



Pirelli & C. S.p.A.

Reports to the Meeting of 15 May 2019

Consultation on the Pirelli Group Remuneration Policy

(item 3 on the agenda)

Illustrative report prepared by the Directors pursuant to Article 125-ter of Legislative Decree 24 February 1998, no. 58 and subsequent amendments and additions, approved by the Board of Directors on 26 February 2019.

Dear Shareholders,

In accordance with Art. 123-ter. paragraphs 3 and 6 of the Consolidated Finance Act (“**TUF**”), we have called upon you to submit to your advisory vote section 1 of the Remuneration Report, explaining the Remuneration Policy on the members of the governing bodies, the General Managers and Executives with strategic responsibilities to which Pirelli refers for the definition of the remuneration of the *Senior Managers* and *Executives* of Pirelli.

The Policy submitted to your vote has been drafted on the basis of last year's Policy and relevant practical experience and takes into account the regulatory provisions adopted by Consob, as well the 2018 adoption of a new *Long-Term Incentive Cash Plan* for the period 2018-2020 (“**LTI Plan**”) – as approved by last year's Shareholders' Meeting, which, inter alia, provided that part of the incentive be determined on the bases of *Total Shareholder Return* objectives calculated as *Pirelli performance* and with respect to an index consisting of selected “*peers*” in the Tyre sector – to support the new 2017-2020 Industrial Plan, disclosed to the market upon the flotation on 04 October 2017.

As provided for in Art. 123-ter of the TUF, the Remuneration Report submitted for your vote is divided into two distinct sections:

- I. Section 1 explains:
 - a. the Policy for the remuneration of the Directors, General Managers and Executives with strategic responsibilities, to which Pirelli also refers to define the remuneration of *Senior Managers* and *Executives*;
 - b. the procedures used to adopt and implement the said Policy.
- II. Section 2, on behalf of the members of the governing and audit bodies, for the *Operations* General Manager, and, in aggregated form, for Executives with strategic responsibilities explains:
 - a. the items making up the remuneration, including payments to be made in the event of severance of employment or termination of the working relationship;
 - b. the salary paid in the 2018 financial year for any reason and in any form by the Company and its subsidiaries and affiliates, indicating any components of the said salary that refer to work carried out in financial years prior to the year in question, and also highlighting the salaries to be paid in one or more subsequent financial years for work carried out in the year in question, which may indicate an estimated value for components that cannot be objectively quantified during the year in question.

As provided for by the Consolidated Finance Act, we request that you express your advisory vote on the part of the remuneration report referred to in section 1.

REMUNERATION REPORT

PREAMBLE

This Remuneration Report (“**Report**”), approved by the Board of Directors on 26 February 2019, upon a Remuneration Committee proposal, consists of two sections:

- Section I: “Policy” for the 2019 financial year (“**2019 Policy**” or “**Policy**”) and
- Section II: “Remuneration Report” for the 2018 financial year (“**2018 Remuneration Report**”).

The Report has been drawn up in accordance with Art. 123-ter of Italian Consolidated Law on Finance and with Art. 84-quater of the Consob Issuers’ Regulations¹ on the basis of Scheme 7-bis in Appendix 3 A of the Issuers’ Regulations. The European Commission’s recommendations for the Directors of listed companies have been taken into account in the drafting of the Report, as well as the recommendations of the Corporate Governance Code of the listed companies approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, as adhered to by Pirelli.

The Report has also been drafted for the purposes established under Art. 14 of the Pirelli Related-Party Transactions Procedure.

The 2019 Policy sets out principles and guidelines to which:

- the Board of Directors abides to determine the remuneration of the Directors of Pirelli & C. S.p.A. (“**Pirelli & C.**”), with particular regard to the Directors with specific responsibilities, the General Managers and Executives with strategic responsibilities;
- Pirelli refers thereto to set the remuneration of Senior Managers and, more generally, of Executives.

The 2018 Remuneration Report, submitted to the Shareholders’ Meeting for information purposes, provides the final remunerations for the 2018 financial year.

In order to facilitate the understanding and the reading of the Report, please find below a glossary of some of the recurring terms:

Directors with specific responsibilities: means the Directors of Pirelli & C. who hold the positions of Chairman and Executive Vice President and Chief Executive Officer. Directors with specific responsibilities in other Pirelli companies, who are also executives of the Group (except where a decision of the Board of Directors of Pirelli & C. classifies them as “Executives with strategic responsibilities”) for the purposes of the Policy are, in relation to their role, an Executive or Senior Manager.

¹ Consob resolution no. 11971 of 14 May 1999

Directors with no specific responsibilities: means all the Directors of Pirelli & C. different from the Directors with specific responsibilities. Directors with no specific responsibilities in other Pirelli companies, who are also executives of the Group (except where a decision of the Board of Directors of Pirelli & C. classifies them as “Executives with strategic responsibilities”) for the purposes of the Policy who are, in relation to their role, an Executive or Senior Manager.

Annual Total Direct Compensation at Target: means the sum of the following components, regardless of whether they are paid by Pirelli or by another company of the Group:

- (i) fixed gross annual component of the remuneration;
- (ii) annual variable component (MBO) received by the beneficiary in case of the target objectives are achieved;
- (iii) medium-long term variable component constituted by:
 - a. annual amount of the Long Term Incentive Plan (LTI) that the beneficiary would receive in case of the objectives set for multiple years are achieved at target;
 - b. annual mechanism of deferment payment of the pro-quota MBO accrued and payment of an increase of the full accrued MBO (during the year following the year of accrual of the MBO) in case of achieving the annual objectives at target.

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

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

General Manager/s: person/s indicated by the Board of Directors of Pirelli & C. as having broad powers in the management of business sectors. Persons holding the position of General Manager in other Pirelli companies (except where a decision of the Board of Directors of Pirelli & C. classifies them as “Executives with strategic responsibilities”) for the purposes of the Policy, are, in relation to their role, an Executive or Senior Manager.

Executives with strategic responsibilities or ESR: executives, identified by an express decision of the Board of Directors of Pirelli & C., who have power or the responsibility for planning and supervising the operations of the Company or the power to adopt decisions which may affect the evolution or the future perspective of the Company or more generally Pirelli.

Executives: means the executives of the Italian Pirelli companies or the employees of foreign companies of the Group who hold a position or role comparable to that held by an Italian executive.

Pirelli Group or Pirelli or Group: means all the companies included within the scope of consolidation of Pirelli & C. S.p.A..

LTI: means the Long-Term Incentive Plan currently in force (2018-2020).

Management: means all Directors with specific responsibilities, General Managers, Executives with strategic responsibilities, Senior Managers and Executives.

MBO: means the annual variable component of the remuneration which may be obtained in case of achievement of certain predetermined objectives.

Retention Plan: means the Retention Plan as explained in section 9 below.

GAR: means the fixed gross annual remuneration for individuals who are employed by a Pirelli Group company.

Senior Managers: means those directly responsible (i) to Directors with specific responsibilities who are assigned specific duties, (ii) to General Managers, if the activity of the Senior Manager has a significantly impact on the business results.

Company o Pirelli & C.: means Pirelli & C. S.p.A..

Top Management: means all Directors with specific responsibilities, General Managers and Executives with strategic responsibilities.

EXECUTIVE SUMMARY

	Purposes	Operating methods	Beneficiaries
Fixed Remuneration	Appreciate the managerial skills and professional backgrounds and contribution requested in relation to the role	Is defined considering the characteristics, liabilities and any eventual powers assigned to the role, taking into account the market references, in order to ensure the competitiveness of the remuneration offer	<p>Chairman: €400,000</p> <p>Executive Vice President and CEO: €2,400,000</p> <p>General Manager: €750,000</p> <p>ESR: no more than 50% of the Annual Total Direct Compensation at Target</p> <p>Senior Managers and Executive: no more than 60% (Senior Managers) and 75% (Executive) of the Annual Total Direct Compensation at Target</p>
Short Term Variable Remuneration (MBO)	Direct to motivate managerial resources towards the achievement of annual objectives of the Company, retaining a strong alignment to the sustainability of the medium-long term through a mechanism of partial deferral	<p>Is directly linked to the achievement of the performance objectives assigned to each beneficiary in accordance with the role.</p> <p>Furthermore, the accrual of the incentive is subject to the achievement of a condition of access identified, generally, in the Net Financial Position.</p> <p>The objectives for the year 2019 are the following:</p> <ul style="list-style-type: none"> • EBIT (Group/Region/BU) • Net Financial Position • EBT • Sustainability • Unit/function objectives (only for Senior Managers/Executive Region/BU) <p>A part of the incentive annually accrued, equal to 25%, is deferred and subject to further performance conditions</p>	<p>Chairman: is not included among the beneficiaries of the Plan.</p> <p>Executive Vice President and CEO:</p> <ul style="list-style-type: none"> • <i>Entry level:</i> 75% of the target incentive • <i>Target:</i> 125% of the fixed remuneration • <i>Cap:</i> 200% of the target incentive <p>General Manager and ESR:</p> <ul style="list-style-type: none"> • <i>Entry level:</i> 75% of the target incentive • <i>Target:</i> 50 - 75% of GAR • <i>Cap:</i> 200% of the target incentive <p>Senior Managers and Executive:</p> <ul style="list-style-type: none"> • <i>Entry level:</i> 75% of the target incentive • <i>Target:</i> 20% - 40% of GAR • <i>Cap:</i> 200% of the target incentive

<p>Long Term Variable Remuneration</p>	<p>Intends to promote the creation of value in a long-term vision of sustainability and the achievement of the objectives of the Strategy Plan of the Company, facilitating the retention and the engagement of the persons</p>	<p>The 2018-2020 LTI Plan: monetary incentive, subject to the achievement of an on/off condition linked to the al deleveraging (Net Financial Position/EBITDA adjusted)</p> <p>subordinate to the achievement of the following multiannual objectives:</p> <ul style="list-style-type: none"> • ROS Group • Absolute TSR • Relative TSR • Ranking Pirelli in the Dow Jones Sustainability Index (subject to the achievement of at least one of the objectives provided above) <p>There is a threshold (equal to 75% of each objective) below which no incentive is paid and a cap maximum amount equal to 2 times the incentive at targets.</p> <p>Vesting Period: 3 years</p>	<p>Chairman: not included among the beneficiaries of the Plan.</p> <p>Executive Vice President and CEO:</p> <ul style="list-style-type: none"> • <i>Entry level:</i> 75% of the target incentive • <i>Three-year Target:</i> 250% of the fixed remuneration • <i>Cap:</i> 200% of the target incentive <p>General Manager and ESR:</p> <ul style="list-style-type: none"> • <i>Entry level:</i> 75% of the target incentive • <i>Three-year Target:</i> 167% - 200% of GAR • <i>Cap:</i> 200% of the target incentive <p>Senior Managers and Executive:</p> <ul style="list-style-type: none"> • <i>Entry level:</i> 75% of the target incentive • <i>Three-year Target:</i> 50% - 167% of GAR • <i>Cap:</i> 200% of the target incentive
<p>Other institutions</p>	<p>Ensure the stability of the organization and the contribution to the implementation of the Strategic Plan of the Company.</p> <p>Protect the know-how and to protect the Company from the competition.</p>	<ul style="list-style-type: none"> • Retention Plan: extraordinary plan retention which runs for four years (2017-2021). • Non-competition agreements: restriction for the sector in which the Group operates and the territorial extension. The breadth varies in relation to the role covered. 	<p>Chairman: not included among the beneficiaries of the Retention plan and the non-competition agreements.</p> <p>Executive Vice President and CEO: not included among the beneficiaries of the Retention plan and the non-competition agreements.</p> <p>Retention Plan: exclusively for the General Manager, ESR and selected Senior Managers/Executives. The maximum level of retention bonus is 2.3x the Total Direct compensation at Target 2017</p> <p>Non-competition agreements: for the General Manager, the Executives with strategic responsibilities and Senior Managers and Executives with professionalism particularly critical. Provides for payment of a fee relative to the GAR, in relation to the duration and the extent of the obligation</p>

REMUNERATION POLICY FOR YEAR 2019

1. PARTIES INVOLVED IN THE DEFINITION AND IMPLEMENTATION OF THE POLICY

Parties involved in the Process

The definition of the Policy is the result of a clear and transparent process in which the Remuneration Committee and the Board of Directors play a central role. In fact, it is adopted and annually approved by the Board of Directors, upon proposal of the Remuneration Committee. The Board of Directors submits the Policy to the advisory vote of the Shareholders' Meeting.

On the Policy the Board of Statutory Auditors expresses its opinion, in particular, with regard to the part relating to the remuneration of Directors with specific responsibilities.

The Remuneration Committee, the Board of Statutory Auditors and the Board of Directors supervise its application. To this end, at least once a year, on the occasion of the presentation of the Report, the head of Human Resources & Organization Department reports to the Remuneration Committee on the application of the Policy; subsequently, the Chairman of the Remuneration Committee reports to the Board of Directors.

The 2019 Policy - which was proposed by the Remuneration Committee, and subsequently approved by the Board of Directors, after obtaining the favourable opinion of the Board of Statutory Auditors, on 26 February 2019 - is submitted to the examination and advisory vote of the Shareholders' Meeting.

For completeness, it is reminded that, according to law, the Board of Directors is entitled to adopt (or, if specified by law, to propose to the Shareholders' Meeting) incentive mechanisms through the allocation of financial instruments or options on financial instruments which, if approved, shall be disclosed to the public at the latest in the Report (without prejudice to the further transparency obligations prescribed by the applicable law). At the date of this Report, the Company has no incentive plans based on financial instruments².

Shareholders' Meeting

The Shareholders' Meeting:

- at the time of appointment, determines the gross annual remuneration payable to the members of the Board of Directors, excluding the remuneration of Directors with specific responsibilities;
- at the time of appointment, determines the gross annual remuneration due to the members of the Board of Statutory Auditors;

² It is pointed out that Pirelli adopted an LTI Plan 2018-2020 with objectives linked to the performance of Pirelli & C. stock (as better illustrated).

- expresses advisory vote on the first section of the Remuneration Report;
- resolves, upon proposal of the Board of Directors, to adopt any eventual incentive mechanisms based on the allocation of financial instruments or options on financial instruments.

Board of Directors

The Board of Directors:

- resolves upon the allocation of the total remuneration determined by the Shareholders' Meeting among the directors;
- defines the remuneration policy of Executive Directors, Directors with specific responsibilities, General Managers and Executives with strategic responsibilities;
- determines the remuneration of Directors with specific responsibilities in accordance with Art. 2389, paragraph 3, of the Italian civil code, as well as those of General Managers;
- defines the performance objectives related to the variable component of the remuneration of Executive Directors, General Managers and Executives with strategic responsibilities;
- defines the remuneration of the Manager of the Internal Audit Department upon the proposal of the Audit, Risks, Sustainability and Corporate Governance Committee.

Remuneration Committee

The Remuneration Committee is appointed by the Board of Directors (who appoints also the Chairman) and remain in office for the entire duration of the Board of Directors.

At the date of this Report, the Committee is composed by four members, all non-executive directors, the majority of whom independent, and, in line with the requirements of the Corporate Governance Code, the Chairman of the Committee is an independent director.

At the date of this Report, the members of the Committee are the following:

REMUNERATION COMMITTEE		
	Name and Surname	Office
	Bai Xinping	Not Executive Director
	Laura Cioli	Not Executive Independent Director
	Tao Haisu	Not Executive Independent Director
	Giovanni Lo Storto	Not Executive Independent Director

The Directors Laura Cioli and Giovanni Lo Storto have been evaluated by the Board of Directors as directors in possession of adequate accounting and financial experience, as well as knowledge in remuneration policies.

The entire Board of Statutory Auditors is entitled to participate at the meetings of the Remuneration Committee.

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

The Committee has consultative, proactive and supervisory functions aimed to ensure the definition and application, within the Group, of the remuneration policies aimed to attract, retain and motivate persons in possession of professional qualities required to pursue the objectives of the Group, on the one hand, and to align the interests of the Management with those of the Shareholders, on the other hand.

In particular, the Remuneration Committee:

- assists the Board of Directors in the definition of the Policy, formulating proposals on this subject;
- periodically evaluates the adequacy, the overall consistency and the actual application of the Policy, also on the basis of the information provided by the managing directors, and formulates proposals to the Board of Directors on this subject;
- with reference to the Executive Directors and the other Directors with specific responsibilities and General Managers makes proposals or issue opinions to the Board of Directors:
 - for their remuneration, in line with the Policy;

- for the identification of performance objectives related to the variable component;
- for the definition of any non-competition agreements;
- for the definition of any agreements regulating the termination of the relationship with the Company, based also on the principles set out in the Policy;
- with reference to the Executives with strategic responsibilities verifies the coherence of their remuneration with the Policy and expresses its opinion on the same, even according to the Transactions with Related Parties Procedure;
- assists the Board of Directors in examining the proposals to the Shareholders' Meeting on the adoption of compensation plans based on financial instruments;
- monitors the implementation of the decisions adopted by the Board of Directors verifying, in particular, the actual achievement of performance objectives established;
- examines and submits to the Board of Directors the annual report on remuneration which, for the members of the management and control bodies of the Company, General Managers and, in aggregate form for the Executives with strategic responsibilities:
 - a. provides an adequate representation of each of the items of the remuneration;
 - b. analytically illustrates the remuneration paid in any respect and in any form during the relevant financial year by the Company and its subsidiaries.

In relation to the operation of the Remuneration Committee, see the Report on corporate governance and share ownership.

2. PURPOSES AND PRINCIPLES OF THE REMUNERATION POLICY 2019

The Policy aims to attract, retain and motivate persons with the professional qualities required to pursue the objectives of the Company. Pirelli defines and applies a Policy characterised:

- for the Top Management and for the Senior Management, by attractiveness aiming to the third quartile of the target market comparison (compared to the benchmark used);
- for Executive, in line with practice from the markets of comparison.

The Annual Total Direct Compensation at Target constitutes the reference for this comparison with the market.

The analysis of the positioning, composition and, more generally, of the competitiveness of the remuneration of Directors with specific responsibilities is carried out by the Remuneration Committee and the Board of Directors with the support of independent companies specialised in executive compensation (Willis Towers Watson) on the basis of methodological approaches permitting to assess them, although within the typical limits of the benchmark analysis, the

complexity of the roles from an organizational point of view, the specific powers conferred and the impact of the individual on the final results of the business.

In particular, in the definition of the panel of reference annually updated we take into account the different components, as the sector, geography, specificity of the business, size of the company.

The sample of companies of reference used for the analysis of competitiveness and for the review of the remuneration of the Executive Vice President and Chief Executive Officer of Pirelli & C. was updated, with the support of Willis Towers Watson, also taking into consideration the principal recommendations on pay for performance and it is now composed of 16 companies most comparable to the two panel (“Car & Tire” and “Large Cap Europe”) used up to last year.

The 16 companies that are part of the panel are:

Peer Group			
Burberry Group	Electrolux	Peugeot	Richemont
BMW	FCA	Philips	Rolls-Royce
Continental	Hermes Intl.	Reckitt Benckiser Group	Volkswagen
Daimler	Michelin	Renault	Volvo

The structure of the remuneration of the Management, which is defined on the basis of the national and international benchmarking prepared by companies specialised in the executive compensation (Korn Ferry-Hay Group), is composed of three main elements:

- gross annual fixed component (GAR);
- variable annual component (MBO);
- variable component of medium/long-term (LTI) intended to reward performance in the period 2018-2020 of Pirelli Group.

The fixed component shall be established on the basis of the significance of the position, professional seniority, skills required to the individual to act in the role, or on the basis of the liabilities, of the performance achieved over time, as well as the performance of the package of comparison relating to the position held by the individual.

The variable components (MBO and LTI) are determined - taking account of the reference benchmark for each figure - in a percentage of the fixed component, growing in relation to the role covered by the beneficiary.

The MBO Plan is extended to the whole Management and is directed to reward performance of the beneficiary in the short term; except for specific cases, the MBO Plan may be extended to those who become part of the Group during the year and/or take the position of Executive for internal growth.

The MBO objectives for the Directors with specific responsibilities and to which are delegated specific power, for the General Managers and the Executives with strategic responsibilities are established by the Board of Directors (without the participation of the interested persons to the resolution) upon the proposal of the Remuneration Committee (paragraphs 4 e 5).

Instead, the objectives of the Senior Manager and the Executives are defined by the hierarchical superior, in agreement with the Human Resources & Organization and with the Planning and Controlling Departments. For these roles, unlike those of the Top Management, can be provided targets connected to the economic performance of the unit/department (paragraph 6).

At the end of the year, the Human Resources & Organization Department, with the support of the Planning and Controlling Department, verifies the level of achievement of the objectives, on the basis of the performance.

In the event of extraordinary transactions affecting the perimeter of the Group and/or in case of significant changes of the macroeconomic scenario and business, the Remuneration Committee may review the targets of the MBO Plan, in order to protect the value and purposes of the same, thus ensuring constant alignment between the company objectives and the objectives underlying the incentive systems recognized to the Management³.

The accrual of the variable annual component is subject to the achievement of a financial condition of access (so-called "on/off"), defined in relation to the role covered by the beneficiary.

The Long Term Incentive Plan (LTI) 2018-2020 is aimed at:

- link the remuneration of the Management with the medium-long term performance of the Group;
- promote the creation of value for shareholders;
- generate an effective retention of the Management, key variable for the creation of the Company's Strategic Plan.

The LTI Plan is extended to the whole Management (without prejudice to specific cases such as, for example, the Manager of the Internal Audit Department) and may also be extended to those who during the three-year period become part of the Management of the Group and/or take, for internal growth of career, the position of Executive. In this case, the person shall participate in the Plan for at least one year and the percentages of incentive are riparametrare on the number of months of actual participation in the Plan.

In particular, the Plan provides for an incentive ("LTI Bonus") subject to the achievement of multiannual objectives and determined as a percentage of the gross annual fixed remuneration (GAR) perceived by the beneficiary at the date on which the participation of this latter in the Plan

³ The assessment of the achievement of single objectives will be carried out by the Committee at the end of the year, offsetting the effects of the decisions adopted by the Company that can influence the results (both in negative and in positive).

was established. This incentive percentage grows in relation to the role and takes account of the reference benchmark of each role.

The entire cost of the LTI Plan is included in the economics of the Business Plan, so that the cost of the same is “self-financed” by the achievement of results.

The variable remuneration of the Management, of short and long term, is defined in line with the objectives of the short and medium/long-term provided by the annual and long-term Plans, communicated to the market. In particular, the definition of a mix of objectives, including non-financial objectives, for the medium/long term variable part, avoids the prevalence of weight of a single performance objective. Furthermore, the existence of objectives based on three-year cumulative economic/financial parameters (and without, therefore, any finalisation medio tempore) avoids behavior aimed to achieve short-term objectives, for obtaining the annual incentive.

In this respect, it is highlighted that the process of risk management is fully integrated in the strategic planning in order to ensure that the objectives determined for the achievement of the variable incentive do not expose Pirelli to managerial behavior not consistent with the acceptable level of risk (cd. Risk Appetite) defined by the Board of Directors at the time of approving the Plans.

Part of the variable remuneration accrued as MBO is deferred to support the continuity of the results (and, therefore, its payment is subject to “risk”) with a mechanism for increasing “bonus”.

Furthermore, the Policy, based on the principle of the pay for performance, is defined in order to align the interests of the Management with those of Shareholders, pursuing the primary objective of creating sustainable value in the medium-long term, through the creation of an effective and verifiable link between the remuneration, on the one hand, and the performance of Pirelli, on the other hand.

It is pointed out that by the fourth quarter of 2019 Pirelli will launch a new Business Plan for the three-year period 2020-2022 and, therefore, for the Management will be provided a new long-term incentive plan (LTI) consistent with the new plan. On that occasion, the Remuneration Committee will be called to take resolutions on the current long-term incentive plan.

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

The Board of Directors

The Board of Directors is composed by:

- (i) Directors with specific responsibilities, to whom may also be delegated specific powers;
- (ii) Directors with no specific responsibilities.

The conferral of powers to Directors only for cases of urgency does not imply the qualification of the same as Directors to whom are delegated specific powers.

Pursuant to Art. 2389, paragraph 1, of the Italian civil code, the Shareholders' Meeting of Pirelli held on 1 August 2017 resolved to recognize in favour of the Board of Directors a gross annual remuneration equal to maximum euro 2,000,000, to be allocated among its members in accordance with the resolutions adopted by the Board of Directors on this matter, other than the remuneration established by the Board of Directors for the Directors with specific responsibilities pursuant to Art. 2389 of the Italian civil code. The gross annual remuneration established by the Shareholders' Meeting in euro 2,000,000 has been subsequently allocated by the Board of Directors as follows⁴:

Remuneration of Directors

Corporate body	Position	Remuneration
Board of Directors	Director	60,000 Euro
	Chairman	30,000 Euro
Audit, Risks, Sustainability and Corporate Governance Committee	Member	25,000 Euro
	Chairman	30,000 Euro
Remuneration Committee	Member	25,000 Euro
	Chairman	50,000 Euro
Strategies Committee	Member	30,000 Euro
	Chairman	50,000 Euro
Appointments and Succession Committee	Member	30,000 Euro
	Chairman	60,000 Euro
Related-Party Transactions Committee	Member	40,000 Euro
	Chairman	60,000 Euro
Supervisory Body	Member	40,000 Euro
	Chairman	60,000 Euro

In line with the best practices, the Directors with no specific responsibilities (as defined above) are not entitled to receive the variable remuneration. Furthermore, the Directors are entitled to obtain the reimbursement of the expenses incurred for the offices.

In line with best practices, corporate bodies, General Managers, Executives with strategic responsibilities, Senior Managers and Executives, in the exercise of their functions, are covered by a third party civil liability policy (so called "D&O") - in compliance with the provisions established in this matter in the national collective agreement of labor law and mandate - aimed to hold Pirelli

⁴ Furthermore, the Board of Directors established an annual gross remuneration of euro 70,000 for the Director responsible for Sustainability issues. This office has been covered by the Director Giorgio Bruno until 26 February 2019. On 26 February 2019 the office has been assigned to the Executive Vice President and Chief Executive Officer, without attribution of any remuneration.

harmless from the costs deriving from any damages, excluding cases of wilful misconduct and gross negligence.

The Directors with no specific responsibilities are not covered by insurance, welfare or pension different from the compulsory ones.

The Board of Statutory Auditors

The remuneration of the controlling body is determined by the Shareholders' Meeting in a fixed annual remuneration. In particular, in the 2018 financial year, on the occasion of the renewal of the Board of Statutory Auditors, the fixed gross annual remuneration for the Chairman of the Board of Statutory Auditors has been determined in euro 75,000, and that for the Effetive Auditors in euro 50,000.

For the Statutory Auditor appointed as member of the Supervisory Board, the Board of Directors, following its renewal, has established an annual gross remuneration of euro 40,000. Furthermore, the Statutory Auditors are entitled to obtain the reimbursement of the expenses incurred for the offices.

In line with best practices, corporate bodies, General Managers, Executives with strategic responsibilities, Senior Managers and Executives, in the exercise of their functions, are covered by a third party civil liability policy (so called "D&O")⁵, aimed to hold harmless Pirelli from the costs deriving from any damages, excluding cases of wilful misconduct and gross negligence, in compliance with the provisions established in this matter in the national collective agreement of labor law and mandate.

4. REMUNERATION OF DIRECTORS WITH SPECIFIC RESPONSABILITIES

The remuneration of Directors with specific responsibilities is proposed by the Remuneration Committee, at the time of appointment or in the first meeting after the appointment, to the Board of Directors.

Chairman of the Board of Directors

If the Director is invested with specific responsibilities but has not delegated with specific powers (at the date of this Report, Chairman Ning Gaoning⁶), the remuneration is composed only by a fixed

⁵ The D&O policy has been approved by the Shareholders' Meeting held on 15 May 2018.

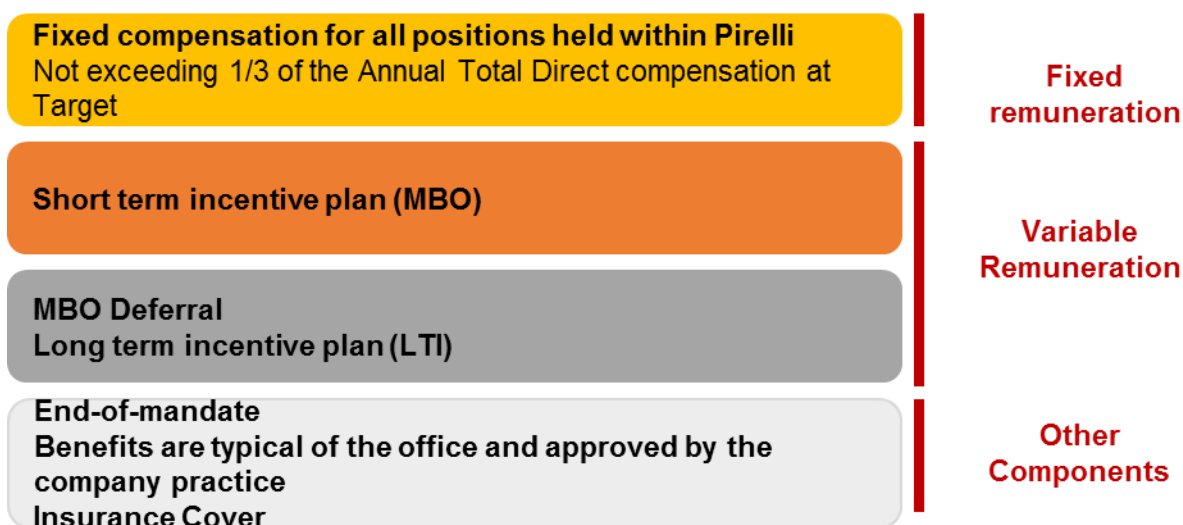
⁶ In the period between 1 January 2018 and 30 July 2018 the office has been held by Ren Janxin, with an annual gross remuneration equal to euro 400,000.

annual remuneration; the Board of Directors determined in euro 400,000 the annual gross remuneration of Chairman Ning Gaoning.

For Directors with specific responsibilities to whom are not delegated specific powers are not provided insurance, welfare or pension coverage different from the compulsory ones.

Executive Vice President and Chief Executive Officer

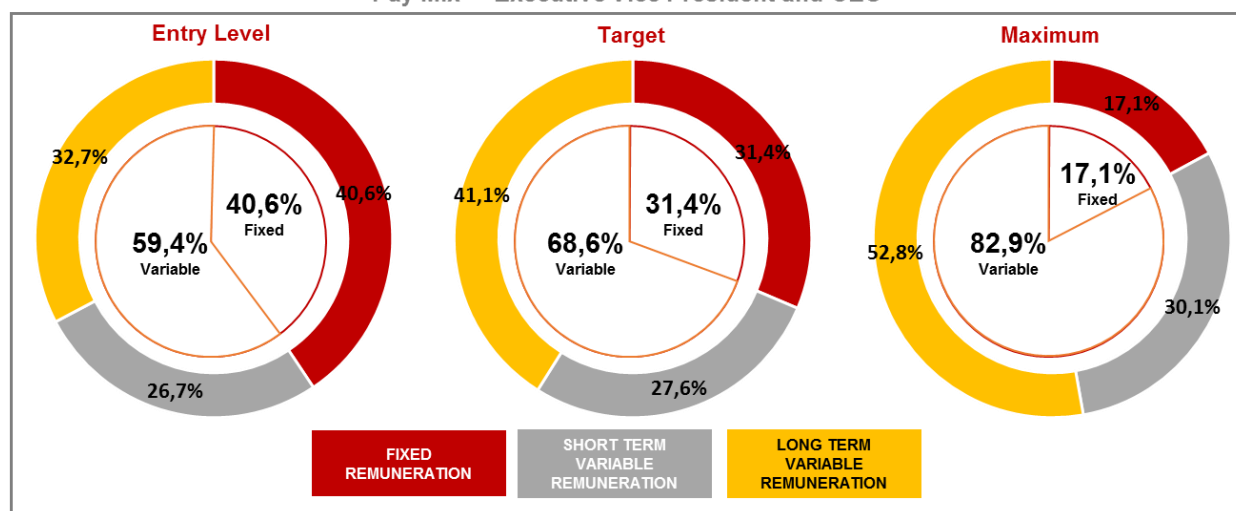
The remuneration of Directors with specific responsibilities to whom are also delegated specific powers (this is the case of the Executive Vice President and Chief Executive Officer Marco Tronchetti Provera⁷) is composed by the following elements:



In relation to the impact of the various components, below the structure of the compensation package of the Executive Vice President and Chief Executive Officer in case of achievement of the annual objectives of the MBO 2018, 2019 and 2020 and the three-year objectives of the 2018-2020 LTI Plan (i) to access threshold, (ii) at target, and (iii) at maximum level.

⁷ At the date of this Report, the Executive Vice President and Chief Executive Officer Marco Tronchetti Provera is the only Director with specific responsibilities to whom are also delegated specific powers.

Pay Mix – Executive Vice President and CEO



Fixed Remuneration

The fixed annual remuneration of the Executive Vice President and Chief Executive Officer is equal to euro 2,400,000⁸ (not exceeding one third of the Total Direct Compensation at Target). Such amount has been determined - in line with the best practices e the recommendations of the Corporate Governance Code – in order to be sufficient to compensate his performance also in case of the variable remuneration should not be paid due to failure to achieve the performance objectives.

Short term variable remuneration

The Executive Vice President and Chief Executive Officer Marco Tronchetti Provera is beneficiary of the MBO plan.

The objectives at target represent a performance consistent with the corresponding objectives disclosed to the market.

For each objective is provided an access threshold, to which is associated the recognition of a bonus of 75% of the incentive achievable at target; it is also provided a maximum cap.

The range of performance and the relevant incentive curve for the economic-financial objectives are defined in line with the objectives disclosed to the market and, in particular, (i) the objective for the obtainment of the incentive at “access threshold” is determined with a margin of tolerance with respect to the value disclosed to the market, (ii) the objective for the achievement of the maximum incentive with objective value more challenging with respect to the value disclosed to the market.

The on/off condition is determined with a “margin of tolerance” with respect to the objectives disclosed to the market.

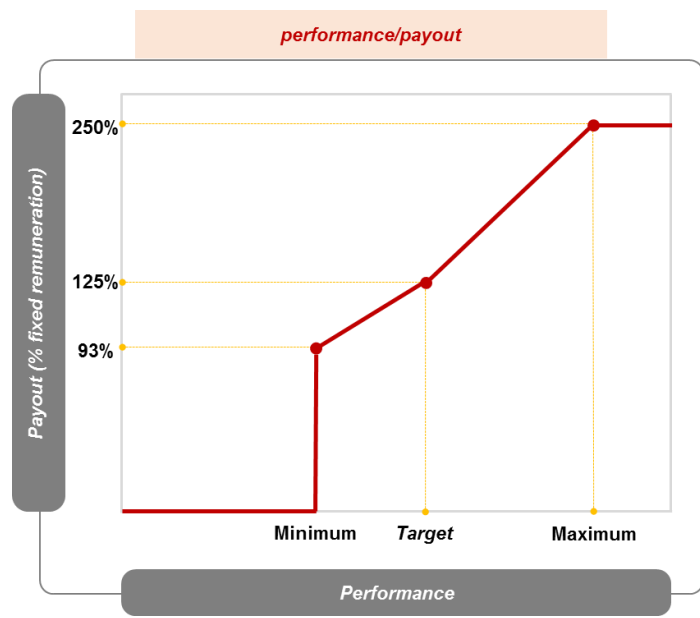
⁸ The Executive Vice President and Chief Executive Officer receives also the remuneration provided for the office of Director (euro 60,000), Chairman of the Strategy Committee (euro 50,000) and Chairman of the Appointments and Successions Committee (euro 50,000).

The finalisation of the incentive between the access threshold and target and between the target and the maximum is carried out by linear interpolation.

On the basis of the level of performance achieved, the Executive Vice President and Chief Executive Officer receives a bonus equal to 125% of the fixed remuneration in the event of achievement of performance at target, to 75% of the bonus at target in case of achievement of the access threshold and equal to 200% of the bonus at target in case of maximum performance.

All the objectives provided by the MBO scheme operate independently as shown by the incentive curve below. Therefore, on the basis of the level of performance achieved, each objective will contribute to the overall payout according to the weight indicated in the same scheme.

Exemple of curve in case of achievement of all the objectives at minimum level (Entry Level), Target and Maximum.

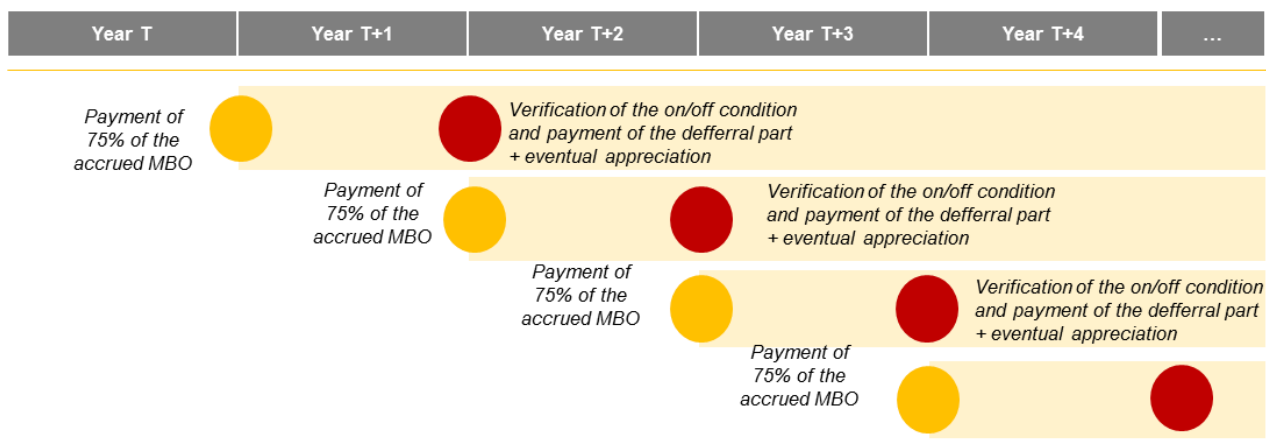


For 2019, the objectives assigned to the Executive Vice President and Chief Executive Officer are the following:

MBO – Executive Vice President and CEO	Objective weight at target
Group’s Net Financial Position (no impact IFRS 16)	Access threshold
Group’s EBIT Adjusted	30%
Groups’ Net Financial Position (no impact IFRS 16)	40%
Group’s EBT (no impact IFRS 16)	20%
Sustainability objective – value of the «green performance revenues»	10%

The MBO accrued is paid in the measure of 75%, being the remaining 25% deferred for 12 months and subject to the achievement of the MBO objectives of the next year. In particular:

- if, in the next year, the MBO is not accrued, the percentage of MBO of the previous year deferred is definitively lost;
- if, in the next year, the MBO is accrued at the access threshold, the quota of MBO of the previous year deferred is returned;
- if, in the next year, the MBO is accrued between target level and maximum level, an additional sum between 20% and 40% of the entire MBO accrued in the previous year - in addition to the payment of the quota of the MBO of the previous year deferred - will be paid (if, in the next year, intermediate results between target and maximum level are achieved, the increase of the MBO of the previous year is calculated by linear interpolation).



Long term variable remuneration

To the Executive Vice President and Chief Executive Officer is recognized a Long Term Incentive Plan 2018 -2020 linked to the achievement of objectives assigned on a three-year basis:

Objectives LTI Plan	Objective weight at target	Kpi
Deleveraging (Net Financial Position/EBITDA Adjusted ratio)	Access threshold	<2 on 31.12.2020
ROS Group (ratio of Group's cumulative EBIT Adjusted of the three-year period and cumulative turnover of the three-year period)	30%	In line with the objectives communicated to the market
Absolute TSR (average value of the share in the last half of 2020 – average value of the share of the last quarter 2017 + distributed dividends) and (average value of the share of the last quarter 2017)	40%	+48.8%
Relative TSR vs. selected panel (Michelin, Nokian, Continental)	20%	Performance equal to the weighted average of the panel
Ranking Pirelli in the Dow Jones Sustainability Index–ATX Auto Components Sector (subject to achievement of the threshold level of at least one of the economic-financial objectives)	10%	Positioning in the highest decile

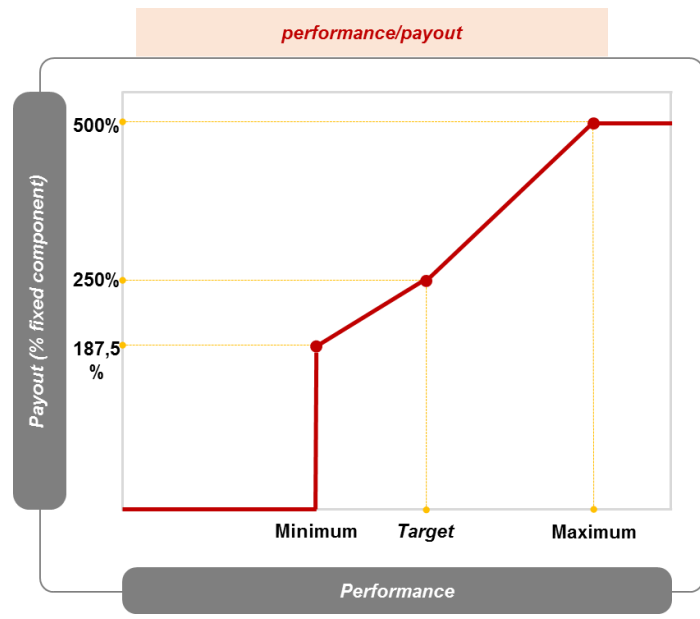
For each objective is provided an access threshold - to which is associated the payment of an amount equal to 75% of the incentive achievable at target - and a maximum cap.

In particular, in the case of all objectives are achieved at maximum level, the LTI Bonus cannot exceed 2 times the incentive achievable in case of objectives achieved at target. In case of failure to achieve the access threshold of any objective, the beneficiary does not accrued any right to be paid.

The range of performance and the relevant incentive curve are defined for each objective and are fixed, for the economic-financial objectives, at a performance level between the target level and maximum level more challenging with respect to the threshold level and target level. Therefore, the incentive curve grows proportionally with the increase of the performance between the threshold level and the target level, and it grows more than proportionally with the increase of the performance between target level and maximum level.

All the objectives provided by the LTI scheme, except for the sustainability objective, operate independently as shown by the incentive curve below. Therefore, on the basis of the level of performance achieved, each objective will contribute to the overall payout according to the weight indicated in the same scheme.

Exemple of curve in case of achievement of all the objectives at minimum level (Entry Level), Target and Maximum.



For TSR and ROS objectives, the finalization of the performance, for intermediate results between access threshold and target value or between the target value and maximum value, will be carried out by linear interpolation.

On the basis of the level of performance achieved, the Executive Vice President and Chief Executive Officer receives a bonus equal to 250% of the fixed remuneration in the event of performance at target, to 75% of the bonus at target in case of achievement of the access threshold and equal to 200% of the bonus at target in case of maximum performance.

In the event of termination of the office of the Executive Vice President and Chief Executive Officer for expiration of the term of the mandate, if not subsequently re-appointed, also as director, the same will receive the payment of the pro-quota of the Bonus LTI.

Furthermore, in favour of the Directors with specific responsibilities and to whom are delegated specific powers not connected to the Company by an employment relationship (at the date of this Report, the Executive Vice President and Chief Executive Officer Marco Tronchetti Provera), the Board of Directors provided, in line with the provisions of the law and/or the National Collective Employment Contract in favour of the Italian executives of the Group:

- an end-of-mandate (T.f.M.), pursuant to Art. 17, paragraph 1, letter c) of T.U.I.R. no. 917/1986, having similar characteristics to the Employee Severance Indemnity (TFR), provided by Art. 2120 of the Italian civil code, recognized in favour of the Italian executives of the Group according to the law and including the contributions to be paid by the employer that would be due to Social Security Institutions or Pension Funds in case of employment relationship for executives;
- an insurance policy related to (i) accidents that might involve them in the execution of the mandate; and (ii) extra-professional accidents, with premiums paid by the Company;
- an indemnity in case of permanent invalidity and death for occupational diseases;
- further benefits typical of the office and currently granted by Pirelli to the General Managers, Executives with strategic responsibilities and/or Senior Manager (company car).

5. GENERAL MANAGER AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

On 14 May 2018, the Company's Board of Directors resolved to established the General Operations Department and, to that effect, to assign the guide of the Department to Mr. Andrea Casaluci.

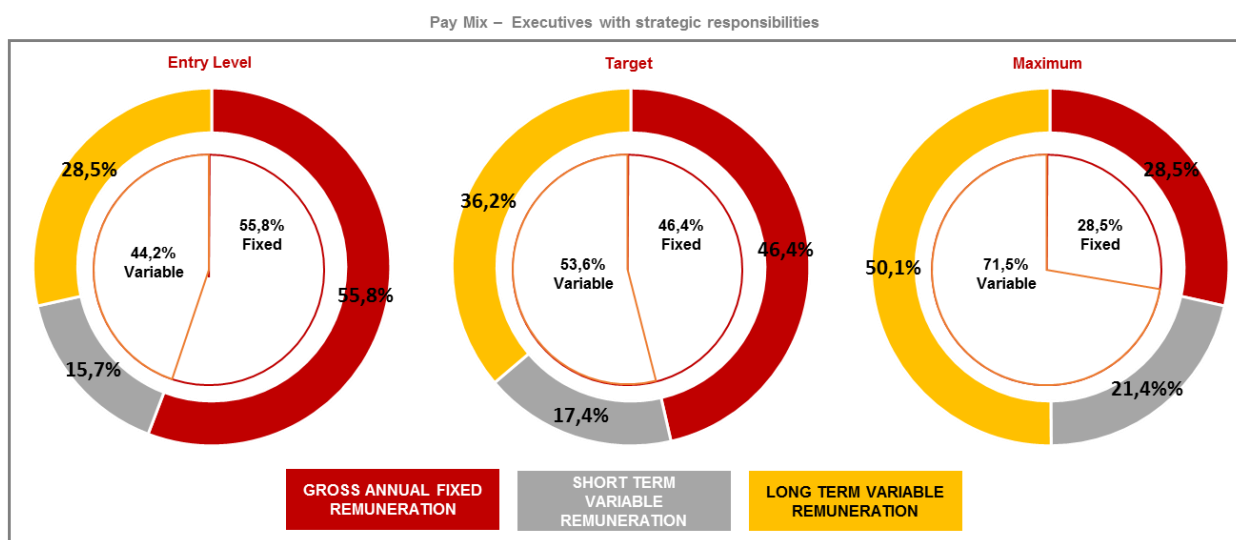
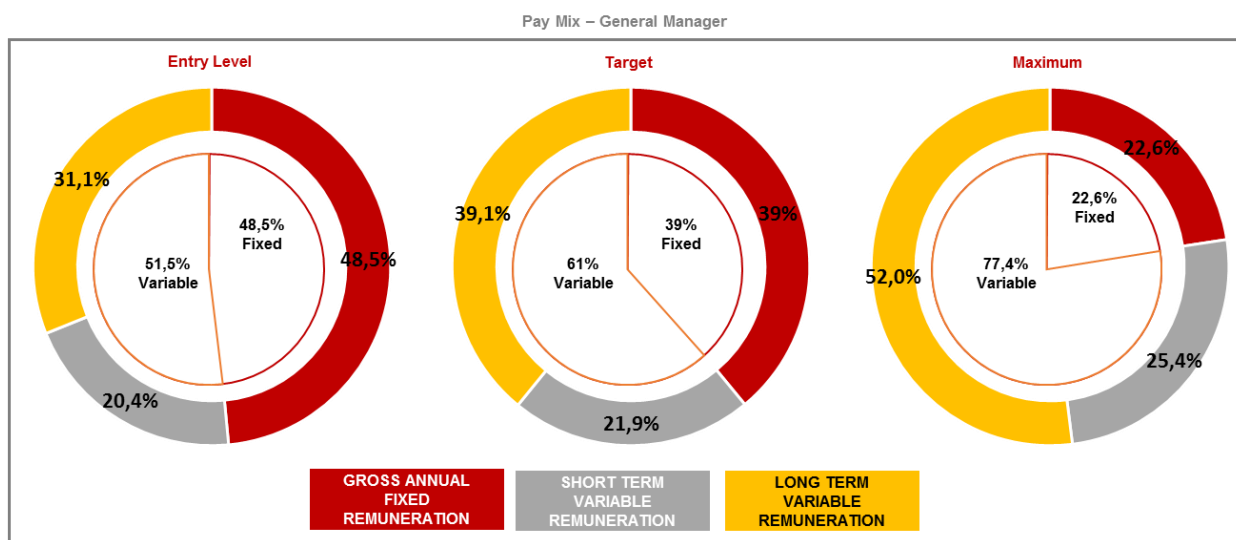
At the date of publication of the Policy, the following Executives with strategic responsibilities are in office:

General Manager and Executives with strategic responsibilities	
Role	Name
General Manager Operations	Andrea Casaluci
Executive Vice President and Chief Financial Officer	Francesco Tanzi
Executive Vice President and Chief Planning and Controlling Officer	Maurizio Sala
Strategic Advisor and Executive Vice President Technology and Innovation	Maurizio Boiocchi
Executive Vice President Commercial Replacement, Moto, Velo & Customer Racing and Region Europe	Roberto Righi
Executive Vice President Technical Operations	Francesco Sala
Executive Vice President and Chief Human Resources Officer and Organization	Davide Sala
Executive Vice President Technology	Pierluigi De Cancellis

The remuneration of the General Manager and the Executives with strategic responsibilities is composed by the following elements:

Gross annual fixed component Not exceeding 50% of the Annual Total Direct Compensation at Target	Fixed remuneration
Short term incentive plan (MBO)	Variable Remuneration
MBO Deferral Long term incentive plan (LTI)	
Retention plan Non-competition agreement Benefits typical of the position and approved by the company practice Supplementary pension plan Insurance cover	Other Components

In relation to the impacts of the various components, below the structure of the compensation package of the General Manager and the Executives with strategic responsibilities in case of achievement of the annual objectives of the MBO 2018, 2019 and 2020 and the three-year objectives of the 2018-2020 LTI Plan (i) to access threshold, (ii) at target, and (iii) at maximum level.



The analysis of the remuneration of the General Manager and Executives with strategic responsibilities, annually revised and made known in occasion of the Report, is carried out with the support of independent companies specialized in executive compensation (Korn Ferry-Hay Group). In particular, in the definition of the panel of reference annually updated various components are considered (sector, geography, dimension, specificity of the business).

For the General Manager and Executives with strategic responsibilities the reference market used to verify the competitiveness of their remuneration includes over 200 companies of the following European Countries: Belgium, France, Germany, Italy, Spain, Netherlands, UK.

Fixed remuneration of the General Manager and Executives with strategic responsibilities

The fixed remuneration of the General Manager is determined by the Board of Directors, previous the obtainment of the favourable opinion of the Remuneration Committee, in compliance with the Policy.

The remuneration of Executives with strategic responsibilities is determined by the Executive Vice President and Chief Executive Officer, in line with the Policy, not exceeding the 50% of the Annual Total Direct Compensation at Target.

The Remuneration Committee verifies the coherence of the remuneration of the aforementioned persons with the Policy.

On 26 February 2019, the Board of Directors determined a gross annual remuneration equal to euro 750,000 in favour of the General Manager.

Short-term variable incentive

The General Manager and the Executives with strategic responsibilities are beneficiaries of the MBO Plan, defined on the basis of the same structure, mechanism and objectives provided for the Executive Vice President and Chief Executive Officer.

In case of performance at target, the following annual incentive (MBO) are recognized:

- 75% of the GAR for the General Manager;
- 50%-75% of the GAR for the Executives of the strategic responsibilities.

In case of the achievement of the access threshold, the 75% of the incentive at target is recognized and in case of maximum performance is recognized the 200% of the incentive at target.

Also for the General Manager and Executives with strategic responsibilities is provided the payment of the 75% of the incentive accrued, being the remaining 25% deferred for 12 months and subject to the achievement of the MBO objectives for the next year and paid according to the same parameters specified for the Executive Vice President and Chief Executive Officer.

Long-term variable incentive

The General Manager and the Executives with strategic responsibilities are beneficiaries of the long term incentive plan 2018-2020, defined according to the same structure, mechanism and objectives provided for the Executive Vice President and Chief Executive Officer.

In case of performance at target, the following three-year period incentive (LTI) are recognized:

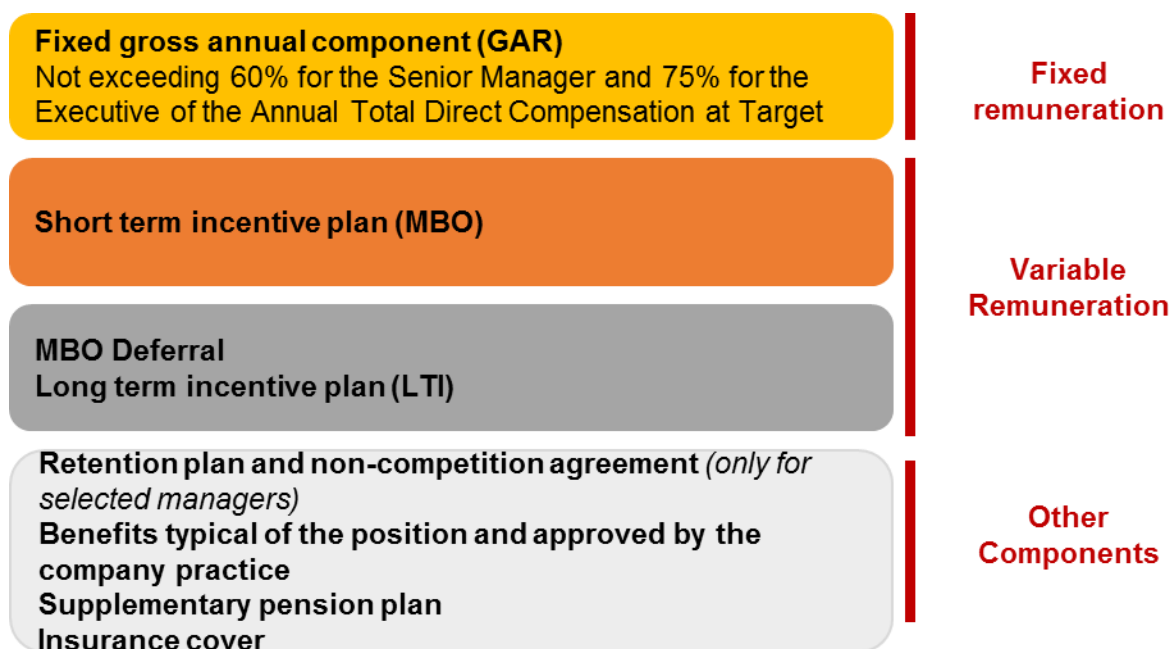
- 200% of the GAR for the General Manager;
- 167%-200% of the GAR for the Executives of the strategic responsibilities.

In case of the achievement of the access threshold, the 75% of the incentive at target is recognized and in case of maximum performance is recognized the 200% of the incentive at target.

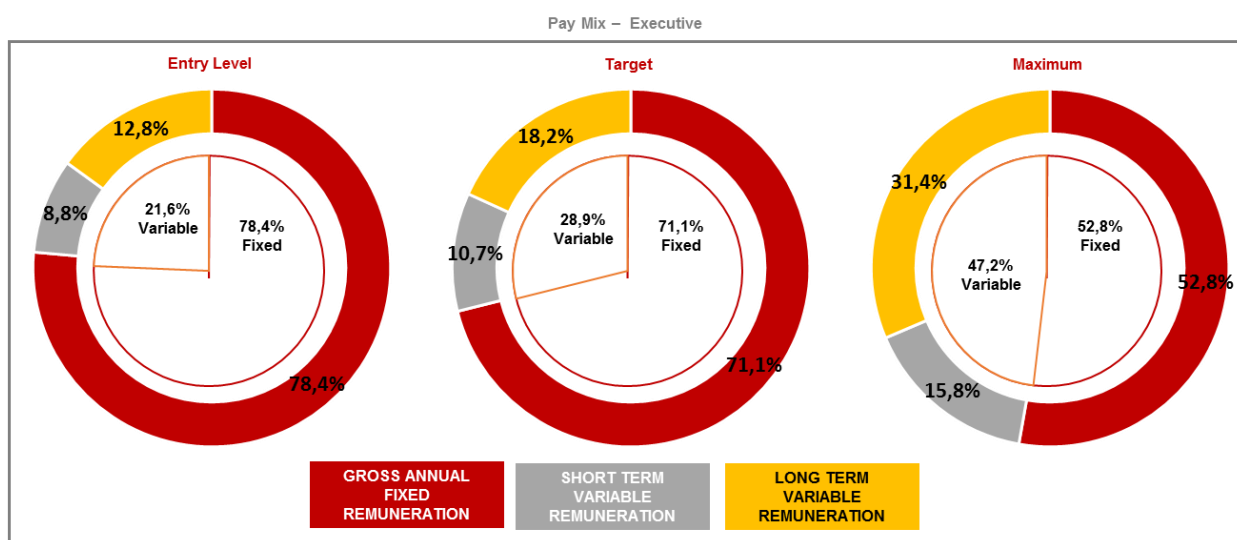
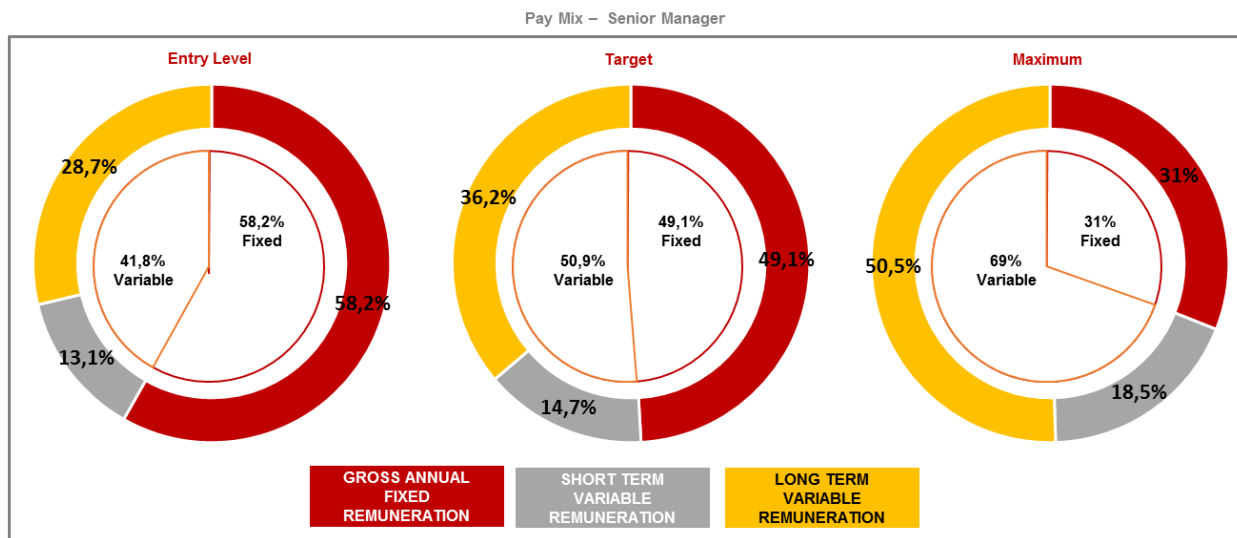
In the event of termination of the employment relationship before the end of the three-year period, the beneficiary ceases its participation in the LTI Plan and, consequently, neither the bonus nor a part of this latter will be paid.

6. SENIOR MANAGERS AND EXECUTIVES

The remuneration of Senior Managers and the Executives is composed by the following elements:



Below the structure of the remuneration of Senior Managers and the Executives (overall intended) with evidence of the impact of the various components (annualised) on their compensation package in the case of achievement of the MBO annual objectives for 2018, 2019 and 2020 and of the LTI Plan for the three-year period 2018-2020 (i) to access threshold, (ii) at target and (iii) at maximum level.



The analysis on the remuneration of Senior Managers and Executives is carried out with the support of independent companies specialized in executive compensation (Korn Ferry- Hay Group). Also the position held by the single Manager and the Country are taking into account.

For the Manager of the Internal Audit Department, in line with the best practices, the Board of Directors, upon proposal of the Audit, Risks, Sustainability and Corporate Governance Committee, provided a greater impact of the fixed component on the variable component. Moreover, the Manager of the Internal Audit Department (and, in general, the managers of the Internal Audit Department) is not included in the Incentive Plan LTI, but is only the beneficiary of the annual incentive plan linked to qualitative objectives, the assessment of which is left to Audit, Risks, Sustainability and Corporate Governance Committee and the Board of Directors, upon proposal of the Director in charge of the internal control system.

Short-term variable incentive

Senior Managers and Executives are beneficiaries of the MBO plan, defined according to the same structure and mechanisms provided for the Executive Vice President and Chief Executive Officer, General Manager and Executives with strategic responsibilities.

The incentive is paid to the achievement of the following performance objectives:

MBO – Senior/Executive	Objective weight at target	MBO – Senior/Executive of Region/BU	Objective weight at target
Group's Net Financial Position (no impact IFRS 16)	Access threshold	Group's Net Financial Position (no impact IFRS 16) – BU Region's Net Financial Position – Region DSO – Commercial managers ¹	Access threshold
Group's EBIT Adjusted	30%	EBIT Adjusted of Region/BU/Country	From 20% to 40%
Groups' Net Financial Position (no impact IFRS 16)	From 20% to 40%	Groups' Net Financial Position (no impact IFRS 16)	From 10% to 20%
Group's EBT (no impact IFRS 16)	20%	Group's EBT (no impact IFRS 16)	From 10% to 20%
Functional objective/s with Group scope	From 10% to 20%	Functional objective/s to the scope of the Region/BU/Group	From 10% to 40%
Sustainability objective – value of the «green performance revenues»	10%	Sustainability objective – value of the «green performance revenues»	10%

1) If the on / off condition of the Net Financial Position of Region or DSO is not achieved, the on / off condition of the Group's Net Financial Position is activated, with a deduction of 25% of the total payout accrued.

On the basis of the level of performance achieved, Senior Managers and Executives receive and incentive between 20% and 40% of the GAR depending on the role covered in the event of performance at target, equal to 75% of the incentive at target in case of achievement of the access threshold and equal to 200% of the incentive at target in case of maximum performance.

Also the Senior Managers and the Executives receive the 75% of the incentive accrued, being the remaining 25% deferred for 12 months and subject to the achievement of the MBO objectives of the next year and paid on the basis of the same parameters provided for the Executive Vice President and Chief Executive Officer, General Manager and Executives with strategic responsibilities.

Long-term variable incentive

Senior Managers and Executives are beneficiaries of the long term incentive plan 2018-2020, defined on the basis of the same structure, mechanisms and objectives provided for the Executive Vice President and Chief Executive Officer, the General Manager and the Executives with strategic responsibilities.

On the basis of the level of performance achieved, Senior Managers and Executives receive an incentive between 50% and 167% of the GAS in the event of performance at target, equal to 75% of the three-year period incentive at target in case of achievement of the access threshold and equal to 200% of the incentive at target in case of maximum performance.

In the event of termination of the employment relationship before the end of the three-year period, the beneficiary ceases its participation in the LTI Plan and, consequently, neither the bonus nor a part of this latter will be paid⁹.

7. CLAW BACK CLAUSES

The annual and multiannual incentive plans (MBO and LTI) recognized to the Directors with specific responsibilities to whom are delegated specific powers, General Managers and Executives with strategic responsibilities provide for, among others, clawback mechanisms.

In particular, without prejudice of any other measure provided by the law aimed to protect the interests of the Company, the Company concludes with the aforementioned persons agreements that allow Pirelli to request the repayment (in whole or in part), by three years from their payment, of the incentives paid to the said persons that, intentionally or with gross negligence, are liable for fact, as indicated below, related to economic/financial indicators included in the Annual Financial Report that involve a comparative and subsequent information and adopted as parameters for the determination of the variable premiums of the said incentive plans:

- (i) proven and significant errors that cause a non-compliance with the accounting principles which Pirelli declares to apply, or
- (ii) ascertained fraudulent behavior aimed to obtain a specific representation of the financial position, of the economic result or of the cash flows of Pirelli.

8. INDEMNITIES IN CASE OF RESIGNATION, DISMISSAL OR TERMINATION OF EMPLOYMENT

Pirelli Group does not conclude with Directors, General Managers, Executives with strategic responsibilities, Senior Managers and Executives, agreements regulating ex ante the economic aspects relating to the early termination of the relationship at the initiative of the Company or the single person (cd. "parachutes").

In fact, Pirelli's intention is to consensually conclude the agreements for the "closing" of the relationship. Without prejudice of all the legal and contractual obligations, the agreements for the

⁹ For the Directors with specific responsibilities to whom specific powers are delegated (in particular, for the Executive Vice President and Chief Executive Officer Tronchetti Provera) terminating their office for end-of-mandate, in case of the same will not be re-appointed, the payment of the LTI Bonus pro-quota is provided.

termination of the relationship with Pirelli Group are inspired by the benchmark of reference, and within the limits defined by case law and practice of the Country in which the agreement is concluded.

The Company internally determines the criteria to which also the other companies of the Group shall be aligned, for the management of the early termination of executives employment relationships and/or of the Directors with specific responsibilities. On the occasion of the termination of the office and/or termination of the relationship with an Executive Director or a General Manager, the Company discloses detailed information to the market, at the end of the internal processes leading to the attribution or recognition of indemnities and/or other benefits.

For the Directors with specific responsibilities to whom are delegated specific powers, with no employment contract, Pirelli does not provide the payment of indemnities or remuneration of extraordinary nature linked to the end of the mandate. The payment of a specific indemnity may be recognized, previous evaluation of the competent corporate bodies, in the following cases:

- termination at the initiative of the Company not supported by just cause;
- termination at the initiative of the Director for just cause, in case of, by way of example, the substantial change of the role or the powers attributed and/or cases of the cd. "hostile" Tender offer.

In such cases, the indemnity is equal to 2 years of the gross annual remuneration, meaning the fixed annual gross remunerations due for the offices held in the Group, to the average of the annual variable remuneration (MBO) accrued during the previous three-year period and TFM on the aforementioned amounts.

9. NON-COMPETITION AGREEMENTS AND RETENTION PLAN

The Group can conclude non-competition agreements with its General Managers, Executives with strategic responsibilities, Senior Managers and Executives with professionalism particularly critical, providing for the payment of a fee referred to the GAR, the duration and the extent of the restriction resulting from the agreement.

The restriction is referred to the sector in which the Group operates at the time of the conclusion of the agreement and to the territorial extension. The breadth varies in relation to the role held at the time of the execution of the agreement and, in the cases particularly critical, as in the cases of the General Managers and Executives with strategic responsibilities, can provides for a geographical extension covering all major Countries in which the Group operates.

The Executive Vice President and Chief Executive Officer has not a non-competition agreement.

Moreover, the General Manager, the Executives with strategic responsibilities, whose activity for the implementation of the new strategic plans is considered particularly critical and significant, and selected Senior Managers/Executives are beneficiary of a medium/long-term retention plan.

The Retention Plan provides in favour of the General Manager, the Executives with strategic responsibilities and the selected Senior Managers/Executives the payment of a fee compared to the Total Direct Compensation at Target 2017 of up to a maximum of 2.3 times of the same. The fee is paid in 4 annual installments of a growing amount in order to achieve the maximum possible effect of retention, with the payment of the last installment during 2021. The payment of each installment is subject to the presence of the managers in the company at the date of each payment.

The Executive Vice President and Chief Executive Officer do not participate at the Retention Plan.

10. CHANGES IN REMUNERATION POLICY FROM THE PREVIOUS FINANCIAL YEAR

The Policy is based on the experience of application and takes account of regulatory prescriptions adopted by Consob.

Compared to last year, the Policy has been reviewed to take into account the establishment of the General Operations Department and the referral of the delegated powers by the Director in charge for sustainability issues.

Furthermore, in line with Pirelli's values, strategies and business, the Policy has been reviewed in order to link the payment of the MBO 2019 to the achievement of a new objective connected to an indicator of Sustainability, represented by the level of "Green Performance Revenues". Furthermore, the mechanism of determination of numerical objectives compared to the target communicated to the market has been reviewed.

In order to take into account the principal recommendations of the Proxy Advisor on pay for performance matters, the Policy has been updated in relation to the composition of the sample of companies of reference used for the analysis of competitiveness and for the review of the remuneration of the Executive Vice President and Chief Executive Officer.

Finally, the document has a new graphic in order to highlight the most relevant aspects and facilitate the reading.

11. OTHER INFORMATION

According to Consob resolution no. Resolution 18049 of 23 December 2011, it is stated that:

- the Company has not made use of the the assistance of consultancy and/or external experts in drawing up the Policy 2019;
- Pirelli has no share-based incentive plans;
- In the definition of 2019 Policy, Pirelli has not used specific remuneration policies of other companies as reference. As regards the structure of the remuneration for each figure, the Policy

shows the criteria for the selection of the reference benchmark. Scheme No. 7-bis adopted by Consob with resolution no. Resolution 18049 of 23 December 2011 provides that the Report on Remuneration in the section provided by Art. 123-ter with reference to the members of the board of directors, general managers and executives with strategic responsibilities, contains at least the information specified in the aforementioned scheme. Below is a table with the indication of the information requested and the part of the report in which they are listed:

Information required by scheme 7-bis	Paragraphs in which - in particular - the information requested are contained
a) the bodies or individuals involved in drawing up and approving the Remuneration Policy, specifying the respective roles, as well as the bodies or individuals responsible for the proper implementation of this Policy.	1. Parties involved in the definition and implementation of the Policy
b) any eventual involvement of a Remuneration Committee or other relevant committee, describing its composition (making a distinction between non-executive and independent directors), responsibilities and operation modalities;	1. Parties involved in the definition and implementation of the Policy
c) name of any eventual independent experts involved for the drawing up of the Remuneration Policy;	11. Other information
d) purposes of the Remuneration Policy, underlying principles and any eventual changes from the policy respect the previous financial year;	2. Purposes and principles of the Remuneration Policy 2019 10. Changes in Remuneration Policy from the previous financial year
e) description of the policies regarding fixed and variable remuneration components, with particular focus on their relative weight on the overall remuneration and distinguishing between short and medium-term variable components;	The structure of the remuneration of the different interested persons is described in paragraphs in which are indicated the different weights fixed/variable; short-term variable/variable of medium/long-term 2. Purposes and principles of the Remuneration Policy 2019 3. Remuneration of the Board of Directors and the Board of Statutory Auditors 4. Remuneration of Directors with specific responsibilities 5. General Manager and Executives with strategic responsibilities 6. Senior Managers and Executives
f) policy pursued with regard to non-monetary benefits;	Paragraphs for the individual figures: 3. Remuneration of the Board of Directors and the Board of Statutory Auditors 4. Remuneration of Directors with specific responsibilities 5. General Manager and Executives with strategic responsibilities 6. Senior Managers and Executives

g) with reference to the variable components, a description of the performance objectives on the basis of which are assigned, distinguishing between the variable components of the short and medium-long term, and information on the link between changes in results and changes in remuneration;	2. Purposes and principles of the Remuneration Policy 2019
h) the criteria used to assess the performance objectives on the basis of which shares, options, other financial instruments or other variable remuneration components are allocated;	1. Parties involved in the definition and implementation of the Policy
i) information aimed at demonstrating the consistency of the Policy on remuneration with the pursuit of the company's long term interests and risk management policy, where formalised;	2. Purposes and principles of the Remuneration Policy 2019 As well as for the individual figures 3. Remuneration of the Board of Directors and the Board of Statutory Auditors 4. Remuneration of Directors with specific responsibilities 5. General Manager and Executives with strategic responsibilities 6. Senior Managers and Executives
j) the vesting period, any deferred payment systems, stating the deferral periods and criteria used to determine these periods and any ex-post correction mechanisms;	Pirelli has no share-based incentive plans. For the mechanisms of deferral of the variable components see Paragraph: 2. Purposes and principles of the Remuneration Policy 2019
k) information on any provision of clauses for maintaining financial instruments in the portfolio after purchase, stating the retention periods and criteria used to determine these periods;	Pirelli has no share-based incentive plans
l) the policy regarding payments in the event of resignation from office or termination of employment, specifying the circumstances in which the right may be exercised and any link between these payments and the company's performance;	8. Remuneration in case of resignation, dismissal or termination of employment 9. Non-competition agreements and Retention Plan
m) information on the existence of any insurance, welfare or pension cover other than the compulsory ones.	Paragraphs for the individual figures: 3. Remuneration of the Board of Directors and the Board of Statutory Auditors 4. Remuneration of Directors with specific responsibilities 5. General Manager and Executives with strategic responsibilities 6. Senior Managers and Executives
n) any remuneration policy applied with regard to: (i) independent directors, (ii) participation in committees and (iii) performance of specific duties (chairman, vice chairman, etc.);	3. Remuneration of the Board of Directors and the Board of Statutory Auditors
o) whether the remuneration policy has been established using the remuneration policies of other companies as a blueprint and, if so, the criteria used to select these companies	11. Other information

2018 REMUNERATION REPORT

1. PRINCIPLES

The Report sets out the Policy implemented by Pirelli Group during 2018 financial year with regard to remuneration and provides information on the final remuneration of the various categories of the persons involved, without prejudice to the obligations of transparency contained in other applicable legal or regulatory provisions, highlighting its coherence with the remuneration policy approved last year.

2. THE “TABLE”: REMUNERATION PAID TO MEMBERS OF THE ADMINISTRATIVE AND CONTROLLING BODIES, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES.

The following tables contain:

- by name, the remuneration paid to Directors, Statutory Auditors and the General Manager Operations;
- in aggregate form, the remuneration paid to Executives with strategic responsibilities¹⁰. On 31 December 2018, in addition to the General Manager Operations Andrea Casaluci, the following persons were Executives with strategic responsibilities, Maurizio Boiocchi (Strategic Advisor and EVP Technology and Innovation), Roberto Righi (EVP Commercial Replacement, Moto, Velo & Customer Racing and Region Europe), Francesco Sala (EVP Technical Operations), Maurizio Sala (EVP e Chief Planning and Controlling Officer), Davide Sala (EVP e Chief Human Resources & Organization Officer), Francesco Tanzi (EVP e Chief Financial Officer and Manager responsible for the preparation of the corporate financial documents), Pierluigi De Cancellis (EVP Technology).

Remuneration is reported on an accruals basis and the notes to the tables indicate the office for which the remuneration is received (for example, where a Director is a member of more than one Board Committee) and the company - Pirelli & C. or its subsidiaries and/or affiliated companies - that proceed with the relevant payment (except for the remuneration waived or transferred to the Company).

¹⁰ Point b) of Section II of Schedule 7-bis of Annex 3 A of the so-called Issuers' Regulations provides that the so-called Remuneration Report is structured into two parts:

a) *salaries of members of the administrative and control bodies and General Managers;*

b) *salaries of any other Executives with strategic responsibilities who have received, in the reporting year, an overall salary (obtained by adding monetary salaries and salaries based on financial instruments) greater than the highest overall salary attributed to the persons indicated in point a).*

For Executives with strategic responsibilities other than those indicated in point b) information is provided at aggregate level in special tables, identifying the number of persons to whom it refers instead of names”.

The tables include all those persons who held the aforementioned positions during all or even only part of 2018 year¹¹. Also the non-monetary benefits, where received, are identified on an accruals basis, and reported according to the “taxable income criterion” of the benefit assigned.

In particular, it is highlighted that, as mentioned above:

- the persons who, during 2018, were Directors of the Company, accrued/received (on an accruals basis) remuneration determined in accordance with the criteria set out in paragraph 3 of 2019 Policy;
- the persons who, during 2018, were Directors with specific responsibilities (Executive Vice President and Chief Executive Officer and Chairman), accrued/received (on an accruals basis) remuneration determined in accordance with the criteria set out in paragraph 4 of the 2019 Policy;
- the General Manager Operations of Pirelli & C. S.p.A., appointed on 14 May 2018, accrued a fixed remuneration until May 2018 as Executive with strategic responsibilities. From 1 June 2018, the General Manager Operations accrued the fixed gross remuneration in his capacity General Manager (euro 675,000 per year)¹²; the whole 2018 MBO has been accrued by the General Manager Operations in his capacity as General Manager. In that capacity the remuneration received/accrued is coherently determined in accordance with paragraph 5 of 2019 Policy;
- Executives with strategic responsibilities received/accrued remunerations pertaining to 2018 year in accordance with the criteria set out in paragraph 5 of 2019 Policy;
- the Standing Auditor who is also member of the Supervisory Body received an annual gross remuneration of euro 40,000 as set out in paragraph 3 of 2019 Policy; it is reminded that each member of the Supervisory Body received/accrued remuneration pertaining to 2018 year, equal to an annual gross amount of euro 40,000; the Chairman received/accrued an annual gross remuneration of euro 60,000, as set out in paragraph 3 of 2019 Policy;
- each member of the Board of Statutory Auditors received/accrued remuneration for 2018 in line with the resolutions adopted by the Shareholders’ Meeting at the time of their appointment (plus a gross annual fee of euro 40,000 paid to the Standing Auditor called to be member of the Supervisory Body);
- Senior Managers and Executives received/accrued remunerations for 2018 year in accordance with the criteria set out in paragraph 6 of 2019 Policy.

¹¹ The tables include also the remuneration accrued by Gustavo Bracco and Luigi Staccoli as Executives with strategic responsibilities, terminated on May 2018.

¹² It is pointed out that, according to 2019 Policy, the annual gross fixed remuneration of the General Manager Operations is equal to euro 750,000 (paragraph 5 of the Policy).

It is pointed out that, with effect from 31 December 2018, the Company and the Director Giorgio Luca Bruno concluded a consensual termination of the executive employment relationship between the Director and the Company, as detailed in the tables below¹³.

It is highlighted that for the General Manager Operations, the Executives with strategic responsibilities and, more generally, for some of other members of the Group's Senior Management, Pirelli introduced non-competition agreements aimed to protect strategic and operational know-how. The Executive Vice President and CEO does not have a non-competition agreement.

Executive Vice President and Chief Executive Officer, General Manager and Executives with strategic responsibilities						
Objective type	Entry /On off objective (NFP)	Objective at Target	Objective at maximum	Weight	Result	Incentive%
NFP	euro 3,194.4 millions*				On/off condition euro 3,180.1 millions	ON condition
Ebit Adjusted	euro 950.5 millions	euro 1,000.5 millions	euro 1,075.5 millions	40%	euro 955.0 millions	77.25% of the bonus at performance at target
EBT	euro 545.4 millions**	euro 610.8 millions**	euro 708.9 millions**	20%	euro 501.8 millions	Not achieved
NFP	euro 3,194.4 millions*	euro 3,103.4 millions*	euro 2,966.7 millions*	40%	euro 3,180.1 millions	78.93% of the bonus at performance at target
<p>(*) It is reminded that the on/off condition is established, in line with the provisions of the remuneration policy of 2018, with a tolerance margin respect to the budget value. Furthermore, in implementation and consistency with the MBO regulation, such NFP value has been adjusted in order to take into account the negative effect for euro 65.2 millions deriving from the purchase of the shareholding in a new Chinese company in Shenzhen, representing an extraordinary transaction not provided on the occasion of establishment of the objective of the MBO 2018. In any case, the transaction, as already communicated, does not modify the target provided by the business plan 2017-2020, with particular reference to the NFP (deleveraging). Therefore, its effects will be fully compensated in the financial year 2019-2020. In this regard, it is pointed out that the "deleveraging" on 31 December 2020 constitutes an "on/off" condition for the LTI Plan 2018-2020, and that the LTI Plan involved an allocation in the financial statements 2018.</p> <p>(**) In consistency with the previous note, it is pointed out that the EBT objectives have been adjusted in order to take into account the negative effect of the major restructuring costs deriving from the actions implemented following the obtaining of the advantages deriving from the Patent Box, as communicated to the market.</p>						
Total				100%		62.48% of the bonus at performance at target

Office	2018 MBO plan structure	performance score
Executive Vice President and CEO	<ul style="list-style-type: none"> - access threshold: 75% of the incentive at target - at target: 125% of fixed remuneration - cap: 200% of the incentive at target 	62,48
General Manager Operations	<ul style="list-style-type: none"> - access threshold: 75% of the incentive at target - at target: 75% of the GAS - cap: 200% of the incentive at target 	62,48
Executives with strategic responsibilities	<ul style="list-style-type: none"> - access threshold: 75% of the incentive at target - at target: From 50% to 75% of the GAR - cap: 200% of the incentive at target 	62,48

¹³ With the consensual termination of his employment, the starting time of the non-competition agreement (of 2 years) has been postponed to the termination of the current mandate as Director of Pirelli & C. and, consequently, the Company will pay the corresponding outstanding sum from that moment. Such outstanding sum is equal to euro 392,000 that will be paid in 8 quarterly instalments. In light of the Company's interest in maintaining links with Mr. Bruno, due to his competence, and to the knowledge of Pirelli Group acquired over the years, the Company concluded a 5 year consultancy agreement with the firm controlled by Mr Bruno, which provides for an annual gross fee of euro 300,000.

In line with the structure of the variable incentive described in the Policy, only the 75% of the accrued 2018 MBO incentive is paid, while the payment of the remaining 25% is deferred of 12 months and is subject to the achievement of the MBO objectives for 2019, and in particular:

- a) in the event that no MBO is accrued in 2019, the deferred and accrued quota of the 2018 MBO is definitively lost;
- b) in the event that the 2019 MBO is accrued at “entry threshold” level, the accrued and deferred 2018 MBO quota shall be paid;
- c) lastly, if the 2019 MBO is accrued at least at target performance level - in addition to payment of the accrued and deferred 2018 MBO quota - an additional amount shall be paid, equal to a percentage of the entire accrued 2018 MBO. This percentage would vary from a minimum of 20% (if the 2019 MBO is accrued at target performance level) to a maximum of 40% (if the 2019 MBO is accrued at maximum performance level), with linear interpolation between the two extremes.

First and last name	Office	Period office held	Expiry date of office	Fixed remuneration	Remuneration for membership of committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end-of-mandate or termination of employment
						Bonus and other incentives	Profit sharing					
Marco Tronchetti Provera	Executive Vice President and Chief Executive Officer	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	2.460.000,00	100.000,00	2.230.552,00	0,00	258.300,00	0,00	5.048.852,00	0,00	3.043.936,00
Of which is paid by Pirelli & C. S.p.A.				2.460.000,00 (1)	100.000,00 (2)	2.230.552,00 (3)		258.300,00 (4)		5.048.852,00		
Of which is paid by subsidiary and affiliated companies										0,00		3.043.936,00 (5)
Ning Gaoning	Chairman	07/08/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	185.260,00	12.082,00		0,00			197.342,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				185.260,00 (6)	12.082,00 (7)					197.342,00 (8)		
Of which is paid by subsidiary and affiliated companies										0,00		
Ren Jianxin	Chairman	01/01/2018 - 30/07/2018		265.918,00	17.342,00		0,00			283.260,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				265.918,00 (9)	17.342,00 (10)					283.260,00 (8)		
Of which is paid by subsidiary and affiliated companies												
Yang Xingqiang	Director	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	60.000,00	30.000,00		0,00			90.000,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				60.000,00 (11)	30.000,00 (12)					90.000,00 (8)		
Of which is paid by subsidiary and affiliated companies												
Bai Xinping	Director	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	60.000,00	85.000,00	0,00	0,00	0,00	0,00	145.000,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				60.000,00 (11)	85.000,00 (13)					145.000,00 (8)		
Of which is paid by subsidiary and affiliated companies												

First and last name	Office	Period office held	Expiry date of office	Fixed remuneration	Remuneration for membership of committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end-of-mandate or termination of employment
						Bonus and other incentives	Profit sharing					
Giorgio Luca Bruno	Director	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	660.000,00	30.000,00		0,00	17.683,00	660.000,00	1.367.683,00	0,00	2.992.000,00
Of which is paid by Pirelli & C. S.p.A.				660.000,00 (14)	30.000,00 (12)			17.683,00 (15)	660.000,00 (16)	1.367.683,00		2.992.000,00 (17)
Of which is paid by subsidiary and affiliated companies										0,00		
Laura Cioli	Director	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	60.000,00	50.000,00	0,00	0,00	0,00	0,00	110.000,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				60.000,00 (11)	50.000,00 (18)					110.000,00		
Of which is paid by subsidiary and affiliated companies												
Domenico De Sole	Director	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	60.000,00	90.000,00	0,00	0,00	0,00	0,00	150.000,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				60.000,00 (11)	90.000,00 (19)					150.000,00		
Of which is paid by subsidiary and affiliated companies												
Fan Xihaoua	Director	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	60.000,00	30.000,00	0,00	0,00	0,00	0,00	90.000,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				60.000,00 (11)	30.000,00 (20)					90.000,00		
Of which is paid by subsidiary and affiliated companies												
Ze'ev Goldberg	Director	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	60.000,00	30.000,00	0,00	0,00	0,00	0,00	90.000,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				60.000,00 (11)	30.000,00 (12)					90.000,00		
Of which is paid by subsidiary and affiliated companies												

First and last name	Office	Period office held	Expiry date of office	Fixed remuneration	Remuneration for membership of committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end-of-mandate or termination of employment
						Bonus and other incentives	Profit sharing					
Giovanni Lo Storto	Director	15/05/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	37.973,00	31.644,00	0,00	0,00	0,00	0,00	69.617,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				37.973,00 (21)	31.644,00 (22)					69.617,00		
Of which is paid by subsidiary and affiliated companies												
Marisa Pappalardo	Director	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	60.000,00	40.000,00	0,00	0,00	0,00	0,00	100.000,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				60.000,00 (11)	40.000,00 (23)					100.000,00		
Of which is paid by subsidiary and affiliated companies												
Cristina Scocchia	Director	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	60.000,00	65.000,00	0,00	0,00	0,00	0,00	125.000,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				60.000,00 (11)	65.000,00 (24)					125.000,00		
Of which is paid by subsidiary and affiliated companies												
Tao Haisu	Director	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	60.000,00	30.000,00	0,00	0,00	0,00	0,00	90.000,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				60.000,00 (11)	30.000,00 (25)					90.000,00		
Of which is paid by subsidiary and affiliated companies												
Giovanni Tronchetti Provera	Director	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	169.231,00	30.000,00	16.479,00	0,00	11.784,00	0,00	227.494,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				60.000,00 (11)	30.000,00 (27)					90.000,00		
Of which is paid by subsidiary and affiliated companies				109.231,00 (26)		16.479,00 (3)		11.784,00 (28)		137.494,00		

First and last name	Office	Period office held	Expiry date of office	Fixed remuneration	Remuneration for membership of committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end-of-mandate or termination of employment
						Bonus and other incentives	Profit sharing					
Wei Yin Tao	Director	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2019	60.000,00	30.000,00	0,00	0,00	0,00	0,00	90.000,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				60.000,00 (11)	30.000,00 (12)					90.000,00		
Of which is paid by subsidiary and affiliated companies												
Andrea Casaluci	General Manager Operations	14/05/2018 - 31/12/2018	/	578.846,00	0,00	279.133,00	0,00	12.369,00	270.625,00	1.140.973,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.												
Of which is paid by subsidiary and affiliated companies				578.846,00 (29)		279.133,00 (3)		12.369,00 (30)	270.625,00 (31)	1.140.973,00		
Executives with strategic responsibilities (32)				3.702.853,00	0,00	1.514.037,00	0,00	81.307,00	3.301.500,00	8.599.697,00	0,00	1.868.750,00
Of which is paid by Pirelli & C. S.p.A.				919.007,00		237.370,00 (3)		18.790,00 (33)	802.750,00 (34)	1.977.917,00		1.868.750,00 (35)
Of which is paid by subsidiary and affiliated companies				2.783.846,00		1.276.667,00 (3)		62.517,00 (33)	2.498.750,00 (34)	6.621.780,00		
Francesco Fallacara	Chairman of the Board of Statutory Auditors	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2020 (36)	75.000,00	0,00	0,00	0,00	0,00	0,00	75.000,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				75.000,00						75.000,00		
Of which is paid by subsidiary and affiliated companies												
Antonella Carù	Standing Auditor	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2020 (36)	56.795,00	40.000,00	0,00	0,00	0,00	0,00	96.795,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.				50.000,00	40.000,00 (38)					90.000,00		
Of which is paid by subsidiary and affiliated companies				6.795,00 (37)						6.795,00		

First and last name	Office	Period office held	Expiry date of office		Fixed remuneration	Remuneration for membership of committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end-of-mandate or termination of employment
							Bonus and other incentives	Profit sharing					
Fabio Artoni	Standing Auditor	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2020	(36)	65.192,00	0,00	0,00	0,00	0,00	0,00	65.192,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.					50.000,00						50.000,00		
Of which is paid by subsidiary and affiliated companies					15.192,00	(39)					15.192,00		
Luca Nicodemi	Standing Auditor	01/01/2018 - 31/12/2018	AGM for approval of the financial statements as of 31 December 2020	(36)	56.795,00	0,00	0,00	0,00	0,00	0,00	56.795,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.					50.000,00						50.000,00		
Of which is paid by subsidiary and affiliated companies					6.795,00	(37)					6.795,00		
Alberto Villani	Standing Auditor	01/01/2018 - 31/12/2018	AGM to approve the financial statements for the year to 31 December 2020	(36)	50.000,00	0,00	0,00	0,00	0,00	0,00	50.000,00	0,00	0,00
Of which is paid by Pirelli & C. S.p.A.					50.000,00						50.000,00		
Of which is paid by subsidiary and affiliated companies											0,00		

Total remuneration in Pirelli & C. S.p.A.					5.463.158,00	741.068,00	2.467.922,00		294.773,00	1.462.750,00	10.429.671,00		4.860.750,00
Total remuneration paid by subsidiaries and affiliated companies					3.500.705,00		1.572.279,00		86.670,00	2.769.375,00	7.791.535,00		
Total					8.963.863,00	741.068,00	4.040.201,00		381.443,00	4.232.125,00	18.221.206,00		4.860.750,00

- (1) Of which: euro 60,000 as Director of Pirelli & C. S.p.A.; euro 2,400,000 as Executive Vice President and Chief Executive Officer of Pirelli & C. S.p.A.
- (2) Of which euro 50,000 as Chairman of the Appointments and Successions Committee of Pirelli & C. S.p.A. and euro 50,000 as Chairman of the Strategies Committee of Pirelli & C. S.p.A.
- (3) The amount includes the quota of 75% of MBO 2018 incentive and 25% of the MBO 2017 incentive paid. The deferred quota of 25% of the 2018 MBO incentive put at opportunity/risk linked to the results of MBO 2019 is not indicated (see table below for more details).
- (4) Of which: euro 252,637 for an insurance policy stipulated in line with the provisions of the Policy, euro 5,663 for the company car.
- (5) Following the listing of Pirelli & C. S.p.A., the Executive Vice President and Chief Executive Officer terminated the office of Chairman and Managing Director of Pirelli Tyre S.p.A. on 12 July 2018, on the occasion of the organizational structural review of the Company (with the establishment of the General Operations Department) and the review of the structure of the compensation package of the same. Therefore, Pirelli Tyre paid the amount accrued at that date, pursuant to Art. 17, paragraph 1, letter c) of T.U.I.R. no. 917/1986, having similar characteristics to the Employee Severance Indemnity (TFR), provided by Art. 2120 of the Italian civil code.
- (6) Of which euro 161,096 as Chairman of Pirelli & C. S.p.A., euro 24,164 as Director of Pirelli & C. S.p.A. with effect from 7 August 2018
- (7) As a member of the Appointments and Successions Committee of Pirelli & C. S.p.A. from 7 August 2018
- (8) Remuneration transferred to employer company
- (9) Of which: euro 231,233 as Chairman of the Board of Directors of Pirelli & C. S.p.A. from 1 January 2018 to 30 July 2018 and euro 34,685 as Director of Pirelli & C. S.p.A. from 1 January 2018 to 30 July 2018.
- (10) As member of the Appointments and Successions Committee of Pirelli & C. S.p.A. from 1 January 2018 to 30 July 2018
- (11) As Director of Pirelli & C. S.p.A.
- (12) As member of the Strategies Committee of Pirelli & C. S.p.A.
- (13) Of which: euro 25,000 as member of the Remuneration Committee, euro 30,000 as member of the Appointments and Successions Committee, and euro 30,000 as member of the Strategies Committee of Pirelli & C. S.p.A.
- (14) Of which: euro 60,000 as Director of Pirelli & C. S.p.A. and euro 600,000 as a senior manager of Pirelli & C. S.p.A. (until 31 December 2018).

- (15) Of which: euro 4,922 for an insurance policy, euro 3,581 for a company car, euro 6,000 for supplementary pension contributions and euro 3,180 for health insurance.
- (16) Of which: euro 70,000 as Director responsible for Sustainability issues and euro 30,000 as payment of the quota of the fee provided by the non-competition agreement and euro 560,000 for retention and reward. It is pointed out that Mr Bruno and Pirelli concluded a consultancy agreement with effect from 1 January 2019 providing for an annual fee of euro 300,000 and a duration of 5 years. The related fees will be reported in the 2019 Report
- (17) As remuneration for the termination of employment relationship (Senior Manager) with Pirelli & C. S.p.A.
- (18) Of which euro 25,000 as member of the Audit, Risks, Sustainability and Corporate Governance Committee ("ARSCGC") and euro 25,000 as member of the Remuneration Committee of Pirelli & C. S.p.A.
- (19) Of which euro 30,000 as member of the Strategies Committee and euro 60,000 as Chairman of the Related Parties Transactions Committee ("RPT Committee") of Pirelli & C. S.p.A.
- (20) As Chairman of the ARSCGC of Pirelli & C. S.p.A.
- (21) As Director of Pirelli & C. S.p.A. with effect from 15 May 2018
- (22) Of which: euro 15,822 as member of the ARSCGC and euro 15,822 as member of the Remuneration Committee of Pirelli & C. S.p.A. from 15 May 2018
- (23) As member of the RPT Committee of Pirelli & C. S.p.A.
- (24) Of which: euro 25,000 as member of the ARSCGC and euro 40,000 as member of the RPT Committee of Pirelli & C. S.p.A.
- (25) As Chairman of the Remuneration Committee of Pirelli & C. S.p.A.
- (26) As executive of Pirelli Tyre S.p.A. for the whole year 2018
- (27) As member of the Appointments and Successions Committee of Pirelli & C. S.p.A.
- (28) Of which: euro 2,604 for a company car, euro 6,000 for supplementary pension contributions and euro 3,180 for health insurance.
- (29) The fixed remuneration includes the quota accrued as Executive with strategic responsibilities until 14 May 2018 and the quota accrued as General Manager Operations.
- (30) Of which: euro 3,189 for a company car, euro 6,000 for supplementary pension contributions and euro 3,180 for health insurance.
- (31) Of which: euro 220,000 for the Retention Plan and euro 50,625 as payment of the fee provided by non-competition agreement
- (32) At 31 December 2018 the following persons were Executives with strategic responsibilities, other than the General Manager Operations: Maurizio Boiocchi, Roberto Righi, Francesco Sala, Maurizio Sala, Davide Sala (appointed on 14 May 2018), Pier Luigi De Cancellis (appointed on 14 May 2018) and Francesco Tanzi. Gustavo Bracco and Luigi Staccoli were Executives with strategic responsibilities until 14 May 2018 and, therefore, the remuneration they received is shown. It is pointed out that the remuneration paid to General Manager Andrea Casaluci is not included in this item, as he is separately indicated by name in the table.
- (33) The amounts are referred to the company car, supplementary pension contributions and health insurance.
- (34) The amounts are referred to payments of the quota of the fee provided by non-competition agreement, a lump-sum bonus, and a retention bonus paid in 2018.
- (35) Consequent to the consensual termination of the employment relationship of an Executive with strategic responsibilities of Pirelli & C. S.p.A.
- (36) The Board of Statutory Auditors was renewed by the AGM on 15 May 2018; the Chairman and the Standing auditors appointed are the same as in the previous mandate.
- (37) As Standing auditor of Pirelli Tyre S.p.A.
- (38) As member of the 231 Supervisory Body
- (39) As Standing auditor of Pirelli Industrie Pneumatici S.r.l. and Chairman of the Board of Statutory Auditors of Pirelli Tyre S.p.A.

3. MONETARY INCENTIVE PLANS FOR MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

For a description of the monetary incentive plans, see the Remuneration Policy.

Pirelli's variable incentive scheme prescribes that payment of 25% of any MBO accrued is deferred for 12 months and is subject to the achievement of the MBO objectives for the following year. In particular:
- in the event that no MBO accrues in the following year, the deferred MBO quota of the previous year is definitively "lost";
- in the event that the MBO accrues in the following year at the level of the access threshold, the MBO quota deferred from the previous year is returned;
- in the event that the MBO achieved in the following year is between the target level and the maximum level, then - in addition to the return of the MBO quota deferred from the previous year - an additional amount is paid, equal to between 20% and 40% of the entire MBO accrued in the previous year (for results earned in the following year that are intermediate between the target and maximum levels, the increase in the previous year's MBO bonus is calculated by linear interpolation).

First and last name	Office	Plan	Bonus for the year			Bonus for the previous years			Other bonuses
			Payable/ Paid out	Deferred	Deferment period	No longer payable	Payable /Paid out	Still deferred	
Marco Tronchetti Provera	Executive Vice President and Chief Executive Officer	MBO 2018	1.405.709,00	468.570,00	-	-	824.843,00	-	0,00
		LTI Plan 2018-2020	-	-	-	-	-	-	0,00
Giorgio Luca Bruno	Director	MBO 2018	-	-	-	-	-	-	560.000,00
		LTI Plan 2018-2020	-	-	-	-	-	-	0,00
Giovanni Tronchetti Provera	Director (1)	MBO 2018	11.281,00	3.760,00	-	-	5.198,00	-	0,00
		LTI Plan 2018-2020	-	-	-	-	-	-	0,00
Andrea Casaluci	General Manager Operations (2)	MBO 2018	237.214,00	79.071,00	-	-	41.919,00	-	220.000,00
		LTI Plan 2018-2020	-	-	-	-	-	-	0,00
Executives with strategic responsibilities (3)		MBO 2018	939.482,00	313.160,00	-	-	574.555,00	-	3.036.000,00
		LTI Plan 2018-2020	-	-	-	-	-	-	0,00
(I) Remuneration in the Company preparing the financial statements		MBO 2018	1.541.595,00	513.865,00	-	-	926.328,00	-	1.300.000,00
		LTI Plan 2018-2020	-	-	-	-	-	-	0,00
(II) Remuneration from Subsidiary and Affiliated Companies		MBO 2018	1.052.092,00	350.697,00	-	-	520.187,00	-	2.516.000,00
		LTI Plan 2018-2020	-	-	-	-	-	-	0,00
(III) Total			2.593.687,00	864.562,00	-	-	1.446.515,00	-	3.816.000,00

(1) Giovanni Tronchetti Provera is included in the LTI and MBO variable incentive plans as an executive of Pirelli Tyre S.p.A.

(2) General Manager appointed on 14 May 2018.

(3) At 31 December 2018, the following persons were Executives with strategic responsibilities, other than the General Manager Operations: Maurizio Sala, Francesco Tanzi, Maurizio Boiocchi, Roberto Righi, Francesco Sala, Davide Sala and Pier Luigi De

Cancellis. It should be noted that Gustavo Bracco and Luigi Staccoli were Executives with strategic responsibilities from 01 January 2018 until 14 May 2018: they do not accrued any variable remuneration

4. TABLE OF EQUITY INVESTMENTS OF THE MEMBERS OF THE ADMINISTRATIVE AND CONTROL BODIES, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES.

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

- member of the Board of Directors;
- member of the Board of Statutory Auditors;
- General Manager;
- Executive with strategic responsibilities.

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

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

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

It includes all the persons who, during the reporting year, held positions as members of the administrative and control bodies, General Manager or as Executives with strategic responsibilities, even for a fraction of the year.

1) Equity investments of the members of the administrative and control bodies and General Managers

First and last name	Office	Investee company	No. of shares owned at 31.12.2017	No. of shares purchased/subscribed	No. of shares sold	No. of shares owned at 31.12.2018
Giorgio Luca Bruno	Director	Pirelli & C.	500 (1)	-	-	500 (1)
Marco Tronchetti Provera (2)	Executive Vice President and CEO	Pirelli & C.	-	114.141.546 (3)	13.618.984 (4)	100.522.562

(1) shares purchased when the Company was listed on 4 October 2017.

(2) shares held by the indirectly controlled company Camfin S.p.A., which has directly carried out all the operations indicated.

(3) of which no. 113,491,546 shares assigned to Camfin S.p.A. following the effectiveness of the full demerger of Marco Polo International Italy S.p.A.

(4) assigned to MM Tyre S.r.l. following the effectiveness of the partial and non-proportional demerger of Camfin S.p.A. in favour of Manzoni S.r.l.

2) Equity investments of other Executives with strategic responsibilities

Number of Executives with strategic responsibilities	Investee company	No. of shares owned at 31.12.2017	No. of shares purchased/subscribed	No. of shares sold	No. of shares owned at 31.12.2018
-	-	-	-	-	-