



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

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

**Pirelli Group Report on Remuneration Policy and  
compensation paid  
(item 3 on the agenda)**

Prospectus drafted by the Directors in accordance with Art. 125-ter of Legislative Decree No. 58 of 24 February 1998 and subsequent amendments and additions, approved by the Board of Directors on 2 March 2020, and amended on 3 April 2020.

A. Approval of the 2020 remuneration policy

Dear Shareholders,

pursuant to art.123-*ter* of the Consolidated Law on Finance (“**TUF**”), as amended and supplemented by art. 3 of Italian Legislative Decree no. 49 of 10 May 2019 (“**Decree**”)<sup>1</sup>, we have also called you to submit to your vote the first section (“**Policy**”) of the Report on the remuneration policy and on the compensation paid (“**Remuneration Report**”) which outlines the remuneration policy for members of administrative and controlling bodies, General Managers and Key managers and to which Pirelli refers in order to define the remuneration of the Senior Managers and Executives of Pirelli.

The Policy submitted for your vote takes into account the regulatory provisions adopted by Consob, provided by art.123-*ter* TUF, as amended and supplemented by art. 3 of the Decree, and by art. 84-*quater* of the Issuers’ Regulation, as well as on the basis of Scheme 7-*bis* of Annex 3A to the Issuers’ Regulation, introduced by Consob with resolution no. 18049 of 23 December 2011<sup>2</sup>.

Considering the launch of the Strategic Plan for the period 2020-2022, the Policy takes also into account the resolutions adopted by the Board of Directors regarding the early closure of the 2018-2020 Long-Term Incentive Plan, with effect from 31 December 2019, subject to approval of the Policy by the Shareholders’ Meeting (without any payment, not even pro-quota, of the three-year incentive), as well as the adoption of the 2020-2022 Long-Term Incentive Plan linked to the objectives of the 2020-2022 Strategic Plan, subject to the approval of the Shareholders’ Meeting, in the part where it is provided that the incentive shall be determined on the basis of a total shareholder return objective, and the resolutions adopted by the Board of Directors on 3 April 2020 disclosed to the market and better described in the Policy.

As provided by art.123-*ter* TUF, the first section of the Remuneration Report that we submit to you outlines:

- a. the remuneration Policy for Directors, General Managers and Key managers 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 vote on the first section of the Remuneration Report.

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<sup>1</sup> The Decree incorporates into the Italian legal system, Directive (EU) 2017/828, the “Shareholders Right II Directive”, which amends Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

<sup>2</sup> As at the date of approval of this Policy, Consob has not adopted the amendments to the information to be included in the first section of the Report and to the characteristics of the Policy in implementation of Art. 123-*ter*, paragraph 7, TUF and in compliance with Article 9-bis of Directive 2007/36/EC, as well as in compliance with the provisions of paragraph 3 of recommendation 2004/913/EC and paragraph 5 of recommendation 2009/385/EC.

B. advisory vote on the remuneration paid in 2019

Dear Shareholders,

pursuant to art. 123-*ter* of the Consolidated Law on Finance ("**TUF**"), as amended and supplemented by art. 3 of Italian Legislative Decree no. 49 of 10 May 2019 ("**Decree**")<sup>3</sup>, we have also called you to submit to your consultative vote the second section ("**Compensation Report**") of the Report on the remuneration policy and the compensation paid ("**Remuneration Report**") which provides, by name, for the members of the administrative and control bodies, for the General Manager Operations, and, in aggregate form, for the Key managers, a summary of the remuneration paid in implementation of the remuneration policy adopted by the Group in 2019, highlighting its consistency with the same.

The Compensation Report submitted for your vote takes into account the regulatory provisions adopted by Consob, provided by art. 123-*ter* TUF, art. 84-*quater* of the Issuers' Regulations, as well as on the basis of Scheme 7-*bis* of Annex 3 A of the Issuers' Regulations, introduced by Consob resolution no. 18049 of 23 December 2011<sup>4</sup>.

Pursuant to art. 123-*ter* 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 Manager Operations, and, in aggregate form, for the Key managers:

- a. the items of which the remuneration is composed, including payments provided in case of termination of the office or employment relationship;
- b. the sums paid in the 2019 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 external auditor verifies that the directors have prepared the Report on Compensation Paid.

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

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<sup>3</sup> The Decree incorporates into the Italian legal system, Directive (EU) 2017/828, the "Shareholders Right II Directive", which amends Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

<sup>4</sup> As at the date of approval of the Remuneration Report, Consob has not adopted the amendments to the information to be included in the second section of the Report, pursuant to art. 123-*ter*, paragraph 8, TUF in accordance with the provisions of art. 9-*ter* of Directive 2007/36/EC.