with a description of the standards of conduct and the control methods implemented by Pirelli to prevent corruption, consistent with the provisions set out in its Ethical Code.

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<sup>5</sup> By way of example:

- the provisions of the Italian Civil and Criminal Code, Italian Legislative Decree 231/2001, which regulates the administrative liability of entities for crimes (including, for example, national and international corruption) committed by their directors, employees or collaborators, in Italy or abroad, in the interests or to the benefit of the entity;
- the US Foreign Corrupt Practices Act;
- the UK Bribery Act;

as subsequently amended and supplemented.

### 3.2 Scope and implementation methods

The Anti-Corruption Compliance Program is approved by Pirelli & C. S.p.A.'s Board of Directors; any subsequent amendments are subject to new approval by the Company's Board of Directors.

The Compliance Program applies to all Pirelli Group companies (i.e. Pirelli & C. S.p.A. and its subsidiaries, hereinafter "Pirelli" or the "Group"), and to all those who act in the name and/or on behalf and/or in the interests of Pirelli (the "Addressees"). Where Pirelli does not have operational control, all business partners (e.g. joint ventures, suppliers, etc.) are required to comply with the principles laid down in the Program, also in the light of the provisions of the Pirelli Supplier Code of Conduct and/or other specific contractual clauses.

Objectively, the Compliance Program applies to all transactions conducted by Pirelli, consistent with the purpose and counterparty of each transaction.

Addressees undertake to comply with the laws and regulations in force in the countries in which they operate, with company procedures and policies, and are called upon to be spokespeople and witnesses of the principles contained in this document with daily commitment and participation.

This Program shall apply to Pirelli & C. S.p.A. from the date of issue and with such effect repeals and replaces the Program approved by the Board of Directors of Pirelli & C. S.p.A. on 14th February 2019 and issued on 14th February 2019.

The Subsidiaries shall ensure the timely implementation of this Program, without any possibility of derogation. The Compliance and Rules Department supports the Group Companies in adopting any further anti-corruption operating procedures that may be necessary, in light of the specificity of each subsidiary.

This Anti-Corruption Compliance Program is translated into several languages<sup>6</sup> and brought to the attention of external stakeholders also through publication on the Pirelli website.

### 3.3 Roles and responsibilities

- **Pirelli's Top Management**, supported by the Compliance and Rules Department and with the involvement of the various departments involved, plays a strategic role in the full implementation of this Program, ensuring the involvement of all Pirelli's workers and collaborators and the consistency of their conduct with the values contained in this Program;<sup>7</sup>

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<sup>6</sup> The conformity of the translated texts with the original is assessed by the Subsidiary's in-house lawyer, with the involvement of the local Compliance Department, where present, or by an external lawyer.

<sup>7</sup> Among the senior managers who form the top management of each company certified under standard ISO 37001, Pirelli identifies: (i) the Governing Body, or Management, which coincides with the Board of Directors of each company; (ii) Senior Management, which coincides with a senior manager with the highest executive powers in the company, identified on the basis of the organisational charts and the system of delegated powers and proxies in place in each company. The Governing Body and Senior Management periodically review the management system to verify its adequacy and implementation, based on information obtained from the Compliance and Rules Department.

- The **Compliance and Rules Department**, as the compliance department for the prevention of corruption, has adequate authority, independence and resources and specific expertise in this area and is responsible, amongst others, for: i) supervising the design and implementation of the Program; ii) providing specialist advice and assistance on anti-corruption matters to the departments of Pirelli & C S.p.A. and its Subsidiaries; iii) ensuring that the anti-corruption management system complies with anti-corruption regulations; iv) reporting on relevant activities within the scope of this Program in accordance with the procedures defined in paragraph 6.2 below. In order to carry out the activities provided for in the Program, this department may avail itself of the collaboration of persons outside the Company, to whom Pirelli's Top Management shall ensure adequate responsibility and authority for the management of the parts assigned to them.
- The **Internal Audit Department** verifies and monitors compliance with the principles and provisions of the Compliance Program within the scope of the audits regularly carried out in all Group companies.

### 3.4 Information, Education & Awareness

The Compliance Program is brought to the attention of the Addressees (in the most appropriate manner) and made available on the website [www.pirelli.com](http://www.pirelli.com) and on the corporate intranet. Pirelli supports and promotes appropriate anti-corruption education and awareness programmes with the aim of ensuring knowledge of local and international regulations, of the contents of this document and of all other initiatives put in place to safeguard anti-corruption issues. The training activities are targeted and addressed to employees identified in relation to the roles they hold in the company and according to their correlated exposure to the risk of corruption, so that they can make responsible choices and appropriately address any corruption risks that may arise in the performance of their activities.

The Group ensures the communication of this document to the Third Parties with which it cooperates also by means of the Supplier Code of Conduct and/or appropriate contractual clauses and/or declarations.

## 4 Sensitive areas

The Compliance Program is constructed from a "risk based" perspective. Consistently with the applicable "best practices", Pirelli implements a "risk assessment" process to identify, assess and track corruption risks in its business activities and to guide the definition and updating of the related control measures. Pirelli also assesses the impact of corrupt phenomena on business operations and on the achievement of corporate objectives, taking into account multiple factors that can intensify/reduce the risk of corruption (such as, for example, the regulatory complexity of the countries in which it operates, the risks associated with climate change, local practices) and also paying particular attention to stakeholder needs and expectations.

For each of the risk activities identified, Pirelli adopts specific regulatory instruments and implements control measures that are periodically monitored and updated with a view to continuous improvement.

All the operations conducted by Pirelli must be documented to a reasonable level of detail, be adequately accounted for (where applicable) and be subject to suitable controls.

Monitoring the absence of corrupt practices is particularly relevant in the following sensitive areas:

#### 4.1 Intermediaries and Suppliers

Pirelli avails itself of the support of intermediaries and suppliers<sup>8</sup> who must meet the requirements of honesty and professional correctness recognised by Pirelli. Relations with these counterparties are based on the following principles:

- The management of the relationship with suppliers shall be managed in accordance with the current applicable company regulations on the purchase of goods and services and on consultancy and professional services.
- The choice of intermediaries and suppliers must be based on prior selection activities, carried out by persons enjoying independence of judgement, competence and authority, in accordance with Pirelli's provisions. In particular:
  - Pirelli verifies the experience and technical requisites of the counterparties and asks them to declare the absence of investigations/sentences related to corruption.
  - Certain counterparties, depending on the activity covered by the contract, the value or the relevance/criticality of the supply, are subject to specific "Due Diligence" activities also aimed at investigating ethical aspects, in accordance with the provisions of paragraph 6 below and with the procedures and time-frames set out in the dedicated operating rules, which contain detailed indications on the extent of the checks and the frequency of monitoring for relations with continuous performance.
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- Contracts must be drawn up in writing, starting from the standards in use at Pirelli, and are accompanied by specific clauses intended, *inter alia*, to ensure that the counterparty complies with Pirelli's anti-corruption commitments. In particular:
  - During the collaboration, counterparties are required to conduct their business in compliance with Pirelli's ethical principles, the violation of which will lead to immediate termination of the contract.

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<sup>8</sup> Intermediaries and suppliers are defined as persons in contact with or operating between two or more business partners. For the purposes of this document, agents, representatives, consultants or consultancy companies, suppliers, subcontractors are therefore considered as such.

- The consideration paid to the counterparties must be based on adequate documentation that allows the consistency of the performance with the contractual provisions to be verified.
- The results of selection activities, documentation (including tax/accounting records) and records of contractual arrangements with the counterparty must be filed, recorded and retained in accordance with Pirelli provisions;
- The departments managing the contract promptly report to the Compliance and Rules Department on any critical issues or suspected violations of the Anti-Corruption Laws and compliance commitments in the contract by the supplier.

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In the context of relations with Suppliers, the management of payments is of particular importance, a process that must follow the provisions of Group Operating Procedures, with the aim of ensuring:

- full compliance with the relevant international and national regulations, including on anti-money laundering;
- the monitoring and proper authorisation of any “non-standard” payments (e.g. payments which, for an ascertained economic reason, need to be made to off-shore/uncooperative countries<sup>9</sup>, payments to a current account in the name of a person other than the person who rendered the service or in a country other than the one where the counterparty has its headquarters/residence or where the service was rendered, “manual” payments, etc.);
- the updating of suppliers' bank details after verification of the identity of the requesting party (the “call-back” procedure) in order to verify the authenticity of the request and avoid undue payments/fraud.

## 4.2 Relations with the Public Administration

Pirelli promotes and supports dialogue with the Public Administration<sup>10</sup> (hereinafter also "Public Officials") through relations based on the principle of fairness and transparency in order to prevent unlawful activities

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<sup>9</sup> Each company must refer to the blacklists applicable in the geographical areas in which it operates and defined by the international institutions or competent national governments (for the European Union, the list at the link applies: [https://ec.europa.eu/taxation\\_customs/tax-common-eu-list\\_en](https://ec.europa.eu/taxation_customs/tax-common-eu-list_en) for Italy, the list at the following link applies: <https://www.guidafisco.it/paesi-black-list-elenco-aggiornato-773>).

<sup>10</sup> For the purposes of this Program, Public Administration means:

- any body, office, agency or department, whether central or peripheral, in Italy or abroad, which is in charge of public interests and/or which carries out legislative, jurisdictional or administrative activities by virtue of public law provisions and authorising acts;
- international public organisations (e.g. the European Bank for Reconstruction and Development, the International Bank for Reconstruction and Development, the International Monetary Fund, the World Bank, the World Trade Organisation);
- agencies, departments or bodies of the European Union;
- state-owned or otherwise state-controlled company or organisation (e.g. employees of state-owned oil companies), unless it operates in the marketplace on a normal commercial basis, for example, on a basis that is substantially equivalent to that of a private enterprise, without preferential subsidies or other privileges;

connected with such interactions, in compliance with the Anti-Corruption Laws and the principles contained in this document and in the Ethical Code.

The Addressees, in the course of any type of relationship with the Public Administration<sup>11</sup> must:

- refrain from any active conduct or omissions that may represent even an attempt at bribery.
- keep documentary evidence of relations of an economic nature to and from Public Officials (e.g. entertainment expenses, gifts, remuneration for services provided by the Public Administration, etc.).
- notify the Compliance Department of any direct or indirect request by a Public Official to obtain payments, gifts, travel, personal benefits or other advantages for himself/herself or for family members, relatives and cohabitantes or addressed to another beneficiary in order to carry out or refrain from carrying out activities towards Pirelli, in breach of the obligations incumbent on their office.
- ensure that any gifts and entertainment expenses (including hospitality) for institutional purposes intended for persons belonging to or referable to the Public Administration (e.g. participation in events sponsored by Pirelli and/or entailing charges borne by Pirelli) shall normally be of less than what is defined as “modest” value, and approved by senior persons<sup>12</sup> in line with the provisions of the corporate regulations on gifts and entertainment expenses. Only in proven exceptional cases (e.g. public events, institutional visits) is it possible to derogate from the modest value limit in respect of senior public officials.
- abstain from making facilitation payments (ref. par. 4.8).

#### 4.3 Gifts and entertainment expenses

Pirelli gives gifts and incurs entertainment expenses<sup>13</sup> for purely institutional, commercial and marketing reasons, in line with Group regulations and in any case in compliance with the law, regulations and commercial customs in force in the countries in which Pirelli operates. The Addressees:

- Shall not offer or accept gifts and entertainment expenses in situations that might reasonably suggest to an impartial third-party observer that they are intended to generate a duty of gratitude,

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<sup>11</sup> Pirelli's relevant relations with the Public Administration include, for example: institutional relations, inspections and documentary/informative requests by the Public Administration, relations with legal and regulatory authorities, requests for access to funding, public disbursements and social shock absorbers, contacts relating to legal obligations.

<sup>12</sup> In any case, for gifts and entertainment expenses intended for Public Officials, the corporate entity proposing the entertainment expense and/or gift must inform the approving entities of the reasons for incurring the expense.

<sup>13</sup> Gifts and entertainment expenses are understood to be expenses for the provision of goods and services free of charge (e.g.: tyres, Pzero products, hospitality and travel) carried out for promotional or public relations purposes in order to also potentially generate economic benefits for the company.

to improperly influence a decision or action by the recipient in order to obtain an undue advantage. Such activities are prohibited even if they were in practice permitted, tolerated or not prosecuted.

- In particular:
  - Pirelli does not exceed the business customs of the contexts in which it operates when granting such “gratuities”;
  - Pirelli does not tolerate any form of gift given to encourage Pirelli’s completion of or abstention from specific activities.
- Gifts or other benefits of modest value can be paid to Public Officials, in accordance with the rules defined by the Group and as detailed in the section “Relations with the Public Administration” of this Program.
- Obtain authorisations and/or made the communications envisaged by Pirelli regulations for accepting the gift and its purpose according to its estimated value.
- Archive the accounting and authorisation documents relating to gifts and entertainment expenses in accordance with Pirelli provisions.
- Exceptions are not permitted in relation to gifts and entertainment expenses (given or received) that are not attributable to normal institutional, commercial, marketing and courtesy relations and/or to the ordinary course of the company's business and in any case such as to create the impression that they are aimed at acquiring or granting undue advantage.

#### 4.4 Sponsorships and promotional activities

Pirelli launches sponsorships and promotional activities<sup>14</sup> with the aim of increasing the awareness and prestige of the Pirelli brand. In line with the provisions of current applicable Pirelli provisions and the responsibilities assigned to each department, the Recipients shall:

- guarantee that the objective pursued is exclusively the one mentioned;
- carry out due diligence on the counterparty, with which to develop sponsorships and promotional activities, in order to make sure that it meets the requirements of honesty and professional integrity;
- regulate such relations on the basis of a specific written contract that (i) defines the object and the purposes for which the contribution may be used; (ii) provides, where applicable, for controls aimed at verifying the consistency of the use of the contribution granted by Pirelli with the purposes envisaged in the contract; (iii) contains clauses designed to make the counterparty comply with the commitments undertaken by Pirelli in anti-corruption matters;

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<sup>14</sup> Sponsorship and promotional activities are defined as any event or activity organised with the aim of creating opportunities to promote Pirelli's business and brand.

- obtain the authorisations required by Group regulations for sponsorship initiatives;
- archive documentation relating to beneficiary analysis and selection activities and accounting records and records of agreements stipulated with the counterparty in accordance with Pirelli's provisions.

#### 4.5 Contributions to the external community

Pirelli disburses contributions<sup>15</sup> to the external community to support specific projects or pursue the beneficiary's institutional aims.

In line with the provisions of current applicable Pirelli provisions and the responsibilities assigned to each department, the Recipients shall:

- Make sure that the choice of beneficiaries of contributions is made by persons enjoying independence of judgement, competence and authority, in accordance with Pirelli's regulations;
- carry out due diligence on the beneficiary, in order to make sure that it meets the requirements of honesty and professional integrity;
- Obtain the authorisations required by Group regulations for contributions to the external community;
- Regulate such relations on the basis of a specific written agreement that (i) defines the object and the purposes for which the contribution may be used; (ii) provides, where applicable, for controls aimed at verifying the consistency of the use of the contribution granted by Pirelli with the purposes envisaged in the contract; (iii) contains clauses designed to make the counterparty comply with the commitments undertaken by Pirelli in anti-corruption matters;
- Archive documentation relating to beneficiary analysis and selection activities and accounting records and records of agreements stipulated with the counterparty in accordance with Pirelli's provisions.

In any case, Pirelli does not directly or indirectly disburse any contributions to political parties, movements, committees, political and trade union organisations, their representatives and candidates.

#### 4.6 Human Resources

The Human Resources management process is assessed as a corruption risk area with particular reference to selection and recruitment.

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<sup>15</sup> "Contribution" shall mean any form of contribution (in cash, in kind, concession of space/services) in favour of natural persons/legal entities, bodies, associations of proven experience, integrity and recognisability at national or international level, and operating in the fields of education/academia, culture, sport, road safety, social solidarity and human rights, environment/environmental education.

Pirelli has adopted internal rules to regulate these activities in line with anti-corruption principles.

Consistent with the provisions of the reference company regulations, the Human Resources recruitment and selection process<sup>16</sup> must be:

- managed by individuals who, by virtue of their competence and independence requirements, are qualified to perform this task;
- carried out in compliance with the principles of non-discrimination, absolute impartiality, autonomy and independence of judgement, aimed at ensuring that the final decision falls on the most suitable persons to fill the position in question and contains an offer consistent with the values of the reference market, guaranteeing equal access to job opportunities.
- provide for specific checks on references and previous professional experience, in order to avoid any possible conflict of interest, in particular with the Public Administration. To this end, applicants must declare, according to the applicable regulations:
  - any relations with public officials;
  - any role held in Public Administration in the last two years.

#### **4.7 Extraordinary transactions and Joint ventures**

M&A transactions, the incorporation/entry of Pirelli into joint ventures may present various risks (such as the acquisition of concessions through bribery); due diligence on potential counterparties is therefore an essential aspect in each transaction.

Particular attention must be paid to the ethical-reputational profile of the counterparty, also by carrying out checks on the counterparty's business history and background. With reference to sale transactions, in the event of any critical issues, further checks must be carried out on the financial capacity of the potential buyer.

#### **4.8 “Facilitation payment”**

Pirelli does not permit the payment, offer or acceptance, directly or indirectly, of facilitation payments<sup>17</sup>. If a facilitation payment is requested, promised or offered to a Recipient, it is important that they immediately notify their supervisor and the Compliance and Rules Department.

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<sup>16</sup> defined as the set of activities and steps leading to the recruitment of new staff (including temporary workers, trainees, executives).

<sup>17</sup> payments made to Government Officials to facilitate or expedite “routine government actions” already due to the Company, such as, merely by way of example: issuance of permits, licences or other official documents, preparation of government documents such as visas or other work orders, provision of telecommunication, energy and water services, unloading/loading of goods, or protection of fragile/dangerous assets, scheduling of inspection visits associated with the performance of the contract or transit of goods through the country.

Any Extortion Payments<sup>18</sup> made to a Public Official must be promptly identified and duly documented<sup>19</sup>. In particular, the Pirelli people involved must send formal notice detailing the event to their own Manager and to the Compliance and Rules Department so that (after also consulting with the Legal Department) they can assess the situation and take all appropriate action.

## 5 Accounting activities

Correct bookkeeping is a transversal tool for intercepting frauds, corrupt phenomena, and actions instrumental to illegal activities (see also par. 7.1 in this regard). For this reason, Pirelli adopts a system of internal controls on financial information designed to guarantee, with reasonable certainty, the reliability of financial reporting and the proper preparation of financial statements.

To this end, the heads of the administrative/accounting departments of each Group company, within the scope of their assigned tasks and to the extent of their competence, must ensure that every transaction is:

- correctly and adequately recorded, legitimate, congruous, authorised and traceable;
- accompanied by documentary support suitable to allow, at any time:
  - the verification of the activities carried out,
  - the identification of the person who authorised and recorded the operation ("segregation of duties"),
  - the performance of controls.

## 6 Due diligence

In consideration of the risks indicated in the preceding paragraphs and in accordance with the procedures set forth in the reference regulations adopted by Pirelli, due diligence is envisaged for the purpose of gathering information to assess the existence of the requisites necessary to enter into business relations with the main counterparties.

Specifically,

- a) at global level, each Function/Department that manages relations with a potential counterparty is required to perform a preliminary check on the reliability and reputation of the same and to intercept any indicators of non-compliance with Pirelli regulatory and ethical standards;
- b) in the Pirelli companies that operate where the risk of corruption is considered more significant on the basis of a "risk based" approach, there are rules which regulate in detail the performance of due

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<sup>18</sup> payments made to Public Officials extorted from Pirelli's people through the use of violence or serious and imminent threat to their physical safety and personal security and which may therefore be made for the sole purpose of preventing personal injury

<sup>19</sup> Extortion Payments are part of the business events that are the subject of Pirelli's accounting, and the accounting entries relating to them must be made in accordance with Pirelli's rules on financial statements and accounting and supported by the relevant documentation.

diligence activities and which prescribe, in addition to the above, the performance of extensive ethical and reputational controls ("enhanced due diligence"), with respect to counterparties considered potentially more at risk because of the outcome of the basic due diligence, or the nature and/or value of the transaction.

The Compliance and Rules Department supports the analysis of the counterparty, to determine whether or not any identified "red flags" in terms of anti-corruption are "blocking" future dealings with the counterparty and/or only imply an increased level of attention and the implementation of risk mitigation actions.

## 7 Monitoring, reporting and continuous improvement

### 7.1 Monitoring

Pirelli has established a framework for monitoring the effective and efficient implementation of this Program, according to a "risk based" approach in compliance with the methodologies defined by internal regulations and "best practices" (first, second and third level controls).

Monitoring aims at promptly intercepting, in the various countries in which Pirelli operates, the following cases:

- **Regulatory update:** monitoring of changes/updates to applicable anti-corruption regulations;
- **Education & Awareness:** compliance with planned training and communication plans (ref. par. 3.3);
- **Internal control system:** Pirelli ensures the adoption of an internal control system that provides for the performance of controls (both in the financial and non-financial area) able to monitor, prevent and/or counter the risk of corruption. In particular, with reference to controls in the financial sphere, Pirelli adopts a system of internal controls that provides reasonable assurance of the reliability of financial reporting, in accordance with the accounting standards adopted by Pirelli and with applicable regulations. The purpose of these controls is to reduce the risk of inaccurate accounting entries occurring (and not being promptly identified), caused by error or fraud, which are significant in terms of their impact on the annual financial statements or interim financial reports.
- **Reports:** follow-up of all whistleblowing reports received on anti-corruption matters (ref. par. 8.1);
- **Audits:** internal and/or external audit activities and/or other specific checks aimed at preventing and detecting the risk of corruption.

In addition to the above, in the companies certified according to standard ISO 37001, operational monitoring is also ensured on an ongoing basis by the collection and analysis of flows from corporate departments by the Compliance Department, which, at least once every six months, collects information from all the departments involved in the identified corruption risk processes and performs an independent audit (overall or by sampling, depending on the flow) of the activities carried out by the companies, thereby ensuring ex

post control over risk activities. In addition to the above-mentioned internal and/or external process audit activities, continuous monitoring is also supplemented by audits specifically aimed at verifying the performance of the anti-corruption management system, which are carried out at least every three years.

## 7.2 Reporting on relevant activities

For certified companies, the Compliance and Rules Department periodically prepares (with a frequency also defined according to a “risk based” approach) a report that includes the relevant activities carried out within the Compliance Program.

## 7.3 Continuous improvement

Pirelli adopts an approach oriented towards the continuous improvement of its activities and results deriving from the sustainability, adequacy and effectiveness of the Compliance Program.

The Compliance and Rules Department periodically reviews this document to ensure that the highest level of effectiveness is guaranteed and to incorporate, where necessary, the most recent regulatory changes and any suggestions for improvement that have emerged in the course of monitoring activities.

In addition to the above, the Compliance and Rules Department shall, together with the department involved each time, take action to promptly implement any recommendations for improvement in relation to operational activities formulated by internal or external stakeholders/bodies.

# 8 Reports, breaches and sanctions

## 8.1 Reports

Pirelli encourages reports of any breach<sup>20</sup>, or inducement to a breach, or any action that defeats the object or purpose of, amongst others, the Compliance Program and applicable laws and other regulations at all levels relating to anti-corruption.

By way of example, addressees are required to report any direct or indirect request aimed at obtaining payments, gifts, trips, personal or family benefits or other benefits to another addressee in accordance with Pirelli's existing reporting procedures, and in particular in line with the provisions of the Whistleblowing Policy.

In handling whistleblowing reports Pirelli undertakes to respect the principles of confidentiality, proportionality and impartiality, to recognise the good faith of whistleblowers and to guarantee their

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<sup>20</sup> "Breaches" are actions or omissions committed during the course of business or in connection therewith, by any person within Pirelli, on its behalf or in dealings with Pirelli or Pirelli's stakeholders (including Pirelli's joint ventures), that have occurred, may reasonably be expected to have occurred or are very likely to occur, including any attempts to conceal such actions or omissions.

anonymity. Furthermore, Pirelli will not tolerate any form of threat, retaliation or discrimination - actual or attempted - against persons involved in whistleblowing.

Pirelli provides Recipients and stakeholders with a special channel for whistleblowing, which is aligned with the specific legal requirements of the countries where it operates and can be reached at this link: <https://pirelli.integrityline.com/>.

For more details and additional reporting channels available, please refer to the Group Whistleblowing Policy and/or locally applicable policies, all available at [www.pirelli.com/whistleblowing](http://www.pirelli.com/whistleblowing).

## 8.2 Violations

In the event of violation of the Program, Pirelli will apply the sanctions provided for by the company disciplinary system in compliance with the collective labour agreements, procedures and regulations applicable in the countries where Pirelli operates.

No employee shall suffer retaliation, discrimination or disciplinary measures for:

- having refused to take part in any activity where the employee reasonably assessed that there was a significant risk of corruption;
- having expressed suspicions or having made reports in good faith, based on a reasonable belief, of attempted, actual or present acts of corruption.

## 8.3 Sanctions

Pirelli does not tolerate any conduct that violates the principles of this Program and the anti-corruption legislation in force in the countries where it operates.

Pirelli will take appropriate action in response to any unlawful conduct, attributable to Pirelli staff and/or third parties, that emerges as a result of internal verification activities or reports; in particular Pirelli will make every reasonable effort to: (i) stop and sanction such conduct by Pirelli employees; (ii) apply contractual remedies, including but not limited to termination of the contract and/or claim for damages, against any third parties whose actions are found to be in breach of the Anti-Corruption Laws and/or the anti-corruption compliance commitments set out in the Supplier Code of Conduct and/or in the relevant contracts.