

REPORT ON THE CORPORATE GOVERNANCE AND SHARE OWNERSHIP OF PIRELLI & C. S.P.A.

Pursuant to art. 123-bis of the Consolidated Finance Law (TUF)
(Traditional model of Administration and Control)

(Report approved by the Board of Directors of Pirelli & C. S.p.A. on 26 February 2019 in relation to the year ended on 31 December 2018. The Report is also available on the website www.pirelli.com)

Glossary

Annual General Meeting: the shareholders' meeting called to approve the financial statements as of 31 December 2018.

Camfin: Camfin S.p.A., a company established under Italian law controlled by Marco Tronchetti Provera through MTP&C, with registered offices in Milan, Viale Sarca no. 222, Tax Code, VAT and Milan Companies Register number 00795290154.

ChemChina: China National Chemical Corporation, a company established under Chinese law (state owned enterprise or SOE) with registered offices at 62 West Beisihuan Road, Haidian district, Beijing (People's Republic of China), registered with the State Administration of Industry and Commerce of the People's Republic of China, registration number 10000000038808. ChemChina, also through CNRC, SPV HK1, SPV HK2, SPV Lux and MPI Italy indirectly controls the Company pursuant to article 93 of the TUF.

CNRC: China National Tire & Rubber Corporation Ltd., a company established under Chinese law with registered offices at 62 West Beisihuan Road, Haidian district, Beijing (People's Republic of China), registered with the State Administration of Industry and Commerce of the People's Republic of China, registration number 10000000008065.

Corporate Governance Code: the Corporate Governance Code for listed companies, approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Civil Code: the Italian Civil Code.

Board of Directors: the Board of Directors of Pirelli & C. S.p.A.

Consob: the National Commission for Companies and the Stock Exchange.

Report Date: indicates 26 February 2019, the date on which the Board of Directors approved this Report.

First Trading Day: 4 October 2017, being the date on which the shares of the Company were admitted to trading on the MTA market organised and managed by Borsa Italiana S.p.A.

Registration Document: indicates the Registration Document filed with Consob by Pirelli on 15 September 2017 in relation to the listing of the Company's shares

on the MTA, the electronic share market organised and managed by Borsa Italiana S.p.A..

Year: the financial year to which this Report relates.

Group: collectively Pirelli and its subsidiaries, as defined in art. 2359 of the Civil Code and art. 93 TUF.

IPO: the procedure for the listing of Pirelli shares completed in October 2017 with the start of trading on the MTA.

LTI: Long-Term Investments Luxembourg S.A., a company established under Luxembourg law controlled by Sergey Sudarikov through WHPA Ltd., with registered offices at 51 Boulevard Grand Duchesse Charlotte, L-2330, Luxembourg (Grand Duchy of Luxembourg), Luxembourg Companies and Commerce Register number B-187332.

LTI Italy: LTI Italy S.r.l., a company established under Italian law, wholly owned by LTI, with registered offices in Milan, via G. Carducci 32, Tax Code, VAT and Milan-Monza-Brianza-Lodi Companies Register number 10449980969, subject to early termination, wound up on 12 October 2018 and removed from the Companies Register on 11 December 2018.

MTA: Electronic share market organised and managed by Borsa Italiana S.p.A.

Marco Polo: Marco Polo International Italy S.p.A., a company established under Italian law with registered offices at via San Primo 4, Milan, Tax Code, VAT and Milan Companies Register number 09052130961.

MPI Italy: Marco Polo International Italy S.r.l., a company established under Italian law indirectly controlled by ChemChina with registered offices at via San Primo 4, Milan, Tax Code, VAT and Milan Companies Register number 10449990968.

MTP&C: Marco Tronchetti Provera & C. S.p.A., a company established under Italian law with registered offices at via Bicocca degli Arcimboldi 3, Milan, Tax Code, VAT and Milan Companies Register number 11963760159.

New Shareholders' Agreement: the shareholders' agreement signed on 28 July 2017 by ChemChina, CNRC, SRF, SPV HK 1, SPV HK 2, SPV Lux, Camfin, LTI and MTP&C, with effect from the First Trading Day. The essential content of the New Shareholders' Agreement, to which reference is made for further information, is available on the Website (www.pirelli.com).

Pirelli: Pirelli & C. S.p.A., a company established under Italian law with registered offices at viale Piero e Alberto Pirelli 25, Milan, Tax Code, VAT and Milan Companies Register number 00860340157.

Pirelli International: Pirelli International plc, a company established under UK law with registered offices in Derby Road, Burton on Trent (United Kingdom), registered with the Companies House of England and Wales, number 04108548.

Pirelli Tyre: Pirelli Tyre S.p.A., a company established under Italian law with registered offices at viale Piero e Alberto Pirelli 25, Milan, Tax Code, VAT and Milan Companies Register number 07211330159.

Issuers' Regulation: the Regulation approved by Consob resolution 11971/1999 (as amended) on the subject of issuers.

Related Parties Regulation: the Regulation approved by Consob resolution 17221 dated 12 March 2010 (as amended) on the subject of related-party transactions.

Report: this report on corporate governance and the ownership structure draft pursuant to art. 123-*bis* TUF.

NFD Report: the Report on Responsible Management of the Value Chain (which constitutes the Consolidated non-financial disclosure pursuant to Legislative Decree of December 30, 2016, no. 254) drafted by the Company in accordance with the *Sustainability Reporting Standards* of the *Global Reporting Initiative* (GRI) - *Comprehensive* option - and the principles of inclusiveness, materiality and compliance with the AA1000 APS Standard.

Remuneration Report: the report prepared pursuant to art. 123-*ter* TUF.

Camfin Demerger: non-proportional partial demerger of Camfin S.p.A. into a newly incorporated company owned by Manzoni S.r.l., resolved by the Camfin shareholders' meeting on 10 December 2018. The Camfin Demerger came into effect on 17 December 2018.

Marco Polo Demerger: non-proportional total demerger of Marco Polo into beneficiaries MPI Italy, Camfin and LTI Italy, resolved by the shareholders' meeting of Marco Polo and Camfin on 2 August 2018. The Marco Polo Demerger came into effect on 8 August 2018.

Website: the institutional website of Pirelli containing *inter alia* information about the Company, which can be found at the Internet domain www.pirelli.com.

Company: Pirelli & C.

SPV HK1: CNRC International Limited, limited company incorporated under the laws of Hong Kong (People's Republic of China), with registered offices at RMS 05-15, 13A/F South Tower World Finance CTR Harbour City, 17 Canton Rd TST KLN, Hong Kong (People's Republic of China), Hong Kong Companies Register number 2222516.

SPV HK2: CNRC International Holding (HK) Limited, limited company incorporated under the laws of Hong Kong (People's Republic of China), with registered offices at RMS 05-15, 13A/F South Tower World Finance CTR Harbour City, 17 Canton RD TST KLN, Hong Kong (People's Republic of China), Hong Kong Companies Register number 2228664.

SPV Lux: Fourteen Sundew S.à r.l., Luxembourg limited company (*société à responsabilité limitée*) with registered offices at rue Robert Stümper 7A, L-2557, Luxembourg (Grand Duchy of Luxembourg), Luxembourg Companies and Commerce Register number B-195473.

SRF: Silk Road Fund Co., Ltd., a company established under Chinese law with registered offices at F210-F211, Winland International Finance Center Tower B, 7 Financial Street, Xicheng, Beijing (People's Republic of China), registered with the State Administration of Industry and Commerce of the People's Republic of China, registration number 10000000045300(4-1).

Articles: the Articles of Association of Pirelli & C., available on the Website.

TUF: Legislative decree 58 of 24 February 1998, as subsequently amended (the Consolidated Law on Finance).

Introduction

This Report presents the corporate governance system adopted by the Company. This system is consistent with the principles contained in the Corporate Governance Code adopted by the Company²⁸.

1. Company profile

Pirelli, with its 31,500 employees and annual sales of around Euro 5.2 billion in 2018, ranks among the principal global manufacturers of tyres and supplier of ancillary services, being the only operator in the sector exclusively specialised in the consumer market (tyres for cars, motorcycles and bicycles), with a globally-recognised brand. The Company has a distinctive positioning with regard to High Value tyres, which are manufactured to achieve the highest levels of performance, safety, quietness and road grip, with significant input from technology and/or customisation (i.e.

²⁸ The adopting resolution was made by the Board of Directors with effect from 31 August 2017.

specifically, New Premium, Specialties and Super Specialties tyres and Premium motorcycle tyres). In addition, the Company currently occupies a leadership position in the Prestige tyres segment, with more than one-third of the global market in terms of volume, and in the radial segment of the after-market for motorcycle tyres. Pirelli is also the leader in Europe, China and Brazil, in the after-markets for New Premium car tyres and Premium motorcycle tyres.

For a profile of the issuer see also the Website.

1.1. MODEL OF CORPORATE GOVERNANCE

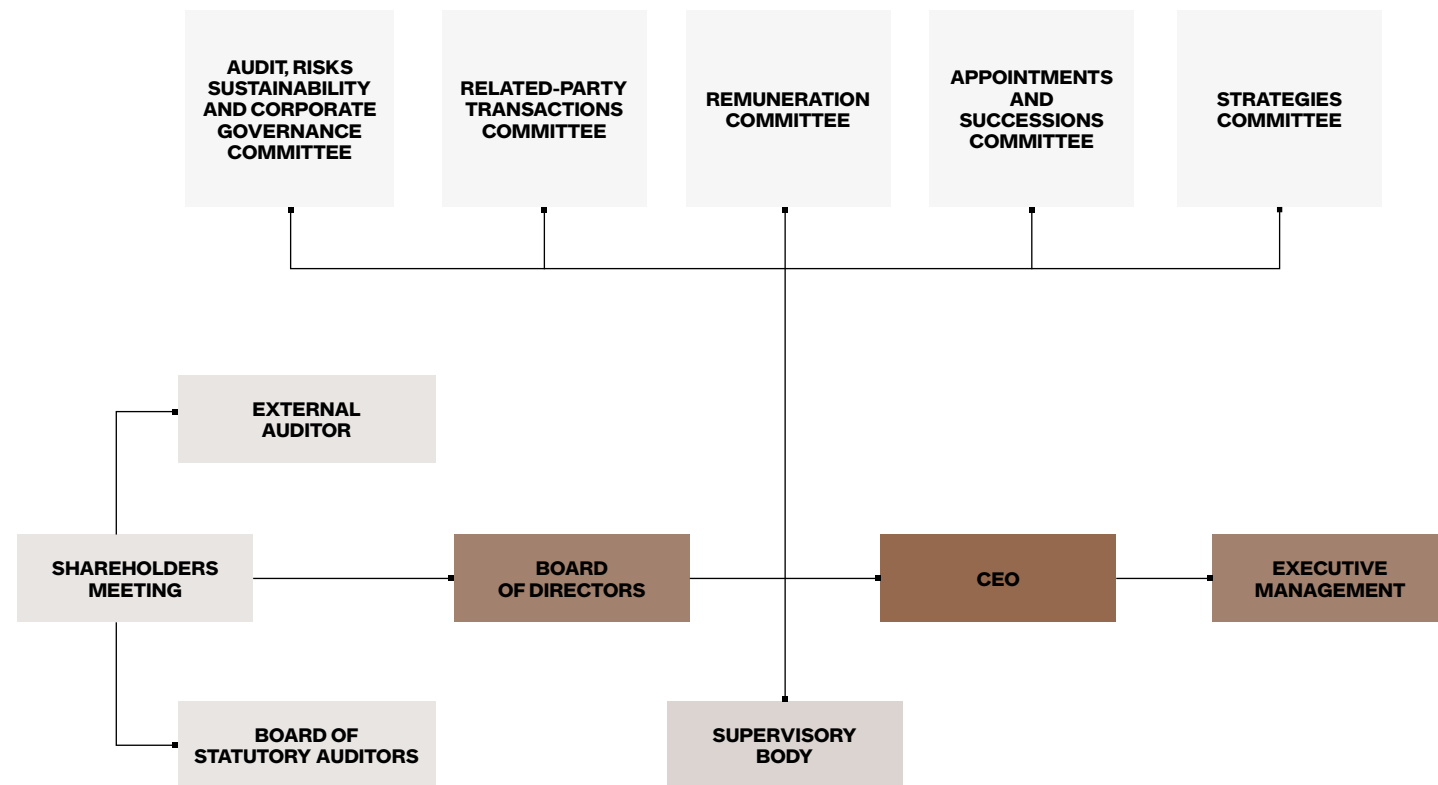
The model of corporate governance adopted by Pirelli implements the traditional system of administration and control, with a Board of Directors (15 members) responsible for managing the business and a Board of Statutory Auditors entrusted with monitoring the administration and compliance with the law and the Articles.

Pirelli is aware that an efficient system of corporate governance is an essential element for achieving the objective of sustainable value creation.

The Board has established five committees with the power of making recommendations to, advising and carrying out analytical work for the Board.

The Shareholders' Meeting is responsible for adopting resolutions on the matters reserved to it by law or by the Articles.

The following diagram summarises the Company's current governance structure.



The legal audit of the accounts is entrusted to PricewaterhouseCoopers S.p.A., the registered external auditing firm appointed by the Shareholders' Meeting, following a reasoned recommendation presented by the Board of Statutory Auditors.

1.2. SUSTAINABILITY AND DIVERSITY POLICIES

Pirelli has adopted a sustainable management model. Responsible management by Pirelli addresses the entire value chain.

The reporting of Pirelli's sustainable performance has been included in the Company's annual report starting from 2005. For further details see the NFD Report.

Pirelli is characterised by a multinational context in which people express a huge heritage of diversity. Conscious management of this diversity generates competitive advantages, opportunities for the development and enrichment of the business, and shared corporate values. Pirelli's business culture was able to anticipate the topics and subjects, such as the environment and the gender diversity, well in advance.

Even at Board level, the abovementioned values are deemed as success factors and necessary elements to achieve the Company's strategic targets.

For this reason, the respect of these values has always been guaranteed by the shareholders during the renewal of the Board of Directors - including the last renewal - in terms of age, gender, nationality, education and professional background and experience. This enables the Board to perform its duties in the most effective way, making use of the contributions made from different points of view, and to analyse individual situations from multiple perspectives.

In line with the above, on 14 February 2019, the Board of Directors, having obtained the favourable opinion of the Audit, Risks, Sustainability and Corporate Governance Committee and the Appointments and Successions Committee, adopted a Diversity and Independence Statement in relation to the composition of the Board of Directors and the Board of Statutory Auditors.

Pirelli in fact believes that this diversity allows corporate bodies to carry out their duties in the most effective way, since they can avail themselves, in their decision-making, of the contributions made by a range of qualified points of view. The Company recommends that these values are respected when its own corporate bodies are renewed or integrated, in line with the stated diversity and Independence criteria.

The Board of Directors - which avails itself of the opinions expressed by the Audit, Risks, Sustainability and Corporate Governance Committee and the Appointments and Successions Committee - is responsible for the qualitative assessment of the composition of the Board itself and the possible updating and amendment of the Diversity and Independence Statement.

Pirelli implements the criteria for diversity in relation to the composition of its administration, management and

control bodies and in the entire company structure. See the NFD Report for further details.

2. Information on the ownership structure

2.1. STRUCTURE OF SHARE CAPITAL

On the Report Date, the issued share capital of Pirelli amounts to Euro 1,904,374,935.66 fully paid, and is represented by 1,000,000,000 ordinary shares without nominal value. Each share grants the right to one vote. There are no other categories of share and no financial instruments have been issued with the right to subscribe for new shares.

Additionally, the Articles do not provide for the possibility of increased voting rights or the issue of shares with multiple voting rights.

2.2. SIGNIFICANT SHAREHOLDINGS OF CAPITAL

The Company is indirectly controlled, pursuant to art. 93 of the TUF, by ChemChina through CNRC and other subsidiaries of the latter, including MPI Italy, which directly holds the shareholding in Pirelli.

Based on the communications received by the Company until the Report Date pursuant to art. 120 TUF, or from other information available to the Company, the major direct and indirect shareholdings of Pirelli share capital are indicated in Table 1, attached to this Report.

2.3. MANAGEMENT AND COORDINATION ACTIVITIES

During the meeting on 31 August 2017, the Board of Directors of the Company acknowledged the termination of the direction and coordination activity of Marco Polo, pursuant to art. 2497 et. seq. of the Civil Code, with effect from the First Trading Day, while CNRC retains the right to include Pirelli in its consolidation perimeter for accounting purposes. This situation has further strengthened the autonomy of Pirelli and its management in the definition and management of the industrial, economic and financial strategies of the Group.

In particular the Board of Directors of Pirelli noted that, from the First Trading Day, Pirelli was no longer subject to any of the activities that typically constitute direction and coordination activity and therefore, by way of example:

1. Pirelli conducts relations with customers and suppliers in full autonomy without any external interference;

2. Pirelli prepares the strategic, industrial, financial and/or budget plans of the Company or the Group independently;

3. Pirelli is not subject to any group regulations;

4. no organisational-functional link exists between Pirelli, on the one hand, and Marco Polo and the companies that control it, on the other hand;

5. Marco Polo, CNRC and/or ChemChina have not carried out any deeds, adopted any resolutions or made any communications that might cause reasonable belief that the decisions of Pirelli are in some way imposed or required by MPI Italy, CNRC and/or ChemChina;

6. Marco Polo, CNRC and/or ChemChina do not centralise treasury management activities or other financial support or coordination functions;

7. Marco Polo, CNRC and/or ChemChina do not issue directives or instructions – and in any case would not coordinate initiatives – concerning the financial and borrowing decisions of Pirelli;

8. Marco Polo, CNRC and/or ChemChina do not issue directives regarding any special transactions carried out by Pirelli including, for example, the listing of financial instruments, acquisitions, disposals, concentrations, contributions, mergers, spin-offs etc.;

9. Marco Polo, CNRC and/or ChemChina do not make any crucial decisions regarding the operating strategies of Pirelli or formulate group strategic guidelines.

Conversely, Pirelli exercises direction and coordination activity on numerous subsidiaries, having made the communications required by art. 2497-bis of the Civil Code.

In the meeting on 26 February 2019 the Board of Directors reiterated the aforementioned assessments with reference to MPI Italy, confirming the absence of a subject that exercises direction and coordination activity over Pirelli.

2.4. RESTRICTIONS ON THE TRANSFER OF SECURITIES: SECURITIES THAT CARRY SPECIAL RIGHTS; EMPLOYEE SHARE OWNERSHIP; MECHANISM FOR EXERCISING VOTING RIGHTS; RESTRICTIONS ON VOTING RIGHTS

The Articles do not impose any restrictions on the transferability of the shares issued by the Company²⁹.

No securities carrying special rights of control have been issued.

With regard to the shares owned by employees, there are no specific procedures or restrictions governing the exercise of their voting rights.

There are no mechanisms that restrict the voting rights of shareholders, except for the terms and conditions governing the exercise of the right to attend and vote at Shareholders' Meetings, as discussed in the next paragraph 19 of the Report.

In the event of significant changes to the market capitalization of the issuer's shares or to the composition of the share capital, the Corporate Governance Code recommends that the board of directors should submit to the general meeting proposals to amend the Articles in respect to the percentages required for exercising actions and rights provided to protect minorities shareholders. This was not done in 2018, as the conditions laid down in the Corporate Governance Code did not arise.

2.5. SHAREHOLDERS' AGREEMENTS

2.5.1. NEW SHAREHOLDERS' AGREEMENT

On 28 July 2017 ChemChina, CNRC, SRF, SPV HK 1, SPV HK 2, SPV Lux, Camfin, LTI and MTP&C signed the New Shareholders' Agreement³⁰ that governs, on the one hand, the governance of Pirelli with effect from the First Trading Day, and the undertaking by CNRC, SRF, Camfin and LTI to carry out the Marco Polo Demerger, after the First Trading Day and, in any case, by 31 December 2018, subject to (i) the

²⁹ For completeness please note that, as commonly used in IPO transactions, the shareholders which signed the New Shareholders' Agreement undertook not to assign, transfer or dispose, in any way whatsoever, directly or indirectly (without prejudice to the transfers to the subsidiaries, parent companies or companies subject to the same control), *inter alia*, their respective participations directly or indirectly held in Pirelli until the expiry of the first anniversary as of the First Trading Date (i.e. until 4 October 2018, except for LTI, which could have the right to transfer (without having exercise such faculty), directly and indirectly, through Marco Polo, its participation in Pirelli after six months from the First Trading Date, i.e. starting from 4 April 2018). At the Report Date such constraint does not exist anymore.

³⁰ On 22 March 2015, ChemChina and its wholly controlled subsidiary CNRC, on the one hand, and Camfin, LTI and Coinv S.p.A. (subsequently merged by incorporation into Camfin), on the other hand, executed a sale and co-investment agreement (the "Co-investment Contract") that set forth the terms and conditions for the completion of a broad corporate and industrial operation aimed at the acquisition by CNRC (through indirectly controlled companies) of control of Pirelli, its possible de-listing through the launch of a takeover bid on Pirelli (the "Takeover Bid"); this operation was intended to create, between CNRC, CF and LTI, a long-term industrial partnership for Pirelli, with the aim of strengthening the development plans, safeguarding geographically strategic areas integrating the tyre business into the industrial segment of CNRC and Pirelli, maintaining the continuity and autonomy of the current management structure of the Pirelli group, all also in view of a possible relisting of Pirelli. Pursuant to the Co-investment Contract, on 11 August 2015, the parties of said contract also signed an agreement that set forth, *inter alia*, the governance of the Italian companies indirectly controlled by CNRC that had launched the takeover bid and of Pirelli (the "First Shareholders' Agreement") and that confirmed, among the principal objectives of the operation, the creation of value for Pirelli and its group in view of possible relisting within a period of four years. With the IPO of 2017, the first shareholders' agreement was superseded and the New Shareholders' Agreement was signed.

start of trading (which took place on 4 October 2017) and (ii) the reimbursement of the loan of Euro 1,250 million obtained by Marco Polo (which took place on 5 October 2017).

The Marco Polo Demerger was completed in 2018, in line with the provisions of the New Shareholders' Agreement. In particular, on the effective date of the total non-proportional demerger of Marco Polo (8 August 2018), Marco Polo's stake in Pirelli (63.11%) was allocated as follows:

- MPI Italy, newly incorporated Italian beneficiary company wholly owned by SPV Lux (in turn indirectly controlled by ChemChina), received 455,212,508 Pirelli shares equal to 45.52% of its share capital;
- Camfin, Italian beneficiary company controlled by MTP&C (in turn controlled by Marco Tronchetti Provera) received 113,491,546 Pirelli shares equal to 11.35% of its share capital; and
- LTI Italy, a newly incorporated beneficiary company wholly owned by LTI received 62,391,110 Pirelli shares, equal to 6.24% of its share capital.

Upon completion of the Marco Polo Demerger: (i) the corporate governance of Pirelli did not change, and (ii) ChemChina remained the subject that indirectly exercises control of Pirelli.

It should be noted that, according to the New Shareholders' Agreement, while CNRC has retained control of Pirelli, and CNRC has retained the right to include Pirelli in its consolidation perimeter for accounting purposes, Pirelli has not been subject to the exercise of any direction and coordination activity pursuant to articles 2497 et seq. of the Civil Code since the First Trading Date. As a general principle of the New Shareholders' Agreement, MTP&C and CNRC recognised that in line with the previous shareholders agreements the aim of the governance structures is to preserve the entrepreneurial culture of Pirelli with focus on the long-term maintenance of its management and will be inspired by international best practice among listed companies. For this reason, MTP&C and CNRC agreed and stipulated that the task of managing Pirelli is current top management's prerogative, with a fundamental role, in this regard, of Marco Tronchetti Provera, who will continue to hold the office of Chief Executive Officer and Executive Vice Chairman of Pirelli and will lead the top management until the date of approval of the financial statements of the Company as at 31 December 2019, ensuring continuity in Pirelli's business culture. This also through the attribution to Marco Tronchetti Provera of a primary role in the procedure for the identification of his successor as chief executive officer of Pirelli.

It should be noted, furthermore, that as a result of the Marco Polo Demerger and the expiration, for LTI, of the prescribed period of lock-up in relation to its Pirelli shareholding, from 4 April 2018, LTI itself is no longer considered a party to the

New Shareholders' Agreement in relation to the matters agreed with regard to Pirelli. As of the Marco Polo Demerger effective date, the provisions on the governance of Pirelli are binding, and only concern CNRC and MTP&C, as company at the top of the Camfin chain of holdings.

2.5.2. SRF CONTRACT

On 5 June 2015, SRF, CNRC and ChemChina signed an "Investment Contract" (the "SRF Contract") regarding investment and the participation of SRF, together with ChemChina and CNRC, in the acquisition of control over Pirelli.

On 28 July 2017, in the context of the IPO, the aforementioned parties to the SRF Contract, signed a supplemental agreement of the SRF Contract itself (the "Supplemental Agreement") pursuant to which, as soon as possible upon completion of the Marco Polo Demerger, SPV Lux, will, *inter alia*, assign to CNRC and SRF or to companies under their control (after the winding up or demerger of SPV HK) a quantity of Pirelli shares and cash calculated on the basis of the following distribution mechanism: (i) the proceeds from the Pirelli shares sold in the IPO will be divided equally, with the consequence that, in order to rebalance the mix of Pirelli shares and cash to be assigned to CNRC and SRF, the quota to be assigned to CNRC will contain a number of Pirelli shares and an amount of cash respectively higher and lower than the number and amounts that CNRC would have obtained if the division of the proceeds of the Pirelli shares sold in the IPO had been proportional rather than equal; and (ii) in any case, CNRC's stake in Pirelli, directly or indirectly held, may be no less than 36.5% of the share capital of the Issuer (the "SPV Lux Allocation").

In the context of the Marco Polo Demerger, on 7 August 2018, the aforementioned parties to the SRF Contract signed a further supplemental agreement (the "Second Supplemental Agreement") that regulates some aspects of the corporate governance of MPI Italy. The SRF Contract, as subsequently supplemented and amended by the Supplemental Agreement and the Second Supplemental Agreement, attributes to SRF certain rights and prerogatives in relation to the corporate governance of SPV HK, SPV Lux, MPI Italy and Pirelli; it also establishes certain restrictions on the transfer of the shares of SPV HK.

Nothing in the SRF Contract prejudices the right of ChemChina to exercise control over Pirelli through CNRC.

Furthermore, on 28 July 2017, SRF and CNRC signed a "Contract of actions in concert" pursuant to which SRF assumed a lock-up undertaking and an undertaking to vote in Pirelli shareholders' meetings according to the voting instructions of CNRC, in relation to a number of Pirelli 's shares generated from the SPV Lux Allocation, equal to 5% of the share capital of Pirelli.

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For further information on the provisions set out in the abovementioned shareholders' agreements, see the extracts from the agreements available on the Website (also in English), published pursuant to art. 130 of the Issuers' Regulation.

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For completeness, with reference to Camfin, it should be noted that during the Year, also taking account of the coming into effect of the Camfin Demerger, the shareholders' agreement, originally signed on 11 August 2015 by MTP&C, Nuove Partecipazioni S.p.A. (subsequently merged by incorporation into Camfin), UniCredit S.p.A, Manzoni S.r.l. and Intesa Sanpaolo S.p.A. which included some arrangements referable to Pirelli, was terminated in advance by mutual consent.

2.6. CHANGE OF CONTROL CLAUSES

The most significant contracts containing clauses of this type are summarised below.

2.6.1. SYNDICATED LONG TERM LOAN

On 13 June 2017 Pirelli, on the one hand, and Banca IMI S.p.A., J.P. Morgan Limited and The Bank of Tokyo-Mitsubishi UFJ, Ltd., in their roles as mandated lead arrangers, bookrunners, underwriters and global coordinators signed a mandate letter regarding the grant of an unsecured loan to Pirelli and Pirelli International (the "Beneficiaries") for a maximum amount of Euro 4,200,000,000 (the "New Loan").

The contract signed on 27 June 2017 in relation to the New Loan envisages, *inter alia*, that the Beneficiaries shall repay early that part of the New Loan made available by each lender if certain events occur, including changes in the control structure of Pirelli.

In particular, this change of control clause may be invoked solely in one of the following circumstances: (i) ChemChina ceases to hold, directly or indirectly, individually or together with Camfin or another company controlled by Marco Tronchetti Provera or his close family members, more than 25% of Pirelli post IPO; or (ii) ChemChina ceases to be, directly or indirectly, individually or together with Camfin or another company controlled by Marco Tronchetti Provera or his close family members, the relative majority holder of

the voting rights in Pirelli (*i.e.* ceases to hold more voting rights than other parties that act individually or together); or (iii) any other party (or parties acting together) appoints or removes the majority of the Board of Directors.

Any takeover by Camfin (or another company directly or indirectly controlled by Marco Tronchetti Provera or his close family members) as the parent company of Pirelli would not represent a change of control on condition that certain requirements are met, including the requirement for Marco Tronchetti Provera or a person designated by him to be the Chairman and the CEO of that company and CEO of Pirelli.

2.6.2. PT EVOLUZIONE TYRES JOINT VENTURE

On 24 April 2012, Pirelli Tyre and PT Astra Otoparts tbk, an Indonesian company, signed a Joint Venture Agreement in relation to PT Evoluzione Tyres, an Indonesian company incorporated on 6 June 2012 and operating in the production of motorcycle tyres in the plant of Subang, West Java.

Pursuant to this contract, in the event of a change in the ownership structure of one of the shareholder that is deemed to be a change of control event, a put&call procedure could be activated that, in the extreme case, might lead to the acquisition by Pirelli Tyre of the entire equity interest held by PT Astra Otoparts tbk in PT Evoluzione Tyres, with the consequent termination of the joint venture agreement.

2.6.3. SUPPLY CONTRACT WITH BEKAERT

The Company has a contract for the supply of steelcord with Bekaert, to which the Company sold the steelcord business unit in 2014, also in consideration of the contractual peculiarities connected with the sale transaction.

The contract with Bekaert includes a change of control clause whereby Bekaert has the right, *inter alia*, to withdraw within 90 days after becoming aware of a situation in which a third party acquires control of Pirelli.

2.6.4. EMTN PROGRAMME AND NOTES ISSUED IN 2018

On 21 December 2017, in order to ensure the constant optimisation of the financial structure of the Company, the Board of Directors (i) approved an EMTN programme (Euro Medium Term Note Programme) for the issue of non-convertible, senior unsecured bonds for a maximum amount of Euro 2 billion and (ii) in the context of that programme, authorised the issue by 31 January 2019 of one or more bonds to be placed with institutional investors for a maximum total amount of Euro 1 billion. This

resolution was subsequently supplemented on 22 June 2018, increasing the existing authorisation by a further Euro 800 million - bringing the total amount to a maximum of Euro 1.8 billion - and extending its time horizon to 31 December 2019 (included). The new securities may be listed on one or more regulated markets.

Pursuant to the EMTN Programme, bondholders that subscribe for bonds issued under the programme will be entitled to request the early reimbursement of their securities (put option) in the case of a Change of Control event.

In particular, this change of control clause may be invoked solely in one of the following circumstances: (i) ChemChina ceases to hold, directly or indirectly, individually or together with Camfin or another company controlled by Marco Tronchetti Provera or his close family members, more than 25% of Pirelli; or (ii) ChemChina ceases to be, directly or indirectly, individually or together with Camfin or another company controlled by Marco Tronchetti Provera or his close family members, the relative majority holder of the voting rights in Pirelli (*i.e.* ceases to hold more voting rights than other parties that act individually or together); or (iii) any other party (or parties acting together) appoints or removes the majority of the Board of Directors.

Any takeover by Camfin (or another company directly or indirectly controlled by Marco Tronchetti Provera or his close family members) as the parent company of Pirelli, in place of ChemChina, would not give rise to a change of control on condition that certain requirements are met, including the requirement for Marco Tronchetti Provera or a person designated by him to be the CEO of both that company and Pirelli.

Under the EMTN PROGRAMME:

- 1) on 25 January 2018, Pirelli issued a new and unrated 5 year fixed rate notes for an original total nominal amount of Euro 600 million (an amount that has now reduced to Euro 553 million following the Company's buybacks on the market) called "Pirelli & C. S.p.A. €600,000,000 1.375% Guaranteed Notes due 2023"; and
- 2) on 26 March 2018 Pirelli issued a new and unrated variable rate bond for a total nominal amount of Euro 200 million due in September 2020 called "Pirelli & C. S.p.A. €200,000,000 Floating Rate Notes due 2020".

The above-mentioned Change of Control clause applies to these new notes.

2.6.5. SCHULDSCHEIN: MULTITRANCHE LOAN FOR A TOTAL OF EURO 525,000,000

On 26 July 2018 Pirelli executed a "schuldschein" loan - guaranteed by Pirelli Tyre - for a total of Euro 525 million (the "Schuldschein"), divided as follows: (i) Euro 82 million due in 2021; (ii) Euro 423 million due in 2023; and (iii) Euro 20 million due in 2025.

The Schuldschein prescribes, *inter alia*, that Pirelli must repay the loan in advance, if certain events occur, including the case of a change in the control structures of Pirelli, according to terms and conditions that are the same as those of the EMTN Programme.

2.6.6. BILATERAL LOAN WITH INTESA SANPAOLO

On 22 January 2019, the Board of Directors approved the stipulation by Pirelli of a medium-long term variable rate loan of Euro 600 million with Intesa Sanpaolo S.p.A., as lending bank and Banca IMI S.p.A., as agent bank and organising bank (the "Transaction").

The loan agreement signed on 24 January 2019 in relation to the Transaction prescribes, *inter alia*, that Pirelli must repay the Transaction early should certain events occur, including changes in the control structure of Pirelli.

Specifically, the change of control clause may only be activated in the case of a subject or subjects acting in concert, other than ChemChina, Camfin, MTP&C (or any other company controlled by Marco Tronchetti Provera or his close family members) and/or their subsidiaries and/or any person or persons acting in concert with one of them should (a) hold a relative majority of votes in Pirelli; and (b) appoint or remove the majority of the members of the Board of Directors of Pirelli.

For clarification, the loan contract states that there will be no change of control if Camfin, MTP&C (or any other company controlled by Marco Tronchetti Provera or by one or more of his close family members) participate, directly or indirectly, in the control of Pirelli, or is entitled, by virtue of contractual agreement, directly or indirectly, individually or in concert with one or more subjects, to designate the CEO of Pirelli.

2.6.7. LICENCE AGREEMENT WITH AEOLUS

On 28 June 2016, Pirelli Tyre concluded an agreement (subsequently amended on 31 January 2019) with Aeolus Tyre Co. Ltd, to licence patents and know how for the production and sale of industrial tyres that expires

on 31 December 2030, with automatic renewal unless terminated by the parties. Pursuant to the agreement, either party has the right to terminate the agreement in advance, by notice to the other party, if CNRC should cease to be, directly or indirectly, the single largest shareholder of Pirelli.

2.7. CLAUSES IN THE ARTICLES ABOUT PUBLIC OFFERS

The Articles do not provide for exceptions to the provisions regarding the passivity rule, or application of the neutralisation rule set out in art. 104-*bis* TUF.

2.8. MANDATE TO INCREASE SHARE CAPITAL AND AUTHORISATIONS TO PURCHASE OWN SHARES

With regard to the year ended 31 December 2018, the Directors were not granted with mandates to increase share capital for payment on one or more occasions, or to issue bonds convertible into ordinary or savings shares or with warrants carrying the right to subscribe shares.

Similarly, the Shareholders' Meeting of the Company did not authorise any purchases of own shares.

3. Compliance

Pirelli adheres to the Corporate Governance Code³¹, available to the public on the website of the Corporate Governance Committee, at the following link <http://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.en.htm>.

As Pirelli is among the companies included in the FTSE-MIB index, the recommendations of the Corporate Governance Code specifically envisaged for those companies are applied by the Company. For further details, see paragraph 22 of the Report.

This Report has essentially been prepared using the Borsa Italiana format.

On the Report Date, Pirelli is not subject to any non-Italian laws that might influence the corporate governance structure of the Company.

³¹ Resolution adopted by the Board of Directors as part of the IPO process. Note that Pirelli has adopted the Corporate Governance Code since it was first issued (October 1999) and the Company was not listed on the Stock Exchange during the period from 26 February 2016 to 3 October 2017.

4. Board of Directors

Appointment: 1 August 2017 (with effect from 31 August 2017)
Expiration date: 2019 Financial Statement approval

Directors: 15
Executive director: 1
Independent directors: 8

Board committees: 5

Strategies Committee - Appointments and Successions Committee - Related-Parties Transactions Committee - Remuneration Committee - Audit, Risks, Sustainability and Corporate Governance

4.1. APPOINTMENT AND REPLACEMENT OF DIRECTORS

The provisions contained in the Articles, to which reference is made, regarding the appointment and replacement of directors are summarised below.

4.1.1 APPOINTMENT³²

Pursuant to art. 10 of the Articles, the Company is managed by a Board of Directors made of a maximum of fifteen members, who remain in office for three years and who may be re-elected.

The Board of Directors is appointed on the basis of lists presented by the shareholders, in which the candidates must each be listed with a sequence number.

The lists presented by shareholders, signed by those submitting them, must be filed at the registered offices of the Company at least twenty-five days prior to the date fixed for the Shareholders' Meeting called to resolve on the appointment of Board members. These lists are made available to the public at the registered offices, on the Website and in any other ways envisaged in a relevant Consob regulation, at least twenty-one days prior to the date of the Shareholders' Meeting.

Each shareholder may present or contribute to the presentation of just one list and each candidate may be included in just one list, subject otherwise to becoming ineligible.

Shareholders are only entitled to present lists if, alone or together with other shareholders, they own shares in total representing at least 1% of the share capital entitled to vote at an Ordinary Shareholders' Meeting, or any lower amount specified in a regulation issued by Consob, with the obligation to evidence their ownership of the number of shares needed for the presentation of lists by the deadline envisaged for the publication of such lists by the Company.

Each list filed must be accompanied by acceptances of nomination and declarations from each candidate confirming, under their own responsibility, that there are no reasons making them ineligible for or incompatible with the role, and that they satisfy any requirements established for the role concerned. These declarations must be accompanied by the *curriculum vitae* of each candidate, describing their personal and professional characteristics, indicating the administration and control appointments held by them in other companies and confirming their satisfaction of the independence requirements envisaged for the directors of listed companies by law or by the code of conduct adopted by the Company. In order to ensure gender balance, lists containing three or more candidates must include a number of candidates of different gender that at least satisfies the minimum required by law and/or any regulations in force at the time, as specified in the notice of call issued for the Shareholders' Meeting. Any changes arising prior to the actual date of the Shareholders' Meeting must be notified to the Company on a timely basis.

Any lists presented that do not comply with the above instructions will be treated as if not presented.

Each party entitled to vote may only vote for one list.

³²This paragraph contains the information required by art. 123-*bis*, par. 1, letter I) TUF (regarding "the rules applicable to the appointment and replacement of directors [...] as well as to the amendment of the articles of association, if different to the legislation and regulations applicable in the absence of specific rules").

The Board of Directors is appointed as follows:

- a) four-fifths of the directors to be elected are drawn from the list that obtains the majority of the votes expressed by the shareholders, as rounded down to the nearest whole number in the case of fraction number;
- b) the remaining directors are drawn from the other lists, using the quota method described in the Articles.

Should several candidates obtain the same quota, the candidate elected will be drawn from the list that has not yet elected a director or that has elected the minor number of directors.

If none of those lists has elected a director yet or all of them have elected the same number of directors, the candidate elected will be drawn from the list that obtains the largest number of votes. In the event of a voting tie, again with more than one candidate obtaining the same quota, the Shareholders' Meeting will vote again and the candidate who receives the largest number of votes will be elected.

If only one list is presented, all the directors will be elected from that list.

The Board of Directors must be appointed in compliance with the regulations governing gender balance in force at the time. Should application of the list voting mechanism not ensure the minimum number of directors belonging to the less represented gender set out by laws and/or regulations in force at the time, the candidate belonging to the most represented gender and elected, indicated in the list that obtained the largest number of votes, shall be replaced by the first candidate belonging to the less represented gender not already elected, drawn from that list pursuant to the sequential order of presentation and so on, for each list (solely for lists that contain three or more candidates) until the minimum number of directors belonging to the less represented gender has been obtained. Lastly, if the above procedure does not ensure the result specified above, the replacement shall be made by resolution of the Shareholders' Meeting, adopted by the relative majority of the votes expressed, following presentation of the candidacies of persons belonging to the less represented gender.

Should application of the list voting mechanism not obtain the minimum number of independent directors envisaged by the laws and/or regulations in force, the non-independent candidate elected indicated with the highest progressive number in the list that obtained the largest number of votes shall be replaced by the first independent candidate not already elected from that list following the sequential order of presentation, and so on for each list until the minimum number of independent directors has been obtained, in all cases in compliance with the laws and/or regulations governing gender balance in force at the time.

For the appointment of directors who, for any reason, were not appointed in accordance with the slate voting mechanism, the Shareholders' Meeting shall adopt resolutions with the majorities required by law, without prejudice in all cases to compliance with the independence and gender balance requirements specified in the Articles and/or the laws and/or regulations in force at the time.

4.1.2. REPLACEMENT

Should one or more directors cease to hold the office during the financial year, they shall be replaced pursuant to art. 2386 of the Civil Code, without prejudice for the compliance with the legal and/or regulatory provisions in force at the time on gender balance and the independence of the directors.

Loss of the independence requirements by a director is not a cause of removal if the number of directors still in possession of the legal independence requirements is not lower than the minimum specified by the laws and/or regulations in force.

4.1.3. SUCCESSION PLANS

Pursuant to the New Shareholders' Agreement, even in order to ensure the continuity of the Pirelli business culture, Marco Tronchetti Provera has been granted with a leading role in the procedure for identifying his successor as the CEO of Pirelli.

In fact, the following procedure will be implemented as of 1 November 2019: (i) the candidates to be considered for the succession will be indicated by the Chief Executive Officer and Executive Vice Chairman to the Appointments and Succession Committee (the "**Proposed Candidate**"), (ii) a leading, independent, international HR firm will be engaged to assess the Proposed Candidates, and (iii) the Appointments and Succession Committee will resolve, on proposal of the Chief Executive Officer and Executive Vice Chairman and, in the event of a voting tie, the latter shall have the casting vote.

The Proposed Candidate positively appraised by the HR firm must be included by CNRC on the voting list for the appointment of the new Board of Directors and CNRC must ensure that, during the first meeting of the Board of Directors appointed by the Shareholders' Meeting, the non-independent directors designated by CNRC vote for and appoint the Proposed Candidate as the new chief executive officer.

Should Marco Tronchetti Provera no longer be able to take part in the above activities, for any reason, the above prerogatives shall be granted to one of the directors designated in the Appointments and Succession Committee on recommendation of MTP&C.

4.2. COMPOSITION

The Board of Directors in charge at the Report Date was (i) appointed by the Shareholders' Meeting held on 1 August 2017 (appointment effective from 31 August 2017) and (ii) supplemented by the Shareholders' Meeting of 15 May 2018 with a further independent director (Giovanni Lo Storto) appointed on the proposal of a group of asset management companies and institutional investors (the detailed list is available on the Website), without application of the slate voting system, in accordance with the representations made in the IPO³³. Indeed, the Registration Document specified that a further independent director, nominated by the minority shareholders at the first ordinary shareholders' meeting after the First Trading Day would join the Board of Directors of the Company. For this reason the majority shareholder did not participate in the voting on this point.

Furthermore, following the resignation of Ren Jianxin from the office of Chairman of the Board of Directors and Director of the Company (submitted on 30 July 2018 due to his announced resignation from the office of Chairman of ChemChina as a result of reaching the age limit), the Board of Directors, on 7 August 2018, proceeded to appoint by cooptation Ning Gaoning as a Director of the Company, pursuant to art. 2386 of the Civil Code, and to also appoint him Chairman of the Board of Directors. Ning Gaoning's office will expire on the Annual General Meeting.

In light of the above, the Board of Directors is composed of 15 members: Ning Gaoning (Chairman), Marco Tronchetti Provera (Executive Vice Chairman and CEO), Yang Xingqiang, Bai Xiping, Giorgio Luca Bruno, Laura Cioli, Domenico De Sole, Ze'ev Goldberg, Tao Haisu, Giovanni Lo Storto, Marisa Pappalardo, Cristina Scocchia, Giovanni Tronchetti Provera, Fan Xiaohua and Wei Yintao.

On 31 August 2017, the Board of Directors confirmed Marco Tronchetti Provera as Chief Executive Officer and Executive Vice Chairman.

As indicated in the Registration Document:

- Directors Yang Xingqiang, Bai Xiping, Ze'ev Goldberg, Tao Haisu, Marisa Pappalardo, Fan Xiaohua and Wei Yintao were designated by CNRC;
- Directors Marco Tronchetti Provera, Giovanni Tronchetti Provera, Giorgio Luca Bruno and Laura Cioli were designated by MTP&C;
- Directors Domenico De Sole and Cristina Scocchia were appointed by Marco Polo on joint designation by CNRC and MTP&C, taking into account the indications expressed by the Joint Global Coordinators, engaged as part of the IPO procedure, regarding the professional characteristics of the directors.

Giovanni Lo Storto was appointed as Director by designation of a group of asset management companies and institutional investors.

Ning Gaoning was co-opted to the Board as Director and Chairman to replace Ren Jianxin, previously appointed by designation of CNRC.

At the Report Date 26.7% of the Board members are female and the remaining 73.3% are male. Further, about 60% of directors are over 50 years of age and the remaining about 40% are between 35 and 50 years of age. The average age of the members of the Board is approximately 55 years and the average age of the female members is approximately 51 years. The Directors' average time in office is about 3 years³⁴.

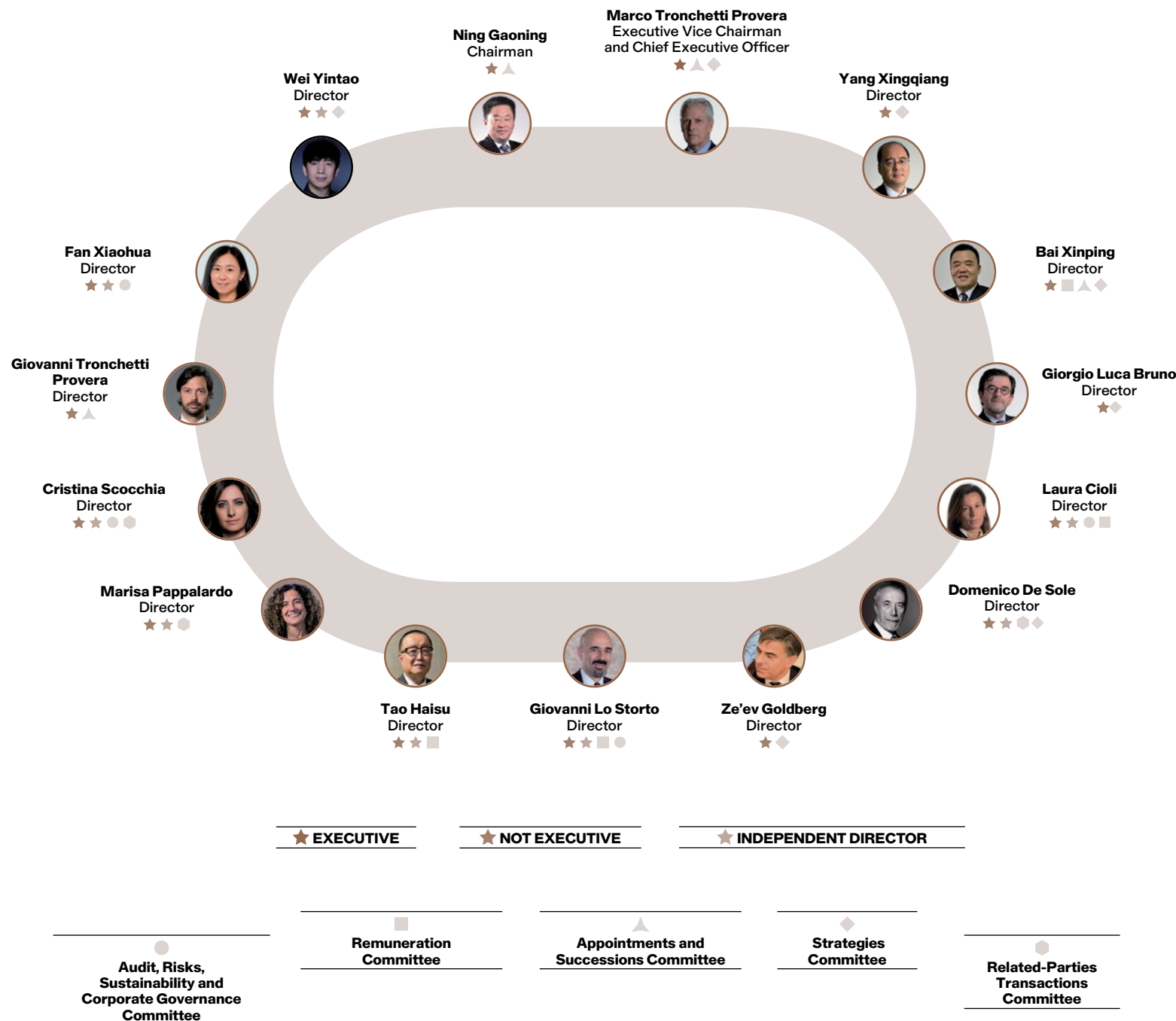
For further details regarding the application of the diversity and gender criteria in the composition of the Board of Directors see paragraph 1.2.

³³ The Board of Directors, on 22 June 2018, communicated to have evaluate the existence of the independence requirements of the Director Giovanni Lo Storto declared at the time of appointment.

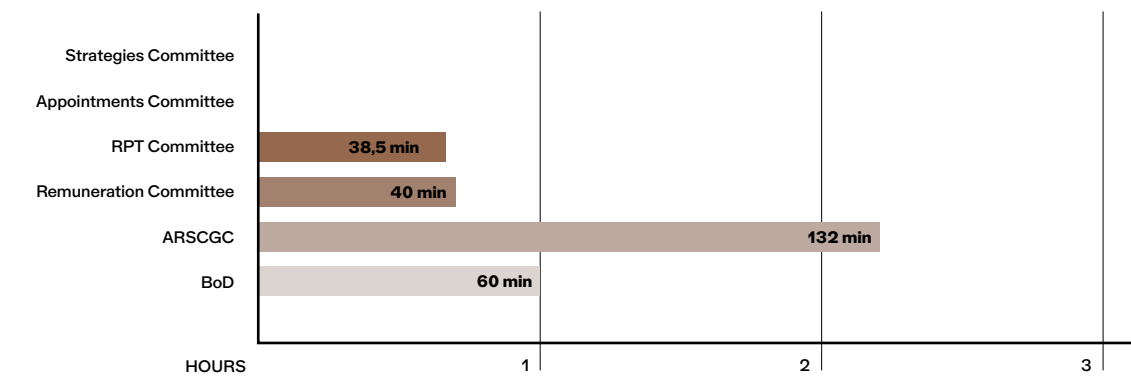
³⁴ It should be noted that for the purposes of calculating the tenure of the Board, the date of first appointment of each Director, indicated in Table 2, was considered.

Table 2, attached herein, provides for the relevant information on each member of the Board of Directors in office at the Report Date. In addition, a summary of their professional profiles is available on the Website.

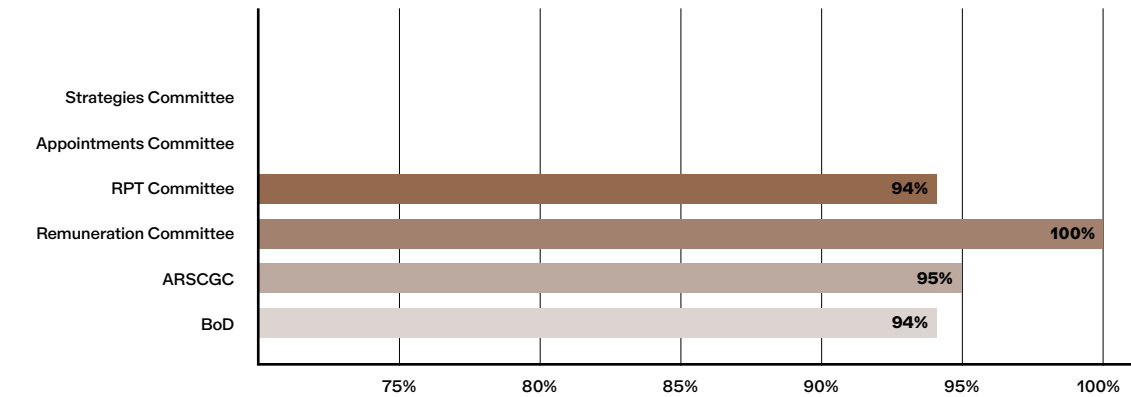
The following charts illustrate the composition of the Board of Directors of the Company at the Report Date (it should be noted that there have been no changes in the composition of the Board of Directors from the end of the Year to the Report Date), the average length, the average percentage of attendance, the number of meetings of the Board of Directors and of each Committee during the Year.



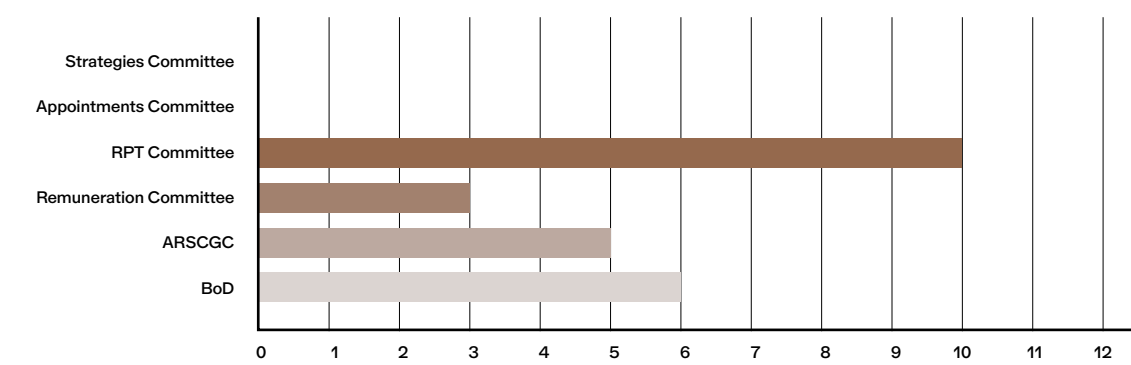
AVERAGE LENGTH OF MEETINGS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES



AVERAGE PERCENTAGE OF ATTENDANCE TO THE MEETINGS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES



NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES



4.3. LIMITATIONS ON THE NUMBER OF OFFICES HELD

The Board of Directors considers vital that the role of director is held by subjects able to dedicate the necessary time to the diligent execution of the duties inherent to this office.

Consequently, in line with the above, on 14 February 2019, the Board of Directors, having obtained the favourable opinion of the Audit, Risks, Sustainability and Corporate Governance Committee and the Appointments and Successions Committee, resolved to reduce the maximum number of directorships considered compatible with the office of director of the Company from five to four.

In particular, pursuant to the policy recently adopted by the Board of Directors, it is therefore not considered compatible with the duties of a director of the Company to be a director or statutory auditor of more than four other companies other than those subject to the direction and coordination of the Company,

or its subsidiaries or affiliates, in case of (i) companies listed on the FTSE/MIB index (or equivalent foreign index) or (ii) Italian or foreign companies, subject to the supervision of the competent authorities, that carry out financial, banking or insurance activities; furthermore, it is not considered compatible for the same director to hold more than three executive positions in companies of the types indicated in points (i) and (ii) above.

Positions held in several companies belonging to the same group are considered to be a single position and an executive position prevails over a non-executive position.

The Board of Directors is entitled to make a different assessment, properly motivated, to be published in the Report and explained appropriately therein.

Following review by the Audit, Risks, Sustainability and Corporate Governance Committee, each year the Board of Directors examines the positions held by each Director (based on the information provided by that person and/or on the other information available to the Company). At the Report Date, no Director holds a number of position higher than the number set out in the policy adopted by the Company on 14 February 2019.

Annex A indicates the principal appointments held by the Directors in companies that do not belong to the Group at the Report Date.

4.4. INDUCTION PROGRAMME

The Directors perform their duties autonomously and with competence, pursuing the priority objective of creating sustainable value over the medium-long term. They are aware of the responsibilities pertaining to their role and, like the Statutory Auditors, they are kept periodically informed by the competent business functions about the principal regulatory and self-regulatory changes affecting the Company and the performance of their duties.

In particular, during the Year, induction sessions were arranged, also with the support of the top management, to provide the members of the Board of Directors with an explanation of the main characteristics of the activities of Pirelli and its Group, of the field in which it operates, of the sustainable management model and of the internal control and risk management system adopted by the Company. For completeness, it should be noted, further, that as part of the process of listing, indications were provided about the legal and regulatory framework of reference, and the specific procedures and regulations adopted by the Company. The principal changes in the aforementioned regulatory framework are promptly brought to the attention of the Board, also through the competent committees.

Among the initiatives undertaken, the induction activities on the organisation of the company, its products and business activities, system of risk management and sustainability, digitalisation, intellectual property, communication strategies and market scenarios should be noted. In this context, Directors had the opportunity to have direct encounters with the Company's principal managers (who as a rule normally attend the meetings of the Board of Directors and the committees).

It should also be noted that, after the induction activities described above, there was an informal meeting for the visit to the "Pirelli HangarBicocca" foundation, attended by the independent Directors and members of the Board of Statutory Auditors, with a presentation of the foundation's initiatives. There were further informal meetings of members of the Board of Directors at the cultural and sporting events organised by the Company, and after Board meetings.

4.5. ROLE OF THE BOARD OF DIRECTORS

The Board of Directors plays a central role in the guidance and management of the Company. Pursuant to art. 11 of the Articles, the Board of Directors manages the business and, for this purpose, exercises all the widest powers of management, except for those reserved by law or by the Articles to the Shareholders' Meeting.

4.5.1. FUNCTIONING OF THE BOARD OF DIRECTORS

Meetings of the Board of Directors are called by the Chairman or his deputy and held at the registered office, or in any another location specified in the notice of convening, whenever deemed appropriate by the Chairman in the interests of the Company, or when requested in writing by the Chief Executive Officer or by one-fifth of the appointed Directors. Meetings of the Board of Directors may also be called by the Board of Statutory Auditors, or by each standing auditor, following notification sent to the Chairman of the Board of Directors.

During the Year the Board of Directors in charge at the Report Date met six times. The average duration of each meeting was 60 minutes, with attendance of around 89% of the Directors and 93% of the Independent Directors. The Independent Directors had informal meetings in the terms illustrated in the previous paragraph.

For the 2018 financial year and for the current year, Pirelli disclosed a calendar of the main corporate events to the market³⁵ (also available on the Website). For the 2019 financial year, the Board is scheduled to meet at least 5 times (at the Report Date two meetings have already been held).

³⁵ As a rule this happens in November/December.

The Directors and Statutory Auditors received the documentation and information deemed necessary in order to be properly informed for the discussion of the items submitted to them for consideration with a reasonable and appropriate advanced notice. In fact, the documentation examined by the Board and the Committees is usually circulated about ten days prior to the meeting. In the limited and exceptional cases in which documentation could not be transmitted so far in advance (or transmitted closer to the meeting), full information on the issue to be considered was provided directly during the meeting, thus ensuring that the Directors could make informed decisions. Particular attention is paid to ensuring that information remains confidential, by sending the documentation relating to the activities of the board and its committees using specific software that guarantees that access is reserved to the directors and statutory auditors only. This is in line with best practice and with the recommendations contained in the letter from the Chairman of the Italian Corporate Governance Committee dated 21 December 2018.

Taking into account the international composition of the Board of Directors, with the presence of three different nationalities, it is also Company's practice to provide the documents to be considered by the Board and its Committees in the three languages (Italian, English and Chinese) commonly used by the Directors. Furthermore, for each meeting of the Board of Directors and of the Committees, participants are able to use a simultaneous translation of interventions made in the three aforementioned languages.

If the Chairman is absent or unavailable, the Chief Executive Officer chairs the meeting; if the latter is also absent or unavailable, the meeting is chaired by another director appointed by the majority of those present. The Board of Directors appoints a Secretary who may also not be a Director.

For the resolutions of the Board of Directors to be valid, a majority of its members must be present, and resolutions must obtain a majority of the expressed votes.

As recommended by the Corporate Governance Code, Directors' awareness of the reality and dynamics of the Company and the Group is enhanced by the systematic attendance of top management at their meetings, enabling them to provide appropriate detail on the items on the agenda.

The Articles establish that, until different decision of the Shareholders' Meeting, the Directors are not bound by the prohibition contained in art. 2390 of the Civil Code.

During the Year the Board of Directors started the process of evaluation of its functioning and the functioning of its Committees (board performance evaluation) for the

2018 financial year³⁶. For the purpose of the assessment process, the Board was also supported by the assistance of a primary independent consulting firm specialised in this area (SpencerStuart). The self-assessment process was carried out through individual interviews with questions about the size, composition and operation of the Board of Directors. All members of the Board of Directors participated in the self-assessment process.

The analysis of the results of the aforementioned board performance evaluation provided by SpencerStuart highlights a broadly positive situation. In particular, the Directors expressed full satisfaction and appreciation on the size, composition and operation of the Board of Directors and its Committees. It was also highlighted that the Board operates in compliance with the Corporate Governance Code and with the best practice. With reference to the operation of the Board and its Committees during 2018, the following areas of excellence were particularly appreciated:

- clarity and completeness of the supporting documentation circulated sufficiently in advance in view of board meetings;
- detailed, transparent and qualified reporting activity by the management to the Board of Directors;
- effective structure of the Board committees;
- effective conduction of the meetings of the Board of Directors;
- exhaustive reporting provided by the Executive Vice Chairman and Chief Executive Officer to the Board on managerial accountability and on the principal transactions executed at group level;
- possibility to have constructive dialogue and discussion at Board meetings.

The Directors expressed particular appreciation for (i) the constant presence of the Group's principal managers (responsible for the appropriate area) at meetings of the Board of Directors and the Board committees and (ii) the mix of skills, considered to be excellent, since there was an abundance of high level managerial expertise, business experience and strongly international profiles among its members.

From the investigation, some indications also arised on how to further improve the operation of the Board: among these, the need for deeper knowledge of the different businesses of the Group, also through guided visits to production sites in the various countries in which Pirelli operates; the continuation and the development of induction activities and opportunities for informal meetings of the directors.

Finally, it should be noted that the Audit, Risks, Sustainability and Corporate Governance Committee

³⁶ Given the short period of time between the First Trading Day and the end of the 2017 financial year, the Board of Directors postponed the start of the process of evaluating its operation and the operation of its Committees to the 2018 financial year.

played a guiding role in the board performance evaluation by (i) defining the investigation methodology and ii) identifying and appointing the consultant specialised in this field as facilitator of the process. In particular, the results were previously reviewed by the Audit, Risks, Sustainability and Corporate Governance Committee and then presented to the Board of Directors in its meeting on 26 February 2019.

4.5.2. MATTERS IN THE BOD'S COMPETENCE

In accordance with the Articles, the Shareholders' Meeting requires a qualified majority (i.e. favourable votes by shareholders representing at least 90% of the share capital of the Company) for the Board to be authorised to resolve on the following issues:

- transfer of the operational and administrative headquarters outside of the municipality of Milan;
- any transfer and/or deed of disposition, in any form, of Pirelli know-how (including the granting of licences).

On 31 August 2017, the Board of Directors established that all resolutions regarding the following matters, proposed by Pirelli and/or by any company subject to direction and coordination by Pirelli (excluding intergroup transactions) must (as an internal restriction of the power granted to the Chief Executive Office on that date) be approved by the Board of Directors of the Company:

- (i) obtaining or granting loans for a total value higher than Euro 200 million and with a duration of more than 12 months;
- (ii) issuing financial instruments to be listed on European or non-European regulated markets or multilateral trading systems that total more than Euro 100 million and/or their delisting;
- (iii) giving guarantees in favour of or in the interests of third parties for amounts higher than Euro 100 million;
- (iv) signing derivative contracts (a) with a notional value higher than Euro 250 million, and (b) except for those having the sole object and/or effect of hedging corporate risks (e.g. interest-rate risk, exchange-rate risk, commodity market risk);
- (v) purchasing or selling equity investments in subsidiaries and affiliates for amounts higher than Euro 150 million and that involve entering into (or exiting from) geographical and/or commodity markets;
- (vi) purchasing or selling equity investments other than those described in point (v) above for amounts higher than Euro 250 million;
- (vii) purchasing or selling businesses or lines of business that have strategic importance or, in any case, a value of more than Euro 150 million;
- (viii) purchasing or selling fixed and other assets that have strategic importance or, in any case, a total value of more than Euro 150 million;

- (ix) carrying out transactions of greater significance with related parties, being those satisfying the conditions envisaged in Attachment 1 to the "Procedure for Related-Party Transactions" approved by the Board of Directors of the Company;
- (x) defining the Company's remuneration policy;
- (xi) determining, in compliance with the Company's internal policies and the applicable regulations, the remuneration of the executive directors and the directors with specific responsibilities and, where required, allocating the total remuneration authorised by the Shareholders' Meeting among the members of the Board of Directors pursuant to art. 2389, par. 3, of the Civil Code;
- (xii) approving the strategic, industrial and financial plans of Pirelli and the Group;
- (xiii) adopting corporate governance rules for the Company and defining guidelines for the corporate governance of the Group;
- (xiv) defining guidelines for the system of internal control, including the appointment of a Director responsible for overseeing the system of internal control, determining the related duties and powers;
- (xv) any other matter deemed to be responsibility of the board of directors of a listed company by the Corporate Governance Code promoted by Borsa Italiana, as amended from time to time;
- (xvi) approving the budget and the business plan of the Company and the Group, as well as all significant changes to those documents; and
- (xvii) adopting any resolutions regarding industrial partnerships or strategic joint ventures to which Pirelli and/or any Group company are party, it being understood that the approval of the transactions listed above is reserved solely to the Board of Directors not only if the threshold indicated for each matter are exceeded, but also if the matters listed from (i) to (ix), whether considered as a single action or as a series of coordinated actions (carried out in the context of a common executive programme or a strategic project) exceed the amounts indicated in the business plan and/or the annual budget or (solely for the matters listed from (i) to (viii)) if they were not included, listed or envisaged in the business plan or the annual budget.

As required by the Corporate Governance Code, the Board of Directors has assessed positively the adequacy of the organisational, administrative and accounting systems and structure of the Company, with particular reference to the system of internal control and risk management, making reference to the analytical work carried out by the Audit, Risks, Sustainability and Corporate Governance Committee.

The Board has also evaluated the general results of operations, taking into particular account the information received from delegated bodies and comparing periodically, at least every quarter, the results obtained with those planned.

4.6. DELEGATED BODIES: EXECUTIVE DIRECTORS

With resolution dated 31 August 2017, the Board of Directors granted the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera with all the powers necessary to carry out deeds relating to all aspects of corporate activity, without any exceptions aside from those that the law or the Articles reserve to the Board of Directors; all with the power to grant special and general powers of attorney that give the representative the right to sign on behalf of the Company, either separately or together with others, and all other powers deemed appropriate by him in the best interests of the Company, including the right to sub-delegate.

In particular the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera was granted with:

- a) as sole signatory, powers for the ordinary management of Pirelli and of the Pirelli Group, with reference to both Pirelli and any other company (including unlisted foreign companies) subject to management and coordination by Pirelli, with the following internal restrictions and therefore with the assignment of the related responsibility to the Board of Directors, if:
 - (i) the threshold amounts envisaged for each of the matters indicated above are exceeded; or
 - (ii) for the matters listed from (i) to (ix) in paragraph 4.5.2 above, if the amounts indicated in the business plan and/or the annual budget are exceeded; or
 - (iii) for the matters listed from (i) to (viii) in paragraph 4.5.2 above, if they were not included, listed or envisaged in the business plan or the annual budget; and
- b) the power to propose to the Board of Directors adoption of the following resolutions (together, the "Significant Matters"):
 - (i) approval of the business plan and of the budget of the Company and the Group, as well as all significant changes to those documents. The business plan and the annual budget must (a) address certain operational and financial aspects of Pirelli including, but not limited to, the identification of all sources of funding for such business plans and budgets, as well as the decisions about the operational activities underlying them; and (b) be accompanied and supported by adequate and suitable documentation describing the items contained therein;
 - (ii) any resolutions regarding industrial partnerships or strategic joint ventures to which Pirelli and/or any Group company are party, in all cases following examination by the Strategies Committee, it being understood that: (a) the power to resolve on the Significant Matters is reserved solely for the Board of Directors and/or the Shareholders' Meeting, as applicable; and (b) should the Board of Directors not approve the

proposal of the Chief Executive Officer and Executive Vice Chairman, the related resolution must be motivated and, in all cases, take into account the best interests of the Company.

In light of the above, Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera is identified as executive director.

Considering the frequency of Board meetings, the Chief Executive Officer usually reports on his work during those meetings.

It should be noted that, in addition to the Executive Vice Chairman and Chief Executive Officer, Pirelli classifies as executive directors those directors who at the same time are qualified as executives with strategic responsibilities, if there should be such Directors, or Directors who also hold office as Chief Executive Officer or Executive Chairman of the principal subsidiaries of Pirelli.

At the Report Date, and during the Year, no director other than the Executive Vice Chairman and Chief Executive Officer was qualified as executive director.³⁷

It should also be noted that on 7 August 2018, on the occasion of the appointment of Ning Gaoning as Chairman of the Board of Directors, to replace Ren Jianxin, the Board of Directors - taking account of the governance structure, the powers conferred on the Executive Vice Chairman and Chief Executive Officer, and the circumstance that Ning Gaoning was not being attributed management powers and that he played no specific role in the elaboration of business strategies - confirmed that it did not consider the role of Chairman of the Company to be an executive role.

4.7. INDEPENDENT DIRECTORS

At the Report Date, eight of the fifteen Directors - and hence over 50% of the members of the Board of Directors - have the requirements to be qualified as independent pursuant to the Corporate Governance Code and the TUF and, specifically: Laura Cioli, Domenico De Sole, Tao Haisu, Giovanni Lo Storto, Marisa Pappalardo, Cristina Scocchia, Fan Xiaohua and Wei Yintao. Upon appointment and thereafter at least on an annual basis, the Board evaluates whether or not members meet and/or retain the requirements of independence specified in the Corporate Governance Code and the TUF for non-executive directors qualified as independent. This check - which takes into account not only the information provided by the directors themselves but also further information that might be available to the Company, and referring to the requirements set out in the TUF, as well as to those recommended in the

37 It should be noted that at present no member of the Board of Directors is a key manager of the Company with strategic responsibilities and/or holds the role of Chief Executive Officer or Executive Chairman in Pirelli subsidiaries. For completeness, it should be noted that (i) Director Giovanni Tronchetti Provera is a senior manager of the Company; (ii) Director Giorgio Luca Bruno was a key manager of the Company with strategic responsibilities during the 2017 financial year and subsequently a senior manager of the Company until 31 December 2018 (cf. Remuneration Report).

Corporate Governance Code - was most recently carried out during the board meeting on 26 February 2019.

In making its assessments, the Board did not derogate from any of the criteria prescribed by the Corporate Governance Code³⁸.

At the same time of the assessments made by the Board of Directors, the Board of Statutory Auditors confirmed that, in line with the recommendations of the Corporate Governance Code, it had verified the proper application of the assessment criteria and ascertainment procedures adopted by the Board of Directors to assess the independence of its members.

None of the Directors qualified as independent at the date of their appointment had lost this status during their term of office.

Considering the above, the system of powers and the share ownership structure, and the provisions on this subject contained in the Corporate Governance Code, the Board of Directors decided not to appoint a lead independent director.

The independent and non-executive directors contribute to the board discussions, bringing their specific skills, and, given their number, they have a decisive weight in the decision-making process of the Board of Directors.

5. Processing of corporate information

Pirelli has adopted and consolidated over time a compendium of rules and procedures for the proper management of corporate information, in compliance with the regulations applicable to the various types of data.

With reference to the prevention of market abuses, the Board of Directors of Pirelli has adopted a procedure for defining the principles and rules for preventing such abuses by Pirelli, Group companies and their related parties (the "**Market Abuse Procedure**").

In particular, the Market Abuse Procedure - the full version of which is available on the Website - governs: (a) the management of "significant information", being information

that may become "inside information" pursuant to art. 7 of Regulation (EU) 596/2014 ("**Inside Information**"); (b) the management and communication to the public of Inside Information; (c) the creation, keeping and updating of the register of persons who, in view of their working or professional activities or the functions they perform, have access to Inside Information; (d) the obligations regarding transactions in the shares of the Company, credit instruments issued by the Company and the derivative or other financial instruments linked to them, by parties deemed to be senior decision-makers ("internal dealing"); (e) the operational procedures and scope of application of the prohibition imposed on the Company and the persons who perform administrative, control or management functions for the Company regarding the execution of transactions in Pirelli shares, credit instruments issued by Pirelli and the derivative or other financial instruments linked to them during predetermined periods ("black out periods"); (f) any market soundings carried out or received in compliance with art. 11 of Regulation (EU) 596/2014 and the related enabling regulations.

The Market Abuse Procedure also defines rules for transactions carried out by "*Significant Parties*" or by "*Persons Closely Related to Significant Parties*" in financial instruments issued by the Company, with an annual amount of at least Euro 20,000, in compliance with the applicable current regulations. In this regard, a black-out period of 30 calendar days is imposed prior to the announcement by the Company of the data contained in annual, half-yearly and periodic financial reports,³⁹ during which time internal dealers are forbidden to carry out transactions in those financial instruments.

6. Board Committees

The role of the Board committees is to carry out analyses for, make recommendations to and/or give advice to the Board in relation to matters deemed worthy of further investigation, in order to ensure that there is an effective and informed exchange of opinions about them.

On 31 August 2017, the Board of Directors of the Company established the Strategies Committee, the Appointments and Successions Committee, the Audit, Risks, Sustainability and Corporate Governance Committee, the Remuneration Committee and the Related-Party Transactions Committee.

6.1. FUNCTIONING OF COMMITTEES

The Committees are appointed by the Board of Directors and remain in office for the entire mandate of the Board, meeting whenever deemed appropriate by the Committee Chairman, or when requested by at least one member, by the Chairman of the Board of Directors or by the Chief Executive Officer and, in any case, with the frequency necessary in order to properly carry out their functions.

The Strategies Committee meets at least 5 days prior to the Board meeting called to approve the annual budget and/or the business plan, receiving the related documentation at least 3 days prior to the meeting.

The Secretary of each Committee is the Secretary of the Board.

The meetings of the Committees shall be convened by notice sent to the participants by its Chairman or by the Secretary of the Committee upon request of the Chairman.

The documentation and information available (and, in all cases, the necessary information) are sent in good time to all members of the relevant Committee so that they can participate in the meeting in an informed manner.

Committee meetings are quorate when attended by the majority of appointed members and resolutions are adopted by the majority of those present. In the event of a voting tie at meetings of the Appointments and Successions Committee held to appoint a successor to the Chief Executive Officer, the outgoing Chief Executive Officer's vote will prevail.

Committee meetings may be held by conference call; their minutes are taken by the Committee Secretary and recorded in the related minutes book. The Chairman of each committee informs the Board of Directors about the outcome of the meetings held.

Committees awareness of the business reality and dynamics of the Company and the Group is enhanced by the attendance of top management at their meetings, which makes it possible to explore the matters on the agenda in appropriate detail. In particular, as a rule, the Executive Vice President & Chief Human Resources and Organization Officer attends the meetings of the Remuneration Committee, while the Corporate Vice President Internal Audit and the Head of Sustainability & Risks Governance attend the meetings of the Audit, Risks, Sustainability and Corporate Governance Committee.

Committees - which may use the support of external advisors in carrying out their functions - are granted with adequate financial resources to perform their tasks with spending autonomy. The Related-Party Transactions Committee is entitled to obtain assistance, at the expense of the Company, from one or more independent experts selected by the Committee.

Committees are entitled to access relevant business information and functions in the performance of their tasks, with support from the Secretary to the Board of Directors for this purpose.

The entire Board of Statutory Auditors is entitled to participate in the activities of the Audit, Risks, Sustainability and Corporate Governance Committee, the Related-Party Transactions Committee and the Remuneration Committee. One member of the Board of Statutory Auditors is invited to attend the meetings of the Appointments and Successions Committee and the Strategies Committee.

Further information about the number of meetings held by each Committee during the Year and about the attendance of each member at those meetings can be found in Table 2 attached to this Report.

³⁹Annually - as a rule by the end of the year - the Company publishes the calendar of principal corporate events for the next financial year and promptly updates this calendar in the event of subsequent amendments.

³⁸In particular, no one of the independent directors could be considered as "significant representative".

7. Strategies Committee

STRATEGIES COMMITTEE

	Name and Surname	Office
	Marco Tronchetti Provera	Executive Vice Chairman and Chief Executive Officer
	Yang Xingqiang	Not Executive Director
	Bai Xinping	Not Executive Director
	Giorgio Luca Bruno	Not Executive Director
	Domenico De Sole	Not Executive Independent Director
	Ze'ev Goldberg	Not Executive Director
	Wei Yintao	Not Executive Independent Director

At the Report Date, the Strategies Committee is made of 7 Directors (including 2 Independent Directors): Marco Tronchetti Provera (Chairman), Giorgio Luca Bruno, Yang Xingqiang, Bai Xinping, Ze'ev Goldberg, Domenico De Sole and Wei Yintao.





The Strategies Committee advises and makes recommendations to the Board of Directors on the definition of strategic guidelines, as well as on the identification and definition of terms and conditions for individual transactions of strategic importance.

In particular, the Strategies Committee:

- examines the strategic, industrial and financial plans - both short and long term - of the Company and the Group before their submission to the Board of Directors;
- helps the Board to assess transactions, initiatives and activities of strategic importance including, in particular: (i) entry into new geographical markets and businesses; (ii) industrial alliances (e.g. joint ventures); (iii) special transactions (mergers, spin-offs, capital increases and capital reductions, except for those to cover losses); (iv) investment projects; (v) industrial and/or financial restructuring projects and programmes;
- examines periodically the organisational structure of the Company and the Group, presenting any suggestions and opinions to the Board.

8. Appointments and Successions Committee

APPOINTMENTS COMMITTEE

	Nome e Cognome	Office
	Ning Gaoning	Not Executive Chairman
	Marco Tronchetti Provera	Executive Vice Chairman and Chief Executive Officer
	Bai Xinping	Not Executive Director
	Giovanni Tronchetti Provera	Not Executive Director




At the date of this Report, the Appointments and Successions Committee is composed of 4 members: Marco Tronchetti Provera (Chairman), Ning Gaoning, Giovanni Tronchetti Provera and Bai Xinping. As an exception to the Corporate Governance Code, the majority of the members of this committee are non-executive directors (although not independent). This is due to the fact that the committee addresses not only matters relating to appointments, but also those regarding top management succession, and considering the fact that the New Shareholders' Agreement has established a structured procedure for identifying the successor to Marco Tronchetti Provera as the Chief Executive Officer of Pirelli (see paragraph 4.1.3).

In particular, the Appointments and Successions Committee:

- prepares opinions for the Board of Directors on the size and composition of the Board and makes recommendations about the professional roles whose presence on the Board is deemed appropriate;
- prepares opinions for the Board of Directors on the adoption and/or amendment by the Board of its orientation towards the number of appointments considered compatible with effective performance as a director of the Company;
- makes recommendations to the Board of Directors about any issues regarding application of the prohibition of competition envisaged in art. 2390 of the Civil Code, should the Shareholders' Meeting - for organisational reasons - authorise in advance, on a general basis, exceptions to this prohibition;
- recommends candidates to the Board of Directors, should it be necessary to co-opt new Directors to replace Independent Directors;
- recommends "emergency" top management succession plans to the Board of Directors;
- prepares opinions for the Board of Directors on the designation of candidates (including persons to be coopted) for the position of Chief Executive Officer;
- over proposal of the Chief Executive Officer, identifies criteria for the succession plans covering top and senior management in general, in order to guarantee the continuity of business strategies.

9. Related-Party Transactions Committee

RPT COMMITTEE

	Name and Surname	Office
	Domenico De Sole	Not Executive Independent Director
	Marisa Pappalardo	Not Executive Independent Director
	Cristina Scocchia	Not Executive Independent Director

At the Report Date, the Related-Party Transactions Committee is made of 3 Independent Directors: Domenico De Sole (Chairman), Marisa Pappalardo e Cristina Scocchia.





The Related-Party Transactions Committee provides advice and makes recommendations to the Board of Directors about transactions with related parties, with the sole exception of matters concerning the remuneration of directors and executives with strategic responsibilities, which are addressed by the Remuneration Committee.

In particular, the Related-Party Transactions Committee:

- prepares advance opinions on the procedures governing the identification and management of related-party transactions arranged by Pirelli and/or by its subsidiaries, as well as their amendment;
- prepares advance, reasoned opinions, if expressly requested, on the interest of Pirelli in carrying out a specific related-party transaction and on the reasonableness and substantial fairness of the relevant conditions;
- in the case of significant transactions with related parties, the committee is involved in the related negotiations and the analytical phase via the receipt of complete and timely information, with the right to request information and to make observations to the persons responsible for carrying out the negotiations or analyses.

10. Remuneration Committee

REMUNERATION COMMITTEE

	Name and Surname	Office
	Bai Jinping	Not Executive Director
	Laura Cioli	Not Executive Independent Director
	Tao Haisu	Not Executive Independent Director
	Giovanni Lo Storto	Not Executive Independent Director

At the Report Date, the Remuneration Committee is composed of 4 directors (including 3 independent directors): Tao Haisu (Chairman); Laura Cioli (Director with adequate knowledge and experience of financial matters or pay policies), Bai Jinping and Giovanni Lo Storto (Director with adequate knowledge and experience of financial matters or pay policies).

This Committee has advisory and supervisory functions and makes recommendations to ensure the definition and the application within the Group of remuneration policies that, on the one hand, attract, motivate and retain human resources with the professional qualities required to profitably pursue the Group targets and, on the other hand, are capable of aligning the interests of management with those of the shareholders.

In particular, the Remuneration Committee:

- helps the Board of Directors to define the general policy for group remuneration, making recommendations in this regard;
- assesses periodically the adequacy, overall consistency and concrete application of the general policy for remuneration, making reference in this last regard to the information provided by the chief executive officers; makes recommendations to the Board of Directors on this matter;
- with regard to the executive directors and the other directors with specific responsibilities, makes recommendations or expresses opinions to the Board: (i) about their remuneration, consistent with the general policy for remuneration; (ii) about setting performance objectives linked to the variable element of that remuneration; (iii) about the definition of any non-competition agreements; (iv) about the definition of any agreements for the termination of working relationships, having regard to the principles established in the general policy for remuneration;
- with regard to the executives with strategic responsibilities, checks the consistency of their remuneration with the general policy for remuneration and expresses an opinion on it pursuant to the procedure for Related-Party Transactions;
- helps the Board of Directors to examine proposals to the Shareholders' Meeting for the adoption of remuneration plans based on financial instruments;
- monitors application of the decisions adopted by the Board, verifying in particular the effective achievement of the established performance objectives;

→ examines and submits to the Board of Directors the remuneration report that, by name for the members of the management and control bodies and in aggregate for the executives with strategic responsibilities: (i) provides adequate information about each component of their remuneration; and (ii) explains in detail all the remuneration paid during the year, for whatever reason and in whatever form, by the Company and its subsidiaries.

The directors who are members of the Remuneration Committee do not attend the meetings of the Committees held to make recommendations to the Board about their own remuneration.

11. Remuneration of the directors





The system for remunerating Group management is designed to attract, motivate and retain key resources. It is defined in a way that aligns the interests of management with those of the shareholders, pursuing the priority objective of creating sustainable value over the medium-long term through an effective and verifiable link between remuneration, on the one hand, and individual and Group performance, on the other hand.

The Company's remuneration policy for the Year includes a long term incentive plan - so-called LTI plan - which ensures that the variable remuneration parameters are linked to long-term objectives. Information about the 2019 remuneration policy and on remuneration paid in 2018 can be found in the Remuneration Report prepared pursuant to art. 123-ter TUF, which is made available to the public on the basis and by the deadlines envisaged by current laws and regulations, including by publication on the Website.

Finally, it should be noted that the information required pursuant to art. 123-bis, para. 1, letter i) of the TUF (regarding "agreements between the company and its directors [...] that envisage indemnities in the event of resignation or termination without just cause or following a takeover bid") is contained in the abovementioned Remuneration Report.

12. Audit, Risks, Sustainability and Corporate Governance Committee

ARSCGC

	Name and Surname	Office
	Laura Cioli	Not Executive Independent Director
	Cristina Scocchia	Not Executive Independent Director
	Fan Xiaohua	Not Executive Independent Director
	Giovanni Lo Storto	Not Executive Independent Director

At the Report Date, the Audit, Risks, Sustainability and Corporate Governance Committee was composed of 4 independent directors: Fan Xiaohua (Chairman), Laura Cioli, Cristina Scocchia and Giovanni Lo Storto, all with adequate experience in accounting and finance or in risk management.

The Audit, Risks, Sustainability and Corporate Governance Committee, which incorporates the functions of the "control and risks committee", supports the Board of Directors in the assessment and decision-making about the system of internal control and risk management, as well as in the approval of the periodic financial reports, as required by art. 7 of the Corporate Governance Code.

In particular, the Audit, Risks, Sustainability and Corporate Governance Committee:

- assists the Board of Directors, expressing an opinion on: (i) the definition of guidelines for the system of internal control and risk management, so that the principal risks faced by the Company and its subsidiaries are properly identified and appropriately measured, managed and monitored; (ii) the determination of the extent to which these risks are compatible with managing the business in a manner consistent with the strategic objectives identified, having regard for the risks that might be significant in terms of the sustainability of the business of the Company over the medium-long term; (iii) the identification of an executive director responsible for supervising the functioning of the internal control and risk management system, considering the characteristics of the business and the risk profile; (iv) the assessment, at least annually, of the adequacy of the internal control and risk management system, considering the characteristics of the business and the risk profile involved, as well as the effectiveness of its functioning in practice; (v) the approval, at least annually, of the work plan prepared by the head of internal audit and the head of the compliance department; (vi) the description, in the report on corporate governance, of the essential elements of the internal control and risk management system and the arrangements for coordination between the subjects involved, expressing its opinion on their overall adequacy; (vii) the assessment, having obtained the opinion of the Board of Statutory Auditors, of the results presented by the external auditor in any letter of recommendations to the management, and any report on fundamental issues identified during the external audit;
- expresses an opinion on proposals concerning the appointment, revocation, assignment of duties and determination of the remuneration, consistent with Company policies, of the head of the Internal Audit Department, and on the adequacy of the resources allocated to the latter in order to carry out his or her assigned functions;

- assesses, together with the administrative managers of the Company and the executive responsible for preparing the corporate accounting documents, after having obtained the opinions of the Board of Statutory Auditors and the external auditor, the proper and consistent application of the accounting standards adopted by the Group for the preparation of the consolidated financial statements;
- at the request of the director responsible, expresses opinions on specific aspects of the identification of the principal business risks, and on the design, implementation and management of the internal control and risk management system;
- reviews the periodic reports prepared by the head of internal audit and of the compliance department;
- monitors the autonomy, adequacy, effectiveness and efficiency of the internal audit department;
- if considered advisable, requests audits of specific operational areas, informing the Chairman of the Board of Statutory Auditors at the same time;
- reports to the Board of Directors on the work undertaken and on the adequacy of the internal control and risk management system at least every six months, at the time the financial statements and the half-year report are approved;
- at Board's request, supports with appropriate preparatory work the evaluations and decisions of the Board of Directors concerning the management of risks arising from any detrimental facts that may have come to its attention;
- monitors compliance with and the periodic update of the corporate governance rules, as well as compliance with any codes of conduct adopted by the Company and its subsidiaries. In particular, the committee proposes procedures and related timing for the annual self-assessment of the Board of Directors;
- monitors sustainability issues connected to the operation of the Company's business and the dynamics of its interactions with all stakeholders;
- defines "sustainability" guidelines and proposes them to the Board of Directors, and monitors compliance with the rules of conduct that might have been adopted by the Company and its subsidiaries;
- assists the Board of Directors in the preparation and subsequent review and approval of the sustainability report.

13. System of internal control and risk management

The Company's internal control and risk management system is designed to contribute to the operation of a healthy and proper business, consistent with the objectives established by the Board of Directors, by

identifying, managing and monitoring the principal risks faced by the Company. The internal control and risk management system allows the principal risks, and the reliability, accuracy, trustworthiness and timeliness of financial reporting to be identified, measured, managed and monitored.

Responsibility for the adoption of an adequate internal control and risk management system lies on the Board of Directors which, with the support of the Audit, Risks, Sustainability and Corporate Governance Committee, carries out the tasks assigned to it in the Corporate Governance Code.

A more complete description of the internal control system adopted by Pirelli can be found in the management report. In this regard, the Board of Statutory Auditors has issued a statement on the administration and accounting systems adopted by the significant subsidiaries of Pirelli to ensure that the information on the company's assets, business and finances required for the preparation of the consolidated financial statements is regularly received by the Pirelli's senior management and external auditor.

13.1. RESPONSIBLE DIRECTOR

The Board has designated Marco Tronchetti Provera as the director responsible for supervising the functioning of the internal control system (the "**Responsible Director**").

The Responsible Director is in charge of supervising the functioning of the system of internal control and risk management and implementing the related guidelines formulated by the Board of Directors, with the support of the Audit, Risks, Sustainability and Corporate Governance Committee, ensuring that all actions necessary for the implementation of the system are taken.

In particular, the Responsible Director:

- ensures that the principal business risks are identified, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, and submits them periodically to the Board of Directors for review;
- gives execution to the guidelines formulated by the Board of Directors, supervising the drafting, implementation and management of the internal control and risk management system and constantly monitoring its adequacy and effectiveness;
- ensures that the system is compliant with any changes in operating conditions and in the legislative and regulatory framework;
- may ask the internal audit department to audit specific operating areas and compliance with the internal rules and procedures for the conduct of business operations; and

- promptly reports to the Audit, Risks, Sustainability and Corporate Governance Committee (or to the Board of Directors) on issues and critical situations identified during his work or otherwise brought to his attention, so that the Committee (or the Board) can take appropriate actions.

13.2. INTERNAL AUDIT DEPARTMENT

The Company has established an Internal Audit Department, directed by Maurizio Bonzi, which has been attributed responsibilities essentially consistent with those set out in the Corporate Governance Code.

In particular, the department is tasked with assessing the adequacy and functioning of the audit, risk management and corporate governance processes, by providing independent and objective assurance and advice.

The internal audit Department:

- audits, both on a continuous basis and in relation to specific needs and in accordance with international standards, the effective operation and suitability of the internal control and risk management system - suggesting any corrective actions required - by implementing an audit plan approved each year by the Board of Directors, based on a structured process of analysis and prioritisation of the principal risks;
- carries out audits, also at the request of the Audit, Risks, Sustainability and Corporate Governance Committee, the Board of Statutory Auditors and the Responsible Director, of specific operating areas and compliance with the internal procedures and rules in the execution of business operations;
- drafts periodic reports on its assessment of the suitability of the internal control and risk management system. These reports are sent, at least quarterly, to the Board of Statutory Auditors, the Audit, Risks, Sustainability and Corporate Governance Committee, and the Responsible Director of the internal control system, and, at least every six months, to the Board of Directors;
- receives and analyses reports obtained in accordance with the whistleblowing procedures established by the Group and regarding any cases of corruption/violation of the principles of internal control and/or the precepts of the Code of Ethics, equal opportunities, corporate rules and regulations, or any other actions or omissions that, directly or indirectly, might result in economic or financial losses for or damage to the reputation of the Group and/or its subsidiaries;
- provides adequate support to the Supervisory Bodies established pursuant to art. 6 of the Legislative Decree 231/2001;
- provides advice and support to the relevant Company departments - without exercising any decision-making or authorisation responsibilities - regarding *inter alia*:

- (i) the reliability of their systems for safeguarding corporate assets; (ii) the adequacy of their procedures for recording, controlling and reporting administrative activities; (iii) the assignment of engagements to the external auditor and to other firms in its network.

As mentioned in paragraph 12, it should be noted that the Audit, Risks, Sustainability and Corporate Governance Committee expresses an opinion on proposals concerning the appointment, revocation, assignment of duties and determination of the remuneration, consistent with Company policies, of the head of the internal audit department, as well as on the adequacy of the resources allocated to the department in order to carry out the assigned functions.

13.3. COMPLIANCE DEPARTMENT

Operating within the Corporate Affairs, Compliance and Company Secretary Department, the Compliance department works with the Legal departments and other competent company departments to ensure that the company's internal regulations, processes and activities are constantly aligned with the applicable regulatory framework, participating actively in the identification of any non-compliance risks that might give rise to judicial or administrative penalties, with consequent reputational damage. For further details on the activities performed by the Compliance department please refer to paragraph "*Programs of Compliance 231, Anti-corruption, Privacy and Antitrust*" of the NFD Report.

13.4. SYSTEM OF RISK MANAGEMENT AND CONTROL OVER FINANCIAL INFORMATION

Pirelli has implemented a specific and detailed internal control and risk management system, supported by dedicated IT software, relating to control on the process of preparing its half-yearly and annual separate and consolidated financial information, in order to safeguard corporate assets and ensure compliance with the relevant laws and regulations, the efficiency and effectiveness of business operations and the reliability, accuracy and timeliness of financial information.

In particular, the financial reporting process is carried out by applying appropriate administrative and accounting procedures created in accordance with the criteria established by the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The administrative/accounting procedures adopted for the preparation of financial statements and all other financial disclosures are created under the responsibility of the Chief Financial Officer, who, together with the Compliance Department, periodically (and in any case,

when the separate/consolidated financial statements are prepared) checks their adequacy and proper application.

In order to permit certification by the Chief Financial Officer, the companies and the significant processes that generate information of an economic-nature, or about corporate assets, have been mapped. The companies that are members of the Group and the significant processes are identified each year on the basis of quantitative and qualitative criteria. Quantitative criteria include the identification of those Group companies that represent an aggregate value, in relation to the processes selected, that exceeds a predetermined threshold of materiality.

Qualitative criteria include the review of those processes and of those companies that, as ultimately determined by the Chief Financial Officer, may present potential areas of risk despite not falling within the quantitative parameters described above.

Risks/control objectives have been identified for each selected process involved in the preparation of the financial statements and related disclosures, as well as with regard to the effectiveness/efficiency of the internal control system in general.

Detailed verification work has been planned, and specific responsibilities have been defined for each control objective.

A system for supervising the verification work undertaken has been implemented through a chain-of-certifications mechanism; any problems that emerge during the assessment process are the subject of action plans whose implementation is monitored at subsequent reporting dates.

Finally, the Chief Executive Officers and Chief Financial Officers of subsidiaries issue half yearly statements attesting the reliability and accuracy of the data submitted for the preparation of the Group's consolidated financial statements.

Shortly before the Board meetings held to approve the consolidated data as of 30 June and 31 December, the Chief Financial Officers share the results of the verification work carried out with the Chief Financial Officers of each Group company.

The internal audit Department carries out periodic audits to verify the adequacy of the design and the effective operation of the controls carried out on samples of companies and processes, selected applying materiality criteria.

13.5. DIRECTOR RESPONSIBLE FOR SUSTAINABILITY MATTERS

On 26 February 2019, the Board of Directors, having acknowledged the renounce to the proxies on sustainability

matters by the Director Bruno, appointed the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera as Sustainability Director. In that role, he is responsible for supervising sustainability issues associated with the conduct of the activities of the company, and its dynamics of interaction with all the stakeholders, and for implementing the guidelines defined by the Board of Directors, with assistance from the Audit, Risks, Sustainability and Corporate Governance Committee.

13.6. MODEL 231 AND CODE OF ETHICS

The Company has adopted the organisation and management model envisaged by Decree 231 of 8 June 2001, as subsequently amended (the "**Model 231**"), in order to create a system of rules designed to prevent unlawful conduct that might be significant for the purposes of applying the above regulations and, as a consequence, has established a supervisory body (the "**Supervisory Body**").

The Company has not extended adoption of Model 231 to its foreign subsidiaries as that model might not be compatible with their current national regulations and, therefore, would not entirely eliminate the risk of incurring penalties as a consequence of their activities.

The Model 231- constantly updated by the Company also in light of the new legislative provisions - comprises: (a) a general part covering topics relating, *inter alia*, to the applicability and application of Decree 231/2001, the composition and functioning of the Supervisory Body, and the system of penalties applicable in the event of breaches of the standards of conduct specified in Model 231, and (b) special parts containing the general principles of conduct and the control protocols for each type of identified offence deemed significant for the Company.

The Supervisory Body was appointed by the Board of Directors on 31 August 2017 and comprises Carlo Secchi (Chairman), Antonella Carù (Standing Auditor), Maurizio Bonzi and Alberto Bastanzio (the last two because of their respective roles as Corporate Vice President Internal Audit and Corporate Vice President Corporate Affairs, Compliance and Company Secretary). The Supervisory Body satisfies the autonomy, independence, professionalism and continuity of action requirements specified by law for that body.

Pirelli has adopted a Code of Ethics that sets out principles for the required conduct of directors, statutory auditors, executives and employees of the Group and, in general, all those that work in Italy and abroad on behalf of or for the benefit of the Group, or that engage in business relations with the Group, each in the context of their own functions and responsibilities.

An abstract of the Model 231 is available on the Website.

13.7. EXTERNAL AUDITOR

The audit company engaged to perform the external audit of the accounts of the Company is PricewaterhouseCoopers S.p.A. (the "**External Auditing Firm**"), with registered and administrative offices at via Monte Rosa 91, Milan, recorded on the Register of Auditors established pursuant to art. 6 et seq. of Decree 39/2010, as implemented by Decree 144 of the Ministry of the Economy and Finance dated 20 June 2012.

In particular, the Ordinary Shareholders' Meeting of the Company, held on 27 April 2017 engaged the External Auditing Firm to perform the external audit of Pirelli's accounts, pursuant to art. 14 of Decree 39/2010, as amended by Decree 135/2016, and art. 2409-*bis* et seq. of the Civil Code, for the three-year period 2017, 2018 and 2019.

The Ordinary Shareholders' Meeting held on 1 August 2017 confirmed the above appointment to perform the external audit of the accounts, establishing that, with effect from the admission of Pirelli shares to trading on the MTA, such appointment would entail: (i) the external audit of the accounts (including verification that the accounting records are properly kept and that the results of operations are properly reflected in the accounting entries) pursuant to arts. 13 and 17 of Decree 39/2010 for the financial years 2017-2025, in relation to the separate financial statements of the Company, the consolidated financial statements of the Group and the additional related activities; and (ii) the limited examination of the condensed half-year consolidated financial statements of Pirelli for the six-month periods ending on 30 June 2018-2025.

The detail of the fees due to the External Auditing Firm is shown in the Explanatory Notes.

13.8. CHIEF REPORTING OFFICER

The Board of Directors appointed Francesco Tanzi as manager responsible for the preparation of corporate and accounting documentation pursuant to art. 154-*bis* TUF (the "**Chief Reporting Officer**"), with effect from the First Trading Day and after receiving a favourable opinion from the Board of Statutory Auditors. The Board of Directors also verified that the Chief Reporting Officer is expert in administration, finance and control matters and satisfies the integrity requirements established for the directors.

The Chief Reporting Officer puts in place suitable administrative and accounting procedures for the preparation of the separate and consolidated financial statements, as well as of all other financial communications.

The Company deeds and communications made public to the market that contain accounting information, including interim data, must be accompanied by a written

declaration from the Chief Reporting Officer confirming that it corresponds to the supporting documentation, records and accounting entries.

14. Interests of the directors and related-party transactions

As required by art. 2391-*bis* of the Civil Code and the Related Parties Regulation, on 6 November 2017 – in confirmation of the resolutions adopted on 31 August 2017 – the Board of Directors resolved to adopt the procedure for related-party transactions (the "**RPT Procedure**"), following the unanimous favourable opinion expressed by the Related-Party Transactions Committee. The RPT Procedure establishes rules for the approval and execution of the related-party transactions arranged directly by Pirelli or by its subsidiaries.

In particular, the RPT Procedure distinguishes:

- 1) transactions of insignificant amount (with a value not exceeding 150 thousand Euro);
- 2) transactions of greater significance, being those exceeding the thresholds envisaged in attachment 3 to the Related Parties Regulation or those that, although not exceeding such thresholds, given their nature, strategic importance, size or commitments, have a significant impact on the activities of the Company or the Group, or might affect the operational autonomy of the Company (Transactions of Strategic Significance); and
- 3) transactions of minor significance, different from transactions of greater significance and transactions of insignificant amount;

establishing stricter rules for the transactions of greater significance, with regard to both their authorisation process and the information provided to the market. The Related-Party Transactions Committee (composed of independent directors) is required to express an opinion on all transactions of greater or minor significance, in terms of the interest of the Company in carrying out the transaction, as well as the reasonability and substantial correctness of the related conditions. This opinion is binding for all transactions of greater or minor significance.

The approval process envisaged by the RPT Procedure is not required, on the other hand, for transactions of insignificant amount. The RPT Procedure also envisages certain exemptions, as well as the possibility of adopting framework resolutions and, in urgent cases, of making exceptions to the obligations established in the RPT Procedure.

The full text of the RPT Procedure is available on the Website. Periodically and at least every three years, the

Board of Directors - having received the opinion of the Related-Party Transactions Committee - considers the need to revise the RPT Procedure.

A special section of the financial statements shows the principal transactions with related parties undertaken by the Company.

15. Board of Statutory Auditors

15.1. APPOINTMENT, REPLACEMENT AND DURATION IN OFFICE

At the Report Date, reflecting the importance that Pirelli attributes to the role of the control body, the Board of Statutory Auditors is composed of five standing auditors and three alternate auditors who are required to satisfy current regulatory requirements; in this regard it shall be considered as subjects and sectors of activity closely related to those of the company those indicated in the corporate purpose, with particular reference to companies or entities operating in the financial, industrial, banking, insurance and real estate fields and services in general.

The Ordinary Shareholders' Meeting appoints the Board of Statutory Auditors and determines its remuneration.

The statutory auditors act with autonomy and independence, also with regard to the shareholders that elected them.

In order to enable the minority to elect a standing auditor (who will be the Chairman of the Board of Statutory Auditors) and an Alternate Auditor, the Board of Statutory Auditors is appointed on the basis of slates presented by the shareholders, in which each candidate is listed with a sequence number. Each slate contains a number of candidates that does not exceed the number of members to be elected.

Shareholders are only entitled to present a slate if, alone or together with other shareholders, they hold at least 1% of the shares entitled to vote at an Ordinary Shareholders' Meeting, or any lower amount required by a regulation issued by Consob for the presentation of slates of candidates for appointment of the Board of Directors. Each shareholder may present or contribute to the presentation of just one slate.

The slates of candidates, signed by those presenting them, must be filed at the registered offices of the Company at least twenty-five days prior to the date fixed for the Shareholders' Meeting called to appoint the members of the Board of Statutory Auditors, unless more time is allowed for the presentation of candidates in the cases envisaged by

law and/or the regulations. These slates are made available to the public at the registered offices, on the Website and in other ways prescribed by Consob, regulation at least twenty-one days prior to the date of the Shareholders' Meeting.

Each candidate may be included on just one slate, subject otherwise to becoming ineligible.

Each slate comprises two sections: one for candidates for the office of standing auditor and the other for candidates to the position 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 compliance with the regulations in force from time to time concerning gender balance, slates that - considering both sections - contain three or more candidates must include candidates of different gender, both in the section of the slate for standing auditors and in the section for alternate auditors.

Each party entitled to vote may only vote for one slate. The members of the Board of Statutory Auditors are elected as follows:

- 1) four standing auditors and two alternate auditors are drawn, in the sequence listed, from the slate that obtained the largest number of votes (the majority slate);
- 2) the remaining standing auditor and alternate auditor are drawn, in the sequence listed, from the slate that obtained the second largest number of votes (the minority slate) at the Shareholders' Meeting; should several slates obtain the same number of votes, a new vote limited to such slates is held by all those entitled to vote that attend the Shareholders' Meeting, and the candidates on the slate which obtains the simple majority of the votes will be elected.

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.

An auditor is replaced, in the event of death, resignation or forfeiture, by the first alternate auditor drawn from the same slate. If this replacement does not allow the Board of Statutory Auditors to be reconstructed in compliance with current regulations, including the provisions governing gender balance, recourse is made to the second alternate auditor drawn from the same slate. If, subsequently, it becomes necessary to replace another Auditor drawn from the slate that obtained the

largest number of votes, recourse is made to the other alternate auditor drawn from the same slate. Should it be necessary to replace the Chairman of the Board of Statutory Auditors, the chair is taken by the second auditor on the same slate as the Chairman to be replaced, always provided that the replacement satisfies the requirements for the position established by law and/or the Articles and complies with the gender balance requirements envisaged by the laws and/or regulations in force at the time; if it is not possible to make replacements in accordance with the above criteria, a Shareholders' Meeting will be called to supplement the Board of Statutory Auditors with resolutions adopted by a relative majority of the votes cast.

When the Shareholders' Meeting must appoint the standing and/or alternate auditors necessary for the integration of the Board of Statutory Auditors, the procedure is the following: if it is necessary to replace auditors elected from the majority slate, the appointment is made by a relative majority of the votes cast, without any slate requirements and without prejudice, in all cases, to compliance with the gender balance requirements envisaged by the laws and/or regulations in force at the time; if, on the other hand, it is necessary to replace auditors elected from the minority slate, the Shareholders' Meeting replaces them by a relative majority of the votes cast, choosing them - where possible - among the candidates indicated on the slate from which the auditor to be replaced was drawn and, in all cases, in compliance with the principle of necessary representation of the minorities that, pursuant to the Articles, are entitled to participate in the appointment of the Board of Statutory Auditors, without prejudice in all cases to compliance with the gender balance requirements envisaged by the laws and/or regulations in force at the time. The principle of necessary representation of the minorities is respected if the auditors elected were previously candidates on the minority slate or on slates other than that which, at the time of appointing the Board of Statutory Auditors, obtained the largest number of votes.

If only one slate is presented, the Shareholders' Meeting votes on it; if the slate obtains a relative majority of the votes cast, the candidates listed in the respective sections of the slate are appointed as standing auditors and alternate auditors; the person listed first on the above slate becomes the Chairman of the Board of Directors.

For the appointment of statutory auditors who, for any reason, were not appointed in accordance with the procedure above, the Shareholders' Meeting adopts resolutions with the majorities required by law, without prejudice in all cases to compliance with the gender balance requirements envisaged by the laws and/or regulations in force at the time. The outgoing Statutory Auditors may be re-elected.

15.2. COMPOSITION

The Board of Statutory Auditors in charge at the Report Date was appointed by the Ordinary Shareholders' Meeting

held on 15 May 2018 (with the slate voting mechanism) and is made up of the following members: Francesco Fallacara (Chairman of the Board of Statutory Auditors, appointed by the minorities), Fabio Artoni, Antonella Carù, Luca Nicodemi and Alberto Villani as standing auditors, and Franca Brusco (appointed by the minorities), Elenio Bidoggia and Giovanna Oddo, as alternate auditors until the date of the Shareholders' Meeting called for the approval of the financial statements as of 31 December 2020.

The professional profiles of the members of the Board of Statutory Auditors are summarised on the Website.

The remuneration of the statutory auditors is discussed in the Remuneration Report.

The Shareholders' Meeting of 15 May 2018 confirmed the appointment of all the standing members of the Board of Statutory Auditors whose mandates were due to expire.

All the Statutory Auditors can be qualified as independent on the basis of the criteria specified for Directors⁴⁰ in the Corporate Governance Code, in line with the provisions contained in said Code and as expressly ascertained by the Board of Statutory Auditors, based on the information provided by the Statutory Auditors and the information available to the Board of Statutory Auditors.

This ascertainment is carried out annually.

It should be noted that the Statutory Auditors accepted their office after having considered whether or not they could dedicate the necessary time to the performance of their duties.

During the Year, the Board of Statutory Auditors of Pirelli met 12 times, with each meeting having an average duration of about 2 hours.

At the Report Date, 37.5% of the eight members of the Board of Statutory Auditors (five standing auditors and three alternate auditors) are female (the percentage is 20% with reference to the standing auditors only). Furthermore, the average age of the members of the Board of Statutory Auditors is just above to 52 years (the average age of the standing Auditors only is 54). 80% of the standing auditors are between 54 and 58 years of age, while the remaining standing Auditor was 45.

For further details on the application of the diversity criteria, and of gender, in the composition of the Board of Statutory Auditors see paragraph 1.2.

During the Year, like the Board of Directors, the Board of Statutory Auditors started for the first time - in accordance with the recommendations of the rules of conduct of listed companies issued by the Italian Board of Professional

⁴⁰ The Board of Directors, on 22 June 2018, communicated to have evaluated the existence of the independence requirements of the statutory auditors declared at the time of appointment.

Accountants and Auditors (*Consiglio nazionale dei dottori commercialisti e degli esperti contabili*) - the process to assess how it operates, with the assistance of independent consultants SpencerStuart. This self-assessment process was carried out through individual interviews with questions about the suitability, size, composition and operation of the Board of Statutory Auditors itself, in order to certify the suitability, correctness and effectiveness of its operation. The positive result of the Board of Statutory Auditors assessment process are highlighted under the Statutory Auditors Report to the financial statements as of 31 December 2018.

Table 3 attached provides for the relevant information about each member of the Board of Statutory Auditors in charge at the Report Date.

16. General Manager Operations

It should be noted that on 14 May 2018 the Board of Directors approved the establishment of the General Operations Department, under the responsibility of Andrea Casaluci. The Board granted appropriate responsibilities and operational powers to the General Manager Operations in order to perform his role.

17. Information flows to the Directors and Statutory Auditors

The Board of Directors of Pirelli adopted a procedure for information flows to the directors and statutory auditors, in order to (i) guarantee the transparent management of the business, (ii) establish conditions for the effective and efficient management and control of the activities of the Company and the operations of the business by the Board of Directors, and (iii) provide the Board of Statutory Auditors with the necessary sources of information for the efficient performance of its supervisory role.

The flow of information to the Directors and Statutory Auditors is assured, preferably, by the transmission of documents on a timely basis and, in any case, with sufficient frequency to ensure compliance with the disclosure requirements established by law and the Articles, and in accordance with deadlines consistent with the timetables set for each Board meeting.

These documents may be integrated by explanations provided by the Chairman, the executive directors or top managers of the Group in the context of the board meetings, or at specific informal meetings organised to examine topics of interest related to the management of the Company.

In any case, the Directors and Statutory Auditors receive the information published by Pirelli in accordance with the regulations governing corporate disclosures (such as press releases and reports) and investment proposals (prospectuses, howsoever described).

In addition to the matters reserved for examination and/or approval by the Board of Directors of the Company pursuant to the law and the Articles, the flow of information to the Directors and Statutory Auditors contains information about: (i) the general results of operations and the outlook for the future; (ii) the activities carried out, with particular reference to the transactions (a) of greater strategic, economic, financial and investment interest, (b) with related parties, and (c) that are atypical or unusual; (iii) the instructions given in the exercise of management and coordination activities pursuant to articles 2497 et seq. of the Civil Code, and (iv) any other activities, transactions or events that it is deemed appropriate to bring to the attention of the Directors and Statutory Auditors. If the information flows are related to inside information and/or significant information, they must take place in accordance and compliance with the procedures indicated in the Market Abuse Procedure.

18. Relations with shareholders

Pirelli considers that financial communications have strategic importance for consolidating the relationship of trust existing with the financial community. Pirelli maintains constant dialogue with shareholders, bondholders, institutional and individual investors, analysts and, more generally, with the Italian and international financial community through the Investor Relations function, in order to promote equal, transparent, timely and accurate communications.

In line with international best practices, the "Investors" section on the Website is constantly updated with content of interest to the financial market, including: strategy ("*Equity Story*"), economic-financial data on previous financial years, analysts' opinions of Pirelli, and their estimates for the principal economic-financial indicators ("*Consensus*"), monthly developments in the principal automotive tyre market ("*Tyre Market Watch*"). The Investor Relations Department also promotes periodic meetings with Shareholders and Investors in Italy and abroad.

19. Shareholders' Meetings

Pursuant to art. 7 of the Articles, Ordinary and Extraordinary Shareholders' Meetings of the Company are held in single call. Their resolutions are adopted with the majority required by law, with the sole exception of the authorisation of the Board of Directors to carry out the deeds listed below, which requires a qualified majority (votes in favour of shareholders representing at least 90% of the share capital of the Company):

- transfer the operational and administrative headquarters outside of the municipality of Milan;
- any transfer and/or deed of disposition, in any form, of Pirelli know-how (including the granting of licences).

Parties entitled to vote may be represented by proxy, given in accordance with the procedures envisaged by law and the regulations in force.

Proxies may be notified to the Company via electronic means by: (i) using the specific section of the Website indicated by the Company in the notice of call; (ii) sending an e-mail to the certified e-mail address indicated by the Company in the notice of call.

The notice of call may also limit to one of the above methods the specific procedure usable in relation to the Meeting called by that notice.

For each Meeting, the Company designates one or more persons to which those entitled to vote at the Meeting may grant a proxy, with voting instructions for all or just some of the motions on the agenda. The proxy does not apply to motions for which no voting instructions were given. The persons designated to receive proxies for the Meeting are specified in the related notice of call, together with relevant procedures and deadlines.

The Ordinary Shareholders' Meeting for the approval of the financial statements must be called, in accordance with the law, by no later than 180 days from the end of the financial year.

In the cases provided by law and in accordance with the related procedures, the directors must call a Meeting without delay when requested by shareholders representing at least one-twentieth of share capital.

The shareholders requesting the Meeting must prepare a report on their proposals regarding the matters to be discussed. At the time of publishing the notice of call for the Meeting and in accordance with the procedures provided by law, the Board of Directors must make the report prepared by the shareholders available to the public, together with its considerations, if any.

In the cases, in the manner and with the timing provided by law, shareholders that, individually or together, represent at least one-fortieth of share capital may request the integration of the items of the agenda, indicating in their request the additional topics proposed by them, or proposing resolutions on matters already on the agenda.

A notice is published about the addition of items to the agenda or the presentation of additional proposed resolutions on matters already on the agenda, by the legal deadlines, in the manner established for publication of the notice of call.

Shareholders requesting additions to the agenda must prepare and send to the Board of Directors, by the final deadline for the presentation of requests for additions, a report explaining their reasons for the proposed resolutions on the matters they wish to discuss, or their reasons for the additional proposed resolutions presented in relation to matters already on the agenda. At the time of publishing the notice about the additions to the agenda and in accordance with the procedures envisaged by law, the Board of Directors must make the report prepared by the shareholders available to the public, together with its considerations, if any.

The Shareholders' Meeting quorum and the validity of resolutions are governed by law.

The right to attend Shareholders' Meetings and vote is governed by the relevant current legislation and is certified by a communication sent to the Company, by an authorised intermediary with reference to its accounting records, on behalf of the party entitled to vote. This certification is based on the evidence existing at the end of the accounting day on the seventh trading day prior to the date fixed for the Shareholders' Meeting. The additions and deductions recorded on those accounts subsequent to that deadline are not relevant when determining the legitimacy of the right to vote at the Shareholders' Meeting. The communication must be received by the Company within the end of the third trading day prior to the date fixed for the Shareholders' Meeting, or within any different deadline established by the applicable regulations. All without prejudice to the legitimacy for the Shareholders to attend and vote if the communication is received by the Company after the above deadlines, on condition that it is received before business commences at the Shareholders' Meeting.

Ordinary and Extraordinary Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, if absent or unavailable, by the Chief Executive Officer. If the above persons are absent, the chair is taken by another person appointed by a majority of the share capital represented at the Shareholders' Meeting.

The Chairman of the Shareholders' Meeting is assisted by a Secretary, appointed by a majority of the share capital represented at the Shareholders' Meeting, who does not need to be a shareholder; assistance from the Secretary

is not necessary when the minutes of the Shareholders' Meeting are drafted by a Notary.

The Chairman of the Shareholders' Meeting chairs the meeting and, in accordance with the law and the Articles, moderates its course. For this purpose, the Chairman - *inter alia* - verifies that the meeting has been properly convened, verifies the identity of those attending and their right to attend, directly or by proxy; verifies the legal *quorum* for voting; manages the proceedings, with the right to change the order of discussion of the items indicated in the notice of call. The Chairman also adopts suitable measures to ensure orderly discussions and voting, determining the related procedures and verifying the results.

Shareholders' Meeting resolutions are evidenced by the minutes signed by the Chairman of the Meeting and by the Secretary of the Meeting or the Notary. The minutes of Extraordinary Meetings must be taken by a Notary designated by the Chairman of the Meeting. All copies of and extracts from minutes not prepared by a Notary are certified true by the Chairman of the Board of Directors.

The conduct of such meetings is governed by the general meeting regulations approved by the Shareholders' Meeting held on 1 August 2017 (available on the Website), as well as by the law and the Articles.

20. Changes since the end of the Year

There have not been any changes to the structure of corporate governance since the end of the Year, except as already indicated in the previous paragraphs, if applicable.

21. The Pirelli Website

For Pirelli, the Website - in English and in Italian - represents a fundamental tool to ensure the prompt and total dissemination of information about the Company and the Group to all Stakeholders.

Pirelli ensures that it is promptly and thoroughly updated, so as to guarantee the transparency of information and compliance with the current laws and regulations applicable to companies listed on the Italian Stock Exchange.

The Company's purpose is to provide simple and clear information for investors and, in general, all its stakeholders, through the Website, in line with common practice. For this

reason, also taking account of the results of assessments by independent agencies - most recently in August 2018 - and in line with the expectations of the Stakeholders, the Company uses its best endeavours to constantly implement the Website.

22. Considerations on the Letter of 21 December 2018 by the Chairman of the Corporate Governance Committee

With a letter dated 21 December 2018 (the "**Letter by the Chairman**") the Chairman of the Borsa Italiana's Corporate Governance Committee, Patrizia Grieco, in the context of the usual monitoring of the application of the provisions of the Corporate Governance Code, formulated four recommendations for listed Companies (the "**Committee's Recommendations for 2019**") and, at the same time, expressed the hope that the considerations of each issuer on these recommendations and any related initiatives they undertake would be made public with the publication of the Report.

The Boards of Directors of companies listed in Italy that adhere to the Corporate Governance Code were invited to:

1. promote within the board an activity assessing the **adequacy of the pre-board reporting** received during the financial year and to ensure that the confidentiality requirements are safeguarded without compromising the adequacy and timeliness of the flows of information that precede the board meetings;
2. apply the **criteria of independence defined by the Corporate Governance Code** with greater rigour, emphasising how cases in which these criteria are not applied should be an exception, and in any event extensively justified; the control bodies were invited to monitor the correct application of these criteria;
3. ensure greater **transparency about the methods used to carry out the board performance evaluation**, expressing the hope that, particularly for the larger issuers, a member of the board be identified to oversee the board performance evaluation and that arrangements are adopted that maximize the individual contribution made of each director;
4. check that the **remuneration policies** adopted are **adequate for the pursuit of the aim of the sustainability of the activities of the company in the medium-long term**; in this regard it was recommended, in particular to medium-large issuers, that the link between variable remuneration and parameters linked to long-term

objectives be strengthened, and the possibility of paying sums not linked to predetermined parameters (i.e. "*ad hoc*" bonuses) be limited to individual exceptional cases, subject to an adequate explanation.

The Committee's recommendations for 2019 were brought to the attention of (i) the Audit, Risks, Sustainability and Corporate Governance Committee and the Board of Statutory Auditors on 13 February 2019, and (ii) the Board of Directors on 14 February 2019.

A summary of the considerations formulated by the Board of Directors on the above mentioned Committee's Recommendations for 2019 is provided below.

The system of corporate governance rules adopted in the past by Pirelli - inspired by international best practices on corporate governance - is already in line with the principles under the Corporate Governance Code for listed companies, to which the Company has adhered, as also shown in the periodic reports published in Pirelli's 2017 financial statements and the half-yearly report at 30 June 2018 of Pirelli, for the reasons listed below:

- standard pre-board reporting is assured by the Company at least ten days before the meeting (both in Italian and in all the other languages spoken by members of the company bodies); the confidentiality and traceability of information and documents sent to the Directors and Statutory Auditors is ensured through the use of a dedicated computer tool, accessible with personal credentials;
- there have been no exceptions to the application of the criteria of independence established by the Corporate Governance Code during the mandate of the current board;
- a Board Performance Evaluation has been carried out with the aid of a primary independent company specialised in the subject (SpencerStuart) acting as facilitator of the process (for more details see paragraph 4.5.1);
- the 2019 Remuneration Policy adopted by the Company provides for a long incentive period (the "LTI plan") which ensures that the variable remuneration parameters are linked to long-term targets (for more details see the Remuneration Report).

The Board of Directors of the Company - having also obtained the favourable opinions of the members of the competent Committees and of the Board of Statutory Auditors on this subject -, believes that, as promptly highlighted in this Report, no specific interventions to its own system of corporate governance are needed in relation to the issues highlighted in the Letter by the Chairman insofar since the Committee's Recommendations for 2019 were already implemented some time ago.

TABLE 1: SIGNIFICANT SHAREHOLDINGS OF CAPITAL

The subjects which, according to the information published by Consob at the date of publication of this Report and/or according to further information available to the Company, hold shares with voting rights in Ordinary Shareholders' Meetings that represent more than 3% of the ordinary share capital are listed below.

SIGNIFICANT SHAREHOLDINGS OF CAPITAL

Declaring party	Direct Shareholder	% of ordinary capital	% of voting capital
China National Chemical Corporation	Marco Polo International Italy S.r.l.	45.52%	45.52%
Tronchetti Provera Marco	Camfin S.p.A.	10.05%	10.05%
Norges Bank	Norges Bank	3.17%	3.17%

NOTES TO TABLE 1

¹ It is useful to note that the information published by Consob on its website by virtue of the communications made by the parties bound by the obligations of Article 120 of the TUF and the Issuers Regulation, could be substantially different from the real situation, because the obligations to communicate changes in the percentages of shareholdings arise not when there is a simple change in this percentage but only when the holdings exceed or fall below predetermined thresholds (3%, 5%, and subsequent multiples of 5% up to a 30% threshold and, beyond this threshold, 50%, 66.6% and 90%). It follows, for example, that a shareholder (i.e. a declaring subject) that has declared ownership of 5.1% of the share capital with voting rights may increase their stake up to 9.9% without thereby having any obligation to notify Consob under Article 120 of the TUF.

Additionally, the Company Articles do not provide for the possibility of increased voting rights or the issue of shares with multiple voting rights.

² From the information reported on the Consob website, in the section "Investments in financial instruments and aggregate investments", it appears that in the month of December 2018, LTI transferred its holding in Pirelli to a bank, pursuant to a buy-back contract between the parties to guarantee a loan granted by said bank, which undertook to transfer said shareholding back to LTI and do everything in its power to exercise the voting rights in accordance with the instructions given from time to time by LTI.

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Office	Members	Year of birth	Date first appointed*	Current mandate (in office since)	In office until	Slate ⁴ (**)	Exec.	Non-exec.	Indep. Code	Indep. TUF	No. other offices ***	(*)	Audit, Risks, Sustainability and Corporate Governance Committee ²		Remuneration Committee ³		Appointments Committee		Strategy Committee		RPT Committee		
													(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	
Chairman	Ning Gaoning	1958	07 August 2018	07 August 2018	next shareholders' meeting ⁵	-		x			Cfr. All. A	0/1						-	M				
Executive Vice Chairman and Chief Executive Officer ♦	Marco Tronchetti Provera	1948	07 May 2003 ⁶	31 August 2017	AGM financial statement 2019	-	x				Cfr. All. A	6/6						-	P	-	P		
Director	Yang Xingqiang	1967	20 September 2015	31 August 2017	AGM financial statement 2019	-		x			Cfr. All. A	5/6								-	M		
Director	Bai Xinping	1968	02 September 2015	31 August 2017	AGM financial statement 2019	-		x			Cfr. All. A	5/6			3/3	M		-	M	-	M		
Director	Giorgio Luca Bruno	1960	15 March 2016	31 August 2017	AGM financial statement 2019	-		x			Cfr. All. A	5/6								-	M		
Director	Laura Cioli	1963	01 August 2017	31 August 2017	AGM financial statement 2019	-		x	x	x	Cfr. All. A	5/6	4/5	M	3/3	M							
Director	Domenico De Sole	1944	01 August 2017	31 August 2017	AGM financial statement 2019	-		x	x	x	Cfr. All. A	6/6								-	M	10/10	P
Director	Ze'ev Goldberg	1960	02 September 2015	31 August 2017	AGM financial statement 2019	-		x			Cfr. All. A	6/6								-	M		
Director	Tao Haisu	1949	20 October 2015 ⁷	31 August 2017	AGM financial statement 2019	-		x	x	x	Cfr. All. A	5/6			3/3	P							
Director	Marisa Pappalardo	1960	01 August 2017	31 August 2017	AGM financial statement 2019	-		x	x	x	Cfr. All. A	6/6										10/10	M
Director	Cristina Scocchia	1973	01 August 2017	31 August 2017	AGM financial statement 2019	-		x	x	x	Cfr. All. A	5/6	5/5	M								9/10	M
Director	Giovanni Tronchetti Provera	1983	01 August 2017	31 August 2017	AGM financial statement 2019	-		x			Cfr. All. A	6/6						-	M				
Director	Fan Xiaohua	1974	01 August 2017	31 August 2017	AGM financial statement 2019	-		x	x	x	Cfr. All. A	6/6	5/5	P									
Director	Wei Yintao	1971	01 August 2017	31 August 2017	AGM financial statement 2019	-		x	x	x	Cfr. All. A	6/6								-	M		
Director	Giovanni Lo Storto	1970	15 May 2018	15 May 2018	AGM financial statement 2019	m		x	x	x	Cfr. All. A	3/3	2/2	M	1/1	M							

DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE YEAR

On 30 July 2018, Ren Jianxin resigned from the office of Chairman of the Board of Directors and Director of the Company

Chairman	Ren Jianxin	1958	20 October 2015	31 August 2017	30 July 2018	-		x			-	3/4								-	M		
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Number of meetings of the Board of Directors held during the year: 6

Control and Risks Committee: 5 / Remuneration Committee: 3 / Appointments Committee: 0 / Strategies Committee: 0 / RPT Committee: 10

Indicate the quorum required for minority shareholders to submit a slate for the election of one or more directors (pursuant to art. 147-ter TUF):

1% of the share capital with the right to vote in ordinary shareholders' meetings

The following symbols must be inserted in the "Office" column:

* This symbol indicates the director responsible for the internal control and risk management system.

♦ This symbol indicates the person principally responsible for the operations of the issuer (Chief Executive Officer or CEO).

* The date of first appointment of each director means the date on which the director was appointed for the first time (in absolute terms) to the BoD of the issuer.

** The slate from which each director was elected is indicated in this column ("M": majority slate; "m": minority slate; "BoD": slate presented by the BoD).

*** The number of offices as director or statutory auditor held by the person in question in other companies listed in regulated markets, including foreign companies, finance companies, banks, insurance companies or of significant size is shown in this column.

(*) The attendance of the directors at the meetings of the BoD and its committees compared to the total number of meetings he or she could have attended is indicated in this column.

(**). The office held by the person on the Board is indicated in this column: "C": chairman; "M": member.

NOTES TO TABLE 2

1 The membership of the Board of Directors was supplemented with the appointment of Giovanni Lo Storto as an independent director nominated by the minority shareholders at the ordinary shareholders' meeting held on 15 May 2018, pursuant to the provisions of the New Shareholders' Agreement.

2 The membership of the Audit, Risks, Sustainability and Corporate Governance Committee was integrated with Director Giovanni Lo Storto following the Shareholders' Meeting on 15 May 2018.

3 The membership of the Remuneration Committee was integrated with Director Giovanni Lo Storto following the Shareholders' Meeting on 15 May 2018.

4 All the Directors except Giovanni Lo Storto have been appointed before the First Trading Day. For further details see par. 4.2.

5 On 7 August 2018 the Board of Directors co-opted Ning Gaoning, appointing him Chairman of the Board of Directors pursuant to art. 2386 of the Italian Civil Code. Ning Gaoning's term of office will expire at the next Shareholders' Meeting.

6 Marco Tronchetti Provera assumed the office of General Partner of Pirelli & C. Accomandita per Azioni on 29 April 1986. On 7 May 2003 it was resolved to transform the Company from a joint stock partnership to a limited liability company, and in consequence, there no longer being the role of general partner, directors were appointed.

7 Tao Haisu was a Director of Pirelli from 20 October 2015 to 15 March 2016.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors ¹									Board of Statutory Auditors ¹							
Office	Members	Year of birth	Date first appointed *	Current mandate (in office since)	In office until	Slate **	Indep. Code		Attendance at meetings of the Board of Statutory Auditors ***	Attendance at meetings of the BoD	Attendance at meetings of the ARSCGC	Attendance at meetings of the Remuneration Committee	Attendance at meetings of the Appointments Committee	Attendance at meetings of the Strategies Committee	Attendance at meetings of the RPT Committee	No. other offices ****
Chairman	Francesco Fallacara	1964	10 May 2012	15 May 2018	AGM financial statement 2020	m	x		12/12	6/6	5/5	3/3	-	-	10/10	Cf. Annex A
Standing Auditor	Fabio Artoni	1960	14 May 2015	15 May 2018	AGM financial statement 2020	M	x		12/12	6/6	5/5	3/3	-	-	9/10	Cf. Annex A
Standing Auditor	Antonella Carù	1961	10 May 2012	15 May 2018	AGM financial statement 2020	M	x		12/12	6/6	4/5	3/3	-	-	9/10	Cf. Annex A
Standing Auditor	Luca Nicodemi	1973	05 September 2017	15 May 2018	AGM financial statement 2020	M	x		12/12	6/6	5/5	3/3	-	-	10/10	Cf. Annex A
Standing Auditor	Alberto Villani	1962	05 September 2017	15 May 2018	AGM financial statement 2020	M	x		11/12	6/6	5/5	3/3	-	-	8/10	Cf. Annex A
Alternate Auditor	Franca Brusco	1971	15 May 2018	15 May 2018	AGM financial statement 2020	m	x		-	-	-	-	-	-	-	Cf. Annex A
Alternate Auditor	Elenio Bidoggia	1963	15 May 2018	15 May 2018	AGM financial statement 2020	M	x		-	-	-	-	-	-	-	Cf. Annex A
Alternate Auditor	Giovanna Oddo	1967	14 May 2015	15 May 2018	AGM financial statement 2020	M	x		-	-	-	-	-	-	-	Cf. Annex A

AUDITORS WHO CEASED TO HOLD OFFICE DURING THE YEAR

No Auditor ceased to hold office during the year, apart from what indicated in note 1 below

Number of meetings of the Board of Statutory Auditors held during the year: 12

Indicate the quorum required for minority shareholders to submit a slate for the election of one or more directors (pursuant to art. 148-ter TUF):
1% of the shares with the right to vote in ordinary shareholders' meetings

* The date of first appointment of each auditor means the date on which the auditor was appointed for the first time (in absolute terms) to the Board of Statutory Auditors of the issuer.

** The slate from which each auditor was elected is indicated in this column ("M": majority slate; "m": minority slate).

*** The attendance of the auditors at meetings of the Board of Statutory Auditors compared to the total number of meetings he or she could have attended is indicated in this column.

**** The number of offices as director or statutory auditor held by the person in question pursuant to 148-bis TUF and its implementing provisions in the Consob Issuers' Regulation is shown in this column. The complete list of offices is published by Consob on its website, pursuant to art. 144-quinquiesdecies of the Consob Issuers' Regulation.

NOTES TO TABLE 3

¹ The information reported in Table 3 takes account of the fact that the Shareholders' Meeting held on 15 May 2018 confirmed the mandates of all the standing auditors members of the Board of Statutory Auditors whose mandates were due to expire, and appointed Franca Brusco and Elenio Bidoggia as Alternate Auditors (until that date, the alternate auditor in office was Fabio Facchini).

ANNEX A

SECTION I: LIST OF MAIN OFFICES HELD BY DIRECTORS, AT THE REPORT DATE,
IN OTHER COMPANIES THAT ARE NOT PART OF THE PIRELLI GROUP

FIRST AND LAST NAME	COMPANY	OFFICE HELD IN THE COMPANY
Ning Gaoning	Sinochem Corporation Ltd: • China Jinmao Holdings Group Ltd. • Far East Horizon Ltd.	Chairman of the Board of Directors Chairman of the Board of Directors Chairman of the Board of Directors
	China National Chemical Corporation: • China National Chemical Corporation • Syngenta AG	Chairman of the Board of Directors Chairman of the Board of Directors Chairman of the Board of Directors
Marco Tronchetti Provera	Marco Tronchetti Provera & C. S.p.A.: • Camfin S.p.A.	Chairman of the Board of Directors Chairman of the Board of Directors
	RCS MediaGroup S.p.A.	Director
	TP Industrial Holding S.p.A.	Vice Chairman of the Board of Directors
Yang Xingqiang	China National Chemical Corporation: • ADAMA Agricultural Solutions Ltd. • Marco Polo International Italy S.r.l. • TP Industrial Holding S.p.A.	Chairman of the Board of Directors Director Chairman of the Board of Directors
Bai Xinping	China National Chemical Corporation: • China National Tire & Rubber Company Ltd. • CNRC International Holding (HK) Ltd. • CNRC Capital Ltd. • CNRC Capitale Ltd. • CNRC International Ltd. • Fourteen Sundew S.à.r.l. • Marco Polo International Italy S.r.l.: • TP Industrial Holding S.p.A.	Chairman of the Board of Directors Director Director Director Director Director Chairman of the Board of Directors Director
Giorgio Luca Bruno	Marco Tronchetti Provera & C. S.p.A.: • Camfin S.p.A. • Camfin Industrial S.p.A.	Director Director Sole Director
	TP Industrial Holding S.p.A.: • Prometeon Tyre Group S.r.l.	Chief Executive Officer Chairman of the Board of Directors and Chief Executive Officer

FIRST AND LAST NAME	COMPANY	OFFICE HELD IN THE COMPANY
Laura Cioli	SOFINA S.A.	Director
	Brembo S.p.A.	Director
	GEDI Gruppo Editoriale S.p.A.	Chief Executive Officer
Domenico De Sole	Sotheby's Holding Inc.	Chairman of the Board of Directors
	Tom Ford International Inc.	Chairman of the Board of Directors
	Advance Publication Inc.	Director
	Ermengildo Zegna S.p.A.	Director
Ze'ev Goldberg	LW 44, Inc.	Principal
	Compass Partners	Partners
Giovanni Lo Storto	DoBank S.p.A.	Director
	Internazionale S.p.A.	Director
	Pola S.r.l.	Vice Chairman of the Board of Directors
	Base per Altezza S.r.l.	Director
	Luiss Guido Carli: • L. Campus S.r.l. • L. Com S.r.l. • L. Lab S.r.l.	Chief Executive Officer Director Chief Executive Officer
Tao Haisu	Mercuria Energy Group • Mercuria (China) Investment Co. Limited	Director
	Canada-China Global Natural Resources Investment Funds	Director
Marisa Pappalardo	BPER Banca S.p.A.	Director
	Finstar S.p.A.	Director
Cristina Scocchia	EssilorLuxottica S.A. • Luxottica S.p.A.	Director Director
	KIKO S.p.A.	Chief Executive Officer
Giovanni Tronchetti Provera	Marco Tronchetti Provera & C. S.p.A.: • Camfin S.p.A.	Director Director
	TP Industrial Holding S.p.A.: • Prometeon Tyre Group S.r.l.	Director Director
Fan Xiaohua	-	-
Wei Yintao	-	-

SECTION II: LIST OF OFFICES HELD BY STATUTORY AUDITORS IN OTHER COMPANIES AT THE REPORT DATE

FIRST AND LAST NAME	COMPANY	OFFICE HELD IN THE COMPANY
Francesco Fallacara	Maire Tecnimont S.p.A.	Chairman of the Board of Statutory Auditors
	Ro. Co. Edil. Romana Costruzioni Edilizie	Standing Auditor
	HIRAFILM S.r.l.	External Auditor
	Banca Consulia S.p.A.	Alternate Auditor
	Capital Shuttle S.p.A.	Alternate Auditor
	Fondazione Link Campus University	Chairman of the Board of Statutory Auditors
Fabio Artoni	Mag JLT S.r.l.	Standing Auditor
	Ecosesto S.p.A.	Standing Auditor
	Pirelli Tyre S.p.A.	Chairman of the Board of Statutory Auditors
	Pirelli Industrie Pneumatici S.r.l.	Standing Auditor
	Trans Ferry S.p.A.	Alternate Auditor
	Pastificio Castiglioni S.p.A.	Chairman of the Board of Statutory Auditors
	Elba S.p.A.	Chairman of the Board of Statutory Auditors
	Antrim S.p.A.	Chairman of the Board of Statutory Auditors
	Alucart S.r.l.	Chairman of the Board of Statutory Auditors
	Alhof di A. Hofmann S.p.A.	Chairman of the Board of Statutory Auditors
	Coster Tecnologie Speciali S.p.A.	Chairman of the Board of Statutory Auditors
	Finser S.p.A.	Chairman of the Board of Statutory Auditors
	V.I.P. S.p.A.	Chairman of the Board of Statutory Auditors
	Barry Callebaut Italia S.p.A.	Chairman of the Board of Statutory Auditors
	Barry Callebaut Manufacturing Italia S.p.A.	Chairman of the Board of Statutory Auditors
	Euro TLX SIM S.p.A.	Standing Auditor
	Dolphin S.r.l.	Chairman of the Board of Statutory Auditors
	Chromavis S.p.A.	Chairman of the Board of Statutory Auditors
	Falck Energy S.p.A.	Standing Auditor
	VIP Logistics S.p.A.	Chairman of the Board of Statutory Auditors
	Emma S.p.A.	Standing Auditor
	London Stock Exchange Group Holdings Italia S.p.A.	Standing Auditor
	Monte Titoli S.p.A.	Alternate Auditor
	Elite S.p.A.	Standing Auditor
	Foodelicious S.r.l.	Standing Auditor
	Cassa di Compensazione e Garanzia S.p.A.	Standing Auditor
	Elite SIM S.p.A.	Standing Auditor
	Gatelab S.r.l.	Alternate Auditor
	Tetis S.p.A.	Alternate Auditor
	AMFIN HOLDING S.P.A.	Standing Auditor

FIRST AND LAST NAME	COMPANY	OFFICE HELD IN THE COMPANY
Antonella Carù	Autogrill S.p.A.	Standing Auditor
	Autogrill Advanced Business Service S.p.A.	Standing Auditor
	Pirelli Tyre S.p.A.	Standing Auditor
Luca Nicodemi	Prometeon Tyre Group S.r.l.	Chairman of the Board of Statutory Auditors
	TP Industrial Holding S.p.A.	Chairman of the Board of Statutory Auditors
	F.C. Internazionale S.p.A.	Chairman of the Board of Statutory Auditors
	Inter Media S.p.A.	Chairman of the Board of Statutory Auditors
	Inter Brand S.r.l.	Chairman of the Board of Statutory Auditors
	Mario Buccellati Italia S.r.l.	Chairman of the Board of Statutory Auditors
	Buccellati S.p.A.	Chairman of the Board of Statutory Auditors
	Restiani S.p.A.	Chairman of the Board of Statutory Auditors
	Nordest SGR S.p.A.	Chairman of the Board of Statutory Auditors and member of the SB
	Augens SGR S.p.A.	Chairman of the Board of Statutory Auditors
	Italian Creation Group S.p.A.	Chairman of the Board of Statutory Auditors
	JMACC S.p.A.	Chairman of the Board of Statutory Auditors
	CPC S.r.l.	Standing Auditor
	Dainese S.p.A.	Standing Auditor
	Corneliani S.p.A.	Standing Auditor
	Savills SGR S.p.A.	Standing Auditor
	Corob S.p.A.	Standing Auditor
	Imprima S.p.A. (already Color Wind S.p.A.)	Standing Auditor
	Holding di Piergiorgio Coin S.r.l.	Standing Auditor
	One Audit S.p.A.	Standing Auditor
	Guazzotti S.r.l.	Standing Auditor
	Pillarstone Italy Holding S.p.A.	Alternate Auditor
	POC Holding S.p.A.	Standing Auditor
	Wise SGR S.p.A.	Alternate Auditor
	Pillarstone Italy S.p.A.	Alternate Auditor
	De Fonseca S.p.A.	Director
	Fondazione Roche	Sole Auditor
	Dompe' Farmaceutici S.p.A.	Member of the Supervisory Body
	DUEMMEI S.R.L.	Standing Auditor
	BORMIOLI PHARMA S.r.l.	Chairman of the Board of Statutory Auditors
	BORMIOLI PHARMA BIDCO S.P.A.	Chairman of the Board of Statutory Auditors

FIRST AND LAST NAME	COMPANY	OFFICE HELD IN THE COMPANY
Alberto Villani	AGB Nielsen Media Research Holding S.p.A.	Chairman of the Board of Statutory Auditors
	BTSR International S.p.A.	Chairman of the Board of Statutory Auditors
	Fratelli Consolandi S.r.l.	Chairman of the Board of Statutory Auditors
	HDP S.p.A.	Chairman of the Board of Statutory Auditors
	12 Capital Partners SGR S.p.A.	Chairman of the Board of Statutory Auditors
	Selecta S.p.A.	Chairman of the Board of Statutory Auditors
	Selecta Taas S.p.A.	Chairman of the Board of Statutory Auditors
	Quattrodedue S.p.A.	Chairman of the Board of Statutory Auditors
	Riva & Mariani Group S.p.A.	Chairman of the Board of Statutory Auditors
	Tenuta Montemagno Soc. Agricola S.p.A.	Chairman of the Board of Statutory Auditors
	Bennet S.p.A.	Standing Auditor
	Bennet Holding S.p.A.	Standing Auditor
	Carcano Antonio S.p.A.	Standing Auditor
	DE' Longhi Capital Services S.r.l.	Chairman of the Board of Statutory Auditors
	DE' Longhi Appliances S.r.l.	Chairman of the Board of Statutory Auditors
	EFFE 2005 Gruppo Feltrinelli S.p.A.	Standing Auditor
	FINMEG S.r.l.	Standing Auditor
	Gallerie Commerciali Bennet S.p.A.	Standing Auditor
	INTEK Group S.p.A.	Standing Auditor
	Lambda Stepstone S.r.l.	Standing Auditor
	Meg Property S.p.A.	Standing Auditor
	Over Light S.p.A.	Standing Auditor
	Vetus Mediolanum S.p.A.	Chairman of the Board of Statutory Auditors
	San Remo Games S.r.l.	Sole Auditor
	Viator S.p.A. in liquidation	Alternate Auditor
	Impresa Luigi Notari S.p.A.	Alternate Auditor
	Compagnia Padana per Investimenti S.p.A.	Alternate Auditor
	Royal Immobiliare S.r.l.	Sole Director
	Calvi S.p.A.	Director
	SO.SEA. S.r.l.	Director
	Vianord Engineering Société par action simplifiée	Director
	LE ROCCE 85 S.p.A.	Director
	Mare Blu 85 S.p.A.	Director
TP Industrial Holding S.p.A.	Standing Auditor	

FIRST AND LAST NAME	COMPANY	OFFICE HELD IN THE COMPANY
Elenio Bidoggia	Camfin Industrial S.p.A.	Alternate Auditor
	Pirelli International Treasury S.p.A.	Alternate Auditor
	Pirelli Tyre S.p.A.	Alternate Auditor
	TP Industrial Holding S.p.A.	Standing Auditor
	Prometeon Tyre Group S.r.l.	Standing Auditor
	Casa Editrice Universo S.p.A.	Standing Auditor
	Finpol S.p.A.	Standing Auditor
	Prelios Credit Servicing S.p.A.	Standing Auditor
	Prelios Integra S.p.A.	Standing Auditor
	Prelios Valuations & e- services S.p.A.	Alternate Auditor
	Prelios SGR S.p.A.	Chairman of the Board of Statutory Auditors
	Servizi Amministrativi Real Estate S.p.A.	Chairman of the Board of Statutory Auditors
	Fratelli Puri Negri S.a.p.A.	Standing Auditor
	Trixia S.r.l.	Standing Auditor
	Riva dei Ronchi S.r.l. in liquidation	Standing Auditor
	M&C Saatchi S.p.A.	Standing Auditor
	Geolidro S.p.A.	Standing Auditor
	Banca UBAE S.p.A.	Standing Auditor
	Armonia SGR S.p.A.	Standing Auditor
	Centrale Immobiliare S.r.l. in liquidation	Standing Auditor
	Marco Tronchetti Provera & C. S.p.A.	Chairman of the Board of Statutory Auditors
	Golfo Aranci S.p.A. in liquidation	Chairman of the Board of Statutory Auditors
	Elesa S.p.A.	Chairman of the Board of Statutory Auditors
	Manifatture Milano S.p.A.	Chairman of the Board of Statutory Auditors
	Prelios Agency S.p.A.	Alternate Auditor
	C.F.M. CO. FARMACEUTICA MILANESE S.p.A.	Alternate Auditor
	Esselte S.r.l.	Alternate Auditor

FIRST AND LAST NAME	COMPANY	OFFICE HELD IN THE COMPANY
Giovanna Oddo	Tiglio II S.r.l. in liquidation	Liquidator
	M.S.M.C. Immobiliare Due S.r.l. in liquidation	Liquidator
	Centrale Immobiliare S.r.l. in liquidation	Liquidator
	Trixia S.r.l.	Chairman of the Board of Directors
	Gromis S.r.l. in liquidation	Liquidator
	Ganimede Due S.r.l. in liquidation	Liquidator
	Lupicaia S.r.l. in liquidation	Liquidator
	Iniziative Retail S.r.l. in liquidation	Liquidator
	Iniziative Immobiliari S.r.l. in liquidation	Liquidator
	Riva De Ronchi S.r.l. in liquidation	Liquidator
	Geolidro S.p.A.	Chairman of the Board of Directors
	Camfin Industrial S.p.A.	Chairman of the Board of Statutory Auditors
	TP Industrial Holding S.p.A.	Alternate Auditor
	Prometeon Tyre Group S.r.l.	Alternate Auditor
	Manifatture Milano S.p.A.	Standing Auditor
	Marco Tronchetti Provera & C. S.p.A.	Standing Auditor
	Pirelli International Treasury S.p.A.	Standing Auditor
	Pirelli Servizi Amministrazione e Tesoreria S.p.A.	Alternate Auditor
Pirelli Tyre S.p.A.	Alternate Auditor	
Franca Brusco	ENAV S.p.A.	Chairman of the Board of Statutory Auditors
	Biancamento S.p.A.	Standing Auditor
	Lazio Ambiente S.p.A.	Chairman of the Board of Statutory Auditors
	D-Flight S.p.A.	Chairman of the Board of Statutory Auditors
	MOF S.c.p.a.	Standing Auditor
	Autorità di Sistema portuale del Mare Adriatico meridionale	Member of the Board of External Auditors
	Galleria Borghese	Standing Auditor
	Associazione Italiana per la Riabilitazione e per il Reinserimento degli invalidi (A.I.R.R.I.)	External Auditor
	Missione Futuro	External Auditor