



SLAVERY AND HUMAN TRAFFICKING STATEMENT FOR FINANCIAL YEAR END 31 DECEMBER 2016

This statement is made pursuant to Section 54 of the Modern Slavery Act 2015 in relation to and written on behalf of Pirelli UK Tyres Limited and Pirelli International PLC which form part of the wider Pirelli Group. This Statement sets out the steps that we have taken to address the risk of slavery and human trafficking within our business and supply chains.

Introduction

Modern slavery encompasses slavery, servitude, forced and compulsory labour and human trafficking, all of which are a violation of fundamental human rights. The scale of modern slavery in the UK is significant and this led the UK government to introduce the Modern Slavery Act 2015.

We are committed to complying with our regulatory requirements as well as with our moral and social values and obligations to ensure that there is no modern slavery or human trafficking in our supply chains or in any part of our business.

Overview

Our business involves the manufacture of high quality motor vehicle tyres. Our two manufacturing plants in the UK are situated at Burton on Trent and Carlisle. The UK's head office is located at Burton on Trent. We are a part of the global Pirelli Group, which has manufacturing sites across the world.

We are committed to producing high quality tyres which are sourced and manufactured in a fair, ethical and environmentally responsible way.

As a group, at the end of 2016, Pirelli employed over 37,000 employees worldwide, of which 1,360 people were employed in the UK. Our supply chain, in the UK, accounts for over 1,700 suppliers, located all around the world.

Our Governance Model and Engagement on Human Rights

Pirelli's sustainable governance model ("Model") fully integrates Human Rights in corporate culture and business strategy.

Our Model is inspired by the United Nations Global Compact and is aligned to the ISO 26000 Guidelines. Moreover, since 2004 Pirelli has adopted the SA8000® standard as our reference tool to manage social responsibility at our locations and in the relations with our suppliers.

We follow the recommendations contained in the UN Guiding Principles for Business and Human Rights, implementing the Protect, Respect and Remedy Framework aimed at identifying, evaluating, preventing and mitigating potential risks of human rights violations along our value chain.



We work hard to manage and reduce potential risks of violations, to avoid causing or contributing to cause any adverse impacts on these rights, and promote Respect for Human Rights and compliance with the applicable international standards to our partners and stakeholders.

Policies in relation to Human Rights, Slavery and Human Trafficking

Our commitment to Human Rights is covered extensively in the Pirelli "Global Human Rights" Policy, as well as in "The Values and Ethical Code", in the "Social Responsibility Policy for Occupational Health, Safety and Rights, and Environment", the "Health, Safety and Environment" Policy, the "Privacy" Policy, and in the "Equal Opportunities Statement".

<http://corporate.pirelli.com/corporate/en-ww/sustainability/policies/global-human-rights-policy>

<http://corporate.pirelli.com/corporate/en-ww/sustainability/policies/the-ethical-code>

<http://corporate.pirelli.com/corporate/en-ww/sustainability/policies/social-responsibility-policy-for-occupational-health-safety-rights-environment>

<http://corporate.pirelli.com/corporate/en-ww/sustainability/policies/health-safety-and-environment-policy>

<http://corporate.pirelli.com/corporate/en-ww/sustainability/policies/global-personal-data-protection-policy>

<http://corporate.pirelli.com/corporate/en-ww/sustainability/policies/equal-opportunities-statement>

All of the aforementioned documents focus, amongst other things, on the cascading of the relevant commitments and values onto our suppliers.

In particular, our "Human Rights" Policy, describes the management model adopted in respect of core rights and values such as occupational health and safety, non-discrimination, freedom of association, refusal of forced labour, decent working conditions, protection of rights and values of local communities, refusal of any form of corruption and protection of privacy.

More specifically, our policy states that *"Pirelli opposes all forms of labour exploitation, including child labour, forced or compulsory labour and all forms of abuse or mental or physical coercion towards both their workers and workers employed along the supply chain, and strongly condemns all forms of human trafficking and exploitation."*

Our Human Rights policy also allows anyone to report any human rights concerns to us through our Whistleblowing Policy, anonymously and always ensuring confidentiality and no adverse repercussions.

<http://corporate.pirelli.com/corporate/en-ww/sustainability/policies/whistleblowing-policy>

In 2016, we received no reports claiming any violations of human rights or the International Labour Organisations core Labour Standards, specifically in relation to forced and child labour, freedom of association, collective bargaining and discrimination. In the event that such a report was received, we have a robust procedure in place to investigate the reports promptly and to ensure that any victims are protected.



Supplier Adherence to Our Values and Ethics

We have a zero tolerance approach to slavery and human trafficking and we expect all of our suppliers to share our ethics and values. In the event of a human rights violation, Pirelli retains the right to terminate any contractual relationship. In 2016 no contracts were terminated as a result of any human rights breaches.

To ensure all those in our supply chain and contractors are in line with our ethics and values we have in place a well-managed and frequently reviewed supply chain sustainable management system requiring our suppliers to implement a similar business model in their supply chain, including adequate due diligence.

As our supply chain is complex, it is very difficult to effectively assess and address supply chain issues on our non tier one suppliers. To date our efforts to address modern slavery risks within our supply chain have been mostly directed at our tier one suppliers. The activity on non tier one suppliers is however growing more and more, starting from raw materials chains.

Due Diligence Processes

As part of our approach to identify and mitigate risks we:

- focus on building long standing relationships with all of our suppliers and ensure that they fully understand and accept the basis upon which we run our business. We treat all of our suppliers equally and consider them to be partners in creating a sustainable and slavery free supply chain;
- have systems in place, which are inspired by the requirements of the SA8000® international standard to:
 - identify and assess potential risk areas in our business and supply chains;
 - mitigate the risk of slavery and human trafficking occurring in our business and supply chains; and
 - monitor potential risk areas in our business and supply chains.

Our approach to mitigating risk is embedded in each stage of the relationship with our suppliers, starting from the qualification phase to the contractual stage and monitored during the entire contractual relationship through third-party audits.

During the qualification phase, suppliers are asked to complete a preliminary online ESG questionnaire which includes specific questions in relation to modern slavery and human trafficking, to allow us to understand the management tools they have in place and their understanding of the issues. These questions require the potential suppliers to confirm that they:

- check workers' ages before hiring them and ascertain that all of their employees satisfy the minimum legal working age;
- provide workers with a written contract of employment and make sure that they work on a voluntary basis;
- allow their workers to participate in trade-union activities;
- pay wages that meet at least the minimum legal standards;
- manage disciplinary practices in accordance with the law; and
- abide by and apply legislative practices in relation to work schedules, overtime and rest periods.



This information is collected through the Pirelli online Supplier Portal, available in multiple languages.

In addition to the above, during the qualification phase, any new raw materials supplier (or an existing raw materials supplier that wishes to supply to us from a new plant) is subject to a third-party preliminary on-site audit to verify its level of compliance with respect to the principal national and international regulations on issues related to Labour, Environment and Business Ethics including modern slavery and human trafficking. If the potential supplier does not agree to our audit process and/or fails to sign a recovery plan aimed at eliminating the non-compliances then the supplier will not become approved and we will not work with them going forward.

In 2016 we ensured that the necessary reference to human rights protection and compliance with the Modern Slavery Act was included in all of our purchase orders.

During the contractual phase suppliers are asked to sign a sustainability contractual clause requiring them, not only to comply with our principles and values, but also to confirm their commitment to not using or supporting any form of child labour, slavery, servitude, forced/compulsory labour or human trafficking or any other form of exploitation. The clauses expressly include our right to verify, directly or through a third party, the compliance with the obligations therein.

This monitoring activity is carried out during the contractual relationship with the supplier, through third party audits organised to review suppliers' processes and procedures and to ensure that they are adopting ethical procedures in line with our group policies and local and international standards and regulations.

The audits last, on average, two days and they include interviews with workers, management and trade union representatives. Where opportune, recovery plans are set and the implementation of the relevant progress is monitored.

Audits were performed in 2016 and the risk of modern slavery and human trafficking was assessed in each of the companies audited. The negative findings recorded in 2016 were substantially tied to processes of health and safety management, to the use of overtime work and to the lack of adequate oversight by the supplier regarding the sustainability of their own supply chain.

All the documentation related to suppliers' assessments are available on the "Suppliers Area" of Pirelli's website, accessible to current and potential suppliers. This channel of communication focuses on clarity and the sharing of Values, Guidelines and standards adopted by Pirelli with our suppliers.

Based on our review, we consider the risk of slavery or human trafficking occurring within our own organisation to be low.

Training

All directors have been fully briefed on the subject and this matter has been discussed at board level.



In 2016, our strategic industrial service suppliers completed training in the form of e-learning, which covered topics including elements of labour law, human rights and business ethics.

Further Steps

Following a review of the effectiveness of the steps we have been taking to ensure that there is no slavery or human trafficking in our business or our supply chains, we intend to take the following further steps:

- Appoint an independent third party consultant to conduct a review and to bring insights on ways in which we can tackle slavery and human trafficking with particular attention to our non tier one supply chain;
- Amend and implement new standard terms and conditions of purchase which impose more detailed obligations on our suppliers including a requirement for them to train their own staff and suppliers about modern slavery risks; and
- Provide training to our staff in roles most likely to be in a position to identify and address modern slavery risks.

Pirelli is committed to working with all relevant bodies to do what we can to reduce the risk of modern slavery and human trafficking in our business and supply chain and we will continue our progressive approach to reduce the risk into 2017.

This statement has been approved by our boards of Pirelli UK Tyres Limited and Pirelli International PLC.

Signed on behalf of the boards

A handwritten signature in blue ink, appearing to read "D. Sandivasci".

Dominic Sandivasci
Director of Pirelli UK Tyres Limited and Pirelli International plc
28 July 2017