



Pirelli & C. S.p.A.

Reports to the Shareholders' Meeting of 15 June 2021

Remuneration policy and compensation paid:

- approval of the remuneration policy for 2021 financial year pursuant to article 123-*ter*, paragraph 3-*ter* of Legislative Decree 24 February 1998 n. 58;
- advisory vote on the report on compensation paid for 2020 financial year pursuant to article 123-*ter*, paragraph 6 of Legislative Decree 24 February 1998 n. 58;

related and consequent resolutions.

(item 4 on the agenda)

Illustrative reports 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.

A. Approval of the 2021 remuneration policy

Dear Shareholders,

In accordance with art. 123-*ter* of Legislative Decree no. 58 of 24 February 1998 (“**TUF**”), as amended and supplemented by art. 3 of Legislative Decree no. 49 of 10 May 2019 (“**Decree**”), the Shareholders’ Meeting has also been called to vote on the first section of the Report on the remuneration policy and on the compensation paid (“**Remuneration Report**”) which outlines the remuneration policy (“**2021 Policy**”) for members of administrative bodies, General Managers and Key managers (“**KM**”), to which Pirelli refers in order to define the remuneration of the Senior Managers and Executives of Pirelli.

The 2021 Policy submitted for your vote was drawn up on the basis of the application experience and pursuant to art. 123-*ter* of the TUF and the regulations adopted by Consob, pursuant to art. 84-*quater* and on the basis of Scheme 7-*bis* of Annex 3A of the Consob Resolution no. 11971 of 14 May 1999 (“**Issuers’ Regulation**”), as recently amended and supplemented by Consob under Resolution no. 21623 of 10 December 2020.

With respect to the 2020 Policy, the 2021 Policy takes into account the following aspects:

- composition of the reference panel for the purpose of comparing the Annual Total Direct Compensation at Target of the Executive Vice Chairman and Chief Executive Officer, limiting it to companies in the industry in which Pirelli operates;
- revision of the 2020-2022 LTI Plan for the part concerning the cumulative Group Net Cash Flow (before dividends) target, aligning the relative target to the guidance communicated to the market on 5 August 2020 and to the targets of the 2021-2022/2025 Strategic Plan for the years 2021 and 2022, in accordance with the mandate conferred to the Compensation Committee by the Board of Directors on 5 August 2020, as a result of the health emergency related to the spread of Covid-19 and the consequent revision of the 2020-2022 Strategic Plan and the announced launch for the first quarter of 2021 of the Strategic Plan for the period 2021-2022/2025. With reference to 2020-2022 LTI Plan, 2021 Policy provides also the normalisation of the potential effects on the final result of the acquisition of Cooper by Goodyear (a company included in the reference panel for the TSR objective) at the start of 2021, in order to calculate its impact on the TSR (for both the 2020-2022 LTI Plan and the 2021-2023 LTI Plan);
- establishment of Policy compliance criteria to be applied in the case of hiring of a new General Manager and new KM to define the fixed remuneration and the other parts of the compensation package, with indication of the relative cap;
- downward revision of the STI Plan incentive percentages upon achievement of the minimum performance objectives;
- revision, for General Managers, KM and selected Senior Managers, of the deferral mechanism of part of the accrued STI Plan which provides for the disbursement, together with a company

matching component, at the end of a three-year period subject to the permanence of the employment relationship.

The 2021 Policy takes into account the definition of the objectives of the new LTI Plan for the three-year period 2021-2023, in application of the rolling mechanism already provided for in the 2020 Policy, in support of the objectives of the 2021-2022/2025 Strategic Plan, with consequent re-proportioning on an annual basis, in line with the provisions of the 2020 Policy, of the three-year incentive percentages. Furthermore, it provides also for 2021-2023 LTI Plan the option to normalise the potential effects on the final result of the acquisition of Cooper by Goodyear (a company included in the reference panel for the TSR objective) at the start of 2021, in order to calculate its impact on the TSR (for both the 2020-2022 LTI Plan and the 2021-2023 LTI Plan).

The 2021 Policy also takes into account the inclusion of the Deputy-CEO and the relevant remuneration.

As provided for in art.123-*ter* TUF, the first section of the Remuneration Report brought to your attention outlines:

- a. the remuneration Policy for the members of the administrative bodies, General Managers and Key managers and, without prejudice to the provisions of art. 2402 of the Italian Civil Code, for members of the controlling bodies, to which Pirelli refers to define the remuneration of the Senior Managers and Executives;
- b. the procedures used for the adoption and implementation of this Policy.

In accordance with TUF, the Shareholders' Meeting is asked to express its favourable vote on the first section of the Remuneration Report.

B. Advisory vote on the Report on the remuneration paid in 2020

Dear Shareholders,

pursuant to art.123-*ter* of the Legislative Decree no. 58 of 24 February 1998 (“**TUF**”), as amended and supplemented by art. 3 of Legislative Decree no. 49 of 10 May 2019 (“**Decree**”), we have also called you to submit to your advisory vote the second section (“**Compensation Report**”) of the Report on the remuneration policy and compensation paid (“**Remuneration Report**”), which provides, by name, for the members of the administrative and controlling bodies, for the General Managers, as well as, in aggregate form, for the Key managers (“**KM**”), a summary of the remuneration paid in implementation of the remuneration policy adopted by the Group in 2020, highlighting its compliance with the same.

The Compensation Report submitted for your vote is drawn up pursuant to art. 123-*ter* TUF and takes into account the regulatory provisions adopted by Consob, as per art. 84-*quater* and on the basis of Scheme 7-*bis* of Annex 3A of the Consob Resolution no. 11971 of 14 May 1999 (“**Issuers’ Regulation**”), as amended and supplemented by Consob Resolution no. 21623 of 10 December 2020.

As required by art. 123-*ter* of the TUF, the second section of the Remuneration Report that we submit to you illustrates, by name, for the members of the administrative and controlling bodies, the General Managers, as well as, in aggregate form, the KM:

- a. the items of which the remuneration is composed, including payments prescribed in case of resignation from office or termination of employment;
- b. the sums paid in the 2020 financial year for any reason and in any form by the Company and its subsidiaries or affiliates, indicating any components of said payments that are referable to activities undertaken in years preceding the year of reference and also highlighting the payments to be made in one or more subsequent years for activity undertaken in the reference year, providing, if applicable, estimates for the components that cannot be objectively quantified in the year of reference.

The subject appointed to carry out the external audit of the financial statements verifies that the Directors have prepared the Compensation Report.

In accordance with TUF, the Shareholders’ Meeting is asked to express its favourable advisory vote on the second section of the Remuneration Report.