



# RESOLUTIONS

**APPROVAL OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020. PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020. PRESENTATION OF THE REPORT ON RESPONSIBLE MANAGEMENT OF THE VALUE CHAIN RELATED TO 2020 FINANCIAL YEAR;**

**PROPOSAL ON THE ALLOCATION OF THE RESULT OF THE FINANCIAL YEAR AND DISTRIBUTION OF DIVIDENDS USING ALSO PROFITS SET ASIDE IN PREVIOUS YEARS;**

**RELATED AND CONSEQUENT RESOLUTIONS.**

(item 1 on the agenda)

Dear Shareholders,

The year ended December 31, 2020 closed with a profit of euro 43,956,054.00.

The Board of Directors, considering that:

- following the shareholders' resolutions adopted in 2017, the legal reserve was completed and reached the limit set by art. 2430 of the Italian Civil Code;
- the "Retained earnings reserve" is sufficient enough to proceed with the distribution proposed below;

proposes to distribute a dividend, gross of withholding taxes, of euro 0.08 for each of the 1,000,000,000 outstanding ordinary shares, by means of:

- distribution of the entire 2020 profit of euro 43,956,054.00;
- distribution of a further amount of euro 36,043,946.00 to be drawn from the "Retained earnings reserve", which after this withdrawal will remain at euro 504,040,183.00.

The proposed dividend was calculated taking into account the number of shares currently outstanding. This number may vary following any requests for conversion of the "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025". In this case, the Board proposes to withdraw any necessary amounts from the item "Retained earnings reserve".

If you agree with our proposal, we request that you adopt the following

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"The Shareholders' Meeting,

- having examined the annual report at December 31, 2020;
- having acknowledged the Statutory Auditors' Report;
- having acknowledged the Independent Auditors' Report;
- taking into account that from the financial statements at December 31, 2020, it emerges that the "Retained earnings reserve" is sufficient for eur 540,084,129.00

- a) to approve the Company's financial statements for the year ended December 31, 2020, as presented by the Board of Directors as a whole, in the individual entries and with the proposed provisions, showing a profit of eur 43,956,054.00;
- b) to distribute to shareholders a total dividend, gross of withholding taxes, consisting:

- for euro 43,956,054.00 of the profit for the year;
- for euro 36,043,946.00 of retained earnings from previous years<sup>93</sup> and recorded in the balance sheet liabilities under the item "Retained earnings reserve"

and therefore to distribute a dividend, gross of withholding taxes, of euro 0.08 for each of the 1,000,000,000 outstanding ordinary shares, for a total of euro 80,000,000.00;

- c) to authorise the Directors to allocate to retained earnings the balance of the rounding that may be determined at the time of payment of the dividend;
- d) to establish, in the event that before the ex-dividend date, the number of outstanding ordinary shares changes following the conversion of the "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", that the unit dividend referred to above will remain unchanged and that the amount necessary for distribution to any new shares will be taken from the item "Retained earnings reserve".

The dividend will be paid as from June 23, 2021, with ex-dividend date on June 21, 2021 (record date June 22).

**APPOINTMENT OF A MEMBER OF THE BOARD OF DIRECTORS; RELATED AND CONSEQUENT RESOLUTIONS.**

(item 2 on the agenda)

Illustrative report drafted by the Directors pursuant to art. 125-ter of Legislative Decree no. 58 of 24 February 1998 and subsequently amended and supplemented, approved by the Board of Directors on 31 March 2021.

Dear Shareholders,

- following the resignation from the office of Director of the Company presented by Carlo Secchi with effect from the approval of the half year financial report as at 30 June 2020, on 5 August 2020, Angelos Papadimitriou was co-opted as member of the Board of Directors, pursuant to art. 2386 of the Italian Civil Code, with resolution approved by Board of Statutory Auditors, until the Shareholders' Meeting called on 24 March 2021;
- on 24 March 2021, Pirelli announced that, in order to support the execution of the business plan presented to the

93 This is a share of profits related to tax year 2017.

market on 31 March 2021, the Executive Vice Chairman and CEO has proposed to the Board of Directors to invite the Shareholders' Meeting scheduled for 15 June 2021, to appoint Giorgio Luca Bruno as Director. The Executive Vice Chairman and CEO has also proposed to the Board that, once appointed, Director Giorgio Luca Bruno shall be designated, reporting directly to him, as Deputy-CEO.

The proposal – approved by the Board of Directors on 31 March 2021 - aims to strengthen the management team in view of the future succession pathway in line with the procedure already adopted by the Company and expects that the Deputy-CEO may also contribute to optimise the internal management team.

Following the future assumption of the position of Deputy-CEO by Giorgio Luca Bruno, the macro-organisational structure of Pirelli foresees that Strategic Planning & Controlling; Investor Relations, Competitive, Business and Value Insight, Micromobility Solutions; Communication and Brand Image; Institutional Affairs and Culture; Corporate Affairs, Compliance, Audit and Company Secretary will continue to report to the Executive Vice Chairman and CEO.

The Deputy-CEO shall be attributed all the necessary executive levers, in addition to the staff areas not directly reporting to the Executive Vice Chairman and CEO, and the report of the General Manager Operations, Andrea Casaluci, who will continue to head up all the business lines and the regions.

Informed of this proposal, Angelos Papadimitriou, whose confirmation as Director was envisaged on the agenda of the Shareholders' Meeting called on 24 March 2021, communicated the withdrawal of his candidacy as Director, to allow the implementation of the above proposal;

→ therefore, the Shareholders' Meeting held on 24 March 2021 did not resolve on the appointment of a new director, deleting the sole point of the ordinary session on the agenda. As a result, Angelos Papadimitriou, co-opted by the Board of Directors on 5 August 2020, expired from the office of Director with effect from 24 March 2021; for this reason a seat on the Board of Directors is currently vacant.

It should be noted that, for the purposes of adopting the decisions of the Shareholders' Meeting, the procedure of the slate vote, provided for by the Bylaws, does not apply, as there is no full renewal of the Board of Directors. Therefore, as provided for in art. 10 of the Bylaws, the Shareholders' Meeting shall vote on the basis of the majorities required by law.

It is also recalled that:

→ each member of the Board of Directors receives a gross annual remuneration for the position of Euro 65 thousands, in addition to the eventual further remuneration established by the Board of Directors in the event of participation in Board Committees<sup>94</sup>;

→ the new Director will expire at the same time as those currently in office, therefore on the date of the

Shareholders' Meeting called to resolve upon the approval of the Company financial statements as at 31 December 2022.

### **BOARD OF DIRECTORS DECISION PROPOSAL**

In light of the above, the Board of Directors proposes you the following resolution:

→ to confirm as fifteen the number of members of the Board of Directors of Pirelli & C. S.p.A. and to appoint Giorgio Luca Bruno as member of the Board of Directors, born in Milan on 23 February 1960, who will remain in office until the date of the Shareholders' Meeting called to approve the Company financial statements closed on 31 December 2022.

Shareholders are informed that the Shareholders' Meeting is called to resolve upon the decision proposal above.

The curriculum vitae of Director Giorgio Luca Bruno is available on the Company website at [www.pirelli.com](http://www.pirelli.com) in the section dedicated to the Shareholders' Meeting.

Finally, for completeness, as at the date of the Report, the Director Giorgio Luca Bruno is holder of no. 500 Pirelli shares.

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The Board of Directors invites the Shareholders who wish to submit further proposals for the candidacy for the office of Board Member to take into account, not only the legal provisions and the Bylaws of the Company, but also the relevant recommendations of the Corporate Governance Code.

In particular, the Board wishes that any further candidacy shall be made available to the public - even through the Company - accompanied by the necessary documentation, as detailed in the Shareholders' Meeting section on the Company website, at least 21 days before the Shareholders' Meeting and therefore by 25 May 2021, in order to allow persons entitled to vote at the Shareholders' Meeting to know in advance the personal and professional data of the candidate(s), consistently with the terms required for the publication of the slates in case of appointment of the whole Board of Directors.

Finally, the Board of Directors invites Shareholders to also take into account the professional skills and competences necessary for the office of Director of Pirelli as well as the orientation towards the maximum number of appointments deemed compatible with the effective performance of the role of Director of the Company published on the Pirelli website [www.pirelli.com](http://www.pirelli.com) – Governance section.

94 For further details on the remuneration established for participation in the Board Committees, please see the Remuneration Policy for the year 2021 contained in the Annual Report 2020 and available on the Company website [www.pirelli.com](http://www.pirelli.com).

**APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS FOR THE FINANCIAL YEARS 2021, 2022 AND 2023 AND DETERMINATION OF ITS REMUNERATION:**

**APPOINTMENT OF STANDING AND ALTERNATE AUDITORS;  
APPOINTMENT OF THE CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS;  
DETERMINATION OF THE ANNUAL REMUNERATION OF THE BOARD OF STATUTORY AUDITORS' MEMBERS;**

**RELATED AND CONSEQUENT RESOLUTIONS.**

(item 3 on the agenda)

Illustrative report drafted by the Directors pursuant to art. 125-ter of Legislative Decree no. 58 of 24 February 1998 and subsequently amended and supplemented, approved by the Board of Directors on 31 March 2021.

Dear Shareholders,

the term of office of the Board of Statutory Auditors of Pirelli & C. S.p.A., appointed by the Shareholders' Meeting of 15 May 2018 for the three-year period 2018/2020, is due to expire on approval of the annual financial report as of 31 December 2020.

At present, the members of the Board of Statutory Auditors are:

- Francesco Fallacara (Chairman of the Board of Statutory Auditors)
- Fabio Artoni (Standing Auditor)
- Antonella Carù (Standing Auditor)
- Luca Nicodemi (Standing Auditor)
- Alberto Villani (Standing Auditor)
- Elenio Bidoggia (Alternate Auditor)
- Giovanna Maria Carla Oddo (Alternate Auditor)
- Franca Brusco (Alternate Auditor).

The Shareholders' Meeting is therefore called on, pursuant to applicable legal and regulatory provisions and art. 16 of the company Bylaws (reported in full as a footnote to this report) to:

- appoint five Statutory Auditors and three Alternate Auditors for the financial years 2021, 2022 and 2023;
- appoint the Chairman of the Board of Statutory Auditors, where it is not possible to identify this figure following application of the slate voting mechanism;
- determine the remuneration of members of the Board of Statutory Auditors.

Standing and Alternate Auditors shall be appointed using the slate voting mechanism.

In this regard, it is pointed out that only shareholders who, alone or together with other shareholders, represent at least 1% of the share capital entitled to vote at an Ordinary Shareholders' Meeting (minimum threshold laid down in the

company Bylaws, identical to that established by Consob with Executive Resolution no. 44 of 29 January 2021) are entitled to submit slates.

Slates of candidates – signed by the shareholders that submit them, indicating their identity and the percentage of total shares held by them in the ordinary share capital of the Company – must be filed at the Company's registered offices at least twenty-five days before the scheduled date of the Shareholders' Meeting.

Shareholders may also file the slates of candidates by sending them and the relative supporting documentation to the following certified email address: assemblea@pec.pirelli.it.

If by the deadline indicated above only one slate or only slates submitted by shareholders who are connected to each other have been submitted, pursuant to the applicable legislation, including regulations, additional slates may be submitted up to the third day after the deadline for the submission of slates. In this case, the thresholds set for their submission shall be reduced by half, therefore, 0.5% of the share capital entitled to vote at an ordinary Shareholders' Meeting.

Ownership of the total equity investment shall be confirmed, pursuant to current regulatory provisions, even after the filing of the slates as long as it occurs at least 21 days prior to the date of the Shareholders' Meeting.

The slates of candidates must be divided into two distinct sections: the first section contains the list of candidates (indicated by a consecutive number) for the office of Standing Auditor, while the second section contains the list of candidates (indicated by a consecutive number) for the office of Alternate Auditor. The first candidate in each section shall be selected from among those registered in the Register of Chartered Accountants who has worked on external audits for a period of not less than three years. In order to ensure gender balance, slates that - taking account of both sections - present a number of candidates equal to or exceeding three, must include candidates of each gender at least to the minimum extent required by law and / or *pro tempore* regulations in force, as specified in the notice of call of the Shareholders' Meeting, both in the section for standing Statutory Auditors and in the section for alternates.

Each slate must also be accompanied by the documentation required by art. 16 of the Bylaws and applicable legal and regulatory provisions. In particular, each slate filed must be accompanied by acceptances of nomination and declarations from each candidate confirming, under their own responsibility, that there are no reasons that would make them ineligible for or incompatible with the role, and that they satisfy any requirements established by applicable provisions, including regulations, and by the Bylaws to hold the office. Together with the declarations, a *curriculum vitae* is to be filed for each candidate containing comprehensive information on their personal and professional characteristics and providing information – even in an annex – on the administration and control positions held with other companies.

Note that - pursuant to the Corporate Governance Code (“Code”)<sup>95</sup>, to which the Company has subscribed – “all the members of the supervisory body meet the independence requirements prescribed by Recommendation no. 7 for directors”<sup>96</sup> and, therefore, those who wish to submit slates and are entitled to do so are invited to take account of this when identifying the candidates to be proposed.

Each shareholder may submit or contribute to the submission of just one slate and each candidate may be included in just one slate, under penalty of ineligibility.

Slates which are submitted in breach of the provisions pursuant to art. 16 of the Company Bylaws are deemed not to have been submitted.

If only one list is submitted, the Shareholders’ Meeting shall vote on it and, if the list obtains the relative majority, the standing and alternate Auditors candidates listed in the respective section of the slate shall be elected; the person named first on the above slate becomes the Chairman of the Board of Statutory Auditors.

Whereas, if two or more slates are submitted, members of the Board of Statutory Auditors shall be elected as follows:

- four standing members and two alternate members shall be chosen from the slate which obtains the highest number of votes (known as the majority slate), in the consecutive order in which they are listed thereon;
- the remaining standing member and the other alternate member shall be chosen from the slate which obtains the highest number of votes cast by the shareholders after the first slate (known as the minority slate), in the consecutive order in which they are listed thereon. If several slates obtain the same number of votes, a new vote between said slates will be cast by all those entitled to vote attending the meeting, and the candidates on the slate which will obtain the simple majority of the votes will be elected.

If more than one slate is submitted the position of Chairman of the Board of Statutory Auditors shall be assigned to the standing member indicated as the first candidate on the slate that came second in terms of numbers of votes.

If no slates are submitted, the Shareholders’ Meeting shall arrange for the Board of Statutory Auditors to be appointed with the legal majorities, in any case without prejudice to compliance with gender balance regulations.

In this regard, note that as regards gender quotas for the composition of the control bodies of listed companies, art. 148 of Legislative Decree no. 58 of 24 February 1998 (TUF), as amended by law no. 160 of 27 December 2019, states that at least two-fifths of the standing members of the Board of Statutory Auditors shall belong to the least

represented gender. This allocation criterion shall apply for six consecutive terms of office.

Therefore, in order to ensure gender balance, art. 16 of the Bylaws establishes that, as mentioned earlier, slates that - taking account of both sections - present a number of candidates equal to or exceeding three, must include candidates of each gender at least to the minimum extent required by law and / or *pro tempore* regulations in force, as specified in the notice of call of the Shareholders’ Meeting, both in the section for standing Auditors and in the section for alternate Auditors. The Bylaws also establish that, should application of the slate voting mechanism not obtain, considering the standing and alternate Auditors separately, the minimum number of Statutory Auditors belonging to the less represented gender envisaged by the laws and/or regulations in force at the time, the candidate belonging to the most represented gender and elected, indicated with the highest progressive number of each section from the slate that obtained the largest number of votes, is replaced by the first candidate belonging to the less represented gender not already elected from the same section of that slate, pursuant to the sequential order of presentation.

Outgoing Auditors may be re-elected.

In view of the above, the Board of Directors invites shareholders who intend to submit slates for the election of members of the Board of Statutory Auditors to comply with the aforementioned provisions.

In view of the renewal of the board, the Board of Statutory Auditors has made a document available, in accordance with the rules of conduct of the Board of Statutory Auditors of listed companies issued by the CNDCEC on 26 April 2018, in which, *inter alia*, it sets out its assessments on what it considers to be the optimal composition of the controlling body (in addition to fulfilling the regulatory requirements) for its efficient functioning. This document is made available to the public at the same time and in the same manner as this Report. Shareholders who intend to submit slates for the election of members of the Board of Statutory Auditors are invited to bear in mind the aforementioned indications of the outgoing Board of Statutory Auditors when choosing the candidates.

The Company will make any slates of candidates submitted available to the public, together with the information required by applicable legislation, at its registered offices, on the authorised storage mechanism and through publication on its website [www.pirelli.com](http://www.pirelli.com), in the specific section dedicated to the Shareholders’ Meeting.

Lastly, shareholders that intend to submit slates for the appointment of members of the Board of Statutory Auditors are invited to examine the specific documentation published on the Company’s website [www.pirelli.com](http://www.pirelli.com) and, in particular, the recommendations contained in Consob Communication no. DEM/9017893 of 26 February 2009 and current Consob provisions on the limits set for the accumulation of offices of members of the control bodies of listed companies.

95 Available for consultation at the following website: <https://www.borsaitaliana.it/commitato-corporate-governance/codice/2020eng.en.pdf>.  
96 See recommendation no. 9 of the Corporate Governance Code.

In addition to the appointment of the Board of Statutory Auditors and its Chairman, it is also necessary to resolve on the allocation of the gross annual compensation due to members of the Board of Statutory Auditors, currently established as 75 thousand euro for the Chairman of the Board of Statutory Auditors and 50 thousand euro for each of the Standing Auditors (at present an additional 40 thousand euro is attributed to the member of the Board of Statutory Auditors called on to join the Company's Supervisory Body).

In determining the compensation to be attributed to the members of the Board of Statutory Auditors, you are invited, moreover, as already occurred during the previous renewal of the controlling body, to take into consideration - in addition to what is envisaged by the current regulatory provisions regarding the competences of the Board of Statutory Auditors - also the additional duties attributed to this body by Legislative Decree no. 39 of 27 January 2010, "Implementation of Directive 2006/43/EC concerning statutory audits of annual accounts and consolidated accounts" and the circumstance that, pursuant to art. 6, paragraph 4-*bis* of Legislative Decree no. 231 of 8 June 2011, "Provisions on the administrative liability of legal persons, companies and associations, including those without legal personality, pursuant to art. 11 of Law no. 300 of 29 September 2000", the Board of Statutory Auditors may be assigned the duties of the Supervisory Body laid down by the aforementioned legislative decree.

Lastly, note that Standing Auditors attend the meetings of the Board of Directors and (some or all of) are invited to attend the meetings of the Committees set up within the Board.

In view of the above, the Board of Directors, in accordance and compliance with applicable provisions of the Bylaws and legislation, including regulations, invites you to submit slates of candidates for the appointment of the members of the Board of Statutory Auditors as well as proposals on the determination of the relative compensation and to resolve in this regard on:

1. the appointment of the members of the Board of Statutory Auditors (five standing Auditors and three alternate Auditors) for the financial years 2021, 2022 and 2023, by voting on any slates of candidates that are submitted;
2. the appointment of the Chairman of the Board of Statutory Auditors, unless this figure cannot be identified according to the provisions of the Bylaws;
3. the determination of the compensation due to the members of the Board of Statutory Auditors.

#### **BYLAWS - ARTICLE 16**

**16.1** The Board of Statutory Auditors shall be composed of five effective and three alternate auditors, who must be in possession of the requisites established under applicable laws and regulations; to this end, it shall be borne in mind that the fields and sectors of business closely connected with those of the Company are those stated in the Company's purpose, with particular reference to companies or corporations operating in the financial, industrial, banking, insurance and real estate sectors and in the services field in general.

**16.2** The ordinary shareholders' meeting shall elect the

Board of Statutory Auditors and determine its remuneration. The minority shareholders shall be entitled to appoint one effective auditor and one alternate auditor.

**16.3** The Board of Statutory Auditors shall be appointed in compliance with applicable laws and regulations and with the exception of the provisions of paragraph 17 of this article 16, on the basis of slates presented by the shareholders in which candidates are listed by consecutive number.

**16.4** Each slate shall contain a number of candidates which does not exceed the number of members to be appointed.

**16.5** Shareholders who, alone or together with other shareholders, represent at least 1 percent of the shares with voting rights in the ordinary shareholders' meeting or the minor percentage, according to the regulations issued by Commissione Nazionale per le Società e la Borsa for the submission of slates for the appointment of the Board of Directors shall be entitled to submit slates.

**16.6** Each shareholder may present or take part in the presentation of only one slate.

**16.7** The slates of candidates which must be undersigned by the parties submitting them, shall be filed in the Company's registered office at least twenty-five days prior to the date set for the shareholders' meeting that is required to decide upon the appointment of the members of the Board of Statutory Auditors, except for those cases in which the law and/or the regulation provide an extension of the deadline. They are made available to the public at the registered office, on the Company website and in the other ways specified by Commissione Nazionale per la Società e la Borsa regulations at least 21 days before the date of the general meeting. Without limitation to any further documentation required by applicable rules, including any regulatory provisions, a personal and professional curriculum including also the offices held in management and supervisory bodies of other companies, of the individuals standing for election must accompany the slates together with the statements in which the individual candidates agree to: - their nomination - declare, under their own liability, that there are no grounds for their ineligibility or incompatibility, and that they meet the requisites prescribed by law, by these Bylaws and by regulation for the position. Any changes that occur up to the date of the Shareholders' meeting must be promptly notified to the Company.

**16.8** Any slates submitted without complying with the foregoing provisions shall be disregarded.

**16.9** Each candidate may appear on only one slate, on penalty of losing the right to be elected.

**16.10** The slates shall be divided into two sections: one for candidates for the position of standing Auditor and one for candidates for the position of alternate Auditor. The first candidate listed in each section must be selected from among the persons enrolled in the Register of Auditors who have worked on statutory audits for a period of no less than three years. In order to ensure gender balance, slates that - taking account of both sections - present a number of candidates equal to or exceeding three, must include candidates of each gender at least to the minimum extent required by law and/or *pro-tempore* regulations in force, as specified in the notice of call of the shareholders' meeting, both in the section for standing statutory auditors and in the section for alternates.

**16.11** Each person entitled to vote may vote for only one slate.

**16.12** The Board of Statutory Auditors shall be elected as

specified below: a) four standing members and two alternate members shall be chosen from the slate which obtains the highest number of votes (known as the majority slate), in the consecutive order in which they are listed thereon; b) the remaining standing member and the other alternate member shall be chosen from the slate which obtains the highest number of votes cast by the shareholders after the first slate (known as the minority slate), in the consecutive order in which they are listed thereon; if several slates obtain the same number of votes, a new vote between said slates will be cast by all those entitled to vote attending the meeting, and the candidates on the slate which obtains the simple majority of the votes will be elected.

**16.13** The chair of the Board of Statutory Auditors shall pertain to the standing member listed as the first candidate on the minority slate.

**16.14** If, considering the standing statutory auditors and the alternate statutory auditors separately, the application of the slate voting procedure fails to secure the minimum number of statutory auditors of the less represented gender as required by law and/or regulation in force at the time, the appointed candidate of the more represented gender indicated with the higher progressive number in each section of the slate that attracts most votes, shall be substituted by the non-appointed candidate of the less represented gender drawn from the same section of the same slate on the basis of their progressive order of presentation.

**16.15** The position of a standing auditor which falls vacant due to his/her death, forfeiture or resignation shall be filled by the first alternate auditor chosen from the same slate as the former. If filling the position in this way fails produce a composition of the Board of Statutory Auditors that complies with the rules in force even on gender balance, the position will be filled by the second alternate auditor drawn from the same slate. If, subsequently, there is a need to substitute another statutory Auditor from the same slate that obtained most votes, the other alternate auditor drawn from the same slate shall fill the position, whatever the outcome. In the event of the replacement of the Chairman of the Board of Statutory Auditors, the chair shall pertain to the statutory auditor of the same slate as the outgoing Chairman, following the order contained in the slate, subject in all cases to observance of the requirements in law and/or in the Company By-laws for holding that office and to compliance with gender balance as provided by law and/or regulation currently in force; if it proves impossible to effect substitutions and replacements under the foregoing procedures, a shareholders' meeting shall be called to complete the Board of Statutory Auditors which shall adopt resolutions by relative majority vote.

**16.16** When the shareholders' meeting is required, pursuant to the provisions of the foregoing paragraph or to the law, to appoint the standing and/or alternate members needed to complete the Board of Statutory Auditors, it shall proceed as follows: if auditors elected from the majority slate have to be replaced, the appointment shall be made by relative majority vote without slate constraints, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time; if, however, auditors elected from the minority slate have to be replaced, the shareholders' meeting shall replace them by relative majority vote, selecting them where possible from

amongst the candidates listed on the slate on which the auditor to be replaced appeared and in any event in accordance with the principle of necessary representation of minorities to which this By-Laws ensure the right to take part to the appointment of the Board of Statutory Auditors, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time. The principle of necessary representation of minorities shall be considered complied with in the event of the appointment of Statutory Auditors nominated before in the minority slate or in slates different other than the one which obtained the highest number of votes in the context of the appointment of the Board of Statutory Auditors.

**16.17** In case only one slate has been presented, the Shareholders' Meeting shall vote on it; if the slate obtains the relative majority of the share capital, the candidates listed in the respective sections shall be appointed to the office of standing auditors and alternate auditors; the candidate listed at the first place in the slate shall be appointed Chairman of the Board of Statutory Auditors.

**16.18** When appointing auditors who, for whatsoever reason, were not appointed under the procedures established herein, the shareholders' meeting shall vote on the basis of the majorities required by law, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time.

**16.19** Outgoing members of the Board of Statutory Auditors may be re-elected to office.

**16.20** Meetings of the Board of Statutory Auditors may, if the Chairman or whoever acts in his/her stead verifies the necessity, be attended by means of telecommunications systems that permit all attendees to participate in the discussion and obtain information on an equal basis.

## **REMUNERATION POLICY AND COMPENSATION PAID:**

**APPROVAL OF THE REMUNERATION POLICY FOR 2021 FINANCIAL YEAR PURSUANT TO ART. 123-TER, PARAGRAPH 3-TER OF LEGISLATIVE DECREE 24 FEBRUARY 1998 N. 58;  
ADVISORY VOTE ON THE REPORT ON COMPENSATION PAID FOR 2020 FINANCIAL YEAR PURSUANT TO ART. 123-TER, PARAGRAPH 6 OF LEGISLATIVE DECREE 24 FEBRUARY 1998 N. 58;**

## **RELATED AND CONSEQUENT RESOLUTIONS.**

(item 4 on the agenda)

Illustrative reports drafted by the Directors pursuant to art. 125-ter of Legislative Decree no. 58 of 24 February 1998 and subsequently amended and supplemented, approved by the Board of Directors on 31 March 2021.

### **A. Approval of the 2021 remuneration policy**

Dear Shareholders,

In accordance with art.123-ter of Legislative Decree no. 58 of 24 February 1998 ("**TUF**"), as amended and supplemented by art. 3 of Legislative Decree no. 49 of 10 May 2019 ("**Decrete**"),



the Shareholders' Meeting has also been called to vote on the first section of the Report on the remuneration policy and on the compensation paid ("**Remuneration Report**") which outlines the remuneration policy ("**2021 Policy**") for members of administrative bodies, General Managers and Key managers ("**KM**"), to which Pirelli refers in order to define the remuneration of the Senior Managers and Executives of Pirelli.

The 2021 Policy submitted for your vote was drawn up on the basis of the application experience and pursuant to art. 123-ter of the TUF and the regulations adopted by Consob, pursuant to art. 84-*quater* and on the basis of Scheme 7-*bis* of Annex 3A of the Consob Resolution no. 11971 of 14 May 1999 ("**Issuers' Regulation**"), as recently amended and supplemented by Consob under Resolution no. 21623 of 10 December 2020.

With respect to the 2020 Policy, the 2021 Policy takes into account the following aspects:

- composition of the reference panel for the purpose of comparing the Annual Total Direct Compensation at Target of the Executive Vice Chairman and Chief Executive Officer, limiting it to companies in the industry in which Pirelli operates;
- revision of the 2020-2022 LTI Plan for the part concerning the cumulative Group Net Cash Flow (before dividends) target, aligning the relative target to the guidance communicated to the market on 5 August 2020 and to the targets of the 2021-2022/2025 Strategic Plan for the years 2021 and 2022, in accordance with the mandate conferred to the Compensation Committee by the Board of Directors on 5 August 2020, as a result of the health emergency related to the spread of Covid-19 and the consequent revision of the 2020-2022 Strategic Plan and the announced launch for the first quarter of 2021 of the Strategic Plan for the period 2021-2022/2025. With reference to 2020-2022 LTI Plan, 2021 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);
- establishment of Policy compliance criteria to be applied in the case of hiring of a new General Manager and new KM to define the fixed remuneration and the other parts of the compensation package, with indication of the relative cap;
- downward revision of the STI Plan incentive percentages upon achievement of the minimum performance objectives;
- revision, 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.

The 2021 Policy takes into account the definition of the objectives of the new LTI Plan for the three-year period 2021-2023, in application of the rolling mechanism already provided for in the 2020 Policy, in support of the objectives of the 2021-

2022/2025 Strategic Plan, with consequent re-proportioning on an annual basis, in line with the provisions of 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 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 2021 Policy also takes into account the inclusion of the Deputy-CEO and the relevant remuneration.

As provided for in art.123-ter TUF, the first section of the Remuneration Report brought to your attention outlines:

- a. the remuneration Policy for the members of the administrative bodies, General Managers and KM and, without prejudice to the provisions of art. 2402 of the Italian Civil Code, for members of the controlling bodies, to which Pirelli refers to define the remuneration of the Senior Managers and Executives;
- b. the procedures used for the adoption and implementation of this Policy.

In accordance with TUF, the Shareholders' Meeting is asked to express its favourable vote on the first section of the Remuneration Report.

#### B. Advisory vote on the Report on the remuneration paid in 2020

Dear Shareholders,

pursuant to art.123-ter of the Legislative Decree no. 58 of 24 February 1998 ("**TUF**"), as amended and supplemented by art. 3 of Legislative Decree no. 49 of 10 May 2019 ("**Decree**"), we have also called you to submit to your advisory vote the second section ("**Compensation Report**") of the Report on the remuneration policy and compensation paid ("**Remuneration Report**"), which provides, by name, for the members of the administrative and controlling bodies, for the General Managers, as well as, in aggregate form, for the Key managers ("**KM**"), a summary of the remuneration paid in implementation of the remuneration policy adopted by the Group in 2020, highlighting its compliance with the same.

The Compensation Report submitted for your vote is drawn up pursuant to art. 123-ter TUF and takes into account the regulatory provisions adopted by Consob, as per art. 84-*quater* and on the basis of Scheme 7-*bis* of Annex 3A of the Consob Resolution no. 11971 of 14 May 1999 ("**Issuers' Regulation**"), as amended and supplemented by Consob Resolution no. 21623 of 10 December 2020.

As required by art. 123-ter of the TUF, the second section of the Remuneration Report that we submit to you illustrates, by name, for the members of the administrative and controlling bodies, the General Managers, as well as, in aggregate form, the KM:

- a. the items of which the remuneration is composed, including payments prescribed in case of resignation from office or termination of employment;

- b. 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 said payments that are referable to activities undertaken in years preceding the year of reference and also highlighting the payments to be made in one or more subsequent years for activity undertaken in the reference year, providing, if applicable, estimates for the components that cannot be objectively quantified in the year of reference.

The subject appointed to carry out the external audit of the financial statements verifies that the Directors have prepared the Compensation Report.

In accordance with TUF, the Shareholders' Meeting is asked to express its favourable advisory vote on the second section of the Remuneration Report.

### **THREE-YEAR MONETARY INCENTIVE PLANS FOR PIRELLI'S GROUP MANAGEMENT:**

#### **APPROVAL OF THE MONETARY INCENTIVE PLAN FOR THE THREE-YEAR PERIOD 2021-2023 FOR PIRELLI'S GROUP MANAGEMENT;**

#### **ADJUSTMENT OF THE OBJECTIVE OF CUMULATIVE GROUP NET CASH FLOW (BEFORE DIVIDENDS) AND NORMALIZATION OF POTENTIAL EFFECTS ON THE RELATIVE TOTAL SHAREHOLDER RETURN OBJECTIVE INCLUDED IN THE MONETARY INCENTIVE PLAN FOR THE THREE-YEAR PERIOD 2020-2022 FOR PIRELLI'S GROUP MANAGEMENT;**

#### **RELATED AND CONSEQUENT RESOLUTIONS AND CONFERMENT OF POWERS.**

(item 5 on the agenda)

Illustrative reports drawn up by the Directors pursuant to art. 125-ter of Italian Legislative Decree no. 58 of 24 February 1998 as subsequently amended and supplemented, approved by the Board of Directors on 31 March 2021.

#### **A. Approval of the monetary incentive plan for the three year period 2021-2023 for Pirelli's Group management**

Dear Shareholders,

in the meeting of 31 March 2021, the Board of Directors approved the objectives of the three-year, monetary incentive Plan for the 2021-2023 cycle for the Pirelli's Management ("**2021-2023 LTI Plan**"), related to the targets of the 2021-2022/2025 Strategic Plan presented on the same date ("**Strategic Plan**"). The 2021-2023 LTI Plan was also approved pursuant to art. 2389 of the Italian Civil Code, on the proposal of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors, in relation to the persons for whom such opinion is required. The 2021-2023 LTI Plan is subject to the approval of the Shareholders' Meeting pursuant to art. 114-bis of Legislative

Decree no. 58 of 24 February 1998 ("**TUF**") as it states, *inter alia*, that part of the incentive is determined on the basis of a relative Total Shareholder Return target, calculated with respect to an index made up of selected "Tier 1" peers in the Tyre sector.

Moreover, pursuant to art. 123-ter of TUF, the 2021-2023 LTI Plan is included in the 2021 remuneration policy adopted by Pirelli ("**2021 Policy**"), submitted for the approval to the Shareholders' Meeting.

The main information on the 2021-2023 LTI Plan is set out below, while for a more analytical description you are invited to read the Information Document prepared pursuant to art. 84-bis, paragraph 1, of Consob Resolution no. 11971 of 14 May 1999 ("**Issuers' Regulation**"), which is also available to the public at the registered offices of Pirelli & C. S.p.A. (in Milan, Viale Piero e Alberto Pirelli 25) and on the website [www.pirelli.com](http://www.pirelli.com) as well as at Borsa Italiana S.p.A. together with this report.

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#### **REASONS FOR ADOPTING THE PLAN<sup>97</sup>**

In line with national and international best practices, the 2021 Policy is tailored to Pirelli's objective of attracting, motivating and retaining resources with 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, Key Managers, 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.

Starting from LTI Plan of the three-year cycle 2020-2022, included in the 2020 Remuneration Policy approved by the Shareholders' Meeting of 18 June 2020 ("**2020 Policy**"), the Company introduced a "rolling" mechanism for medium-long term incentive plans. On applying it, the Board of Directors of Pirelli & C. defined the 2021-2023 LTI Plan objectives, linked to achieving the Strategic Plan targets for the 2021-2022/2025 period ("**Strategic Plan**"), with no change to the incentive plan structure.

#### **RECIPIENTS OF THE PLAN<sup>98</sup>**

The 2021-2023 LTI Plan is extended to all 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 join the Group and/or were promoted to an Executive position, due to internal career growth, during the three-year period. In this case, their inclusion is subject to participation in the LTI Plan for at least one full financial year and the incentive percentages are scaled to the number of months of actual participation in the LTI Plan.

97 Information required by Article 114-bis, paragraph 1, letter a) of the TUF.  
98 Information required by Article 114-bis, paragraph 1, letters b) and b-bis) of the TUF.

In particular, as at the date of this report, among others, the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera, the Director Giovanni Tronchetti Provera (as Senior Manager), the General Manager Operations Andrea Casaluci, and Key managers (“KM”) are participants in the LTI Plan<sup>99</sup>.

## PERFORMANCE TARGETS AND BONUS CALCULATION<sup>100</sup>

The Management remuneration structure, as better described in the 2021 Policy which should be referred to for further details, has several elements:

- gross annual base salary (GABS);
- STI annual variable component: designed to reward the beneficiary's performance in the short term, motivating Management to achieve the Company's annual objectives; it is set as a percentage of the base salary, increasing in relation to the role held by the beneficiary and taking account of the benchmarks for each figure. This percentage can range, in case of on-target performance, from a minimum of 15% for Executives (managers of Pirelli's Italian companies or employees of Group's foreign companies with a position or role comparable to that of an Italian manager) up to a maximum of 125% for Directors holding specific offices to whom further specific duties may be attributed;
- medium-long term variable component (LTI): composed of LTI incentive plans linking Management remuneration to the Group's medium-long term performances, and of the deferral and mark-up component of the STI incentive. As for the STI incentive, the LTI incentive is also set as a percentage of the base salary with increasing percentages in relation to the role held and taking into account the reference benchmarks of each figure. Applying the rolling mechanism, the 2021-2023 LTI Plan confirms the three-year incentive percentages set forth in the 2020-2022 LTI Plan which, as of 2021, are re-proportioned on an annual basis and, in case of on-target performance, can go from a minimum of 15% for Executives to a maximum of 70% for Directors holding specific offices to whom further specific duties may be attributed. There is also a limit (cap) to the maximum achievable LTI incentive.

The 2021-2023 LTI Plan, which is monetary and does not include the assignment of shares or options on shares, is also subject to the achievement of three-year objectives and determined as a percentage of the gross annual base salary (GABS) received by the beneficiary at the date on which their participation in the Plan was established.

The medium-long term incentive plan “rolling” structure introduced with the 2020 Policy enables yearly definition of the value of the following three-year period targets, while ensuring management loyalty and the correct focus on performance targets. The date of eventual first payment is April 2023 (if the 2020-2022 results are achieved) and, from then on, April of each subsequent year if the results of the previous three-year period are achieved.

In continuity with the 2020-2022 LTI Plan, the 2021-2023 LTI Plan foresees three objectives types, all independent of each other and each with a specific weight:

- objective represented by the cumulative Group Net Cash Flow (before dividends), with a weight at target performance of 40% of the overall LTI bonus;
- Total Shareholder Return (“TSR”) objective related to a panel of selected Tier 1 peers, with a weight at target performance of 40%. The Information Document made available at the Shareholders' Meeting provides more detailed information on the application of the Total Shareholder Return objective;
- the remaining 20% is calculated on the basis of Sustainability indicators in relation to Pirelli's positioning in two indices of equal weight: (i) Dow Jones Sustainability World Index ATX Auto Component sector and (ii) CDP Ranking.

For all three objectives (cumulative Group Net Cash Flow (before dividends), relative TSR and Sustainability) there is a minimum value associated with the recognition of a payout of 75% of the bonus achievable at target performance.

Regarding each objective, where the set minimum value is not attained, no right is accrued by the beneficiary to the payment of the related *pro-quota* bonus.

For intermediate results falling between the “access threshold” and the target or between the target and the maximum, performance will be calculated by linear interpolation, differently to the Sustainability objectives, which are calculated only in three steps: “access threshold”, target and maximum, without considering intermediate performances.

## BONUS PERIOD

If objectives are achieved, the 2021-2023 LTI Plan incentive (so-called LTI Bonus) will be paid in the first half of 2024, subject to participants being present at 31 December 2023.

If the office and/or employment relationship has been terminated for any reason (without prejudice to the following) before the end of the three-year period, the beneficiary's participation in the 2021-2023 LTI Plan shall cease and, as a result, no LTI Bonus nor pro-rated bonus will be paid. For Directors holding specific offices to whom further specific duties may be attributed who cease to hold office due to having completed their mandate or to the termination of the entire Board of Directors, and are not appointed thereafter even as Directors, a *pro-rata* payment of the LTI Bonus is provided for.

## PLAN DURATION AND AMENDMENTS

The 2021-2023 LTI Plan implements the second LTI Plan cycle, based on the “rolling” mechanism already included in the 2020 Policy, structured on three-year performance periods (cycles) that start each year, with the definition of performance indicators and related objectives.

The “rolling” mechanism allows performance indicators to be aligned, for each new cycle, with market changes and the company's strategic objectives which could be revised from year to year.

<sup>99</sup> In case of appointment, the Deputy-CEO will participate to the 2021-2023 LTI Plan.  
<sup>100</sup> Information required by Article 114-bis, paragraph 1, letter c) of the TUF.

## SPECIAL FUND TO ENCOURAGE WORKERS' PARTICIPATION IN ENTERPRISES<sup>101</sup>

The LTI Plan 2021-2023 does not receive any support from the Special Fund to encourage workers' participation in enterprises, referred to in art. 4, paragraph 112, of Law no. 350 of 24 December 2003.

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The 2021-2023 LTI Plan is to be considered "of particular importance" as it is addressed, as at the date of this report, *inter alia*, to the Executive Vice Chairman and Chief Executive Officer, the General Manager Operations and KM as they have regular access to inside information and have the power to make decisions that may affect the Group's development and future prospects<sup>102</sup>.

Considering that the LTI Plan is monetary in nature, as it does not provide for the assignment of shares or stock options on shares, but only a cash incentive partly linked to the performance of Pirelli & C.'s ordinary shares, the Information Document prepared in accordance with current regulations does not contain the information required for mechanisms that consider the assignment of shares or stock options.

### B. Adjustment of the cumulative Group Net Cash Flow (before dividends) and normalization of potential effects on the relative total shareholder return objective included in the monetary incentive plan for the three-year period 2020-2022 for Pirelli's Group management

Dear Shareholders,

in its meeting of 5 August 2020, as a result of the health emergency linked to the spread of Covid-19, of the consequent revision of the 2020-2022 Strategic Plan and the announced launch for the first quarter of 2021 of the Strategic Plan for the period 2021-2022/2025, the Board of Directors gave the Remuneration Committee a mandate to proceed with an adjustment of the cumulative Group Net Cash Flow objective (before dividends) of the three-year monetary incentive Plan for the 2020-2022 cycle for the Pirelli's Management ("**2020-2022 LTI Plan**") - already submitted for Shareholders' Meeting approval on 18 June 2020 pursuant to art. 114-*bis* of Legislative Decree no. 58 of 24 February 1998 - to align it with the 2020 guidance disclosed to the market on 5 August 2020 and with the targets of the 2021-2022/2025 Strategic Plan ("**Strategic Plan**") for the years 2021 and 2022.

That adjustment was examined and approved in the Board of Directors' meeting of 31 March 2021 (which also approved the Strategic Plan) implementing what was planned related to the plan review and adjustment of objectives in the Information Document on the 2020-2022 LTI Plan made available to the public on 28 April 2020 pursuant to art. 84-*bis*, paragraph 1 of the Consob Resolution no. 11971 of 14 May 1999 ("**Issuers'**

**Regulation**"). The adjustment is also reported in the 2021 remuneration policy (the "**2021 Policy**") and was approved by the Board of Directors subordinate to Shareholders' Meeting approval of that adjustment and the 2021 Policy. The adjustment of the cumulative Group Net Cash Flow objective (before dividends) of the 2020-2022 LTI Plan is aligned with the guidance disclosed to the market on 5 August 2020 and the new Strategic Plan. For a more analytical description of the adjustment of the cumulative Group Net Cash Flow objective (before dividends) of the 2020-2022 LTI Plan, you are invited to read the Information Document prepared pursuant to art. 84-*bis*, paragraph 1, of the Issuers' Regulation, as amended by the adjustment described, made available to the public at the registered offices of Pirelli & C. S.p.A. (in Milan, viale Piero e Alberto Pirelli 25) and on the website [www.pirelli.com](http://www.pirelli.com) as well as at Borsa Italiana S.p.A. together with this report.

Also for the 2020-2022 LTI Plan, it is provided 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 start of 2021, in order to calculate its impact on the TSR.

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Dear Shareholders,

on the basis of the above, we hereby ask you to adopt the following resolutions:

Related to item 5.1 on the agenda:

**1.** approve - pursuant to art. 114-*bis* of Legislative Decree no. 58 of 24 February 1998, as subsequently amended and supplemented - the adoption of the three-year monetary incentive plan for the 2021-2023 period ("**2021-2023 LTI Plan**") for the Management of the Pirelli Group, regarding the part where it is also based on the performance of Pirelli shares, in the terms set out in this report and as better described in the Information Document (prepared pursuant to art. 84-*bis*, paragraph 1, of the Issuers' Regulation). The LTI Plan 2021-2023 states, *inter alia*, that a *quota* of the LTI bonus will be determined on the basis of a relative Total Shareholder Return objective, calculated with respect to an index made up of selected Tier 1 peers in the Tyre sector;

**2.** grant the Board of Directors with all the powers needed or opportune to implement the 2021-2023 LTI Plan and to adjust or modify the performance indicators and relative 2021-2023 LTI Plan objectives, submitting the new performance indicators and objectives to the Shareholders' Meeting if the plan has characteristics established by art. 114-*bis* of TUF (remuneration plans based on financial instruments);

Related to item 5.2 on the agenda:

**3.** with reference to the monetary incentive plan for the three-year cycle 2020-2022 for Pirelli's Group Management, already approved by the Shareholders' Meeting of 18 June 2020 ("**2020-2022 LTI Plan**"), approve

<sup>101</sup> Information required by Article 114-*bis*, paragraph 1, letter d) of the TUF.  
<sup>102</sup> In case of appointment, the Deputy-CEO will participate to the 2021-2023 LTI Plan.

the adjustment of the «cumulative Group Net Cash Flow (before dividends)» objective of in the terms described in this report and as indicated in the Information Document (prepared pursuant to art. 84-*bis*, paragraph 1, of the Issuers' Regulation) as amended by the adjustment to align it with the guidance communicated to the market on 5 August 2020 and with the 2021-2022/2025 Strategic Plan targets for the years 2021 and 2022;

**4.** with reference to the 2020-2022 LTI Plan, already approved by the Shareholders' Meeting of 18 June 2020, approve 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 start of 2021, in order to calculate its impact on the TSR;

**5.** grant the Board of Directors with all the powers needed or opportune to implement the 2020-2022 LTI Plan (as adjusted) and perform any other adjustment or amendment of the performance indicators and relative objectives, submitting the new performance indicators and objectives to the Shareholders' Meeting if the plan has the characteristics established by art. 114-*bis* of TUF (remuneration plans based on financial instruments).

