



**Pirelli & C. S.p.A.**

**Reports to the Shareholders' Meeting of 18  
June 2020**

**Appointment of the Board of Directors and the Chairman.**

**(item 2 on the agenda)**

**Appointment of the Board of Directors:**

- Determination of the number of members of the Board of Directors;
- Appointment of the Directors;
- Appointment of the Chairman;
- Determination of the annual remuneration of the members of the Board of Directors.

Dear Shareholders,

With the approval of the financial statements as at 31 December 2019, the Board of Directors in office, appointed by the Ordinary Shareholders' Meeting of 1 August 2017, with effect from 31 August 2017, which fixed the duration of the mandate to three financial years, comes to the end of its mandate.

The Shareholders' Meeting is therefore asked to appoint, in accordance with the recommendations of the Corporate Governance Code and pursuant to article 10 of the Company Bylaws (reported in full as a footnote to this report), the new Board of Directors, after setting the number of its members and their remuneration. The Shareholders' Meeting is also asked to appoint the Chairman of the Board of Directors.

With regard to this, it is noted that pursuant to article 10 of the Company Bylaws, the Company is managed by a Board of Directors made up of a maximum of 15 (fifteen) members, who remain in office for three years and who may be re-elected.

It should be noted that, in accordance with the same article 10 of the Company Bylaws, the appointment of the Board of Directors will be based on slates submitted by Shareholders who, on their own account or with other shareholders, own shares in total representing at least 1% of the share capital entitled to vote at an Ordinary Meeting, or any lower amount specified in regulations issued by Consob, with the obligation to evidence their ownership of the number of shares needed for the submission of slates by the deadline envisaged for the publication of such slates by the Company. With regard to this, it is noted that Consob (with resolution no. 28 of 30 January 2020), established the threshold for the submission of slates of candidates at the same 1% threshold.

The slates of candidates, listed with a progressive number, must be signed by those submitting them and filed at the registered offices of the Company at least 25 days

prior to the date fixed for the Shareholders' Meeting called to resolve on the appointment of members of the Board of Directors.

The slates of candidates are made available to the public at the registered office, on the Company website and in the other ways specified by Consob regulations at least 21 days before the date of the Shareholders' Meeting.

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 making them ineligible for or incompatible with the role, and that they satisfy any requirements established for the role concerned. A *curriculum vitae* is to be registered for each candidate, indicating their personal and professional characteristics and providing information (also in attachments) on the administration and control positions held with other companies and their eligibility, if applicable, to qualify as independent directors, in accordance with the criteria established by law and the criteria adopted by the Company (Corporate Governance Code of listed companies). Any changes that occur up to the date of the Shareholders' meeting must be promptly notified to the Company.

In particular, it is noted that Board of Directors' resolution of 14 February 2019 approved the amendments relating to the maximum number of offices deemed to be compatible with the effective performance of the role of Company director; with regard to this, Shareholders interested in submitting slates of candidates are invited to consult the relevant document published on the Company's website at the address [www.pirelli.com](http://www.pirelli.com), in the Corporate governance section.

Furthermore, in order to ensure gender balance in the composition of the Board of Directors, it is noted that Law no. 160 of 27 December 2019, effective from 1 January 2020, introduced a new regulation relative to gender quotas for the composition of listed companies' corporate bodies, establishing that such companies must guarantee, within their Company Bylaws, that for at least six consecutive mandates two fifths of Directors and of Statutory Auditors actually elected represent the least represented gender, without prejudice to the allocation criterion of at least one fifth laid down in article 2 of Law 120/2011, for the first renewal after the first day of trading.

In this respect, it should be noted that the current Bylaws establish that slates containing three or more candidates must contain candidates of a different gender at least to the minimum extent required by the laws and/or regulations in force at the

time; it should also be noted that the Board of Directors has asked the extraordinary shareholders' meeting to amend the Company Bylaws and, in particular, in order to better determine the composition of slates in light of the new regulations and ensure gender balance and incorporate some indications made by Consob<sup>1</sup>, to specify in art. 10 that slates that contain a number of candidates equal to three must include candidates of different genders, while the slates containing a number of candidates equal to or higher than four must include a number of candidates of the less represented gender at least matching the minimum laid down in statutory and/or regulatory provisions as in force at the time, in accordance with that stated in the notice of call of the Shareholders' Meeting<sup>2</sup>.

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.

As established by Consob, shareholders submitting a slate must provide evidence of their identity and of the percentage of total shares held. Slates which are submitted in breach of the provisions pursuant to article 10 of the Company Bylaws are deemed not to have been submitted.

The Board of Directors also invites the Shareholders to take into account the results of the self-evaluation process for the 2019 financial year in relation to the size, composition and performance of the administrative body carried out by the same Board of Directors with the assistance of a leading consulting firm specialised in this area (Spencer Stuart) (the "**Self-evaluation Process**")<sup>3</sup>, from which some areas of closer appreciation have emerged and, with reference to the composition of the Board of Directors, in particular, the diversified structure of the Board of Directors and a greater number of independent directors.

Now, therefore, the Board of Directors,

- in view of the provisions of the Company Bylaws in relation to the composition and procedure for the appointment of the Board of Directors;
- in view of the legislative changes in relation to gender quotas;

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<sup>1</sup> Consob Resolution no. 1/20 of 30 January 2020.

<sup>2</sup> For more information, see the Shareholders' Meeting Notice of Call, which will be made available to the public on the Website according to law.

<sup>3</sup> For more details, please see the Report on the Corporate Governance and Share Ownership under the Annual Report.

- in view of the outcomes of the Self-Evaluation Process, and of the guidelines adopted by the Board of Directors related to the composition of the administrative body;

invites the Shareholders' Meeting:

- to set the number of members of the Board of Directors, determining their remuneration;
- to vote the slates of candidates to the office of Director of the Company submitted and notified pursuant to the procedures and the terms of article 10 of the Company Bylaws and of the applicable laws and regulations;
- to appoint the Chairman of the Board of Directors.

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**Article 10 of the Company Bylaws**

**10.1** The Company shall be managed by a Board of Directors composed of up to fifteen members who shall remain in office for three financial years and may be re-elected.

**10.2** The Board of Directors is appointed on the basis of slates presented by the shareholders pursuant to the following paragraphs hereof, in which the candidates are listed by consecutive number.

**10.3** The slates presented by the shareholders, which must be undersigned by the parties submitting them, must be filed at the Company's registered office, and be available at least twenty five days before the date set for the shareholders' meeting that is required to decide upon the appointment of the members of the Board of Directors. They are made available to the public at the registered office, on the Company website and in the other ways specified by Consob regulations at least 21 days before the date of the general meeting.

**10.4** Each shareholder may present or take part in the presentation of only one slate and each candidate may appear on only one slate on penalty of losing the right to be elected.

**10.5** Only shareholders who, alone or together with other shareholders, hold a total number of shares representing at least 1 percent of the share capital entitled to vote at the ordinary shareholders' meeting or the minor percentage, according to the regulations issued by Commissione Nazionale per le Società e la Borsa, are entitled to submit slates, subject to their proving ownership of the number of shares needed for the presentation of slates within the term specified for their publication by the Company.

**10.6** Together with each slate, statements must be filed in which the individual candidates agree to their nomination and attest, under their own liability, that there are no grounds for their ineligibility or incompatibility, and that they meet any requisites prescribed for the positions. Together with such statements, a curriculum vitae must be filed for each candidate, including their relevant personal and professional data and mentioning the offices held in management and supervisory bodies of other companies and their satisfaction of the requisites of independence prescribed for directors of listed companies by the law or by the governance code endorsed by the Company. In order to ensure gender balance, slates that contain a number of candidates equal to or more than three must contain a number of candidates of the less represented gender at least matching the minimum laid down in statutory and/or regulatory provisions as in force at the time, in accordance with what will be stated in the notice of the Shareholders' Meeting. Any changes that occur up to the date of the Shareholders' meeting must be promptly notified to the Company.

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

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

**10.9 (A)** The Board of Directors is elected as specified below:

- a) four-fifths of the directors to be elected are chosen from the slate which obtains the highest number of votes cast by the shareholders, in the order in which they are listed on the slate; in the event of a fractional number, it is rounded-down to the nearest whole number;
- b) the remaining directors are chosen from the other slates; to this end, the votes obtained by the

various slates are divided by whole progressive numbers from one up to the number of directors to be elected. The quotients thus obtained are assigned to the candidates on each slate in the order they are respectively listed thereon. On the basis of the quotients assigned, the candidates on the various slates are ranked in a single list in decreasing order. Those who have obtained the highest quotient are elected.

If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected a director or that has elected the lowest number of directors is elected. If none of such slates has as yet elected a director or they have all elected the same number of directors, the candidate from the slate which obtained the highest number of votes is elected. If the different slates obtain the same number of votes and their candidates are assigned the same quotients, a new vote is held by the entire shareholders' meeting and the candidate who obtains the simple majority of the votes is elected.

(B) If only one slate is presented, all directors shall be elected from the only slate that was presented..

**10.10** The appointment of the Board of Directors must take place in compliance with the rules on gender balance in force at the time. If applying the slate voting procedure fails to secure the minimum number of directors of the less represented gender that is required by the statutory and/or regulatory rules in force at the time, the appointed candidate of the more represented gender indicated at the last place on the slate that attracts most votes shall be substituted by the non-appointed candidate of the less represented gender, drawn from the same slate on the basis of their progressive order of presentation, and so on, slate by slate (solely with regard to slates with a number of candidates equal to or more than three), until the minimum number of directors of the less represented gender is reached. If at the end, said procedure does not secure the result just indicated, the substitution will be made through a resolution of the Shareholders' Meeting voted by a relative majority, subject to the nomination of persons of the less represented gender.

**10.11** If the application of the slate voting system does not ensure the appointment of the minimum number of independent Directors required by the law and/or regulation, the appointed non-independent candidate indicated with the higher progressive number in the slate which has obtained the higher number of votes is replaced by the non-appointed independent candidate included in the same slate on the basis of the progressive order of the presentation and so on, slate by slate, until the minimum number of independent Directors shall be appointed, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time.

**10.12** When appointing directors who, for whatsoever reason were not appointed under the voting procedure established herein, the shareholders' meeting shall vote on the basis of the majorities required by law, without prejudice, whatever the circumstances, to the requirements of independence set forth by these By-Laws and to the compliance with the gender balance as provided by law and/or regulation in force at the time.

**10.13** If one or more vacancies occur on the Board during the course of the financial year, the procedure established in article 2386 of the Italian Civil Code shall be followed, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or

regulation in force at the time. Whenever the majority of the members of the Board of Directors elected by the Shareholders' Meeting leaves office for any cause or reason whatsoever, the remaining Directors will be deemed to have resigned and their resignation will become effective the moment a Shareholders' Meeting convened on an urgent basis elects a new Board of Directors.

**10.14** In the event a Director ceases to comply with the independence requirements, this does not cause his/her ceasing to be a Director provided that the Directors in office complying with legal independence requirements are a number at least equal to the minimum number requested by laws and/or regulations.

**10.15** In the absence or impediment of the Chairman to perform his/her duties, the CEO shall act in his/her stead; should the latter be absent or could not attend the board, another director, elected by the majority of the attendees may act in his/her stead.

**10.16** The Board of Directors shall appoint a Secretary, who need not be a director.

**10.17** Until the shareholders' meeting resolves otherwise, the directors shall not be subject to the prohibition contemplated in article 2390 of the Italian Civil Code.