



Pirelli implementation Plan and Performances 2019

2019 work plan is focused on working towards increasing our suppliers' level of awareness as well as achieving a level of Transparency which will allow us to develop meaningful work plans and milestones, adapted to our supply chain and its local contexts, while driving it towards the implementation of Pirelli's Sustainable Natural Rubber Policy (SNRP). The Plan will be deployed by Pirelli with Earthworm Foundation (formerly The Forest Trust).

- Engage T1 suppliers on Pirelli SNRP and implementation plan to ensure their buy-in on the approach.

KPI:

- % of Pirelli natural rubber purchased volumes covered by the engaged suppliers (on total natural rubber volumes purchased by Pirelli).

→ **Update at the end of 2019:** Pirelli organised meetings with the management of all suppliers, including a number of dialogue sessions at the factories. At the end of 2019, the engagement activities carried out covered 100% of the volumes purchased by Pirelli during the year.

- Get our suppliers identify and share the areas of sourcing.

→ **Update at the end of 2019:** Thanks to the relationship of collaboration, trust and the necessary respect for confidentiality on competitive details for suppliers, at the end of the year Pirelli was able to have a map of supply chain areas with information that in some cases identifies the village of origin of natural rubber. Suppliers covering 95% of Pirelli total volumes purchased in 2019 have shared information related to the area of sourcing

- Deploy risk-mapping support for our Suppliers to identify the most material risks to be faced in the areas they source from.

→ **Update at the end of 2019:** Starting from the collected data of areas of sourcing and with the support of Earthworm Foundation (formerly TFT), Pirelli developed risk maps aimed at helping its Tier one suppliers prioritize the critical issues to be investigated and faced on the ground along the chain till upstream.

The risk maps stem from on-site Earthworm Foundation evaluation and from internationally recognized data sources (eg. FAO, GFW, UNEP, etc.), and resulted in a radar chart that scores the level of risk for each of the critical themes touched by Pirelli Sustainable Natural Rubber Policy.



- Pilot an innovative tool with the most accurate imagery analysis to identify possible deforestation hotspots (innovation to overcome the risk of false positive caused by images that are not clear enough).

→ **Update at the end of 2019:** Based on the areas of sourcing, in late 2019 Pirelli started a first trial of a deforestation monitoring system, which uses satellite images and algorithms to identify deforestation hot-spots.

We have detailed images indicating potential deforestation hot-spots for 5 selected Desa (villages) in South Sumatra, Indonesia. The algorithm adopted for the analysis was able to pinpoint deforestation hot-spots caused by multiple crops, not only by natural rubber, so collaboration with suppliers is needed to fine-tune the collected data.

- Analyse traceability tools used (or in phase of development) by our suppliers as well as the most efficient options existing on the market for data collection to be shared with our suppliers in order to have an integration and not an additional burden for them. Full integration of Traceability tool with Suppliers existing tools as from 2020.

→ **Update at the end of 2019:** Pirelli analysed the traceability tools used by suppliers and scouted the best options existing on the market, this activity also benefited from the engagement with the GPSNR (Global Platform for Sustainable Natural Rubber) dedicated working group. As of today, Pirelli suppliers are all engaged in the development of their own their traceability tools.

Pirelli appreciates and trusts its Suppliers' efforts, and respects their evaluation of the solutions that can best fit their own case Thus, for the time being, Pirelli is not pressing them to introduce different traceability tools that could create additional burden for them.

- Build capacity of T1 suppliers through trainings on the policy, the manual and how to implement it, at country level and in local language.

KPIs:

- Countries where trainings have been carried out.

→ **Update at the end of 2019:** Six workshops, each of the duration of three days, were organized by Pirelli in five countries: two in Indonesia, one in Thailand, one in Malaysia, one in China and one in Brazil, covering all the countries Pirelli sources its natural rubber from.



- % of Pirelli natural rubber purchased volumes covered by the Suppliers that took part to the training (on total natural rubber volumes purchased by Pirelli).

→ **Update at the end of 2019:** All T1 Pirelli suppliers (covering 100% of volumes purchased in 2019), and in some cases, national authorities and associations, participated in the three-day training sessions that were conducted by local specialists in native language, making the training particularly effective and appreciated by participants. The three days training covered all the pillars of the Pirelli Sustainable Natural Rubber Policy and of the relevant Implementation Manual.

- Get T1 suppliers to engage their supply chain on the SNRP and sharing the training learning, tools and materials developed with Pirelli to sensitise the different levels of the chain.

KPI:

- % of Pirelli natural rubber purchased volumes covered by the Suppliers with action plan to engage their supply chain on the SNRP and sensitise the different levels of their supply chain with the training learning, tools and materials developed with Pirelli.

→ **Update at the end of 2019:** At the end of 2019, Pirelli has received the roadmaps from suppliers covering 97% (100% in early 2020) of the volumes purchased throughout the year. All the roadmaps contain suppliers' action plans and timing to make progress towards more compliance with Pirelli's Sustainable Natural Rubber Policy along the supply chain.

To support the cascading, Pirelli in 2019 created a set of infographics to allow a simple but effective approach for the engagement.

- Get T1 suppliers to develop a roadmap on how they will support the implementation of the SNRP and the gap assessments in priority areas according to the risk map identified.

KPI:

- % of Pirelli natural rubber purchased volumes produced for Pirelli by suppliers with a Pirelli SNRP implementation road map.

→ **Update at the end of 2019:** At the end of 2019, Pirelli received roadmaps from suppliers covering 97% of the volumes purchased in the year. This percentage reached 100% in early 2020, demonstrating that Pirelli suppliers are fully committed to improve the sustainability of their natural rubber supply chain.



- Contribute to transformative activities on already known issues affecting our supply chain.

KPI:

- Publication of the case studies and relevant impacts on forest/communities/workers, etc. The specific performance KPIs will be defined once the studies will be identified.

→ Update at the end of 2019:

During the 2019 "Tapping Competition" held in Indonesia in cooperation with Kirana Megatara¹, Pirelli carried out an in-depth local dialogue on natural rubber tree diseases, aimed at raising awareness about possible causes and share solutions.

The dialogue outcomes and a further deep diving on the existing literature with the support of Earthworm Foundation led to the release of a study titled "Understanding the challenges of Rubber Plant Disease and potential solutions for implementation within Pirelli's Sustainable Natural Rubber Policy" which has been published [here](#).

At the end of the event, a survey was conducted and these are the results:

- 90% of participants acknowledged acquiring high to very high learning outcomes from the dialogue.
- 89% of participants acknowledged experiencing an increased knowledge from the dialogue.
- 100% of participants found the topics delivered during the dialogue would support their daily activity at work.
- 100% of participants acknowledged obtaining a new perspective from the dialogue.

The Workshop was attended by 36 farmers, 5 local government officials, 3 health Centre workers, 2 community facilitators, a rubber disease expert, 4 representatives from Kirana Megatara and a representative from Pirelli.

¹ In 2019 Pirelli participated as usual in the "tapping competition" event held in Indonesia by Kirana Megatara, one of its main suppliers. The event saw the best local "tappers" compete amicably on the best methods of tapping, an important moment of training and spreading awareness among the farmers present about the best cultivation and tapping techniques, necessary to obtain a product that is increasingly pure, free from contamination and therefore distinguished by its high level of quality, which is necessary to increase productivity and therefore household earnings, and at the same time to reduce the impact of deforestation.