

SUSTAINABILITY-LINKED FINANCING FRAMEWORK

May 2022



CONTENTS

1. Introduction	3
2. Our Sustainability-Linked Financing Framework	15
Rationale for establishing a Sustainability-Linked Financing Framework	15
2.1 Selection of Key Performance Indicators (KPIs)	16
KPI #1: Scope 1 and 2 GHG emissions reduction	16
KPI #2: Scope 3 GHG emissions from purchased raw materials reduction	18
2.2 Calibration of Sustainability Performance Targets (SPTs)	19
SPT #1: Reduce Scope 1 and 2 GHG emissions by 42% by 2025	19
SPT #2: Reduce absolute Scope 3 GHG emissions from purchased raw materials by 9% by 2025	21
2.3 Financial Characteristics	22
2.4 Reporting	23
2.5 External Verification	24
Pre-issuance verification	24
Post-issuance verification	24
Recalculation Policy	24
Amendments to this Framework	25
Disclaimer	25

1. INTRODUCTION

1.1 ABOUT US

Founded in 1872, Pirelli & C. S.p.A. (“Pirelli”, the “Company”) is a multinational tyre company based in Milan, Italy. With 18 production plants in 12 countries and a commercial presence in over 160, Pirelli is one of the world’s major producers of tyres and associated services and the only one focused entirely on the Consumer tyre market, which includes tyres for cars, motorcycles and bicycles. Pirelli had a production capacity of 73 million car tyres in 2021.

Pirelli concentrates on the High Value tyre markets, constantly engaged in the development of innovative products created to reach the highest levels of performance, safety, quietness and adherence to the road surface. Pirelli’s focus on innovation is led by a strong commitment to Research and Development (R&D), which amounted to 4.5% of sales in 2021.

With over 6,700 patents, Pirelli develops and introduces increasingly sophisticated products on the market, responding to a rapid evolution of demand, including a shift towards green mobility.

1.2 SUSTAINABILITY AT PIRELLI

Sustainability at Pirelli runs through the entire organisation: every operating unit integrates economic, social and environmental responsibility in its activities, while cooperating constantly with the other units and external stakeholders to manage risks and opportunities connected to our processes, products and services.

The integrated sustainability model is reflected in our [Integrated Annual Report](#) and the [Pirelli main Policies](#), outlining a comprehensive and detailed corporate positioning on key global sustainability issues.

Pirelli Sustainability Model is inspired by the 10 principles of the United Nations Global Compact, of which Pirelli has been an active member since 2004, by the principles of Stakeholder Engagement set forth by the AA1000 and by the Guidelines of ISO 26000. Compliance to the latter is attested by third party within the Annual Report Assurance Statement.

To ensure the highest standards, Pirelli’s sustainability management systems aligns to internationally recognized guidelines and standards, including:

- ISO 9001, IATF 16949, ISO/IEC 17025 in the area of Quality Management,
- SA8000® for the management of Social Responsibility at its subsidiaries and along the supply chain
- ISO 45001 for the management of Health and Safety in the workplace

- ISO 14001 for environmental management
- ISO 37001 for anti-corruption measures
- ISO 20400 for Sustainable Procurement model

In terms of governance, sustainability targets and reporting are approved by the Board of Directors supported in its activities by the Audit, Risks, Sustainability and Corporate Governance Board Committee. Within the Board of Directors, the CEO is responsible for sustainability matters. The strategic evolution of Group Sustainability is entrusted to the Sustainability Strategic Committee, a body appointed in 2004, chaired by the CEO and composed of the Company's Top Management representing all the organisational and functional responsibilities. The Committee has strategic responsibility and holds ordinary meetings at least twice a year. The Sustainability Strategic Committee is supported by a Sustainability Operational Committee chaired by the Deputy CEO and consisting of the Company's Top Management, which will be responsible for the strategic and operational management of the Group's Sustainability matters.

1.3 SUSTAINABILITY STRATEGY

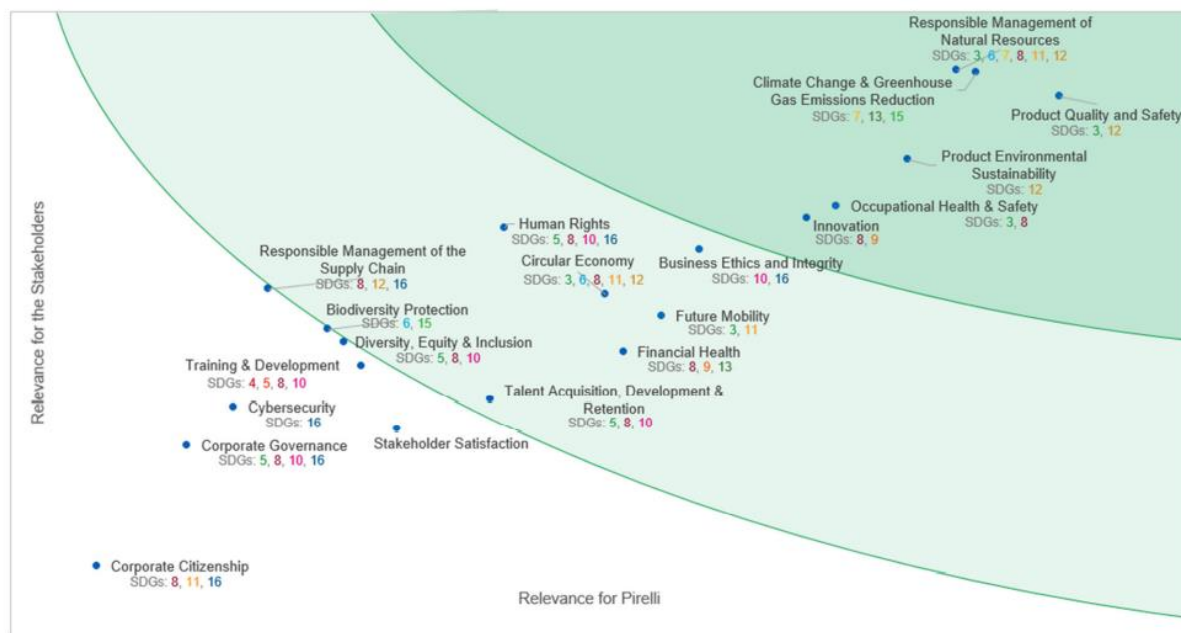
Pirelli's sustainable development strategy is defined in alignment with the materiality of the Company's socio-environmental impacts and aims to make a tangible contribution to the global effort to achieve the 2030 Sustainable Development Goals (SDGs).

1.3.1 Materiality matrix and SDGs

Pirelli updated our materiality matrix in January 2022, replacing the previous materiality assessment of 2019. For this update, Pirelli consulted a wide array of stakeholders from all the Regions in the world including more than 650 end customers belonging to the most representative markets, the major Original Equipment Customers, the most important dealers, numerous employees, several suppliers, financial analysts, national and supranational institutions and public administrations, NGOs, media specialists and universities.

The materiality assessment has emphasized the environmental sustainability of processes and products as well as climate change among as key priorities, further increasing the relevant materiality compared to the 2019 materiality assessment, where these matters were already found as highly material.

The results are illustrated in the following materiality matrix, including evidence of the specific SDGs connected to the different material topics:



At the end of the 2021 Annual Report, prior to the Independent Auditors' Report, are located the Summary Tables including a correlation table between the Group's performance/targets and the United Nations Sustainable Development Goals, on which the aforementioned performance and targets have an impact.

1.3.2 Sustainability Strategy

Pirelli's Sustainability Strategy & Plan are fully integrated in the Group Industrial Plan.

Sustainability targets aim to support and reinforce the Company's capability to reach its economic objectives, in alignment with the materiality of the Company's socio-environmental impacts and the potential to contribute to the SDGs. As such, Pirelli regularly updates the sustainability strategy along with the Industrial Plan, introducing new and more ambitious sustainability commitments.

Pirelli's sustainable performance against targets is reported to Stakeholders every year through the Annual Report, prepared in accordance to the main international sustainability reporting frameworks and by applying the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to which Pirelli joined in 2018.

In March 2021, Pirelli presented the latest Industrial Plan 2021-2022 | 2025 and related strategic sustainability targets which cover a range of environmental and social areas, as hereby described together with the performances reached in 2021 vs targets.

The Pirelli Sustainability Strategy affects a number of SDGs under different impact potential. The Materiality Matrix graphic representation shows the distribution and weight of the contribution for each of the following SDGs:

	3 - Good Health and Well-being;
	4 - Quality Education;
	5 - Gender Equality;
	6 - Clean Water and Sanitation;
	7 - Affordable and Clean Energy;
	8 - Decent Work and Economic Growth;
	9 - Industry, Innovation and Infrastructure;
	10 - Reduced Inequalities;
	11 - Sustainable Cities and Communities;
	12 - Responsible Consumption and Production;
	13 - Climate Action;
	15 - Life on Land
	16 - Peace, Justice and Strong Institutions
	17 - Partnerships for the Goals

At the end of the 2021 Annual Report, prior to the Independent Auditors' Report, are located the Summary Tables including a correlation table between the Group's performance/targets and the United Nations Sustainable Development Goals, on which the aforementioned performance and targets have an impact.

Environmental Dimension

GHG emissions reduction in line with GHG Protocol and Science Based Target initiative

A number of targets have been set by Pirelli to support its road to decarbonization, in particular:

Reduction of Scope 1 and 2 GHG absolute emissions by 42% by 2025 from a 2015 base year, target validated by the SBTi as aligned with a 1.5 degree scenario.

Pirelli reached in 2021 - 4 years ahead of schedule - its previous Science Based Target for Scope 1 and 2 absolute CO₂ emissions reduction. In May 2022, Pirelli announced new Scope 1 and 2 GHG emissions target, replacing the target validated by SBTi in June 2020 as aligned with a "Well Below 2 degrees" scenario, with a new more ambitious target aligned with 1.5 degree scenario, validated by SBTi. Pirelli now commits to reduce absolute Scope 1 and 2 emissions by 42% by 2025 compared to 2015. This new target illustrates Pirelli's strong climate change strategy, having achieved our target ahead of time, and our continuous commitment to sustainability by setting a more ambitious goal.

Reduction of absolute Scope 3 GHG emissions from purchased raw materials by 9% by 2025 vs from a 2018 base year, target validated by the SBTi.

At the end of 2021, the absolute emissions of the supply chain registered decrease of 6% compared with 2018.

100% of sourced electricity to be from renewable sources by 2025.

Reaching of Group carbon neutrality on Scope 1 and 2 by 2030.

At the end of 2021, 100% of the electricity acquired by the Group in Europe plus Turkey was certified renewable. In the path towards carbon neutrality, Pirelli counts on renewable energy sources but also on energy efficiency measures, as well as on the opportunities that might come from future availability of bio-sources and hydrogen. The aim is indeed the one of abating total emissions as much as possible, with the removal of the remaining ones as residual measure.

Responsible use of resources

Pirelli has put in place numerous initiatives to reduce our overall environmental impacts, and in particular for further water efficiency, circular economy and energy use optimization. The targets and the results at 2021 are the following:

Reduction of specific water withdrawal by 43% by 2025
compared to 2015.

As at 2021 year end, compared to 2015, the specific water withdrawal index showed a reduction of 34%.

Efficient and responsible use of water in production processes and at workplaces is addressed comprehensively, with actions to improve water efficiency in production processes, from design of the machinery to Facility Management activities. Particular attention is paid to the local context of the use of this precious resource, with the use of specific analysis tools (such as the Global Water Tool of the World Business Council for Sustainable Development and the Aqueduct Water Risks Atlas of the World Resources Institute) and dedicated action plans. In addition, the management of water resources, of relations with relevant stakeholders (local communities, authorities, etc.) and the related potential impacts of the local context in which the production plants are located, is ensured by the environmental management systems implemented and certified in each production unit.

Increase in share of waste sent to recovery to 98% by 2025,
with a vision of zero waste to landfill.

Of the total waste produced in 2021, 97% is sent for recovery at third party plants (for material recovery for about 2/3 of the quantity).

Circularity of resource management is one of the tyre industry's most pressing challenges, both in the design of its products and in the management of waste to minimise its generation, maximise its recovery and thus limit its impact on the environment.

The improvement of environmental performance connected with the management of waste is achieved through:

- innovation of production processes, with the aim of preventing the production of waste at the source, progressively reducing the processing of rejects and replacing current raw materials with new materials that have a lower environmental impact;
- operating management of generated waste, an integral part of the management systems of environmental certificates according to ISO 14001, aimed at identifying and ensuring the selection of waste treatment channels, in line with current local regulations, that can maximise recovery and recycling, gradually eliminating the amount sent to the landfill with the Zero Waste to Landfill vision;
- streamlining packaging management, both for the packaging of purchased products and the packaging for products made by the Group. Within this context, also fall the initiatives guided by the Pirelli's Single Use Plastic Free Policy. Compared to the previous year, the 2021 recorded a 5% of reduction of the waste specific production index weighted on tonnes of finished product.

Ongoing Energy efficiency Optimization.

In the course of 2021, the energy efficiency plan continued at all Group plants, already initiated in recent years and characterised by actions aimed at:

- improving energy management systems, through measurement consumption, a daily focus on technical indicators and continuous improvement of processes;
- optimising the procurement of energy resources, direct or indirect;
- improving the quality of energy transformation;
- improving the efficiency of distribution plants;
- improving the efficiency of production plants;
- recovering energy for secondary uses;
- applying targeted maintenance plans in order to reduce energy waste.

Product Eco & Safety innovation

As a tyre manufacturer, it is core to Pirelli's strategy to develop safe products while decreasing their environmental impact, as per our Eco & Safety Performance strategy. This strategy and the relevant targets space from materials innovation to product environmental and safety performances.

Materials

The Research and Development of innovative materials is essential in order to design and manufacture "Eco & Safety" tyres which are increasingly guaranteeing lower environmental impacts while ensuring greater driving safety.

Pirelli Plan Targets on materials sustainability envisage:

Increase share of recycled materials in new consumer tyres to over 3% by 2025 and over 7% by 2030 reduce the use of fossil-derived raw materials to less than 40% by 2025 and less than 30% by 2030.

Increase share of renewable materials on new consumer tyres to over 40% by 2025 and to over 60% by 2030.

In 2021, a significant R&D effort was made on innovative renewable and recycled materials, which led Pirelli to equip the Volvo Recharging Concept with a tyre containing 94% materials of non-fossil origin, such as silica from rice husks, carbon black from recycling and bio-resins. This concept paves the way for the introduction of such materials in normal production, as in the case of rice husk silica, which has been introduced in several production plants, making it possible to reach up to 28% of renewable materials in some IP codes by 2021 (up from 23% in 2020), together with 5% (about 1%, excluding metals) of recycled materials (a value in line with the 2020 figure).

The aim of reducing the use of fossil-fuel based raw materials is furthered by two key innovation drivers – the increased use of renewable materials in new product lines and the increase in the use of recycled materials.

The company is introducing new polymers, reinforcements, filler and chemicals to support that those aims including:

- Rice Husk Silica: the material is produced from rice husk, one of the major by-products of rice production and replaces silica from quartz-sand. Rice husk silica use avoids new raw material exploitation, uses existing by products and leads to GHG emission savings due to less-energy intensive processes. The material was introduced in 2021 to Pirelli's materials portfolio.

- Lignin: the material is sourced from paper pulp and can be used as an antioxidant instead of fossil-derived product. It is used as a lightweight filler and leads to reduced water depletion. The material is already in use in cycling applications and will be extended to selected sustainable car tyre products in 2022.
- Pyrolysis Carbon Black: the material is obtained by pyrolyzed 'end of life' tyres and the material has favourable GHG emission impact thanks to energy co-generation during process through pyrolytic gas and provides an opportunity for 'end of life' tyre recycling.

Last but not least, innovative and sustainable materials for Pirelli always include attention to people and biodiversity, always with maximum tension to innovation. It is with this attitude and conviction that in May 2021 Pirelli was able to produce the first tyre in the world with natural rubber and rayon certified by Forest Stewardship Council (FSC).

Product Environmental Performance

While innovating to reduce its products environmental impact Pirelli strives to contribute to the reduction of customers' scope 3 emissions linked to the vehicles use phase, in which the use phase of tyres (and the other car components) is embedded. According to GHG Protocol standard the GHG emissions from the use phase of a tyre have to be considered "Indirect" as they are already included in those of the supplied vehicle: the Science Based Targets initiative excludes them from the boundary to be considered by tyre makers for value chain emissions reduction targets, as already in charge to vehicle manufacturer.

To that end Pirelli focuses on rolling resistance performance of its tyres, which is among the factors that play a key role in reducing fuel and energy consumption of the vehicles while in use (together with the aerodynamic of the vehicle, the weight, the driving style, road conditions, etc.).

Therefore, reducing tyres rolling resistance means indirectly impacting on the reduction of the cars direct CO₂ emissions while these are in use.

Pirelli relies on the EU's rolling resistance strict classification, which classes the rolling resistance of tyres from A (best rolling efficiency) to E (minimum rolling efficiency) to calibrate its strategy to improve rolling resistance¹.

Pirelli aims to increase the share of new labelled car products in A/B classes for rolling resistance to $\geq 70\%$ by 2025, applying the European labelling parameters to all Group new labelled products (not only European ones).

¹ Regulation (EU) 2020/740.

In 2021 the percentage of new IP Codes issued on the market with parameters in line with the highest classes (A or B) of European labelling for rolling resistance at Group level growth by 10% reaching 49% of the total, compared with 39% in 2020.

Product Safety performance

Together with environmental performance, customers' safety on the road is key in the Pirelli Eco & Safety Performance strategy and targets. Tyre is indeed the only part of the vehicle that interfaces directly with the road, playing an evident and fundamental role in ensuring people safety.

Pirelli aims to further increase the share of new labelled products in A/B classes for wet grip (the two highest classes) to $\geq 90\%$ by 2025, applying the European label parameters to all Group new labelled products (not only European ones). Percentage reached in 2021 was 87%, substantially in line with the already very high 2020 percentage.

In addition to growing the share of Eco & Safety Performance products, Pirelli is also delivering cutting edge solutions such as the Elect product range that is the answer to the specific needs of the electric vehicles by having higher load capacity and ultra-low rolling resistance for improved battery range. Similarly, Pirelli is at the forefront of the development of sensorized tyres that can play a key role in increasing road safety, enhancing ADAS and targeting Autonomous Vehicles. In 2019, Pirelli was the first company in the world to develop smart tyres that interact with the 5G network and provide road condition information and in 2021 was the first to supply a sensorized tyre as original equipment for McLaren Artura.

Social Dimension

In its 150 years of our history, Pirelli has constantly focused on the ‘human dimension’ of the business, always bearing in mind the positive impact we can have on individuals and society.

People are at the heart of Pirelli’s sustainability journey, with the Industrial Plan containing a number of goals centered on the protection of employees, up/re-skilling and the employee wellbeing.

First priority of Pirelli is to protect and support all our employees. The “Zero Accidents Objective” is a core policy of the Company and Pirelli has been able to report a sharp decline in the accident frequency index in the last few years, reaching 2.07 per 100,000,000 working hours in 2021, or a 4.5% reduction compared to 2020.

Employee well-being is also Top on the agenda, as a qualifying constituent element of the relationship between people and the company as well as a generator, like other factors, of motivation and engagement, in addition to being a strategic lever for attracting and retaining people.

In this regard, welfare activities activated at Pirelli affiliates around the world are attributable to four macro areas of action, in continuous development according to the specific exigencies at each country level:

- health and wellbeing (e.g. health care, information and awareness-raising campaigns, specific initiatives to improve the wellbeing of employees);
- family support (e.g. scholarships, summer camps for employees’ children, inter-company crèche and specific activities to support parenting);
- free time (e.g. open days, sporting and cultural activities, online portals of products and services with significant employee deals and discounts);
- working life and working environments (e.g. flexible working hours, individual development training, cultural growth and group celebrations).

Pirelli also strives to increase up- and re-skilling opportunities by quadrupling the number of employees participating as a percentage of total headcount by 2025 vis a vis the 2019 levels. To reach this goal Pirelli aims to exploit Professional Academies, leveraging on the knowledge of senior experts and to foster a life-long learning culture within Pirelli.

New marketing solutions and the recruitment of STEM (Science, Technology, Engineering, Mathematics) talents are active and will be accompanied by the experimentation of ever smarter ways of working and training on new digital skills, to enhance capable of facing the challenges of the future in an agile way.

Diversity of our Workforce, and their sense of Equality and Inclusion, are key strategic levers on which the Company is engaged.

Today we have an international and multicultural organization with 30,690 **employees**, with 18 production plants in 12 countries and a commercial presence in over 160. Our workforce average age is **39**, with a marked sense of belonging as shown by the average tenure of about **10 years**.

At the end of 2021, over **33% of our staff** are women, and women in managerial positions (executives + cadres) stand at 24.8% of total managerial positions.

Sustainable development performance for years to date are included, as ESG objectives, in both short- and long-term incentive plans (with a weight of 20% of the LTI premium), and are proving to be an enabler of positive tension in achieving the Group objectives.

External Recognitions for Sustainability performance

Pirelli's 2021 sustainability performance achieved excellent evaluations from the main sustainability indices and initiatives: Pirelli obtained "S&P Global Gold Class" recognition in the context of the Sustainability Yearbook 2022, and the inclusion in the Dow Jones Sustainability Index 2021, both powered by S&P Global Corporate Sustainability Assessment (CSA).

In the context of motorsport and sustainability, Pirelli, the only tyre producer in the world to do so, received the three stars of Environmental Accreditation Programme promoted by FIA, the International Automobile Federation. An acknowledgement that testifies to the company's results in sustainability in motorsport, obtained thanks to a supply chain that completely managed according to criteria of environmental and social sustainability.

Pirelli, in addition, was re-confirmed among the global leaders in the fight against climate change positioning itself in the CDP "Climate A list" and obtaining the maximum score of "A" in the CDP Supplier Engagement Rating Leaderboard for the management of climate issues along its supply chain. In conclusion, Pirelli was re-confirmed, the only company in the automotive sector, in the Global Compact Lead of the United Nations, which includes companies identified as the most commitment to the implementation of the Ten Principles of the Global Compact of the United Nations.

2. OUR SUSTAINABILITY-LINKED FINANCING FRAMEWORK

RATIONALE FOR ESTABLISHING A SUSTAINABILITY-LINKED FINANCING FRAMEWORK

Sustainability-Linked financing allows Pirelli to communicate to our stakeholders on our sustainability commitments and to further align our funding and sustainability strategies.

Pirelli is not new to the Sustainability-linked debt market, having subscribed Sustainability-Linked Loans since March 2020. The current outstanding Sustainability-Linked Loans total EUR 2.8 bn.

By establishing this Sustainability-Linked Financing Framework (the “Framework”), Pirelli aims to go one step further and extend the sustainability-linked mechanism to a wider range of financing instruments, and in particular Sustainability-Linked Bonds.

Thus, the present Framework covers several financing and risk management instruments: Sustainability Linked Bonds, Sustainability Linked Loans, Sustainability Linked Rates Derivatives, Sustainability Linked Guarantees and Sustainability Linked Insurance Policies (together the “Sustainability-Linked Instruments”, the “SLIs”).

This Framework has been established in accordance with the Sustainability-Linked Bond Principles 2020 (“SLBP 2020”)² as administered by the ICMA and the Sustainability-Linked Loan Principles 2022 (“SLLP 2022”) as administered by the LMA³, and their five core components:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Financial Characteristics
4. Reporting
5. External Verification

² ICMA SLBP 2020: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf>

³ LMA SLLP 2022: https://www.lma.eu.com/application/files/9216/4873/5603/Sustainability-Linked_Loan_Principles_31_March_2022.pdf

2.1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Pirelli has selected 2 KPIs, which are core, relevant, and material to our business and industry.

KPI #1

Absolute Scope 1 and 2 Greenhouse gas (GHG) emissions reduction

KPI #2

Absolute Scope 3 GHG emissions from purchased raw materials reduction

KPI #1: Scope 1 and 2 GHG emissions reduction

Definition and Scope:

Scope 1 and 2 GHG emissions, measured in tons of CO₂ equivalent, are defined as per the GHG Protocol and include:

Scope 1 GHG emissions include emissions generated by the combustion of hydrocarbons at production sites, mainly used to operate heat generators that power the Company's plants, and particularly those that produce steam for vulcanisers.

Scope 2 GHG emissions (market-based) include emissions generated by the plants that produce the energy (electrical and thermal) and steam purchased and consumed by Pirelli.

The KPI covers 100% of Pirelli's global Scope 1 and 2 GHG emissions.

Methodology

Performance as measured by energy and greenhouse gas emissions is calculated on the basis of emission factors obtained from the following sources:

IPCC: Guidelines for National Greenhouse Gas Inventories (2006);
Within Scope 2 market-based:

- Specific emission factors of suppliers where available;
- Residual-mix emission factors taken from RE-DISS AIB (EU) and Green-e (US);
- Emission factors used in the context of location-based if other sources of data are not available;

and are reported according to the models proposed by:

- GHG Protocol: Corporate Accounting and Reporting Standard;
- GHG Protocol Scope 2 Guidance.

GHG emissions include: carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O).

Rationale and Materiality:

Climate change is the most pressing challenge of the century with unlimited and irreversible impacts on the world. For years now, Pirelli has realised the urgent need to significantly reduce its GHG emissions to align with the Paris Climate Agreement.

Reducing our Scope 1 and 2 GHG emissions has been a cornerstone of Pirelli's climate change strategy for several years. Pirelli has been able to significantly reduce our Scope 1 and 2 GHG emissions in the last few years, having reduced them by 31% in 2021 vs 2015. As a result, Scope 1 and 2 represent only a part of Pirelli's carbon footprint but it remains at the core of Pirelli's decarbonisation strategy to further reduce our Scope 1 and 2 GHG emissions and reach carbon neutrality by 2030.

Contribution to the UN SDG:

KPI #1 mainly contributes to:

7 AFFORDABLE AND
CLEAN ENERGY



UN SDG 7 – Affordable and clean energy

13 CLIMATE
ACTION



UN SDG 13 – Climate action

Contribution to the EU's environmental objectives:

Climate change mitigation

KPI #2: Scope 3 GHG emissions from purchased raw materials reduction

Definition and Scope:

Scope 3 GHG emissions from purchased raw materials measured in tons of CO₂ equivalent.

The KPI covers 100% of Pirelli's global Scope 3 GHG emissions from purchased raw materials.

Methodology

Calculated in line with the GHG Protocol.

Scope 3 emissions are calculated according to the Life Cycle Analysis's Approach, in line with the ISO 14040-44, with the Pirelli eco-design tool. This is a commercial software customized for Pirelli by an external provider using secondary data from certified commercial databases integrated, when available, with some primary data collected directly from suppliers.

Rationale and Materiality:

Reducing Scope 3 GHG emissions from the value chain is paramount to Pirelli's decarbonisation efforts. Focusing on the emissions on which we believe we have the most control, Pirelli has been working on reducing emissions from the supply chain for several years, requesting a CDP assessment of our key suppliers and developing innovative solutions to incorporate renewable materials to new products.

The purchase and use of raw materials is the biggest source of GHG emissions in Pirelli's supply chain footprint, using the GHG Protocol guidelines.

Contribution to the UN SDG:

KPI #2 mainly contributes to:



UN SDG 12 – Responsible consumption and production



UN SDG 13 – Climate action

Contribution to the EU's environmental objectives:

Climate change mitigation

2.2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTS)

SPT #1: Reduce Scope 1 and 2 GHG emissions by 42% by 2025

Metric	Baseline	2025 Target	Target Observation Date
Scope 1 and 2 GHG emissions (tonCO ₂ e)	925,477 in 2015	-42% equal to 536,777tCO ₂ e	31 st December 2025

Ambition of the target:

In 2020, Pirelli set itself the goal of reaching carbon neutrality on Scope 1 and 2 by 2030, with the intermediate objective of reducing Scope 1 and 2 GHG emissions by 25% by 2025 compared to 2015. The original 2025 target was validated by SBTi as aligned with a Well Below 2 degrees scenario, already setting Pirelli among the most advanced companies in the auto sector.

Due to our successful GHG emissions reduction strategy, Pirelli reached the target ahead of time, first in 2020, although mostly due to a significant reduction production volumes as a result of the pandemic, and re-confirmed in 2021, as our Scope 1 and 2 GHG emissions were 31% lower than in 2015.

Consequently, to further cement our role as ESG leader in the tyre sector, Pirelli chose to update the target in 2022 to align with the 1.5 degree scenario – SBTi verified the target in on May 4, 2022. Pirelli's ability to reach the original target ahead of time and the decision to enhance the ambitiousness of Pirelli's targets demonstrates the Company's commitment to the climate transition and leadership in the decarbonisation of the tyre industry.

Historical Performance:

	2018	2019	2020	2021
Scope 1 (tonCO ₂ e)	190,037	192,149	168,158	187,510
Scope 2 (market based, tonCO ₂ e)	666,886	636,239	470,572	448,680
Total (tonCO ₂ e)	856,923	828,388	638,730	636,190

The historical data above has been externally verified as part of our Annual Report.

Means for achieving the target:

Scope 2 emissions account for the majority of Pirelli Group's emissions, consequently the Company's reduction plan centres on improving the energy efficiency in our plants increasing the use of renewable energy sources through specific projects such as:

- A cogeneration plant for the production of electricity, steam and hot water, present at the plant in Settimo Torinese (Italy), which includes a 1 MW internal combustion engine powered by vegetable oil.
- The supply of steam generated by biomass plant, fuelled with waste wood from local supply chains, activated in Brazil for the plants in Campinas and in Feira de Santana.
- The procurement of electrical energy from renewable sources at the plant in Silao (Mexico);
- The supply of electricity from renewable sources at the plants in Slatina (Romania), in Breuberg (Germany) and in Izmit (Turkey).
- The procurement of electrical energy from renewable sources at the plants in Burton and Carlisle (UK).
- The supply of electricity from renewable sources at the headquarters in Milan and plants in Bollate and in Settimo Torinese (Italy).

Pirelli's share of renewable electricity in its electrical energy mix stood at 62% as of 2021. By 2025 Pirelli plans to source 100% electricity from renewable sources, when Pirelli would fully switch to purchasing electricity from renewable sources for its operations.

Factors that may affect the achievement of our target:

- Risk related to markets' capability to satisfy clean energy demand, which is expected to grow
- Risk of unavailability of internationally recognized clean energy certificates released by emerging markets

SPT #2: Reduce absolute Scope 3 GHG emissions from purchased raw materials by 9% by 2025

Metric	Baseline	Target	Target Observation Date
Scope 3 GHG emissions from purchased raw materials (ktCO ₂ e)	2,659.60 in 2018	-9% [equal to 2,420.2 ktCO ₂ e]	31 st December 2025

Ambition of the target

At Pirelli, we are committed to extend our commitment to reduce carbon emissions beyond our own operations, and in particular in our supply chain. To ensure that Pirelli's decarbonisation strategy is aligned with the Paris Agreement, Pirelli had the target certified by SBTi.

Historical Performance:

	2018	2019	2020	2021
Scope 3 GHG emissions from raw materials (ktCO ₂ e)	2,659.6	2,563.9	2,077.1	2,500.7

The historical data above has been externally verified as part of our Annual Report.

Means for achieving the target:

In order to achieve the target, Pirelli partners with key suppliers and develops innovative solutions for low environmental raw material via R&D:

- Pirelli is pushing innovation to increase the share of bio-based and recycled materials in its products. With regards to achieving the former, Pirelli is looking at the following projects:
 - Biomaterials such as high-performance silica from renewable sources
 - Biofillers such as lignin and plant-based plasticisers/resins
 - Natural rubber: search for sustainable alternative sources
- To support its aim of reducing Scope 3 emissions from raw materials, Pirelli targets an increase of renewable materials in new product lines to 40% by 2025 and over 60% by 2030. Simultaneously, Pirelli aims for over 3% and over 7% coming from recycled materials in 2025 and 2030 respectively

Pirelli works closely with our key suppliers and is the first company among tyre manufacturers to have globally introduced the CDP Supply Chain in

our own supply chain. Pirelli achieved a response rate for suppliers of Raw Materials of 88% in 2021, up from 84% in 2020. Pirelli aims to further increase the response rate to 90% in 2022.

Factors that may affect the achievement of our target

- Risk related to markets' capability to satisfy clean energy demand, which is expected to growth
- Risk of unavailability of internationally recognized clean energy certificates released by emerging markets
- Disruption to our supply chain could mean that we are unable to execute our strategic plans, resulting in increased/target failure Scope 3 emissions

2.3 FINANCIAL CHARACTERISTICS

Unless otherwise stated proceeds of any SFIs, where applicable, will be used for general corporate purposes.

SFIs will incorporate one or several of the KPIs outlined in the "Selection of Key Performance Indicators" section, as specified in each SFI legal documentation.

All financing issued under this Framework have a sustainability-linked feature that will result in a coupon or margin adjustment, or a premium payment, as the case may be, if a Trigger Event occurs.

A Trigger Event occurs if:

- One or more of the selected KPIs have not achieved the SPT(s) on the Target Observation Date, *or*
- The verification of the SPT has *not* been provided and made public in a timely manner as defined in the legal documentation of the relevant SFI.

The relevant KPIs, SPTs, step-up coupon or margin amount or premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction (e.g. Final Terms of the relevant Sustainability-Linked Bond and the Facility Agreement of the Sustainability Linked Loan).

For the avoidance of doubt, in the case of Sustainability-Linked Bonds, if the KPI(s) has achieved its SPT(s), and reporting and verification for the SPT have been provided and made public in accordance with the legal

documentation, the financial characteristics of the Sustainability-Linked Bond issued by Pirelli under this Framework shall remain unchanged.

2.4 REPORTING

Pirelli will publish and keep readily available and easily accessible in the Annual Report a Sustainability-Linked Financing Progress Report that will include:

- Up-to-date information on the performance of each selected KPI
- Any additional relevant information enabling investors to monitor the progress of each selected KPI towards the SPT(s)

Reporting may also include:

- Qualitative or quantitative explanation of the contribution of the main factors, including M&A activity, behind the evolution of each selected KPI on an annual basis;
- Illustration of the positive sustainability impact of the performance improvement;
- Any re-assessments of KPIs due to any changes to the calculation methodology for a KPI or significant changes in data due to better data accessibility, if relevant;
- Any adjustments of baselines or KPI scope, if relevant;
- Updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs.

When relevant, Pirelli may also provide information on changes to our sustainability strategy or governance.

The Sustainability-Linked Financing Progress Report shall be published annually

2.5 EXTERNAL VERIFICATION

Pre-issuance verification

A Second Party Opinion has been provided by [Sustainalytics] to ensure that this Framework is respecting every principle of the SLBP 2020 and SLLP 2022. It will be made publicly available on [Pirelli's website](#).

Post-issuance verification

The annual performance of each selected KPI included in the Sustainability-Linked Financing Progress Report will be subject to external verification by a qualified external auditor. Verification of KPI performance will be conducted on an annual basis and at “Limited Assurance” standard.

The verification of the performance of the KPIs, along with the external auditor's verification report, will be made publicly available on Pirelli's website.

Recalculation Policy

The baseline(s) and/or the SPT(s) set out in the Framework may be recalculated by Pirelli and applied to existing sustainability-linked instrument at the occurrence of significant change in:

- (i) the methodology of calculation of any KPI or
- (ii) the data due to better data accessibility or discovery of data errors or
- (iii) the structure of the Group as a result, for example, of acquisition, demerger, merger or divestiture

Significant change is defined as a change that leads to an increase or decrease in GHG emissions of 5% or greater. Pirelli may also choose to recalculate the baseline(s) and/or SPT(s) for changes of less than 5%.

In such event of a recalculation of the baseline(s) and / or SPT(s), these will be revised in good faith by Pirelli, and remain within the objective of Pirelli's SBTi validated trajectory.

Baseline(s) and/or SPT(s) recalculation will be reported by Pirelli in the Sustainability-Linked Financing Progress Report.

Amendments to this Framework

Pirelli will review this Framework from time to time, including its alignment to updated versions of the relevant Principles as and when available in the market. Any major update will be subject to the prior approval of Sustainalytics or any such other qualified provider of Second Party Opinion.

Disclaimer

This Sustainability-Linked Securities Framework (the “Framework”) does not constitute any advice or recommendation regarding any securities or financial instruments of the Group. This Framework is not, does not contain and may not be deemed to constitute an offer to sell or a solicitation of any offer to buy or subscribe any securities or financial instruments issued by the Group. In particular, neither this document nor any other related material may be distributed or published in the U.S. Securities Act of 1933, as amended, or the securities laws of any state or other jurisdiction of the United States or in Australia, Canada or Japan or any other jurisdiction in which it would require the approval of local authorities or otherwise would be unlawful. Persons into whose possession such documents may come must inform themselves about, and observe any applicable restrictions on distribution. Any bonds, financial instruments or other debt securities that may be issued by the Group or its affiliates from time to time, including any Sustainability-Linked Securities, shall be offered by means of a separate prospectus or offering document in accordance with all applicable laws and regulations, any decision to purchase any such securities should be made solely on the basis of the information contained in any such prospectus or offering document provided in connection with the offering of such securities, and not on the basis of this Framework.

The information and opinions contained in Framework are provided as of the date of this Framework and are subject to change without notice. None of the Group or any of our affiliates assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current Group’s policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. This Framework is intended to provide non-exhaustive, general information. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by the Group and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability whatsoever is accepted by the Group or any of its representatives, directors,

employees or agents as to the fairness, accuracy, reasonableness or completeness of such information and opinion. This Framework may contain statements about future events and expectations that are “forward-looking statements”. Forward-looking statements are generally identified through the inclusion of words such as “aim,” “anticipate,” “believe,” “drive,” “estimate,” “expect,” “goal,” “intend,” “may,” “plan,” “project,” “strategy,” “target”, “may” “would”, “could”, “should” or “will” or similar statements or variations of such terms and other similar expressions. Forward-looking statements are inherently uncertain and are subject to numerous business, industry, market, regulatory, geo-political, competitive and financial risks that are outside of the Group’s control and could cause actual results to differ materially, positively or negatively, from those predicted in such statements. None of the future projections, expectations, estimates or prospects in the Framework should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. No representation is made as to the suitability of any Sustainability-Linked Securities to fulfil environmental and sustainability criteria required by prospective investors.

This Framework does not create any legally enforceable obligations against the Group; any such legally enforceable obligations relating to any Sustainability-Linked Securities are limited to those expressly set forth in the legal documentation governing each such series of Sustainability-Linked Securities. Therefore, unless expressly set forth in such legal documentation, the Group’s failure to adhere or comply with any terms of this Framework, including, without limitation, failure to achieve any sustainability targets or goals set forth herein, will not constitute an event of default or breach of contractual obligations whatsoever under the terms and conditions of any such Sustainability-Linked Securities’. Factors that may affect the Group’s ability to achieve any sustainability goals or targets set forth herein include (but are not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, and other challenges.

By possessing or otherwise accessing this Framework, you agree to be bound by the foregoing limitations. Any failure to comply with these restrictions may constitute a violation of any applicable laws and regulations.