



POWER IS NOTHING WITHOUT CONTROL

FEEM: IV Conferenza annuale

L'evoluzione della *disclosure* climatica: il punto di vista di imprese e stakeholder

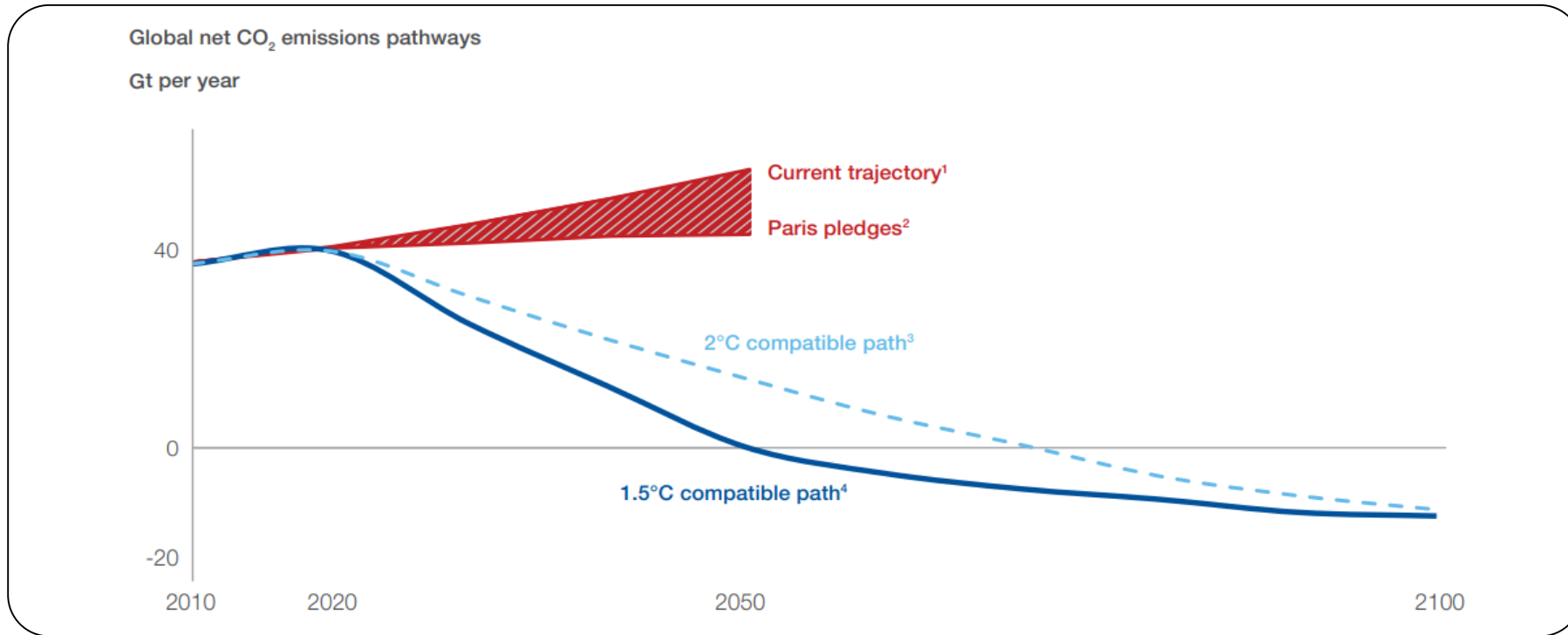


Filippo Bettini

Chief Sustainability and Future Mobility Officer

22nd June, 2021

THE WORLD NEEDS TO MOVE TO NET ZERO, 2010-2100..



To achieve net zero, human societies must act on two major fronts:



THE REDUCTION OF EMISSIONS

CO₂ emissions of fossil fuel origin and from deforestation



THE INCREASE IN SINKS

Afforestation/reforestation, agricultural practices and technological solutions



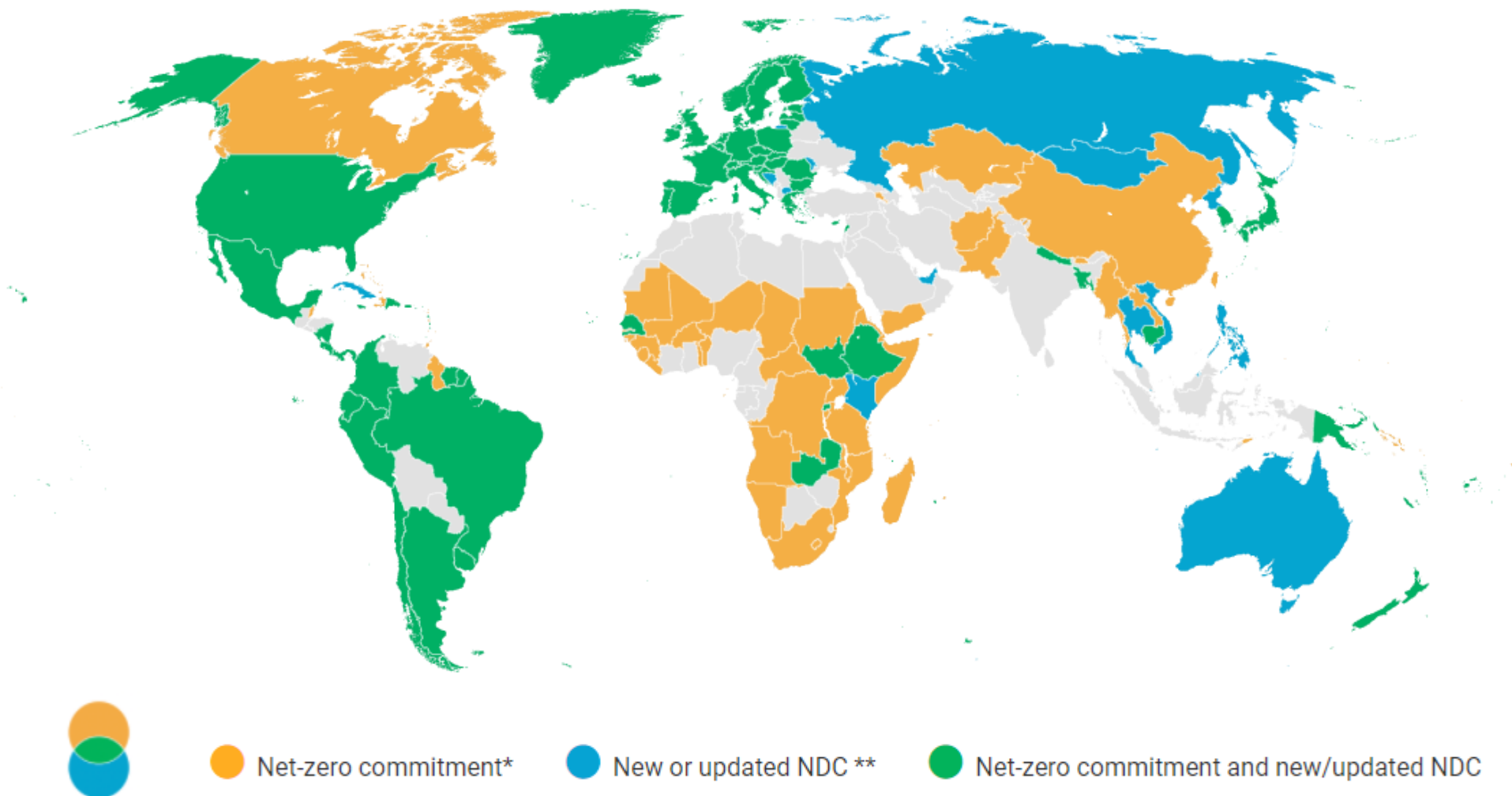
Key Takeaways



According to the Intergovernmental Panel on Climate Change (IPCC), limiting global warming to **1.5°C requires** net human caused carbon dioxide (CO₂) **emissions to fall by 45% by 2030** and to reach net zero by 2050. Even limiting the temperature rise to **2°C will requires** CO₂ emissions **to fall by 25% by 2030**, requiring a turnaround of the present trend.

1. Assumes CO₂ emissions grow from 2018 to 2050 at the same rate as the Current Policies Scenario in UNEP's Emissions Gap Report 2019 (1.1% compound annual growth rate); 2. Assumes countries decarbonize beyond the same annual rate that was required to achieve their INDCs between 2020 and 2030; 3. Assumes a 25% reduction by 2030 and net zero by 2070; 4. Assumes a 45% reduction by 2030 and net zero by 2050. Note: Other GHG emissions are also to be reduced by more than 50% in pathways limiting global warming to 1.5°C. Sources: IPCC; UNEP, Emissions Gap Report 2019; BCG analysis

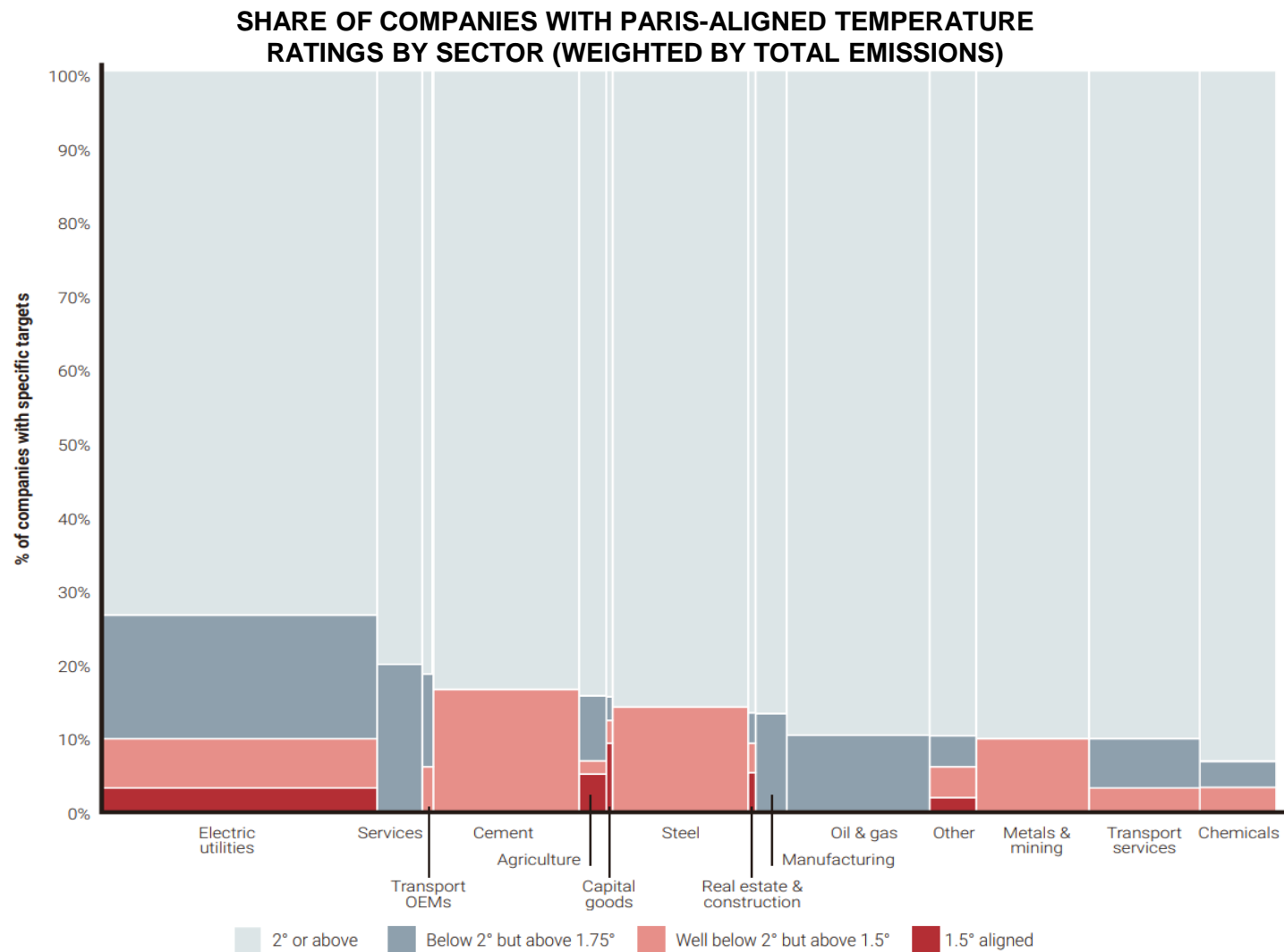
..NATIONAL NET-ZERO COMMITMENTS MUST BE BACKED BY ACTIONS..



💡 Key Takeaways 💡

- **131 countries** have now set or are considering a target of reducing emissions to net zero by mid-century
- Of the 191 Parties to the Paris Agreement, **more than 80 countries** have so far submitted a new or updated national action plan – called Nationally Determined Contributions (NDCs) – as required by the agreement.
- Their **planned combined emissions** reductions by 2030 **still fall far short** of the level of ambition needed **to achieve the 1.5 °C goal.**

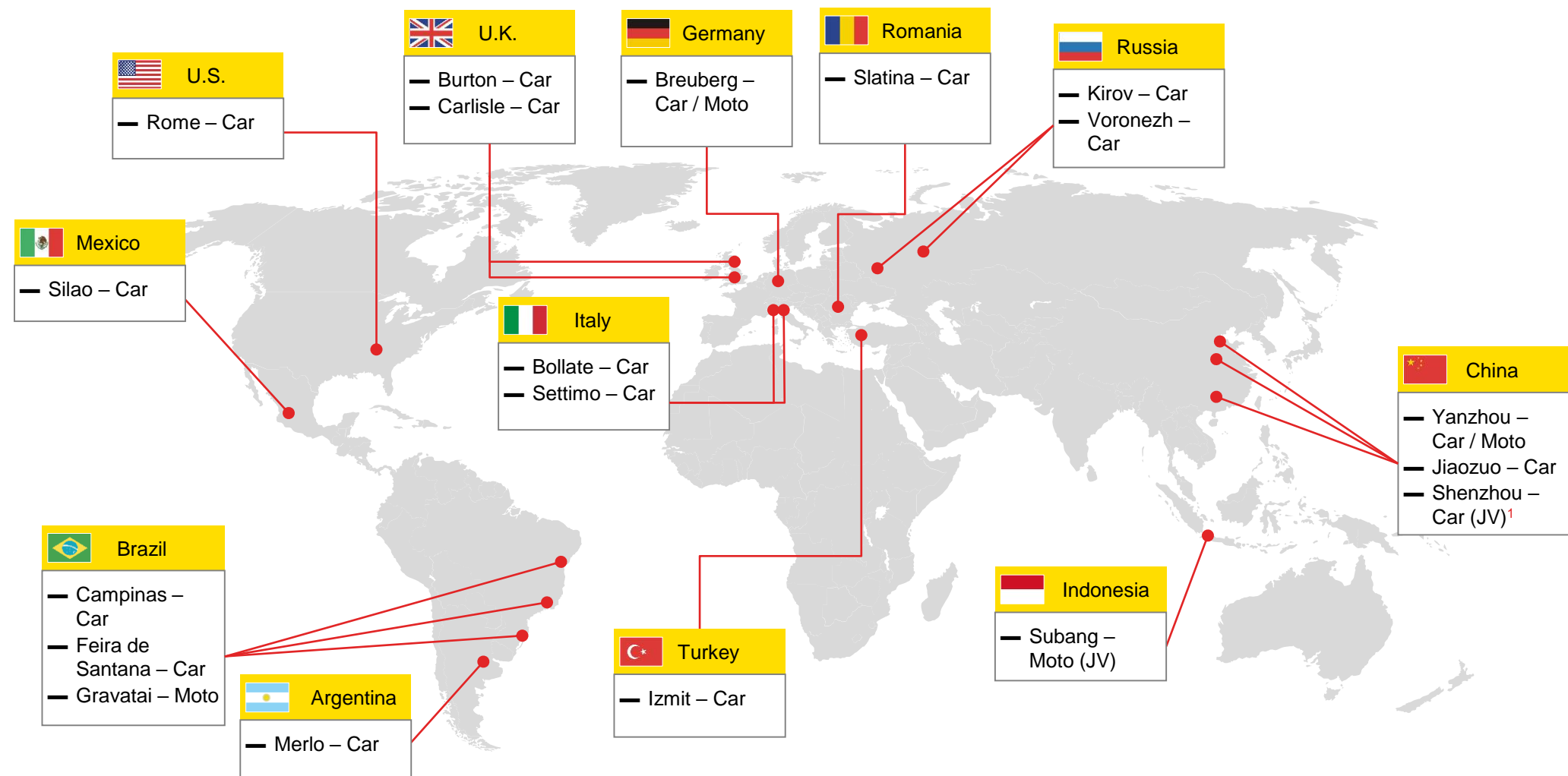
..AS WELL AS CORPORATE TARGETS SET TO-DATE STILL FALL WELL BEHIND WHAT IS REQUIRED



Key Takeaways

- CDP estimates that under **10% of European companies** are currently **in line with the Paris agreement's** goal of well-below 2°C.
- **The electric utilities sector have ambitious decarbonization targets**, offering the biggest market for Paris-aligned corporate loans.

PIRELLI MANUFACTURING FOOTPRINT



PIRELLI SUSTAINABILITY LEADERSHIP IN NUMBERS

2020 KPIs¹

-54%
(vs. 2015)

Accident frequency index

58%

Eco & Safety performance² revenues

-9%
(vs.2015)

Avg. rolling resistance of car tyres

52%³

Electricity from renewable sources

-31%⁴
(vs.2015)

Plant CO₂ absolute emissions

-22%⁵
(vs.2018)

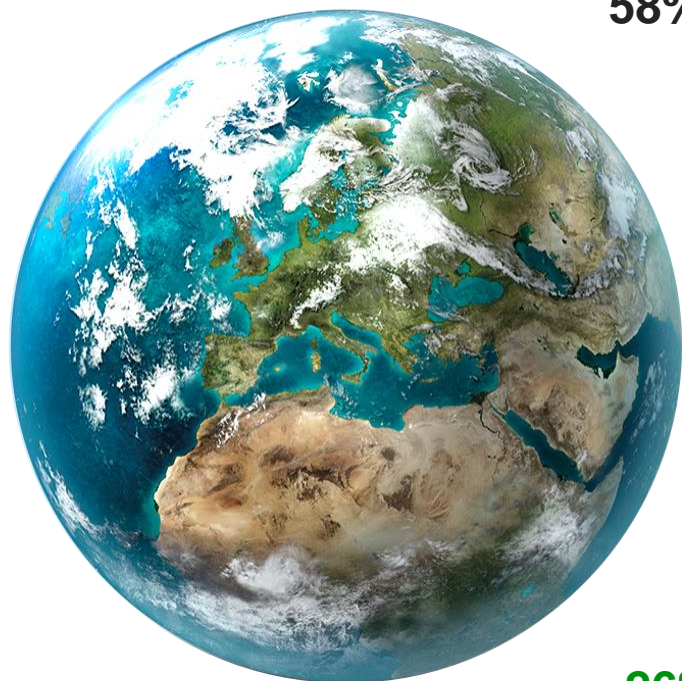
Raw materials suppliers CO₂ absolute emissions

-26%
(vs.2015)

Specific water withdrawal

97%

Waste sent to recovery



LEADING THE SECTOR IN MAJOR SUSTAINABILITY RANKINGS & INITIATIVES

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

Sustainability Award
Gold Class 2021
S&P Global



1. Non exhaustive list; 2. Eco-Safety Performance products, previously known as “Green Performance Products”, refer to car tyres that Pirelli produces worldwide and which fall exclusively into classes A, B, C for rolling resistance and wet grip, standardized according to the European labelling parameters. Figure is obtained by weighing Eco & Safety Performance sales on total car tyres sales; 3. Internal assessment based on data from the International Energy Agency (IEA) taking into account the geographical distribution of Pirelli; 4. Impacted by COVID, target for 2020 was -12.5% vs 2015; 5. Impacted by COVID, target for 2020 was -2.5% vs 2018;

STRATEGIC PLANNING AND REPORTING ON CLIMATE MATTERS

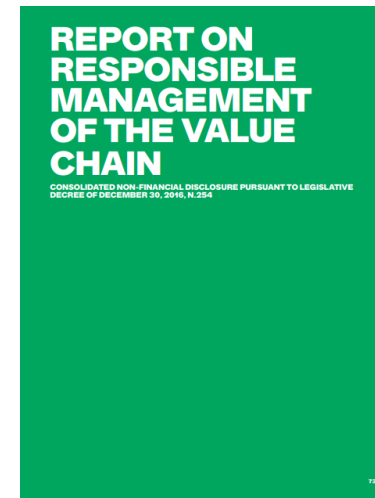
PLANNING:

- GROUP'S SUSTAINABILITY PLAN - [link](#)
- LOCAL SUSTAINABILITY PLAN



REPORTING:

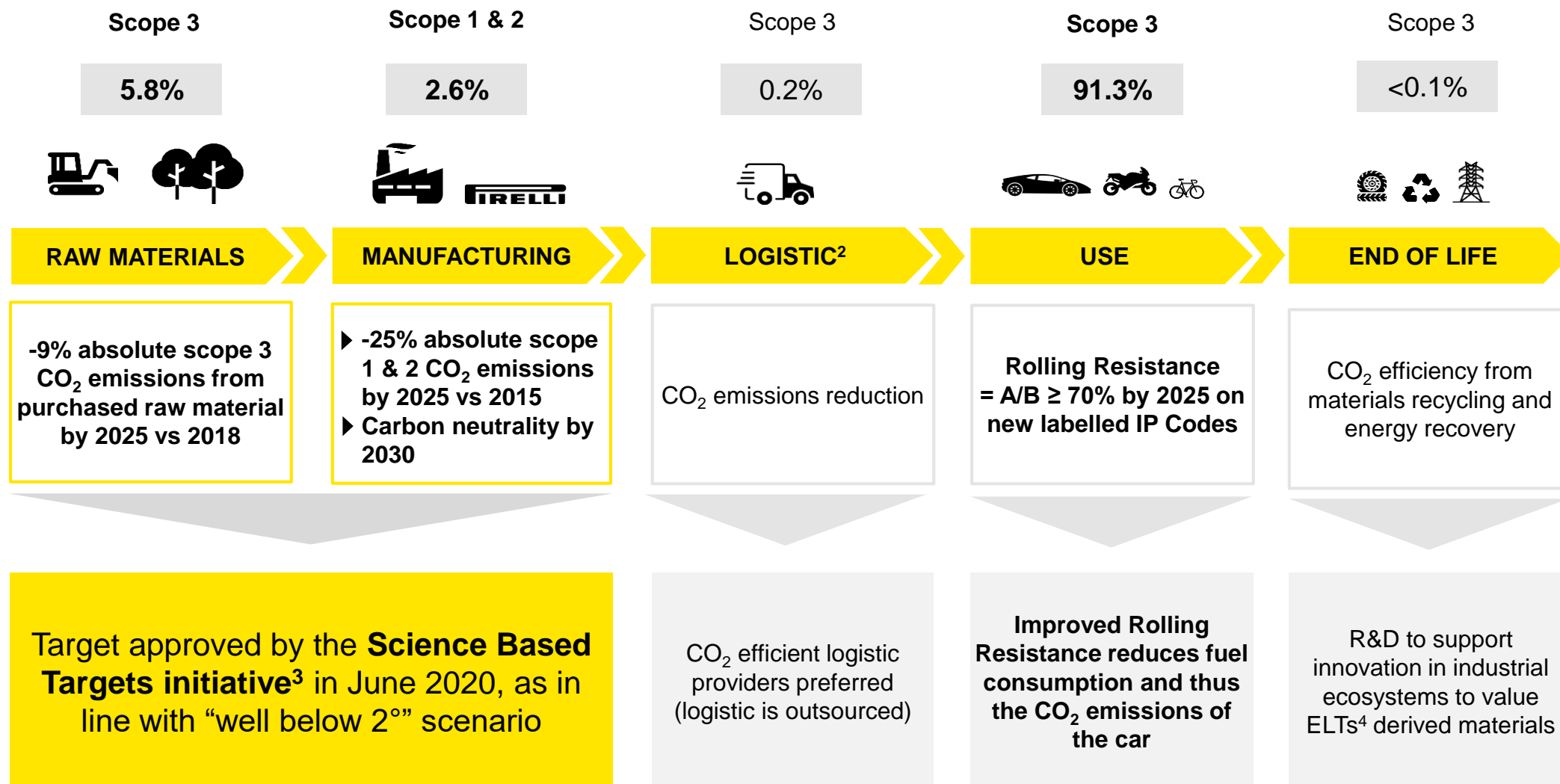
- ANNUAL INTEGRATED REPORT – [link](#)
- SUSTAINABILITY QUESTIONNAIRES



PLANNING: EVERYTHING STARTS WITH SETTING THE TARGETS

Our decarbonization strategy

GWP¹
impact



OUR MANUFACTURING TARGETS

Operations sustainability is not limited to CO₂

There is a urgent need for climate action to reduce greenhouse gas emissions in line with Paris Agreement goals

CO₂ abatement is only one among the key sustainability areas in operations

Targets



		2020A	By 2025	Carbon Neutrality by 2030
CO ₂				
CO ₂	Absolute emissions approved by the SBTi ³	-31% ¹ vs 2015	-25% vs 2015	
	Renewable Electricity	52%	100%	
Resources eff.	Specific energy cons.	+9.5% ² vs 2019	-10% vs 2019	
	Specific water withdrawal	-26% vs 2015	-43% vs 2015	
	Waste to recovery	97%	98%	
People	Accident frequency index	0.22	0.10	

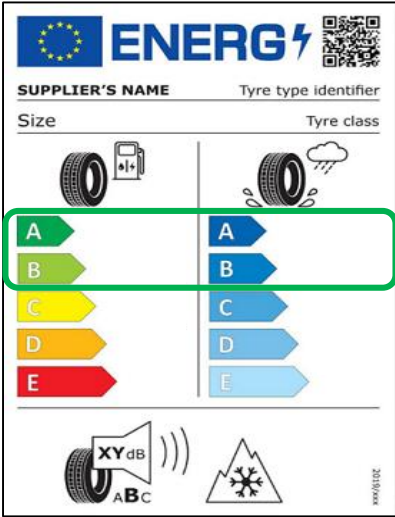
1. Reduction favoured by COVID impact, target for 2020 was -12.5% vs 2015; 2. Inefficiency from COVID impact; 3. Science Based Targets initiative, for more details please see the following slide



OUR PRODUCT PERFORMANCE TARGETS

A trade-off between low rolling resistance and high wet grip

- ▶ Tyre rolling resistance plays a key role in **reducing fuel and energy consumption** and thus CO₂ emissions.
- ▶ Our **Eco and Safety approach** consists on a continuous reduction of rolling resistance without **any compromise on safety in all driving conditions**.



Targets



	2020A	By 2025
Rolling Resistance	A/B=39%	A/B ≥ 70%
Wet Grip	A/B=87%	A/B ≥ 90%

Scope: New products (all new labelled IPcodes)



THE NEW SUSTAINABILITY REPORTING DIRECTIVE

Here are the 5 key changes that will be introduced with the new EC's CSRD proposal:

- 1. Integrated reporting**
The CSRD requires your company to **include sustainability reporting in your management reports** and therefore, the **two reports must be merged into a single electronic reporting format**.
- 2. Introduction of a double materiality approach**
You will have to report on **how sustainability issues affect your business** and **what is your business' impact on society and the environment**.
- 3. Role of the Board and Stakeholder**
The management and supervisory boards will bear the responsibility for sustainability reporting in their organisations. As a result, your company's balance sheet oath is expected to be extended to the reporting of sustainability information, besides the financial ones.
- 4. Mandatory audit requirement**
Your company will have to **seek limited assurance on its sustainability-related information** to include in the management reports.
- 5. Penalties for non-conforming companies**
Companies that fall under the scope and do not comply are **subjected to penalties for any infringements of the provisions of the Directive**. The type and severity of penalties will be proportionate to your company's circumstances, such as gravity of breach and financial strength

OUR INTEGRATED REPORTING ALREADY ALIGNED WITH TCFD

PIRELLI ANNUAL REPORT 2020 REPORT ON RESPONSIBLE MANAGEMENT OF THE VALUE CHAIN

ENVIRONMENTAL DIMENSION

Pirelli Group considers environmental protection as a fundamental value in the exercise and development of its activities.

Pirelli approach to environmental management is set forth in accordance with the United Nations Global Compact, of which Pirelli has been an active member since 2004, and pursuant to the "Rio Declaration on Environment and Development".

Pirelli Values and Ethical Code states that "key consideration in investment and business decisions are environmental sustainability, with the Group supporting eco-compatible growth, not least through the adoption of special technologies and production methods (where this is operationally feasible and economically viable) that allow for the reduction of the environmental impact of Group operations, in some cases even below statutory limits".

The environmental management model adopted is detailed in the Group Policies "Health, Safety and Environment", "Product Stewardship", "Quality", "Social Responsibility for Occupational Health, Safety and Rights, and Environment", "Green Sourcing", based on which Pirelli undertakes to:

- assess and reduce the environmental impact of its own products and services throughout their entire life cycle, as of products and services purchased;
- develop products and production processes that are safe and designed to minimize polluting emissions, waste generation, consumption of natural resources available and the causes of Climate Change, in order to preserve the environment, biodiversity and ecosystems;
- manage its environmental activities in full compliance with applicable laws and in compliance with the highest international standards;
- monitor and communicate to its Stakeholders the environmental performance associated with processes, products and services throughout the entire life cycle, promoting its culture of environmental protection;
- monitor the environmental impacts of its suppliers by requesting them to adopt the same business model along the supply chain;
- support customers and end consumers in understanding the environmental impacts of its products, facilitating recycling or re-use where possible;
- engage and train its workers in order to extend adequate culture of environmental capital conservation.

All the documents mentioned above are communicated to

the Group's employees in the local language and published in multiple languages in the Sustainability section of [pirelli.com](https://www.pirelli.com) website, available to the external community.

JOINING THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

In September 2018, Pirelli formally joined the Task Force on Climate-Related Financial Disclosures (TCFD), set up by the Financial Stability Board¹⁴.

In supporting the initiative, Pirelli is committed to the voluntary disclosure of transparent reporting on risks and opportunities related to Climate Change as indicated in the TCFD recommendations. To this end, Pirelli publishes this information publicly both in this report and through the CDP Climate Change programme, where, once again in 2020, it has been confirmed as one of the leaders included in the A-List.

Since Pirelli publishes an integrated annual report, the four TCFD are reported as follows.

GOVERNANCE (concerning climate-related risks and opportunities)

The matters relating to Climate Change fall within the activities whose Governance is described in the paragraph "Management Model" of this report, and in the paragraph "Director responsible for sustainability matters" and "Audit, Risks, Sustainability and Corporate Governance Committee" of the "Report on the Corporate Governance and Share Ownership of Pirelli & C. S.p.A.", included in this report and to which reference should be made for further information.

a) Board of Directors' oversight

Pirelli Board of Directors, supported in its activities by the Control, Risk, Sustainability and Corporate Governance Committee, approves both the sustainable management objectives and targets integrated into the Industrial Plan and Pirelli Annual Report, including the Consolidated Non-Financial Statement. A Director in charge of Sustainability is also appointed with the task of overseeing sustainability topics related to the Company's operations and its interaction with all Stakeholders, and implementing the guidelines defined by the Board of Directors.

b) Management's role

The strategic development of Group Sustainability is entrusted to the Sustainability Steering Committee, a body chaired by the CEO and composed of the Company's Top Management representing all organisational and functional responsibilities, which meets on an ordinary basis at least once a year. The organisational structure thus consists of a Sustainability Department, reporting directly to the CEO, which oversees management at Group level and proposes sustainable development plans to the Sustainability Steering Committee.

The Sustainability Department is supported by Country Sustainability Managers (a role covered by the Country CEOs) and by Sustainability Committees covering all Group affiliates.

STRATEGY (actual and potential impacts of climate-related risks and opportunities on business, strategy and financial performance)

With a view towards long-term management, Pirelli monitors the Carbon Footprint and Water Footprint of its entire organisation and is committed to the progressive reduction of the related impacts on resources, climate and ecosystems. As described in the paragraph "Pirelli Group Environmental Strategy and Footprint" of this report, the Group has adopted a control and monitoring system that allows the identification of the materiality of environmental impacts along the life cycle of the product on the basis of which the company defines the response strategy.

In addition, Pirelli periodically performs sensitivity analyses and risk assessments with respect to transition scenarios towards a low-carbon economy and climate scenarios¹⁵, in order to have a constantly updated picture of potential risks and opportunities linked to Climate Change which are of interest to the business and the related quantification of any potential financial impacts. For further details, see the section "Risks related to Climate Change" in the "Directors' Report on Operations" of this report, and Pirelli's public responses to the CDP Climate Change questionnaire¹⁶.

a) Climate-related risks and opportunities (over the short, medium and long term)

In line with the results of the latest Group Climate Change Risk Assessment, in the short-medium term (up to 5 years) there are no significant risks relating to production processes or to the markets in which Pirelli operates. On the other hand, regarding a medium-long term scenario (up to 30 years), the tyre sector could be subject to a series of risks, both physical (extreme weather events with potential impacts on plant production continuity) and regulatory (possible effects on operational costs). On the other hand, there are opportunities for growth in sales of Pirelli Eco & Safety Performance products, which identify tyres characterised by a lower environmental impact throughout their life cycle.

b) Impacts of climate-related risks and opportunities

As discussed in the section "Risks related to Climate Change" in the "Directors' Report on Operations" of this report, to which reference should be made, in relation to internal metrics of potential financial impact, no risks with a significant impact in the short to medium term were identified in relation to production processes or the markets in which Pirelli operates.

c) Resilience of the strategy

The results of the scenario analyses carried out as part of the Climate Change Risk Assessment, described above, were assessed for the definition of ambitious climate-related targets within the High Value sustainable development strategy to 2022, 2025 and 2030, published in the current Industrial Plan. At process level, the targets for reducing energy consumption and absolute CO₂ emissions, the use of 100% electricity from renewable sources by 2025 and Group carbon neutrality by 2030 are highlighted. In particular, the targets for reducing absolute CO₂ emissions were developed in accordance with the guidelines of the Science Based Targets initiative (SBTi), which validated them in June 2020, judging them to be consistent with the actions needed to keep global warming "well below 2°C", as recommended by the Paris Agreement. At product level, among the several Eco & Safety performance targets, in terms of impact on the climate, it has to be mentioned the 2025 objective of reducing the average rolling resistance of car products by 14% compared to the 2015 value. The business strategy based on development of the Eco & Safety Performance product line¹⁷ is designed to give Pirelli a competitive advantage over its competitors in the face of growing market demand for low-emission goods and services. Following the positive trend that has seen revenues from Eco & Safety Performance tyres grow from 5% in 2009 to 58% in 2020, Pirelli has set itself the goal of achieving a 71% share by 2022.

RISK MANAGEMENT (identification, assessment and management of the climate-related risks)

a) Identification and assessment processes

The process adopted by Pirelli to identify and assess the potential financial impacts, in terms of risks and opportunities, related to Climate Change is detailed in the paragraph "Risk Management" of this report.

d) Integration into overall risk management

The process for identifying, assessing and managing risks related to Climate Change is fully integrated into Pirelli's risk management model, as described in detail in the "Risk Factors and Uncertainty" section included in the "Directors' Report on Operations".

METRICS AND TARGETS (key metrics and targets used to measure and manage risks and opportunities related to Climate Change)

a) Metrics

Pirelli reports the impacts and performance linked to Climate Change according to the metrics defined by the GRI Sustainability Reporting Standards (in particular see the "GRI Content Index" table at the end of this Annual Report for the reporting of the GRI Standard 305 Disclosures Elements).

b) GHG emissions

Pirelli monitors and reports its direct (Scope 1) and indirect (Scope 2 and Scope 3) greenhouse gas emissions as described in the paragraph "Management of Greenhouse Gas Emissions and carbon capture" in this report.

c) Targets

Pirelli reports its environmental and product targets that are most closely linked to Climate Change, in the present chapter "Environmental Dimension" and the "Sustainability Planning and the United Nations Sustainable Development Goals (SDGs)" and "Our Suppliers" (CTT) section) paragraphs of this report.

PIRELLI GROUP ENVIRONMENTAL STRATEGY AND FOOTPRINT

Monitoring and management of environmental issues have always played a key role in the business strategy of Pirelli. With a view to long-term management, Pirelli monitors the Carbon Footprint and Water Footprint of its entire organisation and is committed to the progressive reduction of the related impacts on resources, climate and ecosystems.

a) Monitoring system that allows the identification of the materiality of environmental impacts

The infographic on the left shows the identification of environmental impacts on the basis of the materiality of environmental impacts. The infographic on the right shows the identification of environmental impacts on the basis of the materiality of environmental impacts.

b) The infographic on the right shows the identification of environmental impacts on the basis of the materiality of environmental impacts.

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h) The infographic on the right shows the identification of environmental impacts on the basis of the materiality of environmental impacts.

i) The infographic on the right shows the identification of environmental impacts on the basis of the materiality of environmental impacts.

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TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Pirelli & C. S.p.A

Sector

Industry

Location

Region

Date

Consumer Discretionary

Automobiles & Components

Italy

Europe

September 2018

INTERNATIONAL COMMITMENTS AND QUESTIONNAIRES HELP REPORTING, INCREASE TRANSPARENCY AND ANTICIPATE NEW REPORTING REQUESTS



In June 2020 Pirelli's targets for reducing CO2 emissions were validated by the Science Based Targets initiative (SBTi), which judged them consistent with the actions needed to keep climate warming well below 2°C.

"Pirelli commits to reduce absolute scope 1 and 2 GHG emissions 25% by 2025 from a 2015 base year. Pirelli also commits to reduce absolute scope 3 GHG emissions from purchased goods and services 9% by 2025 from a 2018 base year".



Pirelli has been participating for years in the Climate Change and Water programs promoted by CDP. Since 2014, first company among tyre manufacturers, it has become a CDP Supply Chain Member extending the CDP evaluation request to its key suppliers.

Topics in line with the new CSRD* proposal:

- **TCFD alignment**
- Strong forward-looking and **science-based approach**, connectivity of non-and financial information based on **double-materiality**
- Strengthen existing provisions on supply chain reporting








The organization's process for identifying and assessing climate-related risks and opportunities, is based on a comprehensive Climate Change and water Risk Assessment which is reviewed on annual basis by the Sustainability Dept. in cooperation with ERM (Enterprise Risk Management), Business Continuity, Operation, Purchasing, HSE and third party experts.

Some Environmental Benefits «In Real Life Terms»

Pirelli journey continues: by 2025 we are committed to almost double the environmental benefit delivered since 2015



	From 2015 to 2020		From 2020 to 2025		Targets @2025
 Electricity from renewable sources	FOSSIL BASED ELECTRICITY SAVED ¹ 590 Mln kWh	= ELECTRICITY CONSUMED BY 370k EU inhabitants in a year	FOSSIL BASED ELECTRICITY SAVED ¹ 4.6 Bn kWh	= ELECTRICITY CONSUMED BY 2.9 mln EU inhabitants in a year	100%
 Plant CO₂ absolute emissions	EMISSION SAVED 550k tons of CO₂	= CARBON SEQUESTRED BY 3.6 mln	EMISSION SAVED 925k tons of CO₂	= CARBON SEQUESTRED BY 6 mln	-25% vs. 2015
 Raw materials suppliers CO₂ absolute emissions	680k tons of CO₂	= 4.5 mln² Trees over their lifetime ³	817k tons of CO₂	= 5 mln Trees over their lifetime ³	-9% vs. 2018
 Specific water withdrawal	WATER SAVED 11 Mln m³	= WATER AMOUNT 12 hours Tiber river volume of water flow	WATER SAVED 20 Mln m³	= WATER AMOUNT 1 day Tiber river volume of water flow	-43% vs. 2015
 Waste sent to recovery	WASTE RECOVERED 16k tons	= WASTE EQUIVALENT OF 31k EU inhabitants in a year	WASTE RECOVERED 32k tons	= WASTE EQUIVALENT OF 65k EU inhabitants in a year	98%

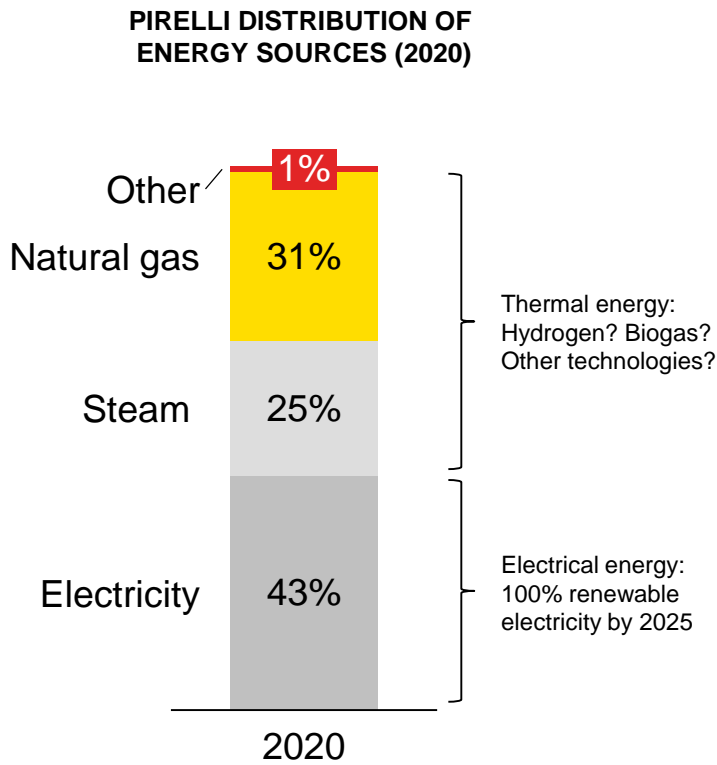
Note: Pirelli estimates based on public data; 1. Related to Pirelli's direct renewable electricity procurement; 2. Data refer to the 2018-2020 period; 3. Considering 150 kgCO₂/tree/lifetime

Pirelli property – confidential



THE CHALLENGES: FROM GREEN TRANSITION TO THE NEW BUSINESS AS USUAL

TECHNOLOGICAL CONSTRAINTS



Technological constraints may slow down the pathway toward 1,5°

ECONOMICAL CONSTRAINTS

