



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

## **Reports to the Shareholders' Meeting of 15 June 2021**

**Appointment of the Board of Statutory Auditors for the financial years  
2021, 2022 and 2023 and determination of its remuneration:**

- appointment of standing and alternate auditors;
- appointment of the Chairman of the Board of Statutory Auditors;
- determination of the annual remuneration of the Board of Statutory Auditors' members;

related and consequent resolutions.

(item 3 on the agenda)

Illustrative report drafted by the Directors pursuant to art. 125-ter of Legislative Decree no. 58 of 24 February 1998 as subsequently amended and supplemented, approved by the Board of Directors on 31 March 2021.

Dear Shareholders,

the term of office of the Board of Statutory Auditors of Pirelli & C. S.p.A., appointed by the Shareholders' Meeting of 15 May 2018 for the three-year period 2018/2020, is due to expire on approval of the annual financial report as of 31 December 2020.

At present, the members of the Board of Statutory Auditors are:

- Francesco Fallacara (Chairman of the Board of Statutory Auditors)
- Fabio Artoni (Standing Auditor)
- Antonella Carù (Standing Auditor)
- Luca Nicodemi (Standing Auditor)
- Alberto Villani (Standing Auditor)
- Elenio Bidoggia (Alternate Auditor)
- Giovanna Maria Carla Oddo (Alternate Auditor)
- Franca Brusco (Alternate Auditor).

The Shareholders' Meeting is therefore called on, pursuant to applicable legal and regulatory provisions and art. 16 of the company Bylaws (reported in full as a footnote to this report) to:

- appoint five Statutory Auditors and three Alternate Auditors for the financial years 2021, 2022 and 2023;
- appoint the Chairman of the Board of Statutory Auditors, where it is not possible to identify this figure following application of the slate voting mechanism;
- determine the remuneration of members of the Board of Statutory Auditors.

Standing and Alternate Auditors shall be appointed using the slate voting mechanism.

In this regard, it is pointed out that only shareholders who, alone or together with other shareholders, represent at least 1% of the share capital entitled to vote at an Ordinary Shareholders' Meeting (minimum threshold laid down in the company Bylaws, identical to that established by Consob with Executive Resolution no. 44 of 29 January 2021) are entitled to submit slates.

Slates of candidates – signed by the shareholders that submit them, indicating their identity and the percentage of total shares held by them in the ordinary share capital of the Company – must be filed at the Company's registered offices at least twenty-five days before the scheduled date of the Shareholders' Meeting.

Shareholders may also file the slates of candidates by sending them and the relative supporting documentation to the following certified email address: [assemblea@pec.pirelli.it](mailto:assemblea@pec.pirelli.it).

If by the deadline indicated above only one slate or only slates submitted by shareholders who are connected to each other have been submitted, pursuant to the applicable legislation, including regulations, additional slates may be submitted up to the third day after the deadline for the submission of slates. In this case, the thresholds set for their submission shall be reduced by half, therefore, 0.5% of the share capital entitled to vote at an ordinary Shareholders' Meeting.

Ownership of the total equity investment shall be confirmed, pursuant to current regulatory provisions, even after the filing of the slates as long as it occurs at least 21 days prior to the date of the Shareholders' Meeting.

The slates of candidates must be divided into two distinct sections: the first section contains the list of candidates (indicated by a consecutive number) for the office of Standing Auditor, while the second section contains the list of candidates (indicated by a consecutive number) for the office of Alternate Auditor. The first candidate in each section shall be selected from among those registered in the Register of Chartered Accountants who has worked on external audits for a period of not less than three years. In order to ensure gender balance, slates that - taking account of both sections - present a number of candidates equal to or exceeding three, must include candidates of each gender at least to the minimum extent required by law and / or *pro tempore* regulations in force, as specified in the notice of call of the Shareholders' Meeting, both in the section for standing statutory Auditors and in the section for alternates.

Each slate must also be accompanied by the documentation required by art. 16 of the Bylaws and applicable legal and regulatory provisions. In particular, each slate filed must be accompanied by acceptances of nomination and declarations from each candidate confirming, under their own responsibility, that there are no reasons that would make them ineligible for or incompatible with the role, and that they satisfy any requirements established by applicable provisions, including regulations, and by the Bylaws to hold the office. Together with the declarations, a *curriculum vitae* is to be filed for each candidate containing comprehensive information on their personal and professional characteristics and providing information – even in an annex – on the administration and control positions held with other companies.

Note that - pursuant to the Corporate Governance Code ("**Code**")<sup>1</sup>, to which the Company has subscribed – "*all the members of the supervisory body meet the independence requirements prescribed by Recommendation no. 7 for directors*"<sup>2</sup> and, therefore, those who wish to submit slates and are entitled to do so are invited to take account of this when identifying the candidates to be proposed.

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<sup>1</sup> Available for consultation at the following website: <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020eng.en.pdf>.

<sup>2</sup> See recommendation no. 9 of the Corporate Governance Code.

Each shareholder may submit or contribute to the submission of just one slate and each candidate may be included in just one slate, under penalty of ineligibility.

Slates which are submitted in breach of the provisions pursuant to art. 16 of the Company Bylaws are deemed not to have been submitted.

If only one list is submitted, the Shareholders' Meeting shall vote on it and, if the list obtains the relative majority, the standing and alternate Auditors candidates listed in the respective section of the slate shall be elected; the person named first on the above slate becomes the Chairman of the Board of Statutory Auditors.

Whereas, if two or more slates are submitted, members of the Board of Statutory Auditors shall be elected as follows:

- four standing members and two alternate members shall be chosen from the slate which obtains the highest number of votes (known as the majority slate), in the consecutive order in which they are listed thereon;
- the remaining standing member and the other alternate member shall be chosen from the slate which obtains the highest number of votes cast by the shareholders after the first slate (known as the minority slate), in the consecutive order in which they are listed thereon. If several slates obtain the same number of votes, a new vote between said slates will be cast by all those entitled to vote attending the meeting, and the candidates on the slate which will obtain the simple majority of the votes will be elected.

If more than one slate is submitted the position of Chairman of the Board of Statutory Auditors shall be assigned to the standing member indicated as the first candidate on the slate that came second in terms of numbers of votes.

If no slates are submitted, the Shareholders' Meeting shall arrange for the Board of Statutory Auditors to be appointed with the legal majorities, in any case without prejudice to compliance with gender balance regulations.

In this regard, note that as regards gender quotas for the composition of the control bodies of listed companies, art. 148 of Legislative Decree no. 58 of 24 February 1998 (TUF), as amended by law no. 160 of 27 December 2019, states that at least two-fifths of the standing members of the Board of Statutory Auditors shall belong to the least represented gender. This allocation criterion shall apply for six consecutive terms of office.

Therefore, in order to ensure gender balance, art. 16 of the Bylaws establishes that, as mentioned earlier, slates that - taking account of both sections - present a number of candidates equal to or exceeding three, must include candidates of each gender at least to the minimum extent required by law and / or *pro tempore* regulations in force, as specified in the notice of call of the Shareholders' Meeting, both in the section for standing Auditors and in the section for alternate Auditors. The Bylaws also establish that, should application of the slate voting mechanism not obtain, considering the standing and alternate Auditors separately, the minimum number of statutory Auditors belonging

to the less represented gender envisaged by the laws and/or regulations in force at the time, the candidate belonging to the most represented gender and elected, indicated with the highest progressive number of each section from the slate that obtained the largest number of votes, is replaced by the first candidate belonging to the less represented gender not already elected from the same section of that slate, pursuant to the sequential order of presentation.

Outgoing Auditors may be re-elected.

In view of the above, the Board of Directors invites shareholders who intend to submit slates for the election of members of the Board of Statutory Auditors to comply with the aforementioned provisions.

In view of the renewal of the board, the Board of Statutory Auditors has made a document available, in accordance with the rules of conduct of the Board of Statutory Auditors of listed companies issued by the CNDCEC on 26 April 2018, in which, *inter alia*, it sets out its assessments on what it considers to be the optimal composition of the controlling body (in addition to fulfilling the regulatory requirements) for its efficient functioning. This document is made available to the public at the same time and in the same manner as this Report. Shareholders who intend to submit slates for the election of members of the Board of Statutory Auditors are invited to bear in mind the aforementioned indications of the outgoing Board of Statutory Auditors when choosing the candidates.

The Company will make any slates of candidates submitted available to the public, together with the information required by applicable legislation, at its registered offices, on the authorised storage mechanism and through publication on its website [www.pirelli.com](http://www.pirelli.com), in the specific section dedicated to the Shareholders' Meeting.

Lastly, shareholders that intend to submit slates for the appointment of members of the Board of Statutory Auditors are invited to examine the specific documentation published on the Company's website [www.pirelli.com](http://www.pirelli.com) and, in particular, the recommendations contained in Consob Communication no. DEM/9017893 of 26 February 2009 and current Consob provisions on the limits set for the accumulation of offices of members of the control bodies of listed companies.

In addition to the appointment of the Board of Statutory Auditors and its Chairman, it is also necessary to resolve on the allocation of the gross annual compensation due to members of the Board of Statutory Auditors, currently established as 75 thousand euro for the Chairman of the Board of Statutory Auditors and 50 thousand euro for each of the Standing Auditors (at present an additional 40 thousand euro is attributed to the member of the Board of Statutory Auditors called on to join the Company's Supervisory Body).

In determining the compensation to be attributed to the members of the Board of Statutory Auditors, you are invited, moreover, as already occurred during the previous renewal of the controlling body, to take into consideration - in addition to what is envisaged by the current regulatory provisions regarding the competences of the Board of Statutory Auditors – also the additional duties attributed to this body by Legislative Decree no. 39 of 27 January 2010, "Implementation of Directive 2006/43/EC concerning statutory audits of annual accounts and consolidated accounts" and the circumstance that, pursuant to art. 6, paragraph 4-*bis* of Legislative Decree no. 231 of 8 June 2011,

“Provisions on the administrative liability of legal persons, companies and associations, including those without legal personality, pursuant to art. 11 of Law no. 300 of 29 September 2000”, the Board of Statutory Auditors may be assigned the duties of the Supervisory Body laid down by the aforementioned legislative decree.

Lastly, note that Standing Auditors attend the meetings of the Board of Directors and (some or all of) are invited to attend the meetings of the Committees set up within the Board.

In view of the above, the Board of Directors, in accordance and compliance with applicable provisions of the Bylaws and legislation, including regulations, invites you to submit slates of candidates for the appointment of the members of the Board of Statutory Auditors as well as proposals on the determination of the relative compensation and to resolve in this regard on:

1. the appointment of the members of the Board of Statutory Auditors (five standing Auditors and three alternate Auditors) for the financial years 2021, 2022 and 2023, by voting on any slates of candidates that are submitted;
2. the appointment of the Chairman of the Board of Statutory Auditors, unless this figure cannot be identified according to the provisions of the Bylaws; and
3. the determination of the compensation due to the members of the Board of Statutory Auditors.

## **Bylaws - Article 16**

**16.1** The Board of Statutory Auditors shall be composed of five effective and three alternate auditors, who must be in possession of the requisites established under applicable laws and regulations; to this end, it shall be borne in mind that the fields and sectors of business closely connected with those of the Company are those stated in the Company's purpose, with particular reference to companies or corporations operating in the financial, industrial, banking, insurance and real estate sectors and in the services field in general.

**16.2** The ordinary shareholders' meeting shall elect the Board of Statutory Auditors and determine its remuneration. The minority shareholders shall be entitled to appoint one effective auditor and one alternate auditor.

**16.3** The Board of Statutory Auditors shall be appointed in compliance with applicable laws and regulations and with the exception of the provisions of paragraph 17 of this article 16, on the basis of slates presented by the shareholders in which candidates are listed by consecutive number.

**16.4** Each slate shall contain a number of candidates which does not exceed the number of members to be appointed.

**16.5** Shareholders who, alone or together with other shareholders, represent at least 1 percent of the shares with voting rights in the ordinary shareholders' meeting or the minor percentage, according to the regulations issued by Commissione Nazionale per le Società e la Borsa for the submission of slates for the appointment of the Board of Directors shall be entitled to submit slates.

**16.6** Each shareholder may present or take part in the presentation of only one slate.

**16.7** The slates of candidates which must be undersigned by the parties submitting them, shall be filed in the Company's registered office at least twenty-five days prior to the date set for the shareholders' meeting that is required to decide upon the appointment of the members of the Board of Statutory Auditors, except for those cases in which the law and/or the regulation provide an extension of the deadline. They are made available to the public at the registered office, on the Company website and in the other ways specified by Commissione Nazionale per la Società e la Borsa regulations at least 21 days before the date of the general meeting. Without limitation to any further documentation required by applicable rules, including any regulatory provisions, a personal and professional curriculum including also the offices held in management and supervisory bodies of other companies, of the individuals standing for election must accompany the slates together with the statements in which the individual candidates agree to: - their nomination – declare, under their own liability, that there are no grounds for their ineligibility or incompatibility, and that they meet the requisites prescribed by law, by these Bylaws and by regulation for the position. Any changes that occur up to the date of the Shareholders' meeting must be promptly notified to the Company.

**16.8** Any slates submitted without complying with the foregoing provisions shall be disregarded.

**16.9** Each candidate may appear on only one slate, on penalty of losing the right to be elected.

**16.10** The slates shall be divided into two sections: one for candidates for the position of standing Auditor and one for candidates for the position of alternate Auditor. The first candidate listed in each section must be selected from among the persons enrolled in the Register of Auditors who have worked on statutory audits for a period of no less than three years. In order to ensure gender balance, slates that - taking account of both sections - present a number of candidates equal to or exceeding three, must include candidates of each gender at least to the minimum extent required by law and/or *pro-tempore* regulations in force, as specified in the notice of call of the shareholders' meeting, both in the section for standing statutory auditors and in the section for alternates.

**16.11** Each person entitled to vote may vote for only one slate.

**16.12** The Board of Statutory Auditors shall be elected as specified below: a) four standing members and two alternate members shall be chosen from the slate which obtains the highest number of votes (known as the majority slate), in the consecutive order in which they are listed thereon; b) the remaining standing member and the other alternate member shall be chosen from the slate which obtains the highest number of votes cast by the shareholders after the first slate (known as the minority slate), in the consecutive order in which they are listed thereon; if several slates obtain the same number of votes, a new vote between said slates will be cast by all those entitled to vote attending the meeting, and the candidates on the slate which obtains the simple majority of the votes will be elected.

**16.13** The chair of the Board of Statutory Auditors shall pertain to the standing member listed as the first candidate on the minority slate.

**16.14** If, considering the standing statutory auditors and the alternate statutory auditors separately, the application of the slate voting procedure fails to secure the minimum number of statutory auditors of the less represented gender as required by law and/or regulation in force at the time, the appointed candidate of the more represented gender indicated with the higher progressive number in each section of the slate that attracts most votes, shall be substituted by the non-appointed candidate of the less represented gender drawn from the same section of the same slate on the basis of their progressive order of presentation.

**16.15** The position of a standing auditor which falls vacant due to his/her death, forfeiture or resignation shall be filled by the first alternate auditor chosen from the same slate as the former. If filling the position in this way fails produce a composition of the Board of Statutory Auditors that complies with the rules in force even on gender balance, the position will be filled by the second alternate auditor drawn from the same slate. If, subsequently, there is a need to substitute another statutory Auditor from the same slate that obtained most votes, the other alternate auditor drawn from the same slate shall fill the position, whatever the outcome. In the event of the replacement of the Chairman of the Board of Statutory Auditors, the chair shall pertain to the statutory auditor of the same slate as the outgoing Chairman,

following the order contained in the slate, subject in all cases to observance of the requirements in law and/or in the Company By-laws for holding that office and to compliance with gender balance as provided by law and/or regulation currently in force; if it proves impossible to effect substitutions and replacements under the foregoing procedures, a shareholders' meeting shall be called to complete the Board of Statutory Auditors which shall adopt resolutions by relative majority vote.

**16.16** When the shareholders' meeting is required, pursuant to the provisions of the foregoing paragraph or to the law, to appoint the standing and/or alternate members needed to complete the Board of Statutory Auditors, it shall proceed as follows: if auditors elected from the majority slate have to be replaced, the appointment shall be made by relative majority vote without slate constraints, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time; if, however, auditors elected from the minority slate have to be replaced, the shareholders' meeting shall replace them by relative majority vote, selecting them where possible from amongst the candidates listed on the slate on which the auditor to be replaced appeared and in any event in accordance with the principle of necessary representation of minorities to which this By-Laws ensure the right to take part to the appointment of the Board of Statutory Auditors, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time. The principle of necessary representation of minorities shall be considered complied with in the event of the appointment of Statutory Auditors nominated before in the minority slate or in slates different other than the one which obtained the highest number of votes in the context of the appointment of the Board of Statutory Auditors.

**16.17** In case only one slate has been presented, the Shareholders' Meeting shall vote on it; if the slate obtains the relative majority of the share capital, the candidates listed in the respective sections shall be appointed to the office of standing auditors and alternate auditors; the candidate listed at the first place in the slate shall be appointed Chairman of the Board of Statutory Auditors.

**16.18** When appointing auditors who, for whatsoever reason, were not appointed under the procedures established herein, the shareholders' meeting shall vote on the basis of the majorities required by law, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time.

**16.19** Outgoing members of the Board of Statutory Auditors may be re-elected to office.

**16.20** Meetings of the Board of Statutory Auditors may, if the Chairman or whoever acts in his/her stead verifies the necessity, be attended by means of telecommunications systems that permit all attendees to participate in the discussion and obtain information on an equal basis.