



SLAVERY AND HUMAN TRAFFICKING STATEMENT FOR FINANCIAL YEAR END 31 DECEMBER 2017

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 (together "Pirelli UK") which form part of the wider Pirelli Group ("the 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

Pirelli UK published its first Slavery and Human Trafficking Statement in 2017 and we have continued to work on our modern slavery obligations. . The Group have a zero tolerance approach to slavery and human trafficking and we expect all of our suppliers to share our ethics and values. The Group's approach is clearly set out in "[The Values and Ethical Code](#)", which must be known not only by our employees, but our suppliers too.

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 businesses in the UK involve both the manufacture of high quality motor vehicle tyres and the Group's treasury business. We have two manufacturing plants in the UK which are situated at Burton on Trent and Carlisle with the UK's head office also being located at Burton on Trent. Pirelli International PLC purchases raw materials from across the world and sells them to a number of the Group companies established around the globe.

As at the end of 2017, the Group employed just under 30,200 employees with 1,406 of those being employed in the UK.

Our Governance Model

Pirelli's sustainable governance model ("Model") fully integrates Human Rights in corporate culture and business strategy. Our Model is based upon the United Nations Global Compact and is aligned to the ISO 20400 and 26000 Guidelines along with the AA1000 Stakeholder Engagement Standard. We have also continued to adopt the SA8000® standard in 2017 as our reference tool to manage social responsibility at our locations and in the relations with our suppliers.

All concerns and projects dealing with modern slavery and human trafficking are dealt with by a variety of sustainability bodies with the Board of Directors of Pirelli's parent company, Pirelli & C. S.p.A, approving the objectives and targets. The Group takes these issues very seriously and ensures that all parties are fully aware of the concerns and risks to our business and supply chain. In compliance with the hierarchical governance model adopted by the Group, responsibility for implementing the UK's modern slavery and human trafficking obligations rests with our Managing Directors, namely Mr Dominic Sandivasci and Mr Vincenzo De Cesaris.



Policies in relation to Human Rights, Slavery and Human Trafficking

Pirelli UK's commitment to Human Rights is covered extensively in the Group's "[Global Human Rights](#)" Policy along with various other policies including, "[The Values and Ethical Code](#)", the "[Social Responsibility Policy for Occupational Health, Safety and Rights, and Environment](#)", the "[Health, Safety and Environment](#)" Policy, the "[Privacy](#)" Policy, the "[Sustainable Natural Rubber](#)" Policy and the "[Equal Opportunities Statement](#)". All of these documents focus, amongst other things and where relevant, on the cascading of the relevant commitments and values onto our suppliers.

In addition to the above policies, there is also a "[Code of Conduct](#)" which is addressed to all of Pirelli's employees. The Code of Conduct provides examples of the "do's" and "don't's" for all of parties to consider before working with or for the Group.

In 2017, Pirelli UK 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 and collective bargaining.

In October 2017 the Group issued a new Sustainable Natural Rubber policy after consultation with NGO's, our main natural rubber suppliers, traders, farmers, automotive customers and other multinational organisations. The policy makes it clear that all parties in our supply chain must:

promote adequate working conditions, including regular employment contracts, salaries at least equal to the country's minimum salaries for an equivalent job, fair working hours, freedom to form or join trade unions and to collective bargaining in accordance with national and international applicable laws, supporting those living on plantations to obtain access to the necessary resources for adequate living conditions as described in ILO Convention 110; and

have no tolerance for any form of labour exploitation, child labour, forced or compulsory labour, or any forms of abuse or mental or physical coercion towards direct employees and workers employed throughout the supply chain.

In November 2017 the Group Whistleblowing policy was revised. The policy governs the manner of reporting breaches, suspected breaches and inducements in breach of the law, the Ethical Code and the Group policies. During 2017 none of the reports received related to modern slavery concerns nor were there any slavery concerns with any of Pirelli UK's suppliers following our investigations.

Risks within Pirelli UK's supply chain

Pirelli UK sources goods and services from a global network of approximately 1,140 suppliers based in 32 countries across the globe.

As Pirelli UK has a considerable number of suppliers and two sizeable business operations, our supply chain is highly complex. As a result, there are obvious challenges in efficiently and effectively assessing the modern slavery risks within our supply chain. Therefore, at present, our work to address slavery and human trafficking risks within our supply chains has been focused primarily on our tier one suppliers. However the activity on non-tier one suppliers is growing more and more, starting from raw materials suppliers.

In order to manage the potential risks to Pirelli UK, the Group has devised its own Supply Chain Sustainable Management System, which has been audited by an independent third party and accords with international standards including ISO 20400. There are three phases undertaken when engaging with our suppliers. These include the sourcing phase, a contractual phase and a monitoring phase.



In light of the raw materials sector risk, for all new raw materials factories and suppliers, we conduct a third party preliminary on site audit to verify the suppliers compliance in relation to labour, environment and business ethics, local laws and regulations. If any non-conformities are found, we then require the new supplier to agree a recovery plan which sets out exactly what will happen in the event of future non-compliance.

Suppliers are monitored by auditing them through third parties, and this aims to define, amongst other things, the performance of the supplier in relation to human rights and business ethics. Yearly and ad-hoc audits are carried out by third party auditors, who attend at the supplier's premises, review the supplier's processes and prepare a report. If there are any areas of concern or non-conformities then a Corrective Action Plan is prepared.

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, we retain the right to terminate any contractual relationship. In 2017 no contracts were terminated as a result of any human rights breaches.

As well as Pirelli UK's employees, we have both agency and contract staff working at various locations. We ensure that the suppliers of agency or contract staff agree to have adequate policies in place to protect the individuals' human rights which includes, committing to and signing the Group sustainability clause.

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

Due Diligence Processes

We base our activities on compliance with the universally established human rights, as fundamental and indispensable values of our culture and business strategy. We work to manage and reduce potential risks of violations in order to avoid causing, or contributing to adverse impacts to these rights in the international, multi-racial, socially and economically diverse context in which we operate.

The Group promotes respect for human rights and adheres to governance as detailed in the Global Compact of the United Nations, the ISO 26000 Guidelines, the SA8000® Standard and underlying international standards and the recommendations contained in the UN Guiding Principles for Business and Human Rights, implementing the Protect, Respect and Remedy Framework. The Group's 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.

Our relations with suppliers and external collaborators are based on loyalty, impartiality and respect for equal opportunities for all the subjects involved in the purchasing processes, as required by the Ethical Code.

The social, environmental and business ethics responsibilities of our suppliers are assessed, together with the economic and product or service quality to be supplied, right from the selection stage.

In March 2017 the Group implemented a new Goods and Services Procurement policy which sets out the procedures to be followed when selecting and entering into contracts with suppliers. The policy sets out the responsibilities of each department and highlights the fact that suppliers must agree to our policies prior to their selection.



Pirelli UK is proactive in managing its relationships with its suppliers because orders cannot be processed without contractual provisions being in place. Before suppliers are added to the system, they are required to sign up to Pirelli's standard terms and conditions of purchase. In our online area for suppliers, we publish our "[Supplier Handbook](#)" which explains exactly what we expect from our suppliers and the standards that are required. During 2017, Pirelli UK prepared an amended draft version of its standard terms and conditions of purchase which included detailed requirements for all suppliers to use their best endeavours to eradicate modern slavery from their supply chain. Following prolonged consultation, the new version of its standard terms and conditions of purchase will be implemented during 2018.

In addition to Pirelli UK's standard terms and conditions of purchase, suppliers are asked to sign a contractual sustainability 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. In August 2017 our contractual sustainability clause was updated and all new suppliers have been asked to sign this version. Pirelli UK is continuing to contact existing suppliers to ensure that all suppliers sign the new version of the sustainability clause as quickly as possible.

Training

During 2017, Pirelli UK delivered training to those individuals in roles most likely to be in a position to identify and address potential modern slavery risks. The training involved a detailed breakdown of the risks applicable to Pirelli UK and the participants were asked to complete a test at the end to check their understanding. As at the date of this statement, 63% of the employees that received the training have completed it.

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 Pirelli UK or our supply chains, in association with the Group we intend to take the following further steps:

- Continue the mapping and traceability of the supply chain, through partnerships with our suppliers and with the aid of advanced mapping systems (including digital); and
- Amend our existing sustainability clause for natural rubber suppliers;

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 through and into 2019.

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

Signed on behalf of the boards

Dominic Sandivasci
Director of Pirelli UK Tyres Limited and Pirelli International Plc
12th July 2018