



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

**REPORTS TO THE MEETING OF THE  
SHAREHOLDERS**

**Appointment of the Board of Directors**

**Appointment of the Board of Directors:**

- Determination of the number of members of the Board of Directors
- Determination on the term of office of the Board of Directors;
- Appointment of the Directors;
- Determination of the annual remuneration of the members of the Board of Directors.

To the Shareholders,

The Board of Directors currently in office was appointed by the Ordinary Meeting of the Shareholders of April 21, 2011 for a fixed period of three financial years that lasts until the Meeting of the Shareholders called to approve the financial statements for the year ending December 31, 2013.

Accordingly, the Board is now due to cease holding office through the expiry of its natural term. For this reason the Meeting of the Shareholders is called on to appoint a new Board of Directors subject to deciding on the number of board members, their term of office, and the corresponding remuneration.

In this connection, you are advised that article 10 of the Company Bylaws (reproduced in full at the end of this report) lays down that the Board of Directors of the Company must be made up of a number of members between 7 (seven) and 23 (twenty-three) and fixes their term in office as three financial years, stating that the Meeting of the Shareholders when voting their appointment can decide on a shorter term than three years and that the Directors can be reappointed.

You are also reminded that in accordance with article 10 of the Company Bylaws the appointment of the Board of Directors shall be made on the basis of slates presented by members that, alone or along with other members, hold shares that together represent at least 1 percent of the share capital of the Company entitled to vote in the Ordinary Meeting of the Shareholders, or such lesser percent as requested in the rules of Consob (Commissione Nazionale per le Società e la Borsa), and they shall have a duty to prove their ownership of the number of shares needed to present the slates before the time limit when the Company must publicize the slates. We note in this connection that in its resolution no. 18775 of January 29, 2014, Consob has in fact fixed the threshold for presenting slates of candidates at 1 percent.

The slates, in which the candidates are consecutively numbered, must be signed by the members submitting them and must be filed with the registered office of the Company at least 25 days prior to that set for the Meeting of the Shareholders called to vote the appointment of the Board of Directors.

The slates of the candidates must be made publicly available at the registered office of the Company, on its Internet website, and in other ways as provided in the rules of Consob at least 21 days before the date of the Meeting of the Shareholders.

Together with each list a statement accepting nomination must be filed by the

candidates as well as a declaration in which they certify, on their own responsibility, that there are no grounds for their ineligibility or incompatibility and that they have the requisites as may be laid down for the respective positions. Along with the declarations each candidate must likewise file a curriculum vitae listing their personal and professional particulars with a statement (which may be appended) of the appointments they have held in management and auditing positions at other companies and any reason that suits them to be regarded as independent, judging by criteria that are legally prescribed or adopted by the Company (Corporate Governance Code for listed companies).

In this regard, it may be noted that the Board of Directors of the Company in its resolution of April 21, 2011 confirmed its stance, in conformity with the provisions of the Corporate Governance Code, as to the maximum number of appointments held by its members in other companies and judged to be compatible with effectively performing the role of Director in Pirelli & C.; the Members that intend to present slates are accordingly requested to consult that document, published on the Internet website of the Company at [www.pirelli.com](http://www.pirelli.com), in the Corporate Governance section.

The point is also made that Law no. 120 of July 12, 2011 introduced gender quotas for corporate bodies of listed companies, laying down that said companies must, for at least three terms of office, guarantee compliance with a requirement for a division in the make-up of corporate bodies. In effect, the less-represented gender must obtain at least one third of the directors and of the standing auditors elected.

However, the legislator has decided that at the first renewal of the boards of directors and statutory auditors, after one year from the date when said law came into force (accordingly, as from August 12, 2012), the quota of the less-represented gender is to be at least one fifth of the directors and of the standing auditors elected.

Accordingly, in order to ensure a balance between the genders, article 10 of the Company Bylaws provides that slates where the number of candidates equals two or more must include candidates of the less-represented gender at least in the minimum measure required by laws and regulations at the time. This being the first renewal of the Board of Directors after the law in question has taken effect, that measure is one fifth (rounding upwards) of the directors to be elected.

Any alterations as may occur up to the day when the Meeting of the Shareholders takes place must be promptly notified to the Company.

Each member may present, or join in presenting, a single slate and each candidate may put themselves forward on just one slate, failing which they shall be ineligible.

As laid down by Consob, the members that present a slate must give evidence of their identity and of their overall percentage shareholding. Slates presented in disregard of the provisions in article 10 of the Company Bylaws shall be treated as not presented.

Finally, taking account of the results of the self-assessment process for financial year 2013 conducted by the Board of Directors, the Board of Directors recommends that in presenting the slates the shareholders should bear in mind (i) that greater store should be set on fielding a variety of different skills, and also on the presence of independent

directors, who could make up the majority of the Board and must be in sufficient number to guarantee that the Committees can operate; (ii) that a preponderant focus on financially-related skills is a risk to be avoided, so that a balance may be struck between different professional roles, knowledge, and experience; (iii) that the presence of economists is helpful to the Board in analysing scenarios and understanding the way the business and markets are going; (iv) the need for a certain continuity in the make-up of the Board in order to conserve the knowledge the Company and the Group has built up over time.

All the above having been stated, the Board of Directors,

- having noted the provisions of the Company Bylaws regarding the make-up of the Board and the procedures for appointing it

invites the Meeting of the Shareholders:

- to decide on the number of members of the Board of Directors and to determine their period in office as well as their remuneration;
- to vote for the slates of candidates for the office of company director, presented and publicised in accordance with the procedures and terms in article 10 of the Company Bylaws and of the legal provisions, including regulations, applicable.

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## **Bylaws - Article 10**

10.1 The Company shall be managed by a Board of Directors composed of no less than seven and no more than twenty three members who shall remain in office for three financial years (unless the shareholders' meeting establishes a shorter term at the time of their appointment) and may be re-elected.

The shareholders' meeting establishes the number of members of the Board of Directors, which remains unchanged until said meeting resolves otherwise.

10.2 The Board of Directors is appointed on the basis of slates presented by the shareholders pursuant to the following paragraphs hereof, in which the candidates are listed by consecutive number.

10.3 The slates presented by the shareholders, which must be undersigned by the parties submitting them, must be filed at the Company's registered office, and be available at least twenty five days before the date set for the shareholders' meeting that is required to decide upon the appointment of the members of the Board of Directors. They are made available to the public at the registered office, on the Company website and in the other ways specified by Consob regulations at least 21 days before the date of the general meeting.

10.4 Each shareholder may present or take part in the presentation of only one slate and each candidate may appear on only one slate on pain of ineligibility.

10.5 Only shareholders who, alone or together with other shareholders, hold a total number of shares representing at least 1 percent of the share capital entitled to vote at the ordinary shareholders' meeting or the minor percentage, according to the regulations issued by Commissione Nazionale per le Società e la Borsa, are entitled to submit slates, subject to their proving ownership of the number of shares needed for the presentation of slates within the term specified for their publication by the Company.

10.6 Together with each slate, statements must be filed in which the individual candidates agree to their nomination and attest, under their own liability, that there are no grounds for their ineligibility or incompatibility, and that they meet any requisites prescribed for the positions. Together with such statements, a curriculum vitae must be filed for each candidate, including their relevant personal and professional data and mentioning the offices held in management and supervisory bodies of other companies and their satisfaction of the requisites of independence prescribed for directors of listed companies by the law or by the governance code endorsed by the Company. In order to ensure gender balance, slates that contain a number of candidates equal to or more than three must contain a number of candidates of the less represented gender at least matching the minimum laid down in statutory and/or regulatory provisions as in force at the time, in accordance with what will be stated in the notice of the Shareholders' Meeting. Any changes that occur up to the date of the Shareholders' meeting must be promptly notified to the Company.

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

10.8 Each person entitled to vote may vote for only one slate.

10.9 The Board of Directors is elected as specified below:

- a) four-fifths of the directors to be elected are chosen from the slate which obtains the highest number of votes cast by the shareholders, in the order in which they are listed on the slate; in the event of a fractional number, it is rounded-down to the nearest whole number;
- b) the remaining directors are chosen from the other slates; to this end, the votes obtained by the various slates are divided by whole progressive numbers from one up to the number of directors to be elected. The quotients thus obtained are assigned to the candidates on each slate in the order they are respectively listed thereon. On the basis of the quotients assigned, the candidates on the various slates are ranked in a single list in decreasing order. Those who have obtained the highest quotient are elected. If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected a director or that has elected the lowest number of directors is elected. If none of such slates has as yet elected a director or they have all elected the same number of directors, the candidate from the slate which obtained the highest number of votes is elected. If the different slates obtain the same number of votes and their candidates are assigned the same quotients, a new vote is held by the entire shareholders' meeting and the candidate who obtains the simple majority of the votes is elected.

10.10 The appointment of the Board of Directors must take place in compliance with the rules on gender balance in force at the time. If applying the slate voting procedure fails to secure the minimum number of directors of the less represented gender that is required by the statutory and/or regulatory rules in force at the time, the appointed candidate of the more represented gender indicated with the higher progressive number on the slate that attracts most votes shall be substituted by the non-appointed candidate of the less represented gender, drawn from the same slate on the basis of their progressive order of presentation, and so on, slate by slate (solely with regard to slates with a number of candidates equal to or more than three), until the minimum number of directors of the less represented gender is reached. If at the end, said procedure does not secure the result just indicated, the substitution will be made through a resolution of the Shareholders' Meeting voted by a relative majority, subject to the nomination of persons of the less represented gender.

10.11 If the application of the slate voting system shall not ensure the appointment of the minimum number of independent Directors required by the law and/or regulation, the appointed non-independent candidate indicated with the higher progressive number in the slate which has obtained the higher number of votes is replaced by the non-appointed independent candidate included in the same slate on the basis of the progressive order of the presentation and so on, slate by slate, until the minimum number of independent Directors shall be appointed, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time.

10.12 When appointing directors who, for whatsoever reason were not appointed under the procedure 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.

10.13 If one or more vacancies occur on the Board during the course of the financial year, the procedure established in article 2386 of the Italian Civil Code shall be followed, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time.

10.14 In the event a Director cease to comply with the independence requirements, this does not cause his/her ceasing to be a Director provided that the Directors in office complying with legal independence requirements are a number at least equal to the minimum number requested by laws and/or regulations.

10.15 The Board of Directors shall elect its own Chairman, if the shareholders' meeting has not already done so, and may also appoint one

or more Deputy Chairmen.

10.16 In the absence of the Chairman, a Deputy Chairman or a Managing Director, in that order, shall act in his/her stead; should there be two or more Deputy Chairmen or Managing Directors, the Board shall be presided over by the elder of same respectively.

10.17 The Board of Directors shall appoint a Secretary, who need not be a director.

10.18 Until the shareholders' meeting resolves otherwise, the directors shall not be subject to the prohibition contemplated in article 2390 of the Italian Civil Code.