



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

## **Reports to the Meeting of 15 May 2019**

**Appointment of a member of the Board of Directors and the Chairman  
the Board of Directors**

**(item 2 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,

- On 30 July 2018, the Chairman of the Board of Directors Ren Jianxin resigned from all the positions he held on the Board of Directors of the Company based on his announced resignations from the position of Chairman of China National Chemical Corporation – the company that indirectly controls Pirelli & C. S.p.A.– due to reaching the age limit;
- on 07 August 2018, the Board of Directors, upon a proposal by the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera, decided, in accordance with Art. 2386 of the Italian Civil Code, with the approval of the Board of Statutory Auditors, upon the nomination for co-optation as a member of the Board of Directors of Ning Gaoning and his subsequent nomination as Chairman of the Board of Directors, to replace Ren Jianxin.

Ning Gaoning – who stated he does not fulfil the independence requirements in accordance with Legislative Decree 58/1998 (“Consolidated Finance Act”) and the Italian Stock Exchange Self-governance Code in his position as, inter alia, Chairman of China National Chemical Corporation – has been qualified by the Board of Directors as a non-executive director and has been tasked with the legal representation of the Company in accordance with the Articles of Association.<sup>1</sup>

The Board of Directors also appointed Ning Gaoning as a member of the Appointments and Succession Committee, also to replace Ren Jianxin.

In co-opting the new Director, the Board of Directors in particular took into account: (i) the professional and skills profile of Ning Gaoning; (ii) the number of positions held thereby in other companies or entities; and (iii) the fact that the current membership of the Board of Directors of Pirelli & C. S.p.A. (**“Pirelli”** or the **“Company”**) complies with the current regulations concerning gender balance and the presence of the independent Directors on the Board.<sup>2</sup>

In accordance with Art. 2386, paragraph 1 of the Italian Civil Code, the Chairmanship and Directorship of Ning Gaoning expire at this Shareholders’ Meeting, which was therefore called upon the decide upon the confirmation of the co-opted Director (or the appointment of a new member of the Board of Directors) and the appointment of the Chairman of the Board of Directors.<sup>3</sup>

In that regard, it was noted that the Ordinary Shareholders’ Meeting, held on 01 August 2017, as part of the Company’s re-flotation on the Stock Exchange (the **“IPO”**), passed the renewal of the

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<sup>1</sup> Art. 13.1 of the Articles of Association provides as follows: “The representation of the Company to third parties and to the Courts falls separately to the Chairman of the Board of Directors and, within the limits to the powers granted thereto by the Board of Directors, to the Chief Executive Officer (Art. 11.5 of the Articles of Association provides that powers for the ordinary management of the Company are granted to the Chief Executive Officer).”

<sup>2</sup> For further details, please see the Report on Corporate Governance and Ownership Structure contained in the 2018 financial statements dossier, available on the Company website at [www.pirelli.com](http://www.pirelli.com).

<sup>3</sup> Art. 2380-bis, paragraph 5 of the Italian Civil Code provides as follows: *“The Board of Directors shall choose a Chairman from the members thereof should the Chairman not be appointed by the Shareholders’ Meeting”.*

Pirelli Board of Directors, determining the number of members at fourteen and setting the mandate thereof at three financial years, which will expire at the meeting called upon to approve the Company financial statements as at 31 December 2019.<sup>4</sup> During the aforementioned Shareholders' Meeting of 01 August 2017, the controlling shareholder of the Company undertook to ensure that after flotation on the Stock Exchange, the "minorities" would have been able to appoint another independent Director. As a result, on 15 May 2018, at the first useful opportunity, the Shareholders' Meeting approved the increase in the number of members of the Board of Directors to 15 and appointed as another independent Director Mr Giovanni Lo Storto.<sup>5</sup>

The current membership of the Board of Directors reflects what represented during the IPO process and the current Shareholders' Agreements,<sup>6</sup> in accordance with which the Pirelli Board of Directors is expected to consist of 15 members, 8 of whom are independent.<sup>7</sup>

It should be noted that, for the purposes of adopting the decisions of the Shareholders' Meeting, the statutory procedure of the list vote does not apply, as there is no full renewal of the Board of Directors. Therefore, as provided for in Art. 10 of the Articles of Association, for the appointment of Directors not appointed for any reason in accordance with the list vote procedure, the Shareholders' Meeting makes a decision with a legal majority.

It is also recalled that:

- each member of the Board of Directors is paid a gross annual salary for the position of €60,000, in addition to any further salary set by the Board of Directors in accordance with Art. 2389, paragraph 3 of the Italian Civil Code or in the event of participation in Board Committees;<sup>8</sup>
- the term of the new Director will expire at the same time as those currently in office, therefore on the date of the Shareholders' Meeting called upon to approve the Company financial statements as at 31 December 2019.

## ***BOARD OF DIRECTORS DECISION PROPOSALS***

Given the above, the Board of Directors wishes to propose to you the following decisions:

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<sup>4</sup> The appointment takes effect as of 31 August 2018.

<sup>5</sup> The Company Articles of Association (Article 10.1) provides as follows: *"The company is administered by a Board of Directors consisting of up to fifteen members who shall remain in office for three financial years and may be re-elected."*

<sup>6</sup> The Shareholders' Agreement can be accessed at the following Company web address: <https://corporate.pirelli.com/corporate/it-it/governance/patti>.

<sup>7</sup> As at the date of this Report, the Pirelli Board of Directors consists of the following fifteen Directors: Ning Gaoning (Chairman), Marco Tronchetti Provera (Executive Vice Chairman and Chief Executive Officer), Yang Xingqiang, Bai Xinpeng, Giorgio Luca Bruno, Laura Cioli (independent), Domenico De Sole (independent), Ze'ev Goldberg, Tao Haisu (independent), Marisa Pappalardo (independent), Cristina Scocchia (independent), Giovanni Tronchetti Provera, Fan Xiaohua (independent), Wei Yintao (independent) and Giovanni Lo Storto (independent).

<sup>8</sup> See: Remuneration Report for the 2018 financial year contained in the 2018 Annual Report.

**A) to confirm as fifteen the number of members of the Board of Directors of Pirelli & C. S.p.A. and to confirm the appointment as member of the Board of Directors of Mr Ning Gaoning, born in Binzhou (People's Republic of China) on 09 November 1958, who will remain in office until the date of the Shareholder's Meeting called upon to approve the Company financial statements closed on 31 December 2019,**

and, if the Shareholders' Meeting approves the proposal referred to in point A) above

**B) to appoint the member of the Board of Directors Ning Gaoning as Chairman of the Board of Directors of Pirelli & C. S.p.A..**

Shareholders are informed that the Meeting will be called upon to rule on the decision proposals referred to in points A) and B) above in separate votes.

The updated *curriculum vitae* of Director Ning Gaoning is available on the Company website at [www.pirelli.com](http://www.pirelli.com).

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