



# REPORT ON THE REMUNERATION POLICY AND COMPENSATION PAID

# PREAMBLE

This Report on the remuneration policy and on the compensation paid (the “**Report**” or the “**Remuneration Report**”), approved by the Board of Directors on 31 March 2021, on the proposal of the Remuneration Committee, after obtaining the favourable opinion of the Board of Statutory, is structured into two sections:

- Section I: “Remuneration Policy” for FY 2021 (the “**2021 Policy**” or the “**Policy**”) and
- Section II: “Report on Compensation Paid” in FY 2020 (the “**2020 Compensation Report**” or the “**Compensation Report**”).

The Report is prepared in accordance with art. 123-ter of the Italian Legislative Decree no. 58 of 24 February 1998 (“**TUF**”), as amended and supplemented by art. 3 of Italian Legislative Decree no. 49 of 10 May 2019 (the “**Decree**”), as well as with art. 84-*quater* and Scheme 7-*bis* of Annex 3A of Consob regulation (Consob Resolution no. 11971 of 14 May 1999 on issuers), as also amended by Consob Resolution no. 21623 of 10 December 2020 (the “**Issuers’ Regulation**”).

For the purposes of the Report, due consideration was given to the European Commission recommendations on the remuneration of directors of listed companies, as well as to the recommendations on remuneration adopted by the New Corporate Governance Code for listed companies, approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, to which Pirelli has adhered, as well as the more recent recommendations of the Corporate Governance Committee.

The Policy has also been drafted in accordance with and for the effects of Pirelli’s Related-Parties Transactions Procedure.

The Report is made available to the public at the Company’s registered office, at the authorised storage mechanism ([www.emarketstorage.com](http://www.emarketstorage.com)) and on the website of Pirelli & C. S.p.A. (“**Pirelli & C.**” or the “**Company**”) at the address [www.pirelli.com](http://www.pirelli.com).

The 2021 Policy submitted for the binding vote to the Shareholders’ Meeting called to approve the financial

statements for the year ended 31 December 2020 pursuant to art. 123-ter, paragraph 3-ter, TUF defines the principles and guidelines for the 2021 financial year:

- for determining the remuneration of the Company Directors, in particular Directors holding specific offices, General Managers and KM, as well as, without prejudice to the provisions of art. 2402 of the Italian Civil Code, for determining the remuneration of members of the controlling body;
- to which Pirelli & C. refers in defining the remuneration of Senior Managers and, more generally, Group Executives.

The 2021 Policy: (i) sets out its contribution to the company strategy, the pursuit of long-term interests and the sustainable success of Pirelli & C., understood as the creation of long-term value to the benefit of shareholders, taking into account the other relevant stakeholders of the Company; (ii) also takes account of the need to have, retain and motivate people with the expertise and professional standing required by the role held in the Company; and (iii) indicates the purposes, methods of operation and the beneficiaries of the remuneration, as well as the bodies involved and the procedures used for its adoption and implementation.

The 2020 Compensation Report, submitted for the advisory and non-binding vote of the Shareholders’ Meeting in accordance with art. 123-ter, paragraph 6, TUF, provides, by name, for the Directors, Statutory Auditors and General Managers and, in aggregate form, for the KM:

- adequate information about each component of their remuneration, including payments prescribed in the event of resignation from office or termination of employment, pointing out their compliance with the remuneration policy adopted by the Company for the 2020 financial year;
- an analytical indication of the sums paid in the 2020 financial year for any reason and in any form by the Company and its subsidiaries or affiliates, indicating any components of payments that are referable to activities undertaken in years preceding 2020 (and also highlighting the payments to be made in one or more subsequent years for activity undertaken in the 2020 financial year, providing, if applicable, estimates for the components that cannot be objectively quantified in the 2020 financial year);
- an explanation of how the Company has taken into account the vote expressed by the Shareholders’ Meeting in 2020.

# EXECUTIVE SUMMARY

<b>Purposes and principles of the Policy</b>	The Policy aims to achieve long-term interests, thereby contributing to the achievement of strategic objectives and sustainable growth of the company as well as bringing the interests of the Management into line with those of the shareholders.		
	<b>AIMS</b>	<b>HOW IT OPERATES</b>	<b>BENEFICIARIES IN OFFICE ON THE DATE OF THE REPORT<sup>82</sup></b>
<b>Fixed Remuneration</b>	To reward managerial and professional competence and experience, and the contribution made to the role.	It is defined in relation to the characteristics, responsibilities and powers, if any, assigned to the role, taking account of the market references, in order to assure that it is competitive.	<b>Chairman: €400,000</b> <b>Executive Vice Chairman and CEO: €2,400,000</b> <b>Deputy-CEO: € 1,100,000</b> <b>General Manager<sup>83</sup>: €750,000</b> <b>KM: no more than 50% of Annual Total Direct Compensation on-Target</b> <b>Senior Manager and Executive: no more than 60% (Senior Manager) and 75% (Executive) of the Annual Total Direct Compensation on-Target</b>
<b>Annual variable remuneration STI</b>	Intended to motivate managers to achieve the Company's annual objectives, maintaining strong alignment with the business strategy and the Company's interests and medium-long term sustainability, including through a sustainability target and a partial deferral mechanism.	<p>Directly linked to the achievement of performance objectives, assigned to each beneficiary in coherence with the role they cover:</p> <ul style="list-style-type: none"> <li>• EBIT (Group/Region/BU)</li> <li>• Net Cash Flow (Group/Region)</li> <li>• Group Net Income</li> <li>• A sustainability objective</li> <li>• Unit/department objectives (for Senior Managers and Executives)</li> </ul> <p>In addition to an on-off condition (which determines access to the Plan), represented by a cash indicator (typically Net Cash Flow).</p> <p>There will be a minimum level for each objective, below which the related pro-quota of the incentive is not accrued.</p> <p>There is also a maximum cap to the incentive that can be achieved (if all maximum performance objectives are achieved), equal to twice the incentive that can be achieved at target performance.</p> <p>Finally, for General Managers, KM and selected Senior Managers, with a view to retention, a portion of the incentive accrued ranging from a minimum of 25% to a maximum of 50% is subject to three-year deferral. The relative payment, together with a corporate matching component, is subject to the continuation of employment at the company at the end of this period.</p> <p>For the rest of the Management, on the other hand, 25% of the incentive accrued is deferred and its payment, together with any increase, is subject to the achievement of the following year's STI objectives.</p>	<p><b>Chairman:</b> not one of the beneficiaries of the plan.  <b>Executive Vice Chairman and CEO:</b></p> <ul style="list-style-type: none"> <li>• <i>Minimum:</i> 80% of fixed remuneration</li> <li>• <i>Target:</i> 125% of fixed remuneration</li> <li>• <i>Cap:</i> 250% of fixed remuneration</li> </ul> <p><b>Deputy-CEO:</b></p> <ul style="list-style-type: none"> <li>• <i>Minimum:</i> 65% of fixed remuneration</li> <li>• <i>Target:</i> 100% of fixed remuneration</li> <li>• <i>Cap:</i> 250% of fixed remuneration</li> </ul> <p><b>General Manager:</b></p> <ul style="list-style-type: none"> <li>• <i>Minimum:</i> 50% of the GABS</li> <li>• <i>Target:</i> 75% of the GABS</li> <li>• <i>Cap:</i> 150% of the GABS</li> </ul> <p><b>KM:</b></p> <ul style="list-style-type: none"> <li>• <i>Minimum:</i> 35% of the GABS</li> <li>• <i>Target:</i> 50% of the GABS</li> <li>• <i>Cap:</i> 100% of the GABS</li> </ul> <p><b>Senior Managers and Executives:</b></p> <ul style="list-style-type: none"> <li>• <i>Minimum:</i> from 10% to 25% of the GABS</li> <li>• <i>Target:</i> from 15% to 40% of the GABS</li> <li>• <i>Cap:</i> from 30% to 80% of the GABS</li> </ul>

<sup>82</sup> The following table provides for the structure of the remuneration approved by the Board of Directors on 31 March 2021, also in light of the resolution concerning the proposal to submit to the Shareholders' Meeting to be held in order to resolve upon the approval of the Financial Statements at 31 December 2020 the appointment of Giorgio Luca Bruno as Director and the proposal of the Executive Vice Chairman and CEO to appoint Giorgio Luca Bruno as Deputy-CEO, directly reporting to the Executive Vice Chairman and CEO.

<sup>83</sup> On the date of the Report, Andrea Casaluci held the role of General Manager, as General Manager Operations. Note that Angelos Papadimitriou ceased to hold the office of General Manager co-CEO as of 28 February 2021.

	AIMS	HOW IT OPERATES	BENEFICIARIES IN OFFICE ON THE DATE OF THE REPORT <sup>82</sup>
<b>Medium-long term variable remuneration (LTI)</b>	The intention is to promote the creation of success that is sustainable in the long-term and achievement of the objectives in the Company's strategic plans, while also promoting management engagement and retention.	<p><b>2020-2022 LTI Plan and 2021-2023 LTI Plan:</b> monetary incentives dependent on achievement of the following, independent long-term objectives:</p> <ul style="list-style-type: none"> <li>• Cumulative Group Net Cash Flow (before dividends)</li> <li>• Relative TSR versus a panel of peers (TIER1: Continental, Michelin, Nokian, Goodyear and Bridgestone)</li> <li>• a third objective linked to two Sustainability indicators: Dow Jones Sustainability World Index ATX Auto Component sector and CDP Ranking.</li> </ul> <p>There will be an "access threshold" level for each objective, equal to 75% of the target premium, below which the related pro-quota of the incentive is not accrued.</p> <p>There is also a maximum cap to the incentive that can be achieved, if all maximum performance objectives are achieved.</p> <p><i>Vesting:</i> 3 years</p> <p>Rolling plan</p>	<p><b>Chairman:</b> not one of the beneficiaries of the Plans.</p> <p><b>Executive Vice Chairman and CEO (annual opportunities)</b></p> <ul style="list-style-type: none"> <li>• <i>"Access threshold"</i>: 52.5% of fixed remuneration</li> <li>• <i>Target:</i> 70% of fixed remuneration</li> <li>• <i>Cap:</i> 200% of fixed remuneration</li> </ul> <p><b>Deputy-CEO (annual opportunities)</b></p> <ul style="list-style-type: none"> <li>• <i>"Access threshold"</i>: 45% of fixed remuneration</li> <li>• <i>Target:</i> 60% of fixed remuneration</li> <li>• <i>Cap:</i> 160% of fixed remuneration</li> </ul> <p><b>General Manager (annual opportunities):</b></p> <ul style="list-style-type: none"> <li>• <i>"Access threshold"</i>: 45% of the GABS</li> <li>• <i>Target:</i> 60% of the GABS</li> <li>• <i>Cap:</i> 160% of the GABS</li> </ul> <p><b>KM (annual opportunities):</b></p> <ul style="list-style-type: none"> <li>• <i>"Access threshold"</i>: 37.5% of the GABS</li> <li>• <i>Target:</i> 50% of the GABS</li> <li>• <i>Cap:</i> 130% of the GABS</li> </ul> <p><b>Senior Managers and Executives (annual opportunities):</b></p> <ul style="list-style-type: none"> <li>• <i>"Access threshold"</i>: from 11.25% to 37.5% of the GABS</li> <li>• <i>Target:</i> from 15% to 50% of the GABS</li> <li>• <i>Cap:</i> from 40% to 130% of the GABS</li> </ul>
<b>Other tools<sup>84</sup></b>	To assure organisational stability and the contribution made to the implementation of the Company's strategic plans, also for the purpose of promoting sustainable success over the long-term. Preserve company know-how and protect it from competitors. Promote attractiveness of the Company and loyalty of managerial staff.	<ul style="list-style-type: none"> <li>• <b>Non-competition agreements:</b> constraint regarding the market sector in which the Group operates and the territorial coverage. The extent varies according to the role covered; the Chairman and the Executive Vice Chairman and CEO are not among the beneficiaries of the non-competition agreements.</li> <li>• <b>Welcome bonus:</b> one-off bonuses that can be assigned with a view to attracting managerial resources exclusively during the hiring phase.</li> <li>• <b>Benefit:</b> non-monetary benefits currently assigned on the basis of market practices.</li> </ul>	

<sup>84</sup> The four-year Retention Plan launched in 2017 for the General Manager Operations, the KM and selected Senior Managers/Executives ends with payment of the last instalment scheduled for June 2021. The Retention Plan envisages the recognition of an amount equal to at most 2.3 times the Total Direct Compensation at Target of each beneficiary at the time of inclusion in the plan (2017). The Executive Vice Chairman and Chief Executive Officer is not beneficiaries of the Retention Plan.

# REMUNERATION POLICY FOR THE 2021 FINANCIAL YEAR

## 1. PARTIES INVOLVED IN THE PROCESS OF POLICY PREPARATION, ADOPTION AND IMPLEMENTATION

### PARTIES IN THE PROCESS

The definition of the remuneration policy and any amendments made thereto are the result of a clear and transparent process in which the Remuneration Committee and the Board of Directors play a central role. It is, in fact, adopted and approved by the Board of Directors annually – based on a proposal by the Remuneration Committee – and the Board then submits it to the Shareholders' Meeting for approval.

The Board of Statutory Auditors issued its opinion on the policy, including the part regarding the remuneration of Directors holding specific offices.

The Remuneration Committee, the Board of Statutory Auditors and the Board of Directors supervise the application thereof. To such purpose, at least once per year, when the report on compensation paid is submitted, the Head of the Human Resources & Organisation Department reports on the application of the remuneration policy to the Remuneration Committee, the chairman of which reports it to the Board of Directors.

For the sake of completeness, it should be noted that, in accordance with current legislation, it is the role of the Board of Directors to propose to the Shareholders' Meeting the adoption of incentive mechanisms for members of the board of directors, employees or collaborators via the attribution of financial instruments or options on financial instruments, which, if approved, are later made public by the legal deadline (without prejudice to any further transparency requirements laid down in the applicable regulations). As at the date of this Report, the Company has no incentive plans based on financial instruments in place<sup>85</sup>.

In preparing the 2021 Policy, the Company was assisted by Willis Towers Watson and Korn Ferry for the preparation

of national and international benchmarks used to define the structure of the remuneration of the Directors holding specific offices, General Managers and KM, in addition to Senior Managers and Executives.

Amongst the measures aimed at avoiding or managing conflicts of interest, it is noted that, in compliance with the recommendations of the New Corporate Governance Code, no member of the Board of Directors shall attend meetings of the Remuneration Committee during which proposals are made to the Board of Directors regarding their remuneration.

### SHAREHOLDERS' MEETING

The Shareholders' Meeting:

- determines at the time of appointment the gross annual remuneration to be paid to members of the Board of Directors, except for the remuneration to be attributed, by the Board, to Directors holding specific offices;
- determines at the time of appointment the gross annual remuneration to be paid to the members of the Board of Statutory Auditors;
- approves the first section of the remuneration report;
- issues an advisory vote on section 2 of the remuneration report;
- decides, upon the proposal of the Board of Directors, on any incentive mechanisms based on the attribution of financial instruments or options on financial instruments.

### BOARD OF DIRECTORS

The Board of Directors defines:

- the breakdown of the total remuneration defined for Directors by the Shareholders' Meeting;
- the policy on remuneration of members of the Board of Directors, General Managers, KM and, without prejudice to the provisions of art. 2402 of the Italian Civil Code, members of the Board of Statutory Auditors;
- the remuneration of Directors holding specific offices in accordance with art. 2389, paragraph 3 of the Italian Civil Code, and that of General Managers;
- the performance objectives related to the variable part of the remuneration of executive directors, General Managers and KM;
- the remuneration of the Head of the Internal Audit department upon a proposal by the Audit, Risk, Sustainability and Corporate Governance Committee.

85 It should be noted that the Board of Directors' meeting of 31 March 2021, in application of the "rolling" mechanism introduced with the 2020-2022 LTI Plan, established the objectives of the 2021-2023 LTI Plan, related to the objectives contained in the 2021-2022/2025 Strategic Plan. Such LTI plan will be submitted for approval of the Shareholders' Meeting as regards the part where it establishes that the incentive shall also be determined on the basis of a target relative total shareholder return, calculated as the performance of the Pirelli share, compared to a panel of selected peers from the Tyre sector. For a more extensive description, reference is made to § 2, 4, 5 and 6 below.

## REMUNERATION COMMITTEE

The Remuneration Committee is appointed by the Board of Directors (which also appoints the chairman thereof) and remains in office for the entire duration of the mandate granted by the Board of Directors.

As at the date of this Report, the Committee, consistently with the recommendations of the New Corporate Governance Code, is composed of five members, all of whom are non-executive and the majority of whom are independent. The Chairman of the Committee is an independent director.

As at the date of this Report, the Committee members are as follows:

## REMUNERATION COMMITTEE

	NAME AND SURNAME	OFFICE
	Bai Xiping	Director
	Paola Boromei	Independent Director
	Fan Xiaohua	Independent Director
	Marisa Pappalardo	Independent Director
	Tao Haisu	Independent Director

Director Paola Boromei was considered by the Board of Directors as having sufficient experience in matters of accounting, finance and remuneration policies.

The entire Board of Statutory Auditors is entitled to participate in the work of the Remuneration Committee.

The Secretary to the Board of Directors acts as the Secretary to the Remuneration Committee.

The Committee has investigatory, advisory, propositional and supervisory functions and ensures the definition and application, within the Group, of remuneration policies that, on the one hand, aim at pursuing the sustainable success of the Company/Group and aligning the interests of management with those of the shareholders and, on the other, at attracting, retaining and motivating human resources with the expertise and professional standing required of the role held in the Company.

In particular, the Remuneration Committee:

- assists the Board of Directors with defining the remuneration policy;
- assesses periodically the adequacy and overall consistency of the remuneration policy for Directors of the Company and in particular Directors holding specific offices, General Managers and KM;
- with regard to the executive directors, other Directors holding specific offices and General Managers, it makes recommendations or expresses opinions to the Board:
  - about their remuneration, in compliance with the remuneration policy;
  - about setting performance objectives linked to the variable part of that remuneration;
  - about the definition of any no-competition agreements;
  - about the definition of any agreements for the termination of working relationships, on the basis of the principles established in the remuneration policy;



- monitors the correct application of the remuneration policy and checks the actual achievement of performance objectives;
- verifies compliance of the remuneration of executive directors, other Directors holding specific offices, General Managers and KM with the remuneration policy and expresses an opinion on this, also in accordance with the related parties transaction procedure adopted by the Company in application of the Consob regulation in force at the time;
- assists the Board of Directors in the examination of proposals to the Shareholders' Meeting for the adoption of remuneration plans based on financial instruments;
- monitors application of the decisions adopted by the Board of Directors, checking in particular the effective achievement of the established performance objectives;
- examines and submits to the Board of Directors the report on compensation paid, on which, for the members of the management and controlling bodies, the General Managers and in aggregate form the KM:
  - provides adequate information about each component of their remuneration;
  - explains in detail the remuneration paid during the financial year in question, for whatever reason and in whatever form, by the Company and its subsidiaries or affiliates;
- in any case, provides the Related-Parties Transactions Committee with opinions if the responsibilities of said Committee regarding related-parties transactions do not cover issues pertaining to the remuneration of executive directors, including Directors holding specific offices, General Managers and KM;
- assesses whether there are exceptional circumstances that allow for a derogation from the remuneration policy. Where derogations to the Policy on the matters indicated in paragraph 10 below exist, they are approved by the Remuneration Committee, as Related-Parties Transactions Committee, or by the Related-Parties Transactions Committee, on the basis of the procedures adopted by the Company for related-parties transactions, in implementation of the Consob regulation in force pro-tempore.

In relation to the operating methods of the Remuneration Committee, see the Report on the Corporate Governance and Share Ownership.

### **RELATED-PARTIES TRANSACTIONS COMMITTEE**

In the cases envisaged by law and the procedures for related-parties transactions adopted by the Company in implementation of the Consob regulation in force pro-tempore, the Related-Parties Transactions Committee expresses the relevant opinions.

Moreover, in compliance with these procedures, the Company may adopt any decisions that derogate from or implement the Policy within the limits required or in any case permitted by applicable provisions of law or regulations in force pro-tempore. The Related-Parties Transactions Committee is involved in assessments performed within the limits of the compliance criteria established by the remuneration policy approved by the Shareholders' Meeting. In case of derogation

to the Policy applied in exceptional circumstances, as better explained under paragraph 10 below, the Company provides information on any those derogations, in accordance with the terms and conditions set out by provisions of law and regulation in force pro-tempore.

In relation to the operating methods of the Related-Parties Transactions Committee, see the Report on the Corporate Governance and Share Ownership.

## **2. PURPOSES AND PRINCIPLES OF THE 2021 REMUNERATION POLICY**

### **PURPOSES OF THE 2021 POLICY AND GUIDING PRINCIPLES**

The aims of the Policy is to attract, motivate and retain resources in possession of the professional qualities required to pursue business objectives.

In addition, through the multi-year variable components assigned, in particular, to the Executive Vice Chairman and Chief Executive Officer, Deputy-CEO, General Managers, KM, Senior Managers and Executives, it aims to achieve long-term interests, contributing to the achievement of strategic objectives and the sustainable success of the Company, as well as aligning the interests of Management with those of shareholders.

The Policy, in fact, is inspired by the principle of "pay for performance" taking into account, as better explained below, that the objectives underlying the incentive plans in place are set consistently with those disclosed to the market, without any "discount".

The Policy is valid for one year and in any case until the Shareholders' Meeting approves a new remuneration policy.

It is defined taking into account various factors such as remuneration - defined on the basis of market benchmarks, aiming at a level of attractiveness differentiated according to the company role and skills - the compensation mix and the working conditions of Company employees. In this regard, the 2021 Policy also refers to the remuneration of the Senior Managers and Executives of the Group. Moreover, Pirelli:

- applies and complies with, where existing, the national collective bargaining agreements applicable from time to time to which it adheres;
- for the entire managerial population and the remaining population of employees of the Group<sup>86</sup>, adopts meritocratic policies, variable incentive systems, welfare initiatives and services to benefit the person/family of the employee, as well as, in order to protect the company assets, non-competition agreements for specific figures with technical know-how.

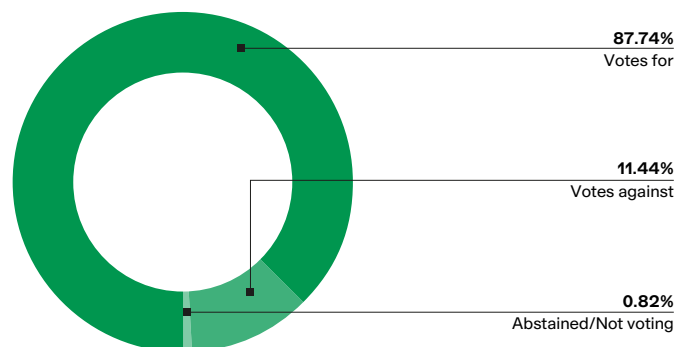
<sup>86</sup> Except for blue collar workers.



## RESULTS OF THE VOTING AND FEEDBACK FROM INVESTORS

The Policy is established taking into account the analysis of the results of the Shareholders' Meeting vote and the feedback received from shareholders and key proxy advisors on the 2020 Policy and the Report on Compensation paid in FY 2019. The diagram below presents the result of the binding vote expressed by the Shareholders' Meeting on 18 June 2020.

### SHAREHOLDERS' MEETING 2020 – REMUNERATION POLICY 2020



Pirelli places great importance on the analysis of the voting result and the feedback received and, during 2020 and in the early months of 2021, it put in place activities necessary to ensure an improvement of the Report.

### DESCRIPTION OF THE CHANGES WITH RESPECT TO THE 2020 POLICY

With respect to the 2020 Policy, 2021 Policy reviewed the following aspects:

- composition of the reference panel for the purpose of comparing the Annual Total Direct Compensation on-Target of the Executive Vice Chairman and Chief Executive Officer, limiting it to on companies in the industry in which Pirelli operates;
- adjustment of the 2020-2022 LTI Plan cumulative Group Net Cash Flow (before dividends) objective, aligning it with the guidance disclosed to the market on 5 August 2020 and with the targets of the 2021-2022/2025 Strategic Plan for the years 2021 and 2022, in accordance with the mandate conferred on the Remuneration Committee by the Board of Directors on 5 August 2020 as a result of the Covid-19 health emergency and the consequent review of the 2020-2022 Strategic Plan, as well as the announced launch of the Strategic Plan for the period 2021-2022/2025 in the first quarter of 2021. The Policy provides also the normalisation of the potential effects on the final result of the acquisition of Cooper by Goodyear (a company included in the reference panel for the TSR objective) at the start of 2021, in order to calculate its impact on the TSR (for both the 2020-2022 LTI Plan and the 2021-2023 LTI Plan);
- the compliance criteria to be applied in the case of hiring of a new General Manager and new KM in relation to the setting of fixed remuneration: (i) for the new General Manager, which determines an Annual Total Direct Compensation on-Target not exceeding 80% of the Annual Total Direct Compensation on-Target of the Executive Vice Chairman and Chief Executive Officer, with the limit of 85% of the fixed remuneration of the Executive Vice Chairman and Chief Executive Officer, (ii) for the new KM, which determines an Annual Total Direct Compensation on-Target of a maximum of +20% of the reference benchmark, with the limit of the fixed remuneration of the General Manager Operations;
- in the case of hiring of a new General Manager, the possible assignment of (i) higher incentive percentages than those currently attributed to the General Manager Operations (for both the STI Plan and the LTI Plan), with the maximum limit represented by the incentive percentages set for the Executive Vice Chairman and Chief Executive Officer, (ii) non-competition agreements with a fee set as a percentage above 60% of the GABS and in any case not exceeding 100% and annual payment during employment of a maximum of 20% of the GABS, (iii) "welcome bonuses" usually aimed at compensating monetary rights deriving from the previous employment relationship;

- in the case of hiring of KM, the possibility of assigning “welcome bonuses”;
- downward revision of the STI Plan incentive percentages upon achievement of the minimum performance objectives;
- review, for General Managers, KM and selected Senior Managers, of the deferral mechanism of part of the accrued STI Plan, which provides for the disbursement, together with a company matching component, at the end of a three-year period subject to the permanence of the employment relationship;
- review of the non-competition agreement fee, providing for a range from a minimum of 30% to a maximum of 60% of the GABS on the basis of the role held and the reason for leaving;
- adjustment of the last instalment of the Retention Plan for the General Manager of Operations, given the need to adjust it to his current salary level (the previous value was the GABS received in the position held before that of General Manager).

The 2021 Policy takes into account the definition of the objectives of the LTI Plan for the three-year period 2021-2023, in application of the rolling mechanism already provided for in the 2020 Policy, and in support of the Strategic Plan 2021-2022/2025 objectives, with consequent re-proportioning on an annual basis, consistent with the 2020 Policy, of the three-year incentive percentages. Furthermore, it provides also for 2021-2023 LTI Plan the option to normalise the potential effects on the final result of the acquisition of Cooper by Goodyear (a company included in the reference panel for the TSR objective) at the beginning of 2021, in order to calculate its impact on the TSR (for both the 2020-2022 LTI Plan and the 2021-2023 LTI Plan).

The 2021 Policy also takes into account the inclusion of the Deputy-CEO and the relevant remuneration.

The 2021 Policy, with the exception of the General Manager, KM and selected Senior Managers, confirms the mechanism of deferral of 25% of the STI incentive previously provided for and which, limited to the 2020 Policy, had been modified to take into account the resolution adopted by the Board of Directors on 3 April 2020 and cancellation of the STI Plan for 2020 as a result of the health emergency.

Moreover, with respect to the 2020 Policy, some institutes that were already taken into account in the past were described in more detail (for example, non-competition agreements and non-monetary benefits).

## MARKET REFERENCES AND PEER GROUP

Pirelli defines and applies a policy:

- for the Chairman, referring to the Korn Ferry “Non-Executive Directors in Italy” market median for the year;
- for the rest of Top Management and Senior Managers, with reference to the third quartile of the comparison market (compared to the benchmarks used);
- for Executives, targeting the median of the various comparative markets.

The Annual Total Direct Compensation on-Target constitutes the benchmark for market comparison.

The analysis of the positioning, the composition and more generally the competitiveness of the remuneration of Directors holding specific offices is conducted by the Remuneration Committee and the Board of Directors with the assistance of companies specialised in executive compensation, on the basis of methodological approaches that allow the full assessment, although the typical limits of benchmark analyses, of the complexity of their positions from an organisational point of view, any specific duties assigned thereto and the individual's impact on the final business results.

In regard to the comparative market, in the definition of the panel of reference companies updated annually by the Remuneration Committee, it takes account of various components such as business sector, geography, specific features and size of the company.

The reference sample of companies used to analyse the competitiveness and possible review of the remuneration of the Chairman of Pirelli & C. has been established with the assistance of Korn Ferry and consists of MIB40 companies.

The sample of reference companies used for the competitiveness analysis and possible review of the remuneration of the Executive Vice Chairman and Chief Executive Officer of Pirelli & C. has been updated with the assistance of Willis Towers Watson, also taking into account the main recommendations on pay for performance, and is composed of the 15 companies shown in the table below all belonging to the Vehicles, Auto Component & Tyre industry.

The panel revision was carried out to limit the comparison to companies operating in the same sector as Pirelli.

PEER GROUP			
Aston Martin	BMW	Continental	Cooper
FCA	Ferrari	Goodyear	Harley-Davidson
Magna International	Michelin	Navistar	Renault
Stellantis	VolksWagen	Volvo	

The sample of reference companies used for the analysis of the competitiveness and for the possible revision of the remuneration of the Deputy-CEO was established with the support of Korn Ferry and in particular it should be noted that the source used for the market comparison is the European Top Executive Compensation Survey, which was attended by 385 listed European companies, included in the FTE500 list which includes the 500 largest European companies by capitalization.

Finally, the remuneration structure for General Managers, KM, Senior Managers and Executives is defined on the basis of national and international benchmarks which, in view of the complexity and specific nature of the role, were prepared by Willis Towers Watson and/or Korn Ferry and agreed with the Remuneration Committee.

### ELEMENTS OF THE 2021 POLICY

Management remuneration has several elements:

- gross annual base salary (GABS);
- annual variable component (STI);
- medium-long term variable component (LTI);
- non-monetary benefits.

### FIXED REMUNERATION

The base salary is established on the basis of the complexity of the position, professional seniority, the skills required to perform in the role, performance over time, and the trend in the comparison remuneration market related to the position held by the individual.

The STI and LTI variable components are established - taking account of the benchmarks for each - as a percentage of base salary which increases according to the position held by the beneficiary.

### ANNUAL VARIABLE COMPONENT (STI)

The STI, except for specific cases, covers all the Management - except for the Chairman -, and is intended to reward the beneficiaries' short term performance; moreover, it can be extended to managers who joined the Group during the year.

The STI objectives for Directors holding specific offices to whom specific duties may be attributed, for General Managers and for KM are established by the Board of Directors upon a proposal by the Remuneration Committee (see §4 and §5).

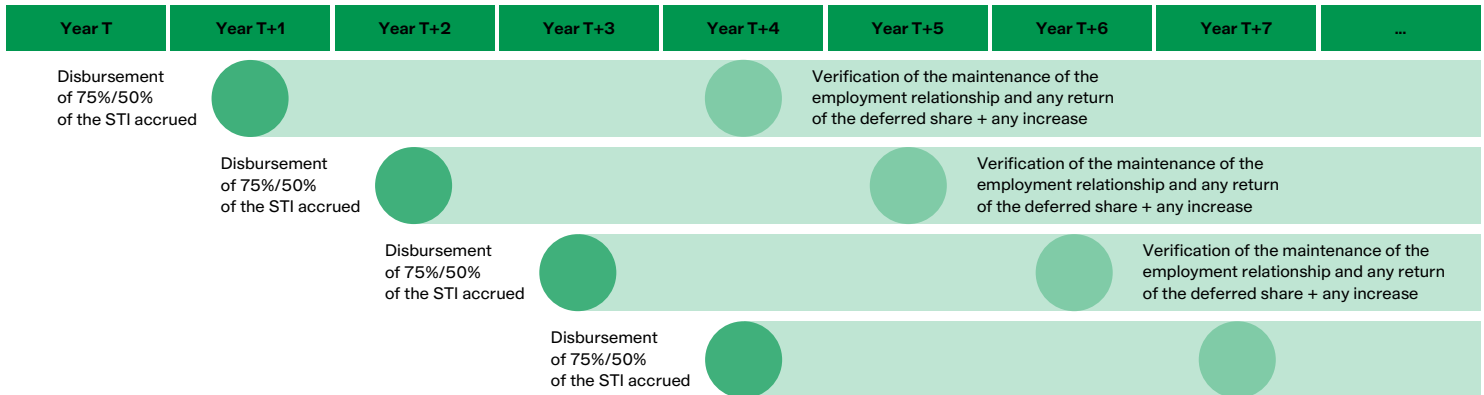
The STI objectives of the Senior Managers and Executives are, instead, defined by the hierarchical manager in accordance with the Human Resources & Organisation and Planning and Controlling departments and envisage, amongst others, also objectives connected with the economic performance of the relevant business unit/ geography/department (cf. §6).

At the end of the year and based on the finalised performance figures (included in the draft financial statements approved by the Board of Directors), the Department of Human Resources & Organization, with the assistance of the Planning and Controlling Department, checks the level to which the objectives have been achieved, on which basis the Board of Directors then resolves, after examination by the Remuneration Committee, having obtained the opinion of the Board of Statutory Auditors, on the amount of the variable compensation to be disbursed.

In the event of extraordinary transactions affecting the scope of the Group and/or major changes in the macroeconomic and business scenario, the Remuneration Committee may adjust the targets in the STI plan, in order to protect the Plan's value and aims, thus ensuring that the objectives of the Company and the objectives that underpin the Management incentive systems are constantly aligned.

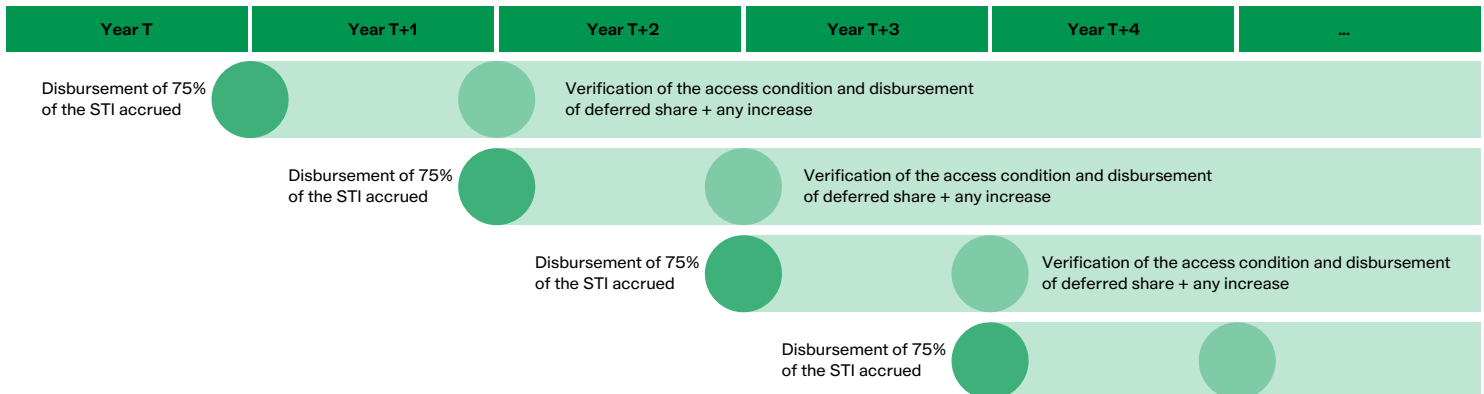
Achievement of the individual objectives will be assessed by the Remuneration Committee, neutralising the effects of any extraordinary decisions that could have impacted the results (either positively or negatively). The Board of Directors resolves on the proposed review potentially submitted for its examination after obtaining the opinion of the Remuneration Committee.

For General Managers, KM and selected Senior Managers, part of the remuneration accrued as a STI, from a minimum of 25% to a maximum of 50%, is deferred, with a view to retention, and disbursed at the end of a three-year period subject to the permanence of employment relationship and together with a company matching component which can vary from a minimum of 1 time to a maximum of 1.5 times the amount of the deferred STI (see the diagram below).



For the rest of the Management, on the other hand, part of the variable remuneration accrued as STI is deferred to the benefit of continued results over time and thereby the creation of sustainable value for shareholders in the medium-long term. Indeed, 75% of any STI accrued is paid, since the remaining 25% is deferred by 12 months and subject to achievement of the STI objectives for the following year. More specifically (see graph below):

- in the event that no STI is accrued in the next year, the deferred STI quota of the previous year is definitively “lost”;
- in the event that the STI accrued in the next year is below target level, the STI quota deferred from the previous year is paid;
- in the event that the STI accrued in the next year is equal to or higher than target level, the STI quota deferred from the previous year is paid, together with an additional amount equal to the quota deferred (increase).



At the meeting held on 3 April 2020, in order to respond to the Covid-19 health emergency, the Board of Directors of Pirelli & C. resolved - subject to approval by the Shareholders' Meeting of the 2020 Policy and the favourable advisory vote on the 2019 Compensation Report - to early close the 2020 STI Plan without payment and, as a result (i) to pay, in the first quarter of 2021, the participants of the 2019 STI Plan 25% of the bonus accrued and initially subject to the achievement of the 2020 STI objectives, conditioning the payment to the maintenance of employment relationship/position as director of the Company until that date (except for “good leavers” who will receive this component in any case), and (ii) to cancel the opportunity of increasing the 2019 STI.

## MEDIUM-LONG TERM VARIABLE COMPONENT (LTI)

As for the medium-long term variable remuneration (LTI), it is assigned to Top Management – except for the Chairman – and extended, except in specific cases, to all Executives whose grade, determined with the Korn Ferry method, is equal to or above 20. It is also assigned to those who, during the three-year period, join the Group and/or take over, due to internal career progression, the position of Executive. In this case, their inclusion is subject to participation in each three-year cycle for at least one full financial year and the incentive percentages are scaled to the number of months of actual participation in the plan.

On 5 August 2020, as a result of the health emergency linked to the spread of Covid-19, the consequent revision of the 2020-2022 Strategic Plan and the announced launch in the first quarter of 2021 of the Strategic Plan for the period 2021-2022/2025, the Board of Directors instructed the Remuneration Committee to adjust the cumulative Group Net Cash Flow (before dividends) objective of the 2020-2022 LTI Plan, aligning it with the guidance communicated to the market on 5 August 2020 and with the targets of the 2021-2022/2025 Strategic Plan for the years 2021 and 2022.

The Board of Directors of Pirelli & C., at the meeting held on 31 March 2021, which also approved the 2021-2022/2025 Strategic Plan, on the proposal of the Remuneration Committee, after obtaining the favourable opinion of the Board of Statutory Auditors, set the cumulative Group Net Cash Flow (before dividends) objective of the 2020-2022 LTI Plan, consistently with the resolution of 5 August 2020, and approved the objectives of the 2021-2023 LTI Plan on a rolling basis.

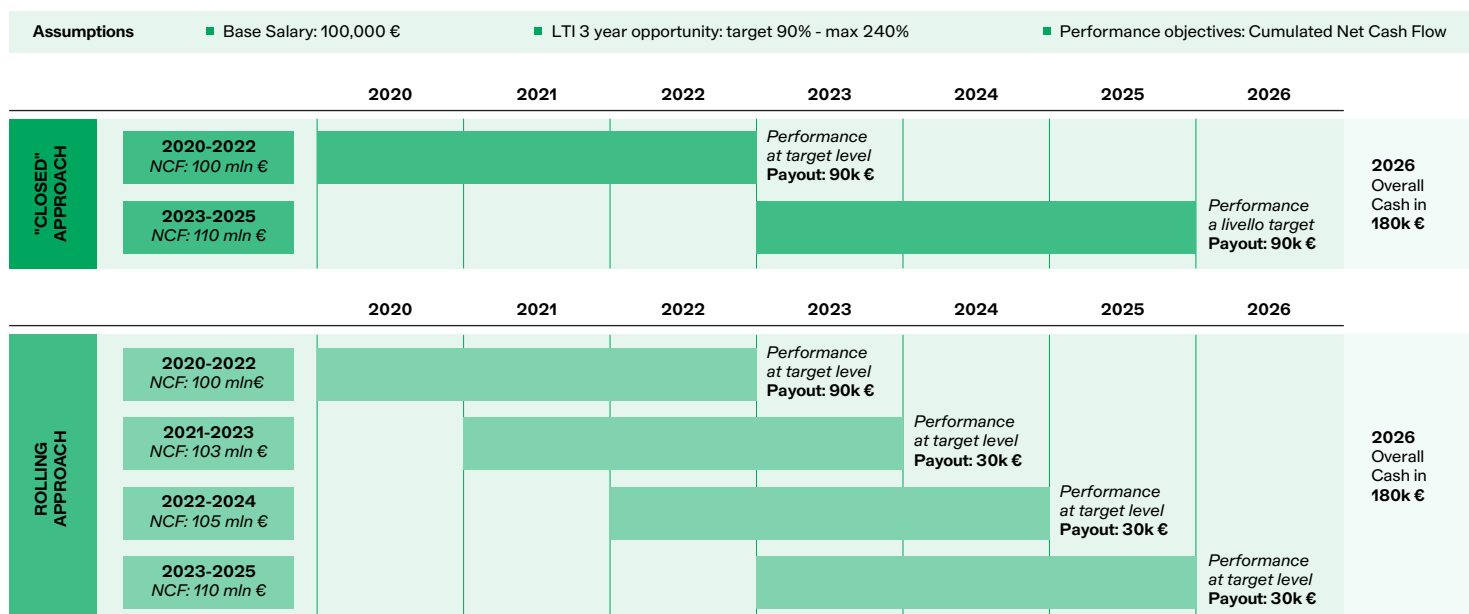
For both the 2020-2022 Plan and the 2021-2023 Plan it is possible to normalise the potential effects on the final result of the acquisition of Cooper by Goodyear (a company included in the reference panel for the TSR objective) at the start of 2021, in order to calculate its impact on the TSR.

The medium-long term incentive plans (LTI) are intended to:

- link Management remuneration with the medium-long term performance of the Group;
- promote the creation of shareholder value and sustainable success for the Company;
- generate an effective Management retention effect, a key variable for the delivery of the Company's Strategic Plan.

The “rolling” mechanism introduced with the 2020-2022 LTI Plan sets out to: (i) guarantee a high degree of flexibility, bringing the performance indicators into line with the evolution of the market and Company and, therefore, the Company's strategic plan for each new three-year cycle; (ii) create a recurring element of the remuneration policy, as each year it envisages the launch of a new cycle of the LTI plan, (iii) ensure an effective retention effect compared to the “closed” medium-long term incentive plans, (iv) support corporate sustainability in the long term.

Below is an example diagram showing how the rolling mechanism works:



The LTI Plans assign each beneficiary an incentive opportunity (the “**LTI Bonus**”), equal to a percentage of the gross annual base fixed component (GABS) in place on the date on which participation in the LTI Plan is established. This incentive percentage increases in relation to the position held and takes into account the benchmarks for each role.

The full cost of the LTI Plans is included in the economics of the 2021-2022/2025 Strategic Plan, so that their cost is “self-funded” by achievement of the expected results.

The risk governance process is fully integrated into the strategic planning process in order to ensure that the objectives envisaged for achieving the variable incentive do not expose Pirelli to managerial behaviour inconsistent with an acceptable level of risk (“risk appetite”) as defined by the Board of Directors when approving the plans.

In the event of extraordinary transactions affecting the Group’s perimeter and/or deep changes in the macroeconomic and business scenario, the Board of Directors, on proposal of the Remuneration Committee, after obtaining the favourable opinion of the Board of Statutory Auditors, can propose:

- any adjustment of the targets (both upward or downward) of the 2020-2022 and 2021-2023 LTI Plans, so as to reflect their value and relative targets, thus ensuring constant alignment between the Company’s objectives and the objectives underlying the Management incentive schemes;
- a review of the objectives set in the LTI Plans;
- possible early closure thereof.

The diagram below shows the link between the corporate strategy and the KPIs of the incentive systems.

STRATEGIC PLAN PILLARS	SHORT TERM INCENTIVE (STI)	LONG TERM INCENTIVE (LTI)
High-end focus	Net Result	Relative TSR
Competitiveness Plan	EBIT	
Cash flow generation	Net Cash Flow	Cumulative Group Net Cash Flow
Sustainability	Eco & Safety Performance Revenues	Dow Jones Sustainability Index CDP Ranking

### NON-MONETARY BENEFITS

When a member of the Management is hired, the Company reserves the right to define, in line with market practice, the experience gained and the conventional seniority that maybe due to such person.

Lastly, non-monetary elements of remuneration are benefits provided to beneficiaries, depending on the position held, as a result of contractual provisions/Company policies or aimed at reinforcing attraction during the recruitment phase (for example, accommodation and student grants for limited periods of time).

## 3. REMUNERATION OF THE BOARD OF DIRECTORS AND THE BOARD OF STATUTORY AUDITORS

### THE BOARD OF DIRECTORS

Within the Board of Directors, a distinction can be made between:

- (i) Directors holding specific offices to whom further specific duties may be attributed;
- (ii) Directors with no specific offices.

The attribution to Directors of powers for specific matters, that are not covered by the duties delegated under art. 2381 of the Italian Civil Code, does not per se make them directors to whom specific duties are attributed.

The Shareholders' Meeting of Pirelli & C., when appointing the Board of Directors, resolves on the total annual remuneration of the Board of Directors pursuant to art. 2389, paragraph 1, of the Italian Civil Code - to be distributed among its members in accordance with the resolutions adopted by the Board itself - excluding the remuneration to be attributed by the Board to Directors holding specific offices as provided for by art. 2389 of the Italian Civil Code.

More specifically, on 18 June 2020, the Pirelli & C. Shareholders' Meeting resolved to establish, for the years 2020, 2021, 2022 and until termination of office with the approval of the financial statements as at 31 December 2022, a maximum of euro 2 million as the total annual salary of the Board of Directors in accordance with art. 2389, paragraph 1 of the Italian Civil Code, excluding the remuneration to be assigned by the Board to Directors holding specific offices, as envisaged by art. 2389 of the Italian Civil Code.

The total gross annual remuneration established by the Shareholders' Meeting was allocated by the Board of Directors as follows for the years 2020, 2021 and 2022:

DIRECTORS' REMUNERATION		
BODY	OFFICE	REMUNERATION
Board of Directors	Director	€65,000
Audit, Risks, Sustainability and Corporate Governance Committee	Chairman	€35,000
	Member	€30,000
Remuneration Committee	Chairman	€35,000
	Member	€30,000
Strategies Committee	Chairman	€50,000
	Member	€30,000
Appointments and Successions Committee	Chairman	€50,000
	Member	€30,000
Related-Party Transactions Committee	Chairman	€75,000
	Member	€50,000
Supervisory Body	Chairman	€60,000
	Member	€40,000

On the same date, the Board of Directors confirmed the remuneration recognised to members of the Supervisory Body during the previous term of office. For completeness, it is reported that the remuneration assigned to members of the Supervisory Body is not included in the total gross annual remuneration established by the Shareholders' Meeting.

In line with best practice, Directors with no specific offices (as defined above) do not receive a variable part of their remuneration. Expenses incurred for official reasons are also reimbursed to the Directors.

In any case, the compensation granted to non-executive directors is determined in such an amount as to guarantee adequacy in terms of the skill, professionalism and effort required by their appointment. In deciding said allocation, the Board of Directors takes into account the effort required for the Directors' attendance of the individual board committees, on the basis of the previous mandate.

In the event that during the current mandate of the Board of Directors is called to resolve again on the allocation of the remuneration established by the Shareholders' Meeting, and unless the Shareholders' Meeting provides otherwise, an allocation of said remuneration that envisages the attribution (i) of a remuneration that is at most +25% of the Directors' remuneration attributed during the previous term of office and (ii) for the members of the board committees, +25% of the remuneration for the office held in the committees in the previous mandate, is compliant with the Policy. If new committees should be established, the maximum limit is that of the highest remuneration envisaged for the corresponding office in other committees.



Again in line with best practices, a Directors & Officers Liability (“D&O”) insurance policy is envisaged to cover the third party liability of the corporate bodies, the General Managers, the KM, the Senior Managers and Executives, in going about their duties. Consequent to the provisions established on the matter by the applicable national collective bargaining agreement and rules governing mandates, this policy aims to indemnify Pirelli from any expenses deriving from the related compensation, excluding cases of wilful misconduct or gross negligence.

No insurance coverage, whether for social security or pensions, other than the obligatory coverage is provided for Directors holding specific offices.

#### **THE BOARD OF STATUTORY AUDITORS**

The remuneration of members of the controlling body is determined by the Shareholders' Meeting as a fixed annual amount, appropriate to the competence, professionalism and commitment required by the importance of the position held and the size and sector characteristics of the company.

At the moment of renewing the Board of Statutory Auditors, the Shareholders' Meeting of 15 May 2018 determined a gross annual fixed remuneration of its Chairman of euro 75,000 for the years 2018, 2019, 2020 and until termination of office with the approval of the financial statements as at 31 December 2020 and of euro 50,000 for the other standing members.

The Shareholders' Meeting called to approve the financial statements at 31 December 2020 will be required to resolve on the appointment of the new Board of Statutory Auditors as well as, pursuant to art. 2402 of the Italian Civil Code, the remuneration of the members of the controlling body for their entire term of office.

In view of the Shareholders' Meeting, the Board of Statutory Auditors provided the Company with a document summarising the work it performed - specifying the number of meetings and their average duration - as well as the time required for each meeting and the professional resources employed, in order to allow the Shareholders' Meeting and the candidates for election as Statutory Auditors to assess the adequacy of the proposed remuneration<sup>87</sup>.

For the Statutory Auditor called to be part of the Supervisory Body, following the Shareholders' Meeting of 15 May 2018, the Board of Directors established for the years 2018, 2019, 2020 and until termination of office with the approval of the financial statements as at 31 December 2020, a gross annual remuneration of euro 40,000. This remuneration was confirmed by the Board of Directors on 22 June 2020, when the Supervisory Body was renewed, as the annual remuneration

for the years 2020, 2021 and 2022 and until the end of the mandate of the current Board of Directors and in any case until renewal by the next Board of Directors.

Expenses incurred for official reasons are also reimbursed to the Statutory Auditors.

In line with best practices, a D&O insurance policy is envisaged to cover the third party liability of the corporate bodies, including the members of said controlling bodies.

## **4. REMUNERATION OF DIRECTORS HOLDING SPECIFIC OFFICES**

The remuneration of Directors holding specific offices is proposed by the Remuneration Committee to the Board of Directors when they are appointed, or at the first useful meeting thereafter.

#### **CHAIRMAN OF THE BOARD OF DIRECTORS**

If a Director has been appointed holding specific offices, but no further specific duties have been assigned to them (at the date of the Report, this applies to Chairman Ning Gaoning) the remuneration consists solely of a fixed gross annual component, as well as the compensation for the office of director and any participation in committees.

At the time of appointment, the Board of Directors determines the remuneration for the Chairman of the Board of Directors, considering the remuneration assigned during the previous mandate (if the same holder of the office) and the market benchmark (if the office is held by a different person).

The Chairman Ning Gaoning shall receive compensation for the office of a gross annual amount of euro 400,000 for the years 2020, 2021 and 2022 and until termination of office with the approval of the financial statements as at 31 December 2022.

In the event that during the current mandate the Board of Directors is called on to resolve again on the compensation of the Chairman, a Chairman's compensation that is at most equal to +10% of the remuneration assigned during the previous mandate (in the case of the same holder of the office) or with respect to the market benchmark - median - (if the office is held by a different person), is considered compliant with the Policy.

For those Directors holding specific offices to whom no further specific duties have been attributed, no non-monetary benefits, social security or pension cover is provided other than the obligatory schemes.

<sup>87</sup> The Document of the outgoing Board of Statutory Auditors is available on the Company's website.

## DIRECTORS HOLDING SPECIFIC OFFICES TO WHOM FURTHER SPECIFIC DUTIES HAVE ALSO BEEN ATTRIBUTED

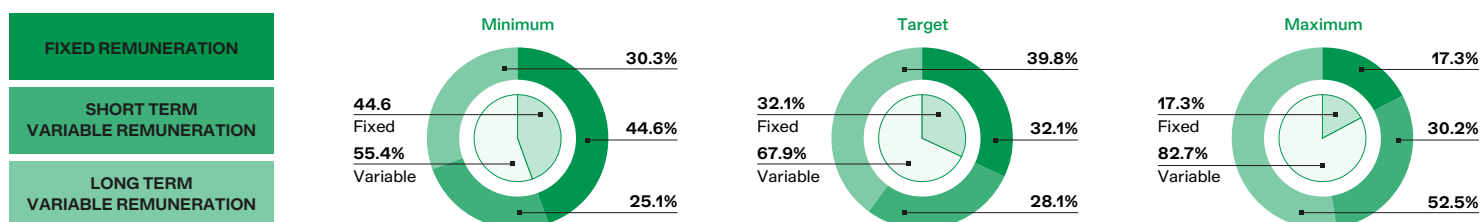
The remuneration of Directors holding specific offices to whom further specific duties have also been attributed (at the date of the Report, is the case for the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera and, once appointed, for the Deputy-CEO<sup>88</sup>) is composed of the following elements:

<b>Fixed remuneration for all offices held in Pirelli</b> No greater than 1/3 of the Annual Total Direct Compensation on-Target for Vice Chairman and CEO No greater than 40% of the Annual Total Direct Compensation on-Target for Deputy-CEO	<b>FIXED REMUNERATION</b>
Annual STI incentive plan STI deferral/increase Medium-long term incentive plan (LTI)	<b>VARIABLE REMUNERATION</b>
Severance Indemnity Benefits typical of the office and recognised in company practice Insurance coverage PNC (only for Deputy-CEO)	<b>OTHER COMPONENTS</b>

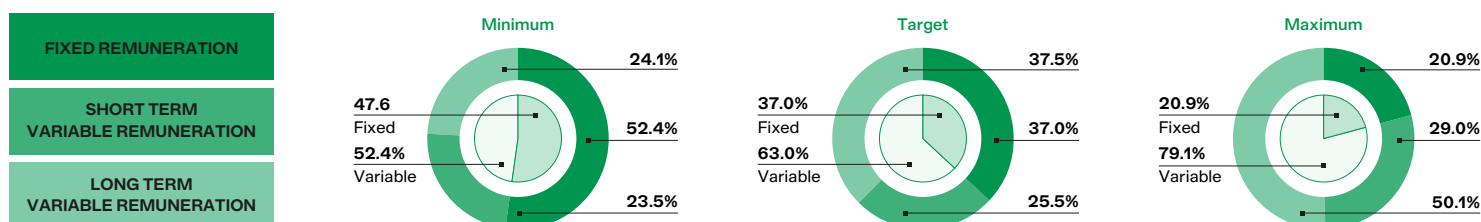
Directors holding specific offices to whom further specific duties have also been attributed<sup>89</sup>, shall also receive the compensation for the office of director and any participation in committees<sup>90</sup>.

With regard to the incidence of the various components, the structure of the compensation package of the Executive Vice Chairman and Chief Executive Officer and the Deputy-CEO in the event of achievement of the objectives of 2021 STI and 2021-2023 LTI plans at minimum, target and maximum level is shown below.

### PAY MIX - EXECUTIVE VICE CHAIRMAN AND CEO



### PAY MIX - DEPUTY-CEO



### FIXED REMUNERATION

The gross annual base salary for the office of Executive Vice Chairman and Chief Executive Officer and Deputy-CEO is determined at the time of appointment, taking into account the compensation attributed during the previous mandate (in the case of the same holder of the office) and the market benchmark (if the office is held by a different person), in an amount that would ensure a balance between the fixed component and the variable component that is adequate and consistent with the strategic objectives and the risk management policy, taking into account the characteristics of the business and the sector in which the Company operates, in any case establishing that the variable component represents a significant part of the total remuneration.

<sup>88</sup> The Board of Directors of 31 March 2021 approved the proposal to the Shareholders' Meeting scheduled for 15 June 2021 to appoint Giorgio Luca Bruno as Board Member, in order to grant him the office of Deputy-CEO.

<sup>89</sup> As at the date of this Report, the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera is the only Director appointed to a specific office to whom specific duties have also been assigned.

<sup>90</sup> The Executive Vice Chairman and Chief Executive Officer is also entitled to the compensation for serving as a Director (€65,000), and as Chairman of the Strategies Committee (€50,000) and Appointments and Successions Committee (€50,000).

The gross annual fixed component for financial years 2020, 2021 and 2022 and up until approval of the financial statements at 31 December 2022 attributed to the Executive Vice Chairman and Chief Executive Officer is euro 2,400,000 (no more than a third of the Total Direct Compensation on-Target).

The gross annual fixed component for financial years 2021 and 2022 and up until approval of the financial statements at 31 December 2022 attributed to the Deputy-CEO is euro 1,100,000 (no more than 40% of the Total Direct Compensation on-Target).

In the event that during the current mandate the Board of Directors is called on to resolve again on the gross annual fixed component of the Executive Vice Chairman and Chief Executive Officer or of the Deputy-CEO, is compliant with the Policy the assignment of a gross annual base salary or a review of such, which, considering the annual and medium-long-term incentive percentages, determines an Annual Total Direct Compensation on-Target equal to at most (i) for the Executive Vice Chairman and Chief Executive Officer +5% of the value assigned during the previous mandate (in the case of the same holder of the office) or with respect to the market benchmark third quartile (if the office is held by a different person) and (ii) for the Deputy-CEO +10% of the value assigned during the previous mandate (in the case of the same holder of the office) or with respect to the market benchmark third quartile (if the office is held by a different person).

### **ANNUAL VARIABLE COMPONENT (STI)**

The Executive Vice Chairman and Chief Executive Officer and the Deputy-CEO hold an annual variable remuneration (STI) equal to a percentage of the fixed remuneration determined at the time of appointment and thereafter when launching the individual annual plans.

In the event that during the current mandate the Board of Directors is called on to resolve again on the STI incentive percentages of the Executive Vice Chairman and Chief Executive Officer and the Deputy-CEO, the attribution of STI incentive percentage no higher than the previous financial year is compliant with the Policy.

The objectives underlying the STI Plan represent performance consistent with the corresponding objectives disclosed to the market, in particular the objectives for obtaining the incentive at minimum level are set as equal to the value disclosed to the market.

For each objective there is a minimum and a maximum (cap) to the amount of the incentive that can be achieved; for performance below the minimum level, no pro-quota payment is envisaged.

The on/off condition is represented by the cumulative Group Net Cash Flow (before dividends) and is established as an amount equal to the value announced to the market. Failure to achieve the on/off condition shall result in the total cancellation of the STI incentive regardless of the level of achievement of the other objectives.

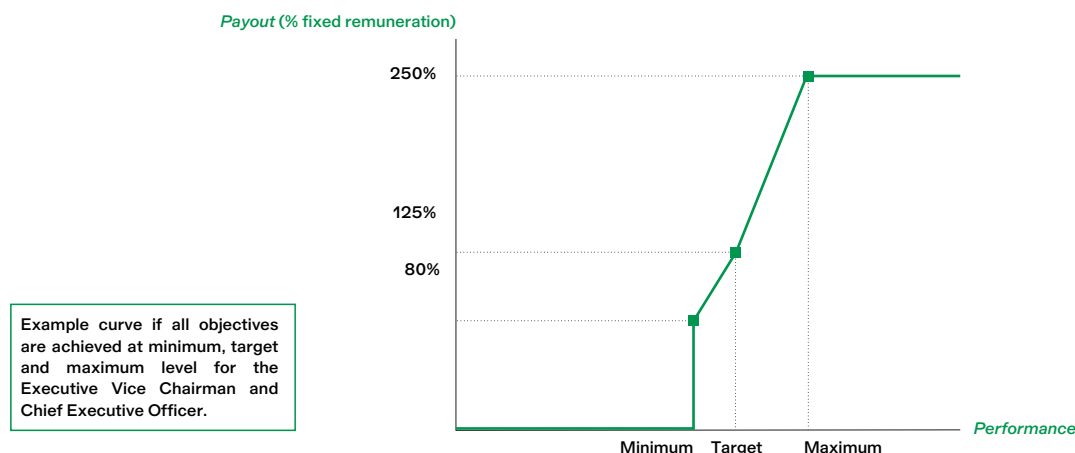
The finalisation of the performance for intermediate results between the minimum value and target and between the target and maximum is carried out by linear interpolation.

Depending on the level of performance achieved, the Executive Vice Chairman and Chief Executive Officer will be paid a bonus of 80% of fixed remuneration for minimum level performance, 125% of the fixed remuneration in the case of on-target performance and 250% of fixed remuneration (equal to double the target incentive) for maximum level performance.

Depending on the level of performance achieved, the Deputy-CEO will be paid a bonus of 65% of fixed remuneration for minimum level performance, 100% of the fixed remuneration in the case of on-target performance and 200% of fixed remuneration (equal to double the target incentive) for maximum level performance.

Once the on/off condition has been achieved, all the objectives envisaged on the STI scorecard shall apply independently, according to the incentive curve shown below. Therefore, according to the performance achieved, each objective will go towards calculating the total payout, on the basis of the weighting shown on the scorecard.

## PERFORMANCE/PAYOUT CURVE



Part of the remuneration accrued as STI is deferred to the benefit of continued results over time and thereby the creation of sustainable value for shareholders in the medium-long term. Indeed, 75% of any STI accrued is paid, since the remaining 25% is deferred by 12 months and subject to achievement of the STI objectives for the following year. In particular:

- in the event that no STI is accrued in the next year, the deferred STI quota of the previous year is definitively "lost";
- in the event that the STI accrued in the next year is below target level, the STI quota deferred from the previous year is paid;
- in the event that the STI accrued in the next year is equal to or higher than target level, the STI quota deferred from the previous year is paid, together with an additional amount equal to the quota deferred (increase).

For 2021, the objectives assigned within the STI Plan to the Executive Vice Chairman and Chief Executive Officer and to the Deputy-CEO are as follows:

STI SCORECARD – EXECUTIVE VICE CHAIRMAN AND CEO AND DEPUTY-CEO	WEIGHT OF OBJECTIVES
Cumulative Group Net Cash Flow (before dividends)	ON/OFF condition
Group EBIT Adjusted	40%
Cumulative Group Net Cash Flow (before dividends)	30%
Group Net Income	20%
Sustainability objective– value of the «Eco & Safety Performance Revenues» on total portfolio	10%

### MEDIUM/LONG TERM VARIABLE COMPONENT (LTI)

The Executive Vice Chairman and Chief Executive Officer and the Deputy-CEO will be assigned a medium-long-term incentive plan so as to contribute to the Company's strategy and sustainability, and the pursuit of its long-term interests. For 2021, the Executive Vice Chairman and Chief Executive Officer are assigned the 2020-2022 LTI Plan related to the goals of the 2020-2022 Strategic Plan and the 2021-2023 LTI Plan related to achievement of the goals of the 2021-2022/2025 Strategic Plan. For 2021, the Deputy-CEO is beneficiary of the 2021-2023 LTI Plan related to achievement of the goals of the 2021-2022/2025 Strategic Plan. It is pointed out that the Deputy-CEO will be beneficiary, pro-quota, of the 2020-2022 LTI Plan.

Please refer to the Remuneration Report published in 2020 and the related Information Document for details of the objectives of the 2020-2022 LTI Plan, as modified due to the described adjustment of the cumulative Group Net Cash Flow (before dividends) objective; the objectives of the 2021-2023 LTI Plan are indicated below (which, in application of the rolling mechanism, replicate those established for the 2020-2022 LTI Plan).

2021-2023 LTI - EXECUTIVE VICE CHAIRMAN AND CEO AND DEPUTY-CEO	WEIGHT OF OBJECTIVES	KPI
Cumulative Group Net Cash Flow (before dividends)	40%	Value disclosed to the market
Relative TSR versus a panel of peers (TIER1: Continental, Michelin, Nokian, Goodyear and Bridgestone)*	40%	Performance equal to panel average
Dow Jones Sustainability World Index ATX Auto Component sector ranking	10%	From -1% to -5% vs Top Industry cluster
CDP ranking	10%	«A-» scoring

\* The period of comparison is the second half of 2023 against the second half of 2020.

On 5 August 2020, as a result of the health emergency linked to the spread of Covid-19, the consequent revision of the 2020-2022 Strategic Plan and the announced launch in the first quarter of 2021 of the Strategic Plan for the period 2021-2022/2025, the Board of Directors conferred mandate to proceed with an adjustment of the cumulative Group Net Cash Flow (before dividends) target of the 2020-2022 LTI Plan, aligning it with the guidance communicated to the market on 5 August 2020 and with the targets of the 2021-2022/2025 Strategic Plan for the years 2021 and 2022.

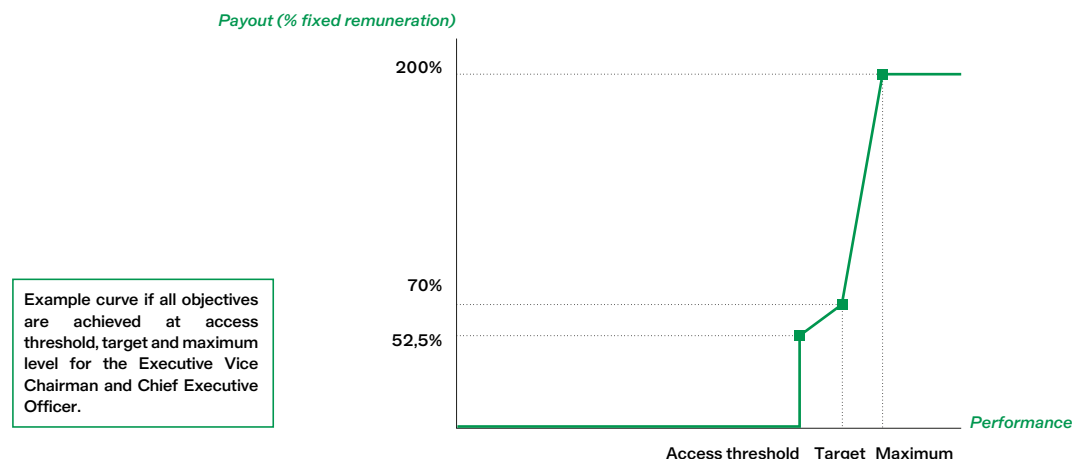
The Board of Directors of Pirelli & C., at the meeting held on 31 March 2021, which also approved the 2021-2022/2025 Strategic Plan, on the proposal of the Remuneration Committee, after obtaining the favourable opinion of the Board of Statutory Auditors, set the cumulative Group Net Cash Flow (before dividends) target of the 2020-2022 LTI Plan, in accordance with the resolution of 5 August 2020, and in application of the rolling mechanism defined the targets of the 2021-2023 LTI Plan. The review aims to maintain the total alignment of shareholders and management's interests.

The targets set in the LTI Plans represent a performance consistent with the corresponding targets disclosed to the market. In particular, the objectives for obtaining the incentive at "access threshold" level are set as equal to the value disclosed to the market (net of the sustainability objectives).

An "access threshold" level – associated with payment of 75% of the pro-quota of the bonus achievable on-target – and a maximum (cap) on the pro-quota amount of the bonus that can be achieved are envisaged for each objective.

The performance range for the economic-financial objectives is defined as the more challenging out of the target and maximum level with respect to that envisaged between the "access threshold" level and target. In order to offer an incentive for achieving results above target, the incentive curve is fixed in such a way that the incentive opportunity grows faster between the target and the maximum than in the range between the "access threshold" and the target (see graph below). All the objectives envisaged on the LTI scorecard shall apply independently, according to the incentive curve shown below. Therefore, according to the performance achieved, each objective will go towards calculating the total payout, on the basis of the weighting shown on the scorecard.

## PERFORMANCE/PAYOUT CURVE



For the TSR and cumulative Group Net Cash Flow (before dividends) objectives, for results falling between the “access threshold” and target, or between the target and the maximum, performance will be calculated by linear interpolation, unlike the sustainability objectives which will be calculated in just three steps: “access threshold”, target and maximum, without considering intermediate performances.

Within the scope of the 2021-2023 LTI Plan, depending on the level of performance achieved, the Executive Vice Chairman and Chief Executive Officer will be recognised an annually based bonus opportunity of 70% of fixed remuneration for on-target performance, 52.5% of fixed remuneration if the “access threshold” performance is achieved (75% of the on-target bonus), and 200% of the fixed remuneration (cap) in the case of maximum performance.

Within the scope of the 2021-2023 LTI Plan, depending on the level of performance achieved, the Deputy-CEO will be recognised an annually based bonus opportunity of 60% of fixed remuneration for on-target performance, 45% of fixed remuneration if the “access threshold” performance is achieved (75% of the on-target bonus), and 160% of the fixed remuneration (cap) in the case of maximum performance.

In the case of lapsing from office at the end of mandate or termination of the entire Board of Directors, and subsequent non-appointment even as director, the LTI Bonus is to be paid pro-quota.

#### **OFFICE TERMINATION PAYMENT AND NON-MONETARY BENEFITS**

In addition, the Board of Directors has made the following provision for Directors holding specific offices to whom further specific duties have been attributed, in the event that said duties are not related to their executive employment relationship (on the date of this Report, the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera and, once appointed, the Deputy-CEO), similarly

to the treatment guaranteed pursuant to the law and/or national collective employment agreement for the Group's Italian executives:

- an Office Termination Payment (TFM) pursuant to art. 17, paragraph 1, letter c) of the TUIR (Italian consolidated law on income tax) no. 917/1986, with similar characteristics to those typical of Severance Indemnity Payment (TFR) pursuant to art. 2120 of the Italian Civil Code, comprising:
  - a) an amount equal to the amount that would be due as manager by way of TFR; the basis for calculation consists of the gross annual fixed compensation received for the specific role held in the Company;
  - b) an amount equal to the contributions paid by the employer that would be due to social security and welfare institutes or funds in the event of a contract of employment as manager ex lege and/or National Collective Bargaining Agreement for the Italian Managers of the Group with the same degree of seniority of employment; the basis for calculation consists of the gross annual fixed compensation received for the specific role held in the Company, in addition to any other payments due by way of medium/long-term annual variable component.

TFM, including the relevant value adjustment of such amounts, will be due as a lump sum to the beneficiary at the end of the current mandate or, in the event of premature death, their assignees;

- a compensation allowance for death from any cause and permanent invalidity following illness as well as a compensation allowance for death from any cause and permanent invalidity following accidents, the terms, limits and conditions of which are in line with what was guaranteed in the previous term of office;
- further benefits typical of the role and currently paid within the Group to General Managers, Executives with strategic responsibilities and Executives (for example, company car).



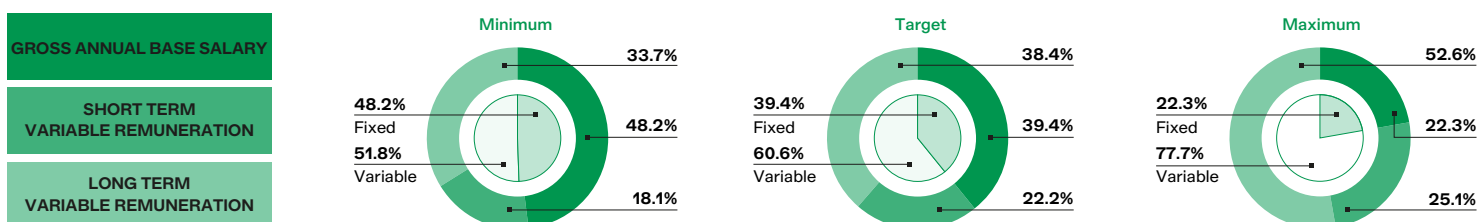
## 5. GENERAL MANAGERS AND KM

The remuneration of the General Managers (at the date of the Report the General Manager Operations Andrea Casaluci<sup>91</sup>) and the KM has the following elements:

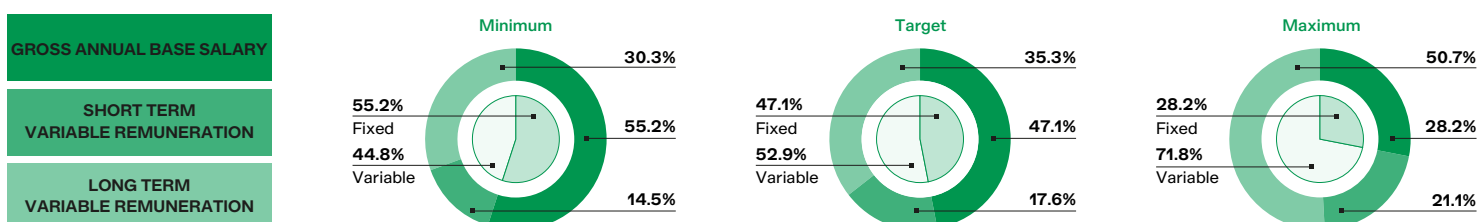
Gross Annual Base Salary (GABS) No more than 50% of Annual Total Direct Compensation on-Target	<b>FIXED REMUNERATION</b>
Annual STI incentive plan	<b>VARIABLE REMUNERATION</b>
STI deferral/increase Medium-long term incentive plan (LTI)	
Retention plan Non-competition agreement Benefits typically provided in the contract/company practice	<b>OTHER COMPONENTS</b>

With regard to the incidence of the various components, the structure of the compensation package of the General Manager Operations and KM in the event of achievement of the objectives of 2021 STI and 2021-2023 LTI plans at minimum, target and maximum level is shown below.

### PAY MIX – GENERAL MANAGER OPERATIONS (IN CASE OF DEFERRAL OF 25% OF THE STI ACCRUED)



### PAY MIX - KM (IN CASE OF DEFERRAL OF 25% OF THE STI ACCRUED)



The analysis of the remuneration of the General Manager Operations and the KM, reviewed once a year and disclosed in the compensation report, is carried out with the help of an independent company specialised in executive compensation (Korn Ferry). The method used is "Job Grading", which compares the roles on the basis of three different components (know-how, problem solving and accountability), whereby the weighting of each role is determined within the organisation.

The market benchmark used to verify the competitiveness of the related remuneration includes approximately 400 listed European companies selected by Korn Ferry, included on the FTE500 list - which includes the 500 highest cap European companies.

In the case of hiring a new General Manager, in addition to the company mentioned above, the Company may also use the services of another company specialised in executive compensation (Willis Towers Watson) with the relative methodology and comparison market in view of the complexity and specific nature of the role, after obtaining the agreement of the Remuneration Committee.

<sup>91</sup> Note that Angelos Papadimitriou ceased to hold the office of General Manager co-CEO as of 28 February 2021.



## **FIXED REMUNERATION OF THE GENERAL MANAGERS AND KM**

The fixed remuneration of the General Managers is determined at the time of appointment by the Board of Directors, based on the favourable opinion provided by the Remuneration Committee, in compliance with the Policy.

The remuneration of KM is determined by the Executive Vice Chairman and Chief Executive Officer, in compliance with the Policy.

The Remuneration Committee assesses the compliance of the remuneration of the aforementioned subjects with the Policy.

In the event of the appointment of a new General Manager or the hiring/qualification of a new KM, the Remuneration Committee defines the grade and benchmark of reference on the basis of their role and responsibilities, making use of those prepared by Willis Towers Watson and/or Korn Ferry, after obtaining the agreement of the Remuneration Committee.

Fixed remuneration that, considering the annual and medium-long term incentive percentages, determines an Annual Total Direct Compensation on-Target not exceeding 80% of the Annual Total Direct Compensation on-Target of the Executive Vice Chairman and Chief Executive Officer for the new General Manager and equal at most to + 20% of the market benchmark (third quartile) for KM, is compliant with the Policy.

In the event of hiring a new General Manager, the fixed remuneration may not exceed 85% of that of the Executive Vice Chairman and Chief Executive Officer and the fixed remuneration of a new KM may not exceed that of the General Manager Operations.

The proposals of determination and revision of the fixed remuneration are carried out with reference to the purpose of the Policy to attract, retain and motivate key resources to achieve the Company's objectives. A revision which, taking into account the annual and medium/long-term incentive percentages, determines an Annual Total Direct Compensation on-Target equal to at most +10% compared to the market benchmark (third quartile) is compliant with the Policy, without prejudice, for General Managers, to the limit of 85% of the fixed remuneration of the Executive Vice Chairman and Chief Executive Officer and for KM the limit of the fixed remuneration of the General Manager Operations. In such case the Related-Parties Transactions Procedure applies.

## **ANNUAL VARIABLE COMPONENT (STI)**

The General Managers and KM are beneficiaries of the STI plan, defined according to the same structure, mechanisms and objectives as for the Executive Vice Chairman and Chief Executive Officer and the Deputy-CEO.

On the basis of the performance level achieved, the following shall be paid:

- an incentive of 50% of the GABS for the General Manager Operations and an incentive of 35% of the GABS for KM if the minimum performance level is achieved;

- an incentive of 75% of the GABS for the General Manager Operations and an incentive of 50% of the GABS for KM if the on-target performance is achieved;
- an incentive of 150% of the GABS for the General Manager Operations and an incentive of 100% of the GABS for KM if the maximum performance is achieved (equal to double the on-target incentive).

In the event of hiring a new General Manager, the Remuneration Committee, having as reference the purpose of the Policy to attract key resources for the achievement of corporate objectives, may set incentive percentages higher than those indicated above, provided that they are not higher than those of the Executive Vice Chairman and Chief Executive Officer. In such case the Related-Party Transactions Procedure applies.

For General Managers and KM part of the remuneration accrued as STI, from a minimum of 25% to a maximum of 50%, is deferred, with a view to retention, and disbursed at the end of a three-year period subject to the continuation of employment relationship and together with a company matching component which can vary from a minimum of 1 time to a maximum of 1.5 times the amount of the deferred STI.

## **MEDIUM-LONG TERM VARIABLE COMPONENT (LTI)**

In order to contribute to the Company's strategy, the pursuit of long-term interests and the sustainability of the Company, General Managers and KM are beneficiaries of medium-long term incentive plans and, in particular, of the 2020-2022 LTI Plan and the 2021-2023 LTI Plan. The LTI plans have the same structure, mechanisms and objectives as those envisaged for the Executive Vice Chairman and Chief Executive Officer and the Deputy-CEO.

Within the scope of the 2021-2023 LTI Plan, on the basis of the performance level achieved, the following shall be paid:

- an annually based bonus opportunity of 45% of the GABS for the General Manager Operations and 37.5% of the GABS for KM if the "access threshold" performance level is achieved (75% of the on-target incentive);
- an annually based bonus opportunity of 60% of the GABS for the General Manager Operations and 50% of the GABS for KM if the on-target performance is achieved;
- an annually based bonus opportunity of 160% of the GABS for the General Manager Operations and 130% of the GABS for KM if the maximum performance is achieved.

In the event of appointment of a new General Manager, the Remuneration Committee, having as reference the purpose of the Policy to attract key resources for the achievement of corporate objectives, may set incentive percentages higher than those indicated above, provided that they are not higher than those of the Executive Vice Chairman and Chief Executive Officer. In such case the Related-Parties Transactions Procedure applies.

In the event of termination of the employment relationship for any reason before the end of the three-year period, the General Managers and KM will no longer form part of the LTI plans and no award nor pro-quota award will be paid.

## NON-MONETARY BENEFITS, CONVENTIONAL SENIORITY AND WELCOME BONUS

Non-monetary elements of remuneration are benefits provided to General Managers and KM as a result of contractual provisions/company policies or aimed at reinforcing attraction during the recruitment phase (for example, accommodation and student grants for family members for limited periods of time).

Moreover, in the case of hiring a new General Manager or KM, the Remuneration Committee may establish (i) an agreed seniority recognised on the basis of previous experience in similar roles, (ii) the attribution of a one-off bonus not exceeding 100% of the beneficiary's fixed gross annual remuneration, taking into account the Policy's objective of attracting key resources to achieve the company's objectives.

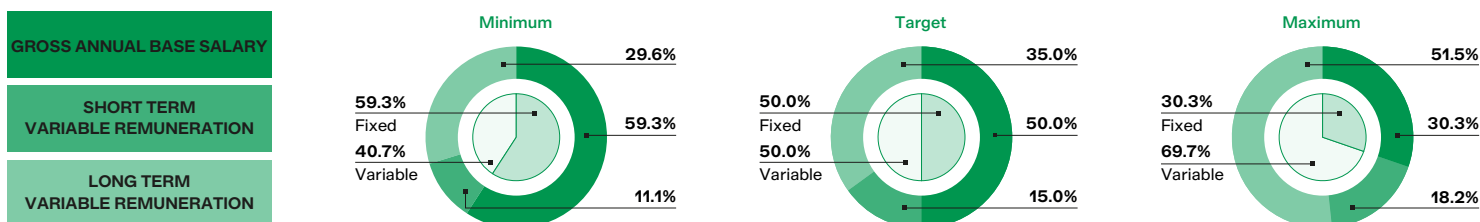
## 6. SENIOR MANAGERS AND EXECUTIVES

The remuneration of Senior Managers and Executives consists of the following elements:

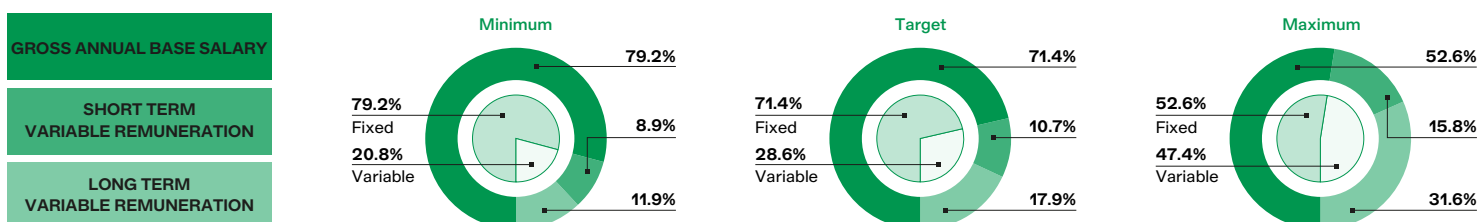
Gross Annual Base Salary (GABS) No more than 60% for Senior Manager and 75% for Executives of the Annual Total Direct Compensation on-Target	<b>FIXED REMUNERATION</b>
Annual STI incentive plan	<b>VARIABLE REMUNERATION</b>
STI deferral/increase Medium-long term incentive plan (LTI)	
Retention plan (for some Senior Managers) Non-compete clause (for some selected managers) Benefits typically provided in the contract/company practice	<b>OTHER COMPONENTS</b>

The remuneration structure for Senior Managers and Executives (as a whole) with evidence of the incidence of the various parts of their compensation packages, in the event that they achieve the objectives of the 2021 STI and 2021-2023 LTI plans at minimum, target and maximum levels is shown below.

### PAY MIX - SENIOR MANAGER (IN CASE OF DEFERRAL OF 25% OF THE STI ACCRUED)



### PAY MIX - EXECUTIVES



Also, the analysis of the remuneration of Senior Managers and Executives is carried out with the help of an independent company specialised in executive compensation (Korn Ferry) with the same methodology as described previously with regard to General Manager Operations and KM.

For managers of the Internal Audit department, it should be noted that, in line with best practices, the fixed component has a higher incidence than the variable.

## ANNUAL VARIABLE COMPONENT (STI)

Senior Managers and Executives are beneficiaries of the STI plan, defined according to the same structure and the same mechanisms as for the Executive Vice Chairman and Chief Executive Officer, the Deputy-CEO, the General Managers and the KM.

For the year 2021, the objectives assigned to Senior Managers and Executives are as shown in the table below:

STI SCORECARD SENIOR/EXECUTIVE HEADQUARTER	WEIGHT OF OBJECTIVES	STI SCORECARD SENIOR/EXECUTIVE OF REGION/BU	WEIGHT OF OBJECTIVES
Group Net Cash Flow (before dividends)	ON/OFF condition	Group Net Cash Flow (before dividends) - BU Region Net Cash Flow (before dividends) - Region DSO - Sales Managers <sup>1</sup>	ON/OFF condition
Group adjusted EBIT	30%	Adjusted EBIT of Region/BU/Country	From 30% to 40%
Group Net Cash Flow (before dividends)	20%	Group/Region Net Cash Flow (before dividends)	From 10% to 20%
Functional objective/s with Group scope	40%	Functional objective/s with Region/BU/Group scope	40%
Sustainability objective - value of the «Eco & Safety Performance Revenues» on total portfolio	10%	Sustainability objective - value of the «Eco & Safety Performance Revenues» on total portfolio	10%

<sup>1)</sup> If the on/off NCF Region or DSO condition is not met, the on/off NCF Group condition will apply with a 25% reduction of the total payout accrued.

According to the performance level achieved, the Senior Managers and Executives are assigned:

- a bonus ranging between 10% and 25% of the GABS, depending on the position held, if minimum performance is achieved;
- a bonus ranging between 15% and 40% of the GABS, depending on the role held if on-target performance is achieved;
- a bonus ranging between 30% and 80% of the GABS, depending on the position held, if maximum performance is achieved (equal to 200% of the on-target incentive).

For selected Senior Managers, in line with what is provided for General Managers and KM, part of the STI accrued, from a minimum of 25% to a maximum of 50%, is deferred, with a view to retention, and disbursed at the end of a three-year period subject to the continuation of employment relationship and together with a company matching component which can vary from a minimum of 1 time to a maximum of 1.5 times the amount of the deferred STI.

For the rest of the Senior Managers and Executives, 75% of the accrued bonus is paid, and the remaining 25% is deferred by 12 months and payable upon the achievement of the STI objectives of the following year, according to the same parameters specified for the Executive Vice Chairman and Chief Executive Officer and the Deputy-CEO.

## MEDIUM-LONG TERM VARIABLE COMPONENT (LTI)

Senior Managers and Executives are beneficiaries of the medium-long term incentive plan so as to contribute to the Company's strategy and sustainability, and the pursuit of its long-term interests. The 2020-2022 LTI Plan and 2021-2023 LTI Plan are defined according to the same structure, mechanisms and objectives as envisaged for the Executive Vice Chairman and Chief Executive Officer, the Deputy-CEO, General Managers and KM.

Within the scope of the 2021-2023 LTI Plan, on the basis of the performance level achieved, Senior Managers and Executives shall be paid:

- an annually based bonus opportunity ranging between 11.25% and 37.5% of the GABS, depending on the position held, if "access threshold" performance is achieved (75% of the on-target incentive);
- an annually based bonus opportunity ranging between 15% and 50% of the GABS, depending on the position held if on-target performance is achieved;
- an annually based bonus opportunity ranging between 40% and 130% of the GABS, depending on the position held if maximum performance is achieved.

In the event of termination of the employment relationship for any reason before the end of the three-year period, the beneficiary will no longer form part of the LTI plan and no award nor pro-quota award will be paid.

## **NON-MONETARY BENEFITS AND CONVENTIONAL SENIORITY**

Non-monetary elements of remuneration are benefits provided to the Senior Managers and Executives as a result of contractual provisions/company policies or aimed at reinforcing attraction during the recruitment phase (for example, accommodation and student grants for family members for limited periods of time).

In the case of hiring a Senior Manager or Executive, a conventional seniority, equal to the seniority gained in previous experience, may be recognized.

## **7. CLAWBACK CLAUSES**

The annual STI and multi-year (LTI) incentive plans for Directors holding specific offices to whom further specific duties are attributed, General Managers and KM provide inter alia for clawback mechanisms.

In particular, without prejudice to the possibility of any other action permitted by the order to protect the interests of the Company, contractual agreements will be signed with the aforementioned persons, enabling Pirelli to claim back (in whole or in part), within three years of the payment thereof, incentives paid to persons who, due to wilful misconduct or gross negligence, are held responsible for (or are accomplices to) the facts, as indicated below, related to economic and financial indicators included in the Annual Financial Report that involve subsequent comparative information adopted as parameters for the determination of the variable awards in the aforementioned incentive plans:

- (i) proven significant errors resulting in non-compliance with the accounting standards applied by Pirelli, or
- (ii) proven fraudulent conduct aimed at obtaining a specific representation of Pirelli's financial and equity situation, economic result or cash flow.

## **8. COMPENSATION IN THE EVENT OF RESIGNATION, DISMISSAL OR TERMINATION OF RELATIONS**

It is Pirelli Group policy not to enter into with Directors, General Managers, KM, Senior Managers or Executives agreements regulating economic aspects related to any early termination

of relations in retrospect at the initiative of the Company or the individual ("parachutes").

Pirelli aims at agreements to "terminate" relations in a consensual manner. Without prejudice to any legal and/or contractual obligations, agreements to end relations with the Pirelli Group are inspired by the benchmarks in the matter and are within the limits laid down in case law and by the practices in the country in which the agreement was signed.

The company sets its own internal criteria, with which the other Group companies also comply, for managing early termination agreements of relations with executives and/or those of Directors holding specific offices. If an executive director or General Manager should cease to hold office and/or their employment be terminated, the Company will, upon completion of the internal processes that lead to the attribution or award of indemnities and/or other benefits, provide detailed information on the issue, by means of a press release disseminated to the market.

With regard to Directors holding specific offices to whom further specific duties are attributed and who are not bound by executive employment relationships, Pirelli does not pay compensation or extra bonuses in relation to the end of their mandate. Specific compensation may be paid subject to assessment by the competent corporate bodies, in the following cases:

- termination by the Company for other than cause;
- termination by the director for cause, including but not limited to substantial changes to the role or duties attributed and/or cases of a "hostile" takeover bid.

In such cases, the indemnity amounts to 2 years of gross annual salary, i.e. the sum of (i) the gross annual base salary for the duties performed in the Group, (ii) the average annual variable remuneration (STI) accrued in the previous three years and (iii) TFM on the aforementioned amounts.

As regards General Managers and KM, agreements for consensual termination of employment are submitted to the Remuneration Committee, which assesses their compliance with the Policy and authorises their negotiation by setting the maximum amounts that can be disbursed, including the maintenance of non-monetary benefits for a predetermined period.

The closure amounts are determined with reference to the applicable category national collective bargaining agreements. In particular, as regards General Managers and KM, reference is made to the contract for Industry managers in Italy and the incentive to take voluntary redundancy is determined with reference to the number of months of notice reimbursable by entities and supplementary indemnity in the event of arbitration, depending on the employee's length of service in the Group. Below is an explanatory table:

## NO. MONTHS

YEARS OF SENIORITY	NOTICE	ARBITRATION PANEL	
		MIN	MAX
more than 15 years	12	18	24
up to 15 years	10	12	18
up to 10 years	8	8	12
up to 6 years	6	4	8
up to 2 years	6	4	4

After review, evaluation and approval by the competent Committee, it may also be granted to General Managers and KM:

- an additional amount by way of general and novative transaction, within the limits of the low thresholds established for related-parties transactions;
- a period of paid leave or equivalent substitute indemnity between the stipulation of the exit agreement and the effective date of termination of employment.

Finally, a consultancy (or collaboration) agreement may be stipulated between General Managers and KM and a Group company, which is predefined in the term subsequent to termination of the employment contract and subject, in this case too, to the assessment and approval of the competent Committee.

Remuneration due to General Managers and KM by virtue of positions occupied on the Board of Directors is not included in the calculation of severance pay and is due in the amount determined solely for the period during which the position was held on the Board of Directors.

Finally, as regards the medium-long term incentive system (LTI):

- for the Executive Vice Chairman and Chief Executive Officer and the Deputy-CEO, in the case of lapsing from office at the end of mandate or termination of the entire Board of Directors, and subsequent non-appointment even as director, the bonus is to be paid pro-quota;
- for General Managers, KM, Senior Managers and Executives, in the event of termination of the employment relationship for any reason before the end of the three-year period, no award nor pro-quota award will be paid.

## 9. NON-COMPETITION AGREEMENTS AND RETENTION PLAN

The Group enters into non-competition agreements providing for a payment to the Deputy-CEO, General Managers, KM, Senior Managers and Executives for particularly crucial duties, in proportion to the GABS in relation to the duration and extent of the constraints arising from the agreement itself.

The constraints refer to the market sector in which the Group was operating when the agreement was made and to territorial size. Extent varies according to the position held when the agreement was completed and can in some highly critical cases, as in the case of the Deputy-CEO, General Managers and KM extend to a wider geographical area covering the main countries where the Group operates.

The Executive Vice Chairman and Chief Executive Officer is not subject to a non-competition agreement.



In the case of Deputy-CEO, General Managers and KM, the non-competition agreement has the following characteristics:

- the list of competitors: companies operating in the tyre sector and, according to the role held, identification of more specific clusters;
- geography: all the main countries in which the Pirelli Group operates;
- the duration of the non-competition agreement: 24 months from when the contract of employment ends;
- the fee: from a minimum of 30% to a maximum of 60% of the GABS on the basis of the role held and the reason for leaving for each year of the duration of the clause following a potential redundancy, less any portion disbursed during the contract of employment, equal to 10% of the GABS per year of clause validity (usually 5 years). When hiring a new General Manager, the consideration for the non-competition agreement may be determined as a percentage above 60% of the GABS and in any case not above 100% and, in this case, the annual payment during employment may be a maximum of 20% of the GABS.

In 2021, the medium-long term Retention Plan for the General Manager Operations, KM and selected Senior Managers/ Executives, approved on 26 February 2018, ends. For the General Manager Operations only, the amount of the last instalment of the Retention Plan is adjusted to the GABS received by the same as at 1 January 2021. This is pursuant to the need to reinforce the retention of the General Manager Operations, whose Retention Plan was based on the GABS received in his previous position as KM.

The Retention Plan envisages the recognition of an amount equal to at most 2.3 times the Total Direct Compensation on-Target of each at the time of inclusion in the plan (2017). It is disbursed in four annual instalments of increasing amounts to obtain the maximum retention effect, with the payment of the final instalment planned for 2021. The payment of each instalment is subject to the continuation of the employment of the manager at the Company on the date of each payment.

The Executive Vice Chairman and Chief Executive Officer do not participate in the Retention Plan.

## 10. DEROGATION TO THE REMUNERATION POLICY

In compliance with art. 123-ter of the TUF and art. 84-quater of the Issuers' Regulation, the Company may adopt any decisions that temporarily make an exception to the Policy.

With reference to subjects for whom the Board of Directors defines remuneration in accordance with the Policy, in the presence of exceptional circumstances, it is possible to make a temporary exception to the fixed or variable remuneration criteria indicated in the Policy or the structure of non-competition agreements and the attribution of non-monetary benefits.

Exceptional circumstances are situations in which an

exception to the Policy is necessary for the purposes of pursuing the long-term interests and sustainability of the Company as a whole or to ensure its ability to stay on the market, such as, for example (i) the need to replace, due to unforeseen events, the Chief Executive Officer, General Managers or KM and to negotiate a remuneration package quickly, without limits to the possibility of attracting managers with the most suitable professional skills to manage the business and to ensure that the same levels of sustainable success and market positioning are at least maintained; (ii) significant changes in the scope of the company's business during the term of the policy, such as the sale of a company/ business unit or acquisition of a significant business.

The Remuneration Committee assesses the existence of exceptional circumstances that allow for a derogation to the Policy. In exceptional circumstances, derogations to the Policy are approved in compliance with the procedures adopted by the Company for related-parties transactions, in implementation of the Consob Regulation in force at the time.

The Company provides information about any derogations to the Policy applied in exceptional circumstances, in accordance with the terms and conditions of current provisions of law and regulations in force at the time.

## 11. OTHER INFORMATION

Pursuant to Scheme 7-bis of Annex 3A of the Issuers' Regulations, introduced by Consob Resolution no. 18049 of 23 December 2011 and amended thereafter with Resolution no. 21623 of 10 December 2020, it should be noted that:

- Pirelli has no shareholder incentive plans in place;
- in defining the 2021 Policy, Pirelli has not used the specific remuneration policies of other companies as a benchmark. The Policy has been prepared on the basis of scheme no. 7-bis adopted by Consob and in force as at the date on which the Policy was approved. This scheme establishes that the section of the Report provided for by art. 123-ter with reference to members of the governing bodies, General Managers and KM, shall contain at least the information set out in the scheme referred to above.

# ANNEX 1 – GLOSSARY

**Directors:** members of the Board of Directors of Pirelli & C.

**Directors holding specific offices:** these are the Directors of Pirelli & C. holding the office of Chairman, Executive Vice Chairman and Chief Executive Officer and the Deputy-CEO. The Directors holding specific offices in other Group companies, who are also managers, are, for the purpose of the Policy, Executives or Senior Managers, depending on the role held and, unless otherwise resolved by the Board of Directors of Pirelli & C. which classifies them as KM.

**Directors with no specific offices:** are the Directors of Pirelli & C. other than those holding specific offices. Directors with no specific offices in other Group companies, who are also managers, are, for the purpose of the Policy, Executives or Senior Managers, depending on the role held and unless otherwise resolved by the Board of Directors of Pirelli & C., which classifies them as KM.

**Annual Total Direct Compensation on-Target:** means the sum total of the following components, regardless of whether they were disbursed by Pirelli & C. or by another Group company:

- (i) gross annual base salary of the remuneration;
- (ii) annual variable short-term incentive (STI), if target objectives are achieved;
- (iii) medium-long term variable component comprising:
  - a. annual value of the long-term incentive (LTI) plan if multi-year target objectives are achieved;
  - b. pro-quota value of the STI accrued and deferred, to be paid if the underlying conditions are met;
  - c. an additional value of an equal or higher amount in respect of the pro-quota of the STI accrued and deferred, to be paid if the underlying conditions are met.

**Shareholders' Meeting:** means the meeting of the shareholders of Pirelli & C..

**Remuneration Committee:** the Remuneration Committee of Pirelli & C..

**Board of Directors:** indicates the Board of Directors of Pirelli & C..

**General Manager(s):** the persons chosen by the Pirelli & C. Board of Directors to be assigned extensive powers of business segment management. The subjects holding the office of General Manager in other Group companies are, for the purpose of the Policy, Executives or Senior Managers, depending on the role held and unless otherwise resolved by the Board of Directors of Pirelli & C., which classifies them as KM.

**KM:** executives, chosen by the Pirelli & C. Board of Directors in accordance with the procedure confirmed and adopted by Board resolution passed on 22 June 2020, having the power or responsibility for planning, directing and controlling the Company's activities or the power to make decisions that can impact its evolution or future prospects and, more generally, those of Pirelli. In accordance with the procedure, in any case all employees holding the following positions must be classified as KM: (i) General Manager; (ii) Executive Vice President; (iii) Manager responsible for the preparation of financial and corporate documents; (iv) Company Secretary.

**Executives:** managers of the Italian companies or employees of the Group's foreign companies with a position or role that is comparable to that of an Italian manager.

The **Pirelli Group** or **Pirelli** or the **Group:** means all the companies included in the Pirelli & C. consolidation scope.

**Management:** means all Directors holding specific offices, General Managers, KM, Senior Managers and Executives.

**2020-2022 LTI Plan:** means the Long-Term Incentive plan for the three-year period cycle 2020-2022, in support of the achievement of the new objectives set by the 2020-2022 Strategic Plan and approved by the Board of Directors on 19 February 2020 and subsequently by the Shareholders' Meeting held on 18 June 2020, as subsequently modified by the Board of Directors on 31 March 2021 (amendment submitted to the Shareholders' Meeting scheduled for 15 June 2021).

**2021-2023 LTI Plan:** means the Long-Term Incentive Plan for the three-year period cycle 2021-2023 approved by the Board of Directors on 31 March 2021 and subject to the approval of the Shareholders' Meeting scheduled for 15 June 2021, in support of the achievement of the new objectives set by the 2021-2022/2025 Strategic Plan.

**Retention Plan:** means the Retention Plan explained in paragraph 9, approved by the Board of Directors on 26 February 2018.

**2020-2022 Strategic Plan:** means the business plan approved by the Pirelli & C. Board of Directors on 19 February 2020.

**2021-2022/2025 Strategic Plan:** means the business plan approved by the Pirelli & C. Board of Directors on 31 March 2021.

**GABS:** means the gross annual base salary of the compensation for those employed by a Pirelli Group company.

**Senior Managers:** means the persons to whom the following shall first report, except where they are KM, (i) Directors holding specific offices to whom specific duties have been attributed and (ii) General Managers, where the work of the Senior Manager significantly impacts business results.

**Statutory Auditors:** members of the Board of Statutory Auditors of Pirelli & C.

The **Company** or **Pirelli & C.:** means Pirelli & C. S.p.A.

**STI:** means the annual variable component of remuneration that can be achieved if the predefined corporate objectives are achieved, as more fully described in paragraphs 2, 4, 5 and 6.

**Top Management:** means all Directors holding specific offices, General Managers and KM.



# REPORT ON COMPENSATION PAID IN 2020

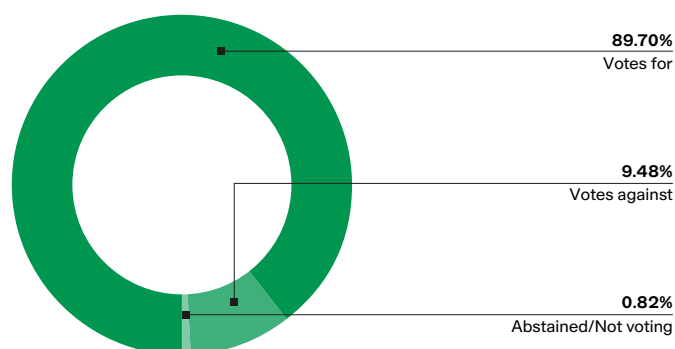
## 1. REPRESENTATION OF REMUNERATION ITEMS

The Compensation Report sets out the Policy implemented by the Pirelli Group during the 2020 financial year with regard to remuneration and provides information on the final remuneration of the various categories of persons concerned, without prejudice to the transparency obligations contained by other applicable legal or regulatory provisions, highlighting its compliance with the Policy on remuneration approved the previous year (**2020 Policy**).

The subject appointed to carry out the external audit of the financial statements verifies that the Directors have prepared the Report on Compensation paid. The Shareholders' Meeting express its advisory vote on the second section of the Report.

The Shareholders' Meeting held on 18 June 2020 voted in favour of the Report on Compensation Paid in the 2019 financial year. The graph below shows the result of the advisory vote.

### SHAREHOLDER'S MEETING 2020 – COMPENSATION PAID 2019



#### 1.1. TOTAL REMUNERATION

It is recalled that, given the health emergency related to the spread of Covid-19, at the meeting on 3 April 2020, having obtained the favourable opinion, for all intents and purposes, of the relevant Board Committees and the Board of Statutory Auditors, the Board of Directors resolved - subject to approval by the Shareholders' Meeting of the 2020 Policy and the favourable advisory vote on Compensation Paid during 2019 - to early close the 2020 STI Plan without payment and, as a result (i) to pay, in the first quarter of 2021, the participants of the 2019 STI Plan 25% of the bonus accrued and initially subject to the achievement of the 2020 STI objectives, making the payment conditional to the maintenance of employment relationship/position as director of the Company until that date (except for "good leavers" who will receive this component in any case), and (ii) to cancel the opportunity of increasing the 2019 STI.

On the same date, as part of the actions taken in response to the Covid-19 health emergency, the Board of Directors acknowledged and shared the wish of all the members of the Board of Directors to renounce a part of the remuneration paid to them and in particular (i) the wish of the Executive Vice Chairman and Chief Executive Officer to renounce, for three months, 50% of the gross fixed annual compensation paid to him for the offices of Executive Vice Chairman and Chief Executive Officer, director and Chairman of some board committees; (ii) the wish of the directors to renounce, for the second quarter, 50% of the remuneration they are paid as directors and members of the board committees.

At the same meeting the Board of Directors also acknowledged the wish of the leadership team (made up of KM and some Senior Managers) to renounce 20% of their gross annual base salary for a period of three months.

As a result of the above, no indication is provided for the 2020 financial year with regard to the variable components of remuneration and, in particular, the methods for applying the performance objectives, the comparison between the objectives achieved and those envisaged as well as the proportion between fixed and variable remuneration.

## **1.2. COMPENSATION IN THE EVENT OF TERMINATION OF OFFICE AND/OR TERMINATION OF EMPLOYMENT RELATIONSHIP DURING THE YEAR 2020**

It should be noted that in 2020 there were no cases of termination of office of directors or members of the Board of Statutory Auditors and/or termination of employment of General Managers or KM leading to the allocation of indemnities and/or other benefits.

On 28 February 2021, the agreement for consensual termination of employment with the General Manager co-CEO Angelos Papadimitriou became effective, the terms of which were disclosed to the market and will be reported in the report on compensation paid during the 2021 financial year.

Angelos Papadimitriou terminated from the office of Director with the Shareholders' Meeting as of 24 March 2021.

## **1.3. DEROGATIONS TO THE 2020 POLICY**

It should be noted that there were no derogations to the 2020 Policy in exceptional circumstances for Directors (including Directors holding specific offices), General Managers, KM and members of the Board of Statutory Auditors.

## **1.4. CLAWBACK CLAUSES**

It should also be noted that during the year the conditions for the application of the mechanisms for ex post repayment of the variable component (clawback clause) envisaged by the annual (STI) and multi-year (LTI) incentive plans did not occur.

## **1.5. COMPARISON INFORMATION**

The chart below summarises the comparison information for the annual variations, in the last two financial years, of: (i) total remuneration of each of the individuals for whom the information in this section of the Report is provided by name, (ii) the Company's results, (iii) the average gross annual remuneration of the employees.

## ANNUAL VARIATION IN REMUNERATION AND PERFORMANCE

VALUES IN €	2020	2020 VS. 2019	2019 VS. 2018
<b>Executive Vice Chairman and Chief Executive Officer</b>		<i>Actual Total Cash<sup>[1]</sup></i>	
Marco Tronchetti Provera	2,239,112	-47%	-11%
<b>General Manager of Operations</b>		<i>Actual Total Cash<sup>[1]</sup></i>	
Andrea Casaluci	712,500	-33%	23%
<b>Board of Directors</b>	<b>Position</b>	<i>Actual Total Cash<sup>[1]</sup></i>	
<b>Name</b>			
Ning Gaoning <sup>[2]</sup>	Chairman	435,874	-11%
Yang Xingqiang	Director	79,344	-12%
Bai Xinping	Director	128,805	-11%
Tao Haisu	Director	81,844	-9%
Zhang Haitao	Director	47,500	-
Paola Boromei	Director	47,500	-
Domenico De Sole	Director	121,407	-19%
Roberto Diacetti	Director	47,500	-
Giovanni Lo Storto	Director	126,421	15%
Marisa Pappalardo	Director	126,633	27%
Angelos Papadimitriou	Director	664,583	-
Giovanni Tronchetti Provera	Director	273,959	3%
Fan Xiaohua	Director	96,844	8%
Wei Yintao	Director	79,344	-12%
<b>Board of Statutory Auditors</b>	<b>Position</b>	<i>Actual Total Cash<sup>[1]</sup></i>	
<b>Name</b>			
Francesco Fallacara	Chairman	75,000	0%
Antonella Carù	Standing auditor	100,000	0%
Fabio Artoni	Standing auditor	70,000	0%
Luca Nicodemi	Standing auditor	60,000	0%
Alberto Villani	Standing auditor	50,000	0%
<b>Results</b>		<i>Actual Result</i>	
Relative TSR <sup>[3]</sup>		-	-7.6%
Group Adjusted EBIT (mln euros)		501	-45.4%
<b>Average remuneration of employees</b>		<i>Actual Total Cash<sup>[1]</sup></i>	
Employees of Pirelli & C. S.p.A. active at 31/12		78,445	-11.4%

[1] Fixed remunerations as well as the compensations for any participation in committees + Bonus and other incentives

[2] Ning Gaoning was appointed Chairman in 2018

[3] Vs peer panel made up of: Nokian, Michelin, Continental, Goodyear and Bridgestone

## 2. THE “TABLE”: REMUNERATION PAID TO MEMBERS OF THE ADMINISTRATIVE AND CONTROLLING BODIES, GENERAL MANAGERS AND KM.

The following tables set out:

- by name, the remuneration paid to Directors, Statutory Auditors and General Managers;
- in aggregate form, the remuneration paid to KM<sup>92</sup>. As of 31 December 2020, in addition to the General Manager co-CEO (Angelos Papadimitriou) and the General Manager Operations (Andrea Casaluci), 7 KM were in office.

Remuneration is reported on an accruals basis and the notes to the tables indicate the office for which the remuneration is received (for example, where a director is a member of more than one Board Committee) and the company - Pirelli & C. or subsidiary and/or affiliated company - that proceed with the relevant payment (not for remuneration waived or transferred to the Company).

The tables include all those individuals who held the aforementioned positions during all or even only part of the 2020 year. Non-monetary benefits, where received, are also identified on an accruals basis, and reported according to the “taxable income criterion” of the benefit assigned. In particular, it should be noted that, as mentioned above:

- those who, during 2020, were directors of the Company who accrued/received (on an accruals basis) remuneration established in accordance with the criteria set out in paragraph 3 of the 2020 Policy;
- those who, during 2020, were Directors holding specific offices (Executive Vice Chairman and Chief Executive Officer and Chairman) who accrued/received (on an accruals basis) remuneration established in accordance

- with the criteria set out in section 4 of the 2020 Policy;
- the General Manager Operations accrued/received (on an accruals basis) compensation established in accordance with the criteria set out in section 5 of the 2020 Policy;
- the General Manager co-CEO, by reason of his employment as of 1 August 2020, accrued/received (on an accrual basis) a fixed compensation established in accordance with the criteria set forth in section 5 of the 2020 Policy (in addition to the compensation received by reason of the positions held on the Board of Directors); -the KM received/accrued remuneration for the 2020 financial year in accordance with the criteria outlined in section 5 of the 2020 Policy;
- each member of the Board of Statutory Auditors received/accrued remuneration for the 2020 financial year in line with the provisions of the Shareholders' Meeting at the time of appointment, in accordance with the criteria set out in section 3 of the 2020 Policy;
- each member of the Supervisory Body received/accrued remuneration pertaining to the year 2020 equal to an annual gross remuneration of euro 40,000 and the Chairman received/accrued an annual gross remuneration of euro 60,000, as set out in section 3 of the 2020 Policy;
- Senior Managers and KM received/accrued remunerations for 2020 year in accordance with the criteria set out in section 6 of the 2020 Policy.

It should be noted that for the General Manager Operations, KM and more generally other selected Senior Manager and Executives, Pirelli has introduced non-competition agreements to protect strategic and operational know-how. The Executive Vice Chairman and Chief Executive Officer is not party to a non-competition agreement, nor is the General Manager co-CEO. For the resolutions adopted by the Company's Board of Directors in connection with actions in response to the Covid-19 health emergency, please refer to section 1.1. of this section.

92 Point b) of Section II of Scheme 7-bis of Annex 3 A of the so-called Issuers' Regulations provides that the Report on compensation paid is structured into two parts:

a) the remuneration of members of the administrative and controlling bodies and the General Managers;  
b) the remuneration of any other Key Managers with strategic responsibilities who have received, in the reporting year, total remuneration (obtained by adding their salary and any remuneration based on financial instruments) that exceeded the highest total remuneration attributed to the persons indicated in point a).

For key managers other than those indicated in point b) information is provided at aggregate level in special tables, indicating the number of persons to whom it refers in place of names.



FIRST AND LAST NAME	OFFICE	PERIOD OFFICE HELD	EXPIRY OF TERM OF OFFICE	FIXED REMUNERATION	REMUNERATION FOR MEMBERSHIP OF COMMITTEES
<b>Marco Tronchetti Provera</b>	Vice Chairman and CEO	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>2,153,730.00</b>	<b>85,382.00</b>
Of which remuneration in Pirelli & C. S.p.A.				2,153,730.00 <sup>(1)</sup>	85,382.00 <sup>(2)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Ning Gaoning</b>	Chairman	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>395,260.00</b>	<b>40,614.00</b>
Of which remuneration in Pirelli & C. S.p.A.				395,260.00 <sup>(5)</sup>	40,614.00 <sup>(6)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Yang Xingqiang</b>	Director	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>53,730.00</b>	<b>25,614.00</b>
Of which remuneration in Pirelli & C. S.p.A.				53,730.00 <sup>(8)</sup>	25,614.00 <sup>(9)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Bai Xinping</b>	Director	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>53,730.00</b>	<b>75,075.00</b>
Of which remuneration in Pirelli & C. S.p.A.				53,730.00 <sup>(8)</sup>	75,075.00 <sup>(10)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Paola Boromei</b>	Director	18/06/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>32,500.00</b>	<b>15,000.00</b>
Of which remuneration in Pirelli & C. S.p.A.				32,500.00 <sup>(8)</sup>	15,000.00 <sup>(11)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Giorgio Luca Bruno</b>	Director	01/01/2020 - 18/06/2020	AGM to approve the financial statements for the year to 31 December 2019	<b>21,230.00</b>	<b>0.00</b>
Of which remuneration in Pirelli & C. S.p.A.				21,230.00 <sup>(8)</sup>	0.00 <sup>(12)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Laura Cioli</b>	Director	01/01/2020 - 18/06/2020	AGM to approve the financial statements for the year to 31 December 2019	<b>21,230.00</b>	<b>17,691.00</b>
Of which remuneration in Pirelli & C. S.p.A.				21,230.00 <sup>(8)</sup>	17,691.00 <sup>(14)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Domenico De Sole</b>	Director	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>53,730.00</b>	<b>67,677.00</b>
Of which remuneration in Pirelli & C. S.p.A.				53,730.00 <sup>(8)</sup>	67,677.00 <sup>(15)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Roberto Diacetti</b>	Director	18/06/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>32,500.00</b>	<b>15,000.00</b>
Of which remuneration in Pirelli & C. S.p.A.				32,500.00 <sup>(8)</sup>	15,000.00 <sup>(16)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Fan Xiaohua</b>	Director	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>53,730.00</b>	<b>43,114.00</b>
Of which remuneration in Pirelli & C. S.p.A.				53,730.00 <sup>(8)</sup>	43,114.00 <sup>(17)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Ze'ev Goldberg</b>	Director	01/01/2020 - 18/06/2020	AGM to approve the financial statements for the year to 31 December 2019	<b>21,230.00</b>	<b>10,614.00</b>
Of which remuneration in Pirelli & C. S.p.A.				21,230.00 <sup>(8)</sup>	10,614.00 <sup>(9)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Giovanni Lo Storto</b>	Director	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>53,730.00</b>	<b>72,691.00</b>
Of which remuneration in Pirelli & C. S.p.A.				53,730.00 <sup>(8)</sup>	72,691.00 <sup>(18)</sup>
Of which remuneration by subsidiary and affiliated Companies					



	VARIABLE NON-EQUITY REMUNERATION		NON-MONETARY BENEFITS	OTHER REMUNERATION	TOTAL	FAIR VALUE OF EQUITY REMUNERATION	END OF EMPLOYMENT OR OFFICE INDEMNITY
	BONUS AND OTHER INCENTIVES	PROFIT SHARING					
	0.00	0.00	601,202.00	0.00	2,840,314.00	0.00	0.00
	0.00 <sup>(3)</sup>		601,202.00 <sup>(4)</sup>		2,840,314.00		
	0.00	0.00	0.00	0.00	435,874.00	0.00	0.00
					435,874.00 <sup>(7)</sup>		
	0.00	0.00	0.00	0.00	79,344.00	0.00	0.00
					79,344.00 <sup>(7)</sup>		
	0.00	0.00	0.00	0.00	128,805.00	0.00	0.00
					128,805.00 <sup>(7)</sup>		
	0.00	0.00	0.00	0.00	47,500.00	0.00	0.00
					47,500.00		
	0.00	0.00	0.00	398,000.00	419,230.00	0.00	0.00
				398,000.00 <sup>(13)</sup>	419,230.00		
	0.00	0.00	0.00	0.00	38,921.00	0.00	0.00
					38,921.00		
	0.00	0.00	0.00	0.00	121,407.00	0.00	0.00
					121,407.00		
	0.00	0.00	0.00	0.00	47,500.00	0.00	0.00
					47,500.00		
	0.00	0.00	0.00	0.00	96,844.00	0.00	0.00
					96,844.00		
	0.00	0.00	0.00	0.00	31,844.00	0.00	0.00
					31,844.00		
	0.00	0.00	0.00	0.00	126,421.00	0.00	0.00
					126,421.00		

FIRST AND LAST NAME	OFFICE	PERIOD OFFICE HELD	EXPIRY OF TERM OF OFFICE	FIXED REMUNERATION	REMUNERATION FOR MEMBERSHIP OF COMMITTEES
<b>Marisa Pappalardo</b>	Director	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>53,730.00</b>	<b>72,903.00</b>
Of which remuneration in Pirelli & C. S.p.A.				53,730.00 <sup>(8)</sup>	72,903.00 <sup>(19)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Cristina Scocchia</b>	Director	01/01/2020 - 18/06/2020	AGM to approve the financial statements for the year to 31 December 2019	<b>21,230.00</b>	<b>22,998.00</b>
Of which remuneration in Pirelli & C. S.p.A.				21,230.00 <sup>(8)</sup>	22,998.00 <sup>(20)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Carlo Secchi</b>	Director	18/06/2020 - 05/08/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>6,305.00</b>	<b>73,095.00</b>
Of which remuneration in Pirelli & C. S.p.A.				6,305.00 <sup>(8)</sup>	73,095.00 <sup>(21)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Tao Haisu</b>	Director	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>53,730.00</b>	<b>28,114.00</b>
Of which remuneration in Pirelli & C. S.p.A.				53,730.00 <sup>(8)</sup>	28,114.00 <sup>(22)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Giovanni Tronchetti Provera</b>	Director	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>248,345.38</b>	<b>25,614.00</b>
Of which remuneration in Pirelli & C. S.p.A.				53,730.00 <sup>(8)</sup>	25,614.00 <sup>(23)</sup>
Of which remuneration by subsidiary and affiliated Companies				194,615.38 <sup>(24)</sup>	
<b>Wei Yin Tao</b>	Director	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>53,730.00</b>	<b>25,614.00</b>
Of which remuneration in Pirelli & C. S.p.A.				53,730.00 <sup>(8)</sup>	25,614.00 <sup>(9)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Haitao Zhang</b>	Director	18/06/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2022	<b>32,500.00</b>	<b>15,000.00</b>
Of which remuneration in Pirelli & C. S.p.A.				32,500.00 <sup>(8)</sup>	15,000.00 <sup>(16)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Angelos Papadimitriou</b>	Director and General Manager co-CEO	05/08/2020 - 31/12/2020 <sup>(26)</sup>	AGM to approve the financial statements for the year to 31 December 2022	<b>652,083.00</b>	<b>12,500.00</b>
Of which remuneration in Pirelli & C. S.p.A.				652,083.00 <sup>(27)</sup>	12,500.00 <sup>(9)</sup>
Of which remuneration by subsidiary and affiliated Companies					
<b>Andrea Casaluci</b>	General Manager Operations		/	<b>712,500.00</b>	<b>0.00</b>
Of which remuneration in Pirelli & C. S.p.A.					
Of which remuneration by subsidiary and affiliated Companies				712,500.00	0.00
<b>No. 7 Executives with strategic responsibilities</b>	<sup>(31)</sup>		/	<b>3,363,673.08</b>	<b>40,000.00</b>
Of which remuneration in Pirelli & C. S.p.A.				2,324,826.92	40,000.00 <sup>(32)</sup>
Of which remuneration by subsidiary and affiliated Companies				1,038,846.15	0.00

	VARIABLE NON-EQUITY REMUNERATION		NON-MONETARY BENEFITS	OTHER REMUNERATION	TOTAL	FAIR VALUE OF EQUITY REMUNERATION	END OF EMPLOYMENT OR OFFICE INDEMNITY
	BONUS AND OTHER INCENTIVES	PROFIT SHARING					
	0.00	0.00	0.00	0.00	126,633.00	0.00	0.00
					126,633.00		
	0.00	0.00	0.00	0.00	44,228.00	0.00	0.00
					44,228.00		
	0.00	0.00	0.00	0.00	79,400.00	0.00	0.00
					79,400.00		
	0.00	0.00	0.00	0.00	81,844.00	0.00	0.00
					81,844.00		
	0.00	0.00	13,906.00	0.00	287,865.38	0.00	0.00
					79,344.00		
	0.00 <sup>(3)</sup>		13,906.00 <sup>(25)</sup>		208,521.38		
	0.00	0.00	0.00	0.00	79,344.00	0.00	0.00
					79,344.00		
	0.00	0.00	0.00	0.00	47,500.00	0.00	0.00
					47,500.00 <sup>(7)</sup>		
	0.00	0.00	9,168.00	0.00	673,751.00	0.00	0.00
			9,168.00 <sup>(28)</sup>		673,751.00		
	0.00	0.00	14,478.00	350,000.00	1,076,978.00	0.00	0.00
	0.00 <sup>(3)</sup>		14,478.00 <sup>(29)</sup>	350,000.00 <sup>(30)</sup>	1,076,978.00		
	0.00	0.00	102,073.00	3,794,000.00	7,299,746.08	0.00	0.00
	0.00 <sup>(3)</sup>		72,043.00 <sup>(33)</sup>	2,296,500.00 <sup>(34)</sup>	4,733,369.92		
	0.00 <sup>(3)</sup>		30,030.00 <sup>(33)</sup>	1,497,500.00 <sup>(34)</sup>	2,566,376.15		

FIRST AND LAST NAME	OFFICE	PERIOD OFFICE HELD	EXPIRY OF TERM OF OFFICE	FIXED REMUNERATION	REMUNERATION FOR MEMBERSHIP OF COMMITTEES
<b>Francesco Fallacara</b>	Chairman of the Board of Statutory Auditors	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2020	<b>75,000.00</b>	<b>0.00</b>
Of which remuneration in Pirelli & C. S.p.A.				75,000.00	
Of which remuneration by subsidiary and affiliated Companies					
<b>Antonella Carù</b>	Standing auditor	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2020	<b>60,000.00</b>	<b>40,000.00</b>
Of which remuneration in Pirelli & C. S.p.A.				50,000.00	40,000.00 <sup>(32)</sup>
Of which remuneration by subsidiary and affiliated Companies				10,000.00 <sup>(35)</sup>	
<b>Fabio Artoni</b>	Standing auditor	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2020	<b>70,000.00</b>	<b>0.00</b>
Of which remuneration in Pirelli & C. S.p.A.				50,000.00	
Of which remuneration by subsidiary and affiliated Companies				20,000.00 <sup>(36)</sup>	
<b>Luca Nicodemi</b>	Standing auditor	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2020	<b>60,000.00</b>	<b>0.00</b>
Of which remuneration in Pirelli & C. S.p.A.				50,000.00	
Of which remuneration by subsidiary and affiliated Companies				10,000.00 <sup>(35)</sup>	
<b>Alberto Villani</b>	Standing auditor	01/01/2020 - 31/12/2020	AGM to approve the financial statements for the year to 31 December 2020	<b>50,000.00</b>	<b>0.00</b>
Of which remuneration in Pirelli & C. S.p.A.				50,000.00	
Of which remuneration by subsidiary and affiliated Companies					
<b>*****</b>					
<b>Total remuneration in Pirelli &amp; C. S.p.A.</b>				<b>6,473,194.92</b>	<b>824,310.00</b>
<b>Total remuneration by subsidiary and affiliated Companies</b>				<b>1,985,961.54</b>	<b>0.00</b>
<b>Total</b>				<b>8,459,156.46</b>	<b>824,310.00</b>

- (1) Of which: euro 53,730 as a Director of Pirelli & C. S.p.A. and euro 2.1 million as Executive Vice Chairman and Chief Executive Officer of Pirelli & C. S.p.A.  
(2) Of which euro 42,691 as Chairman of the Appointments and Successions Committee of Pirelli & C. S.p.A. and euro 42,691 as Chairman of the Strategies Committee of Pirelli & C. S.p.A.  
(3) The 2020 STI incentive is not indicated in light of the resolutions adopted by the Board of Directors on 3 April 2020 (see the table below for details of the amounts relating to 25% of the 2019 STI, payment of which is conditional upon the beneficiary maintaining their employment/position as director until that date).  
(4) Of which: euro 595,991 for insurance policies in line with the provisions of the 2020 Remuneration Policy, and euro 5,211 for a company car.  
(5) Of which euro 341,530 as a Chairman of Pirelli & C. S.p.A. and euro 53,730 as a Director of Pirelli & C. S.p.A.  
(6) Of which euro 25,614 as member of the Appointments and Successions Committee of Pirelli & C. S.p.A. and euro 15,000 as member of the Strategies Committee of Pirelli & C. S.p.A. starting from 22.06.2020.  
(7) Remuneration transferred to employer company.  
(8) As a Director of Pirelli & C. S.p.A.  
(9) As a member of the Strategies Committee of Pirelli & C. S.p.A.  
(10) Of which: euro 23,846 as a member of the Remuneration Committee of Pirelli & C. S.p.A., euro 25,615 as a member of the Appointments and Successions Committee of Pirelli & C. S.p.A., and euro 25,614 as a member of the Strategies Committee of Pirelli & C. S.p.A.  
(11) As a member of the Remuneration Committee of Pirelli & C. S.p.A. starting from 22.06.2020.  
(12) Since 26.02.2019 and up to the expiry of the mandate he was a member of the Strategies Committee of Pirelli & C. S.p.A., expressly renouncing remuneration.  
(13) Deriving from the consultancy agreement signed with Pirelli & C. S.p.A. effective as of 1 January 2019 for an annual sum of euro 300,000 and 5-year duration and from the non-competition agreement disbursed after leaving his position as Director for euro 98,000.  
(14) Of which: euro 8,845 as member of the Audit, Risks, Sustainability and Corporate Governance Committee of Pirelli & C. S.p.A. ("ARSCGC") and euro 8,846 as member of the Remuneration Committee of Pirelli & C. S.p.A.  
(15) Of which: euro 25,614 as member of the Strategies Committee of Pirelli & C. S.p.A., euro 21,230 as Chairman of the Related-Parties Transactions Committee of Pirelli & C. S.p.A. ("RPT Committee") from 01.01.2020 to 18.06.2020 and euro 20,833 as member of the RPT Committee from 05.08.2020.  
(16) As member of the ARSCGC from 22.06.2020.  
(17) Of which: euro 28,114 as Chairman of the ARSCGC and euro 15,000 as member of the Remuneration Committee of Pirelli & C. S.p.A. from 22.06.2020.  
(18) Of which: euro 23,845 as member of the ARSCGC, euro 8,846 as member of the Remuneration Committee of Pirelli & C. S.p.A. up until 18.06.2020, euro 15,000 as member of the Strategies

	VARIABLE NON-EQUITY REMUNERATION		NON-MONETARY BENEFITS	OTHER REMUNERATION	TOTAL	FAIR VALUE OF EQUITY REMUNERATION	END OF EMPLOYMENT OR OFFICE INDEMNITY
	BONUS AND OTHER INCENTIVES	PROFIT SHARING					
	0.00	0.00	0.00	0.00	75,000.00	0.00	0.00
					75,000.00		
	0.00	0.00	0.00	0.00	100,000.00	0.00	0.00
					90,000.00		
					10,000.00		
	0.00	0.00	0.00	0.00	70,000.00	0.00	0.00
					50,000.00		
					20,000.00		
	0.00	0.00	0.00	0.00	60,000.00	0.00	0.00
					50,000.00		
					10,000.00		
	0.00	0.00	0.00	0.00	50,000.00	0.00	0.00
					50,000.00		
	0.00	0.00	682,413.00	2,694,500.00	10,674,417.92	0.00	0.00
	0.00	0.00	58,414.00	1,847,500.00	3,891,875.54	0.00	0.00
	0.00	0.00	740,827.00	4,542,000.00	14,566,293.46	0.00	0.00

Committee of Pirelli & C. S.p.A. from 22.06.2020 and euro 25,000 as member of the RPT Committee from 22.06.2020.  
(19) Of which: euro 15,000 as member of the ARSCGC from 22.06.2020, euro 12,500 as member of the Remuneration Committee of Pirelli & C. S.p.A. from 05.08.2020, euro 14,153 as member of the RPT Committee from 01.01.2020 to 18.06.2020 and euro 31,250 as Chairman of the RPT Committee from 05.08.2020.  
(20) Of which: euro 8,845 as a member of the ARSCGC and euro 14,153 as a member of the RPT Committee.  
(21) Of which: euro 2,910 as member of the ARSCGC, euro 2,910 as member of the Remuneration Committee of Pirelli & C. S.p.A., euro 7,275 as Chairman of the RPT Committee and euro 60,000 as Chairman of the 231 Supervisory Body.  
(22) As Chairman of the Remuneration Committee of Pirelli & C. S.p.A.  
(23) As a member of the Appointments and Successions Committee of Pirelli & C. S.p.A.  
(24) As manager of Pirelli Tyre S.p.A. for the whole of 2020.  
(25) Of which: euro 3,370 for a company car, euro 7,200 for supplementary pension contributions and euro 3,336 for health insurance.  
(26) Hired as General Manager co-CEO of the Company from 01.08.2020 and member of the Board of Directors from 05.08.2020.  
(27) Of which: euro 27,083 as Director of Pirelli & C. S.p.A as of 5 August 2020 and euro 625,000 as General Manager co-CEO of Pirelli & C. S.p.A. as of 01.08.2020.  
(28) Of which: euro 2,756 for a company car, euro 1,800 for supplementary pension contributions, euro 1,390 for health insurance and euro 3,222 for accommodation assigned on loan for use, starting from when he was hired as a manager on 01.08.2020.  
(29) Of which: euro 3,942 for a company car, euro 7,200 for supplementary pension contributions and euro 3,336 for health insurance.  
(30) Of which: euro 275,000 under the Retention Plan and euro 75,000 as payment during the employment contract of a portion of the fee for the non-competition agreement.  
(31) As of 31.12.2020 there were 7 KM. It should be noted that the remuneration paid to the General Manager co-CEO and the General Manager Operations is not included in this item, as these figures are named separately in the table.  
(32) As a member of the 231 Supervisory Body.  
(33) The amounts are for a company car, supplementary pension contributions and health insurance.  
(34) The amounts are for payment during the employment contract of a portion of the fee for the non-competition agreement and the Retention Plan paid in 2020.  
(35) As a standing auditor of Pirelli Tyre S.p.A.  
(36) As a standing auditor of Pirelli Industrie Pneumatici S.r.l. and Chairman of the Board of Statutory Auditors of Pirelli Tyre S.p.A.

### 3. MONETARY INCENTIVE PLANS FOR MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGERS AND KM

For a description of the monetary incentive plans, please refer to the 2020 Policy.

At the meeting on 3 April 2020, having obtained the favourable opinion of the relevant Board Committees and the Board of Statutory Auditors, the Board of Directors resolved to close the 2020 STI Plan early without payment and, as a result (i) to pay, in the first quarter of 2021, the participants of the 2019 STI Plan 25% of the 2019 STI bonus accrued and initially subject to the achievement of the 2020 STI objectives, making the payment conditional to the maintenance of employment relationship/position as director of the Company until that date (except for “good leavers” who will receive this component in any case), and (ii) to cancel the opportunity of increasing the 2019 STI.

Therefore 25% of the 2019 STI bonus is shown in the “Still deferred” column of the “Bonus for the previous years”.

FIRST AND LAST NAME	OFFICE	PLAN	BONUS FOR THE YEAR			BONUS FOR THE PREVIOUS YEARS			OTHER BONUSES
			PAYABLE/PAID OUT	DEFERRED	DEFERMENT PERIOD	NO LONGER PAYABLE	PAYABLE/PAID OUT	STILL DEFERRED	
Marco Tronchetti Provera	Executive Vice Chairman and CEO	2020 STI	0.00	0.00	-	-	0.00	409,184.00	0.00
		LTI Plan 2020-2022	-	-	-	-	-	-	0.00
Giovanni Tronchetti Provera	Director <sup>(1)</sup>	2020 STI	0.00	0.00	-	-	0.00	4,613.00	0.00
		LTI Plan 2020-2022	-	-	-	-	-	-	0.00
Andrea Casaluci	General Manager Operations	2020 STI	0.00	0.00	-	-	0.00	76,722.00	275,000.00
		LTI Plan 2020-2022	-	-	-	-	-	-	0.00
Executives with strategic responsibilities <sup>(2)</sup>		2020 STI	0.00	0.00	-	-	0.00	259,708.00	3,437,500.00
		LTI Plan 2020-2022	-	-	-	-	-	-	0.00
(I) Remuneration in the Company that has prepared the financial statements		2020 STI	0.00	0.00	-	-	0.00	576,143.00	2,050,000.00
		LTI Plan 2020-2022	-	-	-	-	-	-	-
(II) Remuneration from Subsidiary and Affiliated Companies		2020 STI	0.00	0.00	-	-	0.00	174,084.00	1,662,500.00
		LTI Plan 2020-2022	-	-	-	-	-	-	-
<b>(III) Total</b>			<b>0.00</b>	<b>0.00</b>	<b>-</b>	<b>-</b>	<b>0.00</b>	<b>750,227.00</b>	<b>3,712,500.00</b>

(1) Giovanni Tronchetti Provera is included in the LTI and STI variable incentive plans as a senior manager of Pirelli Tyre S.p.A.

(2) As of 31 December 2020 there were 7 KM. It should be noted that the variable STI remuneration paid to the General Manager Operations is not included in this item, as he is named separately in the table. The General Manager co-CEO has not been assigned any monetary incentive plans.

#### 4. TABLE OF EQUITY INVESTMENTS OF THE MEMBERS OF THE ADMINISTRATIVE AND CONTROLLING BODIES, GENERAL MANAGERS AND KM

The table below provides disclosures on any equity investments held in Pirelli & C. and in its subsidiary companies, by those who, even for a fraction of the year, have held the position of:

- member of the Board of Directors;
- member of the Board of Statutory Auditors;
- General Manager;
- KM.

In particular, it indicates, for each member of the Board of Directors and Board of Statutory Auditors and General Managers, by name, and cumulatively for KM, with regard to each company in which shares are held, the number of shares, by category:

- held at the end of the prior year;
- purchased during the reporting year;
- sold during the reporting year;
- held at the end of the reporting period.

In this regard, the title of possession and the manner in which it is held are also specified.

It includes all the persons who, during the reporting year, held positions as members of the administrative and controlling bodies, General Manager or as KM, even for a fraction of the year.

#### 1) EQUITY INVESTMENTS OF THE MEMBERS OF THE ADMINISTRATIVE AND CONTROLLING BODIES AND GENERAL MANAGERS

FIRST AND LAST NAME	OFFICE	INVESTEES COMPANY	NO. OF SHARES OWNED AT 31.12.2019	NO. OF SHARES PURCHASED/ SUBSCRIBED	NO. OF SHARES SOLD	NO. OF SHARES OWNED AT 31.12.2020
Marco Tronchetti Provera*	Director	Pirelli & C.	100,959,399	-	-	100,959,399**
Angelos Papadimitriou	Director ***	Pirelli & C.	-	170,000****	-	170,000
Giorgio Luca Bruno	Director	Pirelli & C.	500*****	-	-	500*****

\* Shares held by the indirect subsidiary Camfin S.p.A.

\*\* Note that in FY 2019 Camfin S.p.A. took out financial instruments with major financial institutions with maturity in September 2022 called "Call Spread" with an underlying 46,568,099 Pirelli & C. S.p.A. shares, totalling 4.66% of the relative share capital.

\*\*\* Mr Angelos Papadimitriou was appointed by co-option to the Board of Directors on 5 August 2020. From 1 August 2020 he held the office of General Manager co-CEO.

\*\*\*\* Shares purchased on 6 August 2020.

\*\*\*\*\* Shares purchased during the listing of the Company on 4 October 2017 and held on the date of termination of office (18 June 2020).

#### 2) EQUITY INVESTMENTS OF OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

NUMBER OF KEY MANAGERS WITH STRATEGIC RESPONSIBILITIES	INVESTEES COMPANY	NO. OF SHARES OWNED AT 31.12.2019	NO. OF SHARES PURCHASED/ SUBSCRIBED	NO. OF SHARES SOLD	NO. OF SHARES OWNED AT 31.12.2020
-	-	-	-	-	-