

PIRELLI UK COMPANIES TAX POLICY

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1. Introduction

Pirelli is committed to conducting its business operations in a responsible and ethical manner. As part of this commitment, we recognize the importance of fulfilling our tax obligations and contributing to the economic well-being of the countries in which we operate. This comprehensive document outlines the tax policy for Pirelli, ensuring alignment with the Group parent tax policy and strategy while complying with relevant tax legislation in force in the United Kingdom.

1.1 Alignment with Group Parent Tax Policy and Strategy

Pirelli UK companies operate as subsidiaries within a larger corporate group. To ensure consistency and cohesion, our corporate tax policy is designed to align seamlessly with the overarching tax policy and strategy established by the Group parent. This alignment is critical for maintaining transparency, managing risk, and promoting uniformity in our approach to tax matters.

The Pirelli Group tax policy can be found at the following link:

[Pirelli Global Tax Policy ENG new.pdf](#)

1.2 Scope

UK tax specifically includes Corporation Tax, PAYE, employee taxes, NIC, VAT, Customs & Excise Duties and withholding taxes. This strategy will be updated regularly to reflect any changes to this scope.

1.3 Publication

This Tax Policy will be owned by the Board of Pirelli UK Tyres Limited ('the Board'). It will be reviewed annually by the Compliance Officer and presented for approval by the Chief Financial Officer. Any proposed changes will be discussed and approved by the Board.

1.4 Risk Management

Pirelli's on-going tax risk approach is based on principles of reasonable care and materiality. Each tax risk is measured based on a balance of impact of that risk and its likelihood and recorded in the tax risk register. Impact may consider financial and non-financial factors. The tax risk registers will be subject to annual review or sooner where relevant actions are identified.

The aim is not to avoid or eliminate risk entirely, but to manage closely Pirelli's exposure to risk. Control and assurance activities are mapped against each risk identified to provide the Board with details of how the risk is managed.

1.5 Tax Objectives

The Finance department is responsible for all taxes within the UK Group. Its objective in relation to tax is to support Pirelli Group strategy whilst ensuring compliance with relevant laws and filing obligations.

Tax performance will be measured in the following ways:

- A clearly understood, communicated and supported policy;
- Paying the appropriate amount of tax at the appropriate time;
- Forecasting and planning tax cash payments accurately;
- Implementing and maintaining controls and procedures relating to all taxes ensuring that the correct amount of tax is paid, inspections or reviews by HM Revenue & Customs ("HMRC") and other regulators do not lead to the imposition of any fines or penalties and enabling the Senior Accounting Officer to provide the annual certification required under Schedule 46 Finance Act 2009; and,
- Act in a proactive fashion in relation to Pirelli's tax affairs.

2. Governance of tax

2.1 Policy communication

The Chief Financial Officer has responsibility for tax at Board level and communicates with and advises the Board on the tax affairs and risks of Pirelli, to ensure:

- The proper control and management of tax risk;
- The tax position is planned in line with the Group's strategic objectives; and,
- The tax charge is correctly stated in the statutory accounts and tax returns.

2.2 Principles of conduct

The Board has established that the following principles will form the basis of the management philosophy and the tax policy of Pirelli.

Risk and Internal Control - Pirelli has implemented a system of internal controls designed to respond effectively to significant risks to achieving its business objectives. The system is designed to manage rather than eliminate the risk of failing to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Collaboration - The company will foster open communication and collaboration with the Group tax department, engaging in regular meetings and information-sharing sessions to facilitate a robust understanding of the Group's tax strategy. This collaborative approach ensures that any changes in the Group's strategy are promptly reflected in Pirelli's operations.

Reporting - Pirelli will adhere to the reporting requirements outlined by the Group parent. This involves providing accurate and timely information on tax-related matters, enabling the Group to make well-informed decisions and ensuring alignment with broader organizational goals.

2.3 HMRC relationship

Pirelli maintains an open and honest relationship in its dealing with HMRC and will seek to work in 'partnership' with HMRC in relation to its tax dealings:

- In the event of any inadvertent error(s) arising, full disclosure, where required by law will be made to HMRC;
- Pirelli will welcome and continue to meet and cooperate with HMRC, in respect of current, future and retrospective tax risks, events and interpretation of the law across all relevant taxes and duties, to facilitate a mutually beneficial relationship.

3. Organisation, processes and communication

3.1 The Board

The Board is ultimately responsible for the Tax policy. The Board has delegated this responsibility to the Chief Financial Officer who will report up to the Board as required. The Board is responsible for ensuring there is an appropriate framework for the implementation of the policy and oversight of the identification and management of tax risk. The Board maintains responsibility for implementing new controls where material tax risks are identified.

The Chief Financial Officer has ownership of the Pirelli's tax operations and oversight of tax risk, with the detailed analysis and preparation of the tax records covered by the Financial Controller.

A number of tax sensitive processes are performed within the finance and human resources departments of the business and each relevant stakeholder is responsible and accountable for meeting its tax obligations, controls and policies as issued by the Board.

Performance of the Finance team, the Financial Controller and these other stakeholders is reportable to the Chief Financial Officer who in turn reports up to the Board.

3.2 Information and communication

All staff report tax sensitive queries to the Financial Controller who will raise material tax related risks to the Chief Financial Officer where required.

The Chief Financial Officer and the Financial Controller will determine whether to escalate any queries to the Board, HMRC or other specialist advisor.

3.3 Resource Management

The competence of the Pirelli finance team is ensured via tax training in accordance with the nature of their roles.

All staff involved in the tax accounting process have access to the tax relevant process and control documentation, tax risk registers and tax calendars that ensure key tasks and deadlines are not missed.

The Compliance Officer provides pertinent information at each level to assist the various staff, departments and functions in the execution of their responsibility to support and oversee risk management and internal control across Pirelli.

4. Control Activities

4.1 Risk register

The business maintains a tax specific risk register designed to identify and monitor tax risk within Pirelli. The tax risk register is designed to:

- Identify tax risks in a consistent and formal manner;
- Assess tax risks using standardised definitions;
- Formalise the tax risk management framework;
- Facilitate testing of mitigating controls i.e. monitoring;
- Give visibility for high level Board reporting to facilitate appropriate oversight over the tax risk identification and monitoring framework.

The areas of tax risk managed by the business will be subject to on-going review by the Financial Controller and Compliance Officer and further documentation will be developed where deemed necessary.

4.2 Monitoring Activities

The Compliance Officer will be responsible for independent review of the business process and control environment and Pirelli's performance in line with the principles set out above, and will be sensitive to the commercial operations in place at that time. These reviews will also cover the maintenance and access to records and the tax sensitive use of its financial systems and the appropriateness of these.

Compliance planning will focus on the high risk business processes as priority based on the tax risk registers.

The business will be independently audited annually, and tax accounting, where deemed required, will be audited in accordance with this process.

A plan of action will be agreed with the Chief Financial Officer and the Financial Controller as applicable to act upon recommendations made within these reviews/audits.

5. Policy Review

This policy will be regularly reviewed and updated to adapt to changes in the business environment and regulatory landscape, showcasing our dedication to continuous improvement and adherence to the best tax practices in the industry. The emphasis on transparency, ethical conduct, and community engagement underscores Pirelli's commitment to being a responsible corporate citizen in the global business landscape.

The Chief Financial Officer and Financial Controller will review the policy on an annual basis and recommend changes to The Board as necessary on each anniversary following its approval.

6. Conclusion

In conclusion, Pirelli's tax policy is a comprehensive framework designed to align with the Group parent tax policy and strategy, ensuring compliance with the relevant tax legislation in the UK. Through effective control measures, authorization procedures, and a commitment to staying informed, the company aims to uphold the highest standards of corporate governance in its tax practices.

The implementation of robust monitoring and control mechanisms, along with the adoption of best tax practices, further demonstrates our commitment to responsible and ethical tax conduct.