



CHANGES

# Certifications

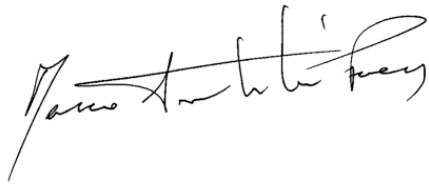
**CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE 58 OF FEBRUARY 24, 1998, AND PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED**

1. The undersigned Marco Tronchetti Provera, in his capacity as Executive Vice Chairman and Chief Executive Officer, and Francesco Tanzi, in his capacity as Corporate Financial Reporting Manager of Pirelli & C. S.p.A. hereby certify pursuant to, *inter alia*, Article 154-bis, clauses 3 and 4, of Legislative Decree 58 of February 24, 1998:
  - the adequacy in relation to the characteristics of the company and
  - the effective applicationof the administrative and accounting procedures for preparation of the consolidated financial statements, during the period January 1, 2019 – December 31, 2019.
  
2. In this regard it should be noted that the adequacy of the administrative and accounting procedures for preparation of the consolidated financial statements for the year ended December 31, 2019 was determined on the basis of an assessment of the internal control system. This assessment was based on a specific process defined in accordance with the criteria laid down in the “Internal Control – Integrated Framework” guidelines issued by the “Committee of Sponsoring Organizations of the Treadway Commission” (COSO), which is a reference framework generally accepted at the international level.
  
3. We also certify that:
  - 3.1. the consolidated financial statements:
    - a. were prepared in accordance with the applicable international accounting standards recognised in the European Union under the terms of Regulation (EC) 1606/2002 of the European Parliament and Council, of July 19, 2002;
    - b. correspond to the information in the account ledgers and books;
    - c. give a true and fair view of the assets, liabilities, income, expenses and financial position of the reporting entity and of the Group of companies included in the scope of consolidation.
  
  - 3.2. The report on operations includes a reliable analysis of the performance and results of operations, and of the situation of the reporting entity and of the Group of companies

included in the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

March 2, 2020

The Executive Vice Chairman and  
Chief Executive Officer

Handwritten signature of Marco Tronchetti Provera in black ink.

(Marco Tronchetti Provera)

The Corporate Financial  
Reporting Manager

Handwritten signature of Francesco Tanzi in black ink.

(Francesco Tanzi)



**PIRELLI & C SPA**

**INDEPENDENT AUDITOR'S REPORT  
IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE  
DECREE 39 OF 27 JANUARY 2010 AND ARTICLE 10  
OF REGULATION (EU) 537/2014**

**CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019**



## **Independent auditor's report**

*in accordance with article 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014*

To the shareholders of Pirelli & C SpA

---

### **Report on the Audit of the Consolidated Financial Statements**

---

#### **Opinion**

We have audited the consolidated financial statements of Pirelli & C SpA and its subsidiaries (Pirelli group), which comprise the statement of financial position as of 31 December 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Pirelli group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in section Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of this report. We are independent of Pirelli & C SpA (the Company) based on ethic and independence regulations and standards applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

---

#### **PricewaterhouseCoopers SpA**

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

[www.pwc.com/it](http://www.pwc.com/it)



---

**Key Audit Matters**

---

**How our audit addressed the key audit matter**

---

**Recoverability of brands with indefinite useful life and goodwill***Note 10 "Intangible assets"*

As of 31 December 2019 the indefinite-lived intangible assets Pirelli brand and goodwill amount to €2,270 million and €1,887 million, respectively.

Recoverability of the carrying amount of Pirelli brand and goodwill were tested for impairment at the year-end, in accordance with IAS36 – Impairment of Assets.

The recoverable amount of Pirelli Brand is measured using its fair value less cost to sell, based on an income approach. This requires the use of estimates for revenue projections, implied royalty rates and discount rate.

The recoverable amount of goodwill, entirely allocated to the the group of cash generating units ("CGU") "Consumer segment", which represents the sole sector of activity of Pirelli group, is measured using its value in use, calculated based on the expected future cash flows of the Consumer segment.

The recoverable amount of Pirelli Brand is compared with its carrying amount. The recoverable amount of the Consumer segment is compared with the carrying amount of segment assets and liabilities, including brand and goodwill.

Considering the magnitude of the carrying amounts and the subjective judgment in some of the assumptions used for the calculation of the recoverable amounts, the impairment test of the carrying amounts of Pirelli brand and goodwill represented a key matter in the audit of the consolidated financial statements.

We have performed an understanding and evaluation of the internal controls in place over the impairment testing of brand and goodwill. We have tested the operating effectiveness of such controls.

We have performed, with the support of PwC experts, the following audit procedures:

- assessment over the adequacy of the impairment testing process in accordance with the requirement of the accounting standard;
- assessment of the key assumptions used when determining the fair value, with focus to revenue projections, implied royalty rates and discount rate, including benchmarking e sensitivity analysis;
- assessment of the allocation of goodwill to the group of cash generating units – CGU;
- assessment of the key assumptions used when determining the value in use of the Consumer segment, to which the goodwill is allocated, with focus to expected cash flow projections and discount rate, including benchmarking e sensitivity analysis;
- testing of the accuracy of the carrying amounts of assets and liabilities directly attributable to the Consumer segment;
- testing the mathematical accuracy of the calculation model used.

We have tested the accuracy and completeness of the disclosure presented in the notes to the consolidated financial statements.

---



---

**Key Audit Matters****How our audit addressed the key audit matter**

---

**Revenue recognition**

*Note 3 “Adopted Accounting Standards”*

Taking into account the accounting standard IFRS15 – “Revenue from contracts with customers” and considering the magnitude and the high volume of sales transactions carried out through a global distribution network, different sales channels and logistic platforms, revenue recognition represented a key matter in the audit of the consolidated financial statements.

We have carried out our procedures to verifying existence, completeness, accuracy and cut off of sales transactions.

For the main revenue streams identified using the requirements of the accounting standard IFRS15, we have performed an understanding and evaluation of the internal controls over the revenue recognition and a validation of relevant controls.

We have tested the proper recognition of revenue through testing samples of sales transactions, obtaining appropriate supporting evidence with specific attention to key contractual terms that regulate the various performance obligations.

We have performed external confirmation procedures over accounts receivable balances with the objective of validating trade receivable balances recorded in the consolidated accounts.

We have tested samples of sales returns transactions, credit notes and year-end accruals.

We have tested the accuracy and completeness of the disclosure presented in the notes to the consolidated financial statements.

---





---

**Key Audit Matters****How our audit addressed the key audit matter**

---

**Adoption of the new accounting standard IFRS16 - Leases**

*Note 3.3 Impacts deriving from the adoption of IFRS16 – Leases, Note 9.2 Rights of use and Note 23 Borrowings from banks and other financial institutions*

The new international accounting standard IFRS16 – Leases – is effective from 1 January 2019.

IFRS16 requires the lessee to recognise, with limited exceptions, a right-of-use asset within non-current assets against the recognition of a financial liability measured as the present value of future lease payments.

The right-of-use asset is depreciated over the lease term, through the income statement. The financial liability is repaid through future lease payments, including interest expenses.

As of 31 December 2019, the total amount of right-of-use assets and the associated financial liability recognized in accordance with IFRS16 is €462 million and €483 million, respectively. Annual depreciation and interest expenses amount to €89 million and €23 million, respectively.

The accounting of lease agreements under IFRS16 represented a key audit matter considering the magnitude of the amounts involved, the complexity of the adoption process and the professional judgement required for the assessment of the accounting policies and assumptions used by management.

We have performed an understanding and evaluation of the internal controls in place over the management of lease contracts.

We have performed an understanding and evaluation of the accounting policies and assumptions used by the group in the accounting for lease contracts as required by IFRS16.

We have tested the controls implemented to manage the lease contract portfolio, for the purpose of verifying the information processed by the accounting systems and the key assumptions used by the group for the recognition and measurement of the financial statement line items impacted by the new accounting standard.

We have tested, on a sample basis, the key elements of the lease agreements and assumptions, with particular reference to the lease term, the effect of renewal options and the incremental borrowing rate, used by the group for the recognition and measurement of the financial statements line items, with the supporting documentation.

We have tested the accuracy and completeness of the disclosure presented in the notes to the consolidated financial statements.



### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the group ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management intends either to liquidate Pirelli & C SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the group financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional scepticism throughout the audit. Furthermore:

- we identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we design and perform audit procedures responsive to those risks; we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group internal control;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists



related to events or conditions that may cast significant doubt on the group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;

- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report.

#### ***Additional Disclosures required by Article 10 of Regulation (EU) 537/2014***

We were appointed by the shareholders of Pirelli & C SpA at the general meeting held on 1 August 2017 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2017 through 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared in accordance with article 11 of the aforementioned Regulation.



---

### ***Report on Compliance with other Laws and Regulations***

---

#### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree 58/1998***

Management of Pirelli & C SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Pirelli group as of 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/1998, with the consolidated financial statements of the Pirelli group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Pirelli group as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/2010, issued on the basis of our knowledge and understanding of the group obtained in the course of the audit, we have nothing to report.

#### ***Statement in accordance with article 4 of Consob Regulation implementing Legislative Decree 254/2016***

Management of Pirelli & C SpA is responsible for the preparation of the non-financial disclosure in accordance with Legislative Decree 254/2016. We have verified that the non-financial disclosure was approved by the board of directors.

In accordance with article 3, paragraph 10, of Legislative Decree 254/2016, the non-financial disclosure is subject to separate audit reporting by our firm. Milan, 20 March 2020

PricewaterhouseCoopers SpA

*Signed by*

Paolo Caccini  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*

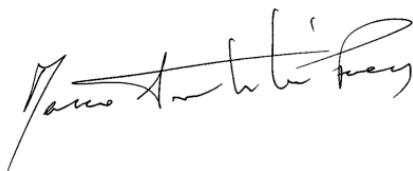
**CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE 58 OF FEBRUARY 24, 1998, AND PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED**

1. The undersigned Marco Tronchetti Provera, in his capacity as Executive Vice Chairman and Chief Executive Officer, and Francesco Tanzi, in his capacity as Corporate Financial Reporting Manager of Pirelli & C. S.p.A. hereby certify pursuant to, inter alia, Article 154-bis, clauses 3 and 4, of Legislative Decree 58 of February 24, 1998:
  - the adequacy in relation to the characteristics of the company and
  - the effective applicationof the administrative and accounting procedures for preparation of the separate financial statements, during the period January 1, 2019 – December 31, 2019.
  
2. In this regard it should be noted that the adequacy of the administrative and accounting procedures for preparation of the separate financial statements for the year ended December 31, 2019 was determined on the basis of an assessment of the internal control system. This assessment was based on a specific process defined in accordance with the criteria laid down in the “Internal Control – Integrated Framework” guidelines issued by the “Committee of Sponsoring Organizations of the Treadway Commission” (COSO), which is a reference framework generally accepted at the international level.
  
3. We also certify that:
  - 3.1. the separate financial statements:
    - a. were prepared in accordance with the applicable international accounting standards recognised in the European Union under the terms of Regulation (EC) 1606/2002 of the European Parliament and Council, of July 19, 2002;
    - b. correspond to the information in the account ledgers and books;
    - c. give a true and fair view of the assets, liabilities, income, expenses and financial position of the reporting entity and of the Group of companies included in the scope of consolidation.

3.2. The report on operations includes a reliable analysis of the performance and results of operations, and of the situation of the reporting entity, together with a description of the principal risks and uncertainties to which it is exposed.

March 2, 2020

The Executive Vice Chairman and  
Chief Executive Officer

Handwritten signature of Marco Tronchetti Provera in black ink.

(Marco Tronchetti Provera)

The Corporate Financial  
Reporting Manager

Handwritten signature of Francesco Tanzi in black ink.

(Francesco Tanzi)



**PIRELLI & C SPA**

**INDEPENDENT AUDITOR'S REPORT  
IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE  
DECREE 39 OF 27 JANUARY 2010 AND ARTICLE 10 OF  
REGULATION (EU) 537/2014**

**SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019**



## ***Independent auditor's report***

*in accordance with article 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014*

To the shareholders of Pirelli & C SpA

---

### ***Report on the Audit of the Separate Financial Statements***

---

#### ***Opinion***

We have audited the separate financial statements of Pirelli & C SpA (the "Company"), which comprise the statement of financial position as of 31 December 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005.

#### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in section Auditor's Responsibilities for the Audit of the Separate Financial Statements of this report. We are independent of the Company based on ethic and independence regulations and standards applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.





**Key Audit Matter**

**How our audit addressed the key audit matter**

**Recoverability of brands with indefinite useful life**

Note 9 “Intangible assets”.

As of 31 December 2019 the indefinite-lived intangible asset Pirelli brand amounts to € 2,270 million.

Recoverability of the carrying amount of Pirelli brand was tested for impairment at the year-end, in accordance with IAS36 – Impairment of Assets.

The recoverable amount of Pirelli Brand is measured using its fair value less cost to sell, based on an income approach. This requires the use of estimates for revenue projections, implied royalty rates and discount rate.

The recoverable amount of Pirelli Brand is compared with its carrying amount.

Considering the magnitude of the carrying amount and the subjective judgment in some of the assumptions used for the calculation of the fair value less cost to sell, the impairment test of the carrying amount of Pirelli brand represented a key matter in the audit of the separate financial statements.

We have performed an understanding and evaluation of the internal controls in place over the impairment testing of the Pirelli brand. We have tested the operating effectiveness of such controls.

We have performed, with the support of PwC experts, the following audit procedures:

- assessment over the adequacy of the impairment testing process in accordance with the requirement of the accounting standard;
- assessment of the key assumptions used when determining the fair value, with focus on revenue projections, implied royalty rates and discount rate, including benchmarking e sensitivity analysis;
- testing the mathematical accuracy of the calculation model used.

We have assessed the accuracy and completeness of the disclosure presented in the notes to the separate financial statements.

**Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements**

Management is responsible for the preparation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company ability to continue as a going concern and, in preparing the separate financial statements, for the appropriate application of the going concern



basis of accounting, and for disclosing matters related to going concern. In preparing the separate financial statements, management uses the going concern basis of accounting unless management intends either to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Separate Financial Statements***

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional scepticism throughout the audit. Furthermore:

- we identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error; we design and perform audit procedures responsive to those risks; we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company internal control;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our report.

#### ***Additional Disclosures required by Article 10 of Regulation (EU) 537/2014***

We were appointed by the shareholders of Pirelli & C SpA at the general meeting held on 1 August 2017 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2017 through 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared in accordance with article 11 of the aforementioned Regulation.

---

#### ***Report on Compliance with other Laws and Regulations***

---

##### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree 58/1998***

Management of Pirelli & C SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Pirelli & C SpA as of 31 December 2019, including their consistency with the relevant separate financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/1998, with the separate financial statements of the Company as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.



In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the separate financial statements of the Company as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/2010, issued on the basis of our knowledge and understanding of the Company obtained in the course of the audit, we have nothing to report.

Milan, 20 March 2020

PricewaterhouseCoopers SpA

*Signed by*

Paolo Caccini  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*

## GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	PAGE NUMBER, URL	OMISSION	MATERIAL TOPIC
101: Foundation 2016				
<b>GRI 102: GENERAL DISCLOSURES 2016</b>	102-1 Name of the organization	144		
	102-2 Activities, brands, products, and services	145, corporate website (www.pirelli.com) section about		
	102-3 Location of headquarters	144		
	102-4 Location of operations	307-312, corporate website (www.pirelli.com) section about		
	102-5 Ownership and legal form	144, 147, 175		
	102-6 Markets served	70, corporate website (www.pirelli.com) section about		
	102-7 Scale of the organization	29, 91, 108, 147		
	102-8 Information on employees and other workers	108-110, 113		
	102-9 Supply chain	82-84		
	102-10 Significant changes to the organization and its supply chain	82-84, 108, 110-111		
	102-11 Precautionary Principle or approach	45-51		
	102-12 External initiatives	60-61, 85-86, 130		
	102-13 Membership of associations	130-133		
	102-14 Statement from senior decision-maker	Corporate website (www.pirelli.com) section sustainability/ Pirelli's model		
	102-15 Key impacts, risks, and opportunities	45-51		
	102-16 Values, principles, standards, and norms of behavior	64-66, 74-75, 85, 112, 119, 124, corporate website (www.pirelli.com) section sustainability/main sustainability policies		
	102-17 Mechanisms for advice and concerns about ethics	66-67		Business Ethics & Integrity
	102-18 Governance structure	146, 152-153, 157-167, 169		Corporate Governance
	102-19 Delegating authority	61, 166-167, 169		Corporate Governance
	102-20 Executive-level responsibility for economic, environmental, and social topics	61		Corporate Governance
	102-21 Consulting stakeholders on economic, environmental, and social topics	61-63, 77-79		Corporate Governance, Community Engagement
	102-22 Composition of the highest governance body and its committees	153-156, 161-167, 169, 176-177, 180-181		Corporate Governance
	102-23 Chair of the highest governance body	153-156		Corporate Governance
	102-24 Nominating and selecting the highest governance body	146, 152-153		Corporate Governance
	102-25 Conflicts of interest	170		Corporate Governance
	102-26 Role of highest governance body in setting purpose, values, and strategy	61, 166-167, 169		Corporate Governance
	102-27 Collective knowledge of highest governance body	157		Corporate Governance
	102-28 Evaluating the highest governance body's performance	158		Corporate Governance
	102-29 Identifying and managing economic, environmental, and social impacts	166-167		Corporate Governance
	102-30 Effectiveness of risk management processes	45-51, 166-167		Corporate Governance

GRI STANDARD	DISCLOSURE	PAGE NUMBER, URL	OMISSION	MATERIAL TOPIC
101: Foundation 2016				
<b>GRI 102: GENERAL DISCLOSURES 2016</b>	102-31 Review of economic, environmental, and social topics	161, 166-167		Corporate Governance
	102-32 Highest governance body's role in sustainability reporting	61, 166-167		Corporate Governance
	102-33 Communicating critical concerns	166-167		Corporate Governance
	102-34 Nature and total number of critical concerns		Confidentiality Constraints	Corporate Governance
	102-35 Remuneration policies	191-209		Corporate Governance
	102-36 Process for determining remuneration	191-193		Corporate Governance
	102-37 Stakeholders' involvement in remuneration	191-193		Corporate Governance
	102-38 Annual total compensation ratio		Confidentiality Constraints	Corporate Governance
	102-39 Percentage increase in annual total compensation ratio		Confidentiality Constraints	Corporate Governance
	102-40 List of stakeholder groups	62-64		
	102-41 Collective bargaining agreements	122		
	102-42 Identifying and selecting stakeholders	62-63		
	102-43 Approach to stakeholder engagement	62-63		
	102-44 Key topics and concerns raised	62-64		
	102-45 Entities included in the consolidated financial statements	60, 91, 307-312		
	102-46 Defining report content and topic boundaries	60, 436-442		
	102-47 List of material topics	63-64		
	102-48 Restatements of information	60		
	102-49 Changes in reporting	60, 63-64, 436-442		
	102-50 Reporting period	60		
	102-51 Date of most recent report	60		
	102-52 Reporting cycle	60		
	102-53 Contact point for questions regarding the report	61		
	102-54 Claims of reporting in accordance with the GRI Standards	60		
	102-55 GRI content index	436-442		
	102-56 External assurance	447-451		
<b>GRI 201: ECONOMIC PERFORMANCE 2016</b>	GRI 103: Management Approach 2016	47, 68-69, 85-86, 123-124		
	201-1 Direct economic value generated and distributed	68		Financial Health
	201-2 Financial implications and other risks and opportunities due to climate change	47, 85-86		Financial Health
	201-3 Defined benefit plan obligations and other retirement plans	123-124, 270-277, 290		Financial Health
	201-4 Financial assistance received from government	69		Financial Health
<b>GRI 202: MARKET</b>	GRI 103: Management Approach 2016	112-115		
	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	113		
	202-2 Proportion of senior management hired from the local community	112		

GRI STANDARD	DISCLOSURE	PAGE NUMBER, URL	OMISSION	MATERIAL TOPIC
101: Foundation 2016				
<b>GRI 203: INDIRECT ECONOMIC IMPACTS 2016</b>	GRI 103: Management Approach 2016	68-69, 133-140		
	203-1 Infrastructure investments and services supported	68-69, 133-140		Community Engagement
	203-2 Significant indirect economic impacts	68-69, 133-140		
<b>GRI 204: PROCUREMENT PRACTICES 2016</b>	GRI 103: Management Approach 2016	82		
	204-1 Proportion of spending on local suppliers	82		
<b>GRI 205: ANTI-CORRUPTION 2016</b>	GRI 103: Management Approach 2016	65-66, 75-76		
	205-1 Operations assessed for risks related to corruption	65-67		Business Ethics & Integrity
	205-2 Communication and training about anti-corruption policies and procedures	64-66, 75-76, 157	Information Unavailable: % of employees trained on anti-corruption currently not disclosed by category and region	Business Ethics & Integrity
	205-3 Confirmed incidents of corruption and actions taken	65-67		Business Ethics & Integrity
<b>GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016</b>	GRI 103: Management Approach 2016	65-66		
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	66		Business Ethics & Integrity
<b>GRI 301: MATERIALS 2016</b>	GRI 103: Management Approach 2016	64-65, 84, 98, 101		
	301-1 Materials used by weight or volume	84		Renewable Materials
	301-2 Recycled input materials used	84, 90		
	301-3 Reclaimed products and their packaging materials	98, 101, 105-106		End of Life Tyre Recovery and Recycling
<b>GRI 302: ENERGY 2016</b>	GRI 103: Management Approach 2016	91-93		
	302-1 Energy consumption within the organization	91-93		Responsible Use of Natural Resources
	302-2 Energy consumption outside of the organization	88-89		Responsible Use of Natural Resources
	302-3 Energy intensity	91-93		Responsible Use of Natural Resources
	302-4 Reduction of energy consumption	92-93		Responsible Use of Natural Resources
	302-5 Reductions in energy requirements of products and services	102-103		Responsible Use of Natural Resources
<b>GRI 303: WATER 2016</b>	GRI 103: Management Approach 2016	48-49, 85-89, 96-98		
	303-1 Water withdrawal by source	97-98		Responsible Use of Natural Resources
	303-2 Water sources significantly affected by withdrawal of water	98		Responsible Use of Natural Resources
	303-3 Water recycled and reused	98		Responsible Use of Natural Resources

GRI STANDARD	DISCLOSURE	PAGE NUMBER, URL	OMISSION	MATERIAL TOPIC
101: Foundation 2016				
<b>GRI 304: BIODIVERSITY 2016</b>	GRI 103: Management Approach 2016	77-79, 85-87, 90,100		
	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	100		
	304-2 Significant impacts of activities, products, and services on biodiversity	98, 100		
	304-3 Habitats protected or restored	96, 100		
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	100		
<b>GRI 305: EMISSIONS 2016</b>	GRI 103: Management Approach 2016	47-49, 85-89, 93-96		
	305-1 Direct (Scope 1) GHG emissions	91, 93-95		Climate Change & GHG Emissions Management
	305-2 Energy indirect (Scope 2) GHG emissions	91, 93-95		Climate Change & GHG Emissions Management
	305-3 Other indirect (Scope 3) GHG emissions	81, 88-89, 94, 96		Climate Change & GHG Emissions Management
	305-4 GHG emissions intensity	93-96		Climate Change & GHG Emissions Management
	305-5 Reduction of GHG emissions	93-96		Climate Change & GHG Emissions Management
	305-6 Emissions of ozone-depleting substances (ODS)	101		
	305-7 Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	99-101		
<b>GRI 306: EFFLUENTS AND WASTE 2016</b>	GRI 103: Management Approach 2016	48-49, 85-89, 96-99		
	306-1 Water discharge by quality and destination	97-98		
	306-2 Waste by type and disposal method	98		
	306-3 Significant spills	101		
	306-4 Transport of hazardous waste	98		
	306-5 Water bodies affected by water discharges and/or runoff	98		
<b>GRI 307: ENVIRONMENTAL COMPLIANCE 2016</b>	GRI 103: Management Approach 2016	48-49, 85-86, 101		
	307-1 Non-compliance with environmental laws and regulations	92, 94, 101		Legal & Regulatory Compliance
<b>GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016</b>	GRI 103: Management Approach 2016	51, 64-65, 75-76		
	308-1 New suppliers that were screened using environmental criteria	75-77		Responsible Procurement
	308-2 Negative environmental impacts in the supply chain and actions taken	77		Responsible Procurement
<b>GRI 401: EMPLOYMENT 2016</b>	GRI 103: Management Approach 2016	48, 110-111, 113, 123-124		
	401-1 New employee hires and employee turnover	110-111		
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	123-124		
	401-3 Parental leave	113		Employees Well-Being & Work-life Balance
<b>GRI 402: LABOR/ MANAGEMENT RELATIONS 2016</b>	GRI 103: Management Approach 2016	49, 64-65, 121-122		
	402-1 Minimum notice periods regarding operational changes	121-122		Labour Relations Management



GRI STANDARD	DISCLOSURE	PAGE NUMBER, URL	OMISSION	MATERIAL TOPIC
101: Foundation 2016				
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016</b>	GRI 103: Management Approach 2016	49, 124		
	403-1 Workers representation in formal joint management-worker health and safety committees	124		Occupational Health&Safety, Labour Relations Management
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	125-128	Confidentiality Constraints: absentee rate not disclosed publicly	Occupational Health&Safety
	403-3 Workers with high incidence or high risk of diseases related to their occupation	127		Occupational Health&Safety
	403-4 Health and safety topics covered in formal agreements with trade unions	122, 124		Occupational Health&Safety
<b>GRI 404: TRAINING AND EDUCATION 2016</b>	GRI 103: Management Approach 2016	48, 117-120		
	404-1 Average hours of training per year per employee	119-120		Training & Development
	404-2 Programs for upgrading employee skills and transition assistance programs	117-119		Training & Development
	404-3 Percentage of employees receiving regular performance and career development reviews	117		Training & Development
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016</b>	GRI 103: Management Approach 2016	112-113, 146		
	405-1 Diversity of governance bodies and employees	109-110, 113, 154-155		Diversity & Equal Opportunities
	405-2 Ratio of basic salary and remuneration of women to men	113-114		Diversity & Equal Opportunities, Human Rights
<b>GRI 406: NON- DISCRIMINATION 2016</b>	GRI 103: Management Approach 2016	112		
	406-1 Incidents of discrimination and corrective actions taken	66-67, 112		Diversity & Equal Opportunities, Human Rights
<b>GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016</b>	GRI 103: Management Approach 2016	49, 51, 75-76, 107-108, 122-123		
	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	75-77, 107-108, 122-123		Labour Relations Management, Human Rights, Responsible Procurement
<b>GRI 408: CHILD LABOR 2016</b>	GRI 103: Management Approach 2016	51, 75-77, 107-108, 122-123		
	408-1 Operations and suppliers at significant risk for incidents of child labor	75-77, 107-108, 122-123		Human Rights, Responsible Procurement
<b>GRI 409: FORCED OR COMPULSORY LABOR 2016</b>	GRI 103: Management Approach 2016	51, 75-77, 107-108, 122-123		
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	75-77, 107-108, 122-123		Human Rights, Responsible Procurement
<b>GRI 410: SECURITY PRACTICES 2016</b>	GRI 103: Management Approach 2016	107-108		
	410-1 Security personnel trained in human rights policies or procedures		Information Unavailable: % of security personnel trained on human rights currently not available	
<b>GRI 411: RIGHTS OF INDIGENOUS PEOPLES 2016</b>	GRI 103: Management Approach 2016	107-108		
	411-1 Incidents of violations involving rights of indigenous peoples	67		Human Rights

GRI STANDARD	DISCLOSURE	PAGE NUMBER, URL	OMISSION	MATERIAL TOPIC
101: Foundation 2016				
<b>GRI 412: HUMAN RIGHTS ASSESSMENT 2016</b>	GRI 103: Management Approach 2016	51, 107-108		
	412-1 Operations that have been subject to human rights reviews or impact assessments	107-108, 122-123		Human Rights
	412-2 Employee training on human rights policies or procedures	107-108	Information Unavailable: number of hours of training on human rights and % of employees trained currently unavailable	
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	74-76		Human Rights
<b>GRI 413: LOCAL COMMUNITIES 2016</b>	GRI 103: Management Approach 2016	107-108		
	413-1 Operations with local community engagement, impact assessments, and development programs	62-63, 107-108	Information Unavailable: information currently unavailable	Community Engagement
	413-2 Operations with significant actual and potential negative impacts on local communities	107-108	Information Unavailable: information currently unavailable	Community Engagement
<b>GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016</b>	GRI 103: Management Approach 2016	51, 64-65, 74-76		
	414-1 New suppliers that were screened using social criteria	75-77		Responsible Procurement
	414-2 Negative social impacts in the supply chain and actions taken	76-77		Responsible Procurement
<b>GRI 415: PUBLIC POLICY 2016</b>	GRI 103: Management Approach 2016	69		
	415-1 Political contributions	69		
<b>GRI 416: CUSTOMER HEALTH AND SAFETY 2016</b>	GRI 103: Management Approach 2016	49, 64-65		
	416-1 Assessment of the health and safety impacts of product and service categories	75-76		Product Quality & Safety
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	74		Legal & Regulatory Compliance
<b>GRI 417: MARKETING AND LABELING 2016</b>	GRI 103: Management Approach 2016	102-103		
	417-1 Requirements for product and service information and labeling	102-103		
	417-2 Incidents of non-compliance concerning product and service information and labeling	74		Legal & Regulatory Compliance
	417-3 Incidents of non-compliance concerning marketing communications	74		Legal & Regulatory Compliance
<b>GRI 418: CUSTOMER PRIVACY 2016</b>	GRI 103: Management Approach 2016	64-65		
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	74		Legal & Regulatory Compliance
<b>GRI 419: SOCIOECONOMIC COMPLIANCE 2016</b>	GRI 103: Management Approach 2016	64-65		
	419-1 Non-compliance with laws and regulations in the social and economic area	74		Business Ethics & Integrity, Legal & Regulatory Compliance

**OTHER MATERIAL TOPICS IDENTIFIED  
(NOT COVERED OR PARTIALLY COVERED BY THE GRI STANDARDS)**

<b>Material Topic</b>	<b>Page Number</b>
Employees Well-Being & Work-life Balance	121, 124-125
Customer Satisfaction	71-74
Product Quality & Safety	74
Product Environmental Sustainability	102-106
Road Safety Initiatives	133-134

UNGC PRINCIPLES SUMMARY TABLE

AREAS OF THE GLOBAL COMPACT	GLOBAL COMPACT PRINCIPLES	DIRECTLY RELEVANT GRI INDICATORS	INDIRECTLY RELEVANT GRI INDICATORS
<b>HUMAN RIGHTS</b>	Principle 1 - Business should promote and respect internationally proclaimed human rights in their respective spheres of influence.	Disclosure 407: Freedom of Association and Collective Bargaining Disclosure 408: Child Labor Disclosure 409: Forced or Compulsory Labor Disclosure 410: Security Practices Disclosure 411: Rights of Indigenous Peoples Disclosure 412: Human Rights Assessment Disclosure 414: Supplier Social Assessment Disclosure 103-2: Grievance Mechanism	Disclosure 413: Local Communities
	Principle 2 - Business should ensure that they are not, albeit indirectly, complicit in human rights abuses.	Disclosure 410: Security Practices Disclosure 412: Human Rights Assessment Disclosure 414: Supplier Social Assessment	
<b>LABOUR STANDARDS</b>	Principle 3 - Businesses should uphold the freedom of association of workers and recognise the right to collective bargaining.	Disclosure 402: Labour/Management Relations Disclosure 403: Occupational Health and Safety Disclosure 407: Freedom of Association and Collective Bargaining Disclosure 410: Security Practices Disclosure 102-11: Precautionary Principle or Approach Disclosure 102-41: Collective Bargaining Agreements	
	Principle 4 - Business should uphold the elimination of all forms of forced and compulsory labour.	Disclosure 409: Forced or Compulsory Labor Disclosure 410: Security Practices	Disclosure 412: Human Rights Assessment
	Principle 5 - Business should uphold the effective elimination of child labour.	Disclosure 408: Child Labor Disclosure 410: Security Practices	Disclosure 412: Human Rights Assessment
	Principle 6 - Business should uphold the elimination of discrimination in respect of employment and occupation.	Disclosure 401: Employment Disclosure 404: Training and Education Disclosure 405: Diversity and Equal Opportunity Disclosure 406: Non-Discrimination Disclosure 410: Security Practices Disclosure 102-8: Information on Employees and other Workers	Disclosure 202: Market Presence Disclosure 401: Employment Disclosure 412: Human Rights Assessment Disclosure 414: Supplier Social Assessment Disclosure 102-41: Collective Bargaining Agreements
<b>ENVIRONMENT</b>	Principle 7 - Businesses should support a precautionary approach to environmental challenges.	Disclosure 102-11: Precautionary Principle or Approach Disclosure 201: Economic Performance	Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water Disclosure 304: Biodiversity Disclosure 305: Emissions Disclosure 306: Effluents and Waste Disclosure 307: Environmental Compliance
	Principle 8 - Business should undertake initiatives to promote greater environmental responsibility.	Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water Disclosure 304: Biodiversity Disclosure 305: Emissions Disclosure 306: Effluents and Waste Disclosure 307: Environmental Compliance Disclosure 308: Supplier Environmental Assessment Disclosure 103-2: Grievance Mechanism	Disclosure 201: Economic Performance
	Principle 9 - Businesses should encourage the development and diffusion of environmentally friendly technologies.	Disclosure 301: Materials Disclosure 302: Energy Disclosure 303: Water Disclosure 305: Emissions	
<b>ANTI-CORRUPTION</b>	Principle 10 - Businesses should work against corruption in all its forms, including extortion and bribery.	Disclosure 205: Anti-Corruption Disclosure 419: Socioeconomic Compliance Disclosure 102-16: Values, Principles, Standards, and Norms of Behavior Disclosure 102-17: Mechanism for Advice and Concerned about Ethics	Disclosure 205: Anti-Corruption Disclosure 419: Socioeconomic Compliance Disclosure 102-16: Values, Principles, Standards, and Norms of Behavior Disclosure 102-17: Mechanism for Advice and Concerned about Ethics

## SDGS SUMMARY TABLE

SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PARAGRAPHS DESCRIBING THE GROUP'S ACTIVITIES IN SUPPORT OF THE SDGS AND RELEVANT TARGETS (FROM SUSTAINABILITY PLAN 2017-2020 WITH SELECTED TARGET TO 2025)
<b>1 - NO POVERTY</b>	Company Initiatives for the External Community (Solidarity pp.136-137)
<b>2 - ZERO HUNGER</b>	Company Initiatives for the External Community (Solidarity pp.136-137)
<b>3 - GOOD HEALTH AND WELL-BEING</b>	Welfare and Initiatives for the Internal Community (p.121) Occupational Health, Safety and Hygiene (pp.124-128) Company Initiatives for the External Community (Road Safety pp.133-134, Sport and Social Responsibility pp.135-136, Health p.137)  Target: → Accident Frequency Index: -87% by 2020 compared to 2009
<b>4 - QUALITY EDUCATION</b>	Training (pp.118-120) Company Initiatives for the External Community (Training pp.134-135, Culture and Social Value p.138)  Target: → Training: investment in employee training of at least an average of 7 man days
<b>5 - GENDER EQUALITY</b>	Diversity Management (pp.112-115)
<b>6 - CLEAN WATER AND SANITATION</b>	Water Management (pp.96-98)  Target: → Specific withdrawal of water -66% by 2020 compared to 2009
<b>7 - AFFORDABLE AND CLEAN ENERGY</b>	Joining the Task Force on Climate-Related Financial Disclosures (TCFD) (pp.85-86) Energy Management (pp.91-93) Management of Greenhouse Gas Emissions and Carbon Action Plan (pp.93-96)  Targets: → Specific Energy Consumption: -19% by 2020 compared to 2009
<b>8 - DECENT WORK AND ECONOMIC GROWTH</b>	Our Suppliers (pp.74-84) Internal Community (pp.108-128)
<b>9 - INDUSTRY, INNOVATION AND INFRASTRUCTURE</b>	Company Initiatives for the External Community (Training pp.134-135)  Target: → For specific product segments it is foreseen, by 2025 and compared with 2017, the doubling of the weight of renewable materials used and the reduction by 30% of raw materials derived from fossils
<b>10 - REDUCED INEQUALITIES</b>	Diversity Management (pp.112-115)
<b>11 - SUSTAINABLE CITIES AND COMMUNITIES</b>	Main International Commitments for Sustainability (WBCSD pp.131-132) Company Initiatives for the External Community (Road Safety pp.133-134, Solidarity pp.136-137)  Target: → Improvement of product performances in 2020: → Car products: -20% average rolling resistance, +15% on wet surfaces, -15% noise (vs 2009) → Moto products: -10% average rolling resistance, +40% performance on wet surfaces, +30% for mileage (vs 2009) → Velo: +5% braking performance, +10% wet surfaces (vs 2017)
<b>12 - RESPONSIBLE CONSUMPTION AND PRODUCTION</b>	Joining the Task Force on Climate-Related Financial Disclosures (TCFD) (pp.85-86) Energy Management (pp.91-93) Management of Greenhouse Gas Emissions and Carbon Action Plan (pp.93-96) Water Management (pp.96-98) Waste Management (pp.98-99) Company Initiatives for the External Community (Environmental Initiatives p.137)  Targets: → Specific Energy Consumption: -19% by 2020 compared to 2009 → Specific CO <sub>2</sub> Emissions: -17% in 2020 compared to 2009 → Water Specific Withdrawal: -66% by 2020 compared to 2009 → Waste Recovery: >95% by 2020

SUSTAINABLE DEVELOPMENT GOALS (SDGS)	PARAGRAPHS DESCRIBING THE GROUP'S ACTIVITIES IN SUPPORT OF THE SDGS AND RELEVANT TARGETS (FROM SUSTAINABILITY PLAN 2017-2020 WITH SELECTED TARGET TO 2025)
<b>13 - CLIMATE ACTION</b>	<p>CDP Supply Chain (p.81)  Joining the Task Force on Climate-Related Financial Disclosures (TCFD) (pp.85-86)  Management of Greenhouse Gas Emissions and Carbon Action Plan (pp.93-96)  Main International Commitments for Sustainability (International Commitments against Climate Change pp.132-133)</p> <p>Targets:</p> <ul style="list-style-type: none"> <li>→ Specific Energy Consumption: -19% by 2020 compared to 2009</li> <li>→ Specific CO<sub>2</sub> Emissions: -17% in 2020 compared to 2009</li> <li>→ Green Performance Revenues: &gt;50% of total revenues and &gt;65% on High Value Product Revenues by 2020 compared to 2009</li> <li>→ Improvement of product performances in 2020: <ul style="list-style-type: none"> <li>→ Car products: -20% average rolling resistance, +15% performance on wet surfaces, -15% noise (vs 2009)</li> <li>→ Moto products: -10% average rolling resistance, +40% performance on wet surfaces, +30% for mileage (vs 2009)</li> <li>→ Velo: +5% braking performance, +10% wet surfaces (vs 2017)</li> </ul> </li> </ul>
<b>14 - LIFE BELOW WATER</b>	Water Management (pp.96-98)
<b>15 - LIFE ON LAND</b>	Sustainability of the Natural Rubber Supply Chain (pp.77-79) Company Initiatives for the External Community (Environmental Initiatives p.137)
<b>16 - PEACE, JUSTICE AND STRONG INSTITUTIONS</b>	Programs of Compliance 231, Anti-corruption, Privacy and Antitrust (pp.65-66)
<b>17 - PARTNERSHIPS FOR THE GOALS</b>	Sustainability of the Natural Rubber Supply Chain (pp.77-79) Main International Commitments for Sustainability (WBCSD pp.131-132) Company Initiatives for the External Community (Road Safety pp.133-134)

Please note that in February 2020 the Company will be presenting the new Industrial Plan and the related long-term strategic sustainability targets. Contextually, the Plan will be published on the institutional website [www.pirelli.com](http://www.pirelli.com).

CORRELATION TABLE WITH TOPICS LISTED IN ART. 2, D. LGS 254/2016

	TOPICS FROM D. LGS 254/2016	REFERENCE PARAGRAPH	PAGE NUMBER
<b>ENVIRONMENTAL ASPECTS</b>	<b>Use of Energy Resources (from renewables and non-renewables)</b>	<ul style="list-style-type: none"> <li>• Risks Related To Environmental Issues</li> <li>• Energy Management</li> </ul>	48-49, 91-93
	<b>Use of Water Resources</b>	<ul style="list-style-type: none"> <li>• Risks Related To Environmental Issues</li> <li>• Water Management</li> </ul>	48-49, 96-98
	<b>Greenhouse Gas Emissions and Air-Polluting Emissions</b>	<ul style="list-style-type: none"> <li>• Risks Related To Climate Change</li> <li>• Joining the Task Force on Climate-Related Financial Disclosures (TCFD)</li> <li>• Management Of Greenhouse Gas Emissions and Carbon Action Plan</li> <li>• Solvents</li> <li>• NO<sub>x</sub> Emissions</li> <li>• Other Emissions and Environmental Aspects</li> </ul>	47, 85-86, 93-96, 99-101
<b>SOCIAL ASPECTS</b>	<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>• Employee Health and Safety Risks</li> <li>• Occupational Health, Safety and Hygiene</li> </ul>	49, 124-128
	<b>Training and Development</b>	<ul style="list-style-type: none"> <li>• Risks associated with Human Resources</li> <li>• Development</li> <li>• Training</li> </ul>	48, 117-120
	<b>Welfare</b>	<ul style="list-style-type: none"> <li>• Welfare and Initiatives for the Internal Community</li> </ul>	121
	<b>Dialogue with Employees</b>	<ul style="list-style-type: none"> <li>• Litigation Risks</li> <li>• Listening: Group Opinion Survey</li> <li>• Industrial Relations</li> </ul>	49, 120-124
	<b>Actions for Gender Equality</b>	<ul style="list-style-type: none"> <li>• Diversity Management</li> <li>• Diversity Policies</li> </ul>	112-115, 146
	<b>Respect for Human Rights: Measures Taken and Prevention</b>	<ul style="list-style-type: none"> <li>• Risks relative to Corporate Social and Environmental Responsibility, Business Ethics, and Third-Party Audits</li> <li>• Human Rights Governance</li> <li>• Diversity Management</li> </ul>	51, 107-108, 112-115
<b>GOVERNANCE ASPECTS</b>	<b>Fight against Active and Passive Corruption</b>	<ul style="list-style-type: none"> <li>• Risks relative to Corporate Social and Environmental Responsibility, Business Ethics, and Third-Party Audits</li> <li>• Programs of Compliance 231, Anti-corruption, Privacy and Antitrust</li> </ul>	51, 65-66

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL DISCLOSURE  
IN ACCORDANCE WITH ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE 254/2016  
AND WITH ARTICLE 5 OF CONSOB REGULATION 20267 ADOPTED BY RESOLUTION OF JANUARY 2018



**PIRELLI & C SPA**

**INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED  
NON-FINANCIAL DISCLOSURE IN ACCORDANCE WITH ARTICLE 3,  
PARAGRAPH 10 OF LEGISLATIVE DECREE 254/2016  
AND WITH ARTICLE 5 OF CONSOB REGULATION 20267 ADOPTED  
BY RESOLUTION OF JANUARY 2018**

**FOR THE YEAR ENDED 31 DECEMBER 2019**





## ***Independent auditor's report on the consolidated non-financial disclosure***

In accordance with article 3, paragraph 10 of Legislative Decree 254/2016 and with article 5 of Consob Regulation 20267 adopted by resolution of January 2018

To the board of directors of Pirelli & C SpA

In accordance with article 3, paragraph 10, of the Legislative Decree 254/2016 (the Decree) and with article 5 of CONSOB Regulation 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial disclosure of Pirelli & C SpA and its subsidiaries (Pirelli group) as of and for the year ended 31 December 2019, prepared in accordance with article 4 of the Decree and included in section Report on Responsible Management of the Value Chain of the annual report 2019 of Pirelli group, approved by the board of directors of Pirelli & C SpA on 2 March 2020 (the NFD).

### **Responsibility of the directors and of the board of statutory auditors for the NFD**

The directors are responsible for the preparation of the NFD in accordance with articles 3 and 4 of the Decree and with the Sustainability Reporting Standards, issued by Global Reporting Initiative in 2016 (GRI Standards), and with the process suggested in AA1000APS (AccountAbility Principles Standards).

The directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFD is free from material misstatement, whether due to fraud or unintentional errors. The directors are responsible for identifying the content of the NFD, within the matters mentioned in article 3, paragraph 1 of the Decree, considering the activities and characteristics of the group and to the extent necessary to ensure the understanding of the group activities, its trends, its results and related impacts. The directors are responsible for defining the business and organisational model of the group and, with reference to the matters identified and reported in the NFD, for the policies adopted by the group and for the identification and management of risks generated or faced by the group.

The board of statutory auditors is responsible for overseeing, in accordance with the law, the compliance with the Decree.

---

#### **PricewaterhouseCoopers SpA**

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

[www.pwc.com/it](http://www.pwc.com/it)



### **Auditors' independence and quality control**

We are independent in accordance with the principles of ethics and independence disclosed in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board of Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, privacy and professional behaviour. Our audit firm adopts the International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for the compliance with ethical and professional standard and with applicable laws and regulations.

### **Auditors' responsibility**

We are responsible for expressing, on the basis of the work performed, a conclusion regarding the compliance of the NFD with the Decree, with the GRI Standards and with the process suggested in the AA1000APS. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB), for limited assurance engagements. The standard requires that we plan and perform procedures to obtain a limited assurance that the NFD does not contain material errors. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised (reasonable assurance engagement) and, therefore, do not provide us with a sufficient level of assurance to become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFD are based on our professional judgement and consisted of interviews, primarily with company personnel responsible for the preparation of the NFD, in the analysis of documents, recalculations and other procedures aimed at obtaining evidence as appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters reported in the NFD relating to the activities and characteristics of the group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree, with the reporting standard adopted and considering AA1000SES (Stakeholder Engagement Standard);
2. analysis and assessment of the criteria used to identify the consolidation area, to assess its compliance with the Decree;
3. comparison of the financial information reported in the NFD with the information reported in the group consolidated financial statements;
4. understanding of the following matters:
  - o business and organisational model of the group, with reference to the management of the matters specified by article 3 of the Decree;



- policies adopted by the group with reference to the matters specified by article 3 of the Decree, actual results and related key performance indicators;
- main risks, generated or faced by the group, with reference to the matters specified in article 3 of the Decree.

With reference to such matters, we have carried out some validation procedures on the information presented in the NFD and other audit procedures as described under point 6. below;

5. understanding of the processes underlying the preparation, collection and management of the qualitative and quantitative material information included in the NFD. In particular, we have held meetings and interviews with the management of Pirelli & C SpA and with the management of Pirelli Industrie Pneumatici Srl and Pirelli UK Tyres Ltd and we have performed limited analysis and validation procedures, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFD;
6. analysis of policies and procedures in place and of the coherence of the sustainability management model compared to UNI ISO 26000 principles, among which: governance, human rights, relationship and work conditions, and environment.

Moreover, for significant information, considering the activities and characteristics of the group:

- at a group level,
  - a) with reference to the qualitative information included in the NFD, and in particular for the business model, the policies adopted and the main risks, we carried out interviews and obtained supporting documentation to verify its consistency with available evidence;
  - b) with reference to quantitative information, we performed analytical procedures and limited tests, to assess, on a sample basis, the proper consolidation of the information;
- for the industrial sites located in Bollate (Italy) and Carlisle (UK), which were selected on the basis of their activities, their contribution to the performance indicators at consolidated level and their location, we carried out site visits during which we met local management and gathered supporting documentation regarding the compliance with procedures and calculation methods used for the key performance indicators.



### **Conclusion**

Based on the work performed, nothing has come to our attention that caused us to believe that the NFD of Pirelli group as of 31 December 2019 and for the year then ended has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree, with the GRI Standards and with the principles of inclusivity, materiality and responsiveness of AA1000APS, as described in the Methodological note of the Report on Responsible Management of the Value Chain.

Milan, 20 March 2020

*Signed by*

Paolo Caccini  
(Partner)

*Signed by*

Paolo Bersani  
(Authorized signatory)

This report has been translated into English from the Italian original solely for the convenience of international readers