

connected to the company's operations and the value chain, negative or positive, actual or potential, on people or the environment, in the short, medium or long term.

Conversely, the “outside-in” perspective corresponds to the financial materiality, i.e. it takes into account how external factors, expressed as risks and opportunities, have, or can be reasonably expected to have, a significant influence on the development of the company, on its financial position, economic result, cash flows, access to financing or the cost of capital in the short, medium or long term.

Pirelli's double relevance analysis and the relative list of material IROs, resulting from the opinions of internal and external stakeholders, was analysed by the Strategic Sustainability Committee (management committee), then submitted to the Audit, Risks and Corporate Governance Committee and approved by the Board of Directors.

The Board of Statutory Auditors attended the meetings of the Audit, Risks and Corporate Governance Committee and the Board of Directors, where the double materiality analysis was approved. The Pirelli Group's double materiality analysis is updated annually.

In methodological terms, the analysis included the following main steps:

1) Analysis and understanding of the internal and external context

In the first step, in order to gain an in-depth understanding of the sustainability context in which the organisation operates, a series of internal documents containing information on the company profile, values and the Group's Industrial Plan were analysed, as well as the Group's activities, business relationships and stakeholders. In addition, a benchmark analysis was carried out that included comparable companies in the sector and others, in particular car and car parts manufacturers, and companies in the manufacturing and chemical sectors. The expectations of the main sustainability standards, sustainable finance indexes and major international organisations (such as SASB, S&P Global Indices for Dow Jones Sustainability and the World Economic Forum) were then analysed. Finally, the external context was analysed, taking into account the evolution of norms and regulations in order to intercept the main trends and relevant factors related to sustainability aspects in the tyre sector.

In addition, a mapping of the Company's business relationships and its upstream and downstream value chain was also carried out, identifying the key players involved, such as suppliers of raw materials and services, distributors and specialised retailers, original equipment customers and end customers. The mapping carried out also took into account the phases of the product life cycle, identifying the most relevant and involved players in each phase.

With regard to the supply relationships identified, an analysis of the main raw materials and services offered by suppliers was

Double materiality analysis and management of impacts, risks and opportunities

In order to provide its stakeholders with an adequate representation of the Group's activities and the sustainability issues most relevant to the business, according to the dual “inside-out” and “outside-in” approach, Pirelli conducted the first double materiality analysis, in accordance with the EFRAG guidelines on the double materiality analysis process, the ESRS standards, in particular ESRS 1, and the EFRAG IG 1: *Materiality Assessment Implementation Guidance*.

The impact materiality, corresponding to the “inside-out” perspective, concerns the significant impacts of Pirelli

also conducted, with the aim of obtaining a detailed mapping of business relationships and the most sensitive areas of the value chain.

2) Identification of potentially material impacts, risks and opportunities

The second step, aimed at identifying potentially material impacts, risks and opportunities (IRO) for Pirelli, involved the integration of different sources and multiple company departments, competent and expert with respect to the Company's activities and business. This also allowed the interests and effects of the company's activities on stakeholders to be taken into account.

Starting from the results of the context analysis, the process of identifying the IROs considered the characteristics of the business, the types of products, the markets and the geographical areas in which it operates, as well as focusing on the analysis of the regulatory landscape, and on the indications and suggestions provided by ESG indexes and standards and associations relevant to the sector. This process was integrated with an analysis of the different phases of the Pirelli product life cycle. In particular, each phase of the life cycle was analysed taking into consideration the respective geographies, resources used (raw materials, human resources), services and activities that characterise them, as well as their respective positioning in the value chain, the actors involved and their interests.

For the identification of impacts (impact materiality perspective), the sustainability topics, sub-topics, and sub-sub-topics indicated by the ESRS (ESRS 1, AR 16) were taken into consideration. This made it possible to draw up a preliminary list of impacts associated with each topic, sub-topic, sub-sub-topic, taking into account the context analysis, the mapping of the value chain and the product life cycle. This list was then submitted to the relevant departments for review, in order to identify the main impacts, positive and negative, current and potential, as relevant as possible to the Group's business. By integrating the list of impacts with the mapping of the Pirelli product life cycle, it was possible to identify at which stage each impact occurs or may occur, as well as the actors in the value chain involved.

In identifying both current and potential impact, the company considered gross impact (i.e. before mitigation actions) so as to distinguish between gross impact and impact management (i.e. policies, actions and targets).

To identify risks and opportunities (financial materiality perspective), an analysis was carried out of the results of the Annual Operational Risk Assessment and the Climate Change and related Water Stress Risk Assessment, conducted by the Enterprise Risk Management (ERM) Department. In particular, among the risks resulting from these assessments, those of sustainability and associated with specific sustainability issues were identified, while the list of opportunities resulting from the Climate Change and related Water Stress Risk Assessment

was supplemented with a series of opportunities identified from the analysis of reports and documentation relevant to the Auto Parts sector. The list of impacts and opportunities was then refined with the support of the relevant company departments.

3) Impact, risk and opportunity assessment

In the third step, the IROs identified were submitted for internal and external stakeholder assessment to determine their relevance to Pirelli.

The impacts were evaluated, according to the impact materiality perspective, through an anonymous survey in which the magnitude (in terms of entity, extent and irremediable nature, the latter only for negative impacts) and the probability of occurrence in the short, medium and long term were evaluated for each impact, based on a scale from 1 to 4.

Various categories of internal and external stakeholders were involved in the survey based on the relevance of their expertise to the impact area of reference. Internal stakeholders are represented by Pirelli's senior management, composed of representatives from the various company departments. The main external stakeholders include suppliers, distributors, original equipment customers, Pirelli's partner universities and associations specific to the tyre sector.

As required by EFRAG guidelines, the so-called Affected Stakeholders and Silent Stakeholders were involved, which are stakeholders who could be directly or indirectly affected by the activity of the Group or its value chain, including Pirelli employees and environmental NGOs (representing the "Nature" stakeholder).

The evolution of impact is monitored by the Company through the annual update of the Double Materiality Analysis, as well as by periodic monitoring of performance indicators, key targets and the safeguards in place for managing relevant sustainability issues.

The risks were evaluated using the Pirelli Enterprise Risk Management model, which is applied at three key moments in the decision-making process aimed at achieving strategic objectives: strategic planning (medium-/long-term); operational planning (annual and periodic); new investment projects. It should also be noted that the Enterprise Risk Management model goes beyond the scope of these three steps, through continuous monitoring and management of operational risks and assessment of potential reputational and ESG risks that could affect the company's strategic assets (tangible and intangible).

The model requires that, at least once a year and with the involvement and support of all company departments, an ERM assessment is carried out to identify the main risk areas. The assessment scales range from 1 to 4 and are used to evaluate the impact, in economic-financial terms (EBIT, Contribution Margin, Net Sales, Net Cash Flow), and the likelihood of the event occurring. Risks are therefore "prioritised" based on exposure for the Group regardless of the risk category (e.g.

Sustainability, Cyber or other). Following the assessment, continuous monitoring is carried out by the ERM Department, assisted by the Risk Owners, to monitor the progress of the mitigation plans and any emerging risks that may arise after the annual assessment cycle. The overall risk register resulting from the assessment was then analysed to understand which risks come directly from the impacts, from the external context and which are generated by the presence of dependencies on human or natural resources; this was useful to verify the completeness of the list of identified risks and to propose hypotheses for future additions.

The evaluation of sustainability opportunities already included in the ERM Risk Assessment process, represented by the opportunities linked to the topic of “Climate Change”, followed the same methodology as the risks. The additional sustainability opportunities identified in previous analyses and perfected with the involvement of the various relevant corporate departments were, instead, assessed by Pirelli’s Senior Management within the survey, using the same assessment scales as the ERM model.

The double materiality analysis aimed to capture stakeholder perspectives on issues relevant to their areas of interest or in representation of silent stakeholders. In fact, the categories of stakeholders were involved:

- in issues that directly or indirectly affect them (affected stakeholder, or representatives for silent stakeholders);
- in topics relevant to their skills and knowledge.

This method of involvement was used to avoid possible alterations in the assessment results, which would have been caused by the evaluations of stakeholder categories that were not experts or impacted by the topic in question.

The final results were elaborated by aggregating the evaluations provided by the different categories of stakeholders involved, to which a different *weight* was assigned based on factors such as the relevance of the stakeholder category to the Group and the knowledge of the specific characteristics of the business.

In order to determine a materiality threshold for impacts and opportunities, as a starting point Pirelli considered the thresholds already in use in the Enterprise Risk Management risk assessment process.

The thresholds were identified by adopting a conservative and precautionary approach, i.e. applying a more inclusive threshold for impacts and a higher threshold for opportunities.

Material IROs are IROs whose magnitude and likelihood scores exceed the following thresholds:

- Impacts: Magnitude ≥ 3 or Magnitude ≥ 2.5 and Likelihood ≥ 2.5
- Risks: Magnitude = 4, or Magnitude = 3 and Likelihood ≥ 3 , or Magnitude = 2 and Likelihood = 4
- Opportunities: Magnitude ≥ 3 and Likelihood ≥ 3

4) Definition of material impacts, risks and opportunities

The result of the assessment process was analysed with the support of the competent corporate departments and Senior Management, in order to verify the completeness and consistency of the material IROs.

This process allowed us to identify the Pirelli Group’s material sustainability issues, prioritised according to the criterion of significance and illustrated in the table below.