



**Shareholders' Meeting of 28 May
2024
Appointment of the Board of
Statutory Auditors**

**Guidelines of the outgoing Board of
Statutory Auditors of Pirelli & C.
S.p.A. on the composition of the new
control body**

**Document addressed to the Company's shareholders drawn up in
compliance with the instructions contained in the rules of conduct of the
Board of Statutory Auditors of listed companies issued by the CNDCEC**

1. Preamble

The Shareholders' Meeting of Pirelli & C. S.p.A. ("**Pirelli**" or the "**Company**"), called on to approve the annual financial report as of 31 December 2023 (the "**Shareholders' Meeting**") must also, *inter alia*, appoint a new Board of Statutory Auditors, due to the expiry of its current mandate. The undersigned control body was in fact appointed by the Shareholders' Meeting of 15 June 2021 for financial years 2021-2023, and its term in office is therefore due to expire upon the approval of the 2023 financial statements.

Such approval will mark the end of a particularly challenging three-year period, characterised by geopolitical tension and economic difficulty on a global scale. Specifically, the Company's Board of Statutory Auditors has had to tackle those challenges (some of which have been urgent) by expanding the scope of its responsibilities and adapting to the changing socio-economic context, market volatility and unforeseeable circumstances which have characterised its term in office and will probably also influence the upcoming mandate of the new control body.

Standard Q.1.5. of the Rules of Conduct of the Boards of Statutory Auditors of Listed Companies issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili [the Italian national association of chartered accountants and auditors] ("**CNDCEC**"), most recently updated on 21 December 2023 (the "**Rules of Conduct**") states that "*Taking account of its own experience and the outcomes of the self-assessment process, it is good practice for the outgoing board to provide shareholders, in view of its renewal, with its own guidance on the professional profiles and responsibilities that would be appropriate to consider in the qualitative composition of the board, as well as the time commitment required for the performance of its duties and the appropriate remuneration to attract people of adequate standing, without ignoring the provisions of Law no. 49 of 21 April 2023*".

In compliance with the aforementioned rule, the outgoing Board of Statutory Auditors intends to make available to the Company's shareholders, with reasonable notice in advance of the Shareholders' Meeting, a complete picture of the activities that the next Pirelli Board of Statutory Auditors will be required to perform and, in addition to this, a summary of its assessments regarding the optimum qualitative/quantitative composition of the control body (in addition to the regulatory or statutory requirements) for the purposes of the effective operation of the same, in sufficient time to allow the shareholders themselves to take it into account when selecting the candidates to be

included in the lists for the Board of Statutory Auditors' renewal to be presented to the Shareholders' Meeting¹.

In particular, the considerations presented here take account of the experience gained by the members of the Board of Statutory Auditors during its mandate in relation to Pirelli's corporate governance system and the results of the self-assessment process conducted by the Board of Statutory Auditors pursuant to the Rules of Conduct for each financial year of its mandate.²

2. Role of Pirelli's Board of Statutory Auditors

The main functions performed by the control body within Pirelli's corporate governance system are stated below. As is known, the Board of Statutory Auditors is required to oversee:

- compliance with the law and the Company Bylaws;
- compliance with the principles of sound administration;
- the adequacy of the Company's organisational structure concerning the aspects within its area of jurisdiction, the internal control and risk management and the administrative and accounting system, as well as the dependability of the latter to represent correctly the operating results;
- concrete ways to implement effectively the corporate governance rules envisaged by the codes of conduct prepared by the companies which manage the regulated markets or by the trade associations which the Company declares it abides by; and
- the adequacy of the instructions issued by the Company to the subsidiaries in relation to the obligations to report price sensitive information.

Furthermore, pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010 (as amended by Legislative Decree no. 135 of 17 July 2016), the Board of Statutory Auditors, identified as the "Internal Control and Auditing Committee":

- informs the Board of Directors about the results of the statutory audit and addresses to the same body the additional report referred to in article 11 of Regulation (EU) 537/2014, accompanied by any observations;
- monitors the financial reporting process and presents recommendations or proposals intended to ensure its integrity;

¹ It should be noted that, in addition to the Directors' Report on the Renewal of the Board of Statutory Auditors, the Company will also make available to the Shareholders' Meeting a file containing the relevant legislation, as well as documentation and information that will be of use to the shareholders' for the purposes of presenting the relative lists.

² For further information on the self-assessment carried out by the Board of Statutory Auditors, please refer to the annual Report on the Corporate Governance and Share Ownership contained in the 2023 Annual Report.

- verifies the effectiveness of the internal control, quality and risk management systems of the company and internal audit, as regards financial reporting, without violating their independence;
- oversees the statutory audit of the financial statements and consolidated financial statements, taking into account any results and conclusions of the quality controls carried out by CONSOB pursuant to article 26, paragraph 6, of Regulation (EU) 537/2014;
- verifies and monitors the independence of external auditors or auditing firms, in particular with regard to the provision to the Company of services other than auditing;
- is responsible for the external auditor or auditing firm selection procedure and submits a reasoned recommendation concerning auditing firms to be appointed pursuant to article 16 of Regulation (EU) 537/2014.

It should also be emphasised that the supervisory activities required by the control body part have been extended by the reforms related to non-financial reporting contained in Legislative Decree no. 254 of 30 December 2016³ and will be further extended with the application, as of the approval of the financial statements at 31 December 2024, of European Directive 2022/2464, known as the Corporate Sustainability Reporting Directive (CSRD). More new requirements were also introduced by Legislative Decree no. 24 of 10 March 2023 on whistleblowing.

Pursuant to article 17 of the Procedure for Transactions with Related Parties, as approved by the Company⁴, the Board of Statutory Auditors oversees compliance with said procedure and with the RPT [related-party transactions] Regulation approved with CONSOB resolution no. 17221 of 12 March 2010, as subsequently updated, reporting on its own activity to the shareholders' meeting.

For the sake of completeness, it should be reiterated that, in light of CONSOB Warning Notice no. 3/22 of 19 May 2022 in the context of the conflict in Ukraine, the functions attributed to the Board of Statutory Auditors – in exercise of its supervisory duties under article 149 of the Consolidated Law on Finance – also include the duty to pay attention to ensure that the Company implements all measures functional to compliance with the restrictive measures in force, immediately reporting any irregularities that it finds to the CONSOB.

³ The Board of Statutory Auditors oversees compliance with the provisions of the decree in relation to the preparation of the non-financial disclosure (so-called "NFD") by the Board of Directors and informs the shareholders' meeting of the results of the aforementioned supervisory activity.

⁴ Available on the website www.pirelli.com.

We also note the proceeding initiated pursuant to Decree Law no. 21 of 15 March 2012, as amended, before the Presidency of the Council of Ministers (the “**Golden Power Procedure**”), regarding the renewal of the shareholders' agreement signed on 16 May 2022 by, among others, China National Tire & Rubber Co., Ltd (“**CNRC**”), Marco Polo International Italy S.r.l. (“**MP**”), Camfin S.p.A. (“**Camfin**”) and Marco Tronchetti Provera & C. S.p.A. (the “**Shareholders’ Agreement**”). At the end of the Golden Power Procedure, the Board of Statutory Auditors acknowledged the decision communicated to the Company on 16 June 2023, in which the Council of Ministers exercised special powers in accordance with Decree-Law no. 21/2012 (the “**Decision**”). The Decision establishes specific requirements for the safeguarding of strategic assets identified by the same Decision, aimed at creating a network of measures that safeguard: the autonomy of Pirelli & C. S.p.A. and its management.

In this context, in addition to the activities inherent to the correct application of and compliance with the provisions of the Decision by the parties specified in it, the Board of Statutory Auditors is specifically required to send to the Ministry of Enterprises and Made in Italy, within 30 days from the approval of the annual financial statements (starting with the 2023 financial statements), a report which communicates the measures adopted in accordance with the resolutions passed with the Decision and any other relevant corporate or business measure in relation to the same.

Lastly, it is noted that, based on the current composition of the Company’s Supervisory Body referred to in Legislative Decree no. 231 of 8 June 2001, a Standing Auditor is invited to be a member of said Body.

3. Considerations on the professional profiles and responsibilities of the control body deemed to be optimal

Taking account of the above and specifically the additional supervisory activities required by the most recent reforms (on, *inter alia*, non-financial reporting and whistleblowing) and the expansion of its responsibilities in light of the requirements contained in the Decision, the outgoing Board of Statutory Auditors – in view of the appointment of the new control body – provides below:

- a summary of the individual characteristics, professional profiles and responsibilities that each candidate for Statutory Auditors should preferably possess (in addition to fulfilling the regulatory requirements), and
- to follow, its own considerations about the overall optimum composition of the supervisory body itself.

3.1. Individual characteristics

As is known, all Statutory Auditors must act with independence of judgement and fulfil the

- professionalism and integrity requirements established by law (see Ministerial Decree no. 162 of 30 March 2000 issued pursuant to article 148, paragraph 4, of Legislative Decree no. 58 of 24 February 1998 - “TUF”) and the bylaws, and
- the independence requirements established by law (article 148, paragraph 3, of TUF) and Pirelli’s Corporate Governance Code⁵.

The Statutory Auditors are also subject to limits on the number of offices they may hold, as established by current legislation (article 144-*terdecies* as referred to in CONSOB resolution no. 11971 of 14 May 1999 – Issuers’ Regulation - to which reference is made in article 148-*bis* of TUF).

Pirelli’s Bylaws (article 16) requires:

- the Board of Statutory Auditors to be composed of 5 (five) effective and 3 (three) alternate auditors 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, and
- two Standing Statutory Auditors and two Alternate Statutory Auditors to be registered in the Register of Chartered Accountants who has worked as external auditor for a period of not less than three years.

Statutory auditors who do not fulfil the last requirement are chosen from among those who have gained an overall experience of at least three years in:

- a) administration and control activities or managerial duties in companies that have a share capital of at least two million euro, or
- b) professional activities or university teaching in legal, economic, financial and technical-scientific subjects, strictly related to company’s business, or
- c) managerial functions in public entities or public administrations operating in the credit, financial and insurance sectors or in any case in sectors strictly related to the company’s business (pursuant to article 16.1 of Pirelli’s bylaws “*the subjects*”

⁵ As determined by the Independence Statement adopted by the Board of Directors on 25 February 2021 and confirmed by the same board on 3 August 2023.

and sectors of activity strictly related to those of the company are those stated in the corporate purpose, with particular reference to companies or entities operating in the financial, industrial, banking, insurance, real estate and services sectors in general").

Furthermore, the members of the Board of Statutory Auditors, as members of the internal control and audit committee, are in general terms competent in the sector in which the audited company operates (see article 19, paragraph 3, of Legislative Decree no. 39/2010).

Lastly, we invite shareholders to consider the specific tasks that the Company's Statutory Auditors will be called to carry out under the Decision and, if necessary, assess the value of continuity in the composition of that Board.

In light of the above, the outgoing Board of Statutory Auditors therefore recommends that each slate include candidates who have this specific competence (particularly in terms of previous experience).

The outgoing Board of Statutory Auditors also deems it essential that each candidate for the office of member of the control body should have adequate time to devote to the office to allow their participation in meetings of the Board of Statutory Auditors and of the Board of Directors and prior examination of the documentation made available in advance of each meeting. In this regard, it is important to point out that the Standing Statutory Auditors attend meetings of the Board of Directors and are invited to attend some or all of the meetings of the Committees set up within the Board itself. In addition to this, in terms of the commitment required of the Statutory Auditors, the preparation of reports and opinions for which they are responsible.

Attached to this document is a table which summarises the number of meetings attended by the Board of Statutory Auditors in 2021, 2022 and 2023, respectively, and their average duration, which we believe may be a useful reference for the commitment that the mandate requires.

3.2. Overall composition

According to the outgoing Board of Statutory Auditors it is desirable for the slates presented by the shareholders:

- to put forward individuals who fulfil the personal and aptitude requirements referred to in paragraph 3.1 above (including the availability of sufficient time and resources by each candidate Auditor, given that - as previously stated - this is a key requirement for the effective performance of the assignment); and

- to ensure a sufficient and diverse mix of competencies, considering the particular nature of Pirelli's business (developed at the global level) and corporate structure, as well as the new duties deriving from the requirements established in the Decision, with particular attention to knowledge of (i) accounting, (ii) corporate governance, (iii) sustainability, (iv) financial and non-financial reporting; (v) internal control and risk management systems; (vi) primary and secondary legislation applicable to listed companies;
- to ensure adequate diversity – as a success factor - in terms of age, gender, educational and professional record, while fulfilling the prime objective of ensuring appropriate competence and professionalism (this diversity is in fact believed to allow the Board of Statutory Auditors to perform its tasks most effectively as it can benefit from the contribution of multiple qualified points of view). With specific regard to gender diversity, attention is drawn to the requirement to ensure that at least two fifths of candidates are of the less represented gender in accordance with Law no. 160 of 27 December 2019 (which amended article 148, paragraph 1-*bis*, of the TUF). In this respect, the outgoing Board of Statutory Auditors reiterates its belief that a balanced diversity within the control body helps to strengthen its dynamics and efficiency.

Furthermore, based also on previous experience, it is noted that the reappointment of current members of the control body would allow it to make the best use of the knowledge of the Group's business and dynamics that they gained and produced during the previous mandate, as well as their knowledge of specific issues related to the Decision.

In this respect, throughout the term of office, the Chairman of the Board of Statutory Auditors played a crucial role in guiding the aforementioned discussions, promoting a spirit of trust, cooperation and cohesion between the members, bearing the requests made by the Board of Statutory Auditors to the Board of Directors, performing Company control duties and coordinating the work of the Statutory Auditors.

Adequate knowledge of foreign languages, particularly English, is also recommended, taking into account the Group's international orientation.

The Board of Statutory Auditors also expresses particular appreciation for the decision taken by the Company to provide for a control body consisting of 5 (five) standing auditors and 3 (three) alternate auditors, demonstrating its recognition of the primary role of this body in the life of the Company.

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It is therefore recommended that shareholders take the above into account for the purpose of identifying candidates for the position of member of the control body.

4. Considerations regarding the remuneration of the control body

The Board of Statutory Auditors' current remuneration, as established by the Shareholders' Meeting of 15 June 2021, amounts to EUR 90,000 for the Chairman and EUR 75,000 for each Standing Auditor.

As is well known, pursuant to Recommendation No. 30 of the Corporate Governance Code "*The remuneration of the members of the control body is adequate to the competence, professionalism and commitment required by their role and the company's size, industry and current situation*".

The outgoing Board of Statutory Auditors therefore invites shareholders to take account of market comparisons, for the purpose of assessing the adequacy of the compensation to be proposed to the Shareholders' Meeting, also taking account of the large number of meetings (110 in the relative three-year period) and specifically the additional duties and responsibilities that have been attributed by virtue of the "Golden Power" Prime Ministerial Decree.

13 March 2024

For the Board of Statutory Auditors

The Chairman, Mr Riccardo Foglia Taverna

Annex: Table summarising the number of meetings attended by the Board of Statutory Auditors in 2021, 2022 and 2023 and their average duration.

Meetings of the Board of Directors and corporate bodies	2021 (*)		2022		2023	
	No. of Meetings	Average duration (min.)	No. of Meetings	Average duration (min.)	No. of Meetings	Average duration (min.)
Board of Statutory Auditors	10	103	11	120	17	120
Board of Directors	8	59	8	57	8	69
Audit, Risks and Corporate Governance Committee (**)	5	129	6	146	5	146
Remuneration Committee	5	71	3	77	4	68
Appointments and Successions Committee	1	25	/	/	/	/
Strategies Committee	2	57	/	/	3	67
Related-Party Transactions Committee	7	54	4	50	3	42
Sustainability Committee (***)	/	/	/	/	/	/
Total number of meetings	38		32		40	

(*) For calculation purposes, all the meetings held in 2021 were taken into account, including those prior to the appointment of the Board of Statutory Auditors.

(**) The Audit, Risks and Corporate Governance Committee has, until 3 August 2023, operated as the Audit, Risks, Sustainability and Corporate Governance Committee.

(***) Committee established by the Board of Directors on 3 August 2023.

It should be noted that the Board of Statutory Auditors is invited to participate in the activities of the Control, Risks and Corporate Governance Committee, of the Remuneration Committee and of the Related-Party Transactions Committee, while one representative of the Board of Statutory Auditors (usually the Chairman) is invited to attend meetings of the Appointments and Succession Committee, of the Sustainability Committee and of the Strategies Committee.

Lastly, it should be noted that the members of the Board of Statutory Auditors are invited to participate in periodic induction meetings that the Company organises for Directors, on issues related to the business, the Group's organisation and the relevant legislation.