



Pirelli & C. S.p.A.

**Reports to the Shareholders' Meeting of 31
July 2023**

**Three-year monetary incentive plan (2023-2025) for the Pirelli
Group's Management. Related and consequent resolutions**

(item 3 on the agenda)

DISCLAIMER: The item will be discussed, only if the proposals under item 2 on the agenda of the Shareholders' Meeting of 29 June 2023 will be approved.

Illustrative report drawn up by the Directors pursuant to Article 125-ter of Italian Legislative Decree no. 58 of 24 February 1998 as subsequently amended and supplemented, approved by the Board of Directors on 5 April 2023, as amended on 20 June 2023.

A. Approval of the three-year monetary incentive plan 2023-2025 for the Pirelli Group's Management.

Dear Shareholders,

considering that:

- in the meeting of 5 April 2023, the Board of Directors approved the objectives of the three-year monetary incentive Plan for the 2023-2025 three-year cycle for the Pirelli Group's Management ("**LTI Plan 2023-2025**"). The 2023-2025 LTI Plan was also approved pursuant to Article 2389 of the Italian Civil Code, on the proposal of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors, in relation to the parties for whom such opinion is required;
- the Ordinary Shareholders' Meeting was convened on 29 June 2023 in order to approve the 2022 Financial Statement and postpone to a next Shareholders' Meeting, to be called presumably by 31 July 2023 in order to take into account the issuance of the decision upon the Golden Power Proceeding, the discussion and decision upon the items on the agenda relating to the appointment of the Board of Directors (with the consequent extension in the medium term of the Directors currently in office) and upon subsequent items on the agenda, including the item referred to the LTI Plan 2023-2025;
- it is assumed that the Shareholders' Meeting convened for 29 June 2023 approves the postponement of the discussion and the vote on the item related to the LTI Plan 2023-2025;
- pending the Shareholders' Meeting on 29 June 2023, and specifically on 16 June 2023, the Company was notified of the decision upon the Golden Power Proceeding (press release of 18 June 2023);

the Board of Directors newly convened the Shareholders to submit to the approval of their Meeting, pursuant to Article 114-*bis* of Legislative Decree 58/1998 ("**TUF**"), the LTI Plan 2023-2025 as it states, inter alia, that part of the incentive is determined on the basis of a relative Total Shareholder Return target, calculated with respect to an index made up of selected "Tier 1" peers in the Tyre sector.

Moreover, pursuant to Article 123-*ter* of the TUF, the 2023-2025 LTI Plan is included in the 2023 Remuneration Policy adopted by Pirelli (“**2023 Policy**”), submitted for the binding vote to the Shareholders’ Meeting.

The main information on the 2023-2025 LTI Plan is set out below, while for a more analytical description you are invited to read the Information Document prepared pursuant to Article 84-*bis*, paragraph 1, of Consob Resolution No. 11971 of 14 May 1999 (“**Issuers’ Regulation**”), which is also available to the public at the registered offices of Pirelli & C. S.p.A. (in Milan, Viale Piero e Alberto Pirelli 25) and on the website www.pirelli.com as well as at Borsa Italiana S.p.A. together with this report.

Reasons for adopting the Plan¹

In line with national and international best practices, the 2023 Policy is tailored to the objective of attracting, motivating and retaining resources with the professional qualities required to pursue corporate objectives. In addition, through the multi-year variable components assigned, in particular, to the Executive Vice Chairman and Chief Executive Officer, Deputy-CEO, General Managers, KM, Senior Managers and Executives, it aims to achieve long-term interests, contributing to the achievement of strategic objectives and the sustainable success of the company, as well as aligning the interests of Management with those of shareholders.

The Company’s long-term plans have a “rolling” mechanism through which the Pirelli & C. Board of Directors has defined the 2023-2025 LTI Plan targets, linked to achieving the Strategic Plan objectives and, previously, those of the 2022-2024 and 2021-2023 LTI Plan.

Recipients of the Plan²

The 2023-2025 LTI Plan is extended to all Top Management – except for the Chairman – and, except in specific cases, to all Executives whose grade, determined with the Korn Ferry method, is equal to or above 20. It is also assigned to those who, during the three-year period, join the Group and/or take over, due to internal career progression, the

¹ Information required by Article 114-*bis*, paragraph 1, letter a) of the TUF.

² Information required by Article 114-*bis*, paragraph 1, letters b) and b-*bis*) of the TUF.

position of Executive. In this case, their inclusion is subject to participation in the LTI Plan for at least one full financial year and the incentive percentages are scaled to the number of months of actual participation in the LTI Plan.

In particular, as at the date of this report, among others, the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera, the Deputy-CEO Giorgio Luca Bruno, the Director Giovanni Tronchetti Provera (as Senior Manager), the General Manager of Operations Andrea Casaluci, and Key Managers ("KM") are participants in the LTI Plan.

Performance Targets and Bonus Calculation³

The Management remuneration structure, as better described in the 2023 Policy which should be referred to for further details, has several elements:

- gross annual base salary (GAS);
- STI annual variable component: designed to reward the beneficiary's performance in the short term, motivating Management to achieve the Company's annual objectives; it is set as a percentage of the base salary, rising in relation to the role held by the beneficiary and taking into account the reference benchmarks of each role. This percentage can range, if the target objectives are met, from a minimum of 15% for Executives (executives of Pirelli's Italian companies or employees of foreign Group companies with a position or role comparable to that of an Italian executive) up to a maximum of 100%-125% for Directors holding specific offices to whom specific duties are also delegated; a share of the STI incentive - with retention in mind and to boost medium-long term performance - is deferred and possibly increased;
- medium-long term variable component (LTI): composed of LTI incentive plans linking Management remuneration to the Group's medium-long term performances, and of the deferral and mark-up component of the STI.

As for the STI incentive, the LTI incentive is also set as a percentage of the base salary with increasing percentages in relation to the role held and taking into account the reference benchmarks of each figure. The 2023-2025 LTI Plan confirms the three-

³ Information required by Article 114-*bis*, paragraph 1, letter c) of the TUF.

year incentive percentages set forth in the 2021-2023 and 2022-2024 LTI Plan which, if targets are achieved, can go from a 15% minimum for Executives to a 70% maximum for Directors holding specific offices to whom specific duties are also delegated. There is also a limit to the maximum achievable LTI incentive.

The 2023-2025 LTI Plan, which is monetary and does not include the assignment of shares or options on shares, is subject to the achievement of three-year objectives and determined as a percentage of the gross annual base salary (GAS) received by the beneficiary at the date on which their participation in the Plan was established.

The medium-long term incentive plan “rolling” structure enables yearly definition of the value of the following three-year period targets, while ensuring management loyalty and the correct focus on performance targets.

In line with the 2021-2023 LTI Plan and the 2022-2024 LTI Plan, the 2023-2025 LTI Plan foresees three target types, all independent of each other and each assigned a specific weight:

- an objective represented by the Cumulative Group Net Cash Flow (before dividends), with a weight of 40% of the overall LTI bonus;
- Total Shareholder Return ("TSR") target, with a weight of 40%, to a panel of selected Tier 1 peers. The document made available at the Shareholders' Meeting provides more detailed information on the application of the Total Shareholder Return objective;
- the remaining 20% is tied to sustainability objectives and, in particular, for the 2023-2025 LTI Plan: (i) 10% is calculated in relation to Pirelli's positioning in the Dow Jones Sustainability World Index ATX Auto Component sector and (ii) 10% is linked to CO2 Emissions Reduction.

For all objectives there is a minimum value associated with payment of an incentive of 75% of the bonus achievable at target performance.

Regarding each objective, where the set minimum value is not attained, no right is accrued by the beneficiary to the corresponding part of the incentive.

For intermediate results falling between the “access threshold” and the target or between the target and the maximum, performance will be calculated by linear interpolation, differently to the Sustainability target represented by the positioning in the

Dow Jones Sustainability World Index ATX Auto Component sector, which will be calculated in three steps only: “access threshold”, target and maximum, without considering intermediate performances.

Bonus Period

If the objectives are achieved, the disbursement of the incentive (the so-called LTI Bonus) of the 2023-2025 LTI Plan will take place in the first half of 2026, subject to the presence of the participants at 31 December 2025.

If the term of office and/or employment relationship has been terminated for any reason (without prejudice to the following) before the end of the three-year period, the beneficiary's participation in the 2023-2025 LTI Plan shall cease and, as a result, no LTI Bonus nor pro-rated bonus will be paid. For Directors holding special offices to whom specific duties have been attributed who cease to hold office due to having completed their mandate or to the termination of the entire Board of Directors, a pro-rata payment of the LTI Bonus is provided for.

Plan Duration and Amendments

The 2023-2025 LTI Plan, implementing the “rolling” mechanism included in the 2020 Policy, is structured on three-year performance periods (cycles) that start each year, with the definition of performance indicators and related objectives.

The “rolling “ mechanism allows performance indicators to be aligned, for each new cycle, with market changes and the company’s strategic objectives which could be revised from year to year.

Special fund to encourage workers' participation in enterprises⁴

The 2023-2025 LTI Plan does not receive any support from the Special Fund to encourage workers' participation in enterprises, referred to in Article 4(112) of Law No. 350 of 24 December 2003.

⁴ Information required by Article 114-bis, paragraph 1, letter d) of the TUF.

The 2023-2025 LTI Plan is to be considered “of particular importance” as it is addressed, as at the date of this report, inter alia, to the Executive Vice Chairman and Chief Executive Officer, the Deputy CEO, the General Manager of Operations and KMs, as they have regular access to inside information and have the power to make decisions that may affect the Group's development and future prospects.

Considering that the LTI Plan is monetary in nature, as it does not provide for the assignment of shares or stock options on shares, but only a cash incentive partly linked to the performance of Pirelli & C.'s ordinary shares, the Information Document prepared in accordance with current regulations does not contain the information required for mechanisms that consider the assignment of shares or stock options.

Dear Shareholders,

if the Shareholders' Meeting should approve the item 2 on its agenda, on the basis of the above, we hereby ask you to:

1. approve - pursuant to Article 114-*bis* of Legislative Decree No. 58 of 24 February 1998, as subsequently amended and supplemented - the adoption of the three-year monetary Incentive Plan for the 2023-2025 period ("**2023-2025 LTI Plan**") for the Management of the Pirelli Group, regarding the part where it is also based on the performance of Pirelli shares, in the terms set out in this Report and as better described in the Information Document (prepared pursuant to Article 84-*bis*, paragraph 1, of the Issuers' Regulation). The 2023-2025 LTI Plan states, inter alia, that a share of the 2023-2025 LTI bonus will be determined on the basis of a relative Group Total Shareholder Return target, calculated with respect to an index made up of selected Tier 1 peers in the Tyre sector;

2. grant the Board of Directors the broadest powers needed or opportune to implement the 2023-2025 LTI Plan and to adjust or modify the performance indicators and related 2023-2025 LTI Plan objectives, submitting the new performance indicators and objectives to the Shareholders' Meeting if the plan has characteristics established by Article 114-*bis* of the TUF (remuneration plans based on financial instruments).