



4. SOCIAL  
DIMENSION

## INTERNAL COMMUNITY

*"The Pirelli Group recognizes the crucial importance of human resources, in the belief that the key to success in any business is the professional input of the people that work for it in a climate of fairness and mutual trust. The Pirelli Group safeguards health, safety and industrial hygiene in the workplace, both through management systems that are continually improving and developing and by promoting an approach to health and safety based on prevention and the effective handling of occupational risk. The Pirelli Group consider respect for workers' rights as fundamental to the business. Working relationships are managed by placing particular emphasis on equal opportunity, on furthering each person's career development, and on turning their diversity to account by creating a multi-cultural working environment."*

(The Values and Ethical Code – "Human Resources")

*"The Pirelli Group pursues and supports compliance with internationally proclaimed human rights. Pirelli considers protection of the integrity, health and welfare of its employees and the environment as one of the primary needs to be satisfied in organizing and developing its activities. The Group's sustainable development strategies pursue various objectives, including continuous improvement in the environmental and occupational health and safety conditions affected by its own activities, in firm compliance with and support of the "Universal Declaration of Human Rights," the "International Labour Organization's Declaration on Fundamental Principles and Rights at Work," the "Rio Declaration on Environment and Development" and the "United Nations Convention against Corruption." To these ends, the Pirelli Group is committed to:*

- *management of its activities by adopting occupational health, safety and rights and environmental policies in compliance with the highest international standards;*
- *the dissemination occupational health, safety and labour rights and environmental information*

*to its internal and external stakeholders, both by communicating with them and actively co-operating with national and international government and academic bodies;*

- *promoting use of the most advanced technologies to achieve excellence in occupational health and safety and environmental protection; [...]*
- *not using or supporting the use of child labour and forced labour;*
- *ensuring equal opportunity, freedom of association and promotion of the development of each individual;*
- *opposing the use of corporal punishment, mental or physical coercion, or verbal abuse;*
- *compliance with applicable laws and industry standards on working hours." [...]*

(Pirelli "Social Responsibility Policy for Occupational Health, Safety and Rights, and Environment")

*"The Pirelli Group has been and remains firmly committed to compliance with the principles of Equal Opportunities in the workplace, without any form of discrimination on the basis of gender, marital status, sexual orientation, religious or political beliefs, union membership, colour, ethnic origins, nationality, age or disability."*

*"The Pirelli Group is committed to the prevention of discrimination in all areas of working life, including selection and all decisions related to remuneration, professional status, the assignment of responsibilities, training and career development. All such decisions are made solely and exclusively on the basis of the competencies, experience and professional potential that individuals possess and the results that they achieve."*

(Group Equal Opportunities Statement)

The above principles of the Ethical Code are discussed in detail in the Group Social Responsibility Policy for Occupational Health, Safety, Rights and Environment. The commitments made by Pirelli in its Social Responsibility Policy are inspired by the SA8000® standard, which for years has been the benchmark tool for management of Group Social Responsibility,

by the United Nations Global Compact, to which Pirelli has subscribed since 2004, and by the ISO 26000 Guidelines.

## PIRELLI EMPLOYEES AROUND THE WORLD

The Pirelli headcount at December 31, 2013 was 37,979 employees (37,338 in 2012 and 34,259 in 2011), for a net increase of 641 employees yoy, including 60 executives and white collar employees and 581 blue collar employees.

### **EMPLOYEES' DISTRIBUTION BREAKDOWN OF EMPLOYEES \* BY CATEGORY**

<b>2013</b>	<b>Exec</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Total</b>
Pirelli Tyre	316	7,217	30,234	<b>37,766</b>
Other Business**	6	85	122	<b>213</b>
<b>Pirelli total</b>	<b>322</b>	<b>7,302</b>	<b>30,356</b>	<b>37,979</b>

<b>2012</b>	<b>Exec</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Total</b>
Pirelli Tyre	343	7,096	29,644	<b>37,082</b>
Other Business**	11	114	131	<b>256</b>
<b>Pirelli total</b>	<b>354</b>	<b>7,210</b>	<b>29,775</b>	<b>37,338</b>

<b>2011</b>	<b>Exec</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Total</b>
Pirelli Tyre	315	6,140	27,489	<b>33,945</b>
Other Business**	11	140	163	<b>314</b>
<b>Pirelli total</b>	<b>326</b>	<b>6,280</b>	<b>27,652</b>	<b>34,259</b>

<b>2013 vs 2012</b>	<b>Exec</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Total</b>
Pirelli Tyre	-27	121	590	<b>684</b>
Pirelli Tyre**	-5	-29	-9	<b>-43</b>
<b>Pirelli total</b>	<b>-32</b>	<b>92</b>	<b>581</b>	<b>641</b>

<b>2013 vs 2011</b>	<b>Exec</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Total</b>
Pirelli Tyre	1	1,077	2,744	<b>3,822</b>
Other Business**	-5	-56	-41	<b>-101</b>
<b>Pirelli total</b>	<b>-4</b>	<b>1,021</b>	<b>2,703</b>	<b>3,722</b>

\* All figures in this section are expressed as Full Time Equivalents.

\*\* It includes PZero and Pirelli Environment Services and products.

**BREAKDOWN OF EMPLOYEES\* BY GEOGRAPHICAL AREA AND GENDER**

<b>2013</b>									
	<b>TYRE BUSINESS</b>			<b>OTHER BUSINESSES**</b>			<b>PIRELLI TOTAL</b>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
Europe	12,770	2,692	15,462	104	108	212	12,874	2,800	15,674
Nafta	994	158	1,152	0	0	0	994	158	1,152
Central and South America	13,466	779	14,244	0	0	0	13,466	779	14,244
Mea	3,231	80	3,311	0	0	0	3,231	80	3,311
Asia Pacific	2,817	780	3,597	1	0	1	2,818	780	3,598
<b>Totale</b>	<b>33,278</b>	<b>4,488</b>	<b>37,766</b>	<b>105</b>	<b>108</b>	<b>213</b>	<b>33,383</b>	<b>4,596</b>	<b>37,979</b>

<b>2012</b>									
	<b>TYRE BUSINESS</b>			<b>OTHER BUSINESSES**</b>			<b>PIRELLI TOTAL</b>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
Europe	12,674	2,845	15,519	136	115	251	12,810	2,960	15,769
Nafta	847	147	994	0	0	0	847	147	994
Central and South America	13,049	810	13,860	0	0	0	13,049	810	13,860
Mea	3,228	73	3,301	0	0	0	3,228	73	3,301
Asia Pacific	2,650	759	3,409	5	0	5	2,655	759	3,414
<b>Totale</b>	<b>32,448</b>	<b>4,634</b>	<b>37,082</b>	<b>141</b>	<b>115</b>	<b>256</b>	<b>32,589</b>	<b>4,749</b>	<b>37,338</b>

<b>2011</b>									
	<b>TYRE BUSINESS</b>			<b>OTHER BUSINESSES**</b>			<b>PIRELLI TOTAL</b>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
Europe	11,619	2,476	14,095	155	125	280	11,774	2,601	14,375
Nafta	432	58	490	0	0	0	432	58	490
Central and South America	12,676	526	13,202	0	0	0	12,675	527	13,202
Mea	3,228	68	3,296	0	0	0	3,228	68	3,296
Asia Pacific	2,427	428	2,855	37	4	41	2,464	432	2,896
<b>Total</b>	<b>30,382</b>	<b>3,556</b>	<b>33,938</b>	<b>192</b>	<b>129</b>	<b>321</b>	<b>30,574</b>	<b>3,685</b>	<b>34,259</b>

<b>2013 vs 2012</b>									
	<b>TYRE BUSINESS</b>			<b>OTHER BUSINESSES**</b>			<b>PIRELLI TOTAL</b>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
Europe	97	-153	-57	-32	-7	-39	65	-160	-96
Nafta	147	11	158	0	0	0	147	11	158
Central and South America	416	-32	385	0	0	0	416	-32	385
Mea	3	7	10	0	0	0	3	7	10
Asia Pacific	167	21	188	-4	0	-4	163	21	184
<b>Total</b>	<b>830</b>	<b>-146</b>	<b>684</b>	<b>-36</b>	<b>-7</b>	<b>-43</b>	<b>794</b>	<b>-153</b>	<b>641</b>

**2013 vs 2011**

	TYRE BUSINESS			OTHER BUSINESSES**			PIRELLI TOTAL		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Europe	1,151	216	1,367	-51	-17	-68	1,100	199	1,299
Nafta	562	100	662	0	0	0	562	100	662
Central and South America	790	253	1,042	0	0	0	790	253	1,042
Mea	3	12	15	0	0	0	3	12	15
Asia Pacific	390	352	742	-36	-4	-40	354	348	702
<b>Totale</b>	<b>2,896</b>	<b>932</b>	<b>3,828</b>	<b>-87</b>	<b>-21</b>	<b>-108</b>	<b>2,809</b>	<b>911</b>	<b>3,720</b>

\* All figures in this section are expressed as Full Time Equivalents.

\*\* It includes PZero and Pirelli Environment Services and products.

**TYPE OF EMPLOYMENT CONTRACT**

	2011	2012	2013	2013 vs 2012	2013 vs 2011
Permanent contract	91.6%	92.7%	93.1%	0.4%	1.5%
Temporary contract	8.1%	6.6%	6.6%	0.1%	-1.5%
Agency	0.3%	0.7%	0.3%	-0.4%	0.0%
Part-time (% of total FTE)	0.8%	0.8%	0.8%	0.0%	0.0%

**EMPLOYEE FLOWS BY GEOGRAPHIC AREA, GENDER AND AGE GROUP**

The following data refer to incoming/outgoing employees. The disposals and acquisitions of companies or business units, and changes in work schedules from full to part-time are not considered.

**EMPLOYEE FLOWS BY GEOGRAPHIC AREA 2013-2011**

	2013		2012		2011	
	INCOMING	OUTCOMING	INCOMING	OUTCOMING	INCOMING	OUTCOMING
Europe	1,805	1,891	1,378	1,581	1,606	1,218
Nafta	507	355	770	247	245	35
Central America	2,945	2,527	2,733	2,633	3,191	2,525
Mea	573	531	243	212	1,018	688
Asia Pacific	789	596	1,297	769	1,142	693
<b>Total</b>	<b>6,619</b>	<b>5,900</b>	<b>6,420</b>	<b>5,443</b>	<b>7,202</b>	<b>5,159</b>

**EMPLOYEE FLOWS 2013 BY GEOGRAPHIC AREA, GENDER AND AGE GROUP: TOTAL VALUES**

	INCOMING					OUTCOMING				
	<30	30-50	>50	Men	Women	<30	30-50	>50	Men	Women
Europe	1,030	661	115	1,481	324	580	741	570	1,432	459
Nafta	384	121	2	442	65	279	76	0	299	56
Central America	1,950	974	22	2,747	199	1,399	1,019	109	2,332	195
Mea	534	38	1	567	6	417	104	10	528	3
Asia Pacific	602	187	0	667	122	471	122	3	504	92
<b>Total</b>	<b>4,500</b>	<b>1,980</b>	<b>140</b>	<b>5,903</b>	<b>716</b>	<b>3,146</b>	<b>2,062</b>	<b>692</b>	<b>5,096</b>	<b>804</b>

**EMPLOYEE FLOWS 2013 BY GEOGRAPHIC AREA, GENDER AND AGE GROUP: TOTAL VALUES**

	INCOMING					OUTCOMING				
	<30	30-50	>50	Men	Women	<30	30-50	>50	Men	Women
Europe	57%	37%	6%	82%	18%	31%	39%	30%	76%	24%
Nafta	76%	24%	0%	87%	13%	79%	21%	0%	84%	16%
Central America	66%	33%	1%	93%	7%	55%	40%	4%	92%	8%
Mea	93%	7%	0%	99%	1%	79%	20%	2%	99%	1%
Asia Pacific	76%	24%	0%	85%	15%	79%	20%	1%	85%	15%
<b>Total</b>	<b>68%</b>	<b>30%</b>	<b>2%</b>	<b>89%</b>	<b>11%</b>	<b>53%</b>	<b>35%</b>	<b>12%</b>	<b>86%</b>	<b>14%</b>

**EMPLOYEE FLOWS 2012 BY GEOGRAPHIC AREA, GENDER AND AGE GROUP: TOTAL VALUES**

	INCOMING					OUTCOMING				
	<30	30-50	>50	Men	Women	<30	30-50	>50	Men	Women
Europe	697	437	35	1,025	145	439	399	173	896	114
Nafta	589	178	3	658	112	165	77	5	217	30
Central America	1,861	853	19	2,522	211	1,557	971	105	2,499	134
Mea	206	37	0	230	13	110	95	7	204	8
Asia Pacific	1,007	287	3	860	437	614	149	6	648	121
<b>Total</b>	<b>4,360</b>	<b>1,792</b>	<b>60</b>	<b>5,295</b>	<b>918</b>	<b>2,885</b>	<b>1,691</b>	<b>296</b>	<b>4,464</b>	<b>407</b>

**EMPLOYEE FLOWS 2012 BY GEOGRAPHIC AREA, GENDER AND AGE GROUP: TOTAL VALUES**

	INCOMING					OUTCOMING				
	<30	30-50	>50	Men	Women	<30	30-50	>50	Men	Women
Europe	60%	37%	3%	88%	12%	43%	39%	17%	89%	11%
Nafta	76%	23%	0%	85%	15%	67%	31%	2%	88%	12%
Central America	68%	31%	1%	92%	8%	59%	37%	4%	95%	5%
Mea	85%	15%	0%	95%	5%	52%	45%	3%	96%	4%
Asia Pacific	78%	22%	0%	66%	34%	80%	19%	1%	84%	16%
<b>Total</b>	<b>70%</b>	<b>29%</b>	<b>1%</b>	<b>85%</b>	<b>15%</b>	<b>59%</b>	<b>35%</b>	<b>6%</b>	<b>92%</b>	<b>8%</b>

**EMPLOYEE FLOWS 2011 BY GEOGRAPHIC AREA, GENDER AND AGE GROUP: TOTAL VALUES**

	INCOMING					OUTCOMING				
	<30	30-50	>50	Men	Women	<30	30-50	>50	Men	Women
Europe	1,001	564	41	1,364	242	593	487	139	1,075	143
Nafta	167	77	1	219	26	14	21	0	26	9
Central America	2,252	923	16	3,044	147	1,539	918	68	2,390	135
Mea	980	38	0	998	20	579	95	14	680	8
Asia Pacific	975	167	0	930	212	595	97	1	627	66
<b>Total</b>	<b>5,375</b>	<b>1,769</b>	<b>58</b>	<b>6,555</b>	<b>647</b>	<b>3,320</b>	<b>1,618</b>	<b>222</b>	<b>4,798</b>	<b>360</b>

**EMPLOYEE FLOWS 2011 BY GEOGRAPHIC AREA, GENDER AND AGE GROUP: TOTAL VALUES**

	INCOMING					OUTCOMING				
	<30	30-50	>50	Men	Women	<30	30-50	>50	Men	Women
Europe	62%	35%	3%	85%	15%	49%	40%	11%	88%	12%
Nafta	68%	31%	0%	89%	11%	40%	60%	0%	74%	26%
Central America	71%	29%	0%	95%	5%	61%	36%	3%	95%	5%
Mea	96%	4%	0%	98%	2%	84%	14%	2%	99%	1%
Asia Pacific	85%	15%	0%	81%	19%	86%	14%	0%	90%	10%
<b>Total</b>	<b>75%</b>	<b>25%</b>	<b>1%</b>	<b>91%</b>	<b>9%</b>	<b>64%</b>	<b>31%</b>	<b>4%</b>	<b>93%</b>	<b>7%</b>

The overall trend with regards to personnel in 2013 was therefore one of substantial growth. In mature countries (those countries where Pirelli operates that are internationally defined as “mature” markets or “non-emerging” markets), efficiency improvement plans continued at Settimo Torinese in connection with the technological and organisational reorganisation related to start-up of the New Car Centre (-22 employees). In Germany, instead, 278 employees were added at the Pneumobil company for expansion of the Pirelli retail chain, while closure of the Merzig steel cord plant took place (-70 employees). In regard to emerging markets (those countries where Pirelli operates that are internationally defined as “emerging”, i.e. Romania, Russia, Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, Egypt, Turkey and China), the increases in production volumes contributed to growth in the labour force in China (+193), in Romania (+88), in Argentina (+103), in Brazil (+266) and in Mexico (+136) upon expansion of the new plant at Silao. Moreover, reorganisation is underway at the Russian plants in Kirov and Voronezh, leading to the reduction of 364 employees from 2012.

With regard to annual employee turnover, the number of employees hired in 2013 was up from the previous year, essentially due to a higher volume of production in the factories compared to 2012.

Pirelli does not employ anyone under the age of 14. The Company employs 58 young people aged between 16 and 18 (24 in Brazil, 23 in Germany, 3 in Switzerland, 3 in the United Kingdom and 2 in Venezuela) and, as an exception, 6 young people aged between 14 and 16 (of whom 5 in Brazil and 1 in Switzerland), all of whom are involved in training and integration programmes in line with local legislation.

## DIVERSITY MANAGEMENT

Pirelli is characterised by a multinational context where individuals manifest a great diversity, whose conscious management simultaneously creates a competitive advantage for the Company and a shared social value.

The commitment made by Pirelli to equal opportunity and development of diversity at the workplace is stated in the Group’s principal sustainability documents: the Ethical Code approved by the Board of Directors, in the Group Social Responsibility Policy for Occupational Health, Safety, Rights and Environment and in the Equal Opportunities Statement, both signed by the Chairman. These documents have been distributed to all employees in their local language and published on the institutional website [www.pirelli.com/Sustainability](http://www.pirelli.com/Sustainability).

While respecting the cultural differences of the individual countries, what necessarily unites all Pirelli affiliates in the same culture are its shared corporate values, policies and rules, which are applied everywhere with the sole difference of the language into which they are translated.

Internationality and multiculturalism are the characteristic elements of the Group: Pirelli operates in over 160 countries on five continents, and 90.5% of employees on the payroll at December 31, 2013 worked outside of Italy.

Awareness of the cultural differences that create the identity of the company entails maximum confidence in management having local origins: 75% of the senior managers work in their country of origin, with “senior managers” meaning those who reported directly to the Chairman & C.E.O. at December 31, 2013. To develop the innovative and managerial potential latent in a multicultural environment and in the encounter with diverse professional environments, the Company promotes the growth of its own managers through international mobility between different Group companies (see the following sections on “Compensation and International Mobility”). It is no accident that 50% of the senior managers active in 2013 had had at least one foreign intercompany work experience

during their professional career at the Pirelli Group. Moreover, at December 31, 2013, 15% of all managers on foreign assignment were women. Pirelli is also committed to promoting maximum awareness of the positive differences that exist between the two sexes in a complex organisation like Pirelli, while giving due consideration to the fact that it is necessarily impacted by the different cultures existing in the different countries.

Following below is a breakdown of employees by gender in the three-year period 2011-2011-2013, expressed as the percentage weight of women against the total number of employees in each job category, the data shown in the following table demonstrate the positive evolution underway: in 2013 the number of women in the executive category reached 9%, up from the previous two years, while the percentage of women in the managerial category was 18%, and thus stable in comparison with the figures for the previous two years. The female presence in the blue collar category in 2013 reflected continuation of the growth recorded in 2012, amounting to 8% of workers in that category and up substantially from 2011. In 2013 female employees accounted for 12% of the total Group workforce, 3 percentage points above 2011.

#### PERCENTAGE OF WOMEN BY PROFESSIONAL CATEGORY

	<b>Exec</b>	<b>Cadres</b>	<b>Exec + Cadres (= Tot. Manager)</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Total</b>
2011	8%	20%	18%	31%	5%	9%
2012	8%	20%	18%	35%	8%	13%
2013	9%	19%	18%	33%	8%	12%

Analysing the following table, the breakdown by gender in terms of employment contract shows a substantial balance between men and women. However, there is a small difference: the percentage of women with an indefinite term employment contract is slightly higher, while there is a greater percentage of men having a temporary employment position. Moreover, the number of women with an indefinite term employment contract climbed from 93% in 2011 to 97% in 2013, while men rose from 92% to 93%. This is an extremely positive phenomenon in view of non-discrimination, since it is a commonly held opinion in society that indefinite term jobs are held more by men, whereas definite term jobs are held more by women. Well, the Pirelli data show a positively inverted reality.

#### TYPE OF EMPLOYMENT CONTRACT BY GENDER

	<b>2011</b>			<b>2012</b>			<b>2013</b>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
Permanenti	92%	93%	92%	92%	96%	93%	93%	97%	93%
Temporanei	8%	6%	8%	7%	3%	6%	7%	3%	7%
Agency	0%	1%	0%	1%	1%	1%	0%	0%	0%

The rate of employee return to work after maternity/paternity leave at Pirelli in relation to its total workforce in all industrial countries where the Company operates was positive. In particular, one year after the date when the maternity or paternity event occurred in 2012, 90% of the women and 96% of the men were still employed at the Company in 2013. The difference, in the face of what must be considered a positive figure for women in any event, must be considered physiological in light of the different socio-cultural contexts in which Pirelli women work.

In the context of gender diversity, Pirelli dedicates special attention to equal remuneration, constantly monitoring it and seeking out the causes tied to the differences found in pay.

The countries considered in the analysis at December 31, 2013 are Brazil, China, Germany, Great Britain, Italy, Romania and Turkey, representing about two thirds of the total workforce covered by the remuneration policy

(executives, cadres and white collar employees). At the methodological level, the remuneration ratios between men and women have been calculated, just like last year, for each individual country and by equal weight for the positions held, since a figure calculated at the Group level would not be representative insofar as it cannot give due consideration to the structural differences on different local markets, differences in professional seniority, and market remuneration logics whose peculiar characteristics are not comparable with each other.

The average differences in remuneration between men and men measured in the aforementioned countries is 6% (as opposed to 7% in 2012) in favour of men in the white collar job category, while it is 4% (compared with 5% in 2012), again in favour of men in the cadre category. Some examples:

- Italy, which features a difference of about 2% between the average remuneration for men and average remuneration for women (as opposed to 5% in 2012) in favour of men in the white collar job category, while it is 3% (compared with 7% in 2012), again in favour of men in the cadre category;
- Turkey, where the ratios favour men for both categories, with discrepancies of 1% (compared with 4% in 2012) if we refer to cadre and 6% (unchanged from 2012) for white collar workers;
- Romania, where the white collar category has a ratio of 3% (compared with 4% in 2012) in favour of women, while women are again favoured by 4% in the cadre category (in 2012 the ratio was 4% in favour of men);
- Brazil, where the ratio in the white collar category was 8% (compared with 6% in 2012) in favour of men, and 4% in favour of men in the cadre category (in 2012, there was substantial pay equality instead).

Finally, in regard to the executive category, where women account for 9% of the total (up from the 8% value in 2012), there was an average difference of about 1% in pay (compared with 3% in 2012), for the first time in favour of women. So, we have a situation of substantial pay equality that counterbalances the factors that are traditionally at the basis of differences

in remuneration, such as professional seniority and age of the employees in the different cultures of the local markets.

In general, it must be considered that on the various markets, the "professional seniority" factor, which has had a powerful impact on pay trends, still favours men on average. On the other hand, the positive change in the international context in terms of attention to gender diversity and, especially, the numbers of women who are increasingly entering the labour market, will plausibly lead to greater gender balance over the medium term, including in terms of professional seniority, when the average seniority of women will have grown sufficiently to be comparable to that of men in most markets. The inclusive culture adopted by Pirelli as the basis for doing business permeates corporate life also in regard to individuals with handicaps.

As stated in the Group Sustainability Plan 2013-2017 with Targets to 2020, Pirelli is committed to increasing refinement of its proxy to identify any pay gaps, by expanding the formula to include elements of performance, rank, and seniority that heavily impact remuneration, that might plausibly cause an objective reduction in the gap, where it exists.

In regard to the standard salary of new hires during their first year of work at Pirelli, this is greater than the minimums prescribed by local legislation. And there are no differences between men, women, or any other sort of diversity.

The inclusive corporate culture cultivated by Pirelli in its way of doing business permeates corporate life even in the case of persons with different abilities. In order to standardise the corporate culture of subsidiaries and associated companies towards disabled persons, the Pirelli Equal Opportunities Policy lists disability among protected differences, as a value and operating model applicable to all affiliates.

In Italy, the Group has made and signed specific agreements with the relevant authorities to promote hiring of disabled workers by the Group. It participates in social programmes that facilitate matching the demand and supply of work between the Company and disabled candidates, but not only in relation to them (also between Company and foreign candidates).

The percentage measurement of disabled employees in the multinational context of the company clashes with the objective difficulty of measuring their number, both because in many countries where the Group is present, there are no specific laws or regulations promoting their employment and therefore disabilities are not automatically detected, and because in many countries this information is deemed confidential and protected by privacy laws. All this considered, about 1.5% of the total work force is comprised of disabled employees as defined by local legislation. It is likely that the actual percentage of disabled persons working at Pirelli might be higher, although any estimates would be discriminatory per se.

In regard to the "age" factor, the following table illustrates how the population (including the managerial population) is evenly young between the two genders, so that the average age of men and women was substantially the same over the entire three-year period.

**AVERAGE AGE**

<b>2011*</b>					
	<b>Exec</b>	<b>Cadre</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Total average</b>
Women	46	42	37	33	36
Men	48	44	38	35	36
Average by category	48	44	38	35	36

<b>2012**</b>					
	<b>Exec</b>	<b>Cadre</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Total average</b>
Women	46	41	37	36	37
Men	48	43	38	35	36
Average by category	48	43	38	36	36

<b>2013***</b>					
	<b>Exec</b>	<b>Cadre</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Total average</b>
Women	46	42	37	36	37
Men	48	44	38	36	36
Average by category	48	43	38	36	36

\*: Figure regarding 97% of personnel.

\*\* : Figure regarding 98% of personnel.

\*\*\*: Figure regarding 99.8% of personnel.

The following table instead shows the average seniority in service as highlighted by job category and gender. No significant differences are noted between men and women, since those measured over the last two years are substantially attributable to the entry into the scope of reporting of a large number of women who naturally began accumulating seniority at Pirelli only in 2012 and 2013.

In spite of the low average age of employees, their length of service at Pirelli is proportionately high, confirming a high sense of loyalty.

## AVERAGE JOB SENIORITY

2011*					
	<b>Exec</b>	<b>Cadre</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Total average</b>
Women	16	14	10	4	8
Men	17	15	11	8	9
Average by category	17	15	11	8	9

2012**					
	<b>Exec</b>	<b>Cadre</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Total average</b>
Women	13	10	8	3	6
Men	16	14	10	8	8
Average by category	16	13	9	8	8

2013***					
	<b>Exec</b>	<b>Cadre</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Total average</b>
Women	12	13	8	4	6
Men	16	14	9	8	8
Average by category	16	14	8	8	8

\*: Figure regarding 97% of personnel.

\*\* : Figure regarding 98% of personnel.

\*\*\*: Figure regarding 99.8% of personnel.

The following activities have been well-established for years to promote equal opportunities:

- as far as possible in the recruitment process, seek to provide a high proportion of women in the range of candidates;
- use of training to impact the cultural change connected with the promotion of diversity, using specific modules dedicated to "Diversity Management," beginning with the courses dedicated to new hires (e.g. Pirelli's way Joining the Group);
- take positive measures for respect of cultural and religious diversity, such as different foods that are clearly marked in company canteens so that everyone may freely comply with their own religious dietary restrictions;
- multilingual book stores in the factory, and multilingual welcome kits for those joining Pirelli at a facility in a country other than their home country.

Monitoring by the company of the level of acceptance and promotion of diversity as perceived by employees at its facilities plays a key role in terms of management opportunities. The Your Opinion survey is conducted in local languages at the Group level every two years. The results of the survey conducted at the end of 2013 are being consolidated and will be presented to employees during the first quarter of 2014, and thus reported in the next Sustainability Report. The results of the previous survey were highly appreciated in regard to employees' perception of high level of acceptance of gender, cultural and age differences within the Group.

The Group Whistleblowing Procedure is a tool that supports compliance and internal control activities, as well as risk prevention. It is used specifically for reports of possible cases of corruption, violation of the principles or precepts set out in the Ethical Code laws and regulations, obviously including equal opportunities. There were no Whistleblowing reports in 2013 concerning acts of discrimination. Reference is made to the section "Group Whistleblowing Procedure" in Chapter 1 of this report for more details on the Whistleblowing reports received in 2012 and 2013.

Pirelli has been active for years in promoting external diversity, both nationally and internationally. Its membership in the European Alliance for CSR, CSR Europe, (of which Pirelli was a member of the Board as well), preparation of toolkits for management of multiculturalism and gender differences with the Sodalitas Foundation (the Group has a seat on its Management Committee), active participation in drafting the Italian Charter for Equal Opportunities and Job Equality are some of the most representative activities that have engaged the Group in sharing its good practices with other responsible companies.

Pirelli is also committed to promoting welfare programmes for its own employees. For this purpose, it has created an ad hoc organisational function, the Welfare Group Manager with group level responsibility, confirming its growing attention to this issue. The Group has been historically supporting its own employees, with numerous measures calibrated to the different socio-cultural contexts in which the affiliates operate. Widespread measures include: day care centres offering special discounts to Group employees, subsidised holidays for employee children, scholarships, healthcare benefits, prevention campaigns, company discount arrangements with various service providers (from medical exams to car rental).

More details are found in the section "Welfare and initiatives for the internal community" in this report.

## COMPENSATION

The compensation policies adopted by Pirelli aim to ensure fair remuneration in line with the individual's contribution to the success of the Company, recognising the performance and quality of the individual's professional input, in a philosophy of sustainable remuneration. Such policies have a dual aim: on the one hand, they seek to attract, retain and motivate the best human resources; on the other hand, they seek to promote conduct that is as consistent as possible with corporate culture and values.

Compensation policies and processes for the executive group are managed by the central HR department, while for non-executive personnel they are handled on a country basis.

Following the organisational changes that took place at Pirelli between May 2012 and 2013, this year the executive population has reassessed the weight of its organisational positions. This is the prerequisite for proper management of numerous HR processes, including, for example, the salary review process, which verifies both internal pay equity and competitiveness with the external market, and the process by which the population is segmented into the various "broad bands" applied by Pirelli, which are in turn anchored to

various systems of compensation, such as short term and long term incentive plans.

The following events are reported in regard to management compensation policy.

Once again for 2013, the Pirelli Board of Directors approved the General Remuneration Policy that establishes general principles and Guidelines followed by Pirelli to (i) determine and (ii) monitor application of the remuneration practices relating to:

- the Directors holding specific positions, the General Managers and Executives with strategic responsibilities;
- the senior managers and the other executives of the Group.

For the individuals at the top of the organisation and for senior managers, the Pirelli Remuneration Policy has distinctly attractive characteristics by aiming at the third quartile of the benchmark market (as compared with commonly used benchmarks), and characteristics consistent with the benchmark market for the remainder of management, in order to attract, motivate and retain those resources who possess the professional qualities that the Group needs to pursue its goals profitably.

The Policy is defined in such a way as to align the interests of management with the priority goal of value creation that is sustainable over the medium-long term, through the creation of an effective and verifiable link between remuneration, on the one hand, and individual and Group performance on the other hand.

The remuneration structure of management, which is defined with the aid of companies specialised in executive compensation and on the basis of international benchmarks, is composed of three principal elements:

- fixed component: for those Directors holding specific positions, the fixed component is approved by the Board of Directors when they are appointed and for their entire term; for the remainder of management, the fixed component is determined at the time they are hired and may be periodically revised to account for their performance, assumption of new responsibilities, and the market remuneration trend

- for the position held by the individual employee;
- variable annual component (MBO): this is defined as a percentage of the fixed component with growing percentages according to the position held and considering the benchmarks for each job position. According to the beneficiary, this component tends to reward the annual performance of the Group, the Company and/or the department to which the employee belongs;
- variable long-term component (LTI plan): this too is set as a percentage of the fixed component and is designed to reward the medium-term, and thus sustainable performance of the Group.

Once again in 2013, and in accordance with market best practices, the impact of the (short-term and medium-term) variable component on the aggregate remuneration of Group management remained very high, which means that there is a strict correlation between remuneration and performance.

Entering into the specific operating characteristics of the incentive plans existing in 2013, it is seen how most of Group management participates in an annual incentive plan (MBO) tied to achievement of Group and/or business unit and/or country annual earnings/ financial targets and the qualitative assessment resulting from the PM Tool. This was introduced for the first time in the MBO 2012, and makes it possible to attribute greater significance to organisational behaviour (how), and not just the achieved results (how much) in accordance with a remuneration logic that is sustainable over time.

In regard to medium-long term incentives, on February 28, 2014 the Pirelli Board of Directors resolved in favour of premature termination of the management Long Term Incentive (LTI) plan adopted in 2012 to support the goals for the 2012-2014 three-year period, without any full or pro-rated payment of the three-year incentive. The Board of Directors simultaneously approved the adoption of a new plan –applicable to all Executives– related to the targets set out in the 2014-2016 period contained in the Industrial Plan 2013-2017 presented on November 6, 2013, whose guidelines had already been previewed on that occasion.

The decision to terminate the previous LTI and to introduce the new one stemmed from the fact that in November 2013 Pirelli had presented its new Industrial Plan for the four-year period 2014-2017. This plan marks a significant departure from the plan presented in November 2011, partly in light of the changed economic context and industry performance. Termination of the old LTI and introduction of the new one highlights this discontinuity and makes it possible to give the necessary motivational push to incentive plans supporting realisation of the new business objectives.

The “new” LTI plan was resolved on proposal by the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors, in relation to the parties for which this opinion is required. In the part tied to Total Shareholder Return, the LTI 2014-2016 plan will be submitted for approval by the Shareholders’ Meeting called to approve the Annual Financial Report at December 31, 2013.

Consistently with the variable compensation mechanisms adopted at the international level, the three-year LTI 2014-2016 plan is entirely self-financed as in the past, given that the related liabilities are included in the profit and loss figures of the Industrial Plan.

The “new” LTI Plan includes an on/off condition, represented by the creation of value over the three-year period, and the following three targets:

- Total Shareholder Return (TSR) for the Group, with an aggregate target weight of 60% of the LTI bonus;
- Return on Sales (ROS) for the Group, with an aggregate target weight of 30% of the LTI bonus;
- position of Pirelli in selected global sustainability indicators, with an aggregate target weight of 10% of the LTI bonus.

The functioning of the TSR target is in turn broken down into two, mutually independent “sub-targets”:

- absolute TSR (with a target weight of 40% of the total LTI bonus);
- relative TSR in terms of a panel of selected peers (target weight 20% of the LTI bonus).

The Plan expires on December 31, 2016 and sets April 2017 as the date for any payment of the accrued long-term incentive to the plan participants, on condition that at December 31, 2016 their mandate and/or employment relationship have not terminated (for any reason) – if they should be terminated for any reason before December 31, 2016, no payment of the three-year incentive will be made either in full or on a pro-rated basis.

The Chairman and Chief Executive Officer of Pirelli & C., top management and Group executives in general participate in the LTI 2014-2016 Plan.

At the same time the new LTI Plan was adopted, it was decided to introduce several changes and improvements to the annual incentive system (MBO) that during the three-year period 2014-2016 will no longer be interrelated with the three-year LTI Plan, but will offer a form of payment deferred to the following year of a portion (25%) of the annual accrued incentive, on condition that the MBO for the following year is accrued. Payment of an additional amount equal to a variable percentage of the entire MBO accrued during the previous year will be paid according to the degree that the MBO is achieved in the following year (this mechanism is envisaged to be rolling for the entire three-year period 2014-2016). This deferral mechanism means that the time when part of the variable long-term period amounts accrued will actually be paid in 2018, insofar as it is conditioned on the degree to which the financial year 2017 results are achieved (and thus two years after conclusion of the three-year period covered by the LTI 2014-2016).

These implemented modifications set the following principal goals:

- reinforce the alignment of management interest with that of stakeholders;
- preserve unchanged the allocation of total remuneration between the fixed component, the variable annual component and the variable long-term component (confirming that the variable part has a major impact overall).

## INTERNATIONAL MOBILITY

With regards to international mobility, which Pirelli has always pursued with a view to integrating cultures and values, in 2012 there were 70 new expatriate employees, compared to around 100 in 2011. Numerous transfers (about one fifth) to the new industrial activities in Indonesia, Mexico and Russia are confirmed, and the mobility flow from emerging countries to mature countries continued. International mobility thus continues to play a key role in the Group's geographical expansion strategy, spreading Pirelli culture around the world and transferring precious technical know-how to the new start-ups.

At December 31, 2013 the expatriate population totalled about 240 persons (about 10 less than at December 31, 2012) from 17 different nations who moved to 32 different destination countries on all five continents, and 73% were non-executive employees and about 15% were women.

Most of the expatriate population (about 52%) is now comprised by non-Italian citizens, demonstrating the concrete progress being made towards the goal of creating an increasingly international management team. In view of the complexity of this situation, the Group decided to introduce a new International Mobility Policy, which applies to all new international assignments as of January 1, 2013.

The principal new features of this policy are the introduction of a tax equalisation policy which neutralises differences in taxation arising between the destination country and the country of origin, ensuring remuneration is fair and adequate. There has also been a review of the rules for assigning certain benefits, ensuring an increasing level of care for expatriate workers and their accompanying families.

The new policy is harmonised and applied worldwide (with common rules of treatment), allowing uniform management of expatriate personnel throughout the entire Group.

Finally, through the application of "inviolable" rules, based on empirical considerations and facts and certified by specialised external service providers, clear

and transparent ex ante communication of the criteria and “rules of the game” is facilitated.

## EMPLOYER BRANDING, DEVELOPMENT AND TRAINING

### **EMPLOYER BRANDING: BECOMING ACQUAINTED WITH PIRELLI**

For quite some time now, Pirelli has been dedicating specific resources to employer branding activities, inasmuch as it believes it is crucial to present itself on the market as the employer of choice. It does so by communicating its characteristic traits outside the Company (e.g. internationality, meritocracy, stimulating and dynamic work environment, training and growth paths for young people and technological innovation), and spotlighting the work opportunities dedicated to new university graduates. Naturally, this is not done only on the Italian market but also globally. Considering only the countries where Pirelli has a presence with one or more production plants in Europe, the United States, South America, the Middle East, Africa, Russia and Asia Pacific, about 180 events/projects/occasions to meet were organised in 2013, where the Company promoted its own employer branding initiatives.

Special mention must be made of Brazil which, thanks to an enthusiastic and motivated HR team, has managed to achieve excellent results through its employer branding activities. It is worth mentioning that Pirelli Brazil had contacts with about 44,000 students in 2013 alone. About 4,000 persons applied for 100 internship positions offered in Brazil. A dedicated page was created on Facebook, where the Pirelli Brazil interns could share their experience at the Company, generating a significant virtual word of mouth process and causing the number of fans of this page to grow significantly. The careers sections on the Pirelli Brazil website was also made more visible and functional – through creation of the Work With Us channel – which led to the systematic and organised collection of curricula vitae. All of this has allowed Pirelli Brazil

to draw on a greater number of talents wishing to join the Company, while also making the percentage of new university graduates hired by the Company after their 2013 internship rise to 55%, one of the best levels achieved in Brazil over the last several years.

In regard to the projects pursued at headquarters, they may be divided between several which can be defined as ongoing (i.e. which, on the basis of valid, justified reasons, are continued from year to year), and others that arise from particular or contingent opportunities or needs.

The former include all the activities that Pirelli operates in collaboration with its own university partners:

Polytechnic of Milan, Polytechnic of Turin, the Bocconi University, the Catholic University of Milan, the University of Florence and the University of Turin (these universities are considered partners both on account of the type of students that they have – principally economists and engineers – and because they are physically located close to Pirelli sites in Italy). With these institutions, Pirelli has organised Career Day, panel discussions, job fairs, corporate presentations and occasions for meeting students directly at the firm so that they can “touch our company with their own hand”.

Also within the framework of these ongoing activities, it is worth mentioning the presence of Pirelli on the web through the publication of its company profile and job want ads on targeted sites: LinkedIn and Monster. In regard to LinkedIn, between June 2012 and December 2013 our followers rose from 9,000 to 64,000, which means that they grew at a rate of more than 700%. At the time this report was written, Pirelli had the greatest number of followers amongst its leading competitors. Moreover, two more pages were created, one dedicated to new university graduates and the other to PZero.

Monster remains one of the principal channels for hiring new university graduates, together with Job Meeting and Job Advisor (both were new entries in 2013).

Visibility and promotion through universities and a significant web presence have enabled the Company to carry forward its new university graduate search and hiring process with success. A total of 23,311 persons

applied for 42 internships offered in Italy over the course of the year (for a similar number of positions, there were 14,267 candidates in 2012 and 1,470 in 2011). Sixty-five assessment sessions were held for a total of 611 interviewed candidates. Of these 601, 192 candidates proceeded from the first step (the assessment centre) to the second selection step. The final 42 new interns were chosen from that second group.

Aside from these activities, mentioned should also be made of other projects that were successfully carried out in 2013, including:

- Bocconi Merit Award: to give support to worthy young people worldwide, Pirelli decided to collaborate with the Bocconi Foundation and make its own contribution to scholarships for particularly outstanding youths, with donations being made in both 2013 and 2014 (for more information, see: [www.unibocconi.eu](http://www.unibocconi.eu)).
- Leonardo Mobility Project: in 2013 Pirelli participated in an initiative promoted by AIDP (Italian Association of Human Resources Directors), which involved several Italian companies that offered to host one or more HR professionals from Romania at their Human Resources Department. More specifically, Pirelli hosted two persons from medium-large Romanian companies and assigned a project to each of them, to be developed and completed over the course of two weeks, one in the organisational unit and the other in the ambit of training unit. At the end of the two weeks, the projects were presented to the heads of the two units. On the one hand, the result was useful for Pirelli, which was able to “exploit” the new and international point of view of the two professionals. On the other hand, the two hosted individuals acquired training that allowed them to become more familiar with a structured multinational organisation.
- HRC Talent Days: In collaboration with the HR Community, Pirelli sponsored an orientation day aimed at young university graduates, who were thus able to profit from the practical knowledge of experienced company managers at both Pirelli and other host companies. Aside from having sponsored, organised and hosted an orientation day

with the participation of about 50 youths and eight testimonial companies, Pirelli was also testimonial during other orientation days held at other companies. Some of the topics that were addressed included: how to write a curriculum vitae; how to handle a job interview; work and social networks; the most requested professional specialities; self-marketing: promoting “myself as the product”; job seeking methods; specialised search portals. The response of the youths participating through HRC was quite positive, and the organisers said that they were very proud to have contributed to clarifying their ideas and guiding the choices of young people who are finding their way around the complicated job world for the first time. Participation at this event gave the participating Pirelli representatives the HRC CSR Ambassador award “for its exquisite cooperation, invaluable participation in the HRC Talent Days project, and important contribution made to the professional orientation of our country’s youths”.

The work accomplished and commitment lavished on employer branding issues earned Pirelli recognition by Universum, the global leader in employer branding solutions. Its mission is to promote and improve communication between students seeking work and and the companies that want to recruit them. In 2013 Pirelli was awarded for the fastest and most significant growth in the ranking of top employers from one year to the next. This recognition motivates Pirelli to stay the course, well aware of the value that persons have in the organisation and thus the importance of being recognised more and more as an employer of choice.

## **DEVELOPMENT**

### ***Performance Management***

Performance management means the process whereby the contribution of each employee in an organisation is defined, observed and assessed. This assessment is made on the basis of a series of predefined indicators that are critical to the success of the Company and the *employee* himself.

PM is a unique, vital opportunity for personal development and guidance; during the process, particular value is given to feedback, with an open dialogue between the employee and management. In short, we could say that Performance Management starts from the past to improve the future. PM engages all Pirelli office staff worldwide (executives, managers and white collar employees). The opening of the process takes place between January and March, while the closing takes place one year later, when the process starts over again for the following year. So, the previous year was closed in 2013, and showed that the redemption rate (namely the percentage of all opened assessments that were closed) was very high: 92.1% (out of a total of about 6,000 people assessed), among whom 92.5% of women successfully completed their Performance Management process, and thus topping the overall average by 0.4 percentage points.

Alongside this significant quantitative result, there is another consideration linked to the quality of the assessments: the introduction of Calibration Meetings. These are meetings organised by the managers of individual functions, Business Units and countries, those they report to directly and the HR managers in question. During these meetings the assessments of the people belonging to that specific unit are discussed and evaluated together, with the aim of guaranteeing a shared, balanced distribution of assessments, and making the process more homogeneous and consistent.

In the 2013 a new PM software programme was implemented and made available over :Pnet, the Pirelli intranet. It is designed to be more flexible, more in line with the company organisation, more intuitive and

usable, and perfectly integrated with the other Human Resources Management systems currently in use. The new Performance Management platform, chosen from the leading software packages on the market, was launched on occasion of the 2013 Opening. The new system boasts a range of innovative features: the option of selecting objectives from a catalogue of corporate business indicators; cascading the objectives top-down; assigning technical competences that can be selected from a library organised into professional families. These new characteristics sit alongside those present in the previous programme and included in the new programme with the aim of assessing the quality and efficacy of the work carried out and constructing a structured Development Plan which enables the Company to identify actions to support performance improvement and fulfilment of objectives assigned.

All the PM forms of the participants in the process worldwide contain the Core Values. These are model forms of conduct applicable to all functions and regions that are aimed at realising the premium strategy of the Company. There are three Core Values, and they are broken down into as many areas that are considered crucial to the Company: the Business area, which covers aspects that relate particularly to the product and market; the People area, which highlights the attention devoted by Pirelli to its own people; and finally the Change area, which highlights the importance that change and innovation have for the Company.

### ***Competence Mapping***

Beginning in 2011, a skills mapping process was undertaken on the Performance Management platform to provide:

- the Company with a complete, punctual snapshot of the distribution of skills and include specific training campaigns in the plan;
- the supervisor an opportunity to discuss his/her subordinates' strengths and areas needing improvement. The professional families involved in the process were Industrial, Quality and HSE, in eight countries (China, Egypt, Italy, Romania, Turkey, United Kingdom, United States, and Germany).

In the 2012 and 2013 Performance Management processes, drawing on the results of 2011, the technical skills deemed crucial to covering the various roles in all the professional families were mapped and compiled in a catalogue of selectable skills in the Performance Management software programme. This enables the Company to identify the areas where specific skills are present, with a view to the mobility and transferability of resources.

These technical skills can be selected by supervisors using the PM management software, and they are naturally complemented by the revised training catalogue which, in the section dedicated to the Professional Academies (i.e. the professional academies for each professional family), contains training courses conceived and provided (mainly but not exclusively) by trainers within the specific professional family. This provides individuals not only with the skills target to be achieved but also the most appropriate tool to be able to do so.

## TRAINING

In view of tailoring training activities to meet the requirements of the premium strategy, Pirelli created a global training system in 2013 that makes it possible to align skills, contribute to the comprehensive system of knowledge management and create permanent training processes.

Pirelli training in the previous years was strongly and largely tied to local needs, or aimed at developing strategic skills at the international level, but often with a "campaign" and "on demand" slant. On the other hand, the ongoing global activities were mainly dedicated to talented employees.

The new training model, named Training@Pirelli, has simultaneously made it possible to extend the global reach of offered training courses to all countries, realising economies of scale and expanding the number of potential participants. Indeed, for the first time, the target of this innovation in training courses is comprised by the entire company population, albeit broken down by professional families and critical roles. Finally, Training@Pirelli has the aim of implementing an organised educational and learning system, globally

structured but nonetheless equipped to meet the needs that can arise at any time at the local level in each of the countries where Pirelli is present. In a word, it is "glocal". The "glocal" dimension is also assured in terms of knowledge management, by providing all training content in digital format and didactically transferable to every country in the Group.

The new training system is based on three principal "pillars": the Professional Academy, the School of Management and Local Education. The first two are centrally designed and are locally delivered in the various countries, but also centrally at headquarters in Milan for the most critical populations or skills. Local Education is instead locally established and provided in the individual countries and addresses specific local needs.

### ***The Professional Academies***

Nine Professional Academies have been set up, one for each principal professional area, which provide for development of the expertise and technical and professional skills of the principal rolls of each corporate function. The Academies are: Product, Manufacturing, Commercial, Quality, Supply Chain, Purchasing, Finance, Planning & Controlling, and HR.

The elements of Sustainable Management run through all the Academies, for example with a focus on product LCA, process environmental efficiency, health and safety, sustainable management of the supply chain and risk management.

The IT Academy, dedicated to information technology, will be created in 2014.

The Academies provide permanent training and guarantee the exchange of knowledge between countries, while contributing to the achievement of excellence, implementing and sharing Pirelli know-how, tools and procedures in every region and country. The training offered by the Academies targets the entire working population. The faculty of the Academies is composed primarily of in-house instructors who are expert in their specific functions that, according to training requirements and logistic needs, work mainly at the local and regional level, or via online seminars and webinar sessions. Certain specific courses targeting

managerial levels are held at Milan headquarters.

The real peculiarity of the Professional Academies lies in the fact that each of them is headed by an accredited expert of the function, and is composed of a team of professionals from the function itself. The HR Department (and particularly the Training Department) closely monitor all staff members of the Academies, guaranteeing the uniformity of design, teaching, and learning assessment methods, while assuring consistency with human resource development policies. The Academies have offered a total of 227 courses in 2014. Although each Academy differs from the others in terms of content and themes, it is broken down into common areas and types.

- A Day Into: a common course for someone who does not belong to the professional family in question, it provides an overview of the processes, roles and activities of the function.
- Basic Professional: aimed at newly hired persons and all resources of the function interested in broadening their own base knowledge, it aims to implement comprehension of key processes in view of improving the integration between different departments and areas.
- Advanced Professional: its focus aims to provide skills excellence in the specific professional segments, through highly specialised training courses.
- Functional Tools: a training area focused on knowledge and use of the typical tools, software and technologies of each department.
- Functional Skills: dedicated to improving specific behavioural skills in the professional family, in view of standardising and aligning processes and skills in each specific sector.

## **The School of Management**

The School of Management aims to be the principal tool for development of the Pirelli Group managerial culture. Skills and training topics have been centrally defined at headquarters by senior management, deriving them directly from the strategic priorities of the Company.

The School of Management courses are focused on three broad training areas:

- Business: for reading and interpreting the market and business culture, with a passion for technical and product aspects. Being able to draw concrete results from available information responsibly, with quick decision making and execution.
- People: to obtain results through human resource management, working to comprehend the talent of everyone while developing a climate that favours open dialogue that allows everyone to be fully aware of his or her own contribution to the creation of corporate value.
- Change: to be capable of making changes, innovating, improving, and comparing oneself with the best on the market; to develop the ability to assume risks and manage any resulting mistakes.

The School of Management offers a set of courses focused on three specific populations that are critical to the firm:

- Executives;
- Middle Management/Senior Professionals;
- New university graduates/Junior (up to two years working experience).

The executive courses are held centrally in Milan, to guarantee debate and sharing of strategies directly with senior management and to encourage the interdepartmental and geographical circulation of local practices as much as possible.

The courses and content for middle management and senior professionals were designed centrally and offered locally in the various countries and regions, through a network of centrally certified management education partners.

In regard to the population of new university graduates,

the School of Management has put the finishing touches on a uniform biennial course for young hires every year in all countries for the first time at the Group. The general aim is to provide a shared vision of the business, its strategies and its operating processes from the very beginning, and to assure development in all countries of the most important basic skills for a young person who wants to become a future member of Company management.

The course has been significantly entitled WarmingUp@Pirelli. It is shaped as an induction programme that is deeply rooted in the Company business and its specific functional skills. This is why great emphasis has been placed on knowledge of the product, the functioning of internal processes and direct familiarity with customers and markets.

WarmingUp@Pirelli is essentially a course whose full duration is about two years. It opens with Plunga, an historic institutional course lasting five days. For years the Plunga course has not only represented an important opportunity to become familiar with corporate processes and strategies, but also continues to be a common denominator for all new hires at all locations in the Pirelli world, offering important occasions for networking.

On the job training follows that course: lasting a total of about three months, the participants at WarmingUp spend an average of two days a week at the individual company departments, beginning with the materials area until they go out into the field with the sales force. All modules have been planned to include a theoretical part in the classroom and an on the job part. This is why visits to suppliers, test tracks, the plant and sales outlets are planned. The participants take a final learning assessment test at the end of their on the job training. This is followed by several, more traditional training modules to round out training on the behaviour and comprehension of the economics of business management. A brief stint of being teamed up with a coach eases the transition from the first to the second year, in order to take stock of one's personal skills.

In contrast with the first year, the second year is more heavily concentrated on all the interdisciplinary skills. This will also be the year when, after acquiring greater

awareness of one's own role in the Company, it will be possible to attend the training courses offered by the Academies, as compatible with the skills specifically required by one's own department.

At the end of the two years of Warming Up, all of its participants are supposed to attend an Orientation and Skills Review session, also called the "Orienteering Lab". Based on the observations of several independent professionals and a battery of logical and numerical exercises, the Orienteering Lab aims to develop the participants' self-awareness of their role at the Company and their command of the skills requested by the Company.

The highly innovative element of the Warming Up programme consists in its international character and its application at all Pirelli Group sites. During 2013 different editions of the course were organised for a total of 130 Pirelli Group employees in seven countries. The participating countries were: Italy, Romania, China, Brazil, Germany, Turkey, and Mexico.

### **Local Education**

The training provided at the local level is obviously very important. The fundamental difference with the training provided before the creation of Training@Pirelli is the global structure of the courses. It is now the same for all countries, although a local focus is maintained for specific activities addressing the distinctive aspects of each individual nation.

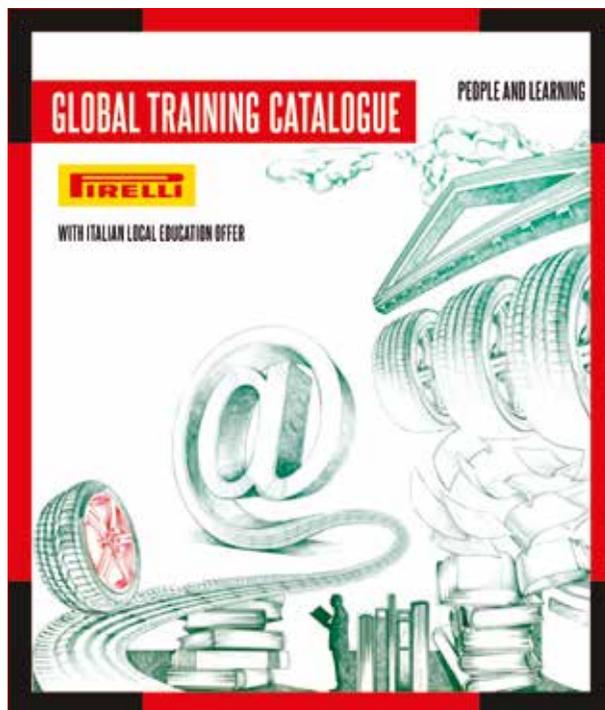
The Local Education courses are typically related to basic training and then to the specific needs of the country or compliance with local laws and regulations. These seminars cover specific skills areas, which range from improving relationship skills to stress management, from development of computer and language skills to seminars on local welfare issues or improving sensitivity for local projects.

For example, several ad hoc training experiences were held in Italy during 2013, including:

- Working Parents Workshop: a mother is born... and also a father. Short coaching modules are led by professional psychologists to assist the employees who have just become parents in assuming their new role as working parents;

- course for Management Assistants;
- Customer Delighting course (targeting the entire population of the IT Department at headquarters in Italy).

In conclusion, the entire new Pirelli training scheme ultimately aims at contributing to the search for professional and managerial excellence consistently with the challenges faced by the Company, without losing sight of individual growth and development and support for performance. As in the past, the new training system is strictly related to the Pirelli system of Performance Management. Training priorities and the courses to be attended are largely defined during the annual and half-yearly performance meetings. Training@Pirelli is offered to all employees in the form of a specific catalogue that explains the proposed courses in detail. The catalogue highlights all the programmes, which are broken down into the three course tracks described above. Employees choose their training by checking the level, contents and duration of each course in the catalogue through dialogue with their own supervisor and the applicable HR manager.



In the Learning Lab, all employees may check the training offered, find the description and Guidelines of the training courses, while learning about the details, educational materials used, in-depth readings and the possibility of self-enrolment.

### ***Sustainability training***

2013 saw the continuation of training regarding the Pirelli Model of Sustainable Management in line with the Sustainability plan. Training was diversified according to the target group. In the context of the international corporate course Pirelli's Way Joining the Group, Pirelli presents the Group's Sustainable Management strategy to all new employees, starting from the multi-stakeholder approach in the context of integrated economic, environmental and social management. The Pirelli Training Model also draws new employees' attention to the Group's Sustainability Policies and the commitments they involve, as detailed in the Ethical Code, the Code of Conduct, the Equal Opportunities Policy, and the Group Social Responsibility Policy for Occupational Health, Safety, Rights, and Environment. In addition to this Pirelli complies with and upholds the contents of the "Universal Declaration of Human Rights", the International Labour Organisation's "Declaration on Fundamental Principles and Rights at Work", the "Rio Declaration on Environment and Development" and the United Nations "Convention against Corruption", as well as the provisions of Standard SA8000® and internationally recognised human rights, including the ban on forced labour and child labour, proceeds to free bargaining, equal opportunities and non-discrimination. All of these issues are also presented in training courses for all Group sustainability managers and buyers.

### ***Pirelli training statistics***

Analysing the new training strategy in terms of numbers, training effort rose again in 2013. The number of average days of training pro-capita was 7.2 at the global level, thus meeting the target of 7 average days of training pro-capita two years early, after originally being set for 2015.

The distribution by type of participants and type of training is highlighted in the following graphics.

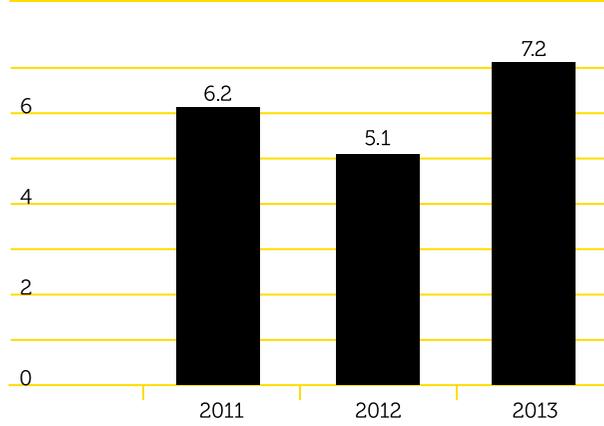
On average, training involved 80% of the Company population with at least one day pro-capita. There was substantial balance between the sexes even when this figure is broken down by gender, with 80% of female employees being involved in training activities, exactly the same as the 80% participation rate for the male population.

Of the total training provided by the Group in 2013, about 64% was provided at the local level. In regard to the type of training, 13.06% is accounted for by the Academies, 6.07% by the School of Management, and about 11% of the total training was related to Health and Safety.

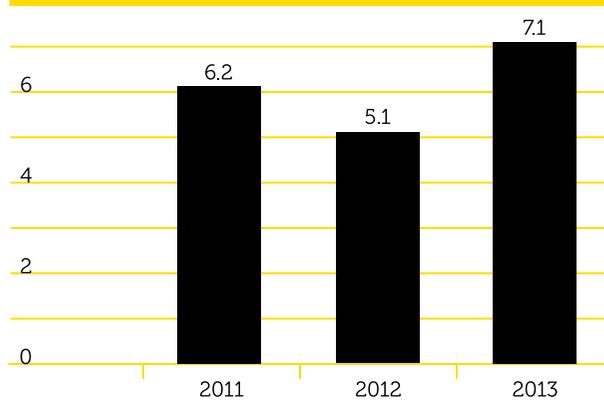
The new global training model based on the Professional Academies and the School of Management was launched in 2013 and will gradually replace most of the training previously offered at the local level.

Pirelli thus intends to standardise and gradually expand its global training effort, reaching 2017 with half of the training in every country being focused on the courses offered by the Academies and School of Management and an average number of training days pro-capita remaining at 7, plus the involvement of 90% of employees in at least one day pro-capita.

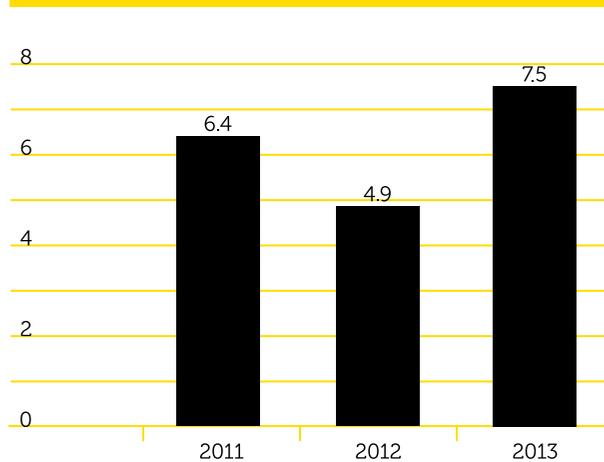
**AVERAGE DAYS OF PER-CAPITA TRAINING:  
PIRELLI TOTAL**



**AVERAGE DAYS OF PER-CAPITA TRAINING:  
BLUE COLLAR**



**AVERAGE DAYS OF PER-CAPITA TRAINING:  
MANAGEMENT + STAFF**



## GROUP OPINION SURVEY

### MY VOICE – PIRELLI GLOBAL EMPLOYEE SURVEY

Over the years Pirelli has introduced and affirmed attitudinal surveys as a tool for actively listening to its own employees. The first global survey targeting white collar employees, conducted in 2008, was characterised by a high level of participation. This signalled the interest of Pirelli employees in expressing their own opinion about corporate life. Analysis of the results has suggested interesting possibilities for improvement that have been translated into specific action plans and follow-up both globally and locally. The second survey of white collar employees conducted in 2010 had the same response rate as the previous one (78%).

Over the last three years, the Company has been transforming its strategy, organisation, processes and managerial structure. This has led to the need to redefine the ways it engages people as well, according to a new logic aimed at determining the level of confidence that employees have in the organisation to identify the variables that render a Company an excellent work environment.

The basic assumption is that excellent work environments are the fruit of the daily relationships of its employees and managers, which are clearly based on trust. The responses given by employees to the questions on the trust index questionnaire will give Pirelli an idea of the organisational culture, as viewed in five dimensions. It derives from the credibility of management itself, the respect accorded to employees and the extent to which they believe they are treated fairly. The level of pride in their organisation, the level of sincerity in relationships and the quality of relationships between employees are other fundamental aspects of an excellent working environment.

The principle that drives the survey and the consequent employee engagement actions resulting from it begin with the premise that the Company can improve its own performance by leveraging and constantly improving the atmosphere of trust in the working environment.

In November 2013 Pirelli launched My Voice, the global company climate survey conducted among all employees for the very first time. Both white and blue collar employees in 34 countries were asked over the course of four weeks to express their own opinion on



how they felt at the Company.

The survey was conducted in the form of an online questionnaire with 59 questions, available on a dedicated website maintained outside the Company. Special areas with PCs connected to the internet were set up at the various plants, where blue collar workers were able to go and complete the survey. All employees also had the possibility of filling out the questionnaire from their own PC at home, using the access credentials provided by the Company.

The survey had very high response rates, albeit with a certain degree of variation from country to country: 81% for white collar employees and 57% for blue collar employees. About 70% of the participants in the survey also responded to the open question at the end of the questionnaire. Taken together, these free comments will offer interesting qualitative insights that will facilitate more precise reading and interpretation of the results.

The success of the survey in terms of its overall participation rate was made possible by a series of enabling factors: effective internal communication and active involvement of management and local Human Resources Departments.

It is expected that the results will be returned beginning in March 2014, and their summary will be passed on to all employees over the Company intranet and local internal media reports. Locally dedicated action plans will be prepared on the basis of the survey results and be implemented over the course of 2014.

## INTERNAL COMMUNICATIONS: INTERNATIONAL OUTLOOK, ENGAGEMENT AND SHARING

### **TARGETED AND SMART INFORMATION**

Internal communication played an important role in 2013, both for the role it played yet again in support of the dissemination and comprehension of corporate strategies and goals, which marked the year and culminated in the new Industrial Plan presented on November 6, 2013, and for the innovations that were introduced, particularly by – and thanks to – the intranet.

Awareness of the Company, communication targeting the business, focus on individuals and internationalisation are the strong points of the strategy and tools implemented in 2013, with a more interdisciplinary objective that aims to reinforce trust and the sense of belonging in the Company.

### **ONAIR: LIVE COMMUNICATION ON THE INTRANET**

During 2013, the OnAir information and communication channel revised its graphics and contents, accommodating new languages, always keeping pace with the new media, in view of further reducing the distance between what the individual sees in the Company (as an employee) and what he experiences outside the Company (as an individual). In the final analysis, this objective aims to realise increasingly direct and prompt communication and thus capable of contributing to reinforcement of the sense of trust in which the Company is investing globally. In this sense that an expanded editorial office for OnAir was created in 2013. Periodic meetings are held with representatives from all corporate departments for continuous and direct updates on events and individuals.

In April OnAir introduced itself to over 10,000 users in the world with a new look and feel. This was done in response to requests from certain users that were received in the form of statistics and through sample surveys. In fact, interaction with employees was the constant theme of OnAir communication in 2013, during which the employees were involved both as “active” users (e.g. through the quick polls) and as protagonists of Company stories. Even the new formats – Faces&Jobs, CartoOnAir’ and From A to Z – have employees directly recount the jobs, numbers and words of Pirelli people. These three columns, which use smart languages (videos with animation and cartoons), have been much appreciated, as demonstrated by the statistics.

While the international editorial offices have continued to feed not only their own local information space (466 country news in 10 languages), but also the shared global news space (68 from the world news), 2013

witnessed the début of OnAir in Italian production plants with special totems set up in the break areas.

The distribution of OnAir content crosses the borders of intranet to feed other channels and tools of communication in various countries. For example, in Brazil a newsletter named No Ar was created, and in Russia cartoons of CartoOnAir have become posters in the factory. In 2014 plans call for continued work on live communication that engages more and more employees in story telling. New formats are on the way, including :Passion, the photographic space dedicated to persons and sharing of ideas and interests, and "Today in the editorial office", the video feature that narrates Pirelli events and even hosts outside guests.

### **THE HOUSE ORGANS IN THE WORLD: THE NEWSSTAND GOES ONLINE**

The corporate publications (newsletters, house organs, manuals and presentations), both online and hard copy, continue adjusting to comply with the Guidelines issued in 2012. The multitude of foreign magazines started to find a shared space in the section House Organs & Newsletter of OnAir to encourage the sharing of experiences and events in each country.

Beginning with Fatti & Notizie, the magazine distributed to Italian employees, the decision has been made to dedicate increasing attention to the business and factories with targeted articles and dedicated specials, like the one prepared in November 2013 on quality.

### **WORLD: A TRANSFORMATION**

Following a new editorial project, World has transformed into a monographic international magazine that is more oriented to the stakeholders of the Company. While remaining sensitive to corporate themes, it reflects on topical issues, the relations between Pirelli and the economy, industry, science, the markets and culture, to get into the quick of transformations in the contemporary world, thanks to the contribution of leading personalities in the academic, scientific and cultural world. The frequency of publication is scheduled to change in 2014, from once every six months to once every four months.

### **PROGRAMMES FOR EMPLOYEES AND FAMILIES**

In 2013 the monthly meetings of :PBook, the book club at the Bicocca that will continue to meet in 2014, were animated by visits, on three separate occasions, of certain renowned authors, including the mystery writers Gianrico Carofiglio and Maurizio De Giovanni, and the stage actor Alessandro Bergonzoni. In response to strong demand by employees, the Bicocca hosted an open day last September.

### **BRAZIL: AN EXAMPLE OF WIDESPREAD COMMUNICATION**

With over 12,000 Company employees and a communications team that was organised and expanded during 2013, Brazil represents an exemplary case for the diffusion of activities. Every working space is reached by a tool: from the canteen (Company TV, personalised placemats, advertising panels) to the factory (periodic meetings between blue collar workers and the Production Manager – Espaço Aberto da Fábrica – new visual communication systems), from the offices (a new newsletter – No Ar – via e-mail) to residences (magazine Giro em casa).

### **RUSSIA: COMMUNICATION ALSO FOCUSES ON FAMILIES**

Russia confirms its position as a strategic country on account of the approximately 3,500 employees who are the targets of numerous communication programmes, which often extend to their families. In addition to the magazine Shinnik, a quarterly publication dedicated to blue collar workers and the quarterly newsletter for white collar employees, soccer tournaments, photography competitions, celebration of employee children who get top grades in school, factory visits by former employees, family days are organised, receiving the enthusiastic approval of everyone.

## WELFARE AND INITIATIVES FOR THE INTERNAL COMMUNITY

With the creation of the Group Welfare Manager, the welfare activities that have already been undertaken by the Pirelli Group have gradually been organised and expanded at the local and international level.

For several years now, the Group has been implementing a series of measures in various areas to support its employees, from healthcare to company discount arrangements with various entities, from social to leisure time activities and assistance for families and their children.

At the end of 2011 an ad hoc organisational function was set up – the Group Welfare Manager – with Group level responsibility, confirming the increasing attention dedicated to this issue.

The Company's initiatives for the Internal Community have always varied from country to country, and address the specific needs that are typical of the various social contexts in which the affiliates operate.

They are aimed at all employees, regardless of whether they are unlimited term, limited term or part-time employees.

Periodic surveys and exchanges of experiences with the management located in different countries has shown that the work/professional services and private/family services offered to the Internal Community can be broken down into four basic areas of action: health care, the family, leisure time, and work (facility, training, group celebrations).

With regards to celebratory events for employees and their friends and families, as usual the company organised a number of open days on various sites. In terms of health assistance, Pirelli factories have always had infirmaries, with medical personnel and specialised doctors available for all employees during working hours. These facilities also offer first aid services, advice for health problems not connected to the workplace and health surveillance for any workers exposed to specific risks. The infirmaries also support the various health-related promotional campaigns that are launched on a local level, and prevention

campaigns. Once again in 2013, Pirelli offered all its employees the opportunity to be inoculated with the seasonal flu vaccine free of charge.

The programmes offered to employees have been significantly expanded in Italy, and even the services that were already active and present in the Company (company canteen, tax assistance, health care assistance, specialised day hospital, summer holidays and scholarships, shuttle buses, merchant discounts for company employees...) have been communicated in a more organic and structured way and, as such, used more. In this sense, consider the realisation and distribution of the pamphlet Pirelli Plus, a detailed hard copy guide that describes the services and offers available to Pirelli employees, in view of growing reconciliation between personal life and work.

To guarantee ever easier and more immediate access to the welfare services offered by the Company, a special portal was also created in 2013 that all Italian employees can access from the intranet, from special totems set up in the factory or from the comfort of one's own home. The portal, named Pirelli People Care and that had over 1,350 registered users in January 2014, was created with the intent of bringing together in one space all available welfare services offered and to allow employees fast use in just a few clicks.

The range of services offered in 2013 responds to specific wishes of employees who, after being engaged in specific focus groups at the beginning of the year, identified areas of interest to them for which they asked the Company to take specific actions.

This has given rise to services dedicated to families, such as the possibility of reserving baby sitters, housekeepers, social workers, domestic assistants, personal services such as legal advice, car pooling, and a wide range of merchant discounts for company employees at the local and national level for shopping, free time and health.

Among the services that immediately generated particular interest among employees was the possibility of purchasing monthly or annual passes for use of public transport and school books at discounted prices through instalment payments deducted from their paychecks and delivery at the Company.

Convinced that welfare activities must first and foremost satisfy the needs of employees and be designed for the direct users, the Welfare Department is committed to monitoring the level of employee satisfaction and constantly receives feedback and reports. For example, the People Care portal contains a section where employees may indicate merchant discounts for company employees that they want to obtain or any other needs.

In response to what was requested by the focus groups and to provide employees with concrete, tangible assistance, a special space named People Care for Bicocca was set up in early 2013 near the company canteen at the Milan headquarters of the Pirelli Group. Two days a week, during the lunch break, dedicated staff provides laundry, tailoring and postal services on behalf of employees. This is an important and efficient aid that saves employees time.

To promote the new programmes and internally publicise what welfare services are now available, several information counters have been set up. These "Welfare Corners" are found at the Milan headquarters and at the Settimo Torinese plant.

During 2013 special attention was also dedicated to the contribution that the Pirelli Group can make in its daily activities to the socio-economic context in Lombardy. The various charitable activities that have been set up include the one organised with Citycibo. For years Pirelli has contributed the complete, uneaten meals from its company canteen to this entity year after year, and in 2014 the Group will organise volunteer work by its employees together with that institution.

One of the next goals that the Welfare Manager is already working on is a campaign to raise awareness of preventive health and wellness, so that people can take care of their own physical and mental health at the Company. Even on the international front, welfare activities in 2013 have taken an increasingly leading role in the individual local realities and individual countries where they have been historically located. These have been communicated internally in a more organic and structured way, made possible largely by the new communication channels that have been created in the meantime.

The welfare experiences accumulated in the individual countries have been collected at Company headquarters, with the aim of initiating a process of structured sharing of internal best practices in 2014. Two of the most virtuous and original examples found at our non-Italian sites definitely include the establishment of an in-house gym at the Company (e.g. in France, Germany, Mexico, Russia, Turkey and the United States) and, nearly everywhere, the availability of a Company shuttle. The Smile Campaign organised in Romania is an innovative programme that promotes organisational wellness. Another innovative programme is represented by the choice made by Pirelli Argentina to have interested blue collar workers attend professional technical schools to improve their educational level and develop specific technical skills. In this regard, it is worth mentioning that Pirelli devotes constant and widespread attention to the education of its employees' children. This is substantiated by the fact that in nearly all countries where the Group operates, the Company partially or fully subsidises the purchase of school books for those children.

Finally, the programme operated by Pirelli China is particularly interesting: it provides fully furnished apartments to newly hired employees who do not originally come from the place where the Company is located.

Moreover, Pirelli tyres have been supplied to employees at heavily discounted prices for years in nearly all countries.

## INDUSTRIAL RELATIONS

Pirelli Group industrial relations are conducted on the basis of constructive dialogue, fairness and respect of the various roles involved. Guaranteeing and respecting free trade union activities is one of the key values on which Pirelli bases its own Human Resource Management System. Relations and negotiations with trade unions are managed locally by each affiliate in accordance with the laws, national and/or company-level collective bargaining agreements, and the prevailing customs and practices in each country. At

this level, these activities are supported by the central departments, which coordinate activities and ensure that the aforementioned principles are observed throughout the Group.

During 2013 this activity achieved significant negotiating results for the renewal of collective agreements at various Group sites, such as Mexico. This is complemented by the important role played by the Group in Italy for renewal of the national collective bargaining agreement in the Rubber and Plastic sector, signed on January 8, 2014.

Following the persistently sharp contraction in consumption at the European level in 2013, which also impacted the tyre industry, the Company continued with an organisational and production streamlining process to contain its costs. In this perspective, an agreement was signed in July 2013 at the Bollate plant together with plant union representatives and local trade union representatives. They agreed that beginning January 2014, two new types of products would gradually come into production, in order to support a forecast output of about 2 million units annually during the two-year period 2014-2015. Accordingly, agreement was also reached on the following: a different and coherent operating structure based on a new organisation of work, a new staff of permanent employees for regular operation of the plant, amounting to 239 blue collar employees and 37 white collar employees; the redundancy of 90 workers (80 blue collar employees and 10 white collar employees); the non-traumatic management of redundancies through recourse to solidarity contracts for the period January 1, 2014 – December 31, 2015.

In the context of restructuring resulting from the crisis, the activities for closure of the steel cord plant at Merzig, Germany that began in 2012 were completed in June 2013. This closure affected about 100 employees, of whom 70 left the Company in 2013.

Consistently with the Company's sustainable approach to restructuring processes, professional reassignment policies were adopted through framework agreements with major international companies for outplacement plans.

During 2013 Pirelli initiated a process to dispose

of its steel cord business, by examining – with the support of an internationally prestigious advisor – the opportunities to sell in view of better development of the business by potential buyers that might be able to guarantee a significant international presence and adequate competitive standards.

At the end of February 2014 Pirelli & C. S.p.A. and Bekaert announced that they had signed an agreement for sale of 100% of the Pirelli steel cord activities to Bekaert for an enterprise value of about euro 255 million. Disposal of the steel cord business will enable Pirelli to withdraw from an activity whose dimensions are no longer competitive and to focus on the more profitable premium tyre segment, while simultaneously assuring that the steel cord business would have a future in a group that is a leader in transformation technologies and sheathing of steel cables.

As part of the agreement, the two companies agreed on a long-term supply and on joint products development to boost R&D activities and guarantee that the transition to the new agreement be consistent with the companies' respective growth and development plans, while also developing existing assets and simultaneously laying the basis for gradually opening to the market. The closing of the deal, which is subject to regulatory approval, is expected to take place in the second half of 2014 and affects all five of the Pirelli steel cord plants located in Italy, Turkey, Romania, China and Brazil.

Finally, Industrial Relations play an active role in the Group's commitment to health and safety. In fact, 81% of Group employees are covered by representative bodies that periodically collaborate with the Company and the support of specialists in monitoring and confronting current issues and the awareness plans or programmes, in view of continuous dialogue aimed at improving the various activities operated by Pirelli to protect the health and safety of its own workers.

## **EUROPEAN WORKS COUNCIL (EWC)**

The Pirelli European Works Council (EWC), formed in 1998, holds its ordinary meeting once annually after presentation of the Group Annual Financial Report, where it is informed about the operating performance, operating and financial forecasts, investments made and planned, research progress, and other matters concerning the Group. The agreement establishing the EWC envisages the possibility of holding additional, special meetings to comply with disclosure obligations towards delegates in consequence of transnational events concerning material changes in the organisational structure of the Company: opening, restructuring or closure of offices and plants, and important and widespread changes in the organisation of work. EWC delegates are provided with the IT tools that they need to perform their duties and a connection with the corporate intranet system, for the real time communication of official Company press releases. The Committee currently has 14 members from the Company installations in countries entitled to be represented on the Committee itself, i.e. Italy, Germany, Spain, Sweden, Romania and the United Kingdom.

## **COMPLIANCE WITH STATUTORY AND CONTRACTUAL OBLIGATIONS GOVERNING OVERTIME, TIME OFF, ASSOCIATION AND NEGOTIATION, EQUAL OPPORTUNITIES AND NON-DISCRIMINATION, BANS ON CHILD AND FORCED LABOUR**

Group policy has always promoted compliance with all legal and/or contractual requirements concerning working hours, the use of overtime and the right to regular days of rest.

These requirements are often the subject of agreements with trade unions, in line with the regulatory context of each country. There are no restrictions on any worker's right to use his/her total number of holidays. The holiday period is generally agreed between the worker and the Company.

As the Company also states in its Social Responsibility Policy for Occupational Health, Safety, Rights, and Environment, and in compliance with the provisions of International Standard SA8000®, which it adopted in 2004 as the benchmark tool for the management of social responsibility at its own subsidiaries and associated companies, Pirelli audits the application of provisions governing social sustainability and, in particular, respect of human and labour rights through periodic audits that are commissioned to specialised independent firms and/or performed by the Internal Audit Department. This latter entity has a high degree of independence at Pirelli insofar as it reports not only to the Board of Statutory Auditors but also to the Internal Control, Risks and Corporate Governance Committee of Pirelli, which is composed only of Independent Directors. Particular attention is devoted to the sustainability of Pirelli's sites (and the company's suppliers) operating in emerging countries.

The three year internal auditing plan covers all Pirelli sites. Normally every audit is carried out by two auditors and takes three weeks on site. The Internal Audit Team receives training on the environmental, social

# RODRIGO ALMEIDA



*A Brazilian designer who has exhibited works in his home country and around the world, Rodrigo Almeida is only 39 years old but is already becoming well known in the international world of design.*

*He has participated in the Milan Design Week and most recently in the Stilwerk Mall & Galerie Zeitlos in Berlin.*

*His works, which consist mostly in furniture pieces, are famous for being expressions of the true, complex nature of Brazilian culture, which borrows elements from many other countries. Almeida is able to combine these elements into a unique piece of work.*

*He is passionate about the study of cultural evolution as an inspiration for the creation of new concepts and objects.*

*He has been called the brightest of the rising stars of Brazilian design.*

# DESIGNER

39 YEARS OLD, BRAZILIAN

*Rodrigo is fascinated by the past,  
and spoke to me about how he struggles  
to bring history into the present, without it  
seeming, or looking anachronistic or incongruous.  
He wants to find a way of updating artifacts,  
and creating a newer version of what has gone before.  
Much of his work is totemic furniture,  
blending materials that reflect the melting pot  
of cultures in Brazil, many of these 'upcycled'  
materials taken from simple hardware  
stores or the streets of Sao Paulo.  
There is an element of scavenging in this,  
of mud-raking the past, but in so doing  
Rodrigo is harnessing the power of cultural legacy,  
which not only informs his work but actively  
participates in it through  
the very materials he is using.  
He is a self-taught artist, as many of us are,  
and his ability to re-use and to inculcate  
the past makes his work unique,  
and each piece truly individual  
– which to my mind is a pure talent.  
Rodrigo described himself to me as an artisan.  
He is unconcerned whether his work is sellable,  
he is interested in what is produced, for its own sake..  
Rodrigo and I spoke at length about how much  
he has struggled to become the artist  
that he is today, and how hard he had  
to work to get where he was going,  
without any formal training or contacts.*

*[Hanif Kureishi]*

***Do you consider your talent a gift or a burden?***

*Both, but discipline is what moves talent forward.*

***What you would do if one day you woke up and discovered you had lost your talent?***

*I would go back to the farm where I was born because either way that is where I will go one day.*

***Who is the living talent you most admire?***

*Andrea Branzi and Campanas.*

***What do you like about your talent and what don't you like?***

*I like the feeling of freedom given by creating.  
I don't like having to convince people to understand  
a new aesthetic proposal.*

***When or where does your talent make you happy?***

*When it translates the rational or emotional desires  
of my personality, like a mirror.*

***If you could change your talent, how you would change it?***

*Maybe I would like to make it less but more concentrated.*





# MY WHEEL IS A



# CHAIR

*“My wheel is a video about  
the creative process of a chair.  
This video should be projected  
at the height of the floor,  
so it looks like a virtual chair.  
I will talk about the creative process  
and how I search to create  
my own language, therefore  
reinventing the wheel...”*

and ethical elements of an audit from the directors of the various departments to enable them to carry out an effective, clear and structured audit, giving Pirelli effective control over all aspects of sustainability. If compliance violations were found during these audits, an action plan was agreed between the local managers and central management, with precise implementation dates and responsibilities.

The Internal Audit Department is monitoring the status of implementation of agreed action plans, through specific follow-up measures.

All the managers of the affiliates involved in the audits receive training on the purpose and procedures of the audit from the central departments in question: Sustainability and Industrial Relations. In 2008 independent audits were conducted at Company sites located in Turkey, Brazil, Venezuela, Argentina, Egypt, China, Romania, Colombia, Mexico and Chile. In 2011, Pirelli commissioned new, independent audits at production sites located in Argentina, Venezuela, Brazil, China, Egypt, Turkey and Romania. In 2012 the Internal Audit function conducted sustainability audits at Company facilities in Italy, Brazil, Argentina, Venezuela and Turkey and, in 2013, in Argentina, the United States, Romania and Brazil. The audits will continue in Italy, United Kingdom, Egypt and China in 2014.

Although the instances of non-compliance revealed by the audits were not serious, they were addressed in action plans agreed by the local managers and central management, and will be subject to follow up in 2014 by the Internal Audit Department.

It should be noted that none of the audits revealed any breach of ILO Core Labour Standards, with specific reference to forced labour or child labour, freedom of association and bargaining, and non-discrimination.

## **LABOUR AND SOCIAL SECURITY LAWSUITS**

In 2013, as in the past, the level of work and social security litigation remained low, thanks to a continuing trend of conflict avoidance, substantially in line with previous years.

Just as in previous years the level of litigation remains high in Brazil, to the point of representing about 90%

of all the labour lawsuits currently pending against the entire Group. Labour lawsuits are extremely common in this country and depend on the peculiarities of the local culture. As such, they affect not only Pirelli but also the other multinational companies operating there. Labour lawsuits are generally initiated when an employment contract is terminated, and they usually involve the interpretation of regulatory, legal and contractual issues that have long been controversial. The Company has made a major commitment both to prevent these disputes – to the extent possible within the previously mentioned cultural context – and resolve them, including use of settlement procedures.

## **UNIONISATION LEVELS AND INDUSTRIAL ACTION**

It is impossible to exactly measure the consolidated percentage of union membership at Group companies, since this information is not legitimately available in all countries where Pirelli has a presence (over 160 countries on five continents). However, it is estimated that about half the Group's employees are trade union members.

The percentage of workers covered by a collective bargaining agreement amounted to about 81%, consistently with the previous three-year period. This figure is associated with the historical, regulatory and cultural differences between each country.

Trade union agitation affected the Italian manufacturing sites only during renewal of the national collective bargaining agreement for the rubber and plastic sector and, in regard to the steel cord plant at Figline Valdarno, during the phases related to disposal of the steel cord business.

## **OCCUPATIONAL RETIREMENT AND HEALTH-CARE PLANS**

Defined benefit plans are in place in the United Kingdom (the fund was closed for all employees on the payroll at April 1, 2010), in the United States (these plans were closed a number of years ago to employees on the payroll, in favour of defined contribution plans; since then, they only apply to retired employees but are not tied to wage increases) and in Germany (this scheme

was closed to new hires in 1982). Other defined benefit plans exist in The Netherlands, but they represent a relatively insignificant liability for the Group.

Group affiliates provide supplemental company medical benefits according to local requirements. These healthcare schemes vary from country to country in terms of allocation levels and the types of coverage provided. The plans are managed by insurance companies or funds created ad hoc, in which the Company participates by paying a fixed amount as is done in Italy, or an insurance premium as is done in Brazil and the United States. For measurement of the liabilities and costs represented by these benefits, reference is made to *notes 22 – Provisions for employee benefits and 31 – Personnel expenses in Volume 01: Annual Financial Report at December 31, 2013.*

## OCCUPATIONAL HEALTH, SAFETY AND HYGIENE

*“The Pirelli Group safeguards health, safety and industrial hygiene in the workplace, both through management systems that are continually improving and developing and by promoting an approach to health and safety based on prevention and the effective handling of occupational risk.”*

(The Values and Ethical Code – “Human Resources”)

*“The Pirelli Group pursues and supports compliance with internationally proclaimed human rights. Pirelli considers protection of the integrity, health and welfare of its employees and the environment as one of the primary needs to be satisfied in organising and developing its activities. To these ends, the Pirelli Group is committed to: management of its activities by adopting occupational health, safety and rights and environmental policies in compliance with the highest international standards; the dissemination of occupational health, safety and labour rights and environmental information to its internal and external stakeholders, both by communicating with them and actively co-operating with national and international government and academic bodies;*

*promoting use of the most advanced technologies to achieve excellence in occupational health and safety and environmental protection”.*

(Group Social Responsibility Policy for Occupational Health, Safety, Rights, and Environment)

*“The Pirelli Group considers protection of the safety, health and well-being of its employees as one of the basic and general elements in defining its own strategies and objectives, in view of obtaining ever-more competitiveness on the global market on a long-lasting and sustainable basis.”*

(Quality Policy)

The management approach to Occupational Health, Safety and Hygiene is based on the principles and commitments set out in the cited Sustainability documents, which are discussed in the introductory section of this report and whose complete text has been distributed to all Group employees in their local languages as well as having been published in the “Sustainability” section of the Pirelli website.

## **SAFETY MANAGEMENT SYSTEM**

Pirelli Tyre implements a Safety Management System that is structured and certified in accordance with OHSAS 18001:2007.

All certificates have been issued with the SAS international accreditation (SAS is the Swiss Accreditation Service, which assesses and accredits compliance assessment bodies – laboratories, inspection and certification bodies – in accordance with international rules).

Beginning in 2014, RINA Services S.p.A. will be the new compliance auditor of the Pirelli Tyre Safety Management System and environment. The Company has opted for ANAB (a United States accreditation entity) international accreditation. The introduction of this new service provider addresses the need to have the greatest degree of transparency in the certification process, which assumes periodic changes in both the Management Systems compliance assessment entity and the accreditation entity.

For reasons related to transfer of the certifications

from one compliance assessment entity to another, the Merlo, Argentina plant will have to get its Safety Management System recertified in the first few months of 2014.

To date all Pirelli Tyre production sites are certified according to this standard, with the exception of:

- the plant in Rome (United States), which in line with local legislation already has a management system comparable to the OHSAS 18001 standard. For this reason, the certification activity is a parallel activity whose value is relative. Instead, the Environmental Management System is fully operative and certified pursuant to ISO 14001;
- the process for the two recently acquired Russian plants at Kirov and Voronezh was initiated in 2013 so that they may be certified in 2014;
- the plant in Merlo, Argentina, due to purely technical reasons related to the change in certifying entity as described above.

The OHSAS 18001 (as well as the ISO 14001) certification of the Tyre manufacturing site operating in Mexico was completed in 2013 as planned.

The Safety Management System and the Environmental Management System implemented at the Pirelli Tyre production sites have been developed on the basis of procedures and guidelines drafted at corporate headquarters. This has made it possible to adopt a "common language" within the Group, in terms of the key elements of operating that guarantee effective, uniform and shared management.

## **SAFETY CULTURE**

The Zero Accidents Target is a precise and strong corporate position. Pirelli strongly believes that leaders play a strategic role in risk prevention. Their behaviour must therefore be an example for all employees. Management must make a clear, visible commitment to safety culture in order to achieve the ambitious aims that the Group has set itself.

From an industrial point of view, this objective is pursued through a major plan of investments for technical improvement of work conditions, while constantly insisting on the cultural and behavioural

aspect of all Company players. Safety culture is of paramount importance, and it is necessary to pursue it in accordance with the rules, while maintaining a very clear idea of everyone's responsibilities to themselves, others, and their family. In this area as well, fostering engagement and ongoing communications between management and staff has proved a successful strategy. In 2013 the Company continued to reinforce and consolidate the behaviour-related aspects of safety culture. The Company has maintained and developed the focus on Leading Indicators, namely measuring what preventive measures should be implemented and how this should be done, rather than Lagging Indicators, namely reactive indicators such as the number or frequency of accidents.

In 2013 the Company signed a global agreement with DuPont Sustainable Solution in support of the Management System outlined above, with a special focus on a standard approach to Behavioural Safety in the Group.

The resulting programme begins in 2014, initially at the English sites and in Venezuela, and will then be extended to all Pirelli industrial sites.

Communication and sharing information play an important role in internal dissemination of the Safety Culture. This is accomplished with monthly newsletters like the Safety Bulletin, and the periodic publication of significant events through the traditional channels of internal communication.

Consistently with its own "cultural" approach to occupational safety, Pirelli has been an official partner of the European Occupational Health and Safety Agency (EU-OSHA) for years, actively supporting its campaigns. Every two years the Agency tackles a different issue. The theme for the 2012-2013 period was "Working together for Risk Prevention".

The common goal of the various European Agency campaigns is to provide further support to management when it comes to showing leadership in the context of occupational health and safety, and fostering worker participation. Workers and their representatives are encouraged to share their ideas and work with management to improve health and safety for all.

## **SAFETY TRAINING**

In addition to safety training offered locally at every Pirelli location (which is illustrated in the section of this report dedicated to employee training), special mention has to be made of Group activities and projects, which simultaneously target several countries by allowing an alignment of culture and vision, fully benefiting pursuit of the Company's own improvement targets.

The Manufacturing Academy merits special mention. This is the Pirelli Professional Academy dedicated to factories, where health, safety and environment issues are discussed in detail. In 2013 attention was focused on training for assessing the risks related to machinery, consistently with the concurrent update of applicable internal procedures.

It must be pointed out that 11% of the training provided by Pirelli in 2013 addressed occupational health and safety issues.

The sixth edition of the Pirelli Health, Safety and Environment global meeting is scheduled to be held in the first quarter of 2014, at the Pirelli manufacturing centre in Yanzhou, China. The meeting has always had the purpose of treating the best practices applied by the various Pirelli sites in the world as a common factor.

## **HEALTHCARE ASSISTANCE DURING WORKING HOURS AND PREVENTION CAMPAIGNS**

The infirmaries at the production units offer all employees care by health care workers and specialised physicians on duty during working hours.

These facilities provide first aid care, advice on health problems unrelated to work and health supervision for workers exposed to specific hazards.

Once again in 2013, Pirelli offered all its employees the opportunity to be inoculated with the seasonal flu vaccine free of charge.

The Health and Lifestyle campaign developed in Brazil was particularly significant, engaging the participation of nearly 4,000 employees, and will be completed in 2014. This programme involves medical exams, blood chemistry and instrumental tests, and individual interviews aimed at improved understanding.

## **MONITORING OF PERFORMANCE**

Alongside establishing specific guidelines and procedures for implementing management systems, Pirelli uses the web-based Health, Safety and Environment Data Management (HSE-DM) system, elaborated and managed at corporate headquarters by the Health, Safety and Environment Department. This system makes it possible to monitor HSE performance at every production site in the Tyre Business and prepare numerous types of reports as necessary for management or operating purposes.

In particular, the HSE-DM system collects all information about accidents that occur in factories (accident analysis, corrective measures adopted, etc.).

If the dynamics of a particular case are significant, all plants are not only provided with the information via a Safety Alert system, but also urged to conduct an internal audit as to whether conditions similar to the ones that caused the injury exist at their plants too and define any corrective measures. By using this system, every site may audit the solutions adopted by other plants in order to share the best choices.

In 2013 the HSE-DM system was further developed, enhancing its data management and analysis capabilities.

## **PERFORMANCE**

In 2013 Pirelli achieved an FI (Frequency Index – i.e. the ratio of accidents to the hours actually worked) of 0.62, meeting and surpassing two years early the target it had set in the Industrial Plan 2012-2014 and Vision to 2015. This target called for reducing the Occupational Accident FI by 60% in 2015 from the 2009 figure. The new target, set with the Industrial Plan 2013-2017 and Vision to 2020, calls for reducing the FI by 90% between 2009 and 2020.

In 2013 the Frequency Index (FI) of accidents at the Group (i.e. for all employees) fell by a total of 20% from 2012. It should be pointed out that the frequency index for women is considerably lower than the Group's average, partly due to the fact that most of the female employees are engaged in activities with a lower level of risk as compared with male employees.

Even the Severity Index (SI) of accidents at the Group continued tracking a steady downward trend that had begun in the previous years, falling from 0.26 in 2012 to 0.18 in 2013.

The Severity Index (SI) was calculated by considering all calendar days (excluding the date of the accident) between the injured person's work interruption and the employee's return to the factory as "lost," i.e. the actual days necessary for complete rehabilitation.

Both in the case of the Frequency Index and the Severity Index, Europe and Latin America have a higher rate than the other geographical areas where Pirelli operates (Africa, Asia, North America and Oceania), although it has been steadily declining for years.

The calculation of the IF and IG rates mentioned above do not include the business in itinere accidents and agency worker accidents, which are listed separately.

#### FREQUENCY AND GRAVITY INDEX

	2013	2012	2011
Frequency Index	0.62	0.77	1.10
FI men	0.68	0.86	n.a.
FI women	0.10	0.18	n.a.
Gravity index	0.18	0.26	0.27
In-itinere accidents	107	136	142

The most representative accidents involve events resulting in contusions, cuts and fractures to upper limbs. There were seven accident events involving agency workers at the Group in 2013.

There were 104 accident events involving workers of independent contractors working at Pirelli. There are no workers in the manufacturing process who have a high incidence or high risk of illness related to their occupation. As illustrated in the following table, the Frequency Index of occupational diseases in 2013 fell to 0.09.

#### OCCUPATIONAL DISEASES

	2013	2012	2011
Frequency Index of occupational diseases	0.09	0.10	0.07

## FATALITIES

2013: there was no fatal accident involving Group employees or employees of independent contractors working at the Group's operating sites.

2012: there was no fatal accident involving employees of independent contractors working at the Group's operating sites; on September 30, 2012, one Group employee suffered a fatal accident at the Carlisle, United Kingdom plant. Following and investigation of the incident, the authorities found that it was accidental. Pirelli continues to provide full support to the UK Health & Safety Executive authority as the investigation proceeds.

2011: there was no fatal accident involving Group employees or employees of independent contractors working at the Group's operating sites.

## BEST PRACTICES

Eight tyre manufacturing plants were "sites of excellence" in 2013, since no employees were injured there in 2013:

- CMP Milano (since 2009);
- Slatina-Steelcord in Romania (as in 2012);
- Breuberg-MIRS in Germany;
- Kirov in Russia;
- Rome-MIRS in the United States;
- three "Fitted Units" in Brazil (Sao Josè dos Pinhais, Camaçari, Sorocaba).

These results should be attributed to the constant focus on leading indicators, namely in terms of prevention.

## HEALTH AND SAFETY EXPENDITURE

In 2013 health and safety expenditure by Pirelli Tyre totalled more than 14 million euro. Pirelli Tyre expenditure (in millions of euro):

- 2011: 12.2;
- 2012: 14.7;
- 2013: 14.3.

The expenditure made targeted improvements on machines and plant and, more in general, the workplace environment as a whole (e.g. improvement of microclimate and lighting conditions, changes in layout for ergonomic improvement of activities, measures to protect the healthfulness of infrastructure, etc.).

## HEALTH AND SAFETY TARGETS

### Quantitative

- 2015: reduction in the Accident Frequency Index by 60% in 2015 from 2009 (strategic plan to 2015): achieved two years early in 2013.
- 2020: reduction in the Accident Frequency Index by 90% from 2009.

### Qualitative

- OHSAS18001 certification of the Guacara factory (Venezuela) achieved;
- 2013-2014: OHSAS 18001 and ISO 14001 of the Silao,

Mexico site: achieved;

- OHSAS 18001 certification for the Voronhez and Kirov, Russia sites and ISO 14001 certification for the Voronezh site: pending;
- 2011-2012: integration of an HSE module in the Process Kaizen Engineer training course; this goal has been broadened to include HSE training in the new Manufacturing Academy: achieved;
- 2013-2015: implementation and consolidation of the systems Behaviour Based Safety (BBS), LockOut tagOut (LOTO), and Point of Work Risk Assessment (POWRA): pending;
- 2014-2018: implementation of the global programme "Excellence in Safety". Starting in Carlisle, Burton and Guacara.

## EXTERNAL COMMUNITY

### RELATIONS WITH INSTITUTIONS AND PUBLIC AUTHORITIES

*"Relations between the Pirelli Group and public authorities at local, national, and supranational levels are characterized by full and active cooperation, transparency, and due recognition of their mutual independence, economic targets, and the values in this Code. The Pirelli Group intends to contribute to the prosperity and growth of the communities it operates in by providing efficient and technologically advanced services. The Pirelli Group endorses and, where appropriate, gives support to educational, cultural, and social initiatives for promoting personal development and improving living standards. The Pirelli Group does not provide contributions, advantages, or other benefits to political parties or trade union organizations, or to their representatives or candidates, this without prejudice to its compliance with any relevant legislation."* (The Values and Ethical Code – "Wider Community")

In all countries where Pirelli has a presence, the aim of institutional relations is aimed primarily at the creation of structured and constant relations with institutions

to assure adequate representation of Group interests, including participation in the different phases of the decision-making process. All activities are characterised by maximum transparency, legitimate authority and responsibility for all information that is released in public venues and in direct relations with institutions.

In the process of consolidating and developing institutional relations, Pirelli focuses on active monitoring and detailed analysis of the legislation and regulations in force with a view to verifying possible areas of interest as well as identifying the stakeholders in question. To guarantee optimum comprehension of the activities performed and the interests represented, institutional interlocutors are targeted by a constant flow of information about the industrial identity of the Pirelli Group, its principal business activities, the development of new process and product technologies, and, last but not least, elements of economic, environmental and social sustainability.

In view of guaranteeing more effective engagement of Group stakeholders, institutional dialogue is also enriched by numerous projects and initiatives undertaken with institutions to promote and support issues of public interest.

The geographical scope of the Pirelli Group's industrial and economic interests calls for an extended network of institutional relations on a national, European and international level. In Italy, the Group interacts in a system of relations involving the most important institutional bodies at both the national and regional levels. At the parliamentary level, it analyses draft legislation affecting the Group, focusing on the initiatives taken by the standing committees of the lower house of Parliament and the Senate, and occasionally offering support to parliamentary activity in the form of technical information, studies and specialised analyses concerning the Group's activities. At the government level, Pirelli maintains constant relations with the Prime Minister's Office and the principal ministries and related governmental entities that have an impact on the Group. At the local level, Pirelli devotes special attention to relations with governmental bodies in the regions where Pirelli has a presence with its manufacturing plants.

During the year, the Institutional Affairs Department constantly worked to defend and support Group interests, by promoting the most effective representation at the various levels of the political and administrative system. Among the ordinary activities carried out to defend these interests, initiatives have been taken in relation to: support for industrial development, particularly in regard to research and development projects; promotion and reinforcement of international relations in the countries where the Group has a presence with industrial sites; analysis and study of the impact of tyre regulations; warnings on highway safety issues.

Pirelli also considers its relations with European Union institutions to be of key importance, dedicating special attention to them. In this context as well, continuous dialogue with the European Commission, the European Council and the European Parliament is conducted in the form of legislative analyses and concerns a broad range of issues that run from transport to environmental policies, and internal market or international trade issues. Pirelli represents Group interests to stakeholders, contributing to the formation of adequate and informed legislative decisions, while always guaranteeing an approach based on maximum transparency, fairness and collaboration with institutional representatives.

The Pirelli Group is entered in the European Transparency Register established and maintained by the European Parliament and Commission with the aim of improving levels of transparency in EU decision-making processes.

At the international level, Pirelli is planning numerous meetings with its principal institutional counterparts in the countries where the Company has manufacturing facilities, in order to promote an effective Institutional Relations strategy based on a fair perception of the Group's industrial presence and encouraging dialogue to further mutual understanding. On these occasions, all issues related to local growth and competitive factors are presented to direct sustainable investments and facilitate appropriate initiatives to remove any obstacles to economic and industrial development. Public initiatives aimed at solid institutional engagement are also promoted and facilitated in these contexts, and

they are often tied to the needs of local communities in collaboration with Group Sustainability Departments.

## PRINCIPAL INTERNATIONAL COMMITMENTS FOR SUSTAINABILITY

A number of the principal commitments made by Pirelli worldwide are illustrated as follows. The list does not include the numerous activities and agreements existing at the local level with Group affiliates.

### **ETRMA – EUROPEAN TYRE AND RUBBER MANUFACTURERS ASSOCIATION**

ETRMA, the principal partner of EU institutions for the sustainable development of new European policies for the sector and their proper implementation with the institutional support of the Pirelli Group, worked very intensely again in 2013 on the preparation of provisions to implement regulations issued by the European Commission covering the general vehicle and tyre safety and energy efficiency, as well as tyre labelling, which represents an absolute first for the sector in Europe.

In conjunction with these activities, ETRMA is actively involved in defining the European Commission market supervision regulation. It continues to urge EU Member States to develop policies for monitoring the compliance sold on the market with EU laws. Partly for this reason, it has reinforced its partnership with national tyre industry associations. Rounding out its vehicle safety regulatory objectives, ETRMA has contributed to revision of the European policy governing periodic technical inspections, where tyre compliance plays a key role in road safety.

ETRMA actively participates in the implementation of the new CARS 2020 (Competitive Automotive Regulatory System) system. Pirelli has participated in the working groups supporting the high level CARS 21 group, and its challenges concern access to raw materials, the need for new skills and greater worker flexibility, the sustainability of production processes and the need to guarantee compliance with the new and

sophisticated product regulations that focus on safety and environmental impact. The CARS 2020 strategy is part of the Europe 2020 strategy, in which ETRMA is heavily involved. It aims at defining the economic and social action of the Community over the next decade. It is continuing with its programme of activities to raise awareness of road safety and sustainable mobility. Another strategic activity in which ETRMA is heavily involved is implementation of the Emission Trading Scheme. This aims to reduce the economic impact of European energy policies, and just as in the European Innovation Partnership on Raw Materials, it has the goal of guaranteeing fair and unrestricted access to key raw materials for the sector. Finally, the association is successfully promoting sustainable manufacturer responsibility practices for the management of end-of-life tyres. This has led Europe to achieve a more than 95% recovery rate, through close collaboration with the various operating partnerships existing in European countries. Special mention must be made of the fact that the good ETRMA and European practices constitute an international benchmark.

### **IRSG – INTERNATIONAL RUBBER STUDY GROUP**

Pirelli is a member of the Industry Advisory Panel of the International Rubber Study Group (IRSG), an intergovernmental organisation that brings together rubber producers and consumers, acting as a valuable platform for discussion on issues regarding the supply and demand for natural and synthetic rubber. It is the principal source for information and analyses on all aspects related to the rubber industry.

Under the auspices of the IRSG, since 2012 Pirelli has been involved in the Sustainability Rubber Project, among other initiatives. The aim is to create a Global Standard for Sustainable Management in the rubber industry. The initial focus is on natural rubber and, at a later time, the project may also be extended to synthetic rubber.

The Sustainable Natural Rubber Action Plan was announced at the World Rubber Summit in May 2013. This Plan is based on the recommendations of the Heads of Delegation and the Industry Advisory Panel

to which Pirelli belongs. It aims to promote the use of a voluntary standard for sustainable natural rubber that is valid for all stakeholders.

About 85% of natural rubber is produced by small-scale farmers who own less than three hectares of land. The decision to plant trees and produce natural rubber thus depends on the cost/benefit relationship, and consequently on an adequate long-term plan to guarantee stable growth, which must be based on sustainability.

The announced plan is complementary to national economic, social and environmental programmes promoted in the producer nations.

## **WBCSD – WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT**

Pirelli actively participated in the WBCSD – World Business Council for Sustainable Development again in 2013. This is a Geneva-based association of about 200 multinational companies based in over 30 countries that have made a voluntary commitment to link economic growth to sustainable development.

In particular, Pirelli Tyre belongs to the Tyre Industry Project Group, whose members represent about 75% of global production capacity. The goal of the project, which was launched in 2005, is to seize and even anticipate the challenges of sustainable development through assessment of the potential impact of tyres on health and the environment throughout their life cycle. The project, which initially focussed solely on raw materials and tyre debris, with the aim of developing new knowledge and formulating a new approach in the industry, has extended its scope to nanomaterials. Its goal is to develop a specific guide for the sector in collaboration with the Organization for Economic Cooperation and Development (OECD). This guide would set out the best practices for research, development and production of new nanomaterials, ensuring that the use of any nanomaterial is safe for both people and the environment.

The members of the group have also continued promoting best practices for end-of-life tyre management in emerging countries, to encourage

their recovery and reuse as a resource (secondary raw material). This will make it possible to reduce the use of raw materials and environmental impact that this involves.

In view of contributing to guidance for technological choices, management systems and sustainable mobility policy, since 2013 Pirelli Tyre has actively participated in the Sustainable Mobility 2.0 (SMP 2.0) project. Its principal aim is to make a tangible contribution to realisation of the Vision (2050) linked to a notion of universally accessible urban mobility having a low environmental impact, both for human transport and freight transport in motor vehicles. In this three-year project (2013-2015), which originates from two previous works by the WBCSD (Mobility 2020 and Mobility For Development), the key player is a heterogeneous group of international companies that are largely involved in the automotive and auto&parts sector.

Sustainable Mobility 2.0 will raise awareness of the need to promote sustainable mobility, both in an environmental perspective (low impact in terms of energy consumption) and social perspective (with special focus on less affluent segments of the population, fewer road accidents). Through this comprehensive approach to urban mobility, SMP 2.0 will contribute to a more prosperous society, not only in terms of new mobility solutions, but especially by altering the existing paradigms of urban travel.

SMP 2.0 recognises the need for city governments, private business and non-governmental organisations to work together to achieve these ambitious, but now essential goals for a world in which 70% of the population will live in urban areas by 2050. Precisely for this reason, the companies participating in the Sustainability Mobility 2.0 project, assisted by WBCSD, have selected six pilot cities (which are highly representative of the different geographic, economic and infrastructure contexts) for which to develop a roadmap that offers a detailed action plan to improve urban performance in terms of sustainable mobility.

## **EU-OSHA – EUROPEAN OCCUPATIONAL SAFETY AND HEALTH AGENCY**

For the fifth consecutive year, Pirelli continued to be an official partner of the European Occupational Safety and Health Agency (EU-OSHA) in 2013. Every two years the Agency tackles a different issue. The new campaign for 2012-2013 is entitled “Working together for Risk Prevention”, and focuses on fostering leadership in the context of health and safety at work, fundamental when it comes to involving all members of personnel in reducing the number of accidents in the workplace. Pirelli is counting a lot on the strategic role of leaders in risk prevention, considering it fundamental that leaders have a clear and visible commitment together with engaging in exemplary conduct for all workers.

## **CSR EUROPE**

Pirelli has been a member of the Board of CSR Europe since 2010. It is represented by the Sustainability and Risk Governance Manager, who holds the position of Deputy Chairman of the Board with delegated authority over Governance and Finance.

CSR Europe is a network of companies in Europe that are leaders in the area of corporate social responsibility. Its members include more than 60 multinational companies and 38 national partner organisations from 29 European countries.

The network was founded in 1995 by European business leaders, in response to an appeal by European Commission President Jacques Delors.

CSR Europe functions as the European platform for the more than 5,000 businesses and interested parties, enabling them to cooperate and exchange experiences to become global leaders with Europe in the areas of sustainable competitiveness and social well-being.

The European Commission Statement on the CSR sets out a new European strategy for the CSR and recognises the “Enterprise 2020” initiative of CSR Europe as an example of particularly important business leadership in support of attaining the political objectives of Europe. Jose Manuel Barroso, President of the European Commission, has said:

“Europe 2020 aims at building a stronger European Union, based on a competitive economy, with the skills and flexibility necessary to confront a rapidly changing world, but also characterised by social inclusion according to the European Model. This is a task for all of us – the European Commission and all European institutions, the Member States, businesses and social partners – and for this reason the European Commission fully supports the Enterprise 2020 initiative”.

Herman Van Rompuy, President of the European Council:

“Together, your network and the Union share a common interest: restoration of employment and economic growth. This is not only a common objective that we share, but we must also co-operate to achieve it. European Institutions and governments may jointly decide on the agreements and contexts, but then it is business alone that will have to take action in the field”. Through the Enterprise 2020 initiative that is part of the Europe 2020 strategy adopted by the European Council, CSR Europe promotes collaboration, innovation and practical action to shape the contribution of companies to the Europe 2020 strategy for intelligent, sustainable and inclusive growth.

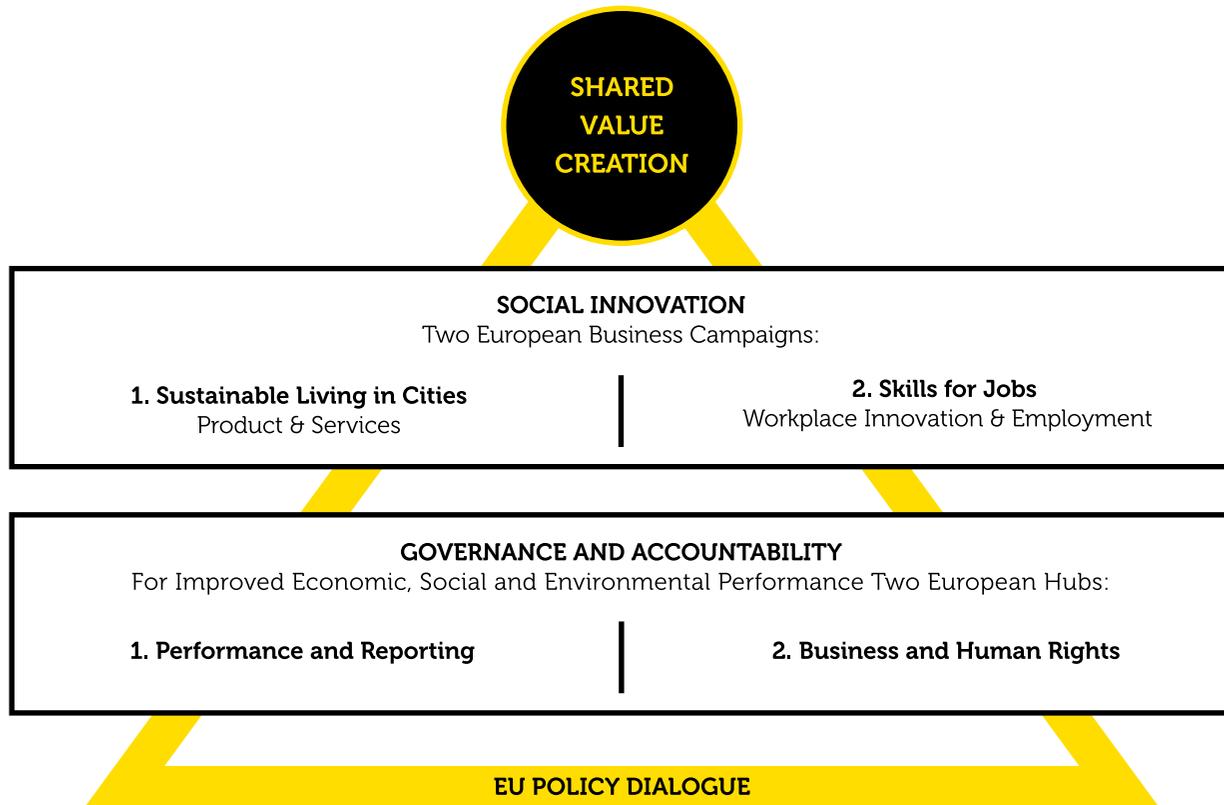
With Enterprise 2020, CSR Europe is committed to:

- supporting businesses in the creation of sustainable competitiveness, by offering a platform for innovation and the exchange of experiences;
- encouraging close collaboration between businesses and stakeholders, by exploring new forms of cooperation to create a sustainable future;
- reinforcing the global leadership of Europe in CSR, by engaging European institutions and a wider range of international players.

CSR Europe has prioritised two European business campaigns – *Skills for Jobs and Sustainable Living in Cities* – as well as a number of collaboration projects and sector initiatives that aim to improve corporate management performance..

Pirelli has participated in the European Alliance for CSR since 2007, fully sharing the approach to sustainability as a strategic and competitive business management

**SHARED VALUE CREATION**



Source: CSR Europe

technique. Until now, the participation of Pirelli – promoted by the European Commission in Brussels to encourage the dissemination and exchange of best practices for sustainability amongst companies – of active involvement in the European Laboratories of the initiative, coordinated in Italy by the Sodalitas Foundation and by CSR Europe throughout Europe.

**ENDORSEMENT OF THE COMMUNIQUÉ OF THE CORPORATE LEADERS’ GROUP ON CLIMATE CHANGE**

Pirelli has renewed its commitment for years in the fight against climate change, promoting the adoption of adequate energy policies to reduce CO<sub>2</sub> emissions. It is expected that the next Communiqué of the Corporate Leaders’ Group on Climate Change will be issued in 2014. The last one was issued 2012, when Pirelli signed The Carbon Pricing Communiqué, a planning document that originated at Cambridge University on the initiative of the Prince of Wales. Since its origin, it has aimed to bring together the biggest British, European and international corporate groups, motivated by the conviction that new, long-term policies are essential

for coping with climate change. In 2011 Pirelli signed the 2nd Challenge Communiqué, while in 2010 it signed the Cancún Communiqué, in 2009 signed the Copenhagen Communiqué and in 2007 it signed the Bali Communiqué. That was the first document for development of concrete strategies through joint work by governments on a comprehensive global climate agreement.

## COMPANY INITIATIVES FOR THE EXTERNAL COMMUNITY

Since it was founded in 1872, Pirelli has been aware that it plays a major role in promoting civil progress in all communities where it operates. Consistently with the Ethical Code and the Group Social Responsibility Policy for Occupational Health, Safety, Rights, and Environment, Pirelli has developed a global strategy for protection of the territory, supporting health, education and training, environmental, cultural and sport initiatives.

Aware of the importance of contributing to the community by capitalising on the natural strengths of the Company, Pirelli has identified three areas of focus. The Company plays an important role in the transport sector, and particular in regard to transportation safety. The four tyres mounted on a vehicle represent the only tangible contact between the vehicle and the road. So, tyre safety is fundamental and of the greatest importance. The experience of Pirelli in the field of road safety has led it to sharing its focus and expertise with stakeholders, i.e. the driving world.

The second area where Pirelli can make a special contribution is technical training. In the countries where it operates, especially in emerging markets, Pirelli possesses technical know-how that can be used as leverage for development of the community. Industrialisation requires training, and good training can become a driver of economic growth. In certain cases, Pirelli has to provide the instruction that its own new hires or future hires need, but in other cases Pirelli contributes to the community and, more in general, offers know-how that is key to development of the area.

Pirelli is now present in many countries undergoing rapid development. Many of its factories have brought jobs to poor communities, where it is important to contribute to children's growth even before it is possible to work on their technical skills. Children can find a supportive community and important lifelong values through social programmes focused on sport. As a sponsor of professional and amateur sport activities for over a century, Pirelli has know-how that it easily re-proposes in the field of social solidarity. In particular, Pirelli is the principal sponsor of the FC Internazionale Milano soccer team. Through the company Inter Futura, it has created an important network of sports and solidarity activities for disadvantaged children around the world. Pirelli sponsors these activities in several markets. In other markets, the Company supports other soccer activities or other sports like basketball or baseball.

Pirelli has adopted an internal procedure for years to regulate the distribution of gifts, contributions and payments to the External Community by Group companies and in relation to the roles and responsibilities of the functions involved, the operational process of planning, realising and monitoring the initiatives and making disclosures about these projects.

A key contribution to the initiatives satisfying local requirements is made by the dialogue with locally operating NGOs. Priority is given to those initiatives whose positive effects on the External Community are tangible and measurable according to objective criteria.

The internal procedure also specifies that no initiatives may be taken in favour of beneficiaries for whom there is direct or indirect evidence of violation of human rights, worker rights, environmental protection or business ethics.

As envisaged in the "Pirelli Values and Ethical Code", the Pirelli Group "does not provide contributions, advantages, or other benefits to political parties or trade union organizations, or to their representatives or candidates, this without prejudice to its compliance with any relevant legislation."

## ROAD SAFETY

Pirelli is synonymous worldwide not only with high performance, but also safety. Together with environmental protection, road safety is the key element of the Green Performance strategy that inspires the Group's industrial and commercial choices. Pirelli's commitment to road safety takes the form of numerous training and awareness-raising activities, but above all in terms of research and the ongoing application of innovative technological solutions for sustainable transport.

The importance of taking action cannot be underestimated. This is why, when it agreed to renew the exclusive supply agreement with the FIA Formula One World Championship, Pirelli and the Federation agreed to discuss the procedures for partnership in the area of highway safety as part of the FIA Action for Road Safety programme.

As a member of the World Business Council for Sustainable Development, Pirelli also wants to assume a responsible leadership role. The Company is active in the Mobility 2.0 working group, an ambitious project that is developing pilot projects in several cities around the world, identifying and implementing sustainable mobility solutions.

Pirelli is also highly focused on the road accident reduction objectives identified by the European Commission in the European Road Safety Charter, of which the Company is a signatory with the following undertakings:

- contribute to consumer awareness of the fundamental aspects of road safety, through the safe driver experience, in France for example, and through partnership with driving schools, in Italy and Germany, for example;
- increase young drivers' awareness of the causes of road accidents, through demonstration crash tests (pilot project in France);
- provide material on winter road safety, with the support of the Pirelli website (potential reach of 9 million users worldwide in one year);
- organise training seminars for driving school owners and instructors on the elements of road

safety that are directly related to the tyre and its use (pilot project in Germany);

- train dealers at the international level about the importance of tyres in road safety, the differences between winter tyre performance and summer tyre performance, etc. The activity has already engaged 15 countries and will engage another eight in 2014;
- actively participate in national road safety programmes, in collaboration with associations, institutions, automotive and motorcycle makers.

In regard to heavy vehicle transport, in 2013 Pirelli Truck continued the activities it had already undertaken in previous years related to sustainable mobility and road safety. Special mention should be made of the Driving Innovation events (the first held in Munich, March 10-12, 2013, the second in Istanbul on October 3, and finally the third in São Paulo, from October 28 to November 1), where the invited customers, who were both operators in the tyre business and transport fleet operators, were treated to in-depth discussions on issues related to transport safety and proper tyre maintenance (with a special focus on the CyberFleet system, the latest Pirelli innovation for precise control of tyre pressure and temperature), and participation at the Environmental Sustainability in Freight Transport seminar organised by Green Freight Europe held on May 10, 2013 at the University of Cranfield in the United Kingdom.

Pirelli Moto dedicated great attention to road safety in 2013, for example with the Bikers Academy, a training course for the youths enrolled at driving schools belonging to Unasca and Confarca to obtain the "young driver's license" and "A1 driver's license", sponsored by Confindustria ANCMA, Associazione Vittime della Strada, the Italian Senate, the Ministry of Infrastructure and Transport, and the Chamber of Deputies of the Italian Parliament (where press conference for presentation of the project was held).

This project was organised with the aim of promoting the safe use of scooters and motorcycles for oneself and for others. For this reason, Pirelli Moto (acting under the Metzeler brand) supplied materials and information that explained the proper use and maintenance of motorcycle and scooter tyres.

Metzeler has in turn made it a priority to promote training programmes on the role of tyres as a means to improve motorcycle driving safety.

With the goal of reaching as many motorcyclists as possible, numerous collaboration agreements were signed with on-road and off-road European driving schools, and in particular:

- in Germany with Action Team, ADAC – Ressort Motorsport, BMW Motorrad Enduro Park Hechlingen, BMW Motorrad Race Academy;
- in the United Kingdom with BMW Motorrad Off Road Skills;
- in France with ZEBRA, EASYMONNERET, H2S;
- in Spain with BMW Motorrad Enduropark Aras Rural;
- in Italy with BMW Motorrad GS Academy.

Pirelli also sponsors specific programmes in certain countries around the world to improve awareness of road safety. Pirelli conducts information and training campaigns in Italy to improve the awareness of Italian motorists and, in particular, new license holders and middle and high school students. Part of this project involved producing an educational video on road safety in collaboration with the Police.

In Romania Pirelli conducted a road safety programme at the high school level. In Turkey, the Company launched a wide-ranging educational project at university level in collaboration with the local office of the World Health Organization, the General Directorate on Safety and the universities to create e-learning courses on road safety. The course for university credits, Traffic is Life – Traffic Safety, was introduced at seven universities, with more than 5,000 students enrolling in it.

The Ciclovias Amigas programme was launched in Brazil to raise awareness about traffic and road safety regulation topics, by presenting stage plays for public school students and several needier schools. Pirelli organised a rally at Kirov in Russia to promote safe driving, with about 2,000 spectators. Pirelli also sponsored a day with the slogan "Kirov is the friendly driver city".

## **TRAINING**

The promotion of technical education and training are very old values that are well-established in the history of Pirelli.

Pirelli continues to benefit from technical and research cooperation with various universities around the world, beginning with the Milan and Turin Polytechnic Universities, and also the Shandong University in China and the University of Craiova in Romania, among others. Technical training is particularly important for Pirelli, including but not only in terms of creating a pool of skilled labour needed to optimise productivity in its factories..

Internally, Pirelli uses its own resources to optimise training, as in the case of the workers for the new factory in Mexico trained at Slatina in Romania.

Externally, Pirelli has supported projects in the communities where it operates for technical training useful to create a good balance between labour supply and demand.

In Egypt Pirelli launched a major project for developing the Al Amreya Industrial Secondary School. As well as committing itself to full renovation of the facilities, from the sewers to the classrooms, Pirelli provided a complete training course for instructors and developed a curriculum based on various specialisations: refrigeration and air conditioning, electronics and electric power, and construction. About 550-600 students enrol in the courses every year.

In Turkey a large number of teaching programmes are offered by expert Pirelli volunteers in technical schools, together with the sponsorship of Pirelli schools.

The Merlo, Argentina factory hosts students for technical training, while Pirelli operates an internship programme in Yanzhou, China.

In Romania, aside from collaboration with the University of Craiova, the Slatina technical college offers training programmes at the Pirelli factory. Other programmes include the Romanian START project for training in manufacturing processes, with the participation of 112 students and nearly 30,000 hours of training offered by Pirelli.

In Russia the Company collaborates with the Voronezh

State Technological University, training students in specific courses and inviting them to the factory for on-site training. About 100 students participated in the programme in 2013.

## **SPORT AND SOCIAL RESPONSIBILITY**

There is a close link between solidarity and sport, in a virtuous circle where commitment to sports becomes synonymous with the commitment to promoting solidarity and ethics, especially amongst young people. Getting young people involved in sport is a way to teach the notion of integration to children from different social groups, and helps prevent negative situations like isolation and solitude.

Since 2008, FC Internazionale Milano, Pirelli and Comunità Nuova have been running the "Inter Campus" social project in Slatina, Romania. The sports and recreational activities are organised for the entire year, with the participation of over 80 children from different social contexts who have been learning the values of team work, social integration and friendship through soccer for over two years.

In 2012 Pirelli and FC Internazionale Milano replicated the experience with Inter Campus at Silao, Mexico, near the new Pirelli factory. The Inter Campus Silao, inaugurated by President Felipe Calderon, is attended by 150 local children.

In 2013 the Company sponsored the Pirelli Cup 2013 in Argentina, an important national summer soccer tournament. The election of Pope Francis, from Argentina, prompted an soccer event to promote peace, sponsored by Pirelli. This is an interfaith event for peace, based on the concept of inclusive education and against discrimination, with the PUPI Onlus foundation. Pirelli also sponsors baseball in Venezuela through the Pirelli Baseball School, which is attended by more than 300 children and teenagers; basketball, volleyball, soccer and motorsport in Brazil; and basketball in Spain, to mention but a few.

In the United States, Pirelli sponsored the Citizens Committee for New York City for all of 2013, with the Pirelli Fun & Fit project, while financing various social sports projects.

In the United Kingdom, Pirelli organises a rally in Carlisle for the Richard Burns Foundation, which assists victims of serious illnesses or accidents.

In Russia Pirelli has organised an ice hockey tournament, where it promoted "healthy living".

## **SOLIDARITY**

The inclusive approach taken by Pirelli to involvement and inclusion takes the form of social solidarity worldwide.

The Company supports educational programmes that can give less fortunate children the tools to escape poverty. It contributes scholarships and research projects, firmly believing in training as key to individual growth and the economic growth of a country.

In Brazil, for example, where Pirelli has been historically active in the local community with social projects, the Company provided for about 450 children in the city of Feira de Santana, near the Pirelli factory, in an after-school programme with 15 different types of activities. Similar projects are offered near the factories in Gravataí and Sumaré, and Pirelli has continued to provide support to the Projeto Guri, a project to give musical instrument and singing lessons to 230 children from the poorest families in Campinas and Elias Fausto in São Paulo.

Pirelli also supports Aliança da Misericórdia, an orphanage in São Paulo that offers shelter to 300 orphans and homeless children, as well as the Dr. Klaide Nursery in Santo André and Escadinha do Tempo in Meleiros.

Since 2013 Pirelli has been providing support to the Centro de Convivência Santa Dorotéia in Grajaú, and specifically computer courses combined with drug awareness education.

Pirelli supports the Fundació Mambre in Spain, a foundation that operates as facilitator in social inclusion processes, supporting homeless people on their individual growth paths. Its goal is to create dwelling solutions. The Company also sponsors programmes to provide food to needy families.

In China Pirelli provides support to the poorest families in the community with donations of rice and oil. In Russia, the employees at the Kirov factory gave support

to an orphanage, by organising activities and gifts for the children there. They also organised activities for war veterans. In another charity project, Pirelli employees in Kirov have committed themselves to building a sports field for local children.

In France the Company contributed to the Special Olympics, in Turkey it contributed to a foundation for the education and protection of mentally disturbed children, while in Romania it contributed to a home for disabled youths.

In the United Kingdom Pirelli made a donation to the YMCA in support of the homeless, and in the United States consumers have been involved in a marketing project with donations to the NGO Make a Wish, which realises little dreams for children with terminal illnesses.

In Brazil Pirelli supports Educandario Imaculado Coracao de Maria in Amélia Rodrigues, an elementary school run by Italian nuns and attended by 1,100 children.

In Turkey the Company provides support for ad hoc programmes at the Turk Pirelli Primary School and the Turk Pirelli High School, such as renovation of the school gym.

Under the coordination of the Kocaeli Chamber of Industry in Turkey, a school was built in Gölcük, the new Gölcük Dumlupınar School.

In particular, Pirelli and 16 of its own suppliers collaborated on the construction of a schoolroom.

The school opened in May 2013, with 34 schoolrooms and 900 students.

Special mention must be made of the recent agreement between Pirelli and Qufu Normal University in China: Pirelli will finance 25 excellent students from poor backgrounds so that they can complete their studies.

## **HEALTH**

Pirelli considers contributing to improving the health services of the communities where it operates to be a priority.

Since 2008 Pirelli Tyres Romania, in collaboration with the Niguarda Hospital in Milan, has supported the professional training of medical and nursing professionals and the donation of medical equipment and devices to Slatina Hospital. Over 120 professionals, who annually care for more than 40,000 patients,

were trained in this programme, and specifically in oncology, paediatric care and emergency care. Pirelli Tyres Romania has also provided dental treatment to around 350 children in Slatina and Bals through the project Overland for Smile.

Since 2010 Pirelli has supported the Pequeno Principe Hospital in Curitiba, the biggest paediatric hospital in Brazil. In Argentina Pirelli has sponsored a marathon in support of children who had tumours, and a flu vaccination campaign. In the United Kingdom, Pirelli has been involved in a long series of initiatives, sponsorships, fund raising and donations on behalf of research and tumour, paediatric, eye, cardiology and diabetes treatment.

## **ENVIRONMENTAL INITIATIVES**

Many Pirelli employees around the world enthusiastically participate every year in Pirelli environmental projects. In Venezuela the company organised a large group of volunteers to clear beaches and adjacent areas.

"Let's do it Romania" is an important project organised by Pirelli in conjunction with the municipality of Slatina, which recruited 350 volunteers to clean up brownfield sites and restore nature. In China Pirelli employees committed themselves to planting trees in the Friendship Forest project. In Mexico Pirelli signed an important agreement with the government of Guanajuato for a reforestation project. Pirelli Mexico has also committed itself to cleaning up and restoring a river bed in the area. In Russia, 300 Pirelli workers participated in a voluntary cleaning day in the Voronezh area, and another 300 workers did the same in the Kirov area.

For the Earth Day celebration on April 22, Pirelli decided to offset the CO<sub>2</sub> emissions produced by its own fleet with carbon credits generated by the Bolivia Project. The direct result of the new car policy adopted by Pirelli in December 2011, this initiative promotes the choice of vehicles that have lower environmental impact and supports a project to save forests and the populations that live there.

## CULTURE AND SOCIAL VALUE

The international character of Pirelli is also visible in its love for culture, with initiatives that were undertaken in many countries around the world during 2013. Its attention to culture, and even more its commitment to preserve, disseminate and cultivate it, are an integral part of the creation of social value.

Pirelli is one of the sponsors of the São Paulo Modern Art Museum, one of the most important museums in Latin America. Aside from its permanent collection, the museum organises important exhibits, seminars, events and courses during the year. At the MASP – São Paulo Art Museum – the Company has sponsored the photography biennale. At Rio de Janeiro in 2012, Pirelli supported an important exhibition of European portraits from the 16th-18th centuries from the collections of the Vatican Museums and other Italian museums. In Argentina Pirelli sponsored the Lucio Fontana art prize, and in Spain a programme for especially talented design students.

The Mozarteum project, which presents great international classical music orchestras, was sponsored by Pirelli in both Brazil and in Argentina, at the famous Teatro Colon. In Turkey Pirelli sponsored a jazz concert at the Istanbul Culture and Art Foundation.

In Brazil Pirelli also sponsored two movie productions on the theme of challenges by disabled artists, and a television programme on consumer and handicapped persons' rights.

In many countries Pirelli is conducting a small mission, as an Italian multinational company, to protect and disseminate Italian culture abroad. Consequently, Pirelli sponsors the Italian theatre in Romania, Italian cinema programmes in Brazil and the United Kingdom, Italian song in Argentina, and in New York Pirelli sponsored a prize at the Italian Cultural Institute for the best young designers, with a show on Park Avenue.

In regard to the conservation of local cultures, Pirelli underwrites research on Confucianism in China by supporting the China Confucius Website.

In Brazil, Pirelli itself will organise restoration of the Christ the Redeemer statue in Rio de Janeiro, the right hand of which was damaged by lightning in 2014.

## PIRELLI FOUNDATION

One of the missions of the "Fondazione Pirelli", or Pirelli Foundation, established in 2009, is the preservation of the Group's historic and cultural heritage and the promotion of its corporate culture through local initiatives and projects having a strong social impact, exhibition activities, as well as collaborations with other cultural institutions.

Numerous projects were carried out again in 2013 to develop and promote the Pirelli archives.

In particular, these included:

- "Pirelli e l'Italia in movimento. Ricerca e tecnologia, il Cinturato conquista i mercati del mondo", (Pirelli and Italy in Motion. Research and Technology, the Cinturato Conquers World Markets), an exhibition created to provide the public with some of the advertising material that was restored in 2013, including the renowned 1968 Cinturato Campaign by Pino Tovaglia.
- Loan of materials from the Pirelli Historic Archive. The participation of the Foundation in exhibitions and publications both domestically and internationally expanded from 2012, through the lending of materials. A total of 2,424 loans were made, including: 518 for exhibits and events, 277 for publications and 1,297 for study and research.
- Participation in the Business Culture Week (November 2013). These initiatives, aimed at promoting and developing historic Pirelli sites and its cultural heritage, were: the exhibition organised at the Foundation premises, "Sulla sponda del Nilo" (On the Shore of the Nile) dedicated to works created by Renato Guttuso for Pirelli; the special opening and guided tour of the Pirelli Foundation, at the Bicocca degli Arcimboldi and at the HangarBicocca; a Sunday dedicated to creative courses for children. These various initiatives attracted the participation of 470 persons, including 120 children.
- To celebrate the 50th anniversary of the Pirelli Calendar, the Foundation provided support for historic reconstruction of the 1986 Calendar by Helmut Newton.

In October 2013 the exhibition "L'anima di gomma – estetica e tecnica al passo con la moda" ("The Soul of Rubber – Aesthetics and Technique Keep Up with Fashion", held at the Milan Triennale in June 2011) won the prestigious Red Dot Award "Best Of The Best" 2013 in the Communication Design category, which is one of the most important prizes of its kind in the world. The exhibition also made it to the short list for the Premio Adi Compasso d'oro prize.

Just as many programmes having a direct social impact were organised, including the following:

- the Fondazione Pirelli Educational project, rolled out in October 2013 and aimed at students in elementary schools and I and II grade secondary schools, with the aim of bringing young people closer to the world of production and work and the values on which the Pirelli business culture is based. Through creative courses and lab activities, children and youths confront topics such as: the history and technology of tyres, graphics and advertising, urban transformation, and the relationship between art and science (in collaboration with HangarBicocca). About 26 classes have visited the Foundation between October 2013 and now, for a total of more than 600 children and youths;
- educational activities for university students (about 250) from different universities and specialist school;
- support with the preparation of the university degree thesis for university students nearing graduation. Twenty-seven students conducted research in 2013 at the Pirelli Historic Archive, for preparation of the final thesis in their course of studies;
- the inter-generational project "Il tempo dell'uomo: lavoro e no" (Man's Time: Work and Not), launched in 2013 by the Pirelli Foundation and HangarBicocca, aims to assist children in a course to recover the historic memory of Zone 9 in Milan through the direct testimony of local old residents. This objective is flanked by the desire to contribute to developing and enlivening cultural life in Zone 9 of Milan by engaging senior citizens in HangarBicocca activities. The project will be developed in 2014.

Then, since 2010 the Foundation has had a seat of the Board of Trustees of the Scuola dell'Infanzia G.B. Pirelli kindergarten in Varenna, Province of Lecco, just as it actively supports the activities of the Istituto di Istruzione Superiore Leopoldo Pirelli high school in Rome, where the annual Premio Leopoldo Pirelli prize was established in 2011, and reserved as a scholarship for particularly worthy students. Pirelli also continues its collaboration with the Fondazione Agnelli and the Fondazione Garrone in the Associazione per la Formazione d'Eccellenza.

Altogether, 4,850 researchers, students, artists, historians and designers visited the Foundation headquarters and conducted research at the Pirelli Historic Archive in 2013.

The development and promotion of the enormous artistic heritage of the Group also relies on digital communication. Aside from the website [www.fondazionepirelli.org](http://www.fondazionepirelli.org), the Foundation constantly updates its own Facebook page, which has 4,600 followers.

## **HANGARBICOCCA**

Pirelli HangarBicocca is an institution dedicated to contemporary art. It offers a programme of exhibitions by the greatest Italian and international artists, accompanied by a calendar dedicated to the public, youths and schools. The project was created in 2012, in the conviction that contemporary art is a fertile field for research, experimentation and critical reflection on the most important themes of contemporary life. These are values that have been part of the Pirelli corporate culture for over 140 years.

A very large number of visitors was recorded in 2013: over 276,800 visits and a sharp increase in the number of foreign visitors (+20%).

In addition to the communication material available to visitors and obtainable at the exhibition space, a revamping of HangarBicocca digital communication was launched in September 2013.

The artistic programming in 2013 brought high-profile international artists to HangarBicocca, attracting the attention not only of art lovers and art experts, but also families and students. Five exhibitions were presented:

- Tomás Saraceno, *On Space Time Foam*, 140,000 visitors;
- Apichatpong Weerasethakul, *Primitive*, 21,405 visitors;
- Mike Kelley, *Eternity is a long time*, 32,503 visitors;
- Ragnar Kjartansson, *The Visitors*, 55,938 visitors;
- Dieter Roth Björn Roth, *Islands* (counting only the first two months of exhibition in 2013), about 27,000 visitors.

The vocation of Pirelli HangarBicocca is also that of a place open to the city and its hinterland, whose normal exhibition activity is accompanied by a range of programmes and activities intended to attract even the non-specialised public to contemporary art.

With a busy calendar of events, guided tours of the exhibition space and neighbourhood, screenings and meetings with leading figures from the art and culture world, HangarBicocca now offers different types of visitors the possibility of learning more about topical issues specifically related to contemporary art and its expressions.

Different events were held in 2013, dedicated to discovery of the city, knowledge about the most remote corners of the earth, the screening of documentaries, feature length films, unpublished films, and even fund-raising on behalf of NGOs. About 8,000 persons participated at these events, including about 600 children.

HangarBicocca created the Hb Kids programme for the youngest children. It offers creative and laboratory activities to introduce children aged 4 through 10 to the languages of contemporary art.

In 2013, 435 creative projects were presented, attracting over 8,000 visitors.

For students from all types and level of schools, HangarBicocca conceived the HB School programme, which complements traditional art education with a methodology inspired by the principle of educating with art.

In 2013 the programme had the participation of over 3,500 students, for a total of about 130 classes.

HangarBicocca received recognition in 2013 from the most important international museum institutions and

official organs of culture. These include: Tate Modern di in London, Shcontemporary in Shanghai, The Reina Sofia Museum in Madrid, MMK in Frankfurt, the Fondazione Prada of Milan, the Carmignac Foundation in Paris, the Trussardi Foundation in Milan, Royal College of Art in London, Getty Center in Los Angeles, Biennale in Taipei, Mart in Rovereto, Madre in Naples, Goldsmiths in London, Schirn Kunsthalle in Frankfurt, Garage in Moscow, NYU in New York, Fondazione Magistretti in Milan and the Haus der Kultuern der Welt in Berlin.

Mention must also be made of the partnership agreements signed with public and private institutions, with the aim of improving the panorama of cultural activities on offer in the local area. The relationship with the Culture Department of the City of Milan also continues on the basis of the agreement made in 2012. With regards to support for culture and art in general, in 2013 partnerships and collaborations continued between the Pirelli Group and the Pinacoteca di Brera, the Fondazione Cineteca Italiana, FAI, the Piccolo Teatro of Milan, the Franco Parenti Theatre, the MiTo Festival, the Italian Chamber Orchestra led by maestro Salvatore Accardo, the Lezioni di Storia initiative organised by Laterza Editore, and the Villa Arconati Festival.

Finally, it is worth mentioning the work generated by HangarBicocca in 2013: the staging of exhibitions and all events and initiatives involved 32 local businesses and generated 51,600 man days of work.