



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

**Milan - Viale Piero e Alberto Pirelli, 25**

**Share Capital Euro 1,904,347,935.66**

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### **Information Document**

Prepared pursuant to the combined provisions of Article 114-bis of Legislative Decree 58/1998 and Article 84-bis of Consob Decision no. 11971 of 14 May 1999 (as amended and supplemented) regarding the 2020-2022 three-year Monetary Incentive Plan for the Pirelli Group's Management.

## **INTRODUCTION**

This document (the "**Information Document**") is prepared pursuant to the combined provisions of Article 114-bis of Legislative Decree 58/1998 ("**TUF**") and Article 84-bis of the Regulation adopted by Consob with Decision no. 11971 of 14 May 1999, as amended and supplemented ("**Issuers' Regulation**"), as well as on the basis of Scheme no. 7 of Annex 3A of the Issuers' Regulation, corresponding sections being identically numbered. The Information Document is available to the public at the registered offices of Pirelli & C. S.p.A. ("**Pirelli & C.**" or "**Company**") - in Milan, Viale Piero e Alberto Pirelli 25 - and published on the website of Pirelli & C. ([www.pirelli.com](http://www.pirelli.com)), and on the authorised eMarket storage (eMarket Storage.com) mechanism in accordance with legal requirements, pursuant to applicable laws and regulations.

The object of the Information Document is the 2020-2022 Long-Term Incentive Plan for the Pirelli Group's Management, approved by the Board of Directors of Pirelli & C. at the meeting held on 19 February 2020 ("**LTI Plan**") and, pursuant to Article 114-bis of Legislative Decree 58/1998, submitted for approval to the Shareholders' Meeting called for 18 June 2020 (on a single call), insofar as it is also based on the market performance of Pirelli shares, as described herein.

The LTI Plan - according to the combined provisions of Article 114-bis, paragraph 3, TUF and Article 84-bis, paragraph 2, of the Issuers' Regulation - is to be considered as having "particular importance" in that it regards, among others, the Executive Vice Chairman and Chief Executive Officer of Pirelli & C., and individuals with strategic responsibility in the issuer.

Given that the LTI Plan is monetary, and makes no provision for granting shares or options on share or other financial instruments, but solely a cash award partly linked to the stock market performance of the ordinary shares of Pirelli & C., having regard to a selected sample of companies operating in the tyre industry, the Information Document does not include the prescribed information on arrangements for awarding shares or share options or other financial instruments.

## **DEFINITIONS**

To facilitate the comprehension and reading of the Information Document, a glossary is provided below that lists a number of recurrent terms not previously defined:

**Annual Total Direct Compensation at Target level:** the sum of the following components, regardless of whether they are paid by Pirelli & C. or by other Group Companies:

- (i) gross annual base salary of the remuneration;
- (ii) annual variable component called Short-Term Incentive STI (MBO) if objectives are achieved at target level;
- (iii) medium/long-term variable component comprising:
  - a. the annual value of the Long-Term Incentive (LTI) plan if multi-year objectives are achieved at target level,
  - b. the pro rata value (25%) of the STI (MBO) accrued and deferred, which is paid if the following year's STI (MBO) is achieved, and
  - c. an additional amount equal to the pro rata value (25%) of the STI (MBO) accrued and deferred, which is paid if the following year's target STI (MBO) is achieved, at least at target level.

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

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

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

**General Manager(s):** the persons identified 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 considered Executives or Senior Managers, depending on the role held, unless otherwise resolved by the Board of Directors of Pirelli & C. which classifies them as KM.

**KM:** means managers, identified by the Pirelli & C. Board of Directors in accordance with the procedure adopted by Board resolution adopted on 26 July 2019, having the power or responsibility for planning, managing and controlling the Company's activities or the power to make decisions that can impact its evolution or future prospects. Under the procedure (and, therefore, the LTI Plan), employees holding the following positions are in any case classified as KMR: (i) General Manager; (ii) Executive Vice President; (iii) Manager

responsible for the preparation of the corporate financial documents; (iv) Company Secretary and Corporate Affairs Officer.

**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.

**Group or Pirelli:** all the subsidiaries of Pirelli & C. and/or companies included in the consolidation scope of Pirelli & C.

**Management:** collectively means Directors holding special offices to whom specific duties have been attributed, General Managers, KM, Senior Managers and Executives.

**LTI Plan (2018-2020):** the 2018-2020 Long-Term Incentive Plan approved by the Board of Directors on 26 February 2018 and by the Shareholders' Meeting on 14 May 2018.

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

**GAS (gross annual salary):** the gross annual base salary of remuneration for the employees of a company belonging to the Group.

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

**STI (MBO):** means the annual variable component of remuneration that can be achieved if the predefined corporate objectives are achieved.

**Top Management:** collectively means Directors holding special offices to whom specific duties have been attributed, General Managers and KM.

## **1. BENEFICIARIES OF THE PLAN**

### ***1.1 List of named beneficiaries who are members of the Board of Directors of Pirelli & C., of the parent companies of Pirelli & C. and of the direct or indirect subsidiaries of the latter.***

The LTI Plan concerns Top Management and, except for specific cases, the entire Management of Pirelli and it could also be extended to those who during the three years covered by the LTI Plan become part of the Group and/or assume the position of Executive as a result of in-house career development. Where this happens, participation is conditional on participating in the LTI Plan for at least a full financial year and the incentive percentages are adjusted to reflect the number of months of actual participation in the LTI Plan.

The beneficiaries of the LTI Plan are, among others:

- the Executive Vice Chairman and Chief Executive Officer of Pirelli & C. Marco Tronchetti Provera;
- the Director Giovanni Tronchetti Provera (in his capacity as Senior Manager of the Group);
- the General Manager Operations of Pirelli & C. Andrea Casaluci;
- the KM.

Given that the LTI Plan extends to Group Executives in general, the plan beneficiaries will also be the Directors of the subsidiary companies of Pirelli & C. (controlled by it either directly or indirectly) who are at the same time Group Executives. It follows, therefore, that said individuals are LTI Plan beneficiaries only because they are part of the Group Management (and not in their capacities as Directors of Group companies or parent companies). Indeed, none of the LTI Plan beneficiaries are such by virtue of being Directors of Group Companies, and for that reason their names cannot be disclosed.

With reference to the Board Director of Pirelli & C. Giovanni Tronchetti Provera, note that he is a beneficiary of the LTI Plan, not as a member of the Board of Directors but as Senior Manager of the Group.

### ***1.2 Categories of employees or non-employee personnel of Pirelli & C. and of the parent companies or subsidiaries of Pirelli & C.***

As noted above (see section 1.1) the LTI plan is open to Group Executives in general and

may also be extended to those who join the Group during the 3-year period and/or assume the position of Executive as a result of in-house career development.

Accordingly, in addition to the Executive Vice Chairman and Chief Executive Officer of Pirelli & C., the LTI Plan beneficiaries are the employees of Pirelli & C. or of its direct or indirect subsidiaries inside or outside Italy and are included in one of the following categories:

- employees who are managers of Pirelli & C.;
- employees who are managers of one of the Italian subsidiaries of Pirelli & C.;
- employees of subsidiaries of Pirelli & C. whose registered office is located outside Italy and who hold a position or role that is equivalent to that of an Italian manager given the title of Executive.

The LTI Plan does not include any Group's consultants.

As of the date of the Information Document, in addition to the Executive Vice Chairman and Chief Executive Officer of the Company Marco Tronchetti Provera, the Director Giovanni Tronchetti Provera (as Senior Manager), the General Manager Operations Andrea Casaluci and the KM, 249 employees are beneficiaries of the LTI Plan due to their position of Executive in the Group, of which 72 due to their managerial employment contract with Pirelli & C. and the remaining 177 due to their role as Executive in one of the Group companies (in Italy or abroad) other than Pirelli & C.

### **1.3 List of named plan beneficiaries belonging to the following groups:**

#### **a) General Managers of Pirelli & C.**

The General Manager Operations Andrea Casaluci is a beneficiary of the LTI Plan.

#### **b) other Managers with strategic responsibility of Pirelli & C. who during the financial year have received aggregate compensation (the sum of cash compensation and financial instrument-based compensation) that is greater than the highest aggregate compensation assigned to members of the Board of Directors and General Managers of Pirelli & C.**

None of the KM of Pirelli & C. received aggregate compensation during the financial year that is greater than the highest aggregate compensation assigned to the members of the Board of Directors and General Managers and, in particular, than that assigned to the Executive Vice Chairman and Chief Executive Officer of Pirelli & C.

***c) natural persons who control Pirelli & C. that are employees or who work as non-employees of Pirelli & C.***

Not applicable (Pirelli & C. is controlled by China National Chemical Corporation Limited).

***1.4 Description and number, broken down by category:***

***a) of Managers with strategic responsibility other than those indicated under item 1.3(b)***

The KM of Pirelli & C. are beneficiaries of the LTI Plan, and on the date of adoption of the LTI Plan they are 7 (in addition to the General Manager Operations).

***b) in the case of “smaller” companies, pursuant to Article 3(1)(f) of Regulation no. 17221 of 12 March 2010, indication as an aggregate of all Managers with strategic responsibility of the issuer of financial instruments.***

Not applicable.

***c) any other categories of employees or non-employee personnel for whom the plan envisages different characteristics (e.g. managers, middle management, white-collar employees, etc.).***

The incentive scheme under the LTI Plan is the same for all LTI Plan beneficiaries (as described in section 2.2), though there are differences in the percentage level of the incentive awarded. The percentage level rises according to the role concerned and considering the benchmarks applicable to each role in terms of Annual Total Direct Compensation at the Target level.

## **2. REASONS FOR ADOPTION OF THE PLAN**

***2.1 Objectives to be achieved through grant of the plans.***

The LTI Plan was adopted by the Board of Directors on 19 February 2020, with performance objectives defined in keeping with the 2020-2022 Strategic Plan approved by the Board of Directors on the same date and in line with best practices for listed companies.

In general, and in line with the above, the Remuneration Policy for financial year 2020 adopted by Pirelli & C. (the “**2020 Policy**”) aims to attract, motivate and retain human resources with the professional standing required to pursue the business objectives.

Moreover, it aims to achieve the long-term interests through the multi-year variable components, encouraging the achievement of strategic objectives and the sustainable growth of the company and bringing Management's interests into line with those of the Shareholders.

The medium/long-term incentive objectives, for the purpose of paying beneficiaries of the LTI Plan the incentive established in the LTI Plan itself, have been set on the basis of the 2020-2022 Strategic Plan approved by the Board of Directors on 19 February 2020 (for a more extensive description of the targets see sections 2.2 and 2.3 below).

For more information on the reasons and criteria that led the issuer to establish the aforementioned ratios between the incentive bonuses indirectly based on financial instruments and other components of the total remuneration see section 3.2.

In this regard, note that when the 2020-2022 LTI Plan was launched, the Board of Directors, in order to support the 2020-2022 Strategic Plan, resolved to early close the 2018-2020 Long-Term Incentive Plan, effective as of 31 December 2019, without any payment, even pro-rata, of the three-year incentive.

Note, lastly, that the LTI Plan is governed by a “rolling” mechanism, with a performance period of 3 years for each cycle in order to guarantee a high level of retention and react to market evolutions.

***2.2 Key variables, including the performance indicators, used to attribute the financial instrument-based incentive plans.***

***2.3 Underlying elements in determining the amount of financial instrument-based compensation, or the criteria for determining it.***

Management remuneration has three main elements:

- gross annual base salary (GAS); in this regard, for completeness, note that at the meeting of 3 April 2020 the Board of Directors acknowledged and shared the willingness of the entire members of the Board of Directors to renounce part of their remuneration and in particular (i) the willingness of the Executive Vice Chairman and Chief Executive Officer to renounce, for three months, 50% of the gross annual fixed remuneration paid to him for the offices of Executive Vice Chairman and Chief Executive Officer, director and Chairman of some board committees; (ii) the willingness of the directors to renounce, for the second quarter of the financial year,



to the 50% of the compensation they are paid as directors and members of the board committees. Finally, at the same meeting the Board of Directors acknowledged the willingness of the leadership team (composed by KM and some Senior Managers, as defined in the Remuneration Report) to renounce 20% of their gross annual base salary for the second quarter of 2020.

- an annual variable component STI (MBO): this is a percentage of the gross annual base salary, with percentages that rise according to the manager's role and considering the benchmarks for each role. If the objectives are achieved at target level this percentage can range from a minimum of 20% of the gross annual base salary for Executives up to a maximum of 125% of the gross annual fixed component for the Directors holding special offices to whom specific duties have been attributed; the annual variable component STI is designed to reward, according to the role held, the short-term performances of the Group, Company and/or Business Unit/Region/department to which the person belongs. A maximum limit is applied to the STI (MBO) obtainable and is set at twice the incentive obtainable at the target level.

To support the continuity of the results over time, the payment of 25% of any accrued MBO is deferred to the following year, payment being subject to the accrual of the STI (MBO) for this year (and therefore its payment is potentially at risk), in addition to a possible increase of an equal amount with respect to the value of the accrued and deferred STI (MBO), depending on the achievement of the STI (MBO) objectives at least at target level (for the purposes of calculating the Annual Total Direct Compensation at Target level, this deferral and mark-up component is classified as a medium/long-term variable component). Again for completeness, it is specified that at the meeting on 3 April 2020, following the favourable opinion, as far as necessary, by the Board Committees and of the Board of Statutory Auditors, the Board of Directors, as part of the actions taken to respond to the COVID-19 health emergency, resolved - subject to the approval of the Shareholders' Meeting of the 2020 Policy and the consultative vote on the Compensation Report - to early close the 2020 STI (MBO) Plan without payment and, as a result (i) to pay, in the first quarter of 2021, to the 2019 STI (MBO) Plan beneficiaries the 25% of the 2019 STI (MBO) accrued and initially dependent upon

achievement of the 2020 STI (MBO) objectives, making the payment conditional upon the beneficiaries maintaining their employment relationship/position as director at the company until such date (except for “good leavers” who will receive this component nonetheless), and (ii) to remove the possibility to increase the 2019 STI (MBO).

- medium/long-term variable component (LTI): this remuneration component is made up of the LTI bonus aimed at rewarding Group performance during the 2020-2022 period (“**LTI Bonus**”), and the deferral and mark-up component of the STI (MBO).

The LTI Plan is based on cash, excluding any provision for shares or share options, and delivers a medium/long-term incentive set as a percentage of the gross annual base salary/GAS. Said three-year percentage rises in relation to the role held and is fixed with reference to the benchmarks for each such role and, where the objectives are attained at target level, it varies from a minimum 45% of the gross annual base salary for Executives up to a maximum of 210% of the gross annual base salary for Directors holding a special office who have been assigned specific functions. There is a limit to the maximum incentive that can be achieved if all the maximum performance objectives are achieved, which varies from a minimum of 120% of the GAS to a maximum of 600% of the GAS.

In line with recent market developments, the 2020-2022 LTI Plan does not have an access condition.

The following types of objective have been set, all independent of each other, and their weights:

- cumulative Group Net Cash Flow (before dividends), with weight of 40% of the total LTI bonus at target level;
- Group Total Shareholder Return (“TSR”) relating to a panel of “peers” (TIER1: Continental, Michelin, Nokian, Goodyear, and Bridgestone), with a weight of 40% at target level;
- two Sustainability indicators: Dow Jones Sustainability World Index ATX Auto Component sector and CDP Ranking, each with a weight of 10% at target level.

For all objectives there is a minimum value (access threshold) associated with payment of an incentive of 75% of the incentive achievable at target performance.

In reference to each objective, if the minimum value (or access threshold) set is not achieved, the beneficiary accrues no right to the payment of the related incentive share.

The LTI objectives that apply equally to the various managerial grades, together with their respective weightings at the target level, are tabulated below.

<b>Objective</b>	<b>Weighting at the target level</b>
Cumulative Group Net Cash Flow (before dividends)	40%
“Relative” TSR with respect to a selected panel of peers	40%
Dow Jones Sustainability World Index ATX Auto Component sector	10%
CDP ranking	10%

Regarding the TSR and cumulative Group Net Cash Flow objectives, for intermediate results ranging between the minimum value (access threshold) and the target value or between the target value and the maximum value, performance will be calculated by linear interpolation. Sustainability objectives will be calculated in just three steps: entry level, target and maximum, without considering intermediate performances. The positioning in the rankings will be assessed at the end of each three-year period, therefore representing at target one third of the total bonus linked to each of the two sustainability objectives. Further information regarding performance levels, thresholds and targets are contained in the Remuneration Report prepared and submitted to the vote of Pirelli & C. Shareholders, pursuant to Article 123-ter, paragraphs 3 and 6, TUF.

***2.4 Reasons for any decision to grant compensation plans based on financial instruments not issued by Pirelli & C., such as financial instruments issued by subsidiaries or parent companies or by other, non-group, companies; if these financial instruments are not traded on regulated markets, information about the criteria used to determine the value attributable to them.***

Not applicable.

**2.5 Considerations in regard to material tax and accounting implications that affected definition of the plans.**

There are no tax and accounting implications that affected definition of the LTI Plan.

**2.6 Any support for the plan from the Special Incentive Fund for worker participation in businesses, pursuant to Article 4 (112) of Law 350 of 24 December 2003.**

Not applicable.

**3. APPROVAL PROCEDURE AND TIMING REGARDING THE ASSIGNMENT OF INSTRUMENTS**

**3.1 Scope of powers and functions delegated by the Meeting of the Shareholders to the Board of Directors for implementation of the plan.**

The LTI Plan is exclusively a cash incentive plan. Therefore, there is no provision that the Shareholders' Meeting delegate specific powers and/or functions for its implementation to the Board of Directors, which is entrusted with all powers in this regard.

The LTI Plan is submitted for the approval of the Shareholders' Meeting to the extent to which the incentive is linked to the stock market performance of Pirelli shares, as explained. Moreover, the LTI Plan is included in the 2020 Policy, subject to the approval of the Shareholders' Meeting.

**3.2 The bodies/persons charged with managing the plan, and their function and responsibilities.**

After 31 December 2022, the Board of Directors of Pirelli & C., following an examination by the Remuneration Committee, will verify the achievement of the objectives in the LTI Plan and will determine - only for the Executive Vice Chairman and Chief Executive Officer, the General Manager Operations of Pirelli & C. and, cumulatively, the KM (included among the persons indicated in section 1.1.), with the abstention of the recipients in deliberations regarding their own remuneration - the amount of the bonus due to them, which will be paid, if the objectives have been achieved, no later than the first half of 2023.

For all other beneficiaries, the LTI Plan incentive will be calculated by the Company's Human Resources and Organization Department and its Planning and Control Department.

The same obligations will be fulfilled each year after 2022, with reference to the subsequent

cycles of the LTI Plan which, as indicated below, has a “rolling” mechanism. Moreover, in view of the “rolling” mechanism, as of 2021, the Board of Directors, as proposed by the Remuneration Committee and having heard the opinion of the Board of Statutory Auditors, will define the performance indicators and relative objectives for the three year period ending on 31 December 2023 and thereafter from year to year for the subsequent three-year cycles. The performance indicators and relative objectives will only be submitted for the approval of the shareholders’ meeting if the LTI Plan has the characteristics set out in art. 114-bis TUF (compensation plans based on financial instruments).

***3.3 Any procedures in place for revising the plans, including in the event that the basic objectives are altered.***

The LTI Plan provides for the possibility - subject to examination by the Remuneration Committee and an opinion by the Board of Statutory Auditors - of the Board of Directors of Pirelli & C. deciding to adjust the targets in the LTI Plan (either downwards or upwards) in the event of extraordinary operations that are not foreseeable on the date of approval of the LTI Plan and that modify the scope of consolidation of the Group and/or of far-reaching changes in the macroeconomic and business scenario. The purpose is to preserve the aims of the LTI Plan and to guarantee that the objectives of the enterprise and those underlying the Management incentive systems are kept in constant alignment, in case of extraordinary circumstances, unforeseeable at the time when the plan was prepared.

Pirelli & C. Directors who participate in any capacity in the LTI Plan will not cast a vote on any possible adjustment of the above-mentioned targets.

Moreover, the LTI Plan has a “rolling” mechanism, with a performance period of 3 years for each cycle, in order to: (i) guarantee a high degree of flexibility, making it possible, for each new three-year cycle, to bring the performance indicators into line with the evolution of the market and company and, therefore, the Company’s strategic plans; (ii) create a recurring element of the remuneration policy insofar as each year, it envisages the launch of a new cycle.

***3.4 Description of the procedures for determining the availability and assignment of the financial instruments on which the plans are based (for example, bonus issue of shares, capital increases without pre-emption rights, purchase and sale of***

**treasury shares).**

Not applicable.

Since the LTI Plan is a monetary plan, it does not provide for the granting of shares or financial instruments but rather the payment of a cash incentive.

**3.5 Role played by each director in determining the characteristics of the cited plans; existence of any conflicts of interest involving the respective Directors.**

Pursuant to Article 2389 Italian Civil Code, the 2018-2020 LTI Plan has been approved, upon proposal of the Remuneration Committee, by the Board of Directors of Pirelli & C., subject to a favourable opinion by their Board of Statutory Auditors.

The Executive Vice Chairman and Chief Executive Officer of Pirelli & C. did not take part to the resolution approving the LTI Plan or to the resolution approving his inclusion among the beneficiaries adopted by the Board of Directors.

The Director of Pirelli & C. Giovanni Tronchetti Provera, beneficiary of the LTI Plan in his capacity as Senior Manager of the Group, did not participate in the resolution adopted by the Board of Directors of Pirelli & C. or the one on his inclusion among the beneficiaries of the LTI Plan.

**3.6 Date of the decision by the competent body to propose approval of the plans to the Meeting of the Shareholders and of any proposal by the remuneration committee, where such exists.**

In its meeting of 19 February 2020, the Board of Directors of Pirelli & C. – as proposed by the Remuneration Committee (held on 17 February 2020) and with the favourable opinion of the Board of Statutory Auditors – approved the new LTI Plan and, on 2 March 2020 – as proposed by the Remuneration Committee (held on 27 February 2020) and with the favourable opinion of the Board of Statutory Auditors – approved the Report on the remuneration policy and compensation paid, as well as the Report to the Shareholders' Meeting of Pirelli & C. called for 18 June 2020 (on single call), with the proposal to adopt the 2020-2022 LTI Plan for the Management of the Pirelli Group as regards the part based on the performance of Pirelli shares.

**3.7 Date of the decision by the competent body to grant financial instruments and of any proposal to that body made by the remuneration committee, where such exists.**

Not applicable.

**3.8 Market price recorded on the above dates for the financial instruments on which the plans are based if those instruments are traded on regulated markets.**

Part of the LTI bonus is calculated on the basis of the Total Shareholder Return, with a weight of 40%, relating to a panel of selected peers made up of Continental, Michelin, Nokian, Goodyear, and Bridgestone.

The period of comparison is the second half of 2022 against the second half of 2019.

**3.9 In the case of plans based on financial instruments traded on regulated markets, in what terms and in what way the issuer, in deciding when to assign the instruments pursuant to the plans, gives consideration to a possible concomitance of :**

**i) said grant, or any decisions in this regard by the remuneration committee, and  
ii) the disclosure of any material information pursuant to Article 17 of the EU Regulation No 596/2014; for example, where such information is:**

**a. not already public and could have a positive impact on market quotations, or**

**b. already published and could have a negative impact on market quotations.**

Not applicable.

#### **4. CHARACTERISTICS OF THE INSTRUMENTS GRANTED**

**4.1 Description of the type of structure of the share-based compensation plans.**

Not applicable. No provision is made for assigning financial instruments. Instead, the LTI Plan pays out a cash incentive to the beneficiaries depending on their achievement of the objectives indicated in section 2.2.

**4.2 Indication of the period when the plan is actually implemented, including reference, where such provision is made, to any other cycles.**

The LTI Plan refers to the three-year period 2020-2022 and has a “rolling” mechanism. The subsequent cycles shall have a three-year duration as of 2021, with the start of each three-year cycle from year to year.

**4.3 End of the plan.**

The LTI Plan shall end on 31 December 2022 and any incentive due to beneficiaries shall be paid in the first half of 2023.

The LTI Plan includes a “rolling” mechanism, with a performance period of 3 years for each cycle and, therefore, 31 December 2022 represents the end of the first cycle. For the subsequent cycles, the date is set as 31 December of the last year of the three-year period and any incentive due to beneficiaries shall be paid in the first half of the subsequent year. With reference to the effects of termination of the employment relationship and/or term of office during the LTI Plan, see 4.8.

**4.4 Maximum number of financial instruments, including in the form of options, assigned every tax year to each named person or to the indicated categories.**

Not applicable. The LTI Plan makes no provision to grant financial instruments but rather pays out a cash incentive.

**4.5 How the plan operates and its governing clauses, specifying whether actual assignment of the instruments depends on meeting conditions or achieving certain results, including performance results; description of these conditions and results.**

Not applicable.

However, the way the LTI Plan operates is described in the previous sections.

**4.6 Indication of any availability restrictions applying to the instruments granted or to instruments obtained through exercising the options, particularly deadlines for allowing or prohibiting subsequent transfer to the Company itself or to third parties.**

Not applicable.

**4.7 Description of any conditions subsequent applying to the grant of the plans if beneficiaries execute hedging transactions that can circumvent any bans on selling the financial instruments granted, even in the form of options, or on selling the financial instruments obtained through exercising these options.**

Not applicable.

**4.8 Description of the effects if the work relationship is terminated.**



Where, prior to the end of the 3-year period of the plan, the employment relationship with Pirelli & C. or a Group company is terminated, for whatever reason, the beneficiary will no longer participate in the LTI Plan and as a consequence the LTI bonus will not be paid out, not even pro-rata. For Directors holding special offices to whom specific duties have attributed (such is the case of the Executive Vice Chairman and Chief Executive Officer, Mr. Marco Tronchetti Provera) who cease to hold office due to having completed their mandate or 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.

***4.9 Indication of any other causes that determine the annulment of the plans.***

The Regulation does not provide for causes for annulment of the LTI Plan. It should be noted that the LTI Plan includes a so-called clawback mechanism. 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 persons concerned, enabling Pirelli to claim back (in whole or in part), within three years of the payment thereof, incentives paid to the aforementioned 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.

***4.10 Reasons for any provision for "redemption" by the Company of the financial instruments in the plans, pursuant to Articles 2357 et seq. Italian Civil Code; beneficiaries of the redemption, stating whether it applies only to specific categories of employees; how redemption may be affected by termination of the work relationship.***

Not applicable.

***4.11 Any loans or other benefits to be granted for purchase of the shares pursuant to Article 2358 Italian Civil Code.***

Not applicable.

**4.12 Estimate of the expected cost for the Company at the date of the assignment, as may be determined on the basis of terms and conditions already established, expressed as a total amount and in relation to each instrument of the plan.**

The costs for the entire LTI bonus are included in the 2020-2022 Strategic Plan objectives, so that the cost of the LTI plan is "self-financed" by fulfilment of the objectives themselves.

In particular, it is possible to estimate, on the basis of the number of beneficiaries at the Information Document date, that the total consolidated cost relating to the LTI Plan for the 3-year reference period falls between a minimum of euro zero (objectives not achieved) and a maximum of about euro 113 million if the maximum objectives envisaged in the LTI Plan are achieved.

**4.13 Indication of any dilution of capital resulting from the compensation plans.**

Not applicable.

**4.14 Any limits applying to the exercise of the voting right and to the conferral of economic claims.**

Not applicable.

**4.15 If the shares are not traded on regulated markets, all information as may assist in properly assessing the value attributable to them**

Not applicable.

**4.16 Number of financial instruments underlying each option.**

Not applicable.

**4.17 Expiry of options.**

Not applicable.

**4.18 Procedures (American/European), timing (e.g. periods valid for exercise), and clauses (e.g. knock-in and knock-out clauses) affecting exercise.**

Not applicable.

**4.19 Exercise price of the option or the ways and criteria for determining it, particularly in regard to:**

**a) the formula for calculating the exercise price in relation to a specific market price (fair market value) (e.g. exercise price of 90%, 100% or 110% of market price), and  
b) ways of determining the market price used as a reference for determining the exercise price (e.g. last price of the day before grant, average for the day, average over the last 30 days, etc.).** Not applicable.

**4.20 If the exercise price is not equal to the market price determined as indicated in section 4.19.b (fair market value), reasons for this difference.**

Not applicable.

**4.21 Criteria adopted for setting different exercise prices for different beneficiaries or categories of beneficiaries.**

Not applicable.

**4.22 If the financial instruments underlying the options are not traded on regulated markets, indication of the value attributable to the underlying instruments or the criteria used to determine this value.**

Not applicable.

**4.23 Criteria for the adjustments necessary after extraordinary capital operations and other operations that alter the number of underlying instruments (capital increases, extraordinary dividends, consolidation or splitting of the underlying shares, merger and demerger, conversion into other classes of shares, etc.).**

In the event of extraordinary capital operations that modify the scope of consolidation of the Group and/or far-reaching changes in the macroeconomic and business scenario, unforeseeable on the date of approval of the LTI Plan, the Company reserves the right to propose to the Remuneration Committee a possible adjustment of the target levels (downwards or upwards) in the LTI Plan, in order to defend the value and aims of the Plan, in this way guaranteeing that the business aims and those underlying the Management incentive arrangements are kept constantly aligned (see also section 3.3 above).

**4.24 Share issuers shall append the accompanying Table 1, filled out as follows:**

**a) in all cases, the parts as applicable in section 1 of both boxes 1 and 2;**

**b) the parts as applicable in section 2 of both boxes 1 and 2, on the basis of the characteristics already defined by the Board of Directors.**

**Regarding the members of the Board of Directors or the Management Board, the general managers, and other managers with strategic responsibility of the listed issuer, the data relevant to Section 1, Table 1, and the information sought in paragraph 1 under:**

**- section 1 ;**

**-points a) and b) of sub-section 1.3;**

**-points a) and b) of sub-section 1.4;**

Not applicable.

Since the LTI Plan is a monetary plan, it does not provide for the granting of shares or financial instruments but solely the payment of a cash incentive.