

The campaign began with the delivery of a brochure to each employee on melanoma and other important tumor pathologies, complete with instructions on registration procedures.

About **5,500 people were contacted** during the campaign, including 3,066 employees at the Milano Bicocca, Bollate and Arese plants who were enrolled with the FAS at 1 October 2007, 1,658 family members, including 691 retirees and relatives.

The programme began on 4 October 2007 at the Bollate infirmary, continued between November 2007 and July 2008 at the Bicocca general outpatients clinic, with biweekly examinations during the first phase, and one day dedicated to the workers at Arese.

The screening was carried out on **806 employees** and instructions were given for exeresis histological analysis of all pigmented lesions that raised doubts/suspicion during clinical and/or dermoscopic examination.

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 employees' freedom to engage in union activities has always been one of the Company's core principles.

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 prevailing customs and practises 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.

In 2008, industrial relations activities achieved significant results in negotiations, with the renewal of collective bargaining agreements at various plants in Turkey, Germany and all the production sites located in Brazil (Santo André, Campinas, Sumaré, Feira de Santana and Gravataí), where negotiations are carried out at the factory level. This includes the role played in renewal of the Rubber and Plastic National Collective Bargaining Agreement in Italy.

In 2008 the Company implemented a series of structural changes that reduced the overall number of the Group's permanent employees in Western Europe. These changes stem from organisational and productive streamlining activities focused on containing costs and implemented from the second half of 2008.

Conversion of the factory at Manresa, Spain was the most important part of this process.

A letter sent by the CEO of Pirelli Tyre S.p.A. on 25 February 2009 announced the decision to halt production of tyres at that plant at the end of 2009, with its simultaneous conversion for new business activities in 2010.

That letter manifests the Company's interest in remaining in Catalonia. Pirelli intends to start up new activities in the services, particulate filter and photovoltaic fields in that region. These activities will employ about 100 employees at the current factory, in addition to the 250 employees who will continue operating the Group's logistic and commercial activities. The redundant employees will receive the jobless benefits agreed on with trade unions and local authorities in order to limit the negative impact on the community.

Cost cutting and production curtailment measures have been implemented and are currently underway in Italy, Great Britain and Germany.

At the international level, a very important agreement was signed by Pirelli and Russian Technologies on 6 November 2008 to build a new production plant in the Russian region of Samara. This project is part of the policy of investments made by the Group over the past year, which are moving ahead in 2009 in spite of the global economic crisis, as also confirmed by the continued work on the new Industrial Centre project at Settimo Torinese.

Given the need to reduce costs in Italy in response to the global economic and financial crisis, the Group began three distinct procedures in October 2008 to reduce employment at the Milano Bicocca and Cinisello Balsamo sites for Pirelli Tyre S.p.A. and Milano Bicocca for Pirelli & C. S.p.A. and Pirelli Sistemi Informativi S.r.l. During the negotiations initiated with trade unions, these companies entered into specific agreements governing the procedures to manage the job redundancies in the least traumatic way possible. As a result of these labour agreements, the redundancies were reduced from the initially announced figure of 130 to 114 workers, including 96 at Pirelli Tyre S.p.A., 8 at Pirelli & C. S.p.A. and 10 at Pirelli Sistemi Informativi S.r.l.

To counter the effects of the crisis, which has severely impacted the real estate sector, industrial relation activities at Pirelli Real Estate not only involved reorganised and streamlined its staff, but also implemented structural measures resulting from acquisitions and disposals of business branches. Both initiatives were accompanied by major information and consulting activities with workers and their labour representatives.

In particular, on 23 December 2008 Pirelli RE and Intesa Sanpaolo sold to Manutencoop FM their respective equity investments in Pirelli RE Integrated Facility Management BV ("P.R.E.I.F.M. BV"), a 50-50 joint venture in facility and project management. This process, underway for some time, is aimed at higher growth and internationalisation of the Group's facility management activities, including through the sale of shareholdings and integration with other players in the sector. Afterwards, disposal of the entire equity investment in the facility management activities was positively assessed in the context of the process of refocusing Pirelli RE operations at the international level, changes in the real estate sector and current difficulties afflicting financial markets. When the sale was finalised, the company had about 1,200 employees.

As part of the restructuring processes that affected executives and staff, professional reassignment policies were adopted consistently with the Company's sustainable approach to business, through framework agreements with major international companies for outplacement plans.

European Works Council (EWC)

The Pirelli European Works Council (EWC), set up in 1998, holds an ordinary meeting once a year, following the presentation of the Group's financial statements, to be updated on operating performance, financial-economic forecasts, investments made and planned, research progress, etc. The agreement establishing the EWC also allows for the possibility of holding other extraordinary meetings to fulfil its obligations to provide information and consult with its delegates in view of transnational events involving significant changes to the corporate structure: new openings, restructuring or closure of sites and major 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.

In accordance with the founding agreement, the European Works Council was promptly informed about activities/programmes to contain the costs planned and agreed to with local trade unions. At their annual meeting, EWC members and the Industrial Relations Department dealt with the issue of the global economic crisis and its impact on Europe.

The Committee currently has 14 members. The countries entitled to representation on it are Italy, Germany, Spain, France, Romania and the UK.

Compliance with legal and contractual obligations governing overtime and time off

Pirelli Group policy has always involved 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 and individual workers, in line with the regulatory context of each country.

There are no restrictions on any of the workers' right to use their total number of holidays, and the holiday period is generally agreed between the worker and the company.

Labour and social security lawsuits

In 2008, as in previous years, the level of disputes remained low, generating a very small number of labour and social security lawsuits. In Brazil, the level of labour-related lawsuits is traditionally high, representing about 90% of the lawsuits currently pending against the whole Group. This continues to be a various widespread phenomenon, which also affects other multinationals operating in

that country, due to local legal customs. Labour lawsuits are generally initiated when an employment agreement is terminated, and they usually involve the interpretation of regulatory, legal and contractual issues that have long been controversial.

The Company reconfirms its commitment to settle these disputes in Brazil through conciliation procedures.

Unionisation levels and industrial action

The Group's unionisation levels cannot be calculated precisely, as this information is not available in all countries. However, it is estimated that about half the Group's employees are trade union members. The percentage of employees covered by collective bargaining agreements in 2008 remained largely unchanged from previous years. This percentage is essentially the result of the historical and cultural differences from one country to another.

Individual contracts continue to be held by about 10% of the employee population, including executives worldwide, except for Italy, managers in the UK, the "Non Tarif" in Germany, the "Excluidos" in Spain, "Senior" and "Esecutivi" in Brazil.

The overall conflict rate recorded in 2008 was slightly higher than in previous years. This increase is connected with the effects of the severe global economic crisis and is limited to the areas where the market suffered the greatest downturns. Industrial actions during the year were concentrated mainly in Italy, Spain and Argentina. In Italy, they occurred during renewal of the collective bargaining agreement and due to measures to contain fixed costs and to reorganise, which began to be implemented in the last quarter of 2008 and continue today. The industrial action at the Manresa production plant in Spain stemmed from political and economic demands connected with the factory restructuring project, while industrial action in Argentina took place during renewal of the collective bargaining agreement. All of the above disputes were resolved by agreement between the parties.

Occupational Pension Plans and Healthcare Schemes

No significant changes were made in this area in 2008, with the majority of affiliates providing supplemental pension schemes for their employees. The Group maintains the policy adopted in previous years, involving the abandonment of defined benefit plans in favour of defined contribution plans.

Defined benefit plans are in place in the UK (covering employees who were hired before a certain date, while those hired later participate in a defined contribution plan), in the USA (these plans were closed a number of years ago to active employees in favour of defined contribution plans; (since then, they only apply to retired employees but are not tied to wage increases) and in the Tyre Sector in Germany (this scheme was closed to new hires in 1982). Other defined benefit plans exist at Pirelli Real Estate in Germany and in the Tyre Sector in Holland, but they represent a relatively insignificant liability for the Group.

Group affiliates still provide healthcare schemes in compliance with local needs. These healthcare schemes vary from country to country in terms of allocation levels and the types of coverage provided. These schemes are managed by insurance companies or specially created plans. The Company participates by paying a fixed fee, as in Italy, or an insurance premium, as in Brazil and the USA.

OCCUPATIONAL HEALTH, SAFETY AND HYGIENE

“Group companies shall safeguard health and safety in the workplace and consider respect for worker’s rights as fundamental to the business” (Article 6 of the Ethical code – Human Resources).

Health, Safety and Hygiene Management complies with the principles set out in the Group’s Ethical Code and the *Group Policy for Health, Safety, Environment and Social Responsibility*, discussed in the introduction to this report.

The text of the Ethical Code and Policy, which have been distributed to all Group workers in their respective languages, is available in the “Sustainability” section of www.pirelli.com.

The various topics discussed below have been divided under “Pirelli Tyre”, “Pirelli Real Estate” and “The Group’s Other Sectors/Companies”, reflecting the varied nature of Group businesses. For detailed information on the Real Estate Sector, whose performance is consolidated in this report, please consult the Pirelli Real Estate S.p.A. Sustainability Report, which can be found in the Sustainability section of the website www.pirellire.com.

SAFETY MANAGEMENT SYSTEM

Pirelli Tyre S.p.A.

A Safety Management System organised and certified to meet OHSAS 18001 standards has long been in operation in the Tyre Sector (which also comprises steel cord production plants).

Following implementation of the system at the new plant in Yanzhou, China, 21 of the 24 operating units were certified under this standard. In 2009 implementation of the system at the Slatina Tyres and Milano Bicocca (which includes the research, development and testing activities carried out at it in addition to CMP and Next Mirs) sites was planned.

The Safety Management System implemented at the Group’s production units has been developed on the basis of centrally drafted common procedures and guidelines. This has enabled the use of a “common language” within the Group, in terms of the key elements of occupational safety management and a uniform shared mode of operations.

A summary description is provided below of some practical examples of safety management.