



## SLAVERY AND HUMAN TRAFFICKING STATEMENT FOR FINANCIAL YEAR END 31 DECEMBER 2019

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 Limited (formerly known as 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

This is the fourth Pirelli UK statement and, in the past year we have maintained our commitment to the Group’s zero tolerance approach to slavery and human trafficking. We have continued to both deepen our understanding of modern slavery risk and ensure that we have suitable measures in place in our own supply chain and operations to mitigate any risk. Our ethics and values are clearly set out in "[The Values and Ethical Code](#)", which must be adhered to by 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

Pirelli UK involves the manufacture of high quality motor vehicle tyres 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 Limited purchased 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 2019, the Group employed just under 31,500 employees with 1,410 of those being employed in the UK. For the UK, 96.67% of these are permanent employees, 3.12% are temporary workers and 0.21% are agency workers.

### 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, is aligned to the 26000 Guidelines and the AA1000 Stakeholder Engagement Standard, and is certified by third party as compliant with the provisions of the ISO 20400. We have also adopted the SA8000® standard as our reference tool to manage social responsibility at our locations and in the relations with our suppliers.

In compliance with the hierarchical governance model adopted by the Group, responsibility for implementing Pirelli UK’s modern slavery and human trafficking obligations rests with our Managing Director, namely Mr Dominic Sandivaschi.

In accordance with the Group’s sustainability plan for 2020-2022 and the High Value Sustainable Development Strategy for 2022-2025 and 2030, one of the Group’s targets is to continue to develop and adapt advanced models of management of economic, social and environmental responsibility of the supply chain. Pirelli UK has its own sustainability plan which is aligned with the Group’s objectives.



## **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 "[Equal Opportunities Statement](#)", the "[Personal Data Protection](#)" Policy and the "[Sustainable Natural Rubber](#)" Policy. 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](#)" ("Code") which is addressed to all of the Group's employees and those workers who supply to the Group. The Code provides examples of the "do's" and "don't's" for all parties to consider before working with or for the Group. All direct employees are required to sign up to the Code on joining Pirelli UK.

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 2019 none of the whistleblowing reports received related to modern slavery concerns nor were there any slavery concerns with any of Pirelli UK's suppliers following our investigations.

In December 2018, an [Implemental Manual](#) for the Sustainable Natural Rubber policy was released. The aim of this document is to facilitate the understanding of the principles, commitments and values expressed in the policy as well as provide guidance for its implementation to the supply chain.

The intense work on the ground in 2018 confirms that full visibility of the gaps between Pirelli Policy and field practices until upstream are still limited and are expected to vary depending on the context the supplier is operating in across different geographic regions.

Therefore, Pirelli has developed a policy implementation roadmap with key objectives to achieve by 2021.

### **Risks within Pirelli UK and its supply chain**

Pirelli UK sources goods and services from an external global network of approximately 1,115 suppliers based in 32 countries across the globe. 76% of Pirelli UK's suppliers are located in Great Britain and 12% are based in Italy or Germany. Pirelli UK began to work with 91 new suppliers during 2018 and 70% of these were based in the UK.

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 addition to the due diligence activities that the Group have developed (as detailed in the following paragraph) and given the potential risk related to the Natural Rubber supply chain, in October 2018 Pirelli became a founding member of the Global Platform for Sustainable Natural Rubber, which is a multi-stakeholder platform developed with other tyre manufacturers within the Tire Industry Project of



the World Business Council for Sustainable Development. This independent Platform, which was developed with the contribution of different stakeholders in the value chain such as rubber producers, processors, automobile manufacturers and international NGOs, aim to develop shared tools and initiatives based on, amongst other things, respect for human and labour rights.

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 2019 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. In order to manage the potential risks in its supply chain, the Group has devised its own Supply Chain Sustainable Management System, which received independent certification in February 2018 confirming that it accords with international guidelines ISO 20400.

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.

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.

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. We also ask our suppliers to complete a questionnaire during the qualification phase which includes questions relating to human and labour rights. In the event that a supplier does not provide an adequate response then we will not progress their application.

In light of the raw materials sector risk, for all new raw materials factories and suppliers and high value added products, 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 the actions they must take in order to become one of Pirelli UK's suppliers.

Pirelli UK's 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. As at the end of 2019, 91% of Pirelli UK's suppliers have provided sufficient confirmation that they are committed 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 conjunction with the Group, we also amended our existing [sustainability clause for our natural rubber suppliers](#), in order to align it with the Sustainable Natural Rubber Policy issued at the end of 2017, which includes a section dedicated to "*protecting human rights and promoting decent working conditions*".

Pirelli UK is proactive in managing its relationships with its suppliers because orders cannot be processed without contractual provisions being in place. All Purchase Orders issued to suppliers are subject 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.

Finally, 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. During 2018, 11 of Pirelli UK's suppliers were audited (9 of which are not registered in the UK) and most of the non-conformities found were linked to health and safety management and the use of overtime. Whenever non-conformities were found, the respective supplier signed a corrective action plan and all non-conformities are expected to be closed, with different deadlines, before the end of 2019.

## **Training**

Online training has been delivered to those individuals in roles most likely to be in a position to identify and address potential modern slavery risks. Our training involves a detailed breakdown of the risks applicable to Pirelli UK and the participants are asked to complete a test at the end to check their understanding. As at the date of this statement, 94% of the employees have completed the training.

In addition to this, training was provided to strategic suppliers during 2018 to help our suppliers understand the Model along with the requirements that must be respected in order to maintain a sustainable business relationship with Pirelli UK.

During 2019, considering that our strategic suppliers did not change, we did not repeat the previous years training.

## **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 relevant supply chain, through partnerships with our suppliers and with the aid of advanced mapping systems (including digital); and



- Continue with the third-party audit annual activity on critical 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.

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

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 Limited  
April 2020