

The Pirelli logo is displayed in a yellow rectangular box. It features the word "PIRELLI" in a bold, red, sans-serif font. Above the letters "I" and "R" is a stylized red graphic element consisting of three horizontal bars of varying lengths, resembling a tire tread or a stylized 'P'.

Green Purchasing Guidelines

Issue 1.0 - September 2014



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1. INTRODUCTION

Pirelli builds its business on respect for the environment and the individual: it takes care of its environmental performance in all phases of product life, including its supply chain; it follows targets and regulations strictly in order to deliver sustainable and innovative products to its Customers.

Pirelli does contribute with all its activities to the development of a conscious and sustainable society; the goal of this document is to involve all the members of the Pirelli supply chain in this approach, from the Supplier to the final Customer, to create value for all Pirelli Stakeholders.

In line with its Green Sourcing Policy, Pirelli has edited this document in order to spread the ways to reduce the environmental impact of its products and services.

The Pirelli Green Purchasing Guidelines aim to align every single purchasing category to specific requirements in order to respect its sustainability principles.

2. WHAT IS GREEN SOURCING FOR PIRELLI

The Pirelli approach to sustainable environmental management is set forth in accordance with the Sustainability System envisaged in the United Nations Global Compact, signed in 2004, and in accordance with the “Rio Declaration on Environment and Development”.

The Pirelli Green Sourcing Policy is based on 3 pillars

- The Pirelli “**Green Sourcing Policy**”, signed by the Chairman, where Pirelli and all Group employees undertake to consider environmental aspects in all of their design choices and sourcing of materials, products and services. The goal is to stimulate and promote environmental awareness throughout the supply chain, and promote choices that can reduce the environmental impact of the sourcing process associated with the Pirelli business. This is part of the Pirelli Premium strategy in creating sustainable growth over time, benefiting from tangible and intangible value return.
- The Pirelli “**Green Sourcing Manual**” (PGSM): is a document, based on the principles of the Green Sourcing Policy that provides green internal guidelines for Pirelli Functions. It is an internal and confidential document, issued under the coordination of both Quality and Sustainability Departments, with the contribution of all the functions involved in the sourcing process. The PGSM provides the key environmental guidelines to be applied in the operative functional activities associated with the sourcing of the four green purchasing macro-areas: Materials, Capex, Opex and Logistics.
- The Pirelli “**Green Purchasing Guidelines**” (PGPG): this document, based on the previous two pillars, which represents the Pirelli will to disclose its own dimension towards the whole supply chain, sharing its Green Sourcing approach with Suppliers, releasing its green best practices and encouraging Suppliers to do the same.



3. THE IMPORTANCE OF GREEN SOURCING

At no time in the last century has there been more interest from consumers, social communities and governments, at global level, in Companies operating in ways that protect the environment within the frame of respect for human health and safety.

Nowadays “being green” has become a social and global phenomenon. All over the major media and the Internet it is possible to be informed about this topic.

The present generation by means of its aware choices - influenced by the “green wave” – may have the greatest positive impact on the environment over the next 50 years; and also businesses are being strongly oriented in this direction. It is necessary that everyone becomes more and more environmentally conscious and involved in preserving our Planet. The next decade will be fundamental in implementing procedures that allow us to reverse the phenomena of global warming. Periods of warmth could be attributed to many factors but in the last century a lot of studies show an increase in greenhouse gas emissions: this simply means that the most significant factors are human-based. Leading causes of global warming are fossil fuel production and consumption, vehicle emissions, landfill and deforestation.

This increase in environmental awareness among the entire community has brought a lot of results over the last few years and since 2004 Pirelli is an active member of the United Nations’ Global Compact. Since December 2012, Pirelli follows a Green Sourcing Policy that commits the Company to a reduction of its environmental footprint in the sourcing of materials, products and services and allows it to deploy its green sourcing strategy as described in the previous chapter.

The process of purchasing is a fundamental phase in the supply chain of every company. Green Purchasing means that a company pays particular attention in searching, identifying, selecting and sourcing products and services that have a lower impact on the environment compared to competitive ones.

Environmental responsibility is no longer just a regulatory issue but, more and more, it is becoming a business imperative too. The increase in energy and commodities costs is pushing companies to pursue options and actions to reduce costs: in this framework, “green sourcing” is providing a lot of products and solutions to save energy, water and waste with a multiplier effect on such actions.

Pirelli Suppliers are expected to read, understand and adopt the principles of the Green Sourcing Policy and are encouraged to follow the Green Purchasing Guidelines.

The deployment of “green sourcing principles” through supply chains are becoming an opportunity for improving profitability while strengthening the company’s green credentials.

From this point of view, green sourcing can help companies to improve their financial results, allowing them to meet their cost reduction goals while also boosting revenues. It can also contribute to a better public image and reputation with the company’s Stakeholders.

In the Pirelli experience, “green sourcing” does not require a revolution in the sourcing process: it just leverages existing sourcing processes to capitalize on an expanded set of opportunities.

Nowadays the evaluation of a material, a product or a service is no longer made only considering the parameters of product performance, quality and price but also the impact on the environment. Enterprises have a strong responsibility for environmental impact, so this attitude aims to protect the environment and the company and to strengthen its own brand in the final market. The result is that it helps not only to improve life style conditions but also to reduce full life cycle costs, save money and improve green brand awareness.

Pirelli does consider the “green performance” of its Suppliers (as measured by the KPI’s described in the present document) as an element of the Vendor Rating in order to enhance and reinforce the Suppliers’ continuous improvement in this area as well.

With this document, Pirelli wants to stress that in every corporate activity it is very important to follow “green” and sustainable ideas. Pirelli requires peculiar “green” requirements of its Suppliers in order to guarantee its Customers high performance, quality, innovative and environmentally oriented Premium products.

Green Sourcing and Green Purchasing are not just a philosophy or a way of acting: they are part of the Pirelli Premium strategy in creating sustainable growth over time, benefiting from tangible and intangible value return.

4. ENHANCING AND REINFORCING THE GREEN PERFORMANCE OF PIRELLI SUPPLIERS

4.1 Green Performance KPIs Synoptic Table

The **Green Performance KPIs Synoptic Table** is designed to present all the green purchasing requirements concisely with the related Key Performance Indicators (KPI), aggregated by purchasing category.

On the right of the Table, under the four pillars of green sourcing (Materials, Capex, Opex and Logistics), the specific purchasing categories are shown in the columns; on the left, there are four columns related to green sourcing classification elements

- **GREEN AREA**
 - Four green areas of key importance are identified
 - Green Purchasing
 - Management System
 - Supplier Environmental Assessment
 - Environmental Performance Indicators
- **GREEN TOPIC CODE**
- - For each Green Area, one or more specific “green topics” are associated with it and uniquely identified by a code
- **GREEN TOPIC**
 - This is a short description of the green topic associated with the Green Area
- **KPI**
 - This is the Key Performance Indicator used to measure the Supplier’s green performance. Note that more than one KPI can be associated with the same Green Topic.
 - Each KPI is described in detail in §5.2
 - In order to prioritize and focus the Supplier’s activity, each KPI is ranked Mandatory (M), Strongly Advised (SA) or Nice-To-Have (NTH) as defined in §4.2

This choice of a “synoptic table” has been made to offer an overview of all category requirements and to provide simple indications on how to build a green performance analysis.

4.2 Ranking importance of Green Performance KPI’s

In order to prioritize and focus Supplier’s activity, each KPI is ranked in the following way

- **Mandatory (M):** implies that the requirement must be respected because it’s an important part of the Supplier Qualification process as far as the Environment is concerned. Accordingly, it is also a baseline requirement of the Vendor Rating.
- **Strongly Advised (SA):** the fulfilment of this requirement is highly recommended because in the short term Pirelli is willing to promote it as "mandatory". Compliance with this requirement and its disclosure to Pirelli is a relevant contribution to the Supplier’s Vendor Rating.
- **Nice-To-Have (NTH):** this requirement is useful for Pirelli to further assess the Supplier’s will to be proactive about green and sustainability management and is seen as an additional contribution to the Vendor Rating.

4.3 How to use the Green Performance KPI’s Synoptic Table

The Supplier is supposed to identify its Pirelli purchasing category of pertinence in the table. If the Supplier has a commercial relationship with Pirelli for more than one purchasing category, it should give priority to the more relevant one based on turnover.

Once it has identified its category column, the Supplier can easily identify the relevant Green Area, Green Topic and KPIs with ranking importance for prioritization of continuous improvement actions.

4.4 How Pirelli measures Supplier Green Performance

The KPIs are used to measure the Supplier's "green performance" in its specific purchasing category by means of the Pirelli Vendor Rating system^(*). From this point of view, by definition, Green Purchasing Guidelines are to be followed by already qualified Pirelli Suppliers. However, for Suppliers not yet qualified, Pirelli is committed to share the PGPG to better prepare for any possible future business as far as the Pirelli Green Sourcing strategy is concerned.

() If a Supplier has a commercial relationship with Pirelli in more than one category, the Vendor Rating will be given according to the more relevant category based on turnover.*

Mandatory and Strongly Advised KPI's are the most relevant contributions that come into the "green performance" rating. Nice-to-Have KPIs do represent the Pirelli will to create "green culture", to exchange and share best practices with its Suppliers: for this reason, if Suppliers want to disclose their practices, this type of KPI will also be recognized in the Vendor Rating process. On a yearly base, Qualified Suppliers that do not perform in line with PGPG requirements will be asked to submit a continuous improvement programme.

4.5 What Pirelli Suppliers have to do?

Awareness first: all Pirelli Suppliers must confirm they have read and understood the present Pirelli Green Purchasing Guidelines (as per GPGR-1 in the Green Performance KPI's Synoptic Table).

By following §4.3 and exploiting the KPIs Table, Suppliers can understand what the KPI's of pertinence are and their relative rank in importance. This information is then to be used to establish (or fine-tune, if already existing) their Green Sourcing strategy, and, in turn, to encourage their focus on environmental issues.

On a yearly basis, Pirelli Qualified Suppliers are asked to communicate to Pirelli their green KPI's (or update them when necessary) according to specific instructions provided electronically.

5. PIRELLI GREEN KEY PERFORMANCE INDICATORS

5.1 Green Performance KPIs Synoptic Table

For the sake of clarity, the Green Performance KPIs Synoptic Table is split into two sub-tables assembled by a KPI affinity criteria: **PART 1** which refers to Materials, Capex and Opex (I); and **PART 2** which refers to Opex (II) and Logistics.

OPEX (I) includes

- Industrial Services,
- Energy

- MRO

OPEX (II) includes

- General Goods and Services, in turn, composed of
 - Canteen
 - Express Couriers
 - Others
- Marketing, in turn, composed of
 - General
 - Events

ICT requirements are included in OPEX(II)/General Goods and Services/Others. *Moulds* requirements are included in CAPEX/Equipment. In OPEX(II), *Canteen*, *Express Couriers* and *Events* are considered separately because of specific sustainability requirements.

For Part 1 and Part 2, an additional and separate list of relevant Environmental Performance Indicators is also given for specific Nice-To-Have KPIs.

Green Performance KPIs Synoptic Table
PART 1 : MATERIALS, CAPEX and OPEX (I)

GREEN AREA	GREE TOPIC CODE	GREEN TOPIC	KPI	MATERIALS		CAPEX			OPEX (I)			
				Raw Materials	Auxiliary Material	Equipment	Building, Utilities & Facilities	Off Take	Industrial Services	Energy	MRO	
GREEN PURCHASING	GPGR-1	Awareness of PGPG	PGPG "Read and understood"	M	M	M	M	M	M	M	M	
	GPGR-2	Supplier green policy	Existence of a public green policy	SA	SA	SA	SA	SA	SA	SA	SA	
MANAGEMENT SYSTEM	GPGR-3	Certificates	1	ISO14001 (or EMAS) Certification	SA	SA	SA	SA	M	SA	SA	SA
			2	ISO50001 Certification	NTH	NTH	NTH	NTH	NTH	NTH	SA	NTH
SUPPLIER ENVIRONMENTAL ASSESSMENT	GPGR-4	Participation in CDP	CDP Report	SA*	-	SA*	SA*	SA*	-	SA*	SA*	
	GPGR-5	Life Cycle Assessment	1	LCA of supplied products in accordance with ISO14040	SA	NTH	NTH	NTH	SA	NTH	SA	NTH
			2	Environmental product declaration	NTH	NTH	NTH	NTH	NTH	NTH	NTH	NTH

*These requirements must be considered as "mandatory" under Pirelli specific request

Green Performance KPIs Synoptic Table
PART 2 : OPEX (II) and LOGISTICS

GREEN AREA	GREN TOPIC CODE	GREEN TOPIC	KPI	OPEX (II)					LOGISTICS
				GENERAL GOODS & SERVICES			MARKETING		
				Canteen	Express courier	Others	General	Events	
GREEN PURCHASING	GPGR-1	Awareness of PPGG	PGPG read and understood	M	M	M	M	M	M
	GPGR-2	Supplier green policy	Existence of a public green policy	NTH	NTH	NTH	NTH	NTH	NTH
MANAGEMENT SYSTEM	GPGR-3	Certificates	1 ISO14001 (or EMAS) Certification	SA	SA	SA	SA	SA	SA
			3 ISO 20121 Certification	-	-	-	-	NTH	-
SUPPLIER ENVIRONMENTAL ASSESSMENT	GPGR-4	Participation in CDP	CDP Report	-	-	-	-	-	SA*
	GPGR-6	Life Cycle Assessment	3 Environmental product declaration	NTH	NTH	NTH	NTH	NTH	-
ENVIRONMENTAL PERFORMANCE INDICATORS	GPGR-7	Green House Gas (GHG) Emission	3 Carbon footprint	NTH	NTH	NTH	NTH	NTH	NTH
	GPG R-12	Recycling & reuse	2 Waste Recovery	NTH	-	NTH	NTH	NTH	-
	GPGR-13	Food & beverages	1 Tableware	SA	-	-	-	SA	-
			2 Food recovery	SA	-	-	-	SA	-
			3 White goods	SA	-	-	-	-	-
	GPGR-14	Ordinary material	1 Carrier bags	-	-	-	SA	SA	-
			2 Lighting Devices	-	-	SA	-	-	-
			3 Chain of custody	SA	-	SA	SA	SA	-
			4 Cardboard boxes	SA	SA	SA	SA	SA	-
	5 Paper	SA	-	SA	SA	SA	-	-	
GPGR-15	Location choice	Logistic facilitation	-	-	-	-	NTH	-	
OTHERS	GPGR-16	Transport KPIs	1 Land transport questionnaire	-	SA	-	-	-	SA
			2 Sea transport questionnaire	-	-	-	-	-	SA

According to its Green Policy, Pirelli wants to encourage its Suppliers to monitor and improve their In accordance with its Green Policy, Pirelli wants to encourage its Suppliers to monitor and improve their own environmental performance, this on the widest base of environmental performance indicators.

Therefore, in addition to the previous KPI's, the following is a list of Specific Environmental Performance Indicators that Pirelli is already committed to improve in its own operations:

- **Energy:** intended as "Energy consumption (GJ)", "Energy specific consumption (GJ/revenues)" and "Renewable energy as a % of total energy"
- **Green House Gas (GHG):** intended as "GHG emissions (ton of CO₂-e)", "GHG specific emissions (ton of CO₂-e /revenues)" and Carbon footprint
- **Water:** intended as "Water Withdrawal (m³)" and "Water specific withdrawal (m³/revenues)"
- **Wastewater:** intended as "Wastewater Discharge (m³)" and "Wastewater Discharge Intensity (m³/revenues)"
- **Hazardous Waste:** intended as "Hazardous Waste Generation (metric tons)" and "Hazardous Waste Generation Intensity (metric tons/revenues)"
- **Non-Hazardous Waste:** intended as "Non-Hazardous Waste Generation (metric tons)" and "Non-Hazardous Waste Generation Intensity (metric tons/revenues)"
- **Waste Recovery**
- **Reverse Logistics**

The above KPIs are classified as "Nice-To-Have" because Suppliers are not required to submit them to Pirelli. However, Suppliers are invited to monitor them because in the future Pirelli could require them as "strongly advised" or "mandatory".

For the sake of clarity and in order to support the Green Sourcing strategy of Pirelli Suppliers on the widest basis, the above additional specific environmental KPIs are listed in the next two tables, respectively, for Part 1 "Materials, Capex and Opex (I)" and Part 2 "Opex (II) and Logistics". In this case, no reference to specific purchasing category is given due to the general applicability of the KPIs. Details on KPIs are given in §5.2.

Additional Specific Environmental KPIs Part 1 Materials, Capex and Opex (I)

ENVIRONMENTAL PERFORMANCE INDICATORS	GPGR-6	Energy	1	Energy consumption (GJ)
			2	Energy specific consumption (GJ/revenues)
			3	Renewable energy as % of total energy
	GPGR-7	Green House Gas (GHG) Emissions	1	GHG emissions (ton of CO2-e)
			2	GHG specific emissions (ton of CO2-e /revenues)
			3	Carbon footprint
	GPGR-8	Water Withdrawal	1	Water Withdrawal (m3)
			2	Water specific withdrawal (m3/revenues)
	GPGR-9	Wastewater Discharge	1	Wastewater Discharge (m3)
			2	Wastewater Discharge Intensity (m3/revenues)
	GPGR-10	Hazardous Waste Generation	1	Hazardous Waste Generation (metric tons)
			2	Hazardous Waste Generation Intensity (metric tons/revenues)
GPGR-11	Non-Hazardous Waste Generation	1	Non-Hazardous Waste Generation (metric tons)	
		2	Non-Hazardous Waste Generation Intensity (metric tons/revenues)	
GPGR-12	Recycling & reuse	1	Reverse Logistics	
		2	Waste Management	

Additional Specific Environmental KPIs Part 2 Opex (II) and Logistics

ENVIRONMENTAL PERFORMANCE INDICATORS	GPGR-6	Energy	1	Energy consumption (GJ)
			2	Energy specific consumption (GJ/revenues)
			3	Renewable energy as % of total energy
	GPGR-7	Green House Gas (GHG) Emissions	1	GHG emissions (ton of CO2-e)
			2	GHG specific emissions (ton of CO2-e /revenues)
			3	Carbon footprint
	GPGR-8	Water Withdrawal	1	Water Withdrawal (m3)
			2	Water specific withdrawal (m3/revenues)
	GPGR-9	Wastewater Discharge	1	Wastewater Discharge (m3)
			2	Wastewater Discharge Intensity (m3/revenues)
	GPGR-10	Hazardous Waste Generation	1	Hazardous Waste Generation (metric tons)
			2	Hazardous Waste Generation Intensity (metric tons/revenues)
	GPGR-11	Non-Hazardous Waste Generation	1	Non-Hazardous Waste Generation (metric tons)
			2	Non-Hazardous Waste Generation Intensity (metric tons/revenues)
	GPGR-15	Location choice	Logistic facilitation	

5.2 DETAILED EXPLANATION OF GREEN PERFORMANCE KPIS

GPGR-1 PPGG Read and Understood

Awareness first: all Pirelli Suppliers must confirm they have read and understood the present Pirelli Green Purchasing Guidelines

GPGR-2 Existence of a public green policy

Definition and implementation of a public environmental policy by the Supplier to demonstrate to public Stakeholders its commitment to decrease its environmental impact.

GPGR-3.1 ISO 14001 Certification

The ISO 14000 family addresses various aspects of environmental management. It provides practical tools to identify and control the environmental impact of companies' activities and constantly improve their environmental performance. ISO 14001 maps out a framework that a company can follow to set up an effective environmental management system. Using ISO 14001 can provide assurance to your stakeholders that environmental impact is being measured and improved. The benefits of using ISO 14001 can include: reduced cost of waste management, savings in consumption of energy and materials, lower distribution costs, improved corporate image among regulators, customers and the public. Only for the purchasing categories where this KPI is not Mandatory, Pirelli also acknowledges EMAS, the Eco-Management and Audit Scheme (EMAS) which is a voluntary environmental management tool developed in 1993 by the European Commission. In order to register with EMAS, organisations must meet the requirements of the EU EMAS-Regulation.

GPGR-3.2 ISO 50001 Certification

ISO 50001 supports organizations in all sectors to use energy more efficiently, through the development of an energy management system that integrates energy management into the overall efforts to improve quality and environmental management. Improved energy performance can provide rapid benefits for an organization by maximizing the use of its energy resources and energy-related assets, thus reducing both energy cost and consumption.

GPGR-3.3 ISO 20121 Certification

ISO 20121 is a management system standard that has been designed to help organizations in the events industry to improve the sustainability of their event related activities, products and services.

GPGR-4 CDP Report

CDP (Carbon Disclosure Project) is an international, not-for-profit organization providing the only global system for companies and cities to measure, disclose, manage and share vital environmental information. The questionnaires are divided into several sections in order to fully understand the actions your company is undertaking to mitigate environmental risks. Through the CDP Report, Suppliers give Pirelli evidence and insight into their greenhouse gas emissions, water usage and strategies for managing climate change, water and deforestation risks. Since the CDP report is available for Raw Materials, CAPEX, Energy, MRO and Logistics purchasing categories, participation in the Carbon Disclosure Project is considered a "Strongly Advised" practice for these categories save any further request from Pirelli itself.

GPGR-5.1 LCA of supplied products in accordance with ISO14040

Life Cycle Assessment (LCA) is a tool for the systematic evaluation of the environmental aspects of a product or service system through all stages of its life cycle. LCA provides an adequate instrument for environmental decision support. Reliable LCA performance is crucial to achieve a life-cycle economy. The International Organisation for Standardisation (ISO) has standardised this framework within the ISO 14040 series on LCA. The Supplier is asked to disclose whether it is compliant with the ISO 14040 series.

GPGR-5.2 Environmental product label and declaration

These are a form of environmental performance measurement directed at consumers, intended to make it easy to take environmental concerns into account when shopping. Some labels quantify pollution or energy consumption using index scores or units of measurement, others simply assert compliance with a set of practices or minimum requirements for sustainability or reduction of harm to the environment. Some examples of Ecolabels are: Energy Star and Green Seal in the USA, the EU's Ecolabel, Germany's Blue Angel and the Nordic swan. The International Organization for Standardization (ISO) has created standards for labelling practices within the ISO 14000 scheme: the ISO 14020 to 14025 series deals with environmental labels and declarations.

GPGR-6.1 Energy consumption

The supplier must disclose the total consumption of energy from any kind of source. We strongly advise using the methodology described in the GHG Protocol (<http://www.ghgprotocol.org/>), as Pirelli do.

GPGR-6.2 Energy specific consumption

The supplier must disclose the specific consumption of energy from any kind of source in relation to revenues. This datum is necessary to compare businesses of different size. We strongly advise using the methodology described in the GHG Protocol (<http://www.ghgprotocol.org/>), as Pirelli do.

GPGR-6.3 Renewable energy

The supplier must disclose the percentage of energy they use which comes from renewable sources considering both their internal production of renewable energy and renewable energy from energy suppliers.

GPGR-7.1 GHG emissions

Emissions of Greenhouse gas means emissions of water vapour (H₂O), carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), ozone (O₃) and CFCs. In particular, the supplier must provide GHG emissions in metric tons of CO₂-e. The term CO₂-e stands for CO₂-equivalents, calculated according to the Greenhouse Gas Protocols of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). We strongly advise using the methodology described in the GHG Protocol (<http://www.ghgprotocol.org/>), as Pirelli do.

GPGR-7.2 GHG specific emissions

This KPI is necessary to evaluate GHG emissions calculated as in GPGR-7.1 in relation to revenues. This datum is necessary to compare businesses of different size. We strongly advise using the methodology described in the GHG Protocol (<http://www.ghgprotocol.org/>), as Pirelli do.

GPGR-7.3 Carbon footprint

Carbon footprint is the total set of greenhouse gas emissions caused by an organization, event, product or person. Accordance with ISO 14067 standard (or equivalent) is necessary to comply with this requirement.

GPGR-8.1 Water withdrawal

Water withdrawal is the sum of all water drawn into the boundaries of the organization from all sources (including surface water, ground water, rainwater, and the municipal water supply) for any use over the course of the reporting period.

GPGR-8.2 Water specific withdrawal

Water Specific Withdrawal is the intensity KPI adopted to monitor water efficiency. It is calculated by normalizing water withdrawal by revenues.

GPGR-9.1 Wastewater discharge

Wastewater discharge is the sum of water effluents discharged over the course of the reporting period to subsurface waters, surface waters, sewers that lead to rivers, oceans, lakes, wetlands, treatment facilities, and ground water either through:

- A defined discharge point (point source discharge)
- Over land in a dispersed or undefined manner (non-point source discharge)
- Wastewater removed from the organization via truck.

The supplier must deal with wastewater discharge by appropriate means of water treatment. Compliance with local law on wastewater management is mandatory; moreover the supplier is strongly encouraged to implement actions in order to reduce its own wastewater generation and related amount of pollutants

GPGR-9.2 Wastewater specific discharge

Wastewater Specific Discharge is the intensity KPI adopted to monitor wastewater efficiency. It is calculated by normalizing wastewater discharge by revenues.

GPGR-10.1 Hazardous Waste Production

Is the production of waste classified as Hazardous according to local legislation at the point of generation.

GPGR-10.2 Hazardous Waste Specific Production

Is the intensity KPI adopted to monitor Hazardous Waste Production efficiency. It is calculated by normalizing Hazardous Waste Production by revenues.

GPGR-11.1 Non-Hazardous Waste Production

Is the production of waste classified as Not Hazardous according to local legislation at the point of generation.

GPGR-11.2 Non-Hazardous Waste Specific Production

Is the intensity KPI adopted to monitor Non-Hazardous Waste Production efficiency. It is calculated by normalizing Non-Hazardous Waste Production by revenues.

GPGR-12.2 Waste recovery

Total amount of waste reused, recycled or recovered as either energy or material (according to “Recovery Operations” as defined by the Basel Convention).

GPGR-12.1 Reverse logistics

The supplier must promote reverse logistics: this concerns all the operations related to the reuse and recycling of packaging. The performance indicator is represented by the percentage of reverse logistics over the total quantity of packaging of goods purchased by Pirelli.

GPGR-13.1 Tableware

Food and beverages shall be served using cutlery, glassware, crockery and tablecloths that are reusable (e.g. ceramic, glass etc.). If this request isn't applicable, tableware should be biodegradable and compostable, or at least recyclable.

GPGR-13.2 Food recovery

Canteens and catering suppliers shall adopt sustainable food recovery initiatives.

GPGR-13.3 White goods

White goods (refrigerators, freezers and dishwashers) with the best energy efficiency class shall be used in the canteen kitchen.

GPGR-14.1 Carrier bags

Carrier bags shall be biodegradable. Alternatively, bags shall contain a minimum of 80% recycled material and they shall be reusable many times over and recyclable at the end of their useful life. A technical dossier should be provided in order to verify compliance.

GPGR-14.2 Lighting Devices

The supplier is expected to give preference to lighting devices falling into the best energy efficiency class.

GPGR-14.3 Chain of custody

Paper, furniture and anything made with wood must come from legal sources. Certificates of chain of custody such as FSC, PEFC or any other sustainable forest management standard where the percentage of certified wood is indicated will be accepted as proof of compliance.

GPGR-14.4 Cardboard boxes

Cardboard boxes shall be made of at least 80% recycled materials and must comply with Certificate of chain of custody requirements.

GPGR-14.5 Paper

Any type of non-virgin paper must be made from at least 75% recovered paper fibres, with a minimum of 80% post-consumer recycled fibres. In case of virgin paper it must comply with Certificate of chain of custody requirements. Any type of paper shall be at least “elemental chlorine free” (ECF) or better “totally chlorine free” (TCF).

GPGR-15 Location choice

The supplier is expected to choose the location of its plants by also considering the most efficient solution in the logistics of goods and people.

GPGR-16.1 / GPGR-16.2 Land and sea transport questionnaire

For both questionnaires, there is a requirement to specify if data are third party certified by EN 16258, self-certified following the EN 16258 guidelines or neither. See the attachments for more details.

GLOSSARY

Blue Angel: is the environment-related label for products and services created in 1978 at the initiative of the German Federal Minister of the Interior. It is considered a market-conforming instrument of environmental policy designed to distinguish the positive environmental features of products and services on a voluntary basis. For more details visit <http://www.blauer-engel.de/en/>.

EN 16258: the CEN standard EN 16258 covers "Methodology for calculation and declaration of energy consumption and GHG emissions of transport services (freight and passengers)".

Energy Star: is a U.S. Environmental Protection Agency (EPA) voluntary program that helps businesses and individuals save money and protect our climate through superior energy efficiency. This label was established to reduce greenhouse gas emissions and other pollutants caused by the inefficient use of energy, and to make it easy for consumers to identify and purchase energy-efficient products that offer savings on energy bills without sacrificing performance, features, and comfort. Products can earn the Energy Star label by meeting the energy efficiency requirements set forth in the Energy Star product specifications. For more details visit <http://www.energystar.gov/>.

EPA: this acronym stands for Environmental Protection Agency. The mission of the EPA is to protect human health and the environment. When the U.S. Congress writes an environmental law, the EPA implements it by writing regulations and helps companies understand the requirements. For more details visit <http://www.epa.gov/>.

EU Ecolabel: the functioning of the EU Ecolabel is set through a Regulation of the European Parliament and Council. When developing EU Ecolabel criteria for products, the focus is on the stages where the product has the highest environmental impact, and this differs from product to product. In addition, product-specific criteria ensure that any product bearing the EU Ecolabel is of good quality with high performance ratings. Criteria are developed and revised in a transparent way by a group of experts and stakeholders. For more details visit http://ec.europa.eu/environment/ecolabel/index_en.htm.

FSC and PEFC: The Forest Stewardship Council and the Programme for the Endorsement of Forest Certification are the two largest international forest certification programs. These independent organizations develop standards of good forest management, and independent auditors issue certificates to forest operations that comply with those standards.

Green Seal: Green Seal Certification is a process that ensures that a product meets rigorous performance, health, and environmental criteria. Achieving certification of products helps manufacturers back up their environmental claims and helps purchasers identify products that are safer for human health and the environment. Green Seal certification is not just a “one-time deal”. Companies establish an ongoing commitment to health and the environment through annual compliance monitoring and work towards continuous improvement. For more details visit www.greenseal.org .

Nordic swan: is the official Ecolabel of the Nordic countries and was established in 1989 by the Nordic Council of Ministers. The purpose of the Ecolabel is to contribute to sustainable consumption and production; it is an ISO 14024 type 1 Ecolabelling system and a third-party control organ. For more details visit <http://www.nordic-ecolabel.org/> .

Pirelli black list: purchased substances are classified in order of decreasing hazard: Black, Grey and White; the criteria used to draw up the “Black-list” are closer than SVHC and PBT /vPvB lists. In this way Pirelli proves that there aren’t any Substances of Very High Concern in its input materials since the Pirelli Black-list also includes substances that are supposed to be a hazard.

Rio Declaration on Environment and Development: The United Nations Conference on Environment and Development, having met at Rio de Janeiro from 3 to 14 June 1992, had the goal of establishing a new and equitable global partnership through the creation of new levels of cooperation among States, key sectors of societies and people. It proclaims 27 principles working towards international agreements, which respect the interests of all and protect the integrity of the global environmental and developmental system.

United Nations Global Compact: The UN Global Compact is a strategic policy initiative for businesses that are committed to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere. The UN Global Compact works toward the vision of a sustainable and inclusive global economy, which delivers lasting benefits to people, communities, and markets. For more details visit <http://www.unglobalcompact.org/> .

APPENDIX

PIRELLI GREEN SOURCING POLICY



Politica di *Green Sourcing*

Dicembre 2012

L'approccio Pirelli alla gestione ambientale si ispira al Global Compact delle Nazioni Unite, di cui Pirelli è membro attivo dal 2004 e si esprime nel rispetto della "Dichiarazione di Rio sull' Ambiente e lo Sviluppo".

In concreto, ciò si è tradotto nell'adozione a livello di gruppo di una serie di Politiche di Sostenibilità¹ attraverso le quali Pirelli si impegna, tra l'altro, a valutare e ridurre l'impatto ambientale della propria attività e dei propri prodotti attraverso il relativo ciclo di vita, utilizzando responsabilmente materiali e risorse naturali, nell'intento di contribuire ad una crescita sostenibile per l'ambiente e le generazioni future.

Attraverso la presente Politica di *Green Sourcing*² Pirelli intende ridurre ulteriormente la propria impronta ambientale con riferimento all'approvvigionamento di materiali, beni e servizi.

Pirelli si propone in particolare di acquistare materiali, beni e servizi la cui impronta ambientale sia comprovata come meno impattante rispetto alla media equivalente di mercato, considerando tutte le fasi del ciclo di vita e con particolare attenzione alla gestione del fine vita, coerentemente alla filosofia *Zero Waste to Landfill*.

La Presente Politica sarà concretamente implementata attraverso specifiche linee guida operative interne per ogni area di approvvigionamento e acquisto.

Specifici concetti di *Riduzione, Riutilizzo e Recupero* sono trasfusi nel Modello aziendale di Approvvigionamento di materiali, beni e servizi e riguardano anche il quanto progettato internamente ma prodotto da terzi.

Pirelli si impegna a incoraggiare i suoi Fornitori a integrare la politica di *Green Sourcing* nel loro modello di approvvigionamento e lungo la relativa catena di fornitura.

La Politica è resa pubblica e viene diffusa a tutte le Società del Gruppo in lingua locale.


IL PRESIDENTE
Margo Marchetti Provera

¹ Per Politiche di Sostenibilità del Gruppo si intendono le seguenti: i *Valori e il Codice Etico*, la *Politica su Responsabilità Sociale per Salute, Sicurezza e Diritti nel Lavoro, Ambiente*, la politica di *Qualità*.

² Per *Green Sourcing* Pirelli intende la pratica di approvvigionamento di beni e servizi che siano concepiti, prodotti e utilizzati con un impatto sulle risorse naturali minore rispetto alla media equivalente di mercato.

FAQ

📄 **How to communicate Green KPIs to Pirelli?**

On a yearly basis, Pirelli Qualified Suppliers are asked to communicate their green KPI's to Pirelli (or update them when necessary) according to specific instructions provided electronically.

📄 **Why should I apply for environmental product certification?** By certifying and promoting your environmentally responsible product, service or company, you can:

- ✓ Improve the environment by reducing toxic pollution and waste, preserving resources and habitats, and minimizing global warming and ozone depletion
- ✓ Increase the health and well-being of your customers, particularly those most affected by product choice, such as schoolchildren, service staff, and the elderly
- ✓ Demonstrate that environmentally responsible products and services can meet or exceed performance and quality expectations
- ✓ Gain access to new customers and high-value niche markets
- ✓ Increase customer loyalty among your core clientele
- ✓ Boost your profitability and enhance your brand

📄 **What should I do if one of my products isn't covered in the Ecolabel product groups?**

If you want a product to be included in the Ecolabel scheme, you can submit a proposal for a product category to be included, according to the relevant procedures.

📄 **Why should I disclose NTH requirements to Pirelli?**

The disclosure of Nice To Have indicators is voluntary, but in doing so, as a supplier, you are going to improve your vendor rating and allow Pirelli to increase its knowledge about the environmental impact of each purchasing category.

ATTACHMENTS

Land transport questionnaire (4.12.1)			
	2012	2013	2014
TOTAL CO2 EMITTED*			
TOTAL KM TRAVELLED			
TOTAL TONS CARRIED			
CERTIFICATION ISO 14001			
Please insert the percentage of your actual fleet under the specific class emission			
<small>(note: the total must be 100%)</small>			
% Euro VI	% Euro V	% Euro IV	% Older
Do you use tyre pressure monitoring systems (TPMS)?			
<small>Please tick with an x</small>			
yes	no	I do not know	if yes in which % on the fleet
Do you use low rolling resistance tyres?			
<small>Please tick with an x</small>			
yes	no	I do not know	if yes in which % on the fleet
Do you use low noise emission tyres?			
<small>Please tick with an x</small>			
yes	no	I do not know	if yes in which % on the fleet
ONLY FOR INTERMODAL TRANSPORTATION BUSINESS			
	2012	2013	2014
% km performed by train on total km			

Sea transport questionnaire (4.12.2)

SEA TRANSPORT	2014	2013	2012	2011
CO2 Emissions (tons)				
Total KM travelled				
Total containers moved				
Number of spills in the environment				

DATA MUST BE RELATED TO THE WHOLE COMPANY ROAD TRANSPORTATION BUSINESS; NOT ONLY TO THE TRANSPORTATION BUSINESS WITH PIRELLI

*** HOW TO CALCULATE CO2 EMISSIONS**

In order to calculate CO2 emissions, for those who still don't have a specific internal environmental data management, you could simply multiply all the kinds of fuel used in the reported year for each correspondent conversion factor and then sum the results all together.

Residual fuel oil (Distillate #5; bunker fuel)	3,14 kgCO2eq/kg
Gasoline	3,08 kgCO2eq/kg
Diesel oil (e.g. fork lift)	3,2 kgCO2eq/kg
LPG (butane, propane, butane-propane mix)	2,99 kgCO2eq/kg
Natural gas	1,89 kgCO2eq/m3

For both questionnaires, is required to specify if data are third party certified by EN 16258, self certified following the EN 16258 guidelines or neither of them.

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