



Pirelli & C. S.p.A.

Remuneration Report 2020

REPORT ON THE REMUNERATION POLICY AND COMPENSATION PAID

PREAMBLE

This Report on the remuneration policy and the compensation paid (the “**Report**” or the “**Remuneration Report**”), approved by the Board of Directors on 2 March 2020, upon the proposal of the Remuneration Committee, is structured into two sections:

- Section I: “Remuneration Policy” for FY 2020 (the “**2020 Policy**” or the “**Policy**”) and
- Section II: “Report on Compensation Paid” in FY 2019 (the “**2019 Compensation Report**” or the “**Compensation Report**”).

The Report has been drawn up in accordance with Art. 123-*ter* of the Consolidated Law on Finance (“**TUF**”), as amended and supplemented by Art. 3 of Italian Legislative Decree no. 49 of 10 May 2019 (the “**Decree**”)¹, with Art. 84-*quater* of the Issuers’ Regulation (Consob Resolution no. 11971 of 14 May 1999) as well as on the basis of Scheme 7-*bis* of Annex 3 A of the Issuers’ Regulation, introduced by Consob with resolution no. 18049 of 23 December 2011².

In its drafting, due consideration was given to the European Commission recommendations on the remuneration of directors of listed companies, as well as to the recommendations on remuneration given in the current Corporate Governance Code³ for listed companies, approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, to which Pirelli adhered.

The Report is also been drafted for the purposes established under Art. 14 of the Pirelli related party transactions procedure.

The 2020 Policy defines principles and guidelines:

- with which the Board of Directors complies in defining the remuneration of the directors of Pirelli & C. S.p.A. (“**Pirelli & C.**”), in particular Directors holding specific offices, General Managers and KM;

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

² As at the date of approval of the Report, Consob has not adopted the amendments to the Issuers’ Regulation and to Scheme 7-*bis* of the related Annex 3A, in regard to: (i) the information to be included in the first section of the report and the characteristics of the remuneration policy, which, according to the provisions of Art. 123-*ter*, paragraph 7 of the TUF, is to be adopted in compliance with Article 9-*bis* of Directive 2007/36/EC and in compliance with the provisions of paragraph 3 of Recommendation 2004/913/EC and paragraph 5 of Recommendation 2009/385/EC; (ii) the information to be included in the second section of the report, which will be adopted in compliance with the provisions of Article 9-*ter* of Directive 2007/36/EC.

³ The current Corporate Governance Code was approved in July 2018. The new Code of Corporate Governance will apply from the first year starting after 31 December 2020.

- to which Pirelli & C. refers in defining the remuneration of Senior Managers and, more generally, of Executives;

Additionally, without prejudice to the provisions set forth under Art. 2402 of the Italian Civil Code, the Policy explains the criteria for the remuneration of the members of the controlling body.

The 2019 Compensation Report, submitted for a consultative vote to the Shareholders' Meeting, sets out the final total remuneration for FY 2019.

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

Directors holding specific offices: mean the directors of Pirelli & C. holding the office of Chairman, Executive Vice Chairman and Chief Executive Officer. The Directors holding specific offices in other Group companies, who are also managers, are, for the purpose of the Policy, Executives or Senior Managers, depending on the role held and, unless otherwise resolved by the Board of Directors of Pirelli & C. which classifies them as KM.

Directors holding no specific offices: mean all the directors of Pirelli & C. who are not Directors holding specific offices. Directors not holding specific offices in other Group companies, who are also managers, are, for the purpose of the Policy, Executives or Senior Managers, depending on the role held and unless otherwise resolved by the Board of Directors of Pirelli & C., which classifies them as KM.

Annual Total Direct Compensation on-Target: means the total sum of the following components, regardless of whether they were disbursed by Pirelli & C. or by another Group company:

- (i) gross annual base salary of the remuneration;
- (ii) annual variable short-term incentive STI (MBO), if objectives are achieved at target level;
- (iii) medium/long-term variable component comprising:
 - a. annual value of the long-term incentive (LTI) plan if multi-year objectives are achieved at target level;
 - b. pro-quota value of the STI (MBO) accrued and deferred, to be paid if the next year's STI (MBO) is achieved;
 - c. an additional value of equal amount of the pro-quota of the STI (MBO) accrued and deferred, to be paid if the next year's STI (MBO) is achieved, at least at target level.

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

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

Board of Directors: indicates the Board of Directors of Pirelli & C. S.p.A..

General Manager(s): the persons identified by the Pirelli & C. Board of Directors to be assigned broad powers of business segment management. The subjects holding the office of General Manager in other Group companies are, for the purpose of the Policy, Executives or Senior Managers, depending on the role held and unless otherwise resolved by the Board of Directors of Pirelli & C., which classifies them as KM.

KM: managers, identified by the Pirelli & C. Board of Directors in accordance with the procedure adopted by Board resolution of 26 July 2019, having the power or responsibility for planning, managing and controlling the Company's activities or the power to make decisions that can impact its evolution or future prospects and, more generally, of Pirelli Group. In accordance with the procedure, the employees holding the following positions must be classified as KM: (i) General Manager; (ii) Executive Vice President; (iii) Manager responsible for the preparation of financial and corporate documents; (iv) the Company Secretary and Corporate Affairs Officer.

Executives: managers of the Italian companies or employees of the Group's foreign companies with a position or role that is comparable to that of an Italian manager.

The **Pirelli Group** or **Pirelli** or the **Group:** means all the companies included in the Pirelli & C. consolidation scope.

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

LTI Plan (2020-2022): means the Long-Term Incentive plan for the three-year period 2020-2022 approved by the Board of Directors on 19 February 2020 and subject to the approval of the Shareholders' Meeting scheduled for 18 June 2020, in support of the achievement of the new objectives set by the 2020-2022 Strategic Plan.

Management: means all Directors holding specific offices, General Managers, KM, Senior Managers and Executives.

Retention Plan: means the Retention Plan explained in section 9 below, approved by the Board of Directors on 26 February 2018.

2020-2022 Strategic Plan or **Strategic Plan:** means the business plan approved by the Pirelli & C. Board of Directors on 19 February 2020.

GAS: means the gross annual base salary of the remuneration for those employed by a Pirelli Group company.

Senior Managers: means the persons directly responsible, except where they are KM (i) to Directors holding specific offices granted with specific duties; (ii) to General Managers, where the work of the Senior Manager significantly impacts business results.

The **Company** or **Pirelli & C.**: means Pirelli & C. S.p.A..

STI (MBO): means the annual variable component of remuneration that can be achieved if the predefined corporate objectives are achieved, as more fully described in sections 4, 5 and 6 below.

Top Management: means all Directors holding specific offices, General Managers and KM.

EXECUTIVE SUMMARY

	Aims	How it operates	Beneficiaries
Fixed Remuneration	To reward managerial and professional competence and experience, and the contribution made to the role.	It is defined in relation to the characteristics, responsibilities and powers, if any, assigned to the role, taking account of the market references, in order to ensure their competitiveness.	<p>Chairman: €400,000</p> <p>Executive Vice Chairman and CEO: €2,400,000</p> <p>General Manager: €750,000</p> <p>KM: no more than 50% of Annual Total Direct Compensation on-Target</p> <p>Senior Manager and Executive: no more than 60% (Senior Manager) and 75% (Executive) of the Annual Total Direct Compensation on-Target</p>
Annual variable remuneration STI (MBO)	To motivate managers to achieve the Company's annual objectives, maintaining strong alignment with the business strategy and the Company's interests and medium-long term sustainability, including through a partial deferral mechanism.	<p>Directly linked to the achievement of performance objectives assigned to each beneficiary in coherence with the role they cover:</p> <ul style="list-style-type: none"> • EBIT (Group/Region/BU) • Net Cash Flow (Group/Region) • Group Net Income • A sustainability objective • Unit/department objectives (for Senior Managers and Executives) <p>In addition to an on-off condition (which determines access to the plan), represented by a cash indicator (typically Net Cash Flow).</p> <p>There will be an entry level for each objective, equal to 75% of the target premium, below which the related pro-quota of the incentive is not accrued.</p> <p>There is also a maximum cap to the incentive that can be achieved (if all maximum performance objectives are achieved), equal to twice the incentive that can be achieved at target performance.</p> <p>Finally, 25% of the incentive accrued is deferred and its payment, together with any increase, is subject to the achievement of the following year's STI (MBO) objectives.</p>	<p>Chairman: not one of the beneficiaries of the plan.</p> <p>Executive Vice Chairman and CEO:</p> <ul style="list-style-type: none"> • <i>Entry level:</i> 93.75% of fixed remuneration (75% of the target) • <i>Target:</i> 125% of fixed remuneration • <i>Cap:</i> 250% of fixed remuneration <p>General Manager:</p> <ul style="list-style-type: none"> • <i>Entry level:</i> 56.25% of the GAS (75% of the target) • <i>Target:</i> 75% of the GAS • <i>Cap:</i> 150% of the GAS <p>KM:</p> <ul style="list-style-type: none"> • <i>Entry level:</i> 37.5% of the GAS (75% of the target) • <i>Target:</i> 50% of the GAS • <i>Cap:</i> 100% of the GAS <p>Senior Managers and Executives:</p> <ul style="list-style-type: none"> • <i>Entry level:</i> from a minimum of 15% to a maximum of 30% of the GAS (75% of the target) • <i>Target:</i> from a minimum of 20% to a maximum of 40% of the GAS • <i>Cap:</i> from a minimum of 40% to a maximum of 80% of the GAS

<p>Medium/long term variable remuneration (LTI)</p>	<p>To promote the creation of value that is sustainable in the long-term and achievement of the objectives in the Company's Strategic Plan, while also promoting management engagement and retention.</p>	<p>2020-2022 LTI Plan: a monetary incentive subject to the achievement of the following independent long term objectives:</p> <ul style="list-style-type: none"> • Cumulative Group Net Cash Flow (before dividends) • Relative TSR versus a panel of peers (TIER1: Continental, Michelin, Nokian, Goodyear and Bridgestone) • a third objective linked to two Sustainability indicators: Dow Jones Sustainability World Index ATX Auto Component sector and CDP Ranking. <p>There will be an entry level for each objective, equal to 75% of the target premium, below which the related pro-quota of the incentive is not accrued.</p> <p>There is also a maximum cap to the incentive that can be achieved, if all maximum performance objectives are achieved.</p> <p>Vesting: 3 years</p> <p>Rolling plan</p>	<p>Chairman: not one of the beneficiaries of the plan.</p> <p>Executive Vice Chairman and CEO:</p> <ul style="list-style-type: none"> • <i>Entry level:</i> 157.5% of fixed remuneration (75% of the target) • <i>Three-year target:</i> 210% of fixed remuneration • <i>Cap:</i> 600% of fixed remuneration <p>General Manager:</p> <ul style="list-style-type: none"> • <i>Entry level:</i> 135% of the GAS (75% of the target) • <i>Three-year target:</i> 180% of the GAS • <i>Cap:</i> 480% of the GAS <p>KM:</p> <ul style="list-style-type: none"> • <i>Entry level:</i> 112.5% of the GAS (75% of the target) • <i>Three-year target:</i> 150% of the GAS • <i>Cap:</i> 390% of the GAS <p>Senior Managers and Executives:</p> <ul style="list-style-type: none"> • <i>Entry level:</i> from a minimum of 33.75% to a maximum of 112.5% of the GAS (75% of the target) • <i>Three-year target:</i> from a minimum of 45% to a maximum of 150% of the GAS • <i>Cap:</i> from a minimum of 120% to a maximum of 390% of the GAS
<p>Other tools</p>	<p>To assure organisational stability and the contribution made to the implementation of the Company's Strategic Plan.</p> <p>To safeguard company know-how and protect it from competitors.</p>	<ul style="list-style-type: none"> • Retention Plan: extraordinary four-year retention plan (2017-2021). • Non-competition agreements: constraint regarding the market sector in which the Group operates and the territorial coverage. The extent varies according to the role covered. 	<p>Chairman: not one of the beneficiaries of the Retention Plan or of the non-competition agreements.</p> <p>Executive Vice Chairman and CEO: not one of the beneficiaries of the Retention Plan or of the non-competition agreements.</p> <p>Retention Plan: only for the General Manager, KM and selected Senior Managers/Executives. The maximum retention bonus provided is 2.3 times the 2017 Total Direct Compensation on-Target.</p> <p>Non-competition agreements: for the General Manager, the KM and Senior Managers and Executives with professionalism particularly critical. They provides for the payment of a fee proportional to GAS, in relation to the duration and extent of the constraints imposed.</p>

REMUNERATION POLICY FOR THE 2020 FINANCIAL YEAR

1. PARTIES INVOLVED IN THE PROCESS OF POLICY ADOPTION AND IMPLEMENTATION

Parties in the process

The definition of the Policy and any amendments made thereto are the result of a clear and transparent process in which the Remuneration Committee and the Board of Directors play a central role. It is, in fact, annually adopted and approved by the Board of Directors– based on a proposal by the Remuneration Committee – and then the Board submits it to the Shareholders' Meeting for a vote.

The Board of Statutory Auditors issues its opinion on the Policy, in particular on the part regarding the remuneration of Directors holding specific offices.

The Remuneration Committee, the Board of Statutory Auditors and the Board of Directors supervise the application thereof. To that end, at least once per year, when the Compensation Report is submitted, the Head of the Human Resources & Organisation Department reports on the implementation of the Policy to the Remuneration Committee, the Chairman of which reports it to the Board of Directors.

For the sake of completeness, please note that, in accordance with current legislation, the Board of Directors is entitled to adopt (or, if provided by law, to propose to the Shareholders' Meeting) incentive mechanisms for company collaborators, employees or representatives through the attribution of financial instruments or options on financial instruments, which, if approved, shall be disclosed to the public by the legal deadline (without prejudice to any further transparency requirements provided by the applicable law). At the date of this Report, the Company has no incentive plans based on financial instruments in place⁴.

Shareholders' Meeting

The Shareholders' Meeting:

- at the time of appointment, determines the gross annual remuneration to be paid to the members of the Board of Directors, except for the remuneration of Directors holding specific offices;

⁴ Please note that on 19 February 2020 the Board of Directors approved the early closure of the 2018-2020 LTI Plan that had two objectives linked to the share performance and simultaneously approved the adoption of a new LTI plan linked to the objectives set out in the 2020-2022 Strategic Plan, which will be submitted for the approval of the Shareholders' Meeting in the part where it establishes that the incentive shall also be determined on the basis of a target relative total shareholder return, calculated as the performance of the Pirelli share in respect of a panel of selected peers from the Tyre sector. For a more extensive description, reference is made to paragraphs 2, 4, 5 and 6 below.

- at the time of appointment, determines the gross annual remuneration to be paid to the member of the Board of Statutory Auditors;
- approve the section 1 of the Remuneration Report;
- expresses a consultative vote on section 2 of the Remuneration Report;
- resolves, based on a proposal by the Board of Directors, upon any incentive mechanisms based on the attribution of financial instruments or options on financial instruments.

Board of Directors

The Board of Directors resolves upon:

- the breakdown of the total remuneration defined for directors by the Shareholders' Meeting;
- the remuneration policy for executive directors, Directors holding specific offices, General Managers and KM;
- the remuneration of Directors holding specific offices in accordance with Art. 2389, paragraph 3 of the Italian Civil Code, as well as the remuneration of General Managers;
- the performance objectives related to the variable part of the remuneration of executive directors, General Managers and KM;
- the remuneration of the Head of the Internal Audit department upon a proposal by the Audit, Risks, Sustainability and Corporate Governance Committee.

Remuneration Committee

The Remuneration Committee is appointed by the Board of Directors (which also appoints the Chairman thereof) and remains in office for the entire duration of the mandate granted to the Board of Directors.

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

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

REMUNERATION COMMITTEE

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

Directors Laura Cioli and Giovanni Lo Storto were considered by the Board of Directors as having sufficient experience in accounting, financials and remuneration policies matters.

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 the Secretary of the Remuneration Committee.

The Committee has advisory and supervisory functions and makes recommendations to ensure the definition and application within the Group of remuneration policies that, on the one hand, attract, motivate and retain human resources with the professional qualities required to pursue profitably the Group objectives and, on the other hand, are capable of aligning the interests of Management with those of the shareholders, taking into account the objectives set by the company strategy and the pursuit of the Company's long-term sustainability and interests.

In particular, the Remuneration Committee:

- assists the Board of Directors to define the Policy, making recommendations in this regard;
- assesses periodically the adequacy, overall consistency and concrete application of the Policy, making reference in this last regard to the information provided by the managing directors and makes recommendations to the Board of Directors on this matter;
- with regard to the executive directors, other Directors holding specific offices and General Managers, it makes recommendations or expresses opinions to the Board:
 - about their remuneration, in compliance with the Policy;
 - about setting performance objectives linked to the variable part of that remuneration;

- about the definition of any non-competition agreements;
- about the definition of any agreements for the termination of working relationships, having regard to the principles established in the Policy;
- verifies the compliance of the remuneration of the executive directors, the other Directors holding specific offices, the General Managers and the KM with the Remuneration Policy and expresses an opinion on this, also in accordance with the related party transaction procedure;
- assists the Board of Directors in the examination of proposals to the Shareholders' Meeting for the adoption of remuneration plans based on financial instruments;
- monitors the application of the decisions adopted by the Board of Directors, checking in particular the effective achievement of the established performance objectives;
- examines and submits to the Board of Directors the Compensation Report, which, for the members of the management and controlling bodies, the General Managers and in aggregate form for the KM:
 - a. provides adequate information about each component of their remuneration;
 - b. explains in detail the remuneration paid during the relevant financial year, for whatever reason and in any form, by the Company and its subsidiaries and/or affiliates;
- assesses the existence of exceptional circumstances that allow for a derogation to the Policy. In exceptional circumstances, derogations to the Policy are approved in accordance with the procedures adopted by the Company for related party transactions in implementation of the applicable current Consob regulation in force at the time.

In relation to the operation of the Remuneration Committee, see the Report on the Corporate Governance and Share Ownership of Pirelli & C. S.p.A..

In compliance with the related party transactions procedures adopted by the Company in compliance with the Consob Regulation pursuant to resolution no. 17221 of 12 March 2010 (as subsequently amended), the Company may adopt any decisions derogating or implementing the Policy within the limits required or in any case permitted by applicable provisions of law or regulation in force at the time.

As better explained under section 10 below, the Company provides for information on any derogations made to the Policy in exceptional circumstances, in accordance with the terms and conditions set out by provisions of applicable law and regulation in force at the time.

Amongst the measures aimed at avoiding or managing conflicts of interest, it should be noted that, in compliance with the Corporate Governance Code, no member of the Board of Directors shall attend meetings of the Remuneration Committee held to make proposals to the Board of Directors about their own remuneration. More specifically, Directors holding specific offices granted with

specific duties shall not attend the meetings of the Remuneration Committee during which proposals to the Board of Directors in regard to their own remuneration are formulated.

2. PURPOSES AND PRINCIPLES OF THE 2020 REMUNERATION POLICY

The Policy contributes to pursue the business strategy. It aims to attract, motivate and retain human resources in possession of the professional qualities required to pursue the business objectives. Through the multi-year variable components, it aims to achieve long-term interests, encouraging the achievement of strategic objectives and sustainable growth of the Company as well as bringing the interests of the Management in line with those of the shareholders.

In particular, the Policy contributes to the business strategy, to the pursuit of the Company's long-term interests and sustainability also through the provision of a medium/long-term variable remuneration mechanism for the Executive Vice Chairman and CEO, the General Manager, the KM, the Senior Managers and Executives, as better explained in sections 4, 5 and 6 below (2018-2020 and 2020-2022 LTI Plans).

The Policy, indeed, is inspired by the principle of "pay for performance", taking into account, as explained further hereto, that (i) the plans' incentive targets, at the "access threshold" level are set consistently with the objectives disclosed to the market, with no "discounts" whatsoever; and (ii) for the 2020-2022 LTI Plan, the setting of objectives relating to total shareholders' return and Cumulative Group Net Cash Flow (again set, as entry-level objective, at the value equal to the value set in 2020-2022 Strategic Plan, with no "discount") allows for the perfect alignment of the interests of the management team with the long-term interests of shareholders.

The Policy has been prepared taking into account the policies of the previous years and the regulatory provisions adopted by Consob in its resolution no. 18049 of 23 December 2011 (which introduced Scheme 7-*bis* of Annex 3A to the Issuers' Regulation)⁵, the early closure of the 2018-2020 LTI Plan and the adoption of the 2020-2022 LTI Plan.

The Policy is annual and has been defined taking into account the remuneration, compensation mix and working conditions of the Company's employees. In this regard, it is Pirelli's standard practice to set employee remuneration according to reference market benchmarks for each professional figure, seeking to achieve a different level of appeal depending on the company role and skills.

In particular, Pirelli defines and applies a Policy as regards the first appointment:

- for the Chairman, referring to the market median "Non-Executive Directors in Italy" of Korn Ferry for the year in which said first appointment is occurred;

⁵ See above, note 2.

- for the rest of the Top Management and the Senior Managers, characterised by outstanding characteristics of attractiveness targeting the third quartile of the comparison market (compared to the benchmarks used);
- for Executives, targeting the median of the different comparative markets.

The Annual Total Direct Compensation on-Target is the benchmark for market comparison.

The analysis of the positioning, composition and more generally the competitiveness of the remuneration of Directors holding specific offices is carried out by the Remuneration Committee and the Board of Directors with the assistance of independent companies specialised in executive compensation, on the basis of methodological approaches that allow the full assessment, although within the typical limits of benchmark analyses, of the complexity of their positions from an organisational point of view, any specific duties granted thereto and the individual's impact on the final business results.

In regard to the comparative market, in the definition of the panel of reference companies updated annually by the Remuneration Committee, various components are taken into account such as business sector, geography, specific features and size of the company.

The reference sample of companies used to analyse the competitiveness and possible review of the remuneration of the Chairman of Pirelli & C. has been established with the assistance of Korn Ferry and consists of MIB40 companies.

The sample of reference companies used for the competitiveness analysis and any potential review of the remuneration of the Executive Vice Chairman and Chief Executive Officer of Pirelli & C. has been updated with the assistance of Willis Towers Watson, also taking account of the main recommendations on pay for performance, and is now composed of the 16 companies shown in the table below (as the benchmark taken as reference last year).

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

Finally, the remuneration structure for the General Manager, the KM, Senior Managers and Executives is defined on the basis of the national and international benchmarks prepared by Korn Ferry and shared with the Remuneration Committee.

Management remuneration has three main elements:

- gross annual base salary (GAS);
- annual variable component STI (MBO);
- medium/long term variable component (LTI).

The base salary is established on the basis of the complexity of the position, professional seniority, the skills required to perform in the role, performance over time, and the trend in the comparison remuneration market related to the position held by the individual.

The STI (MBO) and LTI variable components are established - taking into account the benchmarks for each beneficiary - as a percentage of base salary which increases according to the position held by the beneficiary.

The STI (MBO) is extended to all the Management, and intends to reward the beneficiaries short term performance; except for specific cases, it can be extended to managers who have joined the Group during the year.

The STI (MBO) objectives for Directors holding specific offices granted with specific duties, for General Managers and for KM are established by the Board of Directors upon a proposal of the Remuneration Committee (see sections 4 and 5).

The STI (MBO) objectives of the Senior Managers and Executives - which reflect the same structure as those of the Directors holding specific offices granted with specific duties, the General Managers and the KM - are, instead, defined by the hierarchical manager in accordance with the Human Resources & Organisation and Planning and Controlling Departments and provide, amongst others, also objectives linked to the economic performance of the relevant business unit/geography/department (see section 6).

At the end of the year and based on the finalised performance figures, the Department of Human Resources & Organization, with the assistance of the Planning and Controlling Department, proceeds to check the level to which the objectives have been achieved, on which basis then the Board of Directors resolves, after the consideration of the Remuneration Committee, on the entity of the variable compensation to be paid.

In the event of extraordinary transactions affecting the scope of the Group and/or major changes in the macroeconomic and business scenario, the Remuneration Committee may adjust the targets in the STI (MBO) plan, in order to protect the plan's value and purposes, thus ensuring that the objectives of the Company and the objectives of the Management incentive systems are constantly aligned.

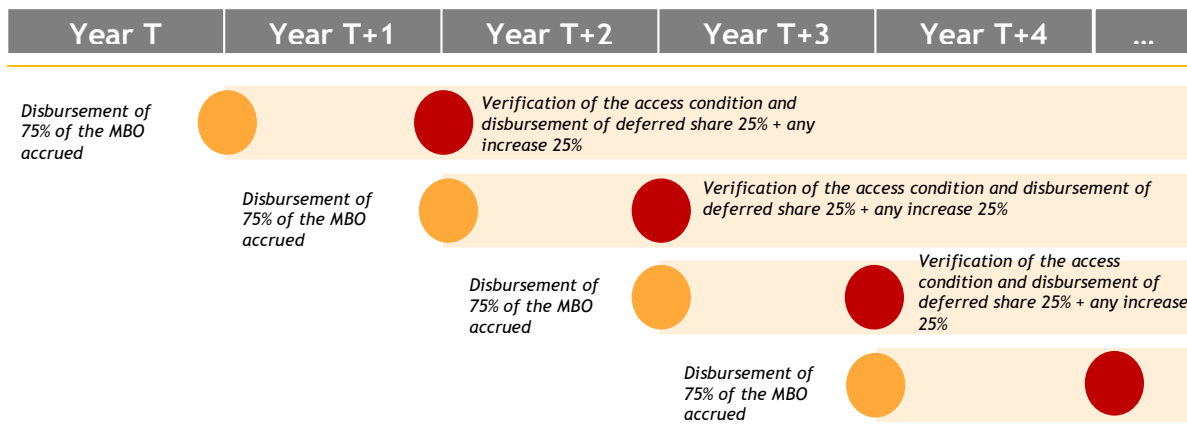
The achievement of the individual objectives will be assessed by the Remuneration Committee, neutralising the effects of any extraordinary decisions that could have affected the results (either

positively or negatively). The Board of Directors resolves upon the proposed review, after obtaining the opinion of the Remuneration Committee.

Part of the variable remuneration accrued as STI (MBO) is deferred in support of the continuity of results over time. Indeed, the 75% of any STI (MBO) accrued is paid, since the remaining 25% is deferred for 12 months and subject to achievement of the STI (MBO) objectives of the next year. More specifically (see graph below):

- in the event that no STI (MBO) is accrued in the next year, the deferred STI (MBO) quota of the previous year is definitively “lost”;
- in the event that the STI (MBO) accrued in the next year is below target level, the STI (MBO) quota deferred from the previous year is paid;

in the event that the STI (MBO) accrued in the next year is equal to or higher than target level, the STI (MBO) quota deferred from the previous year is paid, together with an additional amount equal to the quota deferred (increase).



For completeness, it is pointed out that, in the context of the actions in response to the Covid-19 health emergency, the Board of Directors on 3 April 2020 acknowledged and shared the willingness of the entire members of the board of directors to renounce part of their compensation and, in particular (i) the willingness of Vice Chairman and CEO to renounce, for three months, the 50% of his gross fixed annual compensation for the positions of Vice Chairman, CEO and board member, as well as for the position of Chairman of the board committees; (ii) the willingness of the members of the board to renounce, for the second quarter of the financial year, to the 50% of the compensation for the positions of board member and member of the board committees.

During the same meeting, the Board of Directors acknowledged the willingness of the leadership team (composed of KM and some Senior Managers, as better defined in the Remuneration Report) to renounce the 20% of their gross fixed annual compensation for a period of three months.

Finally, always during the meeting held on 3 April 2020, following the favourable opinion, as far as necessary, by the board committees and the Board of Statutory Auditors, the Board of Directors

resolved – subject to the approval of the 2020 Policy and the consultative vote of the Compensation Report to the Shareholders' Meeting - to early cancel without any disbursement the 2020 STI (MBO) and, consequently (i) to liquidate, in the first quarter of 2021, to the 2019 STI (MBO) beneficiaries the 25% of the 2019 STI (MBO) premium accrued and initially subject to the the achievement of the 2020 STI (MBO) objectives, conditioning the payment to the maintenance of the employment/director relationship between the beneficiary and the Company on such date (excepts for the “good leavers” who will receive this component in any case), and (ii) to cancel the opportunity to increase the 2020 STI (MBO).

The LTI plan is assigned to the Top Management and extended, except for specific cases, to all Management. It is also assigned to those who, during the three-year period, join the Group and/or take over, due to internal career growth, the position of Executive. In this case, their inclusion is subject to the participation to the plan for at least one full financial year and the incentive percentages are scaled to the number of months of effective participation to the plan.

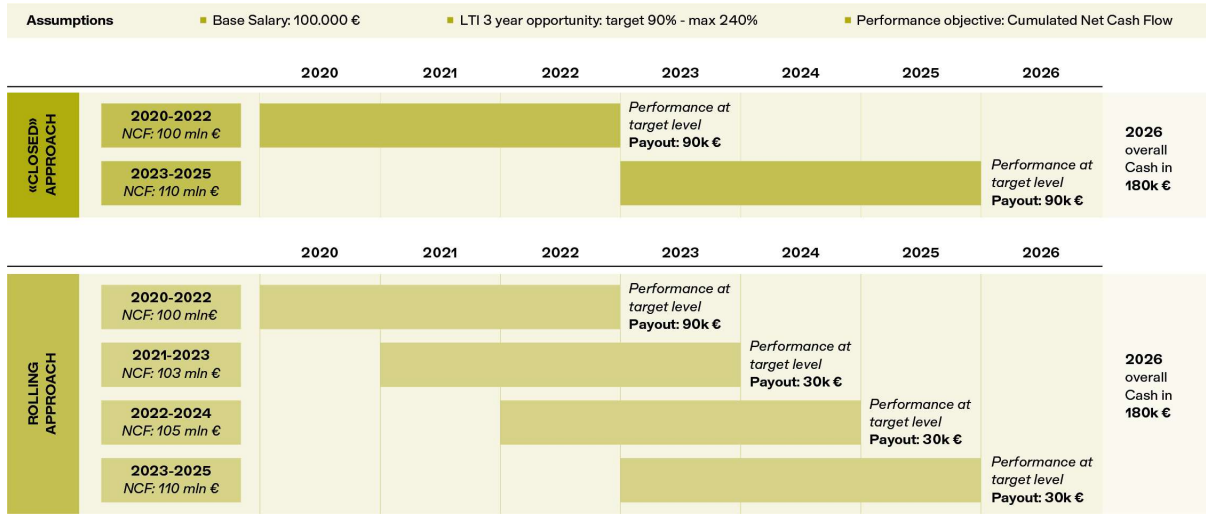
In light of the launch of the Strategic Plan for the period 2020-2022, the Pirelli & C. Board of Directors resolved, on the one hand, to early close the 2018-2020 LTI Plan, with effect from 31 December 2019 (with no payment, not even pro-quota, of the three-year incentive) and, on the other hand, to introduce a new 2020-2022 LTI Plan linked to the objectives of the Strategic Plan approved on 19 February 2020, which will be subject to the approval of the Shareholders' Meeting, in the part where it is provided that the incentive shall be determined on the basis of a total shareholder return objective.

The medium/long term incentive plan (LTI) 2020-2022 is intended to:

- link Management remuneration with the medium-long term performance of the Group;
- promote the creation of shareholder value;
- generate an effective Management retention effect, a key variable for the delivery of the Company's strategic plan.

Additionally, starting from the 2020-2022 LTI Plan, the Company introduced a “rolling” type mechanism, in order to: (i) guarantee a high flexibility, making it possible, for each new three-year cycle, to update performance indicators to the evolution of the market and business and, therefore, to the Company's strategic plan; (ii) create a recurring element of the remuneration policy considering that each year it is provided for the launch of a new cycle of the LTI plan.

Below is an example diagram showing how the rolling mechanism works:



The 2020-2022 LTI Plan assigns each beneficiary an incentive opportunity (the “**LTI Bonus**”), equal to a percentage of the gross annual fixed component (GAS) in place as at the date on which participation to the plan is established. This incentive percentage increases in relation to the position held and takes into account the benchmarks for each role.

The full cost of the 2020-2022 LTI Plan is included in the economics of the 2020-2022 Strategic Plan, so its cost is “self-funded” by achievement of the expected results.

The risk governance process is fully integrated into the strategic planning process in order to ensure that the objectives envisaged for achieving the variable incentive do not expose Pirelli to managerial behaviour not in line with an acceptable level of risk (“risk appetite”) as defined by the Board of Directors on the occasion of the approval of the plans.

In case of extraordinary transactions which affect the Group perimeter and / or deep changes in the macroeconomic and business scenario, the Company reserves the right to propose to the Remuneration Committee:

- a possible adjustment of the target (both positive and negative) covered by the 2020-2022 LTI Plan, in order to protect the value and purposes of the LTI Plan itself, ensuring the constant alignment between the Company’s objectives and the objectives of the Management incentive systems;
- to review the parameters covered by the 2020-2022 LTI Plan;
- to early close the 2020-2022 LTI Plan.

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

The Board of Directors

Within the Board of Directors, a distinction can be made between:

- (i) Directors holding specific offices whom may be granted with further specific duties;
- (ii) Directors holding no specific offices.

The granting of powers to directors only in case of emergency does not qualify them as directors granted with specific duties.

At the time of the appointment of the Board of Directors, the Pirelli Shareholders' Meeting resolves the total annual remuneration of the Board of Directors in accordance with Art. 2389, paragraph 1 of the Italian Civil Code - to be allocated to its members in compliance with the resolutions in this regard adopted by the Board - excluding the remuneration to be assigned by the Board to Directors holding specific offices, pursuant to Art. 2389 of the Italian Civil Code.

More specifically, on 1 August 2017, the Pirelli Shareholders' Meeting resolved to establish, for the years 2017, 2018, 2019 and until termination of the office with the approval of the financial statements as at 31 December 2019, a maximum of euro 2 million as the total annual remuneration of the Board of Directors in accordance with Art. 2389, paragraph 1 of the Italian Civil Code, excluding the remuneration to be assigned by the Board to Directors holding specific offices, pursuant to Art. 2389 of the Italian Civil Code.

The total gross annual remuneration established by the Shareholders' Meeting was allocated by the Board of Directors as follows:

Directors' remuneration		
Body	Office	Remuneration
Board of Directors	Director	€60,000
Audit, Risks, Sustainability and Corporate Governance Committee	Chairman	€30,000
	Member	€25,000
Remuneration Committee	Chairman	€30,000
	Member	€25,000
Strategies Committee	Chairman	€50,000
	Member	€30,000
Appointments and Successions Committee	Chairman	€50,000
	Member	€30,000
Related-Party Transactions Committee	Chairman	€60,000
	Member	€40,000
Supervisory Body	Chairman	€60,000
	Member	€40,000

With reference to the compensation provided in the table above, please refer to Paragraph 2 above related to the renounces made by the directors in the context of the actions resolved by the Board of Directors on 3 April 2020 in response to Covid-19 health emergency.

In line with best practice, Directors holding no specific offices (as defined above) do not receive a variable part of their remuneration. Expenses incurred for official reasons are also reimbursed to the directors.

In any case, the compensation granted to non-executive directors is determined in such an amount as to guarantee adequacy in terms of the skill, professionalism and effort required by their office.

The Shareholders' Meeting that will be convened to approve the financial statements as at 31 December 2019 will also be called to resolve upon the renewal of the current Board of Directors, which will be expiring due to the end of the mandate. The Shareholders' Meeting will therefore be called to resolve on the total annual remuneration of the Board of Directors in accordance with Art. 2389, paragraph 1 of the Italian Civil Code, as well as the compensation to be assigned by the Board to Directors holding specific offices, pursuant to Art. 2389 of the Italian Civil Code and, thereafter, the Board of Directors shall resolve on its allocation.

The Board of Directors, resolving the said allocation, shall take into account the effort required for the attendance of directors to the single board committees, on the basis of the previous mandate.

Except in case the Shareholders' Meeting resolves otherwise, an allocation of the said remuneration providing the attribution of (i) a remuneration equal at a maximum to +25% vs the directors' remuneration attributed for the previous mandate and (ii) for the members of the board committees a +25% vs the remuneration for the office held, is compliant with the Policy. If new committees should be established, the maximum limit is that of the highest remuneration provided for the corresponding office in other committees.

Again in line with best practices, corporate bodies, General Managers, KM, Senior Managers and Executives, in the exercise of their functions, are covered by a third party civil liability policy ("D&O"). Such policy, as a consequence to the provisions established on the matter by the applicable national collective bargaining agreement and rules governing mandates, this policy aims to indemnify Pirelli from any expenses deriving from the related compensation, excluding cases of wilful misconduct or gross negligence.

No insurance coverage, whether for social security or pensions, other than the obligatory coverage, is provided for Directors holding specific offices.

The Board of Statutory Auditors

The remuneration of the members of the controlling body is determined by the Shareholders' Meeting as an annual fixed rate that is adequate in terms of the skills, professionalism and effort required by the office.

At the end of their mandate, the Board of Statutory Auditors drafts a specific report setting out the activities carried out, specifying the number of meetings and average length of the meetings, as well as the time taken by each activity carried out and the professional resources used. This report will then be sent to the Company in order to allow shareholders and the candidate auditors to assess the adequacy of the proposed remuneration.

In particular, in the 2018 financial year, upon the renewal of the Board of Statutory Auditors, the gross annual base remuneration of its Chairman was set at euro 75,000 for the years 2018, 2019, 2020 and until termination of office with the approval of the financial statements as at 31 December 2020. The remuneration of the other Standing auditors was set at euro 50,000.

Remuneration in favour of the members of the Board of Statutory Auditors equal at maximum to +25% vs the remuneration attributed for the previous mandate, is compliant with the Policy.

For the Standing auditor called to be part of the Supervisory Body, following its renewal, the Board of Directors established for the years 2018, 2019, 2020 and until termination of office with the approval of the financial statements as at 31 December 2020, a gross annual remuneration of euro

40,000. Expenses incurred for official reasons are also reimbursed to the members of the Board of Statutory Auditors.

In line with best practices, a D&O insurance policy is provided to cover the third party liability of the corporate bodies, including the members of said controlling bodies.

4. REMUNERATION OF DIRECTORS HOLDING SPECIFIC OFFICES

The remuneration of Directors holding specific offices is proposed by the Remuneration Committee to the Board of Directors when they are appointed, or at the first useful meeting thereafter.

Chairman of the Board of Directors

If a Director has been appointed to a specific office or offices, but no specific duties have been granted to them (at the date of this Report, this applies to Chairman Ning Gaoning) the remuneration consists solely of a fixed gross annual component, as well as the compensation for the office of director and any participation in committees.

At the time of appointment, the Board of Directors determines the remuneration for the Chairman of the Board of Directors, considering the remuneration assigned during the previous mandate (if the same holder of the office) and the market benchmark (if a different person).

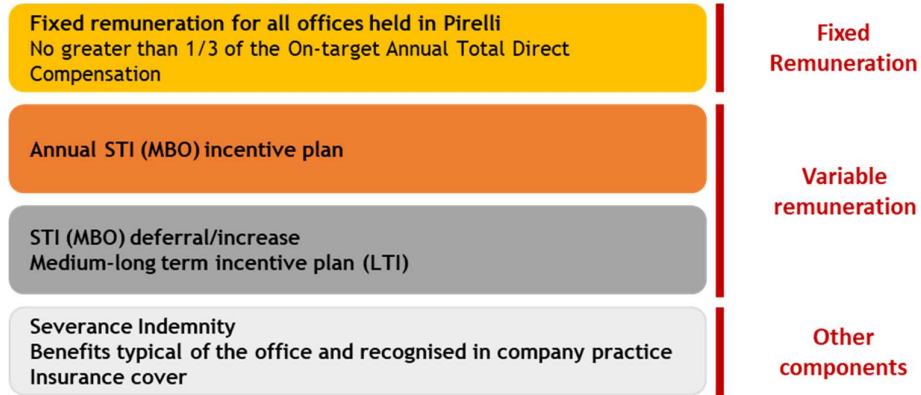
A Chairman's compensation equal at maximum to +10% of the remuneration assigned during the previous mandate (if the same holder) or with respect to the market benchmark - median - (if a different person), is considered compliant with the Policy.

The Chairman Ning Gaoning has a compensation for the office of a gross annual euro 400,000. With reference to this compensation, please refer to paragraph 2 above, related to the renounces made by the directors in the context of the actions resolved by the Board of Directors on 3 April 2020 in response to Covid-19 health emergency.

For those Directors holding specific offices to whom no specific duties have been granted, no social security or pension cover is provided other than the obligatory schemes.

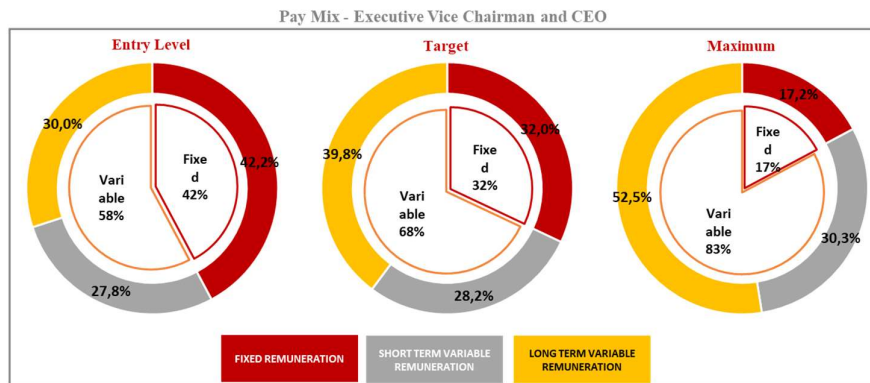
Executive Vice Chairman and CEO

The remuneration of Directors holding specific offices also granted with specific duties (as is the case for the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera) is composed of the following elements:



Directors holding specific offices also granted with specific duties⁶, shall also receive the compensation for the office of director and for any participation in committees⁷.

With reference to the incidence of the various components, the structure of the compensation package of the current Executive Vice Chairman and Chief Executive Officer in the event of achieving the annual STI (MBO) objectives and the three-year objectives of the 2020-2022 LTI Plan (i) at the “entry threshold”, (ii) on-target and (iii) at the maximum level are set out below.



⁶ As at the date of this Report, the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera is the only Director appointed to a specific office also granted with specific duties.

⁷ The Executive Vice Chairman and Chief Executive Officer receives also the compensation provided for the offices of director (euro 60,000), Chairman of the Strategies Committee (euro 50,000) and Appointments and Successions Committee (euro 50,000).

Fixed Remuneration

The gross annual base salary for the office of Executive Vice Chairman and Chief Executive Officer is determined at the time of appointment, taking into account the compensation granted during the previous mandate (if the same holder of the office) and the market benchmark (if a different person), so as to be sufficient to remunerate the work undertaken if the variable component should not be paid due to non-achievement of the performance objectives set.

The gross annual fixed component attributed to the Executive Vice Chairman and Chief Executive Officer is euro 2,400,000 (no more than a third of the Total Direct Compensation on-Target). With reference to this compensation, please refer to paragraph 2 above, related to the renounces made by the directors in the context of the actions resolved by the Board of Directors on 3 April 2020 in response to Covid-19 health emergency.

The assignment of a gross annual base salary or a review of such, which, considering the annual and medium/long-term incentive percentages, determines an Annual Total Direct Compensation on-Target equal at maximum to + 5% of the value assigned during the previous mandate (if the same holder of the office) or with respect to the market benchmark - third quartile (if the office is held by a different person) - is compliant with the Policy.

Annual variable remuneration - STI (MBO)

The Executive Vice Chairman and Chief Executive Officer is beneficiary of a STI (MBO) equal to a percentage of the fixed remuneration determined at the time of appointment and thereafter at the launch of the single annual plans.

The attribution of a STI (MBO) incentive percentage no higher than the previous mandate, is considered compliant with the Policy.

The objectives underlying the STI (MBO) plan represent a performance that is consistent with the corresponding objectives disclosed to the market, in particular the objectives for obtaining the incentive at “access threshold” are set as equal to the value disclosed to the market.

For each objective there is an “access threshold”, to which is associated payment of a pro-quota bonus that is 75% of the pro-quota achievable on target; there is also a maximum (cap) on the amount of the bonus that can be achieved.

The on/off condition is set as equal to the value disclosed to the market.

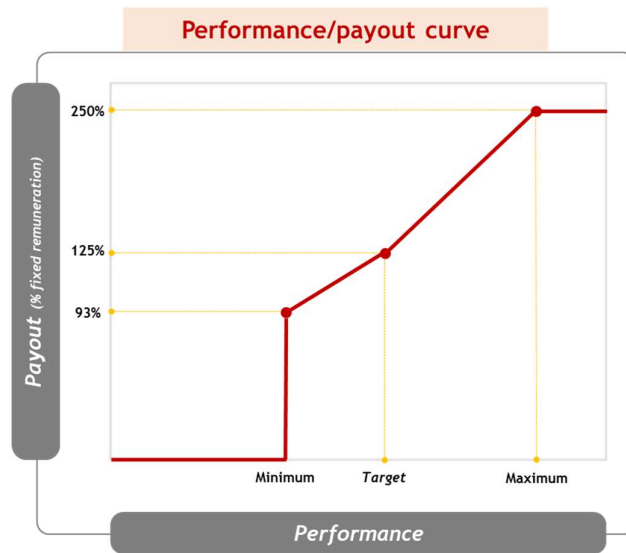
The finalisation of the performance for intermediate results between the “access threshold” and target and between the target value and maximum value is carried out by linear interpolation.

Depending on the level of performance achieved, the Executive Vice Chairman and Chief Executive Officer will receive a bonus of 125% of fixed remuneration for on-target performance,

93.75% of fixed remuneration (75% of the on-target bonus) in case of achievement of the “access threshold”, and 250% of fixed remuneration (200% of the on-target bonus) in case of performance at maximum level.

All the objectives provided by the STI (MBO) scheme shall apply independently, once achieved the on/off condition objective, according to the incentive curve shown below. Therefore, on the basis of the level of performance achieved, each objective will contribute to the overall payout, according to the weight shown in the scheme.

Example curve if all objectives are achieved at entry level, on-target and maximum.



For 2020, the objectives originally assigned to the Executive Vice Chairman and Chief Executive Officer in the context of 2020 STI (MBO) were the following. In this respect, please refer to paragraph 2 above related to the early closure of the 2020 STI (MBO) in the context of the actions resolved by the Board of Directors on 3 April 2020 in response to Covid-19 health emergency.

STI (MBO) scorecard - Executive Vice Chairman and CEO		Objective weight on target
Group Net Cash Flow (before dividends)		ON/OFF condition
Group adjusted EBIT		40%
Group Net Cash Flow (before dividends)		30%
Group Net Income		20%
Sustainability objective - value of the green performance revenues on the whole range		10%

Medium-long term variable remuneration

Also in order to contribute to the business strategy, the pursuit of the Company's long-term interests and its sustainability, the Executive Vice Chairman and CEO is beneficiary of the 2020-2022 Long Term Monetary Incentive plan linked to the achievement of the objectives of the Strategic Plan set out hereto.

2020-2022 LTI - Executive Vice Chairman and CEO	Objective weight on-target	KPI
Cumulative Group Net Cash Flow (before dividends)	40%	Value disclosed to the market
Relative TSR versus a panel of peers (TIER1: Continental, Michelin, Nokian, Goodyear and Bridgestone)	40%	Performance equal to panel average
Dow Jones Sustainability World Index ATX Auto Component sector ranking	10%	From -1% to -5% vs Top Industry cluster
CDP ranking	10%	«A-» scoring

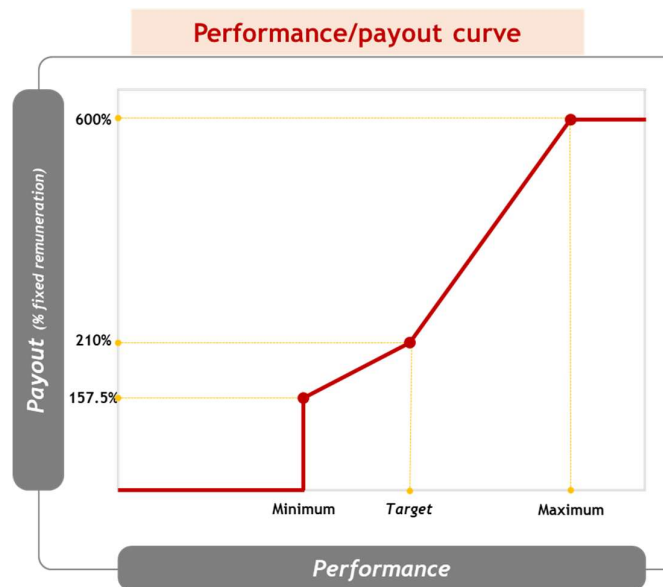
The objectives underlying the 2020-2022 LTI Plan represent a performance consistent with the corresponding objectives disclosed to the market, in particular the objectives for obtaining the incentive at "access threshold" are set as equal to the value disclosed to the market (net of sustainability objectives), or consistent with said objectives.

There is an "access threshold" for each objective – to which payment of 75% of the pro-quota of the bonus achievable on-target is associated – and a maximum (cap) on the pro-quota amount of the bonus that can be achieved.

The performance range for the economic-financial objectives is defined as the more challenging of the target and maximum level with respect to that envisaged between the "access threshold" and

target. In order to offer incentive to achieving results above target, the incentive curve is fixed in such a way that the incentive opportunities grow significantly faster between the target and the maximum levels than in the range between the “access threshold” and the target level (see graph below). All the objectives provided by the LTI scheme shall apply independently, according to the incentive curve shown below. Therefore, on the basis of the level of performance achieved, each objective will contribute to the overall payout, according to the weight shown in the scheme.

Example curve if all objectives are achieved at entry level, on-target and maximum.



For the TSR and cumulative Group Net Cash Flow objectives, for intermediate results falling between the “access threshold” and target value, or between the target value and the maximum value, performance will be calculated by linear interpolation, rather than the sustainability objectives, which are calculated only in three steps: entry level, target and maximum, without considering intermediate performance.

Depending on the level of performance achieved, the Executive Vice Chairman and Chief Executive Officer will receive a three-year bonus of 210% of fixed remuneration for on-target performance, 157.5% of fixed remuneration in case of achievement of the “access threshold” (75% of the on-target bonus), and 600% of the fixed remuneration (cap) in case of maximum performance.

If he ceases to hold office due to the end of his mandate or due to the termination of the entire Board of Directors, and is not subsequently appointed even as a director, the LTI Bonus is to be paid pro-quota.

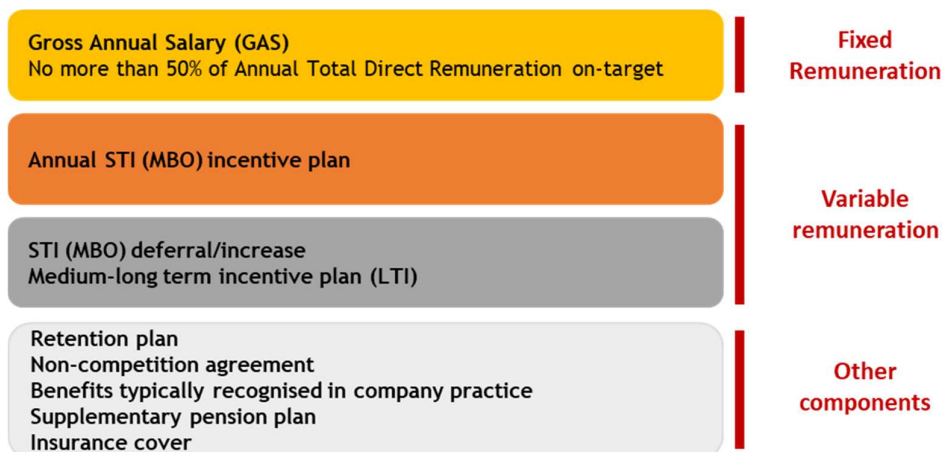
In addition, the Board of Directors provided in favour of Directors holding specific offices granted with specific duties, not related to the Company with an executive employment relationship (on the

date of this Report, the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera), in line with the treatment guaranteed pursuant to the law and/or national collective employment agreement for the Group's Italian executives:

- an Office Termination Payment (T.F.M.) in accordance with Art. 17, paragraph 1, letter c) of the T.U.I.R. No. 917/1986 (Italian consolidated law on income tax), having characteristics similar to those of the Severance Indemnity Payment (TFR) in accordance with Art. 2120 of the Italian Civil Code paid in accordance with the law to Italian executives in the Pirelli Group, including employer contributions that would be due to social security Institutions or Funds in the event of an executive employment relationship;
- an insurance policy related to (i) personal injuries that might be suffered during the execution of their mandate, and (ii) accidents unrelated to the office held, with premiums payable by the Company;
- a policy to cover treatment for permanent disability as a result of illness;
- a policy for death from any cause;
- further benefits typical of the role held, as resolved by the Board of Directors in addition to those currently paid within the Pirelli Group to the General Manager, the KM, the Senior Managers and the Executives (company car).

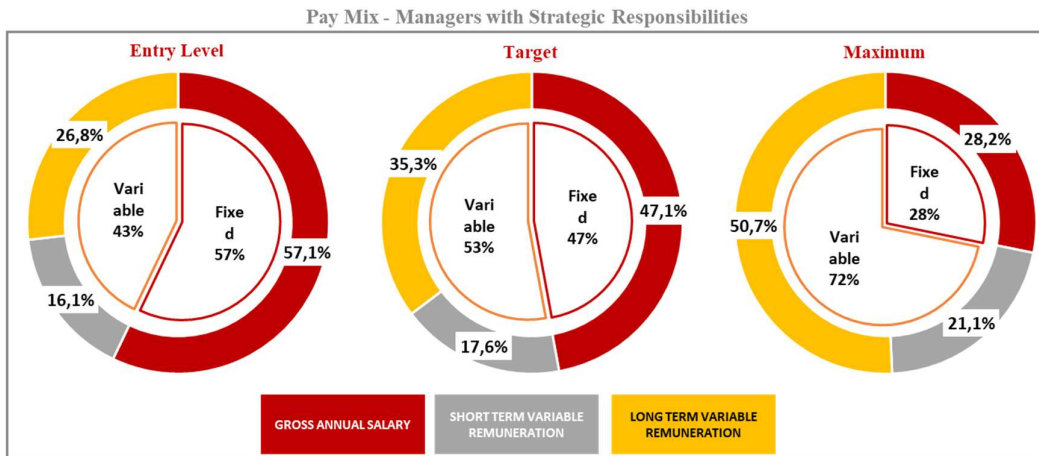
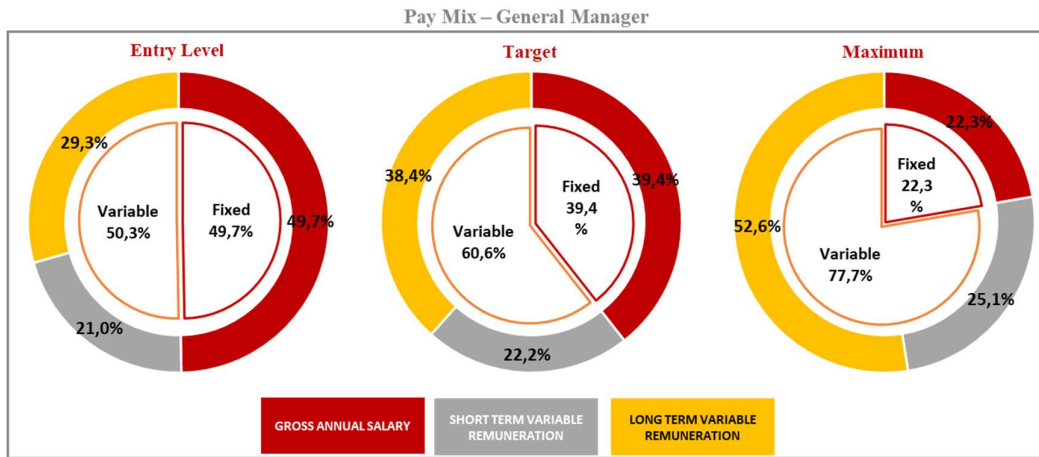
5. GENERAL MANAGER AND KM

The remuneration of the General Manager (at the date of publication of the Policy the General Manager Operations Andrea Casaluci) and the KM has composed as follows:



Regarding the incidence of the various components, the structure of the compensation package of the General Manager and the KM in the event of achieving the annual STI (MBO) objectives and

the three-year objectives of the 2020-2022 LTI Plan (i) at the “entry threshold”, (ii) on-target and (iii) at the maximum level are set out below.



The analysis of the remuneration of the General Manager and the KM, reviewed once a year and disclosed in the Compensation Report, is carried out with the support of an independent company specialised in executive compensation (Korn Ferry). The method used is “Job Grading”, which compares the roles on the basis of three different components (know-how, problem solving and accountability), whereby the weighting of each role is determined within the organisation.

For the General Manager and the KM, the market benchmark used to verify the competitiveness of the related remuneration includes approximately 400 listed European companies included on the FTE500 list - which includes the 500 highest cap European companies.

Fixed remuneration of the General Manager and KM

The fixed remuneration of the General Manager is determined at the time of appointment by the Board of Directors, based on an opinion of the Remuneration Committee, in compliance with the Policy.

The remuneration of KM is determined by the Executive Vice Chairman and Chief Executive Officer, in compliance with the Policy.

The Remuneration Committee assesses the compliance of the remuneration of the aforementioned subjects with the Policy.

With reference to the fixed remuneration of the General Manager and KM, please refer to paragraph 2 above related to the renounces made by the leadership team in the context of the actions resolved by the Board of Directors on 3 April 2020 in response to Covid-19 health emergency.

In the event of the appointment of a General Manager or the hiring/qualification of a new KM, the Remuneration Committee defines the grade and benchmark of reference on the basis of their role and responsibilities. Fixed remuneration that, considering the annual and medium/long-term incentive percentages, determines an Annual Total Direct Compensation on-Target equal at maximum to + 10% of the market benchmark (third quartile), is compliant with the Policy.

The proposed determinations and revisions of the fixed remuneration are carried out taking into account the purpose of the Policy to attract, retain and motivate key resources to achieve the Company's objectives. A review that, considering the annual and medium/long-term incentive percentages, determines an Annual Total Direct Compensation on-Target equal at maximum to + 10% of the market benchmark (third quartile), is compliant with the Policy.

Annual variable incentive STI (MBO)

The General Manager and KM are beneficiaries of the STI (MBO) plan, defined according to the same structure, mechanisms and objectives provided for the Executive Vice Chairman and Chief Executive Officer.

With reference to 2020 STI (MBO) Plan, please refer to paragraph 2 above related to the early closure of the same in the context of the actions resolved by the Board of Directors on 3 April 2020 in response to Covid-19 health emergency.

In the event of performance at target, an annual incentive STI (MBO) is recognised equal to:

- 75% of the GAS for the General Manager;
- 50% of the GAS for the KM.

In the event of “access threshold” performance, the bonus opportunity is equal to 56.25% of the GAS for the General Manager and 37.5% of the GAS for the KM (75% of on-target bonus), whilst in the event of maximum performance, it is equal to 150% of the GAS for the General Manager and 100% of the GAS for the KM (200% of on-target bonus).

In addition, for the General Manager and the KM, the 75% of the accrued bonus is paid, and the remaining 25% is deferred for 12 months and payable upon the achievement of the STI (MBO) objectives of the next year, according to the same parameters specified for the Executive Vice Chairman and Chief Executive Officer.

Medium-long term variable incentive

Also in order to contribute to the business strategy, the pursuit of the Company’s long-term interests and its sustainability, the General Manager and the KM benefit of the 2020-2022 Long Term Incentive plan defined according to the same structure, mechanisms and objectives provided for the Executive Vice Chairman and CEO.

In the event of performance at target, a three-year (LTI) incentive is recognised equal to:

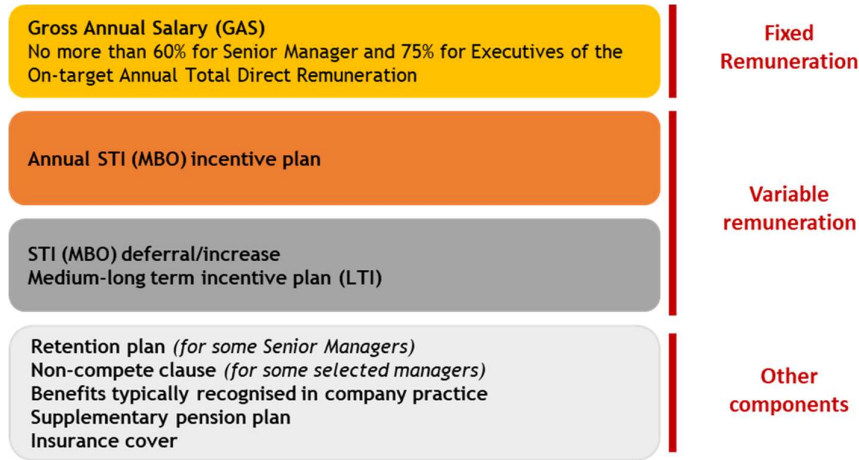
- 180% of the GAS for the General Manager;
- 150% of the GAS for the KM.

In the event of “access threshold” performance, the bonus opportunity is equal to 135% of the GAS for the General Manager and 112.5% of the GAS for the KM (75% of on-target bonus), whilst in the event of maximum performance, it is equal to 480% of the GAS for the General Manager and 390% of the GAS for the KM.

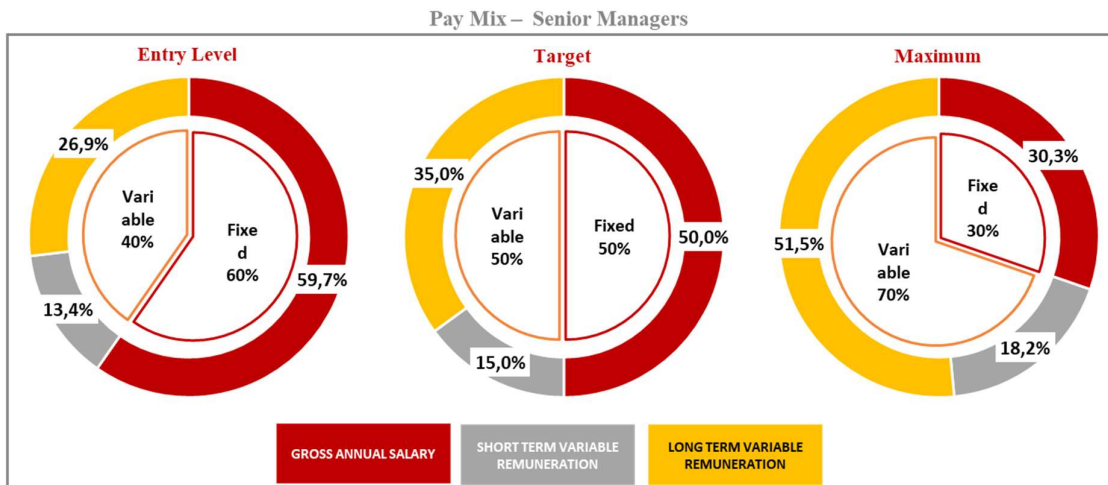
In the event of termination of the employment relationship for any reason before the end of the three-year period, the General Manager and KM will no longer participate to the LTI plan and no award nor pro-quota award will be paid.

6. SENIOR MANAGERS AND EXECUTIVES

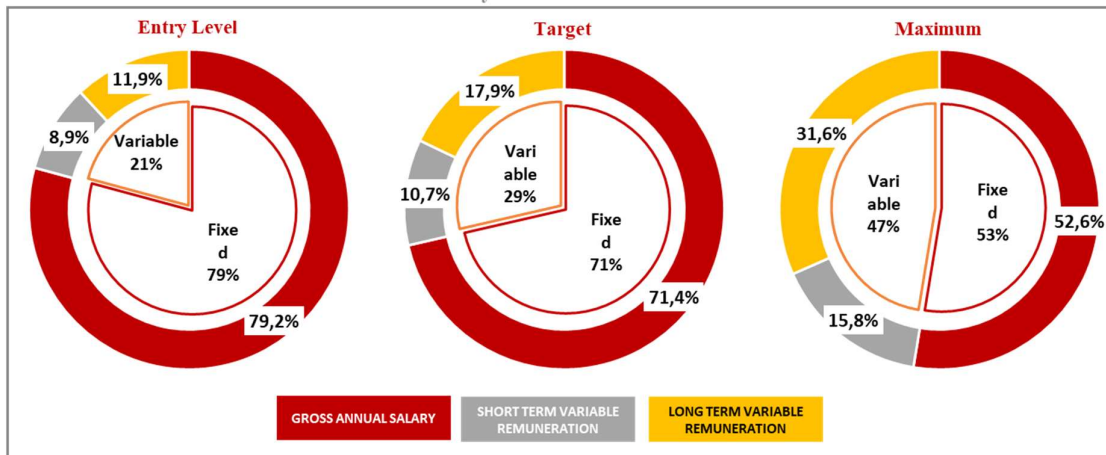
The remuneration of Senior Managers and Executives consists of the following elements:



The remuneration structure for Senior Managers and Executives (as a whole) with evidence of the incidence of the various parts of their compensation packages, in the event that they achieve the annual STI (MBO) objectives and the three-year objectives of the 2020-2022 LTI Plan (i) at the “access threshold”, (ii) on-target and (iii) at the maximum level are set out below.



Pay Mix – Executives



Also, the analysis of the remuneration of the Executives and Senior Managers is carried out with the support of an independent company specialised in executive compensation (Korn Ferry) with the same methodology as described previously in regard to the General Manager and the KM.

In favour of the Head of the Internal Audit Department, it should be noted that, in line with best practice, the Board of Directors, upon a proposal by the Audit, Risks, Sustainability and Corporate Governance Committee, provided a higher incidence of base salary than the variable part. Moreover, the Head of the Internal Audit Department (and in general the managers of that Department) is not included in the LTI incentive plan, but is only a beneficiary of the annual STI (MBO) incentive plan related to mainly qualitative objectives, the assessment of which falls to the Audit, Risks, Sustainability and Corporate Governance Committee and to the Board of Directors, upon a proposal by the director responsible for supervising the functioning of the internal control system (or the person with the same responsibilities).

With reference to the renounces to the fixed remuneration made by the Senior Managers belonging to the leadership team in the context of the actions resolved by the Board of Directors on 3 April 2020 in response to Covid-19 health emergency, please refer to paragraph 2 above.

Annual variable incentive STI (MBO)

Senior Managers and Executives are beneficiaries of the STI (MBO) plan, defined according to the same structure and the same mechanisms as for the Executive Vice Chairman and Chief Executive Officer, the General Manager and the KM.

For 2020, the objectives originally assigned to the Senior Managers and were the following. In this respect, please refer to paragraph 2 above related to the early closure of the 2020 STI (MBO) in the context of the actions resolved by the Board of Directors on 3 April 2020 in response to Covid-19 health emergency.

STI (MBO) scorecard - Senior/Executive Headquarter	Objective weight on target	STI (MBO) scorecard - Senior/Executive of Region/BU	Objective weight on target
Group Net Cash Flow (before dividends)	ON/OFF condition	Group Net Cash Flow (before dividends) - BU Region Net Cash Flow (before dividends) - Region DSO - Sales Managers ¹⁾	ON/OFF condition
Group adjusted EBIT	30%	Adjusted EBIT of Region/BU/Country	From 30% to 40%
Group Net Cash Flow (before dividends)	20%	Group/Region Net Cash Flow (before dividends)	From 10% to 20%
Functional objective/s with Group scope	40%	Functional objective/s with Region/BU/Group scope	40%
Sustainability objective - value of the green performance revenues on the whole range	10%	Sustainability objective - value of the green performance revenues on the whole range	10%

1) If the on/off NCF Region or DSO condition is not met, the on/off NCF Group condition will apply with a 25% reduction of the total payout accrued.

According to the performance level achieved, the Senior Managers and Executives are beneficiaries of:

- a bonus ranging between 20% and 40% of the GAS, depending on the role held if the on-target performance is achieved;
- a bonus ranging between 15% and 30% of the GAS, depending on the role held if the “access-threshold” performance is achieved (75% of the on-target bonus);
- a bonus ranging between 40% and 80% of the GAS, depending on the role held if the maximum performance is achieved (200% of the on-target bonus).

Also for Senior Managers and Executives, the 75% of the accrued bonus is paid, and the remaining 25% is deferred for 12 months and payable upon the achievement of the STI (MBO) objectives of the next year, paid according to the same parameters specified for the Executive Vice Chairman and Chief Executive Officer, the General Manager and the KM.

Medium-long term variable incentive

Also in order to contribute to the business strategy, the pursuit of the Company’s long-term interests and its sustainability, the Senior Managers and Executives benefit of the 2020-2022 Long Term Incentive plan defined according to the same structure, mechanisms and objectives provided for the Executive Vice Chairman and CEO, the General Manager and KM.

According to the performance level achieved, the Senior Managers and Executives are beneficiaries of:

- a three-year bonus ranging between 45% and 150% of the GAS, depending on the role held if the on-target performance is achieved;
- a three-year bonus ranging between 33.75% and 112.5% of the GAS, depending on the role held if the “access-threshold” performance is achieved (75% of the on-target bonus);
- a three-year bonus ranging between 120% and 390% of the GAS, depending on the role held if the maximum performance is achieved.

In the event of termination of the employment relationship for any reason before the end of the three-year period, the beneficiary will no longer participate to the LTI plan and no award nor pro-quota award will be paid.

7. “CLAWBACK” CLAUSES

The annual STI (MBO) and multi-year (LTI) incentive plans for Directors holding specific offices granted with specific duties, General Managers and KM provide for *inter alia* clawback mechanisms.

In particular, without prejudice to the possibility of any other action provided by the law aimed to protect the interests of the Company, the Company executes agreements with the aforementioned persons that enable Pirelli to claim back (in whole or in part), within three years of the payment thereof, incentives paid to the said persons who, due to wilful misconduct or gross negligence, are liable for (or are accomplices to) the facts, as indicated below, related to economic and financial indicators included in the Annual Financial Report that involve subsequent comparative information adopted as parameters for the determination of the variable awards in the aforementioned incentive plans:

- (i) proven significant errors causing a non-compliance with the accounting standards applied by Pirelli, or
- (ii) proven fraudulent conduct aimed at obtaining a specific representation of Pirelli’s financial and equity situation, economic result or cash flow.

8. INDEMNITIES IN THE EVENT OF RESIGNATION, DISMISSAL OR TERMINATION OF EMPLOYMENT

It is policy of Pirelli Group not to enter into agreements with directors, General Managers, KM, Senior Managers or Executives regulating ex ante the economic aspects related to any early termination of relationship at the initiative of the Company or the single person (“parachutes”).

Pirelli aims to consensually conclude the agreements for the closing of the relationship. Without prejudice to any legal and/or contractual obligations, agreements to end relationship with the Pirelli Group are inspired by the benchmarks in the matter and are within the limits laid down in case law and by the practices in the country in which the agreement was signed.

The Company sets its internal criteria, which the other Group companies also comply with, for the handling of agreements for the early termination of relationship with executives and/or Directors holding specific offices. If an executive director or General Manager should cease to hold office and/or their employment be terminated, the Company will, upon completion of the internal processes that lead to the attribution or award of indemnities and/or other benefits, provide detailed information on the issue, by means of a press release disclosed to the market.

With regard to Directors holding specific offices granted with specific duties and who are not bound by executive employment relationships, Pirelli does not pay compensation or extra bonuses in relation to the end of their mandate. Specific compensation may be paid subject to assessment by the competent corporate bodies, in the following cases:

- termination by the Company not supported by just cause;
- termination by the director for just cause, in case of, by way of example, substantial changes of the role or granted duties and/or in case of a so-called "hostile" takeover bid.

In such cases, the indemnity amounts is equal to 2 years of gross annual salary, meaning the sum of (i) the gross annual base salary due for the office held in the Group, (ii) the average of the annual variable remuneration (STI (MBO)) accrued in the previous three years and (iii) T.F.M. on the aforementioned amounts.

As concerns the General Manager and the KM, the agreements for the consensual termination of the contract of employment are submitted to the Remuneration Committee, which assesses their compliance with the Policy and authorises its negotiation by setting the maximum amounts that can be paid.

The closure amounts are determined with reference to the applicable category national collective bargaining agreements. In particular, as concerns the General Manager and the KM, reference is made to the contract for Industry managers in Italy and the incentive to take voluntary redundancy is determined with reference to the number of months that can be considered by the notice and the supplementary indemnity in the event of arbitration board, according to the years of seniority of service in the employee's Group. Below is an explanatory table:

No. months

Years of seniority	Notice	Arbitration Panel	
		Min	Max
more than 15 years	12	18	24
up to 15 years	10	12	18
up to 10 years	8	8	12
up to 6 years	6	4	8
up to 2 years	6	4	4

After examination, assessment and approval by the competent Committee, the following elements may be also recognised to the General Manager and the KM:

- an additional amount by way of general and novative transaction, within the limits of the low thresholds established for related party transactions;
- a period of paid leave or equivalent substitute indemnity, between the stipulation of the exit agreement and the effective date of termination of employment.

Finally, a consultancy (or collaboration) agreement may be stipulated between the same subject and a Group company, which is previously arranged in terms of duration after the termination of the employment contract and subject, also in this case, to the assessment and approval of the competent Committee.

9. NON-COMPETITION AGREEMENTS AND RETENTION PLAN

The Group enters into non-competition agreements providing for a payment of a fee to General Managers, KM and, Senior Managers and Executives with professionalism particularly critical, referred to the GAS, in relation to the duration and extent of the constraints arising from the agreement.

The constraints refer to the market sector in which the Group was operating when the agreement was made and to territorial size. The extension of the constraints varies according to the position held when the agreement is completed and, in some highly critical cases, as for General Managers

and KM, can be extended to a wider geographical area covering the main countries where the Group operates.

The Executive Vice Chairman and Chief Executive Officer is not subject to a non-competition agreement.

In case of General Managers and KM, the non-competition agreement has the following characteristics:

- the list of competitors: companies operating in the tyre sector and, according to the role held, identification of more specific clusters;
- geography: all the main countries in which the Pirelli Group operates;
- the duration of the non-competition agreement: 24 months starting from the termination of employment contract;
- the amount: 60% of the GAS for each year of the duration of the clause following a potential redundancy, less any portion disbursed during the contract of employment, equal to 10% of the GAS per year of clause validity (usually 5 years).

There is also a medium- long term Retention Plan for the General Manager, the KM and selected Senior Managers/Executives, whose contribution in implementing the strategic plans is considered particularly critical and significant.

For the General Manager, the KM and some selected Senior Managers/Executives, the Retention Plan provides for the recognition of a maximum amount equal to 2.3 times the Total Direct Compensation on-Target of each at the time of inclusion in the plan (2017). It is paid in four annual instalments of increasing amounts to obtain the maximum retention effect, with the payment of the final instalment planned for 2021. The payment of each instalment is subject to the continuation of the employment of the manager at the Group on the date of each payment.

The Executive Vice Chairman and Chief Executive Officer do not participate to the Retention Plan.

10. EXCEPTIONAL CIRCUMSTANCES THAT ALLOW FOR A DEROGATION TO THE POLICY

In exceptional circumstances, a temporary derogation can be made to the fixed or variable remuneration criteria provided by the Policy. The term “exceptional circumstances” is used to mean the situations in which the derogation from the Policy is required in order to pursue the Company’s sustainability and long-term interests as a whole or to ensure it is able to stay on the market.

The Remuneration Committee assesses the existence of exceptional circumstances that allow for a derogation to the Policy. In exceptional circumstances, derogations to the Policy are approved in

compliance with the procedures adopted by the Company for related party transactions, in implementation of the applicable Consob regulation in force at the time.

The Company provides for information about any derogations to the Policy applied in exceptional circumstances, in accordance with the terms and conditions of applicable law and regulations in force at the time.

11. POLICY CHANGES SINCE THE LAST FINANCIAL YEAR

The Policy has been drafted on the basis of practical experience and takes into account the regulatory requirements adopted by Consob, pursuant to Art. 123-*ter* of the TUF, as amended and supplemented by Art. 3 of the Decree and Art. 84-*quater* of the Issuers' Regulation, as well as on the basis of Scheme 7-*bis* of Annex 3A to the Issuers' Regulation, introduced by Consob with resolution no. 18049 of 23 December 2011⁸.

In respect to last year, the Policy takes into account the adoption of a new LTI plan for the three-year period 2020-2022 in support of the new 2020-2022 Strategic Plan and the consequent early closure of the LTI plan for the three-year period 2018-2020 (without any payment, not even on a pro-quota basis, of the three-year bonus).

For over-achievement incentives, in the Policy, with respect to last year:

- the percentages of STI (MBO) incentive have been changed with respect to KM, uniforming them;
- the percentages of LTI incentives have been changed, reducing those relating to on-target performance and increasing, more than proportionally, those relating to maximum performance, in order to incentive the over-achievement;
- in the LTI Plan the values of the objectives disclosed to the market represent "access threshold" performance, rather than on-target performance.

Additionally, the Policy, with respect to last year, takes into account the revised function of the deferral mechanism of 25% of the STI (MBO) accrued.

Finally, the Policy acknowledges the actions adopted regarding the remuneration matters by the Board of Directors on 3 April 2020 in response to Covid-19 health emergency.

⁸ See above, note 2.

12. OTHER INFORMATION

In accordance with Consob Resolution No. 18049 of 23 December 2011, it should be noted that:

- in drawing up the 2020 Policy, the Company was assisted by:
 - a) Willis Towers Watson for the identification of the sample of benchmark companies used to analyse competitiveness and to review the remuneration of the Executive Vice Chairman and CEO, as well as to generally review the Policy;
 - b) Korn Ferry for the preparation of national and international benchmarks used to define the remuneration structure of the Chairman, the General Manager, the KM, the Senior Managers and the Executives.
- Pirelli has no shareholder incentive plans in place;
- in defining the 2020 Policy, Pirelli has not used the specific remuneration policies of other companies as a benchmark. The Policy has been drafted on the basis of scheme no. 7-*bis* adopted by Consob and in force as at the date on which the Policy was approved. This scheme establishes that the section of the Report provided for by Art. 123-*ter* with reference to members of the administrative bodies, General Managers and KM, shall contain at least the information set out in the scheme referred to above. A table with an indication of the information required and the sections of the Report in which the said information is reported follows below:

Information required by scheme 7-bis	Sections in which – in particular – the information required is reported
a) bodies or persons involved in the preparation and approval of the Remuneration Policy, specifying their respective roles and the bodies or persons responsible for the proper implementation of the Policy.	1. Parties involved in the process of policy definition and implementation
b) any intervention of a Remuneration Committee or other committee competent in the matter, setting out the membership thereof (with a distinction between non-executive and independent directors), competencies and operating methods;	1. Parties involved in the process of policy definition and implementation
c) the names of any independent experts who have assisted in the preparation of the Remuneration Policy;	12. Other information
d) the purposes of the Remuneration Policy, the principles on which it is based and any changes to the policy on remuneration from the previous financial year;	2. Purposes and Principles of the 2020 Remuneration Policy 11. Policy changes since the previous financial year.

<p>e) a description of the policies on the fixed and variable parts of remuneration, with a particular focus on indicating the relative weighting in terms of overall salary and with a distinction between short-term and medium-/long-term variable parts;</p>	<p>The structure of the remuneration of the various persons is set out in the sections in which an indication is given of the various fixed/variable weightings; short-term variable/medium-/long-term variable</p> <ol style="list-style-type: none"> 2. Purposes and Principles of the 2020 Remuneration Policy 3. Remuneration of the Board of Directors and the Board of Statutory Auditors 4. Remuneration of Directors holding specific offices 5. General Manager and KM 6. Senior Managers and Executives
<p>f) the policy followed in terms of non-monetary benefits;</p>	<p>Sections for individuals</p> <ol style="list-style-type: none"> 3. Remuneration of the Board of Directors and the Board of Statutory Auditors 4. Remuneration of Directors holding specific offices 5. General Manager and KM 6. Senior Managers and Executives
<p>g) with reference to the variable parts, a description of the performance objectives according to which they are assigned, with a distinction between short-term and medium-/long-term variable parts, and information on the link between the variation of the results and the variation of remuneration;</p>	<ol style="list-style-type: none"> 2. Purposes and Principles of the 2020 Remuneration Policy
<p>h) the criteria used for the assessment of the performance objectives on which the assignment of shares, options, other financial instruments or other variable parts of remuneration are based;</p>	<ol style="list-style-type: none"> 1. Parties involved in the process of policy definition and implementation
<p>i) information aimed at demonstrating the consistency of the Remuneration Policy with the long-term pursuit of the interests of the company and with the risk management policy, where formalised;</p>	<ol style="list-style-type: none"> 2. Purposes and Principles of the 2020 Remuneration Policy <p>And for individuals</p> <ol style="list-style-type: none"> 3. Remuneration of the Board of Directors and the Board of Statutory Auditors 4. Remuneration of Directors holding specific offices 5. General Manager and KM 6. Senior Managers and Executives
<p>j) the terms of rights accrual (“vesting period”), any deferred payment systems, with an indication of the deferral period and the criteria used to determine these periods, and, where applicable, the retrospective correction mechanisms;</p>	<p>Pirelli has no shareholder incentive plans in place. With regard to the deferral mechanisms for the variable monetary parts, see Section:</p> <ol style="list-style-type: none"> 2. Purposes and Principles of the 2020 Remuneration Policy
<p>k) information on any provision of clauses for the maintenance in the portfolio of financial instruments after the purchase thereof, with an indication of the maintenance periods and the criteria used to determine these periods;</p>	<p>Pirelli has no shareholder incentive plans in place</p>

<p>l) the policy on payments to be made in the event of severance of employment or termination of the working relationship, specifying which circumstances determine the occurrence of the right and any link between these payments and company performance;</p>	<p>8. Indemnities in the event of resignation, dismissal or termination of employment 9. Non-competition agreements and Retention Plan</p>
<p>m) information on whether there is any insurance coverage, whether for social security or pensions, other than the obligatory coverage;</p>	<p>Sections for individuals 3. Remuneration of the Board of Directors and the Board of Statutory Auditors 4. Remuneration of Directors holding specific offices 5. General Manager and KM 6. Senior Managers and Executives</p>
<p>n) any remuneration policy followed with reference to: (i) independent Directors; (ii) committee attendance; and (iii) the performance of specific tasks (Chairman, Vice Chairman, etc.);</p>	<p>3. Remuneration of the Board of Directors and the Board of Statutory Auditors</p>
<p>o) whether the remuneration policy has been defined using the remuneration policies of other companies as a benchmark, and if so, the criteria used to select these companies</p>	<p>12. Other information</p>

REPORT ON COMPENSATION PAID DURING THE YEAR 2019

1. REPRESENTATION OF REMUNERATION ITEMS

The Report on Compensation Paid during the 2019 financial year (“**2019 Compensation Report**”) sets out the Policy implemented by Pirelli Group during 2019 with regard to remuneration and provides for information on the final remuneration of the various categories of persons involved, without prejudice to the transparency obligations contained in other applicable legal or regulatory provisions, highlighting its coherence with the remuneration policy approved last year (“**2019 Policy**”).

The external auditor verifies that the directors have prepared the Report on Compensation Paid. The Shareholders’ Meeting resolves on the Report on Compensation Paid, with a consultative vote.

1.1 TOTAL REMUNERATION

Management remuneration paid in 2019 contributed to the Company’s long-term results, thanks to the variable components (both short and medium/long-term) represented by the STI (MBO) plan and the deferral mechanism of part of the STI (MBO) incentive accrued.

With reference to these variable components of remuneration, the table below summarises the performance objectives for 2019 and the resulting incentive value accrued.

Executive Vice President and Chief Executive Officer, General Manager and Executives with strategic responsibilities						
Objectives	On off (NFP)/ Entry level objective	Target objective	Max. objective	Weight	Result	% incentive
Group NFP (w/o IFRS16)	euro 3,077.7 million			on/off condition	euro 3,024.1 million	ON
Group adjusted EBIT	euro 975.1 million	euro 1,050 million	euro 1,098.5 million	30%	euro 917.3 million	Not achieved
Group EBT*	euro 621.1 million	euro 707.4 million	euro 767.3 million	20%	euro 437.1 million	Not achieved
Group NFP (w/o IFRS16)	euro 3,077.7 million	euro 2,960.1 million	euro 2,868.9 million	40%	euro 3,024.1 million	34.56% of bonus at on-target performance
Green Performance Revenues on total portfolio	50%	52%	55%	10%	55,8%	20% of bonus at on-target performance
* In implementation of and in line with the STI 2019 Regulation, the Group EBT result has been rectified, in respect of the value of euro 646.3 million, to take into account the positive effect (for euro 209.2 million) deriving from the non business-related Brazilian PIS/COFINS assets, of which 71.0 million were also rectified in adjusted EBIT						
					Total	54.56% of bonus at on-target performance

Role	2019 STI (MBO) plan structure	Performance score
Executive Vice Chairman 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 	54.56
General Manager Operations	<ul style="list-style-type: none"> - Access threshold: 75% of the incentive at target - At target: 75% of the GAS (gross annual salary) - Cap: 200% of the incentive at target 	54.56
KM	<ul style="list-style-type: none"> - Access threshold: 75% of the incentive at target - At target: from 50% to 75% of the GAS (gross annual salary) - Cap: 200% of the incentive at target 	54.56

In line with the variable incentive structure described in 2019 Policy, only 75% of the accrued 2019 STI (MBO) incentive is paid, while the payment of the remaining 25% is deferred for 12 months and is subject to the achievement of the STI (MBO) objectives for 2020, as defined in 2020 Policy.

During the meeting held on 3 April 2020, following the favourable opinion, as far as necessary, by the board committees and the Board of Statutory Auditors, the Board of Directors resolved – subject to the approval of the 2020 Policy and the consultative vote of the Compensation Report to the Shareholders' Meeting - to early cancel without any disbursement the 2020 STI (MBO) and, consequently (i) to liquidate, in the first quarter of 2021, to the 2019 STI (MBO) beneficiaries the 25% of the 2019 STI (MBO) premium accrued and initially subject to the the achievement of the 2020 STI (MBO) objectives, conditioning the payment to the maintenance of the employment/director relationship between the beneficiary and the Company on such date (except for the “good leavers” who will receive this component in any case), and (ii) to cancel the opportunity to increase the 2020 STI (MBO).

For completeness, it is pointed out that, in the context of the actions in response to the Covid-19 health emergency, the Board of Directors on 3 April 2020 acknowledged and shared the willingness of the entire members of the board of directors to renounce part of their compensation and, in particular (i) the willingness of Vice Chairman and CEO to renounce, for three months, the 50% of his gross fixed annual compensation for the positions of Vice Chairman, CEO and board member, as well as for the position of Chairman of the board committees; (ii) the willingness of the members of the board to renounce, for the second quarter of the financial year, to the 50% of the compensation for the positions of board member and member of the board committees.

During the same meeting, the Board of Directors acknowledged the willingness of the leadership team (composed of KM and some Senior Managers, as better defined above) to renounce the 20% of their gross fixed annual compensation for a period of three months.

It is reminded that the 2019 STI (MBO) has been achieved and, therefore, 25% of the 2018 STI (MBO) will be paid in accordance with its regulation.

1.2 COMPENSATION IN THE EVENT OF TERMINATION OF OFFICE AND/OR TERMINATION OF EMPLOYMENT RELATIONSHIP DURING THE 2019 FINANCIAL YEAR

It is pointed out that during the year 2019, and precisely on 16 December 2019, the Company and a KM, in accordance with 2019 Policy, executed an agreement for the consensual termination of the employment relationship, which provided the recognition of a paid leave with dispensation from work until 31 March 2020.

For completeness, it is also pointed out that during the year, due to a change in the role and related responsibilities, the Board of Directors assessed that a KM could no longer be qualified as such without this implied the recognition of any indemnity in favour of such manager.

1.3 DEROGATION TO THE 2019 POLICY

It is pointed out that there were no cases of derogation to the 2019 Policy for directors (including Directors holding no specific offices), the General Manager, KM and members of the Board of Statutory Auditors.

1.4 “CLAWBACK” CLAUSES

It is pointed out that the conditions for the application of ex-post return mechanisms of the variable component (claw back clause), provided by the annual STI (MBO) and multi-year (LTI) incentive plans, did not occur during the year.

2. THE “TABLE”: REMUNERATION PAID TO MEMBERS OF THE ADMINISTRATIVE AND CONTROLLING BODIES, GENERAL MANAGERS AND KM.

The following tables set out:

- by name, the remuneration paid to directors, Statutory Auditors and the General Manager Operations;
- in aggregate form, the remuneration paid to the KM⁹. On 31 December 2019, in addition to the General Manager Operations (Andrea Casaluci), no. 6 persons were identified as KM.

⁹ Letter b) of Section II of Schedule 7-bis of Annex 3 A of the so-called “Issuers’ Regulations” provides that the so-called Report on Compensation paid is structured into two parts:

a) *the remuneration of members of the administrative and controlling bodies and the General Managers;*

b) *the remuneration of any other key managers who have received, in the reporting year, an overall remuneration (obtained by adding their salary and any remuneration based on financial instruments) that exceeded the highest overall remuneration attributed to the persons indicated under point a).*

Remuneration is reported on an accrual 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).

The tables include all those persons who held the aforementioned offices during all or even only part of the 2019 year. Non-monetary benefits, where received, are also identified on an accrual 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 2019, were directors of the Company, accrued/received (on an accrual basis) remuneration established in accordance with the criteria set out in section 3 of the 2019 Policy;
- the persons who, during 2019, were Directors holding specific offices (Executive Vice Chairman and Chief Executive Officer and Chairman), accrued/received (on an accruals basis) remuneration established in accordance with the criteria set out in section 4 of the 2019 Policy;
- the General Manager Operations accrued/perceived (on an accrual basis) a compensation established according to the criteria set out in section 5 of the 2019 Policy;
- KM received/accrued remuneration pertaining to the 2019 year in accordance with the criteria set out in section 5 of the 2019 Policy;
- each member of the Board of Statutory Auditors received/accrued remuneration for the 2019 financial year in line with the resolutions adopted by the Shareholders' Meeting at the time of their appointment, in accordance with the criteria set out in section 3 of the 2019 Policy;
- each member of the Supervisory Body received/accrued remuneration pertaining to 2019 year, equal to an annual gross remuneration of euro 40,000 and the Chairman received/accrued an annual gross remuneration of euro 60,000, according to the criteria set out in section 3 of the 2019 Policy;
- Senior Managers and Executives received/accrued remunerations for 2019 year in accordance with the criteria set out in section 6 of the 2019 Policy.

It is highlighted that for the General Manager Operations, the KM and, more generally, for selected Senior Managers and Executives, Pirelli introduced the non-competition agreements aimed to protect strategic and operational know-how. The Executive Vice Chairman and CEO does not have a non-competition agreement.

For key managers other than those indicated under point b) information are provided at aggregate level in special tables, indicating the number of persons to whom it refers in place of names".

First and last name	Office	Period office held	Expiry of term of office	Fixed remuneration	Remuneration for membership of	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity	End of employment or office indemnity
Giovanni Tronchetti Provera	Director	01/01/2019 - 31/12/2019	AGM to approve the financial statements for the year to 31 December 2019	217.307,69	30.000,00	17.600,00	0,00	12.445,00	0,00	277.352,69	0,00	0,00
Of which remuneration in Pirelli & C. S.p.A.				60.000,00 (8)	30.000,00 (19)					90.000,00		
Of which remuneration by subsidiary and affiliated Companies				157.307,69 (20)		17.600,00 (3)		12.445,00 (21)		187.352,69		
Wei Yin Tao	Director	01/01/2019 - 31/12/2019	AGM to approve the financial statements for the year to 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 remuneration in Pirelli & C. S.p.A.				60.000,00 (8)	30.000,00 (9)					90.000,00		
Of which remuneration by subsidiary and affiliated Companies												
Andrea Casaluci	General Manager Operations		/	750.000,00	0,00	309.237,00	0,00	13.017,00	350.000,00	1.422.254,00	0,00	0,00
Of which remuneration in Pirelli & C. S.p.A.												
Of which remuneration by subsidiary and affiliated Companies				750.000,00	0,00	309.237,00 (3)		13.017,00 (22)	350.000,00 (23)	1.422.254,00		
No. 8 Key Managers	(24)		/	3.925.961,54	0,00	1.221.733,00	0,00	99.527,00	4.052.000,00	9.339.221,54	0,00	1.873.625,00
Of which remuneration in Pirelli & C. S.p.A.				1.896.538,46	40.000,00 (25)	549.235,00 (3)		52.042,00 (26)	1.815.500,00 (27)	4.353.315,46		
Of which remuneration by subsidiary and affiliated Companies				2.029.423,08	0,00	672.498,00 (3)		47.485,00 (26)	2.236.500,00 (27)	4.985.906,08		1.873.625,00 (28)
Francesco Fallacara	Chairman of the Board of Statutory Auditors	01/01/2019 - 31/12/2019	AGM to approve the financial statements for the year to 31 December 2020	75.000,00	0,00	0,00	0,00	0,00	0,00	75.000,00	0,00	0,00
Of which remuneration in Pirelli & C. S.p.A.				75.000,00						75.000,00		
Of which remuneration by subsidiary and affiliated Companies												
Antonella Carù	Standing auditor	01/01/2019 - 31/12/2019	AGM to approve the financial statements for the year to 31 December 2020	60.000,00	40.000,00	0,00	0,00	0,00	0,00	100.000,00	0,00	0,00
Of which remuneration in Pirelli & C. S.p.A.				50.000,00	40.000,00 (25)					90.000,00		
Of which remuneration by subsidiary and affiliated Companies				10.000,00 (29)						10.000,00		
Fabio Artoni	Standing auditor	01/01/2019 - 31/12/2019	AGM to approve the financial statements for the year to 31 December 2020	70.000,00	0,00	0,00	0,00	0,00	0,00	70.000,00	0,00	0,00
Of which remuneration in Pirelli & C. S.p.A.				50.000,00						50.000,00		
Of which remuneration by subsidiary and affiliated Companies				20.000,00 (30)						20.000,00		

First and last name	Office	Period office held	Expiry of term of office	Fixed remuneration	Remuneration for membership of	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity	End of employment or office indemnity
Luca Nicodemi	Standing auditor	01/01/2019 - 31/12/2019	AGM to approve the financial statements for the year to 31 December 2020	60.000,00	0,00	0,00	0,00	0,00	0,00	60.000,00	0,00	0,00
Of which remuneration in Pirelli & C. S.p.A.				50.000,00						50.000,00		
Of which remuneration by subsidiary and affiliated Companies				10.000,00 (29)						10.000,00		
Alberto Villani	Standing auditor	01/01/2019 - 31/12/2019	AGM to approve the financial statements for the year to 31 December 2020	50.000,00	0,00	0,00	0,00	0,00	0,00	50.000,00	0,00	0,00
Of which remuneration in Pirelli & C. S.p.A.				50.000,00						50.000,00		
Of which remuneration by subsidiary and affiliated Companies												
* * * * *												
Total remuneration in Pirelli & C. S.p.A.				5.871.538,46	774.603,00	2.245.356,00		309.901,00	2.126.240,00	11.327.638,46		0,00
Total remuneration by subsidiary and affiliated Companies				2.976.730,77		999.335,00		72.947,00	2.586.500,00	6.635.512,77		1.873.625,00
Total				8.848.269,23	774.603,00	3.244.691,00		382.848,00	4.712.740,00	17.963.151,23		1.873.625,00

- (1) Of which: euro 60,000 as Director of Pirelli & C. S.p.A., euro 2,4 as Executive Vice Chairman 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 75% of the 2019 STI (MBO) incentive accrued and paid out and 25% of the 2018 STI (MBO) incentive paid out. 25% of the 2019 STI (MBO) incentive accrued but deferred and assigned for risks/opportunities according to the results of the 2020 STI (MBO) is not indicated (see the following table for details on the amounts)
- (4) Of which: euro 252,629 for an insurance policy in line with the provisions of the 2019 Policy, euro 5,230 for a company car.
- (5) Of which euro 400,000 as Chairman of Pirelli & C. S.p.A., euro 60,000 as Director of Pirelli & C. S.p.A.
- (6) As member of the Appointments and Successions Committee of Pirelli & C. S.p.A.
- (7) Remuneration transferred to employer company.
- (8) As Director of Pirelli & C. S.p.A..
- (9) As member of the Strategies Committee of Pirelli & C. S.p.A..
- (10) Of which: euro 25,000 as member of the Remuneration Committee of Pirelli & C. S.p.A., euro 30,000 as member of the Appointments and Successions Committee of Pirelli & C. S.p.A., and euro 30,000 as member of the Strategies Committee of Pirelli & C. S.p.A..
- (11) As member of the Strategies Committee of Pirelli & C. S.p.A., with remuneration until 25.02.2019. Since 26.02.2019 he is a member of the Strategies Committee, expressly renouncing remuneration.
- (12) Of which: euro 10,740 as Director responsible for sustainability issues from 1.01.2019 to 26.02.2019 and euro 300 thousand deriving from the consultancy contract signed with Pirelli & C.S.p.A. which came into force on 1 January 2019 for an annual amount of euro 300 thousand and 5-year duration.
- (13) Of which euro 25,000 as member of the Audit, Risks, Sustainability and Corporate Governance Committee of Pirelli & C. S.p.A. ("ARSCGC") and euro 25,000 as member of the Remuneration Committee of Pirelli & C. S.p.A..
- (14) Of which euro 30,000 as member of the Strategies Committee of Pirelli & C. S.p.A. and euro 60,000 as Chairman of the Related Parties Transactions Committee of Pirelli & C. S.p.A. ("RPT Committee").
- (15) As Chairman of the ARSCGC.
- (16) As member of the RPT Committee.
- (17) Of which: euro 25,000 as member of the ARSCGC and euro 40,000 as member of the RPT Committee.
- (18) As Chairman of the Remuneration Committee of Pirelli & C. S.p.A..
- (19) As member of the Appointments and Successions Committee of Pirelli & C. S.p.A..
- (20) As manager of Pirelli Tyre S.p.A. for the whole of 2019.
- (21) Of which: euro 3,265 for a company car, euro 6,000 for supplementary pension contributions and euro 3,180 for health insurance.
- (22) Of which: euro 3,837 for a company car, euro 6,000 for supplementary pension contributions and euro 3,180 for health insurance.
- (23) Of which: euro 275,000 under the Retention Plan and euro 75,000 as payment during the employment contract of a portion of the fee for the non-competition agreement.
- (24) At 31.12. 2019 no. 6 persons were key managers. The table shows also the remuneration of no. 2 key managers holding this role only for a part of the year. It is pointed out that the remuneration paid to General Manager Andrea Casaluci is not included in this item, as he is indicated separately in the table.
- (25) As a member of the 231 Supervisory Body.
- (26) The amounts are for a company car, supplementary pension contributions and health insurance.
- (27) The amounts are for payment during the employment contract of a portion of the fee for the non-competition agreement, a lump-sum bonus, and the Retention Plan paid in 2019.
- (28) Amounts referred to termination of the employment relationship with a key manager, better described in section 1.2 of the Report on Compensation Paid in 2019.

(29) As a Standing auditor of Pirelli Tyre S.p.A..

(30) As a 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 KM

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

Pirelli's variable incentive scheme prescribes that payment of 25% of any STI (MBO) accrued be deferred for 12 months and subject to achievement of the STI (MBO) objectives for the next year. The aforementioned deferral/increase mechanism has been amended by the Remuneration Policy for FY 2020. The figures given in the table below reflect the mechanism in place until 2019, described in detail in the Remuneration Policy for FY 2019.

During the meeting held on 3 April 2020, following the favourable opinion, as far as necessary, by the board committees and the Board of Statutory Auditors, the Board of Directors resolved – subject to the approval of the 2020 Policy and the consultative vote of the Compensation Report to the Shareholders' Meeting - to early cancel without any disbursement the 2020 STI (MBO) and, consequently (i) to liquidate, in the first quarter of 2021, to the 2019 STI (MBO) beneficiaries the 25% of the 2019 STI (MBO) premium accrued and initially subject to the the achievement of the 2020 STI (MBO) objectives, conditioning the payment to the maintenance of the employment/director relationship between the beneficiary and the Company on such date (except for the “good leavers” who will receive this component in any case), and (ii) to cancel the opportunity to increase the 2020 STI (MBO).

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 Chairman and CEO	MBO 2019	1.227.551,00	409.184,00	-	-	468.570,00	-	0,00
		LTI Plan 2018-2020		-	-	-	-	-	0,00
Giovanni Tronchetti Provera	Director (1)	MBO 2019	13.840,00	4.613,00	-	-	3.760,00	-	0,00
		LTI Plan 2018-2020	-	-	-	-	-	-	0,00
Andrea Casaluci	General Manager Operations	MBO 2019	230.166,00	76.722,00	-	-	79.071,00	-	275.000,00
		LTI Plan 2018-2020	-	-	-	-	-	-	0,00
Key Managers (2)		MBO 2019	884.294,00	294.765,00	-	-	337.439,00	-	3.687.500,00
		LTI Plan 2018-2020	-	-	-	-	-	-	0,00
(I) Remuneration in the Company that has prepared the financial statements		MBO 2019	1.631.064,00	543.688,00			614.292,00		1.650.000,00
		LTI Plan 2018-2020	-	-	-	-	-	-	-
(II) Remuneration from Subsidiary and Affiliated Companies		MBO 2019	724.787,00	241.596,00			274.548,00		2.312.500,00
		LTI Plan 2018-2020		-	-	-	-	-	-
(III) Total			2.355.851,00	785.284,00	-	-	888.840,00	-	3.962.500,00

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

(2) At 31.12. 2019 no. 6 persons were key managers. The table shows also the variable remuneration STI (MBO) of no. 2 key managers holding this role only for a part of the year. It is pointed out that the variable remuneration STI (MBO) paid to General Manager Andrea Casaluci is not included in this item, as he is indicated separately in the table.

4. TABLE OF EQUITY INVESTMENTS OF THE MEMBERS OF THE ADMINISTRATIVE AND CONTROL BODIES, GENERAL MANAGERS AND KM.

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;
- KM.

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 key managers, 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 KM, 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 31.12.2018	No. of shares purchased/underwritten	No. of shares sold	No. of shares owned at 31.12.2019
Marco Tronchetti Provera*	Director	Pirelli & C.	100.522.562	436.837	-	100.959.399**
Giorgio Luca Bruno	Director	Pirelli & C.	500***	-	-	500***

* Shares held by the indirect subsidiary Camfin S.p.A.

** Please note that in FY 2019 Camfin S.p.A. took out financial instruments with major financial institutions with maturity in September 2022 called "Call Spread" with an underlying 48.9 million Pirelli & C. S.p.A. shares, equal to 4.89% of the relative share capital.

*** Shares purchased when the Company was listed on 4 October 2017.

2) Equity investments of other KM

Number of Key Managers		Investee company	No. of shares owned at 31.12.2018	No. of shares purchased/ underwritten	No. of shares sold	No. of shares owned at 31.12.2019
-		-	-	-	-	-