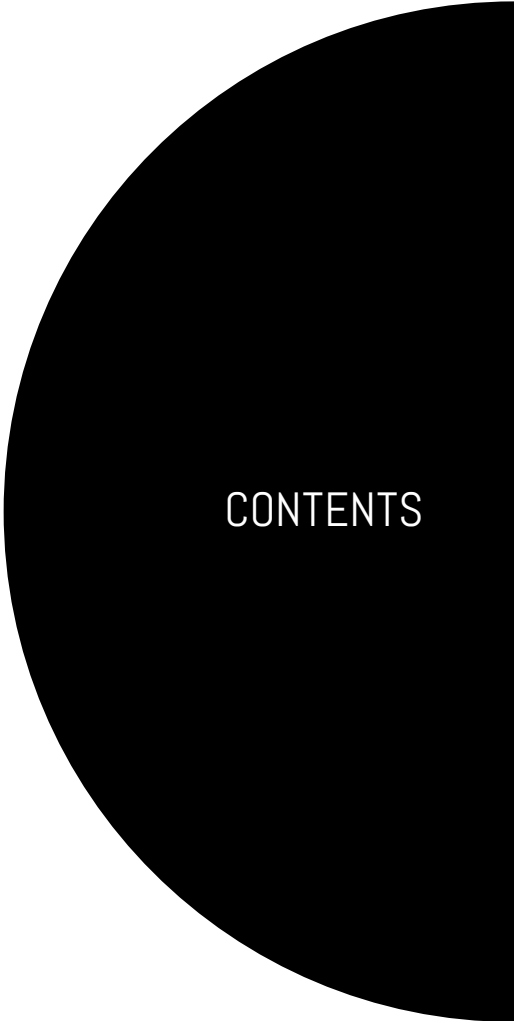


02. 2013 REPORT
ON CORPORATE
GOVERNANCE
AND STRUCTURE
OF SHARE
OWNERSHIP

PIRELLI & C. S.p.A. – Milan

02. 2013 REPORT
ON CORPORATE
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AND STRUCTURE
OF SHARE
OWNERSHIP

PIRELLI



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03. SUSTAINABILITY REPORT 2013

* This volume is a specific, integral section of the Directors' Report on Operations.

In its paper version, the 2013 Pirelli Annual Report integrates elements of digital interactivity available through the Pirelli App thanks to a built-in system of **Augmented Reality**. The content in digital format are indicated by this icon:



THE 2013 PIRELLI
ANNUAL REPORT
IS AVAILABLE
IN DIGITAL VERSION

- Dedicate website www.pirelli.com/AR2013
- **App IOS** and **Android** for mobile and tablet



App Store



Google play



App Store iPad



App Store iPhone



Google play





EXECUTIVE
SUMMARY

An Executive Summary of the 2013 Report on Corporate Governance and the Structure of Share Ownership is provided below that contains a brief description of the operation of Pirelli's corporate governance. The reader is referred to the specific sections of the Report for further details.

EXECUTIVE SUMMARY

The Company adopts the traditional system of administration and control.

Pirelli's Corporate Governance system is based on the following: (i) the central function of the Board of Directors, responsible for the strategic guidance and supervision of the Company's overall business activities, with policy-making powers in relation to the overall administration and the authority to intervene directly in a series of significant decisions necessary or useful to achieve the company purpose; (ii) the central role of the Independent Directors; (iii) an effective internal control system; (iv) a pro-active risk management system; (v) a remuneration system, in general, and an incentive system, in particular, for Managers associated with medium and long-term economic targets in order to align the management's interests with the shareholders' interests, by pursuing the priority objective of creating sustainable value in the medium/long-term, by establishing a strong link between remuneration, on the one hand, the performance of individuals and Pirelli's performance, on the other hand; (vi) a strict discipline concerning potential conflicts of interest and solid principles of conduct to execute transactions with related parties.

Pirelli complies with the Self-Regulatory Code of companies listed on the Italian Stock Exchange (Borsa Italiana) from the date the Code was first issued.

The governance system is formally defined in the Code of Ethics, in the Company Bylaws, in the Regulation that governs Shareholders' Meetings and in a series of principles and procedures which are updated periodically to assure best practices.

Pirelli has been declared the "Best Corporate Governance in Italy" for the fourth consecutive year in the

framework of the World Finance Corporate Governance Award 2013.

During 2013, and for the second consecutive year, Pirelli sponsored the ICGN Annual Conference held in New York, confirming the importance that Corporate Governance aspects represent for Pirelli.

BOARD OF DIRECTORS

The Board of Directors is responsible for the strategic guidance and supervision of the Company's overall business activities, with policy-making powers in relation to the overall administration and the authority to intervene directly in a series of significant decisions necessary or useful to achieve the company purpose.

When executing its activities, the Board of Directors avails itself of the support of special Board Committees which have fact-finding, proposing and/or advisory duties, as well as managerial committees comprising the senior management which implement the directives and the policies established by the Board of Directors and by the Executive Directors (in this regard, the reader is referred to the "Managerial Committees" section) and collaborate with the latter to define the respective proposals to be submitted to the Board concerned.

The Board of Directors is appointed by means of the "voting slate" system, thereby assuring that the so-called "minorities" are able to appoint one fifth of the Board Members, if at least two slates are presented.

The Board of Directors in office at the Date of this Report comprises 20 Directors which fall from office with the Shareholders' Meeting convened to approve the Financial Statements for the year closed as of December 31, 2013.

By adopting the voting slate system, the so-called minorities were able to appoint 4 Directors, corresponding to one fifth of the total.

EXECUTIVE DIRECTORS

The Board appointed Marco Tronchetti Provera as Chairman and Managing Director in the meeting held on April 21, 2011.

In addition to the Chairman and Managing Director, the Board considered the Deputy Chairman Alberto Pirelli to be an Executive Director, in view of the operational offices held in the subsidiary company Pirelli Tyre.

The Board of Directors redefined its organisational model during the 2013 financial year, with the aim of maximising business supervision and the geographic coordination of all the operational activities associated with product development and management.

In particular, the Operations General Division was established reporting directly to the Chairman and Managing Director, this Division has been entrusted to Gregorio Borgo, to which, in turn, the organisational units associated with the operational management (Industrial Operations, Supply Chain, Product and OE Aftermarket and Marketing), the Industrial and Motorcycle Business Units and the various "Regions" (Africa, Middle East and India, Asia-Pacific, Central Europe, North West Europe, South Europe, Latam, Nafta and Russia and Nordics) report.

The Regions continue to report directly to the Chairman and Managing Director with regard to the governance and overall coordination aspects.

In addition to the Operations General Division, the staff functions and the Chief Technical Officer, Maurizio Boicchi also report to the Chairman and Managing Director, to whom the Product, Processes, Quality, Original equipment and Motorsport areas continue to report.

INDEPENDENT DIRECTORS

The Board of Directors is characterised by a number of Independent Directors who, in general, represent the absolute majority of its members since 2006, with a more rigorous approach also concerning the Self-Regulatory Code that in the case of companies included in the FTSE-MIB index makes a recommendation that at least one third of the Board is to be composed of

Independent Directors.

There are two Executive Directors and ten Independent Directors at the Date of the Report, while the other eight Directors can be quantified as "non-executive Directors". Accordingly, the Independent Directors represent 50% of the Directors in office and approximately 55% compared to the total of the "non-executive Directors".

Pirelli deems that the central function of the Board of Directors is to define the strategic policy guidelines and to supervise the Company's business activities and in order to perform this task effectively the presence of an adequate number of Independent Directors with high professional and personal skills and expertise on the Board of Directors, plays a central role. This is actually the case and the Remuneration Committee and the Committee for Internal Control, Risks and Corporate Governance ("CICRCG") are composed only of Independent Directors since 2000. The significant representation of Independent Directors is also assured in the framework of the newly established Appointments and Succession Committee (the majority of its members are Independent Directors) and the Strategies Committee, and its composition reflects the mix of expertise and the presence of executive, non-executive and Independent Directors of the Board of Directors.

LEAD INDEPENDENT DIRECTOR

The Board of Directors decided to introduce the figure of the Lead Independent Director already from November 2005, in order to further enhance the role played by the Independent Directors.

The Lead Independent Director (represented by the Independent Director Carlo Secchi, Chairman of the CICRCG) represents the reference and coordination point for the requests and contributions of the Independent Board Members.

BOARD COMMITTEES

The Board established four committees after its renewal on April 21, 2011, two of which were new committees: the CICRCG, the Remuneration Committee; the Appointments and Succession Committee and the Strategies Committee.

APPOINTMENTS AND SUCCESSION COMMITTEE

The Appointments and Succession Committee is composed of 3 Board Members, the majority of whom are independent and in particular: Marco Tronchetti Provera (Chairman); Luigi Campiglio; Luigi Roth.

When defining the responsibilities of the Appointments and Succession Committee the Board of Directors assessed the increasing importance for Pirelli and for the market of the Board's direct involvement in defining the succession policies (i) not only and not just in relation to possible natural changes of the Executive Directors, for which however, the decisions made by the shareholders assume a decisive role, but in general (ii) concerning the top and senior management to assure the necessary continuity of the management action.

The responsibilities attributed to the Committee are outlined in detail below in the Report.

STRATEGIES COMMITTEE

The Strategies Committee is composed of 9 Board Members, 4 of whom are independent, and in particular: Marco Tronchetti Provera (Chairman); Alberto Bombassei; Franco Bruni; Paolo Fiorentino; Gaetano Micciché; Renato Pagliaro; Carlo Secchi; Manuela Soffientini; Claudio Sposito.

The Committee has advisory and proposing functions when defining the strategic guidelines, as well as to identify and define the conditions and terms of individual transactions of strategic importance.

The responsibilities attributed to the Committee are outlined in greater detail below in the Report.

REMUNERATION COMMITTEE

The Remuneration Committee is composed of 4 members, who are exclusively independent, and in particular: Luigi Roth (Chairman); Anna Maria Artoni; Luigi Campiglio; Pietro Guindani.

The Committee has advisory, proposing and supervisory functions to assure the definition and implementation of remuneration policies within the Group which, on the one hand, are designed to attract, motivate and retain the resources which have the professional qualities required to achieve the Group's objectives profitably, and on the other hand, are able to align the management's interests with the shareholders' interests.

The Committee's specific responsibilities are outlined in detail later in the Report.

GENERAL REMUNERATION POLICY

Pirelli has already defined a Remuneration Policy from the 2011 financial year, one year early compared to the legal obligation and each year the policy is submitted to the advisory vote of the shareholders.

The definition of the Policy is the result of a clear and transparent process in which the Remuneration Committee and the Board of Directors play a central role.

COMMITTEE FOR INTERNAL CONTROL, RISKS AND CORPORATE GOVERNANCE

The CICRCG is composed of 4 members, who are exclusively independent, and in particular: Carlo Secchi (Chairman); Franco Bruni; Elisabetta Magistretti; Luigi Roth.

The Committee has advisory and proposing functions and has the mission, on the one hand, of assuring the efficiency, effectiveness and correctness of the internal control system and the corporate governance structure, in general, on the other hand.

Furthermore, on April 21, 2011 the Board of Directors confirmed the responsibilities originally assigned to the Committee for Internal Control and Corporate

Governance, moreover, in line with the responsibilities set out in the Self-Regulatory Code, and also confirmed the prerogatives concerning corporate governance which characterise the Committee from the date it was established.

The responsibilities assigned to the CICRCG are outlined in detail later in the Report.

MANAGERIAL COMMITTEES

Specific managerial committees are established within the Group comprising top and senior management with the responsibility of assisting the Board of Directors and the Executive Directors in defining the Company's business guidelines and to implement the policies established by the Board.

SUCCESSION PLANS

First of all, the Appointments and Succession Committee examined the corporate processes relating to the identification, management and development of "talents" which assure the Group has a "natural source" of in-house growth over time, thereby ensuring a constant generational change.

The Committee also examined the main initiatives implemented to assure the development of management responsibilities and the process to define the so-called "succession tables".

The Board of Directors examined the Committee's proposals during 2013 and adopted the succession plan for the Company's top management to be implemented in the case of urgency and also approved the process to be followed to define the natural succession plan of the Company's top management.

INTERNAL CONTROL SYSTEM

In general, Pirelli's internal control system is structured to assure correct information and adequate control of all the Group's activities, with particular attention paid to the areas deemed to represent a potential risk.

Pirelli's internal control system developed as a direct process to achieve the values of substantial and procedural fairness, transparency and accountability, assuring: efficiency, transparency and traceability of the transactions and, more in general, the management related activities; the dependability of the accounting and management data and the financial information; compliance with the laws and regulations; protecting the Company's integrity, also for the purpose of preventing fraud to the detriment of the Company and the financial markets.

THE RISK GOVERNANCE SYSTEM

The risk supervision and governance model adopted by the Group in July 2009, has the following aims:

- "to manage" risks in terms of prevention and mitigation;
- "to seize" the opportunity factors proactively;
- to disseminate the "culture" of the value at risk within the company, in particular, in the strategic planning and operational processes and in the most important corporate decisions;
- to assure transparency in terms of the risk assumed and the management strategies implemented, based on periodic and structured reporting to the Board of Directors and to the Top Management and adequate information to the shareholders, and more in general, to all the so-called stakeholders.

It is important to observe the central role played by the Board of Directors with reference to the governance of the new model, since the Board of Directors is responsible for supervising the risk management process so that the risks assumed in the framework of the Company's business activities are consistent with the strategies (so-called monitoring action).

CODE OF ETHICS – POLICY GUIDELINES

The Code of Ethics outlines the general principles adopted as a reference for the performance and conduction of business within Pirelli; the Code of Ethics indicates the aims and values underlying the Company's business activities. Indeed, Pirelli states that its internal and external business is based on complying with the Code of Ethics, in the belief that business success cannot be separated from ethics in business.

The Policy Guidelines contain an "operative" statement of the principles contained in the Code of Ethics and establish rules, for the whole Group, designed to prevent the creation of an environment favourable to committing offences in general.

The Code of Ethics and the Policy Guidelines are translated into all the languages used within the Pirelli Group (22 different languages).

THE SUPERVISORY BODY

A special Supervisory Body supervises the functioning and compliance with the Organisational Model 231 adopted by the Company, the Supervisory Body is economically independent and is composed of the Board Member Carlo Secchi, Lead Independent Director and the Chairman of the CICRCG, by the Statutory Auditor Antonella Carù and by Maurizio Bonzi, the Internal Audit Function Manager.

AUDITING COMPANY

The statutory audit activities are performed by a company appointed by the Shareholders' Meeting from among the companies enrolled in the respective register. Reconta Ernst & Young S.p.A. was conferred the mandate to audit the financial statements, the consolidated financial statements and the abridged interim financial statements referred to the 2008-2016 financial years.

OFFICER RESPONSIBLE FOR PREPARING THE COMPANY'S ACCOUNTING DOCUMENTS

The Board of Directors, with the favourable opinion expressed by the Board of Statutory Auditors, confirmed Francesco Tanzi, Chief Financial Officer as the Responsible Officer in the meeting held on April 21, 2011, the Responsible Officer is also responsible for the Group's Financial Statements and Taxes functions.

DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED COMPANIES

The Company established principles of conduct to execute transactions with related parties from 2002, these principles are designed to assure an effective substantial and procedural correctness and transparency in the transactions of this nature undertaken by the Company directly or through subsidiaries.

Following Consob's adoption of a special Regulation to govern transactions with related parties in March 2010, the Company subsequently approved a specific and structured procedure (on November 3, 2010) concerning transactions with related parties.

The procedural decisions adopted by the Company are more rigorous compared to the requirements envisaged by the Consob Regulations.

Considering the Company has adopted the Consob recommendation to envisage a review of the TRP Procedure at least every three years, in the meeting held on November 5, 2013 (therefore, after three years have elapsed from adoption of the TRP Procedure), the Board of Directors approved some marginal amendments to the TRP procedure, taking into account the opinion expressed by the Committee for Transactions with Related Parties and the assessment expressed by the Board of Statutory Auditors (with the unanimous vote of the respective members), confirming the model adopted during 2010.

BOARD OF STATUTORY AUDITORS

At the Date of the Report, the Board of Statutory Auditors was appointed for the 2012-2014 financial years with the voting slate system and is composed of Francesco Fallacara (appointed as Chairman, since selected from the slate presented by the minorities); Antonella Carù and Enrico Laghi; the Alternate Auditors are Umile Sebastiano Iacovino and Andrea Lorenzatti (selected from the minority slate).

The appointment is envisaged to be made by means of the so-called "voting slate" system, so as to ensure that, if two slates are presented, one Statutory Auditor and one Alternate Auditor are selected from the slate that obtained the second highest number of votes (so-called minority slate).

RELATIONS WITH SHAREHOLDERS

In its tradition of transparency the Company manages with special attention the relations with Shareholders, with Investors (institutional and private investors), with financial analysts, with other market players and with the financial community in general, in compliance with their reciprocal roles and by promoting periodic meetings in Italy and abroad.

The Pirelli Internet website dedicates a section called Investors designed to establish an open, immediate and transparent dialogue with all parties requiring financial information concerning Pirelli; the Investors section includes the details required for an initial contact with Pirelli for evaluation purposes.

Furthermore, Pirelli has prepared a section on the website dedicated to Retail investors in the case of individual investors.

Investor Relations has an e-mail address (ir@pirelli.com) to facilitate the dialogue with the Company.

SHAREHOLDERS' MEETINGS

The discipline that governs the operation of the Shareholders' Meetings has been profoundly innovated following the provisions introduced into Italian legislation by Legislative Decree No. 27 of 2010 that adopted Directive 2007/36/EC in the legal system, designed to facilitate the participation by shareholders of listed companies in Shareholders' Meetings.

The operation of the Shareholders' Meetings is governed by the Shareholders' Meetings Regulation duly approved by the Shareholders' Meeting held on May 11, 2004 and subsequently amended by the Shareholders' Meeting held on April 23, 2007, in addition to the law and the Company Bylaws.

With regard to the shareholders' meeting of the holders of savings shares this meeting is called by the Company's Common Representative of savings shareholders or by the Company's Board of Directors whenever deemed appropriate or whenever the call is requested, as required by law.

The savings Shareholders' Meeting that was held on January 31, 2012 appointed prof. Giuseppe Niccolini as the Common Representative for the 2012-2014 financial years.

The Pirelli Internet website includes sections which are dedicated to the Shareholders' Meetings and to the figure of the Common representative of the Company's savings shareholders.

GLOSSARY

Shareholders' Meeting to approve the Financial Statements for 2012: means the Shareholders' Meeting convened to approve the Financial Statements as of December 31, 2012.

Shareholders' Meeting to approve the Financial Statements for 2013: means the Shareholders' Meeting convened to approve the Financial Statements as of December 31, 2013.

C.C.: indicates the Italian Civil Code.

Self-Regulatory Code: indicates the Self-Regulatory Code of Conduct promoted by Borsa Italiana S.p.A. with which the Company complies and is published on the following website: www.borsaitaliana.it.

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

CICRCG: indicates the Committee for Internal Control, Risks and Corporate Governance established within the Board of Directors.

Consob: indicates the National companies and stock exchange commission.

Date of the Report: indicates the Board of Directors' Meeting held on March 27, 2013 that approved this report.

Responsible Officer: means the Executive Manager responsible for preparing the Company's accounting documents, as set out under Article 154-bis of the Unified Finance Law (TUF).

2012 financial year: indicates the financial year closed as of December 31, 2012.

2013 financial year: indicates the financial year closed as of December 31, 2013.

Pirelli: indicates the group of which Pirelli & C. S.p.A. is the Parent Company.

Pirelli & C.: indicates Pirelli & C. S.p.A. with registered office in Milan, Tax Code, VAT registration and registration number in the Milan Register of Companies under No. 00860340157.

Pirelli Tyre: indicates Pirelli Tyre S.p.A. with registered office in Milan, Tax Code and registration number in the Milan Register of Companies under No. 07211330159.

Issuer Regulations: indicates the Regulations issued by Consob with resolution No. 11971 of 1999 relating to issuers and the subsequent amendments and supplements.

Market Regulations: indicates the Regulations issued by Consob with resolution No. 16191 of 2007 relating to markets and the subsequent amendments and supplements.

Report: indicates this report on corporate governance and the structure of share ownership prepared in accordance with Article 123-bis of the Unified Finance Law (TUF).

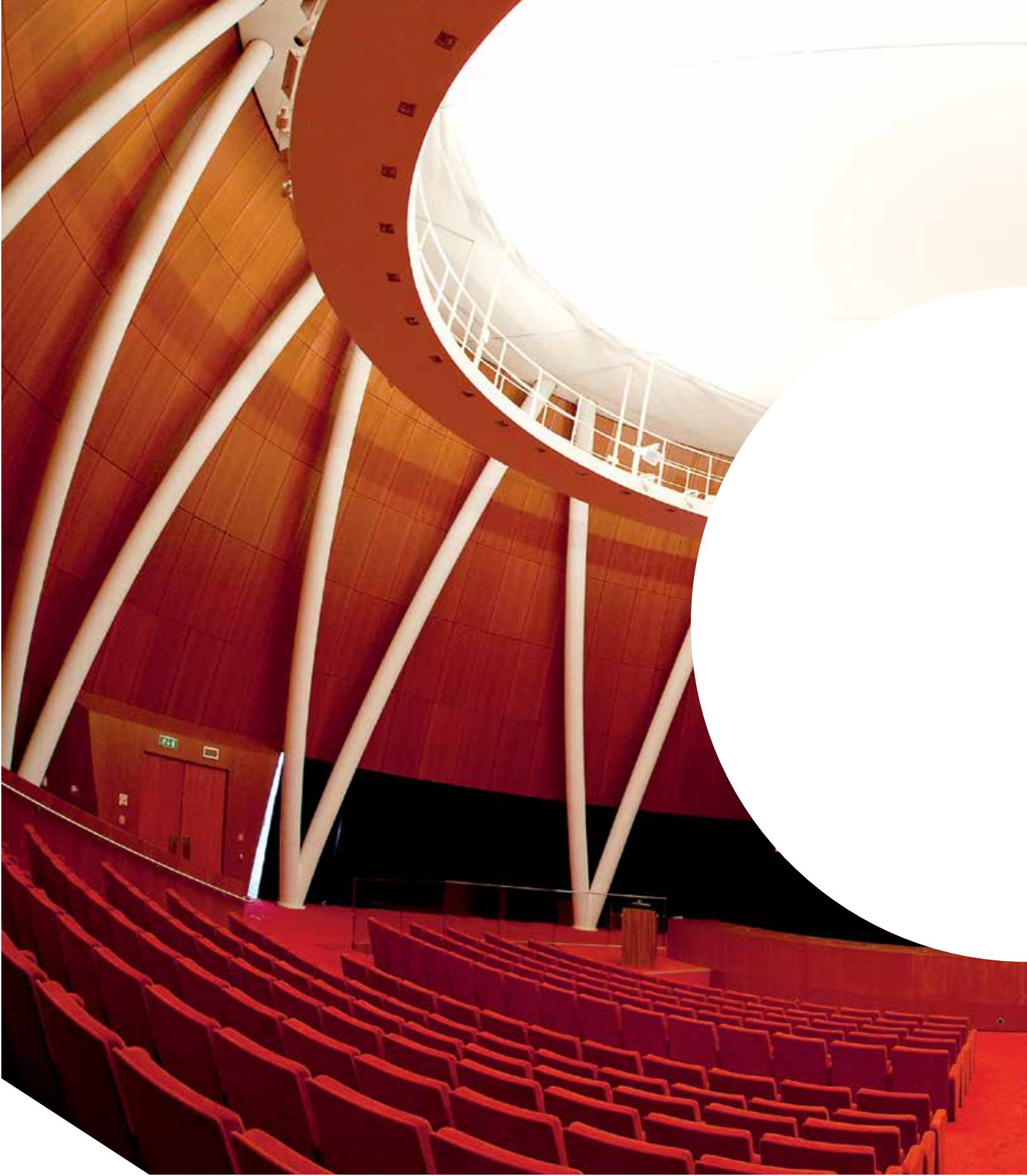
Pirelli Internet website: the institutional Pirelli website containing, inter alia, information relating to the Company and reachable at the Internet domain: www.pirelli.com.

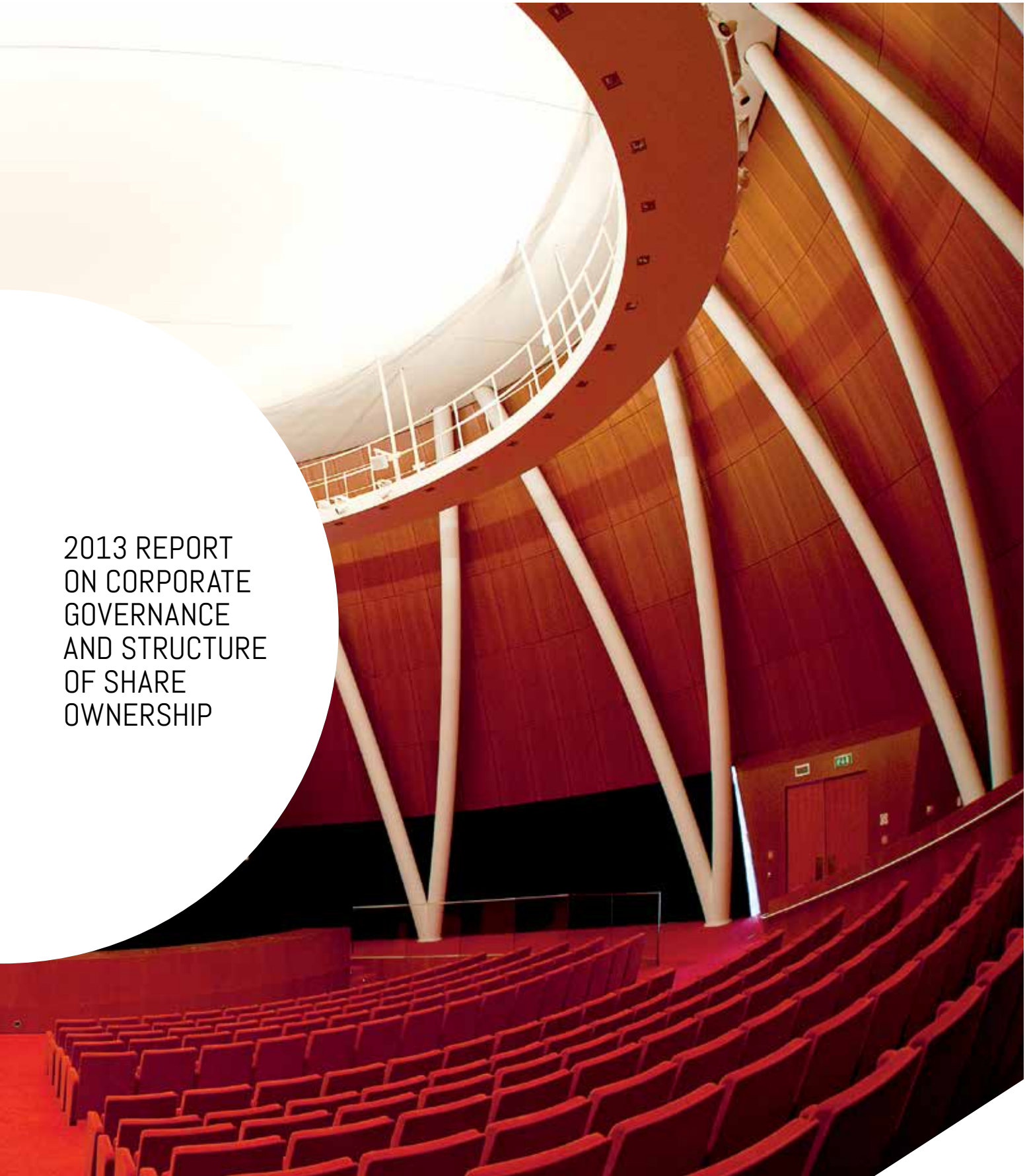
Company: indicates Pirelli & C. S.p.A..

Company Bylaws: indicates the Company Bylaws of Pirelli & C., available on the Pirelli Internet website.

Unified Finance Law (TUF): indicates Legislative Decree No. 58 dated February 24, 1998, (Unified Finance Law).







2013 REPORT
ON CORPORATE
GOVERNANCE
AND STRUCTURE
OF SHARE
OWNERSHIP

1. PROFILE OF THE COMPANY ISSUING THE REPORT

Pirelli & C. is the joint-stock company listed on the Italian Stock Exchange (Borsa Italiana) and is the Parent Company of the multinational group specialising in the tyre sector, and a leading company in the top of the range and high technological content segments.

The company was founded in 1872, and today Pirelli has production facilities in four continents and operates in more than 160 countries worldwide.

Pirelli stands out for its long industrial tradition that has always been combined with a capacity for innovation, product quality and a strong brand. This strength has also been supported from 2002 by the fashion and high-tech project of PZero and today further enhanced by the Formula 1, for which Pirelli is the exclusive supplier. Pirelli has always focused on research and development in line with its green performance strategy and works with constant and growing attention paid to products and services of high quality and technology and a low environmental impact.

The awareness that an efficient corporate governance system represents one of the essential factors to achieve the objectives of creating sustainable value drives Pirelli to maintain its corporate governance system constantly in line with national and international best practices.

The Company adopts the traditional system of administration and control. Pirelli's Corporate Governance system is based on the following factors: (i) the central function played by the Board of Directors that is responsible for the strategic guidance and supervising the Company's overall business activities, with policy-making powers in relation to the overall administration and the authority to intervene directly in a series of significant decisions necessary or useful to achieve the company purpose; (ii) the central role of Independent Directors (iii) an effective internal control system; (iv) a pro-active risk management system; (v) a remuneration system, in general, and an incentive system, in particu-

lar, for Managers associated with medium and long-term economic objectives in order to align the management's interests with the shareholders' interests, by pursuing the priority objective of creating sustainable value in the medium/long term, by establishing a strong link between remuneration, on the one hand, the performance of individuals and Pirelli's performance, on the other hand; (vi) a strict discipline concerning potential conflicts of interest and solid principles of conduct to execute transactions with related parties.

The governance system is formally defined in the Code of Ethics, in the Company Bylaws, in the Regulations concerning Shareholders' Meetings and in a series of principles and procedures which are periodically updated to assure best practices.

It is important to confirm that in the interim financial report Pirelli highlights the updates and integrations made to its corporate governance system compared to the information contained in the annual report.

Pirelli was declared the "Best Corporate Governance in Italy" for the fourth consecutive year in the framework of the World Finance Corporate Governance Award 2013.

During 2013, and for the second consecutive year, Pirelli sponsored the ICGN Annual Conference held in New York, confirming the importance that Corporate Governance aspects represent for Pirelli.

PIRELLI WAS
DECLARED THE
"BEST CORPORATE
GOVERNANCE IN ITALY"
FOR THE FOURTH
CONSECUTIVE YEAR
IN THE FRAMEWORK
OF THE WORLD
FINANCE CORPORATE
GOVERNANCE
AWARD 2013

2. INFORMATION ON THE STRUCTURE OF SHARE OWNERSHIP (IN ACCORDANCE WITH ARTICLE 123-BIS, PARAGRAPH 1 OF THE UNIFIED FINANCE LAW (TUF)) AS OF MARCH 27, 2014

A) STRUCTURE OF THE SHARE CAPITAL

The subscribed and paid-in share capital amounts to euro 1,345,380,534.66, divided into a total of 487,991,493 shares without par value indicated, of which 475,740,182 (euro 1,311,603,971.79) are ordinary shares and 12,251,311 (euro 33,776,562.87) are savings shares.

The Share Capital has not changed during the 2013 financial year.

Rights and obligations

The shares are divided into ordinary shares and savings shares, without par value.

The ordinary shares entitle the holder to one vote per share; they are registered shares or bearer shares to the extent permitted by law, and in this case, can be converted from one type of share to the other type of share at the holder's request and expense.

Savings shares do not have voting rights and are bearer shares, unless otherwise provided for by law, and can be converted into registered savings shares at the shareholder's request and expense.

In addition to the rights and privileges envisaged by law and by the Company Bylaws, savings shares have the right of first refusal in the reimbursement of capital up to the amount of euro 3.19 per share. If the share capital is reduced due to losses, the reduction does not affect the savings shares, except for the part of the loss that exceeds the portion of capital represented by the other shares.

Savings shares retain the rights and privileges set forth by law and by the Company Bylaws, even if the ordinary shares and savings shares are excluded from trading.

If the share capital is increased by issuing shares of a single category, these shares must be offered as an option to all categories of shareholders.

If the share capital is increased by issuing ordinary and savings shares:

- holders of ordinary shares are entitled to receive options for ordinary shares and savings shares for any possible difference;
- holders of savings shares are entitled to receive options for savings shares and ordinary shares for any possible difference.

The net annual profit is divided as follows, after the legal allocation to reserve has been made:

- savings shares are attributed an amount up to 7% of euro 3.19; if the savings shares are assigned a dividend of less than 7% of euro 3.19 in a given financial year, the difference is added to the preference share dividend in the two following financial years; the profit that remains after the dividend specified above has been assigned to the savings shares is apportioned among all the shares so that the savings shares receive a dividend that is 2% of euro 3.19 higher, overall, compared to the dividend received by the ordinary shares;
- ordinary shares are attributed an amount of up to 5% of their par value in accounting terms (defined as the ratio between the amount of the share capital and the overall number of shares issued), without prejudice to the above provisions concerning the overall increased dividend payable to savings shares.

The remaining profit will be distributed among all the

shares, in addition to the sums assigned as outlined above, unless the Shareholders' Meeting resolves special allocations to extraordinary reserves or for other uses, or decides to carry forward part of the foregoing portion of profit.

Savings shares have the same rights as the other shares if reserves are distributed.

Advances on dividends may be distributed as provided for by law.

Financial instruments which attribute the right to subscribe to new issue shares

No financial instruments which attribute the right to subscribe to new issue shares were issued at the Date of the Report.

Stock incentive plans

The Company does not currently have stock incentive plans.

In the meeting held on February 27, 2014, based on the proposal by the Remuneration Committee and with the favourable opinion of the Board of Auditors, **the Company's Board of Directors resolved to anticipate the closure of the three-year cash incentive plan – Long Term Incentive 2012-2014 – for the Pirelli Group Management (so-called LTI Plan) and concurrently approved the "launch" of a "new" 2014-2016 LTI Plan to support the aims set out in the 2013-2017 Industrial Business Plan presented to the financial community in London last November 6, 2013.**

Pursuant to Article 114-bis of the Unified Finance Law (TUF), the 2014-2016 LTI Plan will be submitted to the approval of the Shareholders' Meeting to approve the Financial Statements for 2013 regarding the part in which this LTI plan, as previously, envisages, inter alia, that part of the incentive is determined on the basis of a Total Shareholder Return objective.

Further details on the "new" LTI Plan are provided in the information document prepared, in accordance with the combined provisions of Article 114-bis of the Unified Finance Law (TUF) and Article 84-bis of the Issuers Regulation and in the Remuneration Policy referred to the 2014 financial year; these documents will be available on the Pirelli Internet website, at the latest 30 days

and 21 days, respectively, prior to the Shareholders' Meeting to approve the Financial Statements for 2013.

B) RESTRICTIONS ON THE TRANSFER OF SECURITIES

There are no restrictions on the transfer of securities.

C) SIGNIFICANT SHAREHOLDINGS

The parties owning shares with voting rights in the Ordinary Shareholders' Meeting, and representing more than 2% of the ordinary capital, according to the requirements published by Consob, are listed in Table 2.

D) SECURITIES WHICH CONFER SPECIAL RIGHTS

There are no securities which confer special rights of control.

E) EMPLOYEE SHAREHOLDINGS: MECHANISM TO EXERCISE VOTING RIGHTS

There are no mechanisms to exercise voting rights in the case of employee shareholdings when such voting rights are not exercised directly by the employees concerned.

F) RESTRICTIONS ON VOTING RIGHTS

There are no restrictions on voting rights (such as, for example: limitations on voting rights at a given percentage or at a certain number of votes, time limits imposed to exercise the voting rights or systems in which, with the Company's co-operation, the financial rights associated with the securities are separate from ownership of the securities).

G) SHAREHOLDER AGREEMENTS

On March 15, 2014 UniCredit S.p.A.; Intesa Sanpaolo S.p.A.; Nuove Partecipazioni S.p.A. and Rosneft Oil Company entered into general agreements (in the form of a term sheet) which include some shareholder agreements, as well as the principles, essential terms and conditions and the aims of a partnership for an in-

vestment/reinvestment transaction in a special vehicle company (so-called Holdco) – 50% of the respective share capital will be held by Rosneft Oil Company and 50% will be held by a newco, that in turn, is 80% owned by Nuove Partecipazioni S.p.A., 10% owned by UniCredit S.p.A. and 10% owned by Intesa Sanpaolo S.p.A.. The Holdco would own the Pirelli shareholding that is currently owned by Camfin S.p.A. and by its subsidiaries. The foregoing transaction will be implemented through a series of corporate transactions subject to an agreement being entered into among the parties and subject to obtaining all the necessary consents and approvals from their respective competent corporate bodies and from any possible competent Authorities.

The reader is referred to the abstract available on the Pirelli Internet website for further information on the general agreements and on the agreements concerning Pirelli's future governance, as well as the standstill clause envisaged by the above agreements.

A shareholders' agreement was entered into on June 4, 2013 between the following parties, in the framework of an operation to rationalise the share ownership structures of Camfin S.p.A.: on the one hand, Marco Tronchetti Provera & C. S.p.A., Marco Tronchetti Provera Partecipazioni S.p.A., Gruppo Partecipazioni Industriali S.p.A., Nuove Partecipazioni S.p.A. and on the other hand, Lauro Cinquantaquattro S.r.l., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. The shareholders' agreement included, inter alia, provisions relating to the governance of Lauro Sessantuno S.p.A. and Camfin¹ S.p.A., as well as Pirelli & C. S.p.A., with reference to some aspects and within the limits permitted by the legal regime and the nature of the subsidiary, in order to achieve the shared objective of providing stability to the share ownership structures of Camfin S.p.A. and thereby to create the best conditions to create further value with reference to the shareholding held thereby in Pirelli.

The reader is referred to the extract available on the Pirelli Internet website for further details concerning the provisions contained in the so-called "Lauro Shareholders' Agreement".

Completion of the final agreements envisaged by the foregoing general agreement entered into among UniCredit S.p.A.; Intesa Sanpaolo S.p.A.; Nuove Partecipazioni

oni S.p.A. and Rosneft Oil Company will entail superseding the so-called "Lauro Shareholders' Agreement". Furthermore, it is important to note that on October 31, 2013, the parties participating in the "Sindacato Blocco Azioni Pirelli & C. S.p.A." (Pirelli & C. S.p.A. Shareholders' Agreement) (in particular: Camfin S.p.A., Edizione S.r.l., Fondiaria-Sai S.p.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A., Massimo Moratti and Sinpar S.p.A.) notified that they had terminated this shareholders' agreement mutually and in advance (expiring on April 15, 2014) effective from October 31, 2013.

H) AMENDMENTS TO COMPANY BYLAWS

Amendments to the Company Bylaws are resolved as provided for by law.

I) REGULATIONS APPLICABLE TO THE APPOINTMENT AND SUBSTITUTION OF DIRECTORS AND THE BOARD OF AUDITORS

In this regard, the reader is referred to the Board of Directors Section and to the Board of Auditors Section.

L) CHANGE OF CONTROL CLAUSES AND STATUTORY PROVISIONS CONCERNING A PUBLIC PURCHASE OFFER

Change of control clauses

There is no party that can exercise control over Pirelli & C., either directly or indirectly, also by virtue of shareholder agreements, individually or jointly with other parties included in shareholders' agreements.

It follows that no change of control of the Company can be envisaged at present.

For the sake of completeness, the following is confirmed. The bond loan amounting to 500 million euro placed on the market by Pirelli & C. envisages that the bondholders are entitled to avail of the clause to request early repayment if a "Change of Material Shareholding" occurs that corresponds to the following cases: (i) Pirelli & C. no longer holds (directly or indirectly) a percentage of

at least 85% of the share capital of Pirelli Tyre (barring the case that Pirelli Tyre is not incorporated in or does not incorporate Pirelli & C. or in another company of the Pirelli Group); (ii) a party other than one or more of the shareholders participating in the Pirelli Shareholders' Agreement (provided Camfin S.p.A. continues to participate as the first shareholder of Pirelli & C. among the participants) holds more than 50% of the share capital of Pirelli & C. with voting rights or acquires the right to appoint or remove the majority of the members of the Board of Directors²; (iii) Camfin S.p.A. no longer holds (directly or indirectly) at least 20% of the share capital of Pirelli & C. with voting rights.

A similar clause is envisaged, except for the provision indicated in point (iii) above: (a) in the agreement entered into among Pirelli & C., Pirelli Tyre and Pirelli International Ltd. and a pool of lending banks in relation to granting Pirelli a revolving line of credit amounting to 1.2 billion euro; (b) in the bond loan issued by Pirelli International Limited on the American market for an overall value of 150 million American dollars and guaranteed by Pirelli Tyre; (c) in the "Schuldschein" loan obtained by Pirelli International Limited and guaranteed by Pirelli & C. and by Pirelli Tyre for 155 million euro, overall.

Lastly, it is important to note that the joint venture agreement currently in place between Pirelli Tyre and PT Astra Otoparts Tbk envisages that in the event of a change of control of one party, the other party shall have a so-called right to terminate the joint-venture. In particular, if the change of control concerns Pirelli Tyre then PT Astra Otoparts Tbk would have a so-called put option to sell its shareholding to Pirelli, whereas in the opposite case, Pirelli Tyre would have a so-called call option to purchase the shareholding owned by PT Astra Otoparts Tbk.

Statutory provisions concerning a public purchase offer

On a preliminary count, it is important to remember that Article 104 of the Unified Finance Law (TUF) envisages that Italian listed companies whose securities are subject to the offer shall refrain from executing actions or transactions which may conflict with achieving the offer's objectives (so-called passivity rule), barring an authorisation by the Shareholders' Meeting. It is also envisaged that the companies' bylaws may derogate from the passivity rule foreseeing that the Board of Directors may adopt "defensive measures", even without an authorisation expressed in this sense by the Shareholders' Meeting.

Furthermore, Article 104-bis of the Unified Finance Law (TUF) (recorded as the "Breakthrough rule) establishes that the bylaws of Italian listed companies can foresee that when a public purchase offer or an exchange is promoted and involves the securities issued by them: (i) the restrictions on the transfer of securities envisaged in the Company Bylaws are not applicable in relation to the bidder during the offer acceptance period, nor are the restrictions on voting rights envisaged in the Company Bylaws or in the Shareholders' Agreements applicable in the Shareholders' Meetings convened to resolve the actions and transactions envisaged under Article 104 cited above; (ii) when the bidder, after an offer, holds at least 75% of the share capital with voting rights in resolutions concerning the appointment or revocation of Directors or Members of the Management Board or Supervisory Board, then the following conditions shall not apply in the first Shareholders' Meeting convened to amend the Company Bylaws or to revoke or appoint Directors or Members of the Management Board or Supervisory Board after closing the offer: the restrictions on voting rights envisaged in the Company Bylaws or in shareholders' agreements, nor any special right concerning the appointment or revocation of the Directors or Members of the Management Board or Supervisory Board envis-

¹ At the Date of the Report, Lauro Sessantuno S.p.A. owns the entire share capital of Camfin S.p.A..

² It is important to note that on October 31, 2013, the parties participating in the "Sindacato Blocco Azioni Pirelli & C. S.p.A." (Pirelli & C. S.p.A. Shareholders' Agreement) (namely: Camfin S.p.A., Edizione S.r.l., Fondiaria-Sai S.p.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A., Massimo Moratti e Sinpar S.p.A.) notified that they had terminated this shareholders' agreement mutually and in advance (expiring in April 15, 2014) effective from October 31, 2013.

aged in the Company Bylaws.

The Company Bylaws of Pirelli & C. do not envisage departures from the provisions concerning the passivity rule illustrated previously or the application of the breakthrough rule contemplated under Article 104-bis.

M) POWERS TO INCREASE THE SHARE CAPITAL AND AUTHORISATIONS TO PURCHASE TREASURY SHARES

Powers to increase the share capital

Directors have not been given powers to increase the share capital against payment in one or more operations or given the authority to issue bonds convertible into both ordinary and savings shares or with warrants valid to subscribe to shares.

Authorisations to purchase treasury shares

At the Date of the Report, the Board of Directors of Pirelli is authorised to purchase and to dispose of ordinary and savings treasury shares, up a maximum number of (treasury) shares which do not exceed 10% of the share capital, also considering the treasury shares held by the company, either directly or indirectly (through subsidiary companies) – by virtue of a special resolution passed last May 10, 2013, by the Shareholders' Meeting that granted authorisation for a period of 18 months.

At the date of the Report, the Company holds 351,590 ordering treasury shares corresponding to around 0.07% of the category capital and of the whole share capital and 408,342 savings treasury shares corresponding to around 3.33% of the category capital and around 0.08% of the whole share capital, already owned prior to May 10, 2013. Accordingly, the Board of Directors of Pirelli has not purchased and has not disposed of treasury shares from the cited Shareholders' Meeting authorisation.

The Board of Directors deemed it useful to submit to the Shareholders' Meeting to approve the Financial Statements for 2013 the proposal to renew the authorisation to purchase and dispose of treasury shares subject to the same terms and conditions set out in the

current authorisation, since the same opportunities exist which induced the Directors to propose the foregoing authorisation to the Shareholders' Meeting to approve the Financial Statements for 2012, in the Meeting held on March 27, 2014, and in order to avoid convening a new Shareholders' Meeting near the expiry date of the 18 months referred to the current authorisation. For further information, the reader is referred to the respective Directors' Report to the Shareholders' Meeting to approve the Financial Statements for 2013 that will be made available on the Pirelli Internet website no later than 21 days prior to the Shareholders' Meeting to approve the Financial Statements for 2013.

N) DIRECTORS' INDEMNITY IN THE CASE OF RESIGNATION, DISMISSAL OR TERMINATION OF THE EMPLOYMENT RELATIONSHIP FOLLOWING A PUBLIC PURCHASE OFFER³

Pirelli has a policy not to enter into agreements with Directors, Executive Managers with strategic business responsibilities, Senior Managers and Executives, which regulate beforehand economic aspects relating to the possible early termination of the employment relationship at the Company's initiative or at the individual's initiative (so-called "parachutes").

Indeed, the agreements entered into with Pirelli in the event the employment relationship is interrupted for reasons other than just cause do not represent "parachutes". Pirelli adopts a policy that seeks to come to agreements to reach a consensual conclusion of the employment relationship. In any event, the possible agreements reached to terminate the employment relationship with Pirelli relate to the reference benchmarks applicable in this area and fall within the limits defined by the jurisprudence and accepted practice of the country in which the agreement is made, without prejudice to legal and/or contractual obligations.

The Company defines internal criteria which are also complied with by the other Group companies when managing the agreements which discipline the early termination of relationships concerning Executives and/or Directors assigned special duties.

Pirelli does not envisage the payment of an extraordinary indemnity or compensation associated with the end of the mandate with regard to Directors assigned special duties in Pirelli & C. who are delegated with specific powers and are not bound by management level employment relationships.

The payment of a specific indemnity (that, accordingly, can be considered a "parachute") may be acknowledged, always subject to the assessment by the competent company bodies in the following cases:

- termination at the Company's initiative not supported by a just cause
- termination at the Directors' initiative for just cause, meaning, by way of example, a substantial change of role, or of the powers assigned and/or the cases of a so-called "hostile" public purchase offer.

In these cases the indemnity – defined by the Board of Directors during the 2013 financial year based on the Remuneration Committee's proposal – is equal to 2 annuities of the gross annual payment, meaning the sum of the fixed annual gross payments for the positions held in the Group, the average variable annual remuneration (MBO) accrued during the previous three year period and the End of Mandate Indemnity on the foregoing amounts.

For further information, the reader is referred to the 2014 Remuneration Report that will be made available on the Pirelli Internet website no later than 21 days prior to the Shareholders' Meeting to approve the Financial Statements for 2013.

O) MANAGEMENT AND COORDINATION ACTIVITIES (PURSUANT TO ARTICLE 2497 AND FOLLOWING ARTICLES OF THE ITALIAN CIVIL CODE)

There is no party that can exercise control over Pirelli & C., directly or indirectly, also by virtue of shareholders' agreements, individually or jointly with the other parties participating in such agreements.

Nor is the Company subject to management and coordination activities by another company or body, pursuant to Article 2497 and following articles of the Italian Civil Code.

By contrast, Pirelli & C., heads the Group of the same name and exercises management and coordination activities over numerous subsidiary companies and has disclosed the information envisaged under Article 2497-bis of the Italian Civil Code.

3. COMPLIANCE

Pirelli complies with the Self-Regulatory Code for listed companies issued by the Italian Stock Exchange (Borsa Italiana) and published on the following website: www.borsaitaliana.it, since the Code was first issued (in October 1999), having then complied with the July 2002 version and subsequently with the March 2006 and the December 2011 versions.

It is important to note that since Pirelli & C. is one of the companies included in the FTSE-MIB index it is subject to the recommendations of the Self-Disciplinary Code envisaged specifically for such companies.

The Report is also written on the basis of the experimental format prepared by the Italian Stock Exchange (Borsa Italiana).

Non-Italian statutory provisions which may influence the Company's corporate governance structures do not apply to Pirelli & C. at the Date of the Report.

³ The information contained in this section is provided also in compliance with the requirements set out in Consob Communication DEM/11012984 dated February 24, 2011.

4. BOARD OF DIRECTORS

The Board of Directors is responsible for the strategic guidance and supervision of the Company's overall business activities, in line with the requirements relating to the traditional administration and control model and with the power to direct its overall administration and the power to intervene directly in a series of significant decisions necessary or useful to achieve the company purpose.

Indeed, the Board of Directors is empowered to assume the most important decisions in economic/strategic terms or in terms of the structural impact on operations, or functional to Pirelli exercising the control and policy-making activity.

When carrying out its duties, the Board of Directors avails of the support provided by special Board Committees with fact-finding, proposing and/or advisory duties, as well as managerial committees composed of senior management which implement the directives and the policies established by the Board of Directors and by the Executive Directors and collaborate with the latter to define the proposals to be submitted to the Board concerned.

The Board of Directors' meetings are attended by members of management, at the invitation of the Chairman and the Managing Director, to favour precise and in-depth knowledge of the business engaged in by the Company and by the Group, as well as to favour access to senior management to enhance the Board of Directors' ability to supervise the business activities⁴.

In particular, the participation of the Operations General Manager, the Chief Technical Officer, the Chief Planning and Controlling Officer, the Chief Financial Officer, the Officer Responsible and the Senior Advisor Governance in the Board of Directors' meetings to prepare the Company's accounting documents is now a long-established practice. Other members of management may be invited, from time to time, to participate in individual meetings to discuss specific topics on the Agenda.

4.1 APPOINTMENT AND REPLACEMENT OF DIRECTORS

Since 2004, the Company Bylaws⁵ envisage that the Board of Directors is to be appointed based on the "voting slate" system, thereby assuring that the so-called "minorities" can appoint one fifth of the Board Members, if at least two slates are presented.

The slates presented by the shareholders, and duly signed by those presenting them, must be filed at the Company's registered office, available to anyone who submits a request, at least 25 days prior to the date established for the Shareholders' Meeting and are made available to the general public at the Company's registered office, on the Pirelli Internet website and using the other methods envisaged by Consob at least 21 days prior to the date of the Shareholders' Meeting.

Each shareholder may present or participate in the presentation of a single slate and each candidate may be presented on only one slate under penalty of ineligibility. Shareholders who, alone or together with the other shareholders, hold a total number of shares representing at least 1% of the share capital entitled to vote in the ordinary shareholders' meeting or the lower percentage required by the regulatory discipline issued by Consob⁶ are entitled to present slates, subject to the obligation of demonstrating the ownership of the number of shares required to present the slates within the deadline envisaged for their publication by the Company (21 days prior to the Shareholders' Meeting). Declarations in which the individual candidates accept their candidacy and declarations in which the individual candidates concerned attest that there are no causes for ineligibility and incompatibility, and that they satisfy the requirements for the respective offices, if prescribed, are to be deposited with each slate. A curriculum vitae is to be registered for each candidate together with the declarations detailing the personal and professional characteristics and providing information concerning (i) the administration and control positions held with other companies and (ii) the eli-

gibility to be qualified as independent, in accordance with the criteria established by law and the criteria adopted by the Company.

Slates which are presented in breach of the provisions described are deemed not to have been presented.

Each person entitled to vote in the Meeting may only vote for one slate.

The procedure outlined below will be adopted in the election:

- four fifths of the Directors to be elected are selected in the progressive order in which they are listed from the slate that obtained the majority of the votes cast rounding down to the nearest whole number, in the case of a fractional number;
- the remaining Directors are appointed from the other slates; for this purpose the votes obtained by the slates will be divided subsequently by progressive whole numbers from one to the number of Directors still to be elected. The quotients obtained in this way are assigned progressively to the candidates of each of these slates, according to the order in which they are listed, respectively. The quotients attributed to the candidates of the various slates are arranged in a single ranking in decreasing order. The persons that obtained the highest quotients are elected.

If more than one candidate obtained the same quotient, then the candidate from the slate that has not yet elected a Director or that has elected the fewest Directors is elected.

If none of these slates has yet elected a Director or if all the slates have all elected the same number of Directors, then the candidate who obtained the highest number of votes within these slates is elected. In the case of parity votes on a given slate and again with the same quotient, then the votes shall be cast again by the entire Shareholders' Meeting and the candidate who obtains a simple majority of the votes cast is elected.

If the application of the voting slate mechanism does not assure the minimum number of Independent Directors envisaged by the applicable laws and regulations then the non-independent candidate elected, indicated with the highest progressive number in the slate and who received the highest number of votes, will be replaced by the unelected independent candidate from the same slate, in accordance with the progressive order of presentation and so on, slate by slate, until the minimum number of Independent Directors has been completed. The Shareholders Meeting resolves with the majorities required by law when appointing Directors, who, for whatever reason, were not appointed in accordance with the procedure required by law.

The Company Bylaws envisage that the slates to elect the Board of Directors which include a number of candidates equal to or greater than three shall include a number of candidates of the gender less represented that corresponds to at least the minimum number required by the applicable legislation and/or regulations, in compliance with the requirements specified in the Notice of Call of the Shareholders' Meeting in order to take into account the changes introduced by Law No. 120 dated July 12, 2011 concerning gender quotas in relation to the composition of company bodies of listed companies, and therefore, with the aim of assuring a balance between genders. In this regard, it is important to note that Pirelli will be called, inter alia, to appoint the Company's "new" administrative body, effective from the Shareholders' Meeting to approve the Financial Statements for 2013, and that on this occasion at least one fifth of the Directors must be reserved to the gender that is less represented, since this is the first renewal after the cited law became effective.

The Company Bylaws establish an automatic progressive substitution mechanism in order to assure compliance with the balance between genders, if the application of the voting slate mechanism does not assure

⁴ 2011 Self-Disciplinary Code: Application Criterion 1.C.6.

⁵ Article 10 of the Company Bylaws.

⁶ Refer to Consob Resolution No. 18775 dated January 29, 2014 that established that the percentage shareholding required for shareholders to present lists of candidates to elect the administration and control bodies of Pirelli & C. for the 2014 financial year corresponds to 1% of the share capital with voting rights in the ordinary shareholders' meeting.

the required minimum number of Directors from the gender less represented.

Furthermore, the balance between genders within the Board of Directors must be complied with, in any event, when the Shareholders' Meeting or the Board of Directors (in the case of co-option) must appoint Directors without following the voting slate procedure. The provisions set out under Article 2386 of the Italian Civil Code will apply if one or more Directors fall from office during the financial year.

Loss of the independence requirements by a Director does not represent a cause for the Director's appointment to lapse provided the minimum number of Directors in possession of the legal requirements for independence remain in office, as envisaged by the applicable laws and regulations. In accordance with best practices, when the Board of Directors is to be renewed it is the Company's accepted practice to allow shareholders to express their opinions with separate votes concerning the following aspects, respectively: (i) establishing the number of members of the Board of Directors (ii) appointing Directors by voting the slates presented (iii) establishing the term of office of the Board of Directors and (iv) establishing the fee due to the Directors. The reader is referred to the Company Bylaws available on the Pirelli Internet website, as well as the documentation that will be made available at least 40 days prior to the Shareholders' Meeting to approve the 2013 Financial Statements for further information regarding the mechanisms to elect members of the Board of Directors.

4.2 COMPOSITION

The Company's Board of Directors is composed of no less than 7 and no more than 23 members, in accordance with the Company Bylaws, who remain in office for 3 financial years (unless a shorter period is established by the Shareholders' Meeting at the date of the appointment) and they may be re-elected.

The Board of Directors was composed of 20 Directors at the Date of the Report and was appointed by the Shareholders' Meeting held on April 21, 2011 for 3 financial years, falling from office with the Shareholders'

Meeting convened to approve the Financial Statements as of and for the year ending December 31, 2013.

At the Date of the Report the average age of the Directors in office was approximately 64 years with an average term in office of slightly less than 6 years.

By adopting the voting slate system the so-called minorities were able to appoint 4 Directors, corresponding to one fifth of the total (in particular, the Directors Franco Bruni, Elisabetta Magistretti, Pietro Guindani and Francesco Profumo⁷).

2 slates were presented to the Shareholders' Meeting held on April 21, 2011: one slate from the shareholders participating in the "Sindacato di Blocco Azioni Pirelli & C." (Pirelli & C. Shareholders' Agreement) that obtained 84% of the votes of the voting capital represented in the Shareholders' Meeting⁸, and one slate from a group of institutional investors⁹ that obtained 15.6% of the votes of the voting capital represented in the Shareholders' Meeting¹⁰.

The updated version of the curriculum vitae of each Director is published on the Pirelli Internet website.

The following events occurred during the 2013 financial year:

- the Shareholders' Meeting to approve the Financial Statements for 2012 confirmed the Director Carlo Salvatori (co-opted on July 26, 2012), who subsequently resigned on October 16, 2013 and appointed prof. Jean Paul Fitoussi and Mr. Luca Rovati as Directors to substitute prof. Paolo Ferro-Luzzi (who died on November 11, 2012) and Mr. Mario Greco (who resigned on March 4, 2013);
- pursuant to Article 2386 of the Italian Civil Code, the Board of Directors appointed the following Directors (i) Mr. Paolo Fiorentino and Mr. Claudio Sposito in the meeting held on October 21, 2013 to substitute Mr. Vittorio Malacalza (who had resigned in May 10, 2013) and Ms. Giulia Maria Ligresti (who had resigned in July 24, 2013) and (ii) appointed Mr. Gaetano Micciché in the meeting held on November 5, 2013 to substitute Mr. Carlo Salvatori.

The Shareholders' Meeting to approve the Financial Statements for 2013 will be called to resolve the appointment the Company's "new" Board of Directors,

due to fall from office, as mentioned previously, with the approval of the Financial Statements for the financial year ended as of December 31, 2013.

Table 3 illustrates the composition of the Board of Directors at the Date of the Report.

4.2.1 MAXIMUM NUMBER OF POSITIONS HELD IN OTHER COMPANIES

The Board of Directors¹¹ passed a resolution on April 21, 2011 confirming the Policy¹², adopted by the Board of Directors in 2007¹³, whereby, in principle, it was deemed that serving as a Director or Auditor in more than 5 companies other than those subject to management and coordination by Pirelli & C. S.p.A. or controlled by or affiliated therewith, was not considered compatible with the role of Director of the company when concerning (i) listed companies included in the FTSE/MIB index (or also in equivalent foreign indexes), or (ii) companies which engage in banking or insurance activities; moreover, it is not deemed compatible for the same Director to hold more than 3 executive

positions in the companies described in sub (i) and (ii). The offices held in several member companies of the same group are considered to be a single office and an executive position prevails over a non-executive position. The Board of Directors retains the right to make a different assessment and this assessment is disclosed in the Report and the motives are to be duly substantiated. Shareholders intending to present slates concerning the Board of Directors' appointment at the time of the Board's forthcoming renewal will be invited to examine the cited policy, as was the case at the date of renewal in 2011.

In the meeting held on March 27, 2014 the Board of Directors examined the positions held by individual Directors (based on the information duly notified by them) and after examination by the CICRCG it was found that all the Directors held a number of positions compatible with the role of a Director of Pirelli & C. in compliance with the policy adopted by the Company. The principal offices held by the Directors in companies other than member companies of the Pirelli Group are detailed in an annex to the Report¹⁴.

⁷ Prof. Francesco Profumo resigned from the office as Director on November 16, 2011 following his appointment as a Minister of the Italian Republic. In the meeting held on March 1, 2012, the Board of Directors appointed Ms. Manuela Soffientini to substitute Prof. Francesco Profumo, in accordance with Article 2386 of the Italian Civil Code. Even though the Appointments and Succession Committee was responsible for defining the candidates to be submitted to the Board in order to proceed with co-option and to substitute an Independent Director, in this case the Committee concerned deemed it appropriate to involve Assogestioni to identify the candidate to be proposed to the Board to substitute Prof. Profumo, since he was a Board Member elected from the list presented by institutional investors under the auspices of Assogestioni. The latter proposed a list of two names to the Committee from which the Committee decided to propose Ms. Manuela Soffientini to the Board of Directors, also having considered the opportunity of a further enhancement of the gender diversity within the Board, and, as has been said, Ms. Manuela Soffientini was appointed in the Meeting held on March 1, 2012 and confirmed by the Shareholders' Meeting held on May 10, 2012.

⁸ Data obtained from the summary statement of the votes cast in the Shareholders' Meeting held on April 21, 2011 available on the Pirelli Internet website.

⁹ The minority list was presented by: Amber Capital Italia SGR S.p.A. (manager of the Amber Italia Equity fund); Amber Capital LP (manager of the PM Manager Fund, SPC); Amber Global Opportunities Master Fund Ltd.; Anima SGR S.p.A. (manager of the Europa, Sforzesco, Visconteo Italia, Iniziativa Europa, Anima Europa funds); APG Algemene Pensioe Groep N.V. (manager of the Stichting Depository APG Developed Markets Equity Pool fund); Arca Sgr S.p.A. (Manager of the Arca Azioni Italia and Arca BB funds); Ersel Sicav; Ersel Asset Management SGR S.p.A. (manager of the Fondersel Italia fund); Eurizon Capital SGR S.p.A. (manager of the Eurizon Focus Azioni Italia and Eurizon Italia 130/30 funds); Eurizon Capital SA (manager of the Eurizon Stars Fund European Small Cap Equity, Eurizon Stars Fund Italian Equity, Eurizon Easy Fund Equity Consumer Discretionary, Eurizon Easy Fund Equity Europe, Eurizon Easy Fund Euro, Eurizon Easy Fund Equity Italy funds); Fideuram Investimenti SGR S.p.A. (manager of the Fideuram Italia fund); Fideuram Gestions SA (manager of the Fonditalia Equity Italy, Fonditalia Euro Cyclical, Fideuram Fund Equity Italy, Fideuram Fund Equity Europe, Fideuram Fund Equity Europe Growth funds); Interfund Sicav (manager of the Interfund Equity Italy fund); Kairos Partners SGR S.p.A. (manager of Kairos Italia – Hedge Fund); Mediolanum International Funds Limited (manager of the Challenge Funds); Pioneer Asset Management SA; Pioneer Investment Management SGR S.p.A. (manager of the Pioneer Azionario Crescita fund); Pioneer Alternative Investment Management Limited; Prima SGR S.p.A. (manager of the Prima Geo Italia S.p.A. fund).

¹⁰ Data obtained from the summary statement of the votes cast in the Shareholders' Meeting held on April 21, 2011 available on the Pirelli Internet website.

¹¹ Self-Regulatory Code: Application criterion: 1.C.3.

¹² The cited Policy is annexed to the Report and is also available on the Company's Internet website.

¹³ Board of Directors' Meeting held on November 7, 2007. In the meeting held on March 8, 2011 the Board of Directors, after having acknowledged the amendments to the so-called unified banking law which entailed, inter alia, the abrogation of the so-called "special list" of companies operating in the financial sector aimed at the general public (the former Article 107 of Legislative Decree No. 385 of 1993 introduced with Legislative Decree No. 141/2010), resolved to adopt the foregoing amendment in the policy governing the maximum number of offices which previously also included the companies included in the foregoing list among the companies to be considered for the purposes of the "maximum number", consequently, the reference made to such companies was eliminated.

¹⁴ Self-Regulatory Code: Application criterion 1.C.3.

FERGUS MCAULIFFE



Fergus McAuliffe is an Irish Environmental Scientist, studying the use of constructed wetlands as a means for the sustainable treatment of domestic waste water.

He has won numerous prizes for his ability to communicate scientific topics to a wide non-scientific audience, including winning FameLab International in 2013.

FameLab is an international science communication competition. Scientific concepts or ideas are communicated in three minutes or less and without the use of PowerPoint to a non-scientific audience. He also won the Higher Education Authority/Irish Independent "Making an Impact" Award in 2012, and has spoken at TEDx Dublin 2013 on how scientists and the public can reconnect.

SCIENCE COMMUNICATOR

28 YEARS OLD, IRISH

2013: Famelab International
2013: TEDx Dublin
2012: The Higher Education
Authority/Irish Independent
"Making an impact" Award

Fergus is an Irish environmental scientist, chiefly interested in how to communicate scientific ideas and topics, normally esoteric and hermetic, to a wider non-scientific audience. This is an important thing to do, and he believes passionately that science and knowledge must be disseminated to the public, a process that was started during the 19th Century. Language and vocabulary and more generally transmission make communication difficult for the scientific community, and Fergus's presentation looked at tackling this problem, and of uniting these two distinct groupings. His presentation considered ways in which to bridge this gap, and of garnering a two way communique between the groups; where science feeds from ideas generated by the general populace, and vice versa. Like spokes on a wheel, communication, back and forth, generates the best ideas and the best feedback, and by pooling the efforts of scientists, journalists, schools, universities and the media, as well as the general public we can be most productive. The spokes, the strands between these groups, reinforces and makes the wheel stronger and keeps us moving forward, intellectual and scientifically. In the same way that a wheel will facilitate drive and momentum, the interaction of the scientific community with the public, the media, academics, students and others can motivate and move their own work.

[Hanif Kureishi]

Do you consider your talent a gift or a burden?

I definitely don't see it as a burden. It has opened many doors for me and has taken me to places around the world that I never would have travelled to otherwise. But, I don't see it as a gift either. It takes practice, feedback and more practice. A gift is something that you naturally have, something that comes effortlessly to you. But I think it is important to continue to work at and improve my talent.

What you would do if one day you woke up and discovered you had lost your talent?

I would probably have a lot more time on my hands! No, seriously, I would try my best to work my way back to the same talent. I don't think that it is something that can be lost for good. A lot of it is muscle memory and memorising words and phrases you are comfortable saying. So I would try my hardest to regain my talent.

Who is the living talent you most admire?

I admire my parents. Both my father and mother are teachers, and so have a talent for teaching. I think that this has rubbed off on me a little bit, as a lot of what I do as a science communicator is about teaching the public about scientific concepts. Ever since I was a child, they would always satisfy my thirst for knowledge and I think they had a big part to play in encouraging me to pursue science in university.

What do you like about your talent and what don't you like?

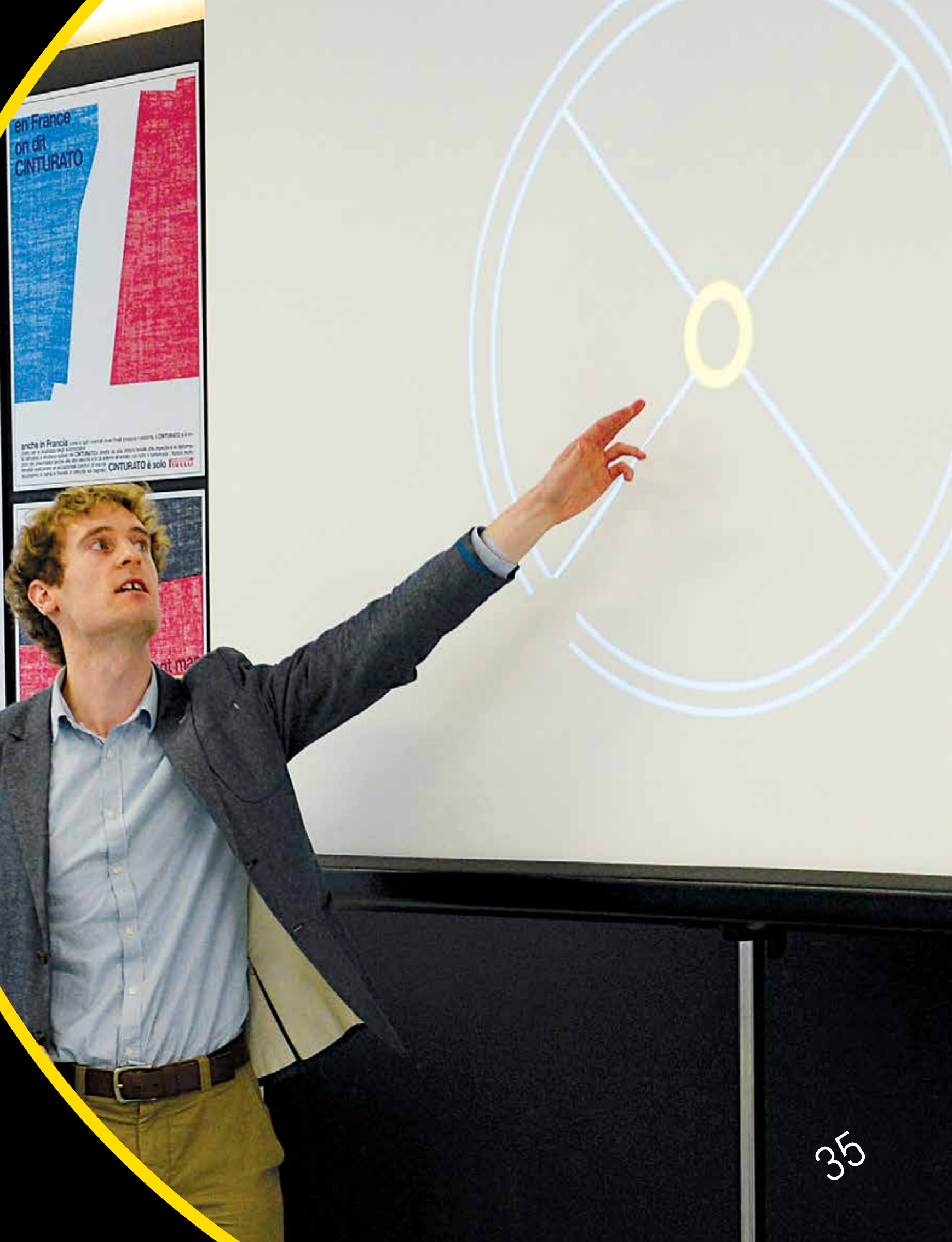
One of the things I like a lot about my talent is that it has enabled me to control a room of people with my voice. Sometimes, things can get very busy when you are a science communicator and also trying to finish your PhD at the same time. So if there is anything that I don't like about my talent it is for a practical reason: it steals time from me finishing my PhD!

When or where does your talent make you happy?

I think I honed a lot of my skills as a science communicator and a public speaker being captain of sports teams. One of the things I really looked forward to was making the pre-game speeches, getting my teammates psyched up for the game that we were about to play. In these instances, everyone would be looking to me to see what I was going to say, and what direction I was going to give. I would spend days preparing these speeches and practicing them. Just like preparing a science communication talk or presentation.

If you could change your talent, how you would change it?

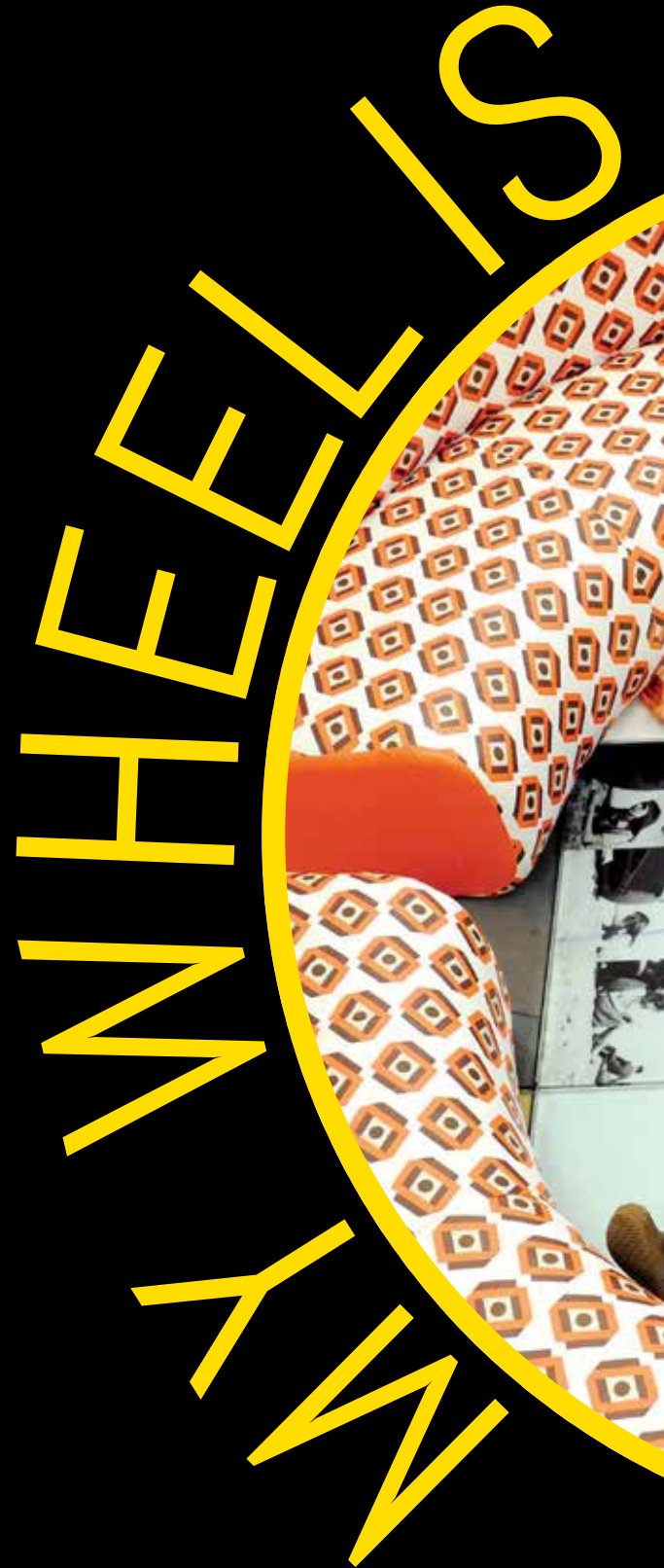
If I was to change my talent somewhat, I would like to improve on being a photographer. I find it important to use high quality images in my presentations as these often resonate with people.



en France
on est
CINTURATO

anche in Francia
con il sistema
CINTURATO è il
sistema di
CINTURATO
CINTURATO è solo **FRULLI**

*As a science communicator, I am
at the centre of information exchange
between scientists and the public.
This is like being at the centre of a wheel.
If the centre goes, then everything
around it comes tumbling down.
Because I am at the centre
of the wheel, I can move information
from the various stakeholders associated
with science, through the “spokes”
of wheel (like in a bicycle).*



A CONSUMER STATION



Pneumatici
Cinturato, 85 e Semispione
Tyres
Cinturato, 85 and Semispione

4.3 ROLE OF THE BOARD DIRECTORS

The Company Bylaws envisage a minimum quarterly interval between Board Meetings¹⁵.

Pirelli has circulated a calendar that schedules 4 meetings for the 2014 financial year:

- March 11, 2014: Board of Directors' meeting to examine the draft Financial Statements and the Consolidated Financial Statements as of December 31, 2013¹⁶;
- May 7, 2014: Board of Directors' meeting to examine the interim report on operations as of March 31, 2014;
- August 5, 2014: Board of Directors' meeting to examine the half-yearly financial report as of June 30, 2014;
- November 6, 2014: Board of Directors' meeting to examine the interim report on operations as of September 30, 2014.

A Board of Directors meeting is also foreseen at the end of the Shareholders' Meeting to approve the 2013 financial statements called to appoint the Company's "new" administrative body.

Directors and Auditors have always received the necessary documentation and information with sufficient notice in order to express their informed opinion on the matters submitted to their examination.

In general, the documentation to be examined by the Board of Directors is sent during the three days prior to the Board meeting, this notice is generally deemed to be fair for the transmission of documentation¹⁷.

In the limited and exceptional cases in which it has not been possible to transmit the documentation with adequate notice, complete information concerning the matter to be examined was provided during the Board Meeting, thereby assuring informed resolutions were passed.

4.3.1 FUNCTIONS OF THE BOARD OF DIRECTORS

The Board of Directors plays a central role in the strategic guidance, as well as in supervising the Company's overall business activities, with the power to guide the overall administration and the power to intervene directly in the decisions necessary or useful to achieve the company purpose.

The Board of Directors represents the body responsible for making the most important decisions in terms of the economic/strategic aspects or in terms of the structural impact on operations or functional to exercising Pirelli's policy-making and control activity.

In particular, the Board of Directors¹⁸:

- examines and approves the strategic, industrial and financial plans of the Company and of the Group, periodically monitoring the implementation;
- draws up and adopts the Company's corporate governance rules and defines the Group's corporate governance guidelines;
- defines the guidelines for the internal control system and appoints a Director designated to supervise the internal control system, defining the respective duties and powers;
- supervises the risk management process, defining the acceptable overall risk threshold (so-called risk appetite);
- evaluates the adequacy of the general organisational, administrative and accounting structure of the Company and of the subsidiaries of strategic importance;
- establishes one or more Board Advisory Committees, appointing the members and establishing the duties, powers and fees;
- confers and revokes the powers on the Managing Directors and on the Executive Committee – if established – defining their limits and operating procedures; also establishes the frequency, however, not more than on a quarterly basis, with which the delegated bodies are to report to the Board concerning the activity performed when exercising the powers of attorney;
- defines the general remuneration policy;
- determines the remuneration of the Managing Di-



THE BOARD
OF DIRECTORS
PLAYS A CENTRAL
ROLE IN THE STRATEGIC
GUIDANCE, AS WELL
AS IN SUPERVISING
THE COMPANY'S
OVERALL BUSINESS
ACTIVITIES

rectors and the other Directors who have special duties after having examined the proposals submitted by the Remuneration Committee and after consulting with the Board of Statutory Auditors, as well as subdividing the total remuneration due to the Board Members, if the Shareholders' Meeting has not already resolved this aspect;

- evaluates the general operating performance, in particular, taking into consideration the information received from the delegated bodies, as well as periodically comparing the results achieved with the planned results;
- examines and approves in advance the transactions involving the Company and its subsidiaries, when such transactions have a significant strategic, economic, equity or financial impact;
- evaluates the size, composition and operation of the Board and its Committees, at least once a year, possibly expressing opinions concerning the professional figures whose presence on the Board is deemed appropriate;
- establishes the Supervisory Body, pursuant to Legislative Decree No. 231 dated June 8, 2001;
- appoints the General Managers and the Director responsible for preparing the Company's accounting documents, determining their responsibilities and powers and identifies the Directors with strategic responsibilities;
- appoints and revokes the internal control officer based on the proposal made by the Director appointed to supervise the internal control system and determines the Officer's duties and remuneration, after having heard the opinions of the CICRCG and the Board of Statutory Auditors;
- assesses and approves the periodic statement documentation envisaged by the applicable laws and regulations;
- assesses and approves the transactions with related parties, in accordance with the conditions envisaged by the Procedure for Transactions with Related Parties;
- prepares the proposals to be submitted to the Shareholders' Meeting;
- exercises the other powers and fulfils the duties as-

signed to it by law and by the Company Bylaws.

4.4 ACTIVITIES OF THE BOARD OF DIRECTORS

The Board of Directors met 7 times during the 2013 financial year, each meeting had an average duration of approximately 2 hours and 30 minutes and the percentage attendance of the Directors corresponding to approximately 87% and the percentage attendance of the Independent Directors exceeded 89%.

The Lead Independent Director attended all the Board of Directors' meetings.

3 Board Meetings were held in 2014 at the Date of the Report.

The Board of Directors dedicated the time necessary to the items on the Agenda in the cited meetings, to allow a constructive debate, favouring the contributions made by individual Directors.

4.4.1 EVALUATION OF THE GENERAL TREND OF OPERATIONS¹⁹ AND STRATEGIC PLANS

The Board of Directors evaluated the general trend of operations and the foreseeable outlook at least on a quarterly basis, in accordance with the law²⁰ and the Company Bylaws²¹.

More in particular, during the 2013 financial year the Board approved:

- the compliance of the impairment test procedure with the requirements of the international accounting standard IAS 36 independently and in advance compared to the approval of the Financial Statements;
- the periodic accounting reports, and on these occasions, the Board received information concerning the results achieved by Pirelli compared with: (i) the historical data; (ii) the defined budget targets, with a focus on any deviations; (iii) the results achieved by the main competitors;
- the review of the targets notified to the market;
- the 2013 Business Plan on the basis of the 2012-

2014 Industrial Business Plan with an outlook extended to 2015 (approved in the meeting held on November 8, 2011);

- the “new” 2013-2017 Industrial Business Plan.

4.4.2 INTERNAL CONTROL SYSTEM AND GOVERNANCE SYSTEM²²

The Board of Directors also approved:

- the reports on each of the matters on the Agenda of the Shareholders’ Meetings;
- the “new” Whistleblowing Policy and the Anti-Corruption Compliance Programme;
- the Audit Plan and defined the structure for the variable incentive referred to the Internal Audit function Manager, after hearing the opinion expressed by the Board of Statutory Auditors;
- amendments to the “Organisational Model 231”. In this regard the reader is referred to the “Code of Ethics, the Policy Guidelines and the Organisational Model 231” section;
- the Pirelli group’s “new” organisational structure. In this regard the reader is referred to the “Company organisation” section;
- amendments to the Procedure for Transactions with Related Parties. In this regard the reader is referred to the following section: “Directors’ Interests and Transactions with related parties”.

In addition, the Board of Directors initiated the verification of the requirements envisaged to be assigned the office as a Director referred to each Board Member and the requirements to be qualified as Independent

Directors referred to the Directors elected and qualified as such at the date their candidacy was proposed, as well as the suitability of the means and the powers attributed to the officer responsible and endorsed the activities implemented thereby for the purposes of issuing the own certificates. In this regard the reader is referred to the following section: “Officer responsible for preparing the company’s accounting documents”. The Board then assessed **the adequacy of the internal control system** on a half-yearly basis and, more in general, Pirelli’s governance system and endorsed the considerations expressed by the CICRCG, and expressed a positive opinion concerning the adequacy of the Company’s organisation, administrative and accounting structure, as well as the internal control system and, more in general, on the governance system of the Company and of the Group.

The Board of Directors also supervised the risk management process, in line with the recommendations of the Self-Regulatory Code, defining the policy guidelines (and therefore, the overall risk threshold considered acceptable, so-called risk appetite, so that the principal risks to which Pirelli is exposed are identified correctly and measured, managed and monitored adequately) and verifying the compatibility with the strategic targets identified during approval of the industrial business plan²³ by approving the annual risk assessment and examining the subsequent risk assessment update. In this regard the reader is referred to the “Risk management system” section.

Furthermore, the Board:

- endorsed the evaluation by the CCIRCG in relation to the fees paid to the Audit Company for non-au-

¹⁵ Article 11 of the Company Bylaws.

¹⁶ On February 7, 2014, the Company informed the market of the change from March 11, 2014 to March 27, 2014 of the Board of Directors’ meeting to examine the draft Financial Statements and the Consolidated Financial Statements, as of December 31, 2013. The change of date followed the announcement by the subsidiary company Prelios S.p.A. of the deferment of the Board of Directors’ meeting to examine the draft Financial Statements and the Consolidated Financial Statements as of December 31, 2013.

¹⁷ 2011 Self-Regulatory Code: Application criterion 1.C.5.

¹⁸ Self-Regulatory Code: Application criterion 1.C.1., sub-section a).

¹⁹ Self-Regulatory Code: Application criterion 1.C.1., sub-section e).

²⁰ Article 150 of the Unified Finance Law (TUF).

²¹ Article 11 of the Company Bylaws.

²² Self-Regulatory Code: Application criterion 1.C.1., sub-section b).

²³ Self-regulatory code: Application criterion 7.C.1., sub-section a).

dit services, noting that the fees in question were not high, and therefore, did not prejudice the external auditor's independence in any way. The reader is referred to the "audit company" section;

- noted that the analysis of the so-called "Management Letter" did not indicate "significant shortcomings" in the internal control system in relation to the financial information process, also taking into account the positive evaluation made by the CCIRCG and by the Board of Statutory Auditors. In this regard the reader is referred to the following section: "risk management and internal control system in relation to the financial information process";
- defined a structured succession plan for the Company's top management to be implemented in the case of an "emergency", as well as outlining the process to be followed to define the natural succession plan in relation to the top management. In this regard the reader is referred to the "Succession plans" section;
- identified the Operations General Manager Gregorio Borgo, effective from September 26, 2013, the Chief Technical Officer Maurizio Boiocchi, effective from November 5, 2013, the Chief Human Resources Officer Christian Vasino, effective from January 1, 2014 and the Senior Vice President Manufacturing Giuliano Menassi effective from March 27, 2014 as additional "Directors with strategic business responsibilities" in relation to the duties and powers attributed to them.

4.4.3 REMUNERATION OF DIRECTORS INVESTED WITH SPECIAL OFFICES

During the 2013 financial year, the Board of Directors approved the Remuneration Report for the 2013 financial year, pursuant to the applicable legislation, also the regulatory provisions; the Report consisted of the Remuneration Policy for the 2013 financial year – subsequently submitted to the advisory vote of the Shareholders' Meeting to approve the Financial Statements for 2012 – and the Remuneration Statement for the 2012 financial year.

The Board of Directors expressed its intention to proceed with the anticipated closure of the 2012-2014 LTI Plan at the end of the 2013 financial year, taking into account the approval of the "new" 2013-2017 Industrial Business Plan, and to "launch" a "new" 2014-2016 LTI Plan; this intention was subsequently confirmed by the Board in the meeting held on February 27, 2014.

For further details regarding the 2014-2016 LTI Plan, the reader is referred to the press release distributed by the Company on February 27, 2014, and available on the Pirelli Internet website, together with the documentation relating to the LTI Plan.

Furthermore, the Board of Directors approved the Remuneration Report referred to the 2014 financial year consisting of the Remuneration Policy referred to the 2014 financial year and the Remuneration Statement referred to the 2013 financial year, again based on a proposal by the Remuneration Committee and after hearing the opinion of the Board of Statutory Auditors. The Remuneration Report referred to the 2014 financial year will be made available on the Pirelli Internet website no later than 21 days prior to the Shareholders' Meeting to approve the Financial Statements for 2013.

4.4.4 TRANSACTIONS OF SIGNIFICANT STRATEGIC, ECONOMIC, EQUITY OR FINANCIAL IMPORTANCE²⁴

The Board of Directors is responsible for the prior approval of some actions and transactions which are not intragroup (determined on the basis of qualitative criteria and quantitative thresholds) when executed by Pirelli & C. or by Italian and also foreign companies which are not listed and are subject to management and coordination activities by Pirelli & C.²⁵ without prejudice to (i) the responsibilities and powers reserved by law and the Company Bylaws; (ii) the structure of the powers and (iii) internal procedures.

With regard to the last aspect it is important to note that during the 2013 financial year, the Board of Directors approved the principal transactions executed by Pirelli. The reader is referred to the Directors' Report for further information.

In addition, the "procedure regarding information flows to Directors and Auditors"²⁶ envisages general and periodic information on the activities performed.

4.4.5 TRANSACTIONS WITH RELATED PARTIES

As regards transactions with related parties, the reader is referred to the section "Directors' Interests and transactions with related parties".

4.4.6 BOARD PERFORMANCE EVALUATION

The Board of Directors has performed a self-evaluation process of its performance, so-called "Board performance evaluation"²⁷ since the 2006 financial year.

The Board deemed it appropriate to confirm the self-evaluation process also with reference to the 2013

financial year based on the procedure adopted in 2012 – in line with the proposal by the CICRCG and taking into account the positive experience of the previous year – entrusting the foregoing Committee directly to manage the self-evaluation process referred to the 2013 financial year, by using a questionnaire prepared by the Committee in question (with the support of Spencer Stuart), in order to prepare a final report on the self-evaluation process to be presented to the Board of Directors.

The self-evaluation process focused on the following aspects:

- to provide continuity to the self-evaluation over time, to verify the procedures followed to implement the decisive actions to improve the operation of the Board's activities and to identify the level of satisfaction of the Board Members;
- to take into account the changes in the Board's composition, and therefore, the presence of new Board Members. More in particular, the following aspects were examined in detail: the information flow, the completeness of the investigations performed and the Board's involvement in relation to a number of important resolutions passed, for example, the resolutions concerning Prelios;
- to consider the agreements entered into among shareholders of the Pirelli Group and communicated to the Company, which also concerned some aspects relating to governance, including those referring to the size and composition of the Board of Directors of Pirelli and its Committees.

The Board of Directors confirmed its appreciation concerning the size, composition and function of the Board itself with reference to the 2013 financial year based on the outcome of the self-evaluation process.

The self-evaluation process, inter alia, indicated satisfaction (i) regarding the further improvement – in

²⁴ Self-Regulatory Code: Application criterion 1.C.1., sub-section. f).

²⁵ In this regard, the reader is referred to the "General criteria to identify transactions of significant strategic economic, equity or financial importance" indicated in their up-to-date version on the Company's Internet website.

²⁶ The "procedure regarding information flows to Directors and Auditors" is available on the Company's Internet website.

²⁷ Self-Regulatory Code: Application criterion 1.C.1., sub-section. g).

quantitative terms (frequency of the meetings, duration) and in qualitative terms (accurate preparation of the meetings, presentation of the topics, the presence of managers at the meetings, greater company knowledge favoured by informal meetings and by the visit to the technological centre at Settimo Torinese) – recorded in relation to the Board’s involvement in the plan’s definition; (ii) regarding the wealth of information made available to the Board Members; (iii) in relation to the positive role played by the Lead Independent Director, also in the organisation of the Independent Directors’ work; (iv) the role played by the CICRCG, concerning the significant and detailed work performed regarding the “transactions with related parties”, as well as the risk analysis, in relation to which appreciation was confirmed regarding the very precise risk quantification/calculation work performed, deemed by the Board to be a best practice in this area.

The attribution of sustainability issues to a Board Committee that already exists or to be newly established was advocated, based on the outcome of the self-evaluation process, considering that such issues represent an aspect that will increasingly permeate the Company’s business activities and its development plans.

As regards the size and composition of the Board, the self-evaluation process that also considered the agreements entered into among Pirelli’s shareholders, indicated a marked appreciation for the composition of the current Board of Directors that comprises of persons with a high personal and professional standing. It was deemed desirable that at the next renewal of the Board of Directors (i) the diversity of skills and expertise is enhanced, as well as the presence of Independent Directors, which could also constitute the majority of the Board and must represent a sufficient number to guarantee the operation of the Committees; (ii) the concentration of skills and expertise regarding financial aspects is avoided, thereby guaranteeing a balance among the different professional skills, knowledge and experience; (iii) the presence of economists is ensured, useful to support the Board in the analysis of scenarios and to understand the development of the business and of the markets; (iv) a certain continuity in the Board’s composition is guaranteed in order to

preserve the wealth of knowledge, acquired over time, within the Company and the Group.

4.4.7 ARTICLE 2390 OF THE ITALIAN CIVIL CODE

Article 10, last paragraph of the Company Bylaws envisages that Directors are not bound by the competition prohibition set out under Article 2390 of the Italian Civil Code, unless otherwise resolved by the Shareholders’ Meeting.

4.5 DELEGATED BODIES

4.5.1 CHAIRMAN AND CEO

The Board of Directors appoints its Chairman, in accordance with the Company Bylaws when the Shareholders’ Meeting has not already done so. The Board of Directors appointed Marco Tronchetti Provera as Chairman and CEO in the meeting held on April 21, 2011.

The Chairman is the Company’s legal representative.

The Chairman and CEO, Marco Tronchetti Provera, is responsible for the following organisational functions:

- relations with shareholders and the information provided to them;
- defining the strategies concerning the general policy and the development policy for the Company and the Group, as well as the extraordinary transactions to be submitted to the Board of Directors;
- proposals to appoint General Managers and the remuneration due and payable to them, after having consulted the Remuneration Committee;
- all forms of communications to the market.

As has been said, the Chairman of the Board of Directors shall use all reasonable endeavours so that the documentation relating to the items on the Agenda is submitted to the Directors and to the Auditors suitably in advance to permit the Directors to express an informed opinion on the topics to be examined by them²⁸. In this regard, the reader is referred to the section “Role of the Board of Directors”.

The Chairman and CEO is conferred with full powers – to be exercised with separate signature – necessary to

perform the actions concerning the Company's business in its various executions, none excluded. All the foregoing with the power to issue special and general mandates, conferring on the representative the authority to sign, individually or collectively, on behalf of the Company and with the responsibilities he shall deem appropriate to assure the Company's best interests, including the power to subdelegate.

The Board of Directors has identified the limits to the management powers conferred on the Chairman and CEO, which have been qualified as the internal limits of the relationship between the delegating collegial body and the person with delegated powers. In particular, the following internal limits have been identified: the power to issue guarantees for the Company's bonds and the subsidiaries' bonds for a value exceeding euro 25 million, or in the interests of third parties concerning bonds with a value exceeding euro 10 million; in the latter case the Chairman's signature is to be accompanied by that of another legal representative with similar powers (in particular, reference is made to "Executives with strategic business responsibilities").

4.5.2 COMPANY ORGANISATION

The Board of Directors redefined its own organisational model during the 2013 financial year, with the aim of maximising supervision of the business activities and the geographic coordination of all the operating activities associated with product development and management.

In particular, the Operations General Division has been established that reports directly to the Chairman and CEO, this Division has been entrusted to Gregorio Borgo (previously responsible for the Asia-Pacific region), to which, in turn, the organisational units associated with the operational management (Industrial Operations, Supply Chain, Product and OE Aftermarket and Marketing), the Industrial and Motorcycle Business Units and the various Regions (Africa, Middle East and India, Asia-Pacific, Central Europe, North West Europe, South Europe, Latam, Nafta and Russia and Nordics)

report. The aim is to strengthen the industrial and commercial synergies to support the commercial development in the best way possible, in the context of increasingly competitive markets.

The Regions continue to report directly to the Chairman and Managing Director regarding governance and overall coordination aspects.

In addition to the Operations General Division, the staff functions and the Chief Technical Officer Maurizio Boiocchi also report to the Chairman and CEO, and the Product, Processes, Quality, Original Equipment and Motorsport areas continue to report to the Chief Technical Officer, the foregoing are all strongly associated with research, innovation and type approvals with car manufacturers, the latter representing fundamental leverages to implement the Premium strategy. These areas report to the Chief Technical Officer, also with reference to the various countries.

The current organisation that was decisive for the distribution and consolidation of best practices between the headquarters and the various Regions has developed towards a model that exceeded the role of the Chief Commercial Officer, previously entrusted to Andrea Pirondini who left Pirelli at the end of 2013.

It is important to note that, at the Date of the Report, the following executives have strategic responsibilities within Pirelli, taking into account that during the 2013 financial year, and in the early months of the 2014 financial year, the Board of Directors extended the range of executives with strategic responsibilities (namely, officers who have the power to adopt management decisions which can impact the development and future prospects): the Chief Financial Officer Francesco Tanzi, the Chief Planning and Controlling Officer Maurizio Sala, the Operations General Manager Gregorio Borgo, the Chief Technical Officer Maurizio Boiocchi, the Chief Human Resources Officer Christian Vasino and the Senior Vice President Manufacturing Giuliano Menassi. The powers relating to the specific functions assigned were attributed to the above-mentioned Key Managers, while more limited powers are conferred on other

senior managers and managers, to be used in the context of the respective responsibilities.

4.5.3 INFORMATION TO THE BOARD

The Board of Directors and the Board of Statutory Auditors are kept informed of the activities performed, the general performance, the foreseeable outlook and the most significant transactions with a strategic, economic, financial and equity impact carried out by the Company or by its subsidiaries, in accordance with the provisions envisaged by law²⁹ and by the Company Bylaws³⁰. Pirelli believes that the completeness of the information made available to the Directors represents an essential condition to exercise correctly the tasks and responsibilities in management, policy-making and control inherent to the position of Directors and Statutory Auditors. For this reason, Directors and Statutory Auditors receive a continuous flow of information from the Chairman and CEO to assure the transparency of company management; to assure the conditions to achieve an efficient and effective guidance and control of the Company's activities and operation of the business by the Board of Directors and to provide the Board of Statutory Auditors with the information required to perform its role efficiently.

Where appropriate, the delegated bodies report on the transactions in which they have an interest, in their own right or on behalf of third parties. The notification is made promptly, and however, at least every three months, at the date of the Board of Directors' meetings (and the meetings of the Executive Committee, if appointed) or by means of a written memorandum.

The Company has developed a special procedure to favour the orderly organisation of the flow of information, this procedure has been implemented since July 2002 and defines in detail, the rules to be followed in order to comply with the information reporting obligations.

The updated version of the Procedure on information flows to Directors and Statutory Auditors is reported on the Pirelli Internet website.

4.6 OTHER DIRECTORS

The Board of Directors has considered that the Chairman of the Board of Directors and CEO Marco Tronchetti Provera and the Deputy Chairman Alberto Pirelli are Executive Directors, the latter by virtue of his operational offices held in the subsidiary company Pirelli Tyre. Several informal meetings were organised during the financial year designed to examine in greater detail specific business and corporate governance issues, to increase the knowledge of all Directors and Auditors concerning the Company's reality and dynamics, in compliance with the recommendations of the Self-Regulatory Code³¹ and with what is now a consolidated practice within the Company. In particular, an in-depth examination of the macroeconomic scenario was performed, in consideration of the "launch" of the "new" industrial business plan, as well as the self-evaluation process, also in order to enable the CICRCG to prepare a final report on the self-evaluation process to be presented to the Board of Directors.

In addition, the Directors and Statutory Auditors attended the presentation of the "new" 2013-2017 Industrial Business Plan held in London.

4.7 INDEPENDENT DIRECTORS

The Company's Board of Directors has been characterised from 2006 by a number of Independent Directors who generally represent the absolute majority of its members, with a more rigorous approach of the Self-Regulatory Code that in the case of member companies of the FTSE-MIB index makes a recommendation that at least one third of the Board of Directors is to be comprised of Independent Directors³².

At the date of their appointment and subsequently once a year, the Board assesses the continued validity of the requirements of independence envisaged by the Self-Regulatory Code and the requirements envisaged by the Unified Finance Law (TUF) in relation to non-executive Directors who are qualified as Independent.

The Board of Directors identifies the independence of its Directors in terms of their freedom from relations

with the Company and/or its principal shareholders and executives which may influence their opinion.

The Board referred to the requirements recommended by the Self-Regulatory Code³³ adopted by the Italian Stock Exchange (Borsa Italiana).

The Board of Directors duly confirmed the applicability of the requirements of independence, with the sole exception of Director Carlo Acutis, in the meeting held on March 27, 2014 in the light of a substantial evaluation of the information provided by the Directors and the information available to the Company, also on the basis of the requirements envisaged by the Unified Finance Law (TUF), in relation to the Directors in office at that date and who were qualified as independent at the date of their appointment, and in particular: Anna Maria Artoni; Alberto Bombassei; Franco Bruni; Luigi Campiglio; Jean-Paul Fitoussi; Pietro Guindani; Elisabetta Magistretti; Luigi Roth, Carlo Secchi and Manuela Soffientini. With reference to the Director Carlo Acutis, it is important to note that in July 2013, Carlo Acutis informed that he considered he no longer met the independence requirements due to his role as a controlling shareholder of Vittoria Assicurazioni S.p.A. and Yura International B.V., companies which acted together with Lauro Sessantuno S.p.A. in the full public purchase offer promoted with reference to the shares of Camfin S.p.A., a company that holds approximately 26.2% of Pirelli's share capital. It is also important to note that, as in the previous year, the Board of Directors focused on the position of the Director Secchi and considered the fact that he had exceeded nine years in office during the last twelve years, since he had been appointed as a Director of Pirelli for the first time on February 19, 2004. In particular, the Board of Directors noted the personal characteristics and the proven professionalism, as well as the specific experience gained (more than 40 years academic experience at the highest national and international levels;

top ranking national and international political offices and, above all, having held the office as a director of important listed companies) the fact of having exceeded nine years as a Board Member of Pirelli during the last twelve years does not appear to compromise the qualification as an Independent Director in any way.

At the Date of the Report, a further eight Board Members (Carlo Acutis; Gilberto Benetton; Paolo Fiorentino; Gaetano Micciché; Massimo Moratti; Renato Pagliaro; Luca Rovati and Claudio Sposito) were eligible to be qualified as "non-executive Directors".

It follows that the Independent Directors represent 50% of the Directors in office and approximately 55% of the total number of "non-executive Directors".

The average age of the Independent Directors at the Date of the Report is just over 63 years with an average term in office that corresponds to approximately 5 years. The Board of Statutory Auditors verified that the assessment criteria and procedures adopted by the Board to establish the independence of its members were applied correctly, in line with the recommendations of the Self-Regulatory Code³⁴.

4.7.1 MEETINGS OF THE INDEPENDENT DIRECTORS

In line with the recommendations of the Self-Regulatory Code³⁵, the Independent Directors met 2 times during the 2013 financial year in the absence of the other Directors. One of the foregoing meetings was held at the Settimo Torinese industrial facility.

The Independent Directors examined in detail aspects relating to the control system and risk management and the Board performance evaluation activity. Furthermore, 4 informal meetings of the Directors were held during the 2013 financial year.

²⁹ Article 150, paragraph 1 of the Unified Finance Law (TUF).

³⁰ Article 11 of the Company Bylaws.

³¹ Self-Regulatory Code: Application criterion 2.C.2.

³² 2011 Self-Regulatory Code: Application criterion 3.C.3.

³³ 2011 Self-Regulatory Code: Application criteria 3.C.1. and 3.C.2.

³⁴ Self-Regulatory Code: Application criterion 3.C.5.5.

³⁵ Self-Regulatory Code: Application criterion 3.C.6.

4.7.2 ROLE OF INDEPENDENT DIRECTORS ON COMMITTEES

Pirelli deems that the central function of the Board of Directors is to define the strategic policy guidelines and to supervise the Company's business activities and in order to perform this important task effectively a central role is represented by the presence of an adequate number of Independent Directors on the Board of Directors and on the Committees with high professional and personal skills and expertise.

This applies in particular from 2006, since a large portion of the Board of Directors is composed of Independent Directors and the Remuneration Committee and the CICRCG are composed only of Independent Directors from 2000. The majority of the members of the Appointments and Succession Committee are Independent Directors and a significant representation of Independent Directors is guaranteed in the Strategies Committee, and its composition reflects the mix of skills and expertise and the presence of executive, non-executive and independent Directors of the Board of Directors.

4.8 LEAD INDEPENDENT DIRECTOR

The Board of Directors decided to introduce the figure of the Lead Independent Director already in November 2005, in order to further enhance the role of the Independent Directors.

The Lead Independent Director (identified as the Independent Director Carlo Secchi, Chairman of the CICRCG) represents the key figure to coordinate the requests and contributions made by Independent Directors.

In this capacity, the Lead Independent Director:

- collaborates with the Chairman of the Board of Directors to achieve the best functioning of the Board;
- has the authority to convene meetings, also informal meetings, involving only the Independent Directors, independently, or at the request of the other Directors in order to discuss issues in relation to the functioning of the Board of Directors, in

particular, and the Corporate Governance System, more in general, with the possibility of also inviting management representatives to discuss with the organisational structure;

- collaborates with the Chairman of the Board of Directors in order to ensure that the Directors receive complete and timely information flows.

The Lead Independent Director can avail of the collaboration of the Board of Directors' Secretary when exercising his powers.

The Lead Independent Director has participated in all the Board of Directors' meetings in the framework of the mandate received up to the Date of the Report, in all the meetings of the Committee for Internal Control and Corporate Governance, and the Lead Independent Director has been constantly in contact with the Chairman of the Board of Directors and CEO, as in the past, also with reference to the 2013 financial year, precisely to achieve a constant improvement of the Board information process.

The Lead Independent Director also organised 2 meetings during the 2013 financial year involving only the Independent Directors, as mentioned previously, to examine in detail issues relating to the Company's corporate governance system, confirming the special attention paid to these aspects, as has become accepted practice. Furthermore, as already mentioned, 4 informal meetings of the Directors were held during the 2013 financial year.

The Lead Independent Director together with other Directors and Statutory Auditors also attended the presentation of the "new" 2013-2017 Industrial Business Plan held in London.

5. PROCESSING CORPORATE INFORMATION

Market transparency, fair, complete and clear information represent the values which are upheld by the conduct of the corporate bodies, the management and all the staff employed by Pirelli.

In this context the Board of Directors adopted a Procedure from March 2006 to manage and disclose privileged information to the market that takes into account the regulations concerning market abuse, governs the management of privileged information concerning Pirelli & C., its unlisted subsidiaries and the listed financial instruments issued.

The Procedure also applies as an instruction to all subsidiaries, in order to obtain from them, without delay, the information required for the timely and correct compliance with the reporting obligations to the general public.

The updated version of the Procedure is available on the Pirelli Internet website, and also governs the institution of the register of persons with access to privileged information, also in operation from April 1, 2006. The issue concerning the transparency of transactions involving the Company's shares or the financial instruments linked to them, performed directly or through third parties by relevant persons or by persons closely related to them (so-called insider dealing) is currently governed entirely by law and by the Consob implementation regulation.

Although no regulatory obligations are applicable in this regard, the Board of Directors has decided to continue to impose an obligation on the parties indicated above not to perform transactions involving the Company's shares or involving financial instruments linked to them during specific periods of the year (so-called

Blackout periods³⁶), in harmony with the approach adopted in the previous mandate. Moreover, these periods may be extended or suspended by the Board of Directors in extraordinary circumstances.

6. BOARD COMMITTEES

The Committees set up within the Board have fact-finding, proposing and/or advisory duties in relation to the issues which particularly require an in-depth examination so that there can be an effective and informed discussion of opinions also on such issues.

It is a consolidated practice in Pirelli, in harmony with best practices, for the Board to formally define the duties and powers of the specific committee at the date the committee is established (by means of a so-called written charter), and to render them public by publication on the Pirelli Internet website and also reporting on them in this Report.

The Board of Directors set up four committees following its reappointment, on April 21, 2011, including two new committees: the Committee for Internal Control, Risks and Corporate Governance, the Remuneration Committee; the Appointments and Succession Committee and the Strategies Committee.

The composition of the Board Committees is detailed in table 4.

³⁶ The procedure relating to the blackout periods is available on the Company's Internet website.

LEI LEI! CARTOONIST

Lei Lei is a Chinese animation artist and graphic designer whose film, "This is Love" won 2010 Best Narrative Short at the Ottawa International Animation Festival.

In 2013, his film "Recycled" was selected by Annecy festival and was the Winner for Grand Prix shorts - non-narrative at the Holland International Animation Film Festival.

Only 29 years old, Lei Lei founded the animation group "Raydesign Studio" when he was only 19. He works in multimedia, graphic design, illustration, graffiti, and even music. He has done design projects using Fiat cars and Nike shoes and graffiti projects in various Chinese cities, in addition to his numerous animation video projects. His art is now gaining world-wide recognition.

29 YEARS OLD, CHINESE

2013: Annecy Festival
2013: Grand Prix Shorts –
Non Narrative
2010: Best Narrative Short
at Ottawa International
Animation Festival



Lei Lei, also known as Ray Lei, is a young animator. The work and the drawings he produces are jejune and childlike. Lei's mode of expression is childlike, and he spends periods of time on his bike riding through the countryside around Beijing, decorating people's walls with his cartoons, bringing a youthfulness, against a backdrop of potential uniformity. Lei Lei talked fascinatingly about memory and its impact on how we see the world around us. He spoke enthusiastically about the importance of memory in relation to art, and how the duty of the artist in some sense is to keep the past alive by reinventing it in the present. This is something that we see in the work of Bob Dylan and the transition from folk to pop music, or in the way for instance that an artist like Prince uses musicians like Miles Davis, Jimi Hendrix and George Clinton and integrates them into new forms. Lei Lei is interested about what his part would be moving into the future, how his work, and the work of all authors could be responsible for holding the authorities to account, and to what extent their work might provoke change. Lei Lei is a talented artist, not purely for the quality of his artwork but because of the honorable ideas of it too – the content as well as the style. He sees a clear aim in his work, to question that which has not been questioned, which imbues a depth to his child-like cartoons that the style itself might ostensibly undermine.

[Hanif Kureishi]

Do you consider your talent a gift or a burden?

Both.

**What you would do if one day you woke up and discovered
you had lost your talent?**

Find the talent back in my daily life.

Who is the living talent you most admire?

Imagination.

**What do you like about your talent
and what don't you like?**

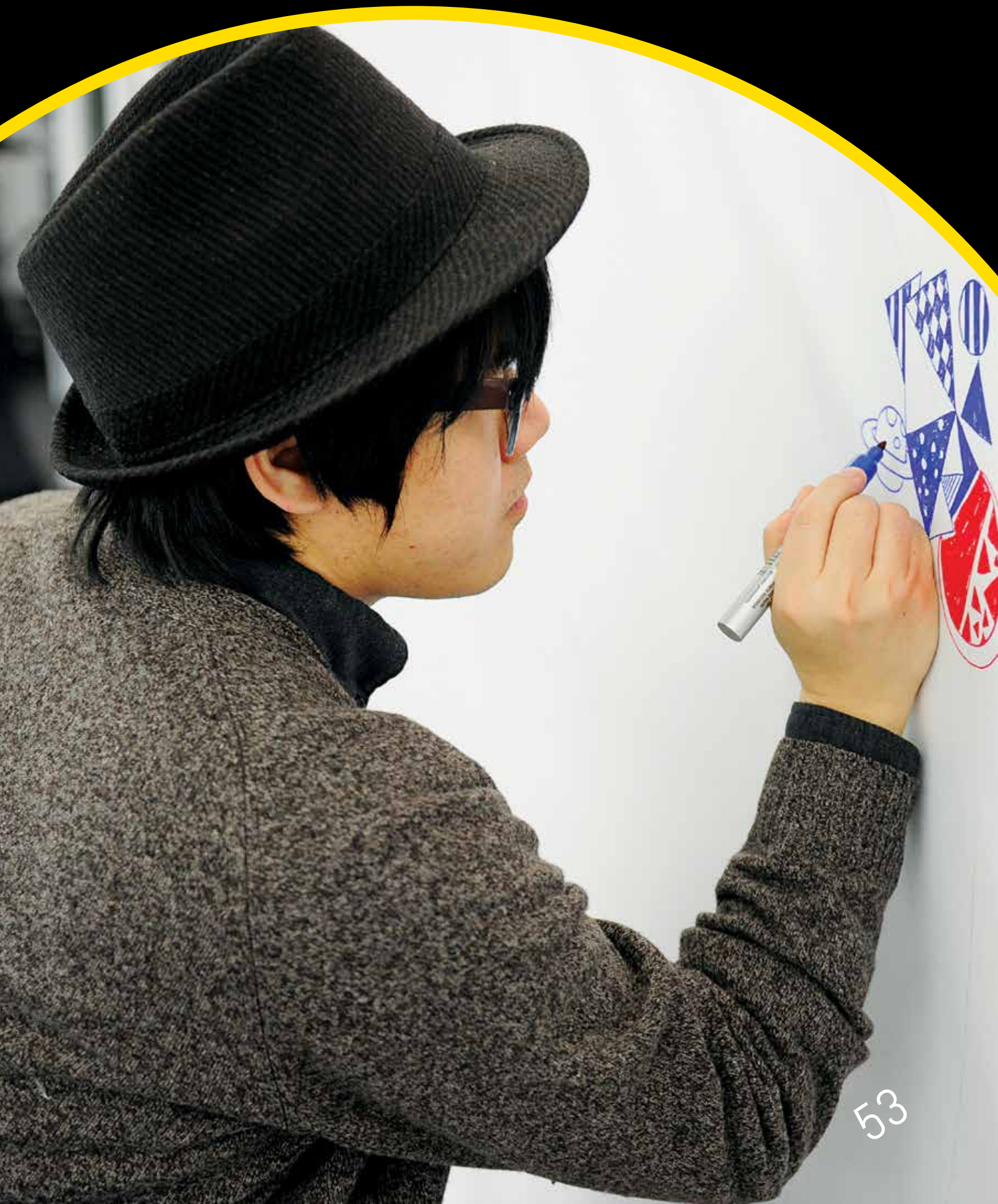
It makes me happy, but also brings me pain.

When or where does your talent make you happy?

When my imagination explodes at midnight.

**If you could change your talent,
how you would change it?**

*If I weren't a talented cartoonist, I think
I would be a writer. Because animation
can give people visual and auditory information
but maybe it's too much. Books only give words,
but they leave more space for fantasy.
I hope I could write interesting stories,
especially stories for children and for those
people who still want to fly with their imagination.*



MY WHEELS



AM ORBIT



My wheel is a hand-painted cartoon that represents the cosmic circle, the history of the world. It's easy and simple to understand even for a child but, at the same time, it contains the sense of our past as well as the memory of human beings.

7. APPOINTMENTS AND SUCCESSION COMMITTEE

7.1 COMPOSITION

The Board of Directors set up the Appointments and Succession Committee in the meeting held on April 21, 2011, and at the Date of the Report, the Committee is composed of 3 Board Members, the majority of whom are Independent Directors³⁷ and in particular:

- Marco Tronchetti Provera (Chairman);
- Luigi Campiglio;
- Luigi Roth.

It is important to note that compared to the Committee's composition as at December 31, 2012, on May 10, 2013, Mr. Vittorio Malacalza resigned as a Committee member. The Senior Advisor Human Resources, Mr. Gustavo Bracco acts as the Committee's Secretary.

7.2 DUTIES ASSIGNED TO THE COMMITTEE

When defining the duties of the Appointments and Succession Committee the Board of Directors assessed the increasing importance for Pirelli and the market of the Board's direct involvement in defining the succession policies (i) not only and not just in relation to possible natural changes of the Executive Directors, for which however the decisions made by the shareholders assume a decisive role, but in general (ii) concerning the top and senior management to assure the necessary continuity of the management action.

Accordingly, the Committee:

- proposes to the Board of Directors the candidates to be co-opted, if an Independent Director is to be substituted;
- proposes the definition of "emergency" succession plans concerning the Company's top management by identifying professional figures (inside and outside Pirelli) who can assure the succession, in particular, of the C.E.O.³⁸;
- identifies the criteria for the succession plans in relation to the top and senior management, in general, in order to ensure continuity in the business strategies;
- periodically examines the organisational structure of the Company and the Group presenting possible suggestions and opinions to the Board in this regard.

7.3 OPERATION

The Committee meets whenever its Chairman deems it appropriate, or whenever a request is made by at least one member, by the Chairman of the Board of Directors or by the CEO, if appointed, and however, as often as appropriate to ensure the Committee performs its functions correctly.

The Committee's meetings are convened by a notice, also sent by the Secretary, duly appointed by the Committee Chairman.

The documentation and the information available (and in any event, the documentation and information required) are transmitted to all the Committee members sufficiently in advance to enable the members to express their opinion in the meeting.

The Committee's meetings are validly constituted provided the majority of its members in office are present and the resolutions are passed with the absolute majority of the members in attendance. The Committee's meetings may also be held using telecommunications media and are regularly reported under the Secretary's responsibility and transcribed in the special register.

The Committee may avail itself of external consultants when performing its functions and has adequate financial resources to perform its duties with absolute expenditure autonomy.

The Committee has the authority to access company information and functions which are important to perform its duties and can avail itself of the Secretary's support for this purpose.

The Chairman of the Board of Statutory Auditors has the authority to participate in the Committee's meetings.

7.4 ACTIVITIES PERFORMED DURING THE FINANCIAL YEAR

The Appointments and Succession Committee met 2 times during the 2013 financial year; the duration of the meeting was approximately 2 hours; the tables provided at the end of the Report summarise the participation of the members at the Committee's meetings.

In particular, the Committee submitted to the Board of Directors a structured succession plan for the Company's top management, to be implemented in the case of an "emergency" – the plan was subsequently approved by the Board – as well as the process to be followed to define the natural succession plan referred to the Company's top management. In this regard the reader is referred to the "Succession Plans" section.

Members of Senior Management and external consultants participated in the Committee's work, at the Chairman's invitation, in relation to several items on the Agenda of the above-mentioned meetings, in order to assist the Committee to perform its functions.

8. STRATEGIES COMMITTEE

8.1 COMPOSITION

The Board of Directors set up the Strategies Committee in the meeting held on April 21, 2011, and at the Date of the Report the Committee is composed of 9 Board Members, including 4 Independent Directors, and in particular³⁹:

- Marco Tronchetti Provera (Chairman);
- Alberto Bombassei
- Franco Bruni;
- Paolo Fiorentino;
- Gaetano Micciché;
- Renato Pagliaro;
- Manuela Soffientini;
- Carlo Secchi;
- Claudio Sposito;

It is important to note that compared to the Committee's composition as at December 31, 2012 (i) on May 10, 2013 Mr. Vittorio Malacalza resigned as a Committee member; (ii) Mr. Claudio Sposito was appointed as a Committee member on October 21, 2013; (iii) Mr. Paolo Fiorentino and Mr. Gaetano Micciché were appointed as Committee members on November 5, 2013; (iv) Mr. Chiappetta, resigned as a Committee member effective from January 31, 2014. In this regard, it is important to note that Mr. Chiappetta will continue to support the Committee, of which he is no longer a member, due to the "new" role as Senior Advisor Governance. The Investor Relations function Manager (Valeria Leone) and the Sustainability and Risk Management function Manager (Filippo Bettini) act as Secretaries to the Committee.

³⁷ The 2011 Self-Regulatory Code (Principle 5.P.1) recommends the establishment of an Appointments and Succession Committee with the majority of its members being Independent Directors. Although in the case of Pirelli the application of this principle will be effective from the next renewal of the Board of Directors with the approval of the financial statements as at December 31, 2013, the current composition is already in line with the provisions of the cited Code.

³⁸ It is important to note that at the time the Appointments and Succession Committee was set up its duties also envisaged assuring "emergency" succession plans for the C.O.O. It is to be noted that the C.O.O. Francesco Gori resigned from this office on May 10, 2012.

³⁹ The reader is referred to Table 4 for further details.

8.2 DUTIES ASSIGNED TO THE COMMITTEE

The Committee has advisory and proposing functions when defining the strategic guidelines, as well as to identify and define the terms and conditions of individual transactions of strategic importance.

In particular, the Committee:

- examines in advance the strategic, industrial and financial plans, also long-term plans of the Company and of the Group to be submitted to the examination of the Board of Directors;
- supports the Board to assess transactions, initiatives and activities of strategic importance and, in particular:
 - entry in new markets, both geographic and business;
 - industrial alliances (for example: joint-ventures);
 - extraordinary transactions (merges, spin-offs, share capital increases or decreases other than decreases due to losses);
 - investment projects;
 - industrial and/or financial restructuring programmes and projects.

8.3 OPERATION

The Committee is appointed by the Board of Directors (and the Board also indicates the Committee's Chairman) and remains in office for the Board of Directors' entire mandate.

The Committee meets whenever its Chairman deems it appropriate, or when a request is made by at least one member, by the Chairman of the Board of Directors or by the CEO, if appointed, and however, as often as appropriate to ensure its functions are performed correctly. The Committee appoints the secretary of its meetings. The Committee's meetings are convened by a notice, also sent by the secretary, at the request of the Committee Chairman.

The documentation and the information available (and

in any event, the documentation and information required) are transmitted to all the Committee members sufficiently in advance to enable the members to express their opinion in the meeting.

The Committee's meetings are validly constituted provided the majority of its members in office are present and the resolutions are passed with the absolute majority of the members in attendance. The Committee's meetings may also be held using telecommunications media and are regularly reported under the responsibility of the Secretariat office and transcribed in the special register.

The Committee has adequate financial resources to perform its duties with absolute expenditure autonomy and may avail itself of external consultants when performing its functions.

The Chairman of the Board of Statutory Auditors is invited to attend the Committee's meetings.

8.4 ACTIVITIES PERFORMED DURING THE FINANCIAL YEAR

The Strategies Committee met 3 times during the 2013 financial year; the average duration exceeded one hour and 30 minutes; the tables provided at the end of the Report summarise the participations of the members in the Committee's meetings recorded during the 2013 financial year.

In particular, the Committee examined industrial partnership scenarios and/or enhancement of the steel-cord business unit, as well as the preliminary guidelines and the subsequent integral version, referred to the "new" 2013-2017 Industrial Business Plan.

9. REMUNERATION COMMITTEE

9.1 COMPOSITION

The Corporate Governance System adopted by Pirelli & C. since 2000 envisages establishing a Remuneration Committee.

The Committee is composed of four members who are exclusively independent based on the more rigorous approach recommended by the Self-Regulatory Code of the Italian Stock Exchange (Borsa Italiana) of December 2011⁴⁰.

The Committee is appointed by the Board of Directors (that also indicates the Chairman) and remains in office for the Board of Directors' entire mandate. The entire Board of Statutory Auditors has the authority to participate in the Committee's activities.

The Committee was composed of the following persons at the Date of the Report⁴¹:

- Luigi Roth (Chairman);
- Anna Maria Artoni;
- Luigi Campiglio;
- Pietro Guindani.

It is important to note that compared to the Committee's composition as at December 31, 2012, following the resignation on August 5, 2013 of the Director Carlo Acutis⁴² as a Member and Chairman of the Committee, the Board of Directors appointed the Director Roth – already a Committee member – as the Committee's Chairman and appointed the Director Luigi Campiglio as a "new" member of the Committee.

Two members of the Committee (Anna Maria Artoni and Pietro Guindani) have adequate experience in financial

and remuneration matters as duly assessed by the Board of Directors at the date the appointment was made.

The Secretary of Board of Directors, Ms. Anna Chiara Svelto, acts as the Secretary to the Committee.

9.2 DUTIES ASSIGNED TO THE COMMITTEE

The Committee has advisory, proposing and supervisory functions to assure the definition and application of the remuneration policies to the entire Group which are designed, on the one hand, to attract, motivate and retain the resources which have the professional qualities requested to achieve profitably the Group's objectives and, on the other hand, are capable of aligning the management's interests with the interests of the shareholders.

In particular, the Committee⁴³:

- supports the Board to define the Group's General Remuneration Policy and the respective Implementation Criteria;
- periodically assesses the adequacy, overall consistency and the effective application of the General Remuneration Policy and the Implementation Criteria;
- formulates proposals to the Board with reference to the Directors invested with special offices, the General Managers and the Executives with strategic responsibilities:
 - concerning their remuneration, in line with the General Remuneration Policy and with the respective Implementation Criteria;
 - establishing the performance objectives related to the variable component of such remunerations;
 - defining possible non-competition agreements;
 - defining possible agreements to terminate the

⁴⁰ The 2011 Self-Regulatory Code Principle 6.P.3.

⁴¹ The reader is referred to Table 4 for further details.

⁴² On July 17, 2013 the Director Carlo Acutis informed that he considered he no longer met the independence requirements due to his role as a controlling shareholder of Vittoria Assicurazioni S.p.A. and Yura International B.V. – companies which acted together with Lauro Sessantuno S.p.A. in the full public purchase offer promoted with reference to the shares of Camfin S.p.A. – and for this reason he resigned as Chairman and member of the Remuneration Committee.

⁴³ 2011 Self-Regulatory Code Application Criterion 6.C.5.

relationship, also on the basis of the principles established in the General Remuneration Policy and in the respective Implementation Criteria;

- supports the Board of Directors to examine the proposals to be submitted to the Shareholders' Meeting concerning the adoption of stock option plans based on financial instruments;
- monitors the application of the decisions adopted by the Board, in particular, verifying that the performance objectives established have actually been achieved;
- examines and submits the Annual Remuneration Statement to the Board of Directors that, by name, in the case of the members of the administration and control bodies and for General Managers, and in a cumulative form in the case of Executives with strategic responsibilities:
 - provides an adequate representation of each of the items comprising the remuneration;
 - illustrates in detail the fees paid by the Company and by its subsidiaries during the reference financial year for whatever reason and in whatever form.

The Procedure for Transactions with Related Parties envisages that the respective Procedure adopted by the Company does not apply to the resolutions relating to remunerations of Directors and Executives with strategic responsibilities provided (i) the Company has adopted a remuneration policy that includes policies relating to agreements to consensually terminate the employment relationship; (ii) a Committee comprising exclusively of non-executive Directors, the majority of whom are independent was involved in defining the remuneration policy (the Remuneration Committee); (iii) a report that illustrates the remuneration policy was submitted to the advisory vote of the shareholders' meeting; (iv) the remuneration assigned is consistent with this policy. The reader is referred to the paragraph "Remuneration Policy" for further information.

As has been stated, it is important to remember that the Board of Directors assigned the Remuneration Committee the responsibilities of the Committee for Transactions with related parties envisaged by the

Consob regulatory provisions for matters concerning the remuneration of Directors and Executives with strategic responsibilities.

9.3 OPERATION

The Committee meets whenever its Chairman deems it appropriate, or when requested by at least one member, by the Chairman of the Board of Directors or by the CEO, if appointed, and however, as frequently as necessary to ensure that its functions are performed correctly. The entire Board of Statutory Auditors⁴⁴ participates in the Committee's meetings, as well as other representatives of the Company and/or the Group, as well as of the audit company, if deemed appropriate and at the Committee's invitation.

Directors invested with special offices do not participate in the Remuneration Committee's meetings, in line with the recommendations of the Self-Regulatory Code⁴⁵ and best practices.

The Committee's meetings are convened with a notice, also sent by the Secretary, at the request of the Committee's Chairman.

The documentation and information available (and in any event the documentation and information required) are transmitted to all the Committee members sufficiently in advance to enable the members to express their opinion in the meeting.

The presence of the majority of the members in office is necessary for the Committee's meetings to be valid and the resolutions are passed with the absolute majority of the members in attendance. The Committee's meetings may also be held using telecommunications media and are duly reported under the Secretary's responsibility and transcribed in the special register⁴⁶.

The Committee has adequate financial resources to perform its duties with absolute expenditure autonomy and may avail itself of external consultants when performing its functions.

The Committee has the authority⁴⁷ to access company information and the functions relevant to performing its duties, availing of the Secretary's support for this purpose.

9.4 ACTIVITIES DURING THE FINANCIAL YEAR

The Remuneration Committee met 5 times during the 2013 financial year; the average duration was approximately one hour and 30 minutes. The tables provided at the end of this Report summarise the participations of the members at the Committee's meetings reported during the 2013 financial year.

The Committee approved the proposals relating to the annual variable remuneration paid to the Chairman and CEO, and to the Deputy Chairman Alberto Pirelli (as a Senior Manager) and to the Executives with strategic business responsibilities in relation to the results achieved in the previous financial year and the proposals relating to the structure of the variable remuneration paid to the same persons and referred to the 2013 financial year.

The Committee then approved the 2013 Remuneration Report and submitted the Report to be examined by the Board of Directors, and subsequently submitted the Report to the advisory vote by the Shareholders' Meeting to approve the Financial Statements referred to 2013 concerning the part related to the Remuneration Policy. The Committee then proposed to the Board, and the Board subsequently approved, the introduction of non-competition Agreements referred to Executives with strategic responsibilities and referred to some senior managers and the compensation package for the newly appointed Operations General Manager.

Furthermore, during the 2013 financial year, the Committee considered launching the "new" 2013/2017 Industrial Business Plan and expressed its intention to proceed, on the one hand, to anticipate the closure of the existing LTI Plan and, on the other hand, to "launch" a "new" Long Term Incentive Plan. The Committee duly defined the proposal during the 2014 financial year,

based on its intention (and the proposal was subsequently approved by the Board of Directors) to anticipate the closure of the 2012-2014 LTI Plan and concurrently launch a "new" 2014-2016 LTI Plan. For further details, the reader is referred to the 2014 Remuneration Report that will be available on the Pirelli Internet website no later than 21 days prior to the Shareholders' Meeting to approve the Financial Statements referred to 2013.

Members of the Senior Management and external consultants participated in the Committee's work, at the Chairman's invitation, with reference to several items on the Agenda of the above-mentioned meetings in order to assist the Committee to perform its functions. The Committee met 3 times at the Date of the Report.

10. REMUNERATION POLICY

Pirelli has already defined a Remuneration Policy, starting from the 2011 financial year, one year earlier compared to the legal obligation and has submitted the Policy to an advisory vote by the shareholders.

In this regard, it is important to note that the Remuneration Report updated for the 2014 financial year will be submitted to the Company's Shareholders' Meeting (the Report contains the Remuneration Policy referred to the 2014 financial year and the Remuneration Statement referred to the 2013 financial year). The Remuneration Report referred to the 2014 financial year will be made available on the Pirelli Internet website no later than 21 days prior to the Shareholders' Meeting to approve the Financial Statements referred to 2013.

⁴⁴ This circumstance characterises the corporate governance rules adopted by the Company and offers the entire Board of Statutory Auditors the opportunity to directly oversee the Committee's activities and to perform more effectively the control functions assigned to it.

⁴⁵ 2011 Self-Regulatory Code: Application criterion 6.C.6.

⁴⁶ Also in line with the recommendations of the 2011 Self-Regulatory Code: Application Criterion 4.C.1 sub-section d).

⁴⁷ Also in line with the requirements of the 2011 Self-Regulatory Code: Application Criterion 4.C.1., sub-section e).

11. COMMITTEE FOR INTERNAL CONTROL, RISKS AND CORPORATE GOVERNANCE

11.1 COMPOSITION

The Corporate Governance System adopted by Pirelli & C. S.p.A. (hereafter, "Pirelli & C." or the "Company") from 2000, envisages setting up a Committee for Internal Control and Corporate Governance (hereafter, the "Committee"), in 2009 this Committee was renamed "Committee for Internal Control, Risks and Corporate Governance".

The Committee has advisory and proposing functions and its mission is to assure the efficiency, effectiveness and correctness of the internal control system, on the one hand, and the corporate governance structure, in general, on the other hand, based on an appropriate preparatory activity in relation to the risk management system.

The Committee is appointed by the Board of Directors (that also indicates the Chairman) and remains in office for the duration of the Board of Directors' mandate. At the Date of the Report the Committee is composed of four members, who are exclusively Independent Directors based on the more rigorous approach recommended by the "new" Self-Regulatory Code issued by the Italian Stock Exchange (Borsa Italiana) dated December 2011⁴⁸:

- Carlo Secchi (Chairman);
- Franco Bruni;
- Elisabetta Magistretti;
- Luigi Roth.

Two members of the Committee (Carlo Secchi and Franco Bruni) have adequate experience in accounting and finance matters, as duly assessed by the Board of

Directors at the date the appointment was made.

The Secretary of the Board of Directors, Ms. Anna Chiara Svelto acts as the Secretary to the Committee.

The entire Board of Statutory Auditors has the authority to participate in the Committee's activities.

11.2 DUTIES ASSIGNED TO THE COMMITTEE

The Board of Directors was convened on April 21, 2011 and confirmed the duties – of a fact-finding and advisory nature – originally assigned to the Committee for Internal Control and Corporate Governance, moreover, in line with the duties indicated in the Self-Regulatory Code and also confirmed the corporate governance prerogatives which have characterised the Committee since it was established.

In particular, the CICRCG:

- assists the Board of Directors:
 - (i) in defining the policy guidelines for the internal control system and risk management, so that the main risks concerning the Company and its subsidiaries are identified correctly and adequately measured, managed and monitored; (ii) in determining the degree of compatibility of these risks to assure a business management that is consistent with the strategic objectives identified. Following the Company's approval of a new risk management and supervision model, the Committee was assigned advisory and/or proposing duties in relation to the new risk assessment and risk management model. In this regard the reader is referred to the paragraph "Risk governance system".
 - in identifying an Executive Director appointed to supervise the operations of the internal control system and risk management in relation to the Company's characteristics and risk profile;
 - in assessing the adequacy, efficiency and the effective operation of the internal control system at least once a year;
 - in describing the essential aspects of the internal control system in the corporate govern-



- ance report, expressing its assessment concerning the system's overall adequacy;
- expresses an opinion on the proposals relating to the appointment, revocation, duties assignment and remuneration of the officer responsible for the Internal Audit function and assures that the officer obtains suitable resources to fulfil its functions;
 - assesses (a) the correct use of the accounting standards and their consistent application within the Group together with the Board of Statutory Auditors, the Company's administration Managers, the Officer Responsible for preparing the company's accounting documents and the auditors, for the purposes of preparing the Consolidated Financial Statements, (b) the possible letter issued by the statutory auditor outlining suggestions for the Company's management and the possible report concerning the key questions which emerged during the statutory audit;
 - expresses opinions concerning specific aspects relating to the identification of the principal company risks, at the request of the designated Director, as well as the design, implementation and management of the internal control system;
 - examines the audit plan prepared by the Internal Audit Manager, as well as the periodic reports prepared thereby;
 - assesses the "Compliance Plan" once a year and the consequent report on the activities performed;
 - reports to the Board of Directors on the activity performed and the adequacy of the internal control system, at least at the time the Financial Statements and the interim report are to be approved;
 - supervises compliance with and the periodic update of the corporate governance rules and compliance with the rules of conduct which may be adopted by the Company and its subsidiaries. In particular, the Committee is also responsible for proposing the procedures and the timing for the Board of Directors to perform the annual self-evaluation;

- performs the additional duties assigned to it by the Board of Directors, also in relation to supervising the procedural correctness and the substantial fairness of the operations.

As has been stated, the Board of Directors then assigned the responsibilities of the Committee for Transactions with Related Parties envisaged by the Consob regulatory requirements to the CICRCG, with the sole exception of issues concerning the remuneration of Directors and Executives with strategic responsibilities which are entrusted to the Remuneration Committee.

11.3 OPERATION

The Committee meets whenever its Chairman deems it appropriate, or whenever a request is made by at least one Committee Member, or by the Chairman of the Board of Directors or by the CEO, if appointed, and however, as often as appropriate to ensure that its functions are performed correctly.

The Secretary of the Board of Directors acts as the Secretary to the Committee.

The Senior Advisor Governance, the Internal Audit Manager, the Risk Officer and the Responsible Officer, as well as additional representatives of the Company and/or the Group generally attend the Committee's meetings concerning specific matters when deemed appropriate by the Committee and representatives of the Audit Company are invited to attend when issues concerning the statutory audit of the accounts are discussed.

The Internal Audit Manager (who reports to the CICRCG and to the Board of Statutory Auditors) reports on his activities on a quarterly basis and presents the annual Audit Plan.

In addition, the Responsible Officer reports on the activities performed at least once a year.

The entire Board of Statutory Auditors has the authority to participate in the Committee's activities.

The Committee's meetings are convened by a notice,

also sent by the Secretary, at the request of the Committee's Chairman.

The documentation and information available (and in any event the documentation and information required) are transmitted for the Committee members sufficiently in advance to enable the members to express their opinion in the meeting.

The presence of the majority of the members in office is required for the Committee's meetings to be valid and the resolutions are passed with the absolute majority of the members in attendance. The Committee's meetings may also be held using telecommunications media and are duly reported under the Secretary's responsibility and transcribed in the special register⁴⁹.

The Committee has adequate financial resources to perform its duties with absolute expenditure autonomy and may avail itself of external consultants when performing its functions.

The Committee has the authority to access company information and the functions relevant to performing its duties, availing of the Secretary's support for this purpose⁵⁰.

11.4 ACTIVITIES DURING THE FINANCIAL YEAR

The CICRCG met 17 times during the 2013 financial year; the average duration of the meetings was approximately one hour and 30 minutes. The tables provided at the end of the Report summarise the participation of the members in the Committee's meetings reported in the 2013 financial year.

The Committee met 4 times during the 2014 financial year up to the Date of the Report.

Activities relating to Corporate Governance

The Committee made a real contribution to the process of implementing and constantly updating the corporate governance tools of the Company and of the Group.

During the 2013 financial year, the Committee expressed its positive assessment in relation (i) to the "new" whistleblowing policy, (ii) to the so-called Anti-Corruption Compliance Programme and (iii) to some amendments to the Company's Organisational Model 231. In addition, the Committee endorsed the proposals relating to the changes to Pirelli's Company Bylaws, subsequently approved by the Shareholders' Meeting convened to approve the Financial Statements referred to 2012.

The Committee then examined the results of the 2012 Board performance evaluation and initiated the self-evaluation process referred to the 2013 financial year, examining the results during 2014. In this regard the reader is referred to the respective section.

Again, with reference to "corporate governance", the Committee managed the investigation concerning the existence of the independence requirements of Directors and compliance with the Policy concerning the maximum number of appointments deemed to be compatible with the position of a Director of Pirelli, the results of which are reported in the following paragraphs: "Independent Directors" and "Maximum number of positions held in other companies".

The Committee expressed its assessment on the activity performed by the Internal Audit management in order to acknowledge the 2012 variable incentive and expressed an opinion in relation to the 2013 incentive scheme, establishing a significant incidence of the qualitative targets to be assessed by the Committee.

The Committee also endorsed the policy to qualify the Chief Technical Officer Maurizio Boiocchi and the Chief Human Resources Officer Christian Vasino as "Executives with strategic business responsibilities".

Lastly, the Committee submitted the 2012 Annual Corporate Governance and structure of share ownership Report to the Board of Directors for approval, as well as the half-yearly Corporate Governance Report published as a single document together with the half -yearly Financial Report as of June 30, 2013.

Activities relating to Internal Control

The Committee approved the final results of the activities performed to implement the annual Audit Plan and approved the Audit Plan for the next financial year. The Committee focused on the analysis of the structure and the operation of the Internal Audit Function, and in particular, the procedures to set out the 2013 Audit Plan, in this regard the reader is referred to the "Internal Control System" section.

The Committee constantly monitored the work performed by the Internal Audit Department and the implementation of the plans of action concerning the corrective measures required to assure an on-going improvement of the system and periodically examined the report of the activities performed. The Committee met with the Responsible Officer during the 2013 financial year and the Responsible Officer reported on the suitability of the means and the powers attributed, as well as on the activities performed in relation to the Financial Statements for the year ended December 31, 2012. A similar activity was performed in relation to the interim Financial Statements as of June 30, 2013 and the Annual Financial Statements as of December 31, 2013.

In addition, the Committee:

- endorsed the procedure and the results of the so-called impairment test;
- was informed of the periodic meetings between the Board of Statutory Auditors and the Audit Company which did not reveal any significant situations and/or information;
- examined and positively evaluated the Audit Plan referred to the 2013 financial year submitted by the audit company Reconta Ernst & Young, and acknowledged that the analysis of the so-called Management Letter did not indicate "significant shortcomings" in the internal control system with reference to the financial information process;
- assessed that the fees paid to the audit company for "non-audit services" were not excessive and did

not influence the independence of the statutory auditor in any way.

The Committee confirmed its positive opinion concerning the adequacy of the internal control system and the governance system of the Company and the Group based on the activities performed, the assessments made, the information received and the documentation examined.

Activities relating to transactions with related parties

The Committee expressed its preliminary favourable opinion concerning a number of transactions of minor importance implemented by the Company or by its subsidiary companies with related parties.

The Committee also examined and constantly monitored the negotiations relating to the transaction (with a major related party) intended to enhance the equity and financial position, as well as to relaunch the industrial prospects of Prelios S.p.A. (to be implemented by recapitalising and restructuring the financial debt of Prelios S.p.A.), as a result of which the Committee expressed its preliminary favourable opinion. In this regard, the reader is referred to the information document relating to the transaction published on the Pirelli Internet website. The Committee also received a periodic information flow regarding the execution of transactions with minor related parties authorised by the Committee.

Furthermore, the Committee has taken into account that the Company adopted the Consob recommendation that envisages a review of the TRP Procedure at least every three years, and with the unanimous vote of its members has assessed the overall TRP Procedure to be valid and effective and proposed to the Board some marginal amendments to the TRP Procedure concerned (and the Board subsequently approved them). In this regard, the reader is referred to the section: "Directors' Interests and transactions with related parties".

⁴⁹ Also in line with the requirements of the Self-Regulatory Code Application Criterion 4.C., sub-section d).

⁵⁰ 2011 Self-Regulatory Code: Application Criterion 4.C.1., sub-section e).

AGATA FELLUGA

Agata Felluga is a 33 year old chef from Italy, who has made a name for herself cooking in France. Today she is the head chef at Jour de Fête in Strasbourg. Before that, she worked under Pascal Barbot at Astrance (awarded three Michelin stars) and Inaki Aizpitarte at Chateaubriand, both in Paris. Both experiences were valuable in making her quick to improvise and agile in using ingredients not found in her personal heritage. In both restaurants, she worked in all parts of the kitchen, becoming familiar with each course.

33 YEARS OLD, ITALIAN

2013: Head Chef at Jour de Fête – Strasbourg

CHEF



I often think that great artists and creative should also be sagacious teachers, and Agata was not an exception. She was able to explain lucidly everything that she was doing, step-by-step:

how she had prepared the ingredients, where they had been sourced and why they had been sourced there.

As a chef she is used to communicating, I imagine more vociferously over the steam, flames and shouting of a busy kitchen, but you could tell she had a real passion for what she was doing, and for educating others. Agata's talent is not then only in her ability to produce, ephemeral but delightful dishes, but to inform others about them, which will stand the test of time considerably longer.

The philosophy which she applies in the kitchen is also harnessed in her ideas outside of it. She sees things in straight lines; from start to end, amuse bouche to dessert.

Her reinterpretation of the wheel was linear, and she challenged herself to make this work visually.

She produced a photograph of mixed media: culinary and human.

It was a combination of human arms and food, the body connected to that which sustains it and that which drives it.

[Hanif Kureishi]





Do you consider your talent a gift or a burden?

I consider my talent not a gift but a process resulting from the experience that builds and evolves over time. I'm learning to understand the consequences of what that means: talent is in fact theory, while practice is assuming responsibility for everything that ensues.

What you would do if one day you woke up and discovered you had lost your talent?

In the past, I would occasionally wonder what would happen if I stopped being a chef. I never found an answer: the truth is that I love my job so much I couldn't do anything else.

Who is the living talent you most admire?

Inaki Aizpitarte, a French chef who owns the Chateaubriand restaurant.

What do you like about your talent and what don't you like?

I like this permanent oscillation between ambition and the quest for perfection. At the same time, it's the constant oscillation between these two limits that scares me, when the drive for perfection becomes obsessive.

When or where does your talent make you happy?

Some time ago my parents came to Strasbourg to visit me at the restaurant where I now work. I was watching them eating; they didn't say a word, they just smiled. At that moment I felt happy.

If you could change your talent, how you would change it?

I'd like to be able to help people through dialogue, in a tangible, physical, audible way.

My wheel is edible. I made it with my own hands, using organic ingredients, mainly round ones. From above, it looks like a mixture of food and human arms, representing the spokes of the wheel.



IS A SALAD



Activities relating to Risk Governance

During the 2013 financial year the Committee constantly supervised the risk assessment activity and the possible “mitigation” strategies relating to the principal risks.

12. MANAGERIAL COMMITTEES

The Group has set up specific managerial committees composed of the Group’s top and senior management with the task of assisting the Board of Directors and the Executive Directors to define the guidelines for the business activities and to implement the policies established by the Board.

In particular, the following principal Managerial Committees have been established.

Management Committee

The Management Committee includes all the Managers of the Business Units, Regions and Departments who report directly to the Chairman and the CEO.

The Management Committee is chaired by the Chairman of the Board of Directors and CEO and has the task of supporting the latter in preparing the Group’s strategic guidelines to be submitted to the Board’s examination and to execute and implement the decisions taken by the Board of Directors in this regard, and to monitor their implementation.

The Management Committee meets once a month to verify constantly the Group’s economic performance; the development of the programmes, plans and initiatives common to the Group and the Business Units or Regions which have joint importance.

Risk Management Committees

The review of the risk model has led to identifying three risk macro families, namely: (i) external environment risks, (ii) strategic risks and (iii) operating risks which guide the risk management objectives, the control model and the governance bodies (in this regard, the reader is referred to the section: “risk governance system”).

Two Risk Management Committees were set up:

- the Strategic Risks Committee with responsibility for risks related to strategic business choices or due to the external environment in which the Group operates;
- the Operating Risks Committee that focuses on preventing and managing risks related specifically to the organisational structure, to the Group’s processes and systems.

Both Committees have the task (i) of adopting and promoting a systematic and structured process to identify and measure risks; (ii) to examine information on internal and external, existing and future risks to which the Group is exposed; (iii) to propose strategies to respond to the risk based on the overall and precise exposure to the different risk categories; (iv) to propose the implementation of a risk policy to assure that the risk is reduced to “acceptable” levels; (v) to monitor the implementation of the defined risk response strategies and compliance with the risk policies adopted.

Sustainability Steering Committee

The Sustainability Steering Committee is chaired by the Chairman of the Board of Directors and is responsible for policy-making and supervising the sustainability development by formulating the sustainability plans fully integrated with the Group’s industrial business plan and based on the international policies and principles applicable to this area.

The Sustainability Steering Committee includes all the functions of the “value chain” represented by the respective Group Director: Sustainability and Risk Governance, Institutional Affairs, Corporate Governance, Human Resources and Organisation, Administration and control, Product, Process, Procurement, Research & Development, Investor Relations, Environment, Health and Safety, Marketing, Media Relations – as well as the business managers.

The reader is referred to the Sustainability Report (Volume 3 of the document “Financial Report as of 31/12/2013”) for a complete description of Pirelli’s sustainable performance in 2013 and the respective long-term targets.

13. SUCCESSION PLANS⁵¹

After being set up in April 2011 the Appointments and Succession Committee has examined the Company's processes relating to the identification, management and development of the so-called "talents" which assure the Group has a "natural" internal growth potential, over time, thereby ensuring a constant generational change. The Committee also examined the main initiatives to develop the management's skills and expertise and the process to define the so-called "succession tables".

The Committee was able to verify the structure and implementation status of the systems which allow Pirelli (i) to monitor the key resources and to verify the existence of any persons in-house who are capable of assuming roles of greater responsibility or (ii) to define the qualifications required to fill these roles in the event of recruiting from outside the Company in the case of "emergency" changes.

During the 2013 financial year, the Appointments and Succession Committee – with the support of a specialised consultancy company forming part of a global network – prepared a proposal to be submitted to the Board of Directors for a structured succession plan of the Company's top management to be implemented in the case of an emergency, envisaging the roles and responsibilities of the various players involved in the process, and in relation to the process to be followed to define the natural succession plan for the Company's top management.

The Plan, duly approved by the Board of Directors, envisages that in the event of a supervening impossibility, the Board of Directors defines the powers and proxies to guarantee the ordinary and extraordinary management during the so-called transition period with reference to the succession of the Company's

top management in the case of urgency and with specific reference to the role of the CEO. In particular, the Board of Directors is expected: (i) to appoint a restricted ad hoc Management Committee, comprising three Board Members with consolidated management and entrepreneurial experience; on the one hand, the Committee is called on to perform a proactive and management role concerning possible extraordinary transactions which cannot be postponed, and on the other hand, to guarantee the ordinary management and the operational decisions for which the CEO is normally responsible; (ii) to identify a "spokesperson" within the Senior Management to cover the necessary role to liaise between the ad hoc Management Committee and the corporate structures and for external and internal communications and; (iii) to evaluate whether to define a temporary extension of powers for the ordinary activities referred to the operational management, within the limits of the approved budget. The ad hoc Management Committee, with the support of the Appointments and Succession Committee evaluates the (internal and external) candidacies and submits a shortlist to the Board of Directors for the final selection. At the end of the process the Board of Directors co-opts the selected candidate and confers on the candidate the powers and management proxies.

The proposal by the Appointments and Succession Committee, duly approved by the Board of Directors, also envisages a series of preparatory activities intended for the natural succession of the CEO and also useful for the emergency succession scenario: (i) the definition of separate "prepared" powers and proxies between the Chairman and the CEO; (ii) identification of the key internal executives based on the senior management responsibilities model; (iii) constant "market monitoring unit". The Chairman and the CEO inform the Board of Directors periodically and confidentiality regarding the progress of these activities.

⁵¹ The information included in this section is also provided in compliance with the Consob recommendation contained in Communication DEM/11012984 dated February 24, 2011.

14. INTERNAL CONTROL SYSTEM

Pirelli's internal control system is represented by the set of structural and process factors which are able to achieve the following objectives: (i) the efficiency and effectiveness of the operating activities; (ii) the dependability of information; (iii) protecting the corporate equity and (iv) respect of and compliance with the laws and regulations to assure correct information and an adequate control structure for all the Group's activities, with particular attention focused on the areas considered potentially at risk.

In particular, the internal control system permits monitoring of compliance with the rules and procedures which govern the performance of the Company's business activities in its various forms.

Pirelli's internal control system was developed as a direct process aimed at achieving values of substantial and procedural fairness, transparency and accountability, assuring: efficiency, transparency and traceability of transactions and, more in general, of management-related activities; dependability of the accounting and management data and financial information; compliance with the laws and regulations; protecting the Company's integrity, also to prevent fraud damaging the Company and the financial markets.

The following represent the key rules underlying the Company's internal control system: (i) separation of roles when performing the principal activities involved in individual operating processes; (ii) traceability of the choices made; (iii) management of the decision-making processes based on objective criteria.

14.1 INTERNAL CONTROL SYSTEM DIRECTOR

The Board of Directors is responsible for the internal control system as a whole, the Board establishes the policies and verifies periodically its adequacy and effective operation. For this purpose, the Board avails itself of the CICRCG, as well as the Internal Audit Management with an appropriate level of independence and suitable means to perform the activities, which are assigned the typical functions of verifying the system's adequacy and efficiency and to propose the necessary corrective solutions, if anomalies are identified.

After its renewal, the Board of Directors, in the meeting held on April 21, 2011, identified the Chairman and CEO as the Director with responsibility for the internal control system, and the duties recommended by the 2006 version of the Self-Regulatory Code⁵² were duly assigned. In particular, during the 2013 financial year, the Director with responsibility for the internal control system:

- identified the principal risks to which the company is exposed, taking into account the characteristics of the activities performed by the Company that issued the Report and by its subsidiaries and to submit them periodically to the Board of Directors' examination;
- implemented the policies defined by the Board of Directors, by managing the implementation and management of the internal control system and risk management and verifying constantly the adequacy and effectiveness;
- adapted the system to the dynamics of the operating conditions and the legislative and regulatory scenario;
- proposed the remuneration of the Internal Audit function Manager in line with company policies.

The Director responsible for the internal control system and risk management can request the internal audit function to perform audits on specific operating areas and concerning compliance with the internal rules and procedures during the execution of corporate transactions. The Internal Audit function Manager reports to the CICRCG and to the Board of Directors re-

garding problems or critical situations which emerged during the performance of its activities of which it has been made aware in order to permit appropriate initiatives to be defined.

14.2 INTERNAL AUDIT DEPARTMENT

The Internal Audit Department (managed by Maurizio Bonzi) plays a significant role in the internal control system with the principal task of assessing the adequacy and functional operation of Pirelli's control processes, through independent assurance and consultancy activities. The Internal Audit Department's activity is performed in line with the mandate received and duly approved by the Committee for Internal Control and Corporate Governance, in compliance with international standards, in relation to the following aspects:

- mission;
- targets and responsibilities (independence, complete access to information, field of activity, disclosure of results);
- improving the quality of the internal audit activities;
- principles of professional conduct;
- professional reference standards.

The Internal Audit function Manager (who does not have responsibility for any operational area) reports hierarchically to the Chairman and CEO and functionally to the CICRCG and to the Board of Statutory Auditors. The Internal Audit Department operates on the basis of an annual audit report approved in advance by the CICRCG and subsequently by the Board of Directors. The companies and corporate departments "subject" to possible audits are identified once a year to define the Audit Plan and these are subsequently classified in relation to the need to ensure "coverage" and their respective degree of risk. The following factors are involved in defining the (risk-based) ranking: (i) the level of control identified in the previous audits performed in

the specific company and/or organisational unit; (ii) the "vulnerability" factor in relation to specific assessments which take into account, by way of example, country risk, market risk, the size and organisational complexity, recent organisational changes made, the extent of any critical aspects identified, the time that has elapsed since the last audit (iii) the Company's impact on the Group in relation to the consolidated data, in terms of the operational results or the invested capital, as well as (iv) the risk assessment activities performed during the previous financial year.

The Audit Plan evidently does not have a rigid structure, since the Plan can be integrated during the financial year in relation to specific control requirements.

Specific interventions were also performed on the information systems, including the accounting-related information systems, in the framework of the audit activities. The Internal Audit function Manager reports, on a quarterly basis, to the CICRCG, to the Board of Auditors and sends a report to the Board of Directors on a half-yearly basis outlining the activity performed. In particular, the Internal Audit function Manager reports on the outcomes of the audits performed, compliance with the action plans defined and expresses an assessment relating to the suitability of the internal control system.

In addition to the Internal Audit Management, the internal control system is completed by the following:

- a planning and control system, structured by sector and operating unit that produces a detailed monthly report for the top management to provide the top management with a useful tool to supervise the specific activities;
- the Group Compliance Function that reports to the Legal, Corporate Affairs and Group Compliance Manager (therefore, separate from the Internal Audit Management), called on to collaborate with the other group functions in order to guarantee the constant alignment of the internal regulations, processes, and more in general, the business activities with the applicable regulatory framework;

⁵² Also to implement the recommendations of the 2011 Self-Regulatory Code Principle 7.P.3.

- the “whistleblowing policy”, amended during the 2013 financial year, also gives the “external community” the possibility of reporting forms of conduct which can represent a breach, or incitement to breach laws and regulations, principles sanctioned in the Code of Ethics, internal control principles, policies, corporate rules and procedures and/or which may produce direct or indirect economic-equity damage or damage the reputation of Pirelli.

The Procedure envisages the express protection against reprisals of any nature in relation to the reporting persons or the employees who collaborated with the in-depth investigation to verify the grounds of the notification.

14.3 RISK GOVERNANCE SYSTEM

The risk supervision and governance model that the Group adopted in July 2009, has the following aims:

- “to manage” risks in terms of prevention and mitigation;
- “to seize” proactively the opportunity factors;
- to disseminate the “culture” of the value of risk within the Company, in particular, in the strategic planning and operating processes and in the most significant business choices;
- to assure transparency in relation to the risk profile assumed and the management strategies implemented, based on periodic and structured reporting to the Board of Directors and to the Top Management and adequate information to the shareholders, and more in general, to the so-called stakeholders.

In harmony with these aims, Pirelli’s Enterprise Risk Management model is:

- enterprise-wide: extended to all types of potentially significant risks/opportunities;
- value-driven: focused on the more significant risks/opportunities in relation to their capacity to prejudice the achievement of Pirelli’s strategic objectives or to erode critical corporate assets (so-called Key Value Drivers);
- top-down: the Top Management identifies the pri-

ority risk areas and the events of greatest impact for the business;

- quantitative; where possible, based on an accurate measurement of the impacts caused by the risks on the expected economic/financial results in relation to their probable occurrence.
- integrated in the decision-making/business processes and, in particular, in the strategic planning and operational process.

The Board of Directors plays a fundamental role with reference to the model’s governance. Indeed, the Board is responsible for supervising the risk management process so that the risks assumed in the business are consistent with the strategies (so-called monitoring action). Furthermore, the Board defines the attitude to risk (so-called identification of the “acceptable risk threshold”) and establishes the guidelines to manage the risks which may “interfere with” or prejudice achieving the business objectives or erode critical corporate assets, in line with its top management and strategic policy-making mission.

The CICRCG supports the Board (i) in the periodic identification and assessment of the principal risks relating to the Company and its subsidiaries, at least once a year, to ensure these risks are monitored correctly (Annual Risk Assessment) (ii) in defining the mitigation plans, and in general, the “risk governance” and updating them periodically, at least once a year (Annual Risk Management Plan) in order to maintain the overall levels of exposure to risk within the risk threshold assessed by the Board of Directors as “acceptable” (risk appetite), based on the proposal made by the Committee concerned). In particular, the CICRCG supported the Board in defining the policy guidelines for the risk management system so that the main risks concerning Pirelli were identified correctly, as well as measured, managed and monitored adequately⁵³.

The Board of Directors is supported by two Risk Management Committees in relation to the various risk macro families, (each Management Committee has specific areas of responsibility): the Strategic Risks Committee, with expertise and responsibility for the risks related to the strategic business choices, or due

THE BOARD
IS RESPONSIBLE
FOR SUPERVISING
THE RISK MANAGEMENT
PROCESS SO THAT
THE RISKS ASSUMED
IN THE BUSINESS
ARE CONSISTENT
WITH THE STRATEGIES

to the external environment in which the Group operates and the Operating Risks Committee that focuses on preventing and managing the risks specifically related to the organisational structure, the processes and the Group's systems.

The two Risk Management Committees have the following responsibilities (i) to adopt and promote a systematic and structured process to identify and measure the risks; (ii) to examine the information concerning internal and external, existing and future risks to which the Group is exposed; (iii) to propose strategies to respond to the risk in relation to the overall and detailed exposure to the various categories of risks; (iv) to propose the implementation of a risk policy in order to guarantee that the risk is reduced to "acceptable" levels; (v) to monitor the implementation of the strategies adopted in response to the risk defined and compliance with the risk policies adopted.

The Management Committees avail of the Sustainability and Risk Governance function (managed by Filippo Bettini) that includes the Risk Officer (Ms. Alessia Carnevale) who coordinates the assessment process and guarantees the on-going monitoring of the Company's and the Group's exposure to the principal risks, while monitoring the effective implementation of the mitigation plans in the individual company departments and organisational units.

Pirelli's Enterprise Risk Management model forms part of three key phases in the decision-making process:

- strategic planning (medium/long term);
- operational planning (annual and quarterly);
- new investment projects

becoming an integral part of the decision-making process.

14.3.1 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Company has implemented a specific and structured risk management and internal control system supported by a dedicated IT application, in relation to the process to prepare the separate and consolidated half-yearly and annual financial reports.

In general, the internal control system implemented by the Company is designed to assure the protection of the Company's assets, compliance with the laws and regulations, the efficiency and effectiveness of the Company's operations, in addition to the dependability, accuracy and timeliness of the financial reporting.

In particular, the process to prepare the financial reports is based on adequate administrative and accounting procedures, performed in compliance with the criteria established by the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of Tradeway Commission.

The administrative and accounting procedures involved to prepare the Financial Statements and every other financial communication are prepared under the responsibility of the Responsible Officer assigned to prepare the corporate and accounting documents (Francesco Tanzi), who, together with the Chairman of the Board of Directors certifies their adequacy and effective application at the time of the annual and consolidated Financial Statements and the half-yearly financial report.

The significant Companies and Processes which supply and generate economic, equity or financial information have been mapped out to permit certification by the Responsible Officer. The significant Group Companies and Processes are identified annually on the basis of quantitative and qualitative criteria. The quantitative criteria consist in identifying the Group Companies which represent a higher aggregate value at a given materiality threshold in relation to the selected processes.

The qualitative criteria consist in an examination of the processes and companies which may present potential areas of risk, even though they do not meet

the quantitative parameters described above, based on the assessment performed by the Chief Executive Officers and by the Chief Financial Officers of the business sectors involved.

The control risks and targets associated with preparing the Financial Statements and the respective information and the effectiveness and efficiency of the internal control system, in general, were identified for each process selected.

Precise audit activities were identified and specific responsibilities were assigned for each control target.

A system to supervise the controls performed was implemented based on a mechanism involving a chain of certifications; any critical situations which may emerge in the evaluation process become the subject of plans of action for which implementation is verified in the subsequent year-end activities.

Lastly, a procedure has been envisaged in which, once every quarter, the Chief Executive Officers and the Chief Financial Officers of the subsidiary companies issue a declaration of reliability and accuracy of the data transmitted for the purposes of preparing the Group's consolidated Financial Statements.

The results of the audit activities are discussed by the Chief Financial Officers of the respective Sectors with the Responsible Officer prior to the date of the Board of Directors' meetings which approve the consolidated data as of 30 June and 31 December.

In essence, a system of on-going and systematic controls has been adopted that provides a reasonable degree of certainty regarding the dependability of the information and the economic and financial reporting. The Internal Audit Department performs periodic audits to determine the adequacy of the design and operation of the controls on companies and processes chosen randomly, selected on the basis of materiality criteria.

On the basis of the periodic reports the Responsible Officer reported on the System's efficiency to the Board of Directors through the CICRCG. Moreover, the same Officer, together with the Chairman of the Board of Direc-

tors provided the certification envisaged under Article 154-bis, paragraph 5 of the Unified Finance Law (TUF).

14.4 CODE OF ETHICS – POLICIES AND ORGANISATIONAL MODEL 231

The internal control system described above is completed by:

- the Group's Code of Ethics;
- the Group's Policies;
- Organisational Model 231.

The Code of Ethics sets out the general principles which form the reference framework to perform and conduct business within Pirelli; the Code of Ethics indicates the targets and the values underlying the Company's business activities. Indeed, Pirelli performs its internal and external business activities based on compliance with the Code of Ethics in the belief that business success cannot be separated from business ethics.

In particular, the Policies contain the "operative" statement of the principles contained in the Code of Ethics and establish rules for the entire Group designed to prevent the creation of an environment that is favourable to committing offences in general.

The Code of Ethics and the Policies have been translated in all the languages in use within the Pirelli Group (22 different languages).

The Organisational Model 231 was revised and updated constantly following changes in the laws and regulations and endeavours to assure the fine tuning of a system that is based on the specific requirements arising from the coming into force of Legislative Decree No. 231/2001 concerning companies' administrative liability for the offences committed by their employees and is based on a structured pyramidal system of principles and procedures which can be outlined as follows, starting from the base:

⁵³ Self-regulatory code: Application criterion 7.C.1., sub-section a).

- the Group's Code of Ethics, which have already been described;
- the general internal control principles, which characterise the Internal Control System and of which the field of application extends continuously throughout the different organisational levels;
- the Policies, which have already been described;
- Internal Control schemes, which list the principal phases of each high and medium risk operative process and the specific control activities referred to the instrumental processes, aimed at achieving a reasonable prevention of the risk of committing offences, as well as special information flows to the Supervisory Body to highlight situations of possible non-compliance with the procedures established in the organisational model.

A summary of the organisational model's guidelines is available on the Pirelli Internet website.

14.4.1 THE SUPERVISORY BODY

A special Supervisory Body oversees the operation and compliance with Organisational Model 231, the Supervisory Body is economically independent and is composed of the Board Member Carlo Secchi, the Lead Independent Director and the Chairman of the CICRCG, the Statutory Auditor Antonella Carù and the Internal Audit Manager Maurizio Bonzi.

This structure assures that the Supervisory Body is completely autonomous and independent, as well as having the presence of the various professional skills which contribute to controlling the Company's management. The Supervisory Body is also responsible for ensuring that the Board of Directors implements all the necessary changes to the Organisational Model to incorporate the changes in legislation, the methods of performance and the type of business activities. On the other hand, the Supervisory Body reports to the Board of Directors, to the CICRCG and to the Board of Statutory Auditors in relation to the verification activities performed and their outcome.

Each member of the Supervisory Body is paid an annual fee of 25 thousand euro.

The Supervisory Body was appointed by the Board of

Directors on April 21, 2011, and falls from office at the same time as the Board of Directors that appointed it. The Supervisory Body was identified with reference to the other Italian Group companies, by searching for the technical and operative solution that was suited to the size and organisational context of each company.

14.5 AUDITING COMPANY

The statutory audit is performed by a company appointed by the Shareholders' Meeting based on a proposal by the Board of Statutory Auditors and selected from among the companies registered in the special register. Reconta Ernst & Young S.p.A.⁵⁴, the Italian organisation of the Ernst & Young network was appointed to audit the annual Financial Statements, the consolidated Financial Statements and the abridged interim Financial Statements referred to the 2008-2016 financial years; Reconta Ernst & Young S.p.A. was also appointed to audit the financial statements of the principal member companies of the Pirelli Group, via the organisations present in the various companies in which Pirelli operates.

Mr. Pietro Carena is the person responsible for auditing the accounts in Pirelli & C. S.p.A.

The auditing company is required to verify the preparation of the report on corporate governance and the structure of share ownership, and to express the so-called "opinion on consistency" referred to some information disclosed in this Report.

Once a year the auditing company defines a plan of activities that is notified to the CICRCG.

The fees paid to Reconta Ernst & Young (and to the companies in its network) are reported in detail in the notes to the annual and consolidated Financial Statements of Pirelli & C. as of December 31, 2013. The statement of the hours worked and the fees paid to the Auditing Company during the reference financial year are also provided during the Shareholders' Meetings convened to approve the annual financial reports.

During 2011 the CICRCG and the Board of Statutory Auditors also defined a structured procedure for Pirelli to confer appointments (in particular, "non-audit" appointments) to member companies of the Ernst &



Young network establishing the required prior and express authorisation by the Finance Director who, with the support of the Internal Audit Director, is responsible for verifying that the appointment to be conferred is not included among the appointments which are prohibited by the Unified Statutory Audit Law and that, in any event, its characteristics do not influence the auditor's independence. The Board of Directors verified and approved the appointments report (in particular, the "non-audit" appointments) made during the financial year, subject to examination by the CICRCG.

Moreover, all the appointments which envisage a fee that exceeds 50 thousand euro, however, are required to be submitted to the prior examination by the Board of Statutory Auditors and the CICRCG, except in the case of motivated and specific reasons (for example: appointments not included in the auditing services, which the laws and regulations, also regulatory provisions, expressly establish are to be performed by the Auditor). The Internal Audit Director provides the Committee and the Board of Statutory Auditors with a list of non-audit services assigned to the auditor at least every quarter.

14.6. OFFICER RESPONSIBLE FOR PREPARING THE COMPANY'S ACCOUNTING DOCUMENTS

The Company Bylaws⁵⁵ give the Board of Directors the authority to appoint the Responsible Officer, subject to the opinion expressed by the Board of Statutory Auditors, and to establish that the appointment expires together with the Board of Directors that appointed the Officer, unless revoked for just cause. The Responsible Officer must be an expert in administration and control and possess the integrity requirements established for Directors.

In the meeting held on April 21, 2011 the Board of Directors confirmed the Chief Financial Officer Francesco

Tanzi, as the Responsible Officer with the approval of the Board of Statutory Auditors.

The Board of Directors confirmed the assignment of the following principal duties to the Responsible Officer, pursuant to the laws and regulations currently applicable:

- to prepare adequate administrative and accounting procedures to draw up the annual and consolidated Financial Statements, as well as every other financial communication;
- to issue a written declaration attesting that the Company's documents and communications disclosed to the market and related to the accounting information, also the Company's interim communications and information, correspond to the documentary evidence, books and accounting records;
- to attest the following details in a special report prepared in accordance with the model established in the Consob Regulations, annexed to the annual Financial Statements, to the abridged interim Financial Statements and to the consolidated Financial Statements:
 - ● the adequacy and the actual implementation of the procedures set out in sub-section a) above, during the period to which the documents refer;
 - ● that the documents are drawn up in compliance with the applicable International accounting standards recognised in the European Union, pursuant to (EC) Regulation No. 1606/2002 of the European Parliament and Council dated July 19, 2002;
 - ● that the documents correspond to the entries in the books and accounting records;
 - ● that the documents are able to provide a true and fair representation of the Company's equity, economic and cash flow position and of the set of businesses included in the consolidation;
 - ● that the report on operations referred to the annual and consolidated Financial Statements,

⁵⁴ Refer to the Minutes of the Shareholders' Meeting held on April 29, 2008 available on the Company's Internet website.

⁵⁵ Article 11 of the Company Bylaws.

includes a reliable analysis of the trend and the operating results, as well as the situation relating to the Company and the set of businesses included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed;

- that the interim report on operations referred to the abridged half-yearly Financial Statements includes a reliable analysis of the information set out in Article 154-ter, paragraph 4 of the Unified Finance Law (TUF).

The Board of Directors has also conferred on the Responsible Officer all organisational and management powers required to exercise the duties attributed by current laws and regulations, by the Company Bylaws and by the Board of Directors. The Responsible Officer is granted full economic autonomy in order to exercise the powers conferred on him.

The Board of Directors supervises to ensure that the Responsible Officer has adequate means and powers to perform the duties assigned to him, as well as actual compliance with the administrative and accounting procedures.

For this purpose the Responsible Officer reports directly to the Board of Directors, at least once a year, or through the CICRCG and to the Board of Statutory Auditors concerning the aspects within their area of jurisdiction.

The Responsible Officer reports promptly to the delegated administrative body and to the Board of Directors concerning any aspects of significance which the Officer deems need to be declared in the certificate envisaged under Article 154-bis of the Unified Finance Law (TUF), if they are not corrected.

The Responsible Officer attends the Board of Directors' meetings which include, on the Agenda, an examination of the economic and financial data, and has direct access to all the information necessary to prepare the accounting data, without requiring any authorisation; the Responsible Officer shares the internal flows for accounting purposes and approves all the company procedures which have an impact on the Company's economic, equity and cash flow position.

The Responsible Officer reported to the CICRCG and to Board of Directors concerning the adequacy and suitability

of the powers and means conferred by the Company's Board of Directors, confirming that he had had direct access to all the information necessary to prepare the accounting data without needing any authorisation, had shared the internal flows for accounting purposes and had approved all the Company procedures which had an impact on the Company's economic, equity and cash flow position. During the financial year the Responsible Officer had issued the declarations and attestations envisaged under Article 154-bis of the Unified Finance Law (TUF).

15. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

The Company had established the principles of conduct, applicable since 2002, in order to execute transactions with related parties which were designed to assure a substantial and procedural correctness and transparency in the transactions executed by the Company, directly or through subsidiaries with parties related to it.

The Company subsequently approved a specific and structured procedure for transactions with related parties ("TRP Procedure") on November 3, 2010 following Consob's adoption of special regulations governing transactions with related parties in March 2010 ("TRP Regulations").

In particular, the Procedure adopted by the Company establishes procedural rules designed to enhance further the substantial and procedural transparency of the transactions executed by Pirelli with related parties. The procedural policies adopted by the Company are more rigorous compared to the requirements envisaged by the TRP Regulations; in fact: Pirelli adopted very restrictive low thresholds and established higher qualitative thresholds not prescribed by the Consob Regulations. In



particular, Pirelli defined a very low threshold (150 thousand euro) (that has the consequence of exempting the transaction from the application of the procedure) and a “qualitative” threshold that qualifies a transaction as being of “greater significance” (for which prior approval by the Board of Directors is required, in addition to approval by the Independent Directors), regardless of the corresponding value (even if lower than the thresholds established by the Procedure) when the transaction concerned has a significant impact on Pirelli’s business activities or may impact its managerial autonomy due to its nature, strategic importance, extent or commitments. Furthermore, the TRP Procedure established that the opinion of the Committee for Transactions with Related Parties is also binding in the case of less significant transactions and has decided not to avail itself of the so-called whitewash mechanism in the event of an unfavourable opinion when concerning transactions with related parties of greater significance.

Pirelli has envisaged that the Committee invited to express its opinion on the transactions with related parties is always to be composed exclusively of Independent Directors, thereby, confirming the importance acknowledged to the role of the Independent Directors (and not only in the case of transactions with related parties of greater significance, as envisaged by the TRP Regulations). Therefore, the mandatory approval by the competent Committee is also envisaged in this case, by adopting a more rigorous approach for all transactions with related parties compared to the requirements established in the Consob Regulations, (therefore, also for transactions of “lesser significance” and not only transactions of “greater significance” as prescribed by Consob.

The Board has deemed that the advisory committees set up within the Board of Directors shall comply with the characteristics and requirements envisaged by the Consob Regulations and those established by the TRP Procedure, and accordingly, has conferred the powers of the Committee for Transactions with Related Parties on the CICRCC, with the sole exception of the responsibilities concerning the remuneration of Directors

and Executives with strategic business responsibilities, which are assigned to the Remuneration Committee.

Taking into account that the Company has endorsed the Consob recommendation that envisages reviewing the TRP Procedure at least every three years, the Board of Directors duly approved some marginal amendments to the TRP Procedure, in the meeting held on November 5, 2013 (therefore, after three years have elapsed from the adoption of the TRP Procedure), confirming the solution adopted during 2010, taking into account the opinion expressed by the Committee for Transactions with Related Parties and the evaluation expressed by the Board of Statutory Auditors with the unanimous vote of the respective members.

The reader is referred to the TRP Procedure published on the Pirelli Internet website for further information.

16. BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors is entrusted with monitoring the following aspects, in accordance with the law and the Company Bylaws:

- compliance with the law and the Company Bylaws;
- compliance with the principles of sound administration;
- the adequacy of the organisational structure concerning the aspects within its area of jurisdiction, the internal control system and the administrative and accounting system, as well as the dependability of the latter to represent correctly the operating results;
- the procedures to implement effectively the corporate governance rules envisaged by the code of conduct that Pirelli has declared to comply with;
- the adequacy of the instructions issued by the Company to the subsidiaries in relation to the obligations to report price sensitive information⁵⁶.

⁵⁶ Now referred to as “privileged information” (Article 114 of the Unified Finance Law (TUF).



The Board of Statutory Auditors monitors the following aspects, following the coming into force of Legislative Decree No. 39/2010:

- the financial reporting process;
- the efficiency of the internal control, internal audit and risk management systems;
- the statutory audit of the annual accounts and the consolidated accounts;
- the independence of the statutory auditor or the statutory auditing company, in particular, concerning services other than auditing services rendered to the company whose accounts are to be audited.

The Board of Statutory Auditors carries out its duties by exercising all the powers conferred on it by law and by being able to rely on a constant and detailed information flow from the Company, also outside the periodic meetings of the Board of Directors and the Committees. The Board of Statutory Auditors takes part in the work performed by the Remuneration Committee and the Committee for Internal Control, Risks and Corporate Governance, when performing its functions, besides attending all the meetings of the Board of Directors and the Shareholders' Meetings and the Chairman of the Board of Statutory Auditors is invited to attend the meetings of the Appointments and Succession Committee and of the Strategies Committee. Moreover, the Auditor, Antonella Carù was invited to become a member of the Supervisory Body, in accordance with Legislative Decree No. 231/2001.

16.1 APPOINTMENT OF AUDITORS

At the Date of the Report the Board of Statutory Auditors is composed of three Statutory Auditors and two Alternate Auditors.

The Shareholders' Meeting convened to approve the Financial Statements referred to 2012 resolved to amend the Company Bylaws by increasing the number of Alternate Auditors from two to three, in order to enable compliance with the applicable legislation governing the balance between genders when Auditors are appointed and when they are substituted during

the mandate, and so as to structure suitable succession mechanisms able to guarantee compliance with the balance between genders.

This amendment will become applicable from the first renewal of the control body after Law No. 120 dated July 12, 2011 enters into force, and therefore, from the forthcoming renewal of the Board of Statutory Auditors. In order to permit the minority shareholders to elect one Statutory Auditor and one Alternate Auditor the appointment is envisaged to be based on the so-called "voting slate", according to which one Statutory Auditor (who will be Chairman of the Board) and one Alternate Auditor are taken from the list that obtained the second highest number of votes (so-called minority slate). If several slates obtained the same number of votes, then a new ballot vote will be conducted among these slates by all the persons entitled to vote and in attendance at the Shareholders' Meeting and the candidates on the slate that obtains a simple majority of the votes will be elected. The remaining members of the Board are taken instead from the slate that obtained the highest number of votes (so-called majority slate).

Again with the aim of foreseeing suitable supplementary criteria which make it possible to ensure compliance with the balance between genders within the Board of Statutory Auditors, the Company Bylaws also envisage (i) that the slates which indicate a number of candidates equal to or greater than three, considering both sections, must include candidates of different gender in the section of the slate that refers to Statutory Auditors and in the section of the slate that refers to Alternate Auditors and (ii) an automatic progressive substitution mechanism if the application of the voting slate mechanism does not assure the required minimum number of Statutory Auditors, or the required Alternate Auditors referred to the gender less represented.

Shareholders which, alone or together with other shareholders, represent at least 1 percent of shares with voting rights in the ordinary Shareholders' Meeting or the smaller percentage required by the regulatory discipline issued by Consob⁵⁷ are entitled to present slates. The slates are to be registered at the Company's registered office at least 25 days prior to the date foreseen for the Shareholders' Meeting convened to resolve this

point, unless extended, as envisaged by the applicable legislation. The Reader is referred to the current legislation, with regard to the latter point⁵⁷, however, it is important to remember that if only one slate is presented, or if multiple slates are presented by shareholders who are related, then the slates may be presented up to the third day after the deadline for the presentation of the slates (25 days prior to the Shareholders' Meeting), and the thresholds required for their presentation are reduced by half.

Each shareholder may present or participate in the presentation of only one slate.

The following are to be annexed to the slates, also in accordance with the current legislation:

- information concerning the identity of the shareholders who presented the slates, with details of the percentage shareholding owned and a certificate that attests the ownership of the foregoing shareholding;
- a declaration by shareholders other than the shareholders who hold a controlling, or relative majority shareholding, alone or jointly, to attest that they are unrelated;
- the description of the professional curriculum of the designated persons and the declarations in which the individual candidates accept the candidacy and attest under their own responsibility that there are no grounds for their ineligibility or incompatibility and that they satisfy the requirements for the office, as prescribed by law or by the Company Bylaws.

Slates presented which fail to comply with the foregoing requirements are deemed not to have been presented.

Each candidate may appear on only one slate, under penalty of ineligibility.

The slates are organised in two sections: one section for candidates to the position of Statutory Auditor and the other for candidates to the position of Alternate Auditor. The first candidate of each section must be iden-

tified from among the persons enrolled in the Register of Statutory Auditors who have worked as statutory auditors for a period of no less than three years.

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

In the case of death, waiver or forfeiture of a Statutory Auditor, then the position shall be filled by the Alternate Auditor chosen from the same slate as the former auditor no longer in office. If the succession does not enable a Board of Statutory Auditors to be reconstituted in compliance with the applicable legislation, also in relation to the balance between genders, then the position shall be filled by the second Alternate Auditor drawn from the same slate. If it is subsequently necessary to substitute another Auditor drawn from the slate that obtained the highest number of votes, then in any event the position shall be filled by the additional Alternate Auditor drawn from the same slate. If the Chairman of the Board of Statutory Auditors is to be substituted, then the position as Chairman is assumed by the Auditor included in the same slate as the former Chairman, in accordance with the order of the slate concerned, in any event, without prejudice to satisfying the requirements for the office, as prescribed by law or by the Company Bylaws and complying with the balance between genders envisaged by the applicable pro tempore legal and/or regulatory provisions; if it is not possible to proceed with the substitutions in accordance with above-mentioned criteria, a Shareholders' Meeting will be convened to supplement the Board of Statutory Auditors and the Meeting shall resolve by relative majority vote.

When the Shareholders' Meeting is required to appoint the Statutory Auditors and/or Alternate Auditors necessary to supplement the Board of Statutory Auditors then the Meeting shall proceed as follows: if auditors elected from the majority slate are to be substituted, the appointment shall be made by relative majority, without slate constraints, in any event, without prejudice to complying with the balance between genders envis-

⁵⁷ Refer to Consob Resolution No. 18775 dated January 29, 2014 that established that the percentage shareholding required for shareholders to present the lists of candidates to be elected to the administrative and control bodies of Pirelli & C. corresponds to 1% of the share capital with voting rights in the ordinary Shareholders' Meeting referred to the 2014 financial year.

⁵⁸ Issuers' Regulation: Article 144-quinquies and following articles. Moreover, CONSOB disseminated "Communication No. DEM/9017893 dated 26.02.2009" containing the recommendations regarding the "Appointment of members of administration and control bodies".

aged by the applicable pro tempore legal and/or regulatory provisions; whereas, if auditors elected from the minority slate are to be substituted, the Shareholders' Meeting shall substitute them by relative majority vote, selecting them, where possible, from among the candidates on the slate that included the Auditor to be substituted, and however, complying with the principle of the necessary representation of minorities for which the Company Bylaws assure the right to participate in the appointment of the Board of Statutory Auditors, in any event, without prejudice to complying with the balance between genders envisaged by the applicable pro tempore legal and/or regulatory provisions. The principle of necessary representation of minorities shall be deemed to be complied with in the event of appointing Statutory Auditors who were candidates in the minority slate, at the time, or on other slates differing from the slate that had obtained the highest number of votes when the Board of Statutory Auditors was duly appointed.

If only one slate has been presented, the Shareholders' Meeting shall vote on that slate; if the slate obtains the relative majority then the candidates indicated in the respective section of the slate shall be appointed as the Statutory Auditors and Alternate Auditors; the person indicated in first place in the cited slate shall be appointed as the Chairman of the Board of Statutory Auditors. The Shareholders' Meeting shall resolve with the majorities required by law when appointing the Auditors, who, for whatever reason, were not appointed in accordance with the procedure described, in any event, without prejudice to complying with the balance between genders envisaged by the applicable pro tempore legal and/or regulatory provisions.

Outgoing Auditors may be re-elected.

The meetings of the Board of Statutory Auditors may be attended – if the Chairman or whoever acts on his/her behalf establishes the need – by means of telecommunications media, which permit all the persons in attendance to participate in the discussion and obtain information on an equal basis.

16.2 AUDITORS

The Shareholders' Meeting held on May 10, 2012 appointed the Board of Statutory Auditors for the 2012-2014 financial years, by appointing Francesco Fallacara (appointed Chairman since drawn from the slate presented by the minorities): Antonella Carù and Enrico Laghi as Statutory Auditors and by appointing Umile Sebastiano Iacovino and Andrea Lorenzatti (drawn from the minority slate) as Alternate Auditors.

The appointment was based on the voting slate system. The slate presented by the members of the Pirelli & C. Shareholders' Agreement ("Sindacato di Blocco Azioni Pirelli & C.") obtained about 78% of the votes of the share capital with voting rights represented in the Shareholders' Meeting, while the minority slate presented by a group of asset management companies and financial intermediaries⁵⁹ obtained approximately 22% of the votes of the share capital with voting rights represented in the Shareholders' Meeting.

The Shareholders' Meeting also established the annual gross fee to be paid to each Statutory Auditor at euro 50,000 and the annual gross fee to be paid to the Chairman of the Board of Statutory Auditors at euro 75,000. Furthermore, the Statutory Auditor invited to take part in the Supervisory Body, pursuant to Legislative Decree No. 231/2001 (Antonella Carù) is to be paid an additional annual gross fee of euro 25,000.

Table No. 5 illustrates the composition of the Board of Statutory Auditors at the Date of the Report.

The slate of positions held by Statutory Auditors in joint-stock companies, limited liability companies and companies with unlimited responsibility is published by Consob on its Internet website.

It is important to note that, at the Date of the Report, no Statutory Auditor in office notified that he had exceeded the aggregate number of positions of administration and control envisaged under Article 144-*terdecies* of the Issuers' Regulations.

All the Statutory Auditors can be qualified as independent on the basis of the criteria envisaged by the same Self-Regulatory Code referred to Directors, in line with the provisions contained in the Self-Regulatory Code⁶⁰



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, as well as in relation to Consob Communication No. 8067632 dated July 17, 2008⁶¹. The Procedure for Transactions with Related Parties qualifies Statutory Auditors as parties related to the Company, in compliance with the regulatory provisions. Accordingly, if the Statutory Auditor has an interest in a given Company transaction, the cited procedure shall apply, as described in greater detail in the preceding section "Directors' interests and transactions with related parties". It follows that the Board of Directors receives adequate information concerning the nature of the relationship and how the transaction is to be executed, in line with the provisions set out in the Self-Regulatory Code⁶².

16.3 ACTIVITIES OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors held 8 meetings during the financial year and the percentage attendance of the Auditors was 100%. The reader is referred to table 5 for a detailed representation of the attendance of the individual members of the Board of Statutory Auditors in the meetings held during the 2013 financial year. Moreover, it is important to note that besides attending the Shareholders' Meetings and the meetings of the

Board of Directors, the members of the Board of Statutory Auditors also attended the meetings held during the financial year by the CICRCG and the Remuneration Committee, a circumstance that characterises the rules of corporate governance adopted by the Company and offers the entire Board the possibility of overseeing directly the activities of the Committees and to perform the control functions assigned to it more effectively. The Chairman of the Board of Statutory Auditors also attended the meetings of the Appointments and Succession Committee and of the Strategies Committee. During the 2013 financial year, the Board of Statutory Auditors monitored compliance with the law and the Company Bylaws, compliance with the principles of sound administration and the adequacy of the Company's organisational structure, the internal control system and the administrative and accounting system, as well as the dependability of the latter to represent correctly the operating events.

The Board also monitored the correct implementation of the corporate governance rules envisaged by the codes of conduct prepared by the companies that manage the regulated markets or by trade associations, which the company declares it abides by and the adequacy of the instructions the Company issues to the subsidiaries in relation to the obligations to disclose price sensitive information⁶³.

The Board of Statutory Auditors reported on the activities performed to the Shareholders' Meeting held in May 2013 and expressed its opinion on the aspects

⁵⁹ Anima SGR S.p.A., manager of the Prima Geo Italia and Anima Italia funds; APG Algemene Pensioen Groep N.V. manager of the Strichting Depository APG Developed Markets Equity Pool fund; Arca SGR S.p.A. manager of the Arca Azioni Italia and Arca BB funds; AZ Fund Management S.A. manager of the AZ Fund 1 Italian Trend fund; Credit Suisse Fund Management SA manager of the Credit Suisse Portfolio Fund (LUX) Reddito (Euro) and CS Equity Fund (LUX) Italy funds; Eurizon Capital SGR S.p.A. manager of the Eurizon Azioni Italia fund; Eurizon Capital SA manager of the following funds: Eurizon Stars Fund European Small Cap Equity, Eurizon Eurizon Stars Fund – Italian Equity, Eurizon Easy Fund Equity Consumer Discretionary LTE, Eurizon Easy Fund Equity Small Cap Europe; Fideuram Investimenti SGR S.p.A. Manager of the Fideuram Italia fund; Fideuram Gestions SA manager of the following funds: Fonditalia Equity Italy, Fonditalia Euro Cyclical, Fideuram Fund Equity Italy, Fideuram Fund Equity Europe Growth and Fideuram Fund Equity Europe; Interfund Sicav manager of the Interfund Equity Italy funds; JP Morgan Asset Management (UK) Limited manager of the following funds: JPMorgan Funds, Commingled Pension Trust Fund (International Equity Index) of JPMorgan Chase Bank N.A., Commingled Pension Trust Fund (Intrepid International) of JP Morgan Chase Bank N.A., JP Morgan European Investment Trust Plc, JP Morgan Fund Icv- JPM Europe Dynamic (formerly UK) Fund, JPM Fund Icv- JPM Europe Fund, JP Morgan International Equity Index Fund, JP Morgan Intrepid European Fund and JP Morgan Intrepid International Fund; Mediolanum International Funds Limited – Challenge Funds; Mediolanum Gestione Fondi SGR S.p.A. manager of the Mediolanum Flessibile Italia fund; Pioneer Investment Management SGR S.p.A. manager of the Pioneer Italia Azionario Crescita fund and Pioneer Asset Management S.A.

⁶⁰ Self-Regulatory Code Application Criterion 10.C.1.

⁶¹ CONSOB Communication No. DEM/DCL/DSG/8067632 dated 17.07.2008 concerning "Situations of incompatibility of the members of control bodies, pursuant to Article 148, paragraph 3, sub-section c) of the Unified Finance Law (TUF)".

⁶² Self-Regulatory Code Application Criterion 8.C.4.

⁶³ Now referred to as "privileged information" (Article 114 of the Unified Finance Law (TUF)).

Jean William Silva is a young Brazilian tenor who is quickly becoming famous in his country and internationally. He appeared on Brazilian TV in 2009 and, in July 2013, he performed at the first visit of Pope Francis to Brazil, and was seen by more than 3 million people live and more than 30 countries and an estimated 40 million people around the world.

In December of the same year, he performed as a soloist at the Metropolitan Museum auditorium in New York, performing arias by J. S. Bach.

He also sang at the Avery Fisher Hall at Lincoln Center in New York, receiving laudatory reviews for his interpretation of songs by Heitor Villa Lobos.

He has recently had a theater named after him in his home town of Barrinha.

His repertoire includes sacred music, opera, symphonic and chamber music. He is currently recording an album, "Two Acts", in which Brazilian popular songs meet Italian bel canto.

JEAN WILLIAM SILVA



TENOR

29 YEARS OLD, BRAZILIAN

2013: XXVIII World Youth Day

he sings for Pope Francesco

2013: solo artist at Metropolitan

Museum's Auditorium –

New York

2013: Avery Fischer Hall –

Lincoln Center New York

Jean is a young singer, a tenor, who doesn't seem shy of the plaudits coming his way. He is clearly a prodigious and precocious individual, and someone who seemed as though he was on the precipice of greatness. His exposure in the public eye has made him into a professional young man. He has a wide oeuvre too, a voice for sacred music, arias, Opera and musicals, as well as the popular songs of his home. This breadth was inflected in his presentation, bringing to bear his wide set of sensibilities.

Jean is a small, charming boy with a frame that you wouldn't imagine could produce such a huge sound, a voice that fills the room; moving and impressive in equal measure. He was full of impetuosity too, a youthful, capricious confidence. He is currently committed to a traditional, classical repertoire, but we talked a lot about his own creativity, and how he might one day be able to write songs himself; something he is clearly passionate about. In Jean, this eagerness to think more broadly about his voice, and his work, is a clear sign of his talent: he has honed his art to a point but understands the need for versatility. He wishes always to go beyond the confines, as he sees them, of his repertoire.

During his presentation Jean showed us how the voice forms a circle, how the mouth in its projection naturally takes this shape, and how this facilitates resonance - wholeness. To think about the voice in this way, in a world of fervent communication, is to reimagine its importance and its meaning. Like the wheel, the voice is a powerful motivator, it has the power to move and incite, it is both dangerous and significant.

[Hanif Kureishi]

Do you consider your talent a gift or a burden?

It's much more than a gift: it's also a tool for transformation and change that gives me the chance to assert my identity in the world and recognise myself anywhere.

What you would do if one day you woke up and discovered you had lost your talent?

*I have a life and a passion, and I try to keep the two separate as far as possible.
If I woke up one day and I'd lost my voice, it wouldn't be a tragedy.
I wouldn't be happy, and for a while I'd probably feel like I had no identity, but I know that I could do other things and still be happy. Life is a great gift in itself.*

Who is the living talent you most admire?

There are many, but I'd say Jessye Normann.

What do you like about your talent and what don't you like?

*I like to think that, through my talent, I can create an energy that is capable of moving people and, possibly, improving something inside them.
What worries me is that people can confuse the artist with the person.
Just because I can inspire emotions doesn't mean I'm always enthusiastic or in a good mood. I'm a human being and therefore not perfect: that undoubtedly influences my voice, but technique is all about being able to perform flawlessly regardless of my state of mind.*

When or where does your talent make you happy?

*When I was a boy I used to sing on the roof of my grandparents' house, under a big mango tree: singing was the happiest moment of my day.
Then, in 2010, I was invited to sing in New York in a big gala and that day I discovered that music would be my passport to the world.*

If you could change your talent, how you would change it?

*There's always room for improvement and progress.
My talent is my fingerprint. It's that diversity and the certainty that I'm not perfect that drive me to continue to improve every day.*



NEMORINO: *dolce*
U - na fur - ti



MY WHEEL IS A



SOUND



My wheel is a vocal technique that is achieved by rounding out the sound to create a result of the highest quality, fluidity and naturalness. The path taken by the sound is crucial, both aesthetically and technically: on one hand it's a facilitator of movement, on the other, it ensures a full projection of sound without causing physical damage or trauma.

within its area of jurisdiction concerning the Directors' proposal regarding the allocation of profits and the size of the dividend to be distributed.

The Board of Statutory Auditors monitored⁶⁴ the independence of the auditing company checking compliance with the provisions applicable to this aspect and the nature and extent of the services other than auditing the accounts which are rendered to Pirelli & C. and to its subsidiaries by the same auditing company and by other companies in the same network as the auditing company.

Moreover, the Board of Statutory Auditors, in addition to having verified the correct application of the evaluation criteria and procedures adopted by the Board of Directors to assess the independence of its members, monitored compliance with the TRP Procedure adopted by Pirelli (also considering the amendments introduced during the 2013 financial year), with the principles indicated in the TRP Regulations, as well as the Company's compliance with such TRP Regulations. The Board of Statutory Auditors⁶⁵ coordinated its activities with the Internal Audit Department, and as has been stated, the respective members attended all the meetings of the CICRCG. The Board held periodic meetings with the representatives of the Auditing Company, pursuant to Article 150, paragraph 3 of Legislative Decree No. 58/1998 which did not reveal significant data and information worthy of being reported.

Moreover, the Board of Statutory Auditors expressed opinions during the financial year, pursuant to Article 2386 and Article 2389 of the Italian Civil Code.

With regard to the surveillance activity to monitor the effectiveness of the internal control systems, as stated previously, the Board of Statutory Auditors has the tools required for the new duties through its attendance in the meetings of the Committee for Internal Control, in particular, considering that the Board has received: (i) reports from the Internal Audit Management, at least every quarter; (ii) the audit plan once a year; (iii) the risk assessment and risk management plan once a year.

Lastly, the Board of Statutory Auditors examined in advance the results of the impairment test procedure which Pirelli decided to implement in compliance with the provisions of international accounting standard IAS 36.

17. RELATIONS WITH SHAREHOLDERS

Pursuing its tradition of transparency, the Company manages with special attention the relations with Shareholders, with Investors (institutional and private investors), with financial analysts, with other market players and with the financial community, in general, in compliance with their reciprocal roles and by promoting periodic meetings in Italy and abroad.

Moreover, the Investor Relations Department was set up from March 1999 in order to favour an on-going dialogue with the financial market and was entrusted to Ms. Valeria Leone from October 2008.

The Pirelli Internet website dedicates a section called Investors designed to establish an open, immediate and transparent dialogue with all parties requiring financial information concerning Pirelli; the Investors section includes the details required for an initial contact with Pirelli for evaluation purposes: the details provided include the characteristics which identify the Company, economic and financial data, the drivers of the various businesses in which the Pirelli Group is involved, the opinions expressed by the financial analysts, all the documentation made available in the institutional meetings with the financial community, including the accounting and corporate documentation. Furthermore, Pirelli has prepared a section on the website dedicated to Retail investors in the case of individual investors: (http://www.pirelli.com/corporate/en/investors/individual_investors/), this section focuses on the main events involving the Company, the performance of the Company's share, the implementation of strategies, business development, economic and financial results, Pirelli and PZero innovation/products. The services offered include the following: the weekly Stock Exchange report, the share performance calculation, the quarterly Newsletter IN, the Blog (Investor Channel) and E-mail/SMS Alert. In addition, a section of the website is dedicated to the Common Representative of the Company's savings shareholders and to information of interest for that category of shareholders.

The Investor Relations has an e-mail address (ir@pirelli.com) to facilitate the dialogue with the Company; answers are normally provided in 24 hours to the requests received via this e-mail address, while the Investors-Contacts section includes contact information for the individual members of the IR team for specific requests from individual and institutional analysts and investors.

The Pirelli & C. top management and Investor Relations also use other typical financial communication tools in order to facilitate the knowledge of the Company's strategy, business development and the results achieved, for example: road shows, conference calls, one to one meetings and the participation in trade conferences for the businesses in which the Group is involved. Furthermore, the Company's culture includes combining profitability and sustainability in business and has received awards since it has been included in numerous world-wide assessment indexes relating to corporate social responsibility, an area in which the Company holds an acknowledged leadership position. The Company also intensified the dialogue with "Ethical investors" by participating in international conferences concerning governance and sustainability and by organising road shows dedicated to SRI funds in the principal financial centres.

18. SHAREHOLDERS' MEETINGS

The Shareholders' Meeting is convened as required by law and by the Company Bylaws by means of a Notice of Call published on the Pirelli Internet website. The Notice of Call is generally published at least thirty days prior to the date fixed for the first call of the meeting, and if Shareholders' Meetings are convened to elect members of the administration and control bodies, then the publication is made at least forty days prior to the date of the meeting.

The Notice of Call is published (in full or as an abstract) in at least one national daily newspaper and is also sent to the stock exchange operator.

The Notice of Call must include the details of the date, time and place of the meeting and the list of topics to be discussed.

The Notice of Call must include, inter alia, a description of the procedures which the shareholders are required to comply with to attend the meetings and to exercise their voting rights in the meeting, as well as information concerning the following aspects (i) the right to ask questions prior to the meeting; (ii) the time limits and procedures to exercise the right to supplement the Agenda; (iii) the proxy voting procedure; (iv) the identity of the party (that the Company may have designated to confer proxy voting, as well as the procedures and time limits to confer the proxies).

The Shareholders' Meeting cannot resolve on matters which have not been included on the Agenda.

Shareholders who, alone or together, represent at least one fortieth of the share capital may request to supplement the list of topics to be discussed, or present additional proposals to be resolved on the topics already included in the Agenda within ten days from the date of publication of the Notice to convene the Shareholders' Meeting (unless otherwise provided by law), indicating the respective motivations.

⁶⁴ Also in line with the Self-Regulatory Code: Application Criterion 8.

⁶⁵ Self-Regulatory Code Application Criteria 8.C.6. and 8.C.7.

The Shareholders' Meeting is empowered to resolve, inter alia, the following matters in ordinary or extraordinary sessions: (i) the appointment and revocation of the members of the Board of Directors and the Board of Statutory Auditors and concerning their fees and responsibilities, (ii) approval of the Financial Statements and the allocation of profits, (iii) purchase and sale of treasury shares, (iv) amendments to the Company Bylaws, (v) approval and amendment of the regulations governing the proceedings of the shareholders' meeting (vi) the issuance of convertible bonds.

The Shareholders' Meeting may be held in Italy, and also outside the Company's registered office, and the ordinary session must be convened within 180 days from the end of the financial year, pursuant to Article 7.4 of the Company Bylaws.

The Shareholders' Meeting is convened in single call and the majorities envisaged for the second call of the ordinary Shareholders' Meeting or for the third call of the extraordinary Shareholders' Meetings shall apply.

In this latter case, the Shareholders' Meeting is convened in single call, with the exception of specific matters for which the laws and regulations envisage a different majority:

in the ordinary session:

- the Shareholders' Meeting shall be deemed validly constituted whatever portion of the share capital is represented by the shareholders in attendance and resolves with the absolute majority of the share capital represented;

in the extraordinary session:

- the Shareholders' Meeting shall be deemed validly constituted with the presence of shareholders representing at least one fifth of the share capital and resolves with the favourable vote of at least two thirds of the share capital represented.

Shareholders are entitled to view all the documents filed at the Company's registered office in the case of Shareholders' Meetings already called and to obtain a copy thereof at their own expense.

The proceedings of the Shareholders' Meetings are regulated by the law, by the Company Bylaws and by the Regulations for Shareholders' Meetings, duly ap-

proved by the Shareholders' Meeting held on May 11, 2004 and as subsequently amended by the Shareholders' Meeting held on April 23, 2007⁶⁶.

Following the changes introduced by Legislative Degree No. 27/2010 – which introduced to Italian legislation the so-called record date mechanism – the shareholders entitled to attend Shareholders' Meetings and entitled to cast their vote are those shareholders who, based on a communication from the intermediary to the Company, are entitled to attend the meeting and cast their vote at the close of the accounting day on the seventh trading day prior to the date set for the meeting in only call.

The credit and debit records performed on accounts after this deadline will not influence the entitlement to vote at the Shareholders' Meeting.

Shareholders with voting rights may be represented by means of a proxy issued in accordance with the procedures envisaged by the applicable law and regulations.

2013 Shareholders' Meetings

One Shareholders' Meeting was held during the 2013 financial year, on May 13, 2013, in single call with the participation of approximately 68.95% of the ordinary share capital to discuss (i) the approval of the Financial Statements as of December 31, 2012 (approved by the favourable votes of 99.89% of the share capital represented at the meeting); (ii) the appointment of three Directors and/or the reduction of the number of members of the Board of Directors (approved by the favourable votes of approximately 99.95% of the share capital represented at the meeting); (iii) a Consultation on the Remuneration Policy (approved by the favourable votes of 98.59% of the share capital represented at the meeting); (iv) the acquisition and disposal of treasury shares (approved by 95.18% of the share capital represented at the meeting); (v) an amendment of the Company Bylaws (approved by 99.95% of the share capital represented at the meeting).

The following documents are available on the Internet website: (i) Notice of Call; (ii) a copy of the Minutes of the Shareholders' Meeting; (iii) a summary report on the votes cast; (iv) documents, reports and resolution proposals to be examined by the Shareholders' Meeting (v) the press release distributed by the Company outlin-

ing the proceedings of the Shareholders' Meeting.

Shareholders' Meeting of savings shareholders

As far as the Shareholders' Meeting of savings shareholders is concerned this Meeting is convened by the Common Representative of the Company's savings shareholders, or by the Company's Board of Directors, whenever they deem it appropriate or when the Meeting is to be convened, as provided for by law.

The special Shareholders' Meeting of savings shareholders is chaired by the Common Representative of the Company's savings shareholders or, in his absence, by the person elected with the favourable vote of the majority of the share capital represented at the Shareholders' Meeting.

Pursuant to the Company Bylaws⁶⁷ the expenses relating to the organisation of the special category Shareholders' Meeting and the remuneration of the Common Representative are to be borne by the Company.

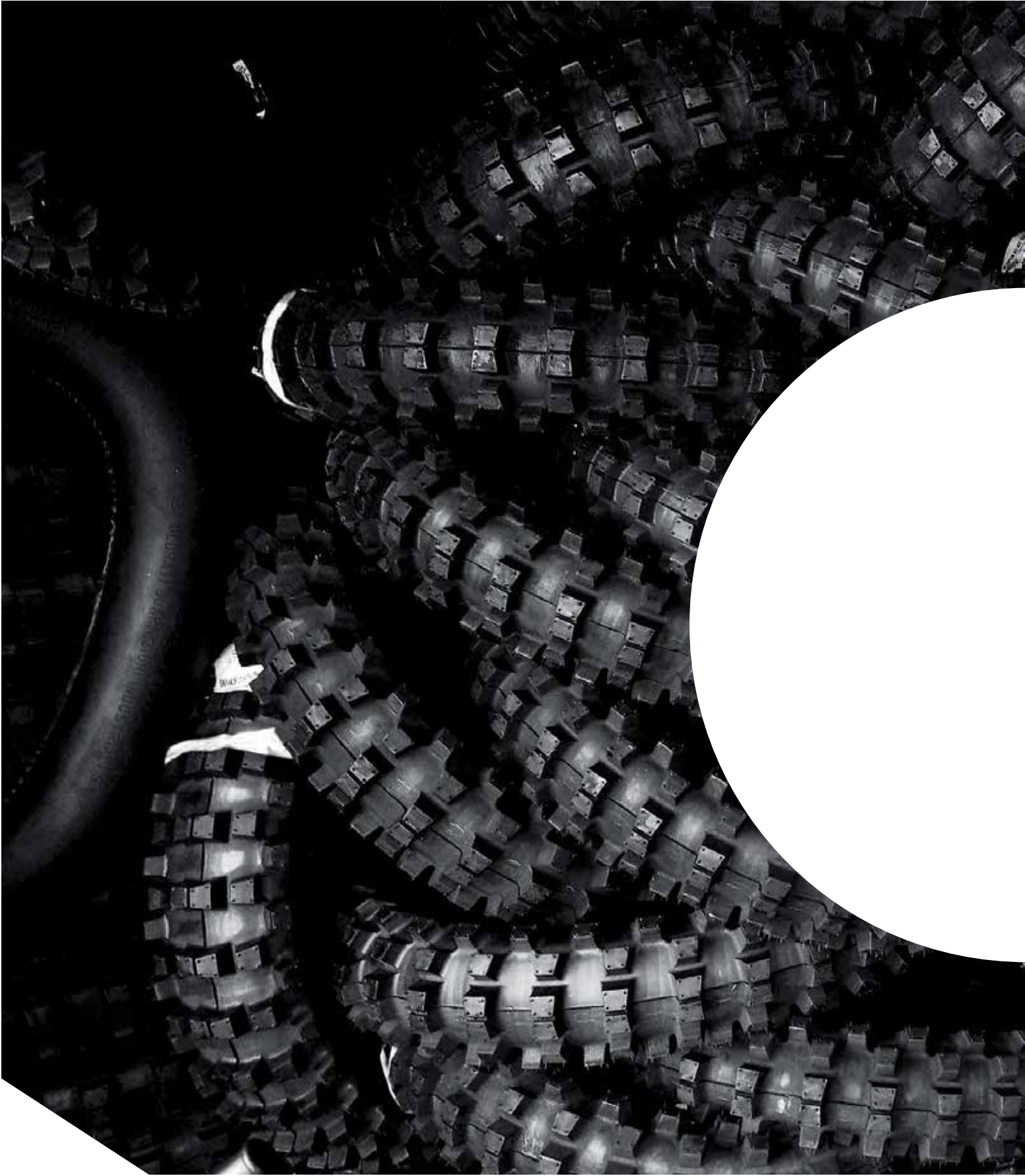
The Shareholders' Meeting of savings shareholders was held on January 31, 2012 and appointed prof. Giuseppe Niccolini (substituting Mr. Giovanni Pecorella) as the Common Representative for savings shareholders referred to the 2012-2014 financial years (with the favourable vote of 99.941% of the category share capital in attendance at the Shareholders' Meeting). The Meeting also established the respective fee of 15 thousand euro. In addition, the meeting of the savings shareholders' unanimously approved to establish the fund for the expenses necessary to protect the common interests of the category, anticipated by the Company.

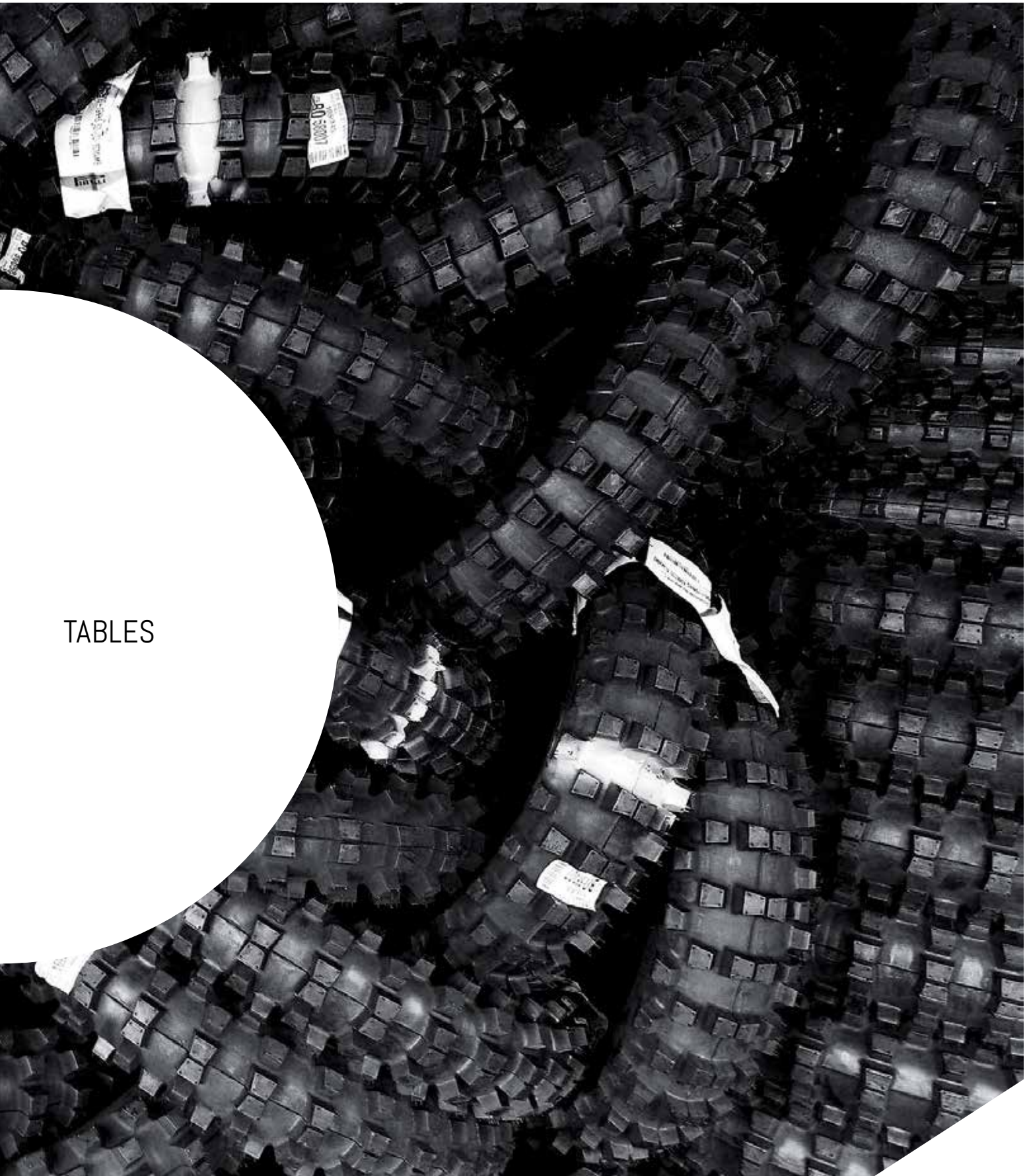
19. CHANGES OCCURRING AFTER YEAR-END

The Report takes into account the changes which occurred from the end of the 2013 financial year up to the Date of the Report.

⁶⁶ The Regulations for Shareholders' Meetings are detailed at the end of the Report and are available on the Internet website.

⁶⁷ Article 6 of the Company Bylaws.





TABLES

Table 1
SHARE CAPITAL STRUCTURE

The exact composition of the share capital is shown below

	No. of shares	% of share capital	Listing
Ordinary shares*	475,740,182	97.49%	Listed on the Italian Electronic Stock Exchange (MTA) organised and managed by Borsa Italiana S.p.A. – Blue Chip Segment.
Savings shares**	12,251,311	2.51%	Listed on the Italian Electronic Stock Exchange (MTA) organised and managed by Borsa Italiana S.p.A. – Blue Chip Segment.

*Code reference ISIN IT0000072725

**Code reference ISIN IT0000072733

The shares have a nominal value of zero

Table 2

MAIN SHAREHOLDINGS

Listed below are the entities which, according to the information published by Consob at the Date of this Report was published, hold voting shares in the Ordinary Shareholders' Meeting amounting to more than 2% of the ordinary capital

Registered owner or entity at the top of the shareholder chain	Direct Shareholder		% quota of Voting Capital				% quota of Ordinary Capital			
	Name	Type of ownership	% Quota	of which Without Voting Rights		% Quota	of which Without Voting Rights			
				% Quota	Voting Rights assigned to		% Quota	Voting Rights assigned to		
			Entity		% Quota	Entity		% Quota		
HARBOUR INTERNATIONAL FUND	HARBOUR INTERNATIONAL FUND	Owner	3,944	0.000		3,944	0.000			
		Total	3,944	0.000		3,944	0.000			
	Total		3,944	0.000		3,944	0.000			
EDIZIONE S.r.l.	SCHEMATTRENTA-QUATTRO S.p.A.	Owner	3,034	0.000		3,034	0.000			
		Total	3,034	0.000		3,034	0.000			
	EDIZIONE S.r.l.	Owner	1,574	0.000		1,574	0.000			
		Total	1,574	0.000		1,574	0.000			
	Total		4,608	0.000		4,608	0.000			
MALACALZA INVESTIMENTI S.r.l.	MALACALZA INVESTIMENTI S.r.l.	Owner	6,980	0.000		6,980	0.000			
		Total	6,980	0.000		6,980	0.000			
	Total		6,980	0.000		6,980	0.000			
LAURO SESSANTUNO S.p.A.	CAM 2012 S.p.A.	Owner	5,850	0.000		5,850	0.000			
		Total	5,850	0.000		5,850	0.000			
	CAM PARTECIPAZIONI S.p.A.	Owner	0,023	0.000		0,023	0.000			
		Total	0,023	0.000		0,023	0.000			
	CAMFIN S.p.A.	Owner	20,320	0.000		20,320	0.000			
		Total	20,320	0.000		20,320	0.000			
	Total		26,193	0.000		26,193	0.000			
MEDIOBANCA S.p.A.*	MEDIOBANCA S.p.A.	Owner	3,954	0.000		3,954	0.000			
		Total	3,954	0.000		3,954	0.000			
	Total		3,954	0.000		3,954	0.000			

Note:

The information are relating to shareholders which, directly or indirectly, own more than 2% of the voting capital in the Company's Ordinary Shareholders' Meeting is taken from the Consob Internet website. In this regard, it is important to note that the information published by Consob on its website is based on the disclosures made by the entities required to comply with the obligations set out in Article 120 of the Unified Finance Law (TUF) and the Issuer Regulations. Such information may differ significantly from the actual situation, this is due to the fact that the obligation to disclose changes to ownership does not arise as a result of the mere change in the percentage owned, but only when "exceeding" or "falling below" predetermined thresholds (2%, 5%, and successive multiples of 5% up to the threshold of 30% and above this threshold, 50, 66.6%, 90% and 95%). For example, it follows that a shareholder (i.e. registered owner) that has declared to own 2.6% of the voting capital may increase its shareholding up to 4.9% without being under any obligation to notify Consob, in accordance with Article 120 of Unified Finance Law (TUF).

* It is important to note that Mediobanca S.p.A. attended the Shareholders' Meeting to approve the 2012 Financial Statements with a percentage of the share capital equal to 4.61%.

Table 3

COMPOSITION OF THE BOARD OF DIRECTORS

The composition of the Board of Directors at the Date of the Report is shown below

Name	Position	In office from	List	Exec.	Non-exec.	Indep.	Indep. TUF	% BoD	Date of first appointment in Pirelli & C. S.p.A.
Marco Tronchetti Provera	Chairman and CEO	21.04.2011	Maj.	X				100%	07.05.2003
Alberto Pirelli	Deputy Chairman	21.04.2011	Maj.	X				86%	07.05.2003
Carlo Acutis	Director	21.04.2011	Maj.		X			43%	07.05.2003
Anna Maria Artoni	Director	21.04.2011	Maj.		X	X	X	100%	21.04.2011
Gilberto Benetton	Director	21.04.2011	Maj.		X			71%	07.05.2003
Alberto Bombassei	Director	21.04.2011	Maj.		X	X	X	71%	12.09.2006
Franco Bruni	Director	21.04.2011	Min.		X	X	X	100%	28.04.2005
Luigi Campiglio	Director	21.04.2011	Maj.		X	X	X	100%	29.04.2008
Paolo Fiorentino*	Director	21.10.2013	-		X			100%	21.10.2013
Jean Paul Fitoussi**	Director	10.05.2013	-		X	X	X	100%	10.05.2013
Pietro Guindani	Director	21.04.2011	Min.		X	X	X	86%	21.04.2011
Elisabetta Magistretti	Director	21.04.2011	Min.		X	X	X	100%	21.04.2011
Gaetano Micciché***	Director	05.11.2013	-		X			-	05.11.2013
Massimo Moratti	Director	21.04.2011	Maj.		X			43%	07.05.2003
Renato Pagliaro	Director	21.04.2011	Maj.		X			100%	29.04.2008
Luigi Roth	Director	21.04.2011	Maj.		X	X	X	100%	23.04.2007
Luca Rovati**	Director	10.05.2013	-		X			75%	10.05.2013
Carlo Secchi	Director - LID	21.04.2011	Maj.		X	X	X	100%	19.02.2004
Manuela Soffientini****	Director	01.03.2012	-		X	X	X	100%	01.03.2012
Claudio Sposito*	Director	21.10.2013	-		X			100%	21.10.2013

Number of Board of Directors' meetings in the 2013 financial year: 7

Legend

List: Maj./Min. depending on whether the Director was elected from a list voted by the majority or by a minority.

Exec.: if checked this indicates the Director can be qualified as an Executive Director.

Non-exec.: if checked this indicates the Director can be qualified as a Non-Executive Director.

Indep.: if checked this indicates the Director can be qualified as an Independent Director, in accordance with the criteria established by the Self-Regulatory Code.

Indep. TUF: if checked this indicates that the Director meets the independence requirements established under Article 148, paragraph 3 of the Unified Finance Law (TUF).

% BoD: indicates the Director's presence, in percentage terms, at Board meetings. (The percentage is calculated by taking into account the number of meetings attended out of the number of meetings held during the Director's effective period in office).

* The Director was appointed on 21.10.2013, in accordance with Article 2386 of the Italian Civil Code and the mandate expires with the Shareholders' Meeting to approve the 2013 financial statements.

** The Director was appointed by the Shareholders' Meeting on 10.05.2013 and the mandate expires with the Shareholders' Meeting to approve the 2013 Financial Statements.

*** The Director was appointed on 05.11.2013, in accordance with Article 2386 of the Italian Civil Code and the mandate expires with the Shareholders' Meeting to approve the 2013 Financial Statements.

**** The Director was appointed on 01.03.2012 in accordance with Article 2386 of the Italian Civil Code and subsequently confirmed by the Shareholders' Meeting on 10.05.2012 and the mandate expires with the Shareholders' Meeting to approve the 2013 Financial Statements.

Directors who ceased to hold office during the financial year are indicated below

Name	Office	In office from/to	List	Exec.	Non-exec.	Indep.	Indep. TUF	% BoD
Vittorio Malacalza	Deputy Chairman	from 21.04.2011 to 10.05.2013	Maj.		X			100%
Giulia Maria Ligresti	Director	from 21.04.2011 to 24.07.2013	Maj.		X			67%
Mario Greco*	Director	from 12.11.2012 to 04.03.2013	-		X			0%
Carlo Salvatori**	Director	from 26.07.2012 to 16.10.2013	-		X			100%

Legend

* The Director was appointed on 12.11.2012, in accordance with Article 2386 of the Italian Civil Code and resigned on 04.03.2013.

** The Director was appointed on 26.07.2012 in accordance with Article 2386 of the Italian Civil Code and subsequently confirmed by the Shareholders' Meeting on 10.05.2013. The Director later resigned on 16.10.2013

Table 4

COMPOSITION OF BOARD OF DIRECTORS' COMMITTEES

The composition of the Committees formed within the Board of Directors at the Date of the Report are shown below

COMMITTEE FOR INTERNAL CONTROL, RISKS AND CORPORATE GOVERNANCE

Name	Position	Committee member since	List	Exec.	Non-exec.	Indep.	% Comitato
Carlo Secchi	Chairman	21.04.2011	Maj.		X	X	100%
Franco Bruni	Member	21.04.2011	Min.		X	X	100%
Elisabetta Magistretti	Member	21.04.2011	Min.		X	X	100%
Luigi Roth	Member	21.04.2011	Maj.		X	X	94%

Number of Committee meetings in the 2013 financial year: 17

REMUNERATION COMMITTEE

Name	Position	Committee member since	List	Exec.	Non-exec.	Indep.	% Comitato
Luigi Roth*	Chairman	21.04.2011	Maj.		X	X	100%
Anna Maria Artoni	Member	21.04.2011	Maj.		X	X	100%
Luigi Campiglio*	Member	21.04.2011	Maj.		X	X	100%
Pietro Guindani	Member	21.04.2011	Min.		X	X	80%

Number of Committee meetings in the 2013 financial year: 5

STRATEGIES COMMITTEE

Name	Position	Committee member since	List	Exec.	Non-exec.	Indep.	% Comitato
Marco Tronchetti Provera	Chairman	21.04.2011	Maj.	X			100%
Alberto Bombassei	Member	26.07.2012	Maj.		X	X	67%
Franco Bruni	Member	21.04.2011	Min.		X	X	100%
Paolo Fiorentino**	Member	21.10.2013	-		X		-
Gaetano Micciché**	Member	05.11.2013	-		X		-
Renato Pagliaro	Member	21.04.2011	Maj.		X		100%
Carlo Secchi	Member	21.04.2011	Maj.		X	X	100%
Manuela Soffientini	Member	25.07.2012	-		X	X	100%
Claudio Sposito**	Member	21.10.2013	-		X		100%

Number of Committee meetings in the 2013 financial year: 3

APPOINTMENTS AND SUCCESSION COMMITTEE

Name	Position	Committee member since	List	Exec.	Non-exec.	Indep.	% Committee
Marco Tronchetti Provera	Chairman	21.04.2011	Maj.	X			100%
Luigi Campiglio	Member	21.04.2011	Maj.		X	X	100%
Luigi Roth	Member	21.04.2011	Maj.		X	X	100%

Number of Committee meetings in the 2013 financial year: 2

Legend

*: During the 2013 financial year the Board of Directors appointed the Director Roth – who was already a member of the Committee, – as Chairman of the Committee and appointed the Director Luigi Campiglio as a “new” member of the Committee following the resignation on August 5, 2013 of the Director Carlo Acutis as a member and Chairman of the Committee.

** : No meetings of the Strategies Committee were held during the 2013 financial year subsequent to the appointment of the Directors Fiorentino, Micciché and Sposito as members of the Strategies Committee.

List: Maj./Min. depending on whether the Auditor was elected from the list voted by the majority or by a minority (Article 144-decies, of the Issuer Regulations).

Exec.: if checked this indicates that the Director can be qualified as an Executive Director.

Non-exec.: if checked this indicates that the Director can be qualified as a Non-executive Director.

Indep.: if checked this indicates that the Director can be qualified as an Independent Director, in accordance with the criteria established by the Self-Regulatory Code, specifying at the foot of the table whether these criteria have been supplemented or amended.

% Committee: indicates the Director’s presence, in percentage terms, at Committee meetings. (The percentage is calculated taking into account the number of meetings attended out of the number of meetings held during the Directors’ effective period in office).

Committee Members who ceased to hold office during the financial year are indicated below

Name	Office	In office from/to	R.C.	CICRCG	Str. C.	Appoint. and Succ. C.	% Committee
Vittorio Malacalza	Deputy Chairman	from 21.04.2011 to 10.05.2013			X	X	0% Str. C. and 0% Appoint. And Succ. C.
Carlo Acutis*	Director	from 21.04.2011 to 17.07.2013	X				100%
Francesco Chiappetta	Executive with strategic responsibilities	from 21.04.2011 to 31.01.2014			X		100%

Legend

Refer to the legend of the previous tables.

Table 5

COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

Name	Position	In office since	List	Indep. - Self-Regulatory Code	% BoD	% B.S.A.	% CICRCG	% Strategies	% R.C.	% Appoint.
Francesco Fallacara	Chairman	10.05.2012	Min.	X	100%	100%	100%	100%	100%	100%
Enrico Laghi	Statutory auditor	10.05.2012	Maj.	X	100%	100%	88%	-	80%	-
Antonella Carù	Statutory auditor	10.05.2012	Maj.	X	100%	100%	100%	-	80%	-
Umile Sebastiano Iacovino	Alternate auditor	10.05.2012	Maj.	-	-	-	-	-	-	-
Andrea Lorenzatti	Alternate auditor	10.05.2012	Min.	-	-	-	-	-	-	-

Position: indicates whether Chairman, Statutory Auditor or Alternate Auditor.

List: Maj./Min. depending on whether the Auditor was elected from the list voted by the majority or by a minority (Article 144-decies of the Issuer Regulations).

Indep.: if checked this indicates that the Auditor can be qualified as an Independent Auditor in accordance with the criteria established by the Code, specifying at the foot of the table whether the criteria have been supplemented or amended.

% BoD: indicates the Auditor's presence, in percentage terms, at the Board of Directors' meetings.

% B.S.A.: indicates the Auditor's presence, in percentage terms, at the Board of Statutory Auditors' meetings.

% CICRCG: indicates the Auditor's presence, in percentage terms, at the meetings of the Committee for Internal Control, Risks and Corporate Governance.

% Strategies: indicates the Auditor's presence, in percentage terms, at the Strategies Committee's meetings.

% R.C.: indicates the Auditor's presence, in percentage terms, at the Remuneration Committee's meetings.

% Appoint. C.: indicates the Auditor's presence, in percentage terms, at the Appointments and Succession Committee's meetings.

It is important to remember that the Chairman of the Board of Statutory Auditors is invited to take part in the Appointments and Succession Committee, and may also be invited to take part in the Strategies Committee. Regarding this point it must be observed that the Chairman of the Board of Statutory Auditors also attended all the meetings of the Strategies Committee to which he was invited.

No member of the Board of Statutory Auditors ceased to hold office during the 2013 financial year.

ANNEX A

LIST OF MAIN OFFICES HELD BY THE DIRECTORS IN OTHER COMPANIES NOT BELONGING TO THE PIRELLI GROUP

Marco Tronchetti Provera	Marco Tronchetti Provera & C. S.p.A.	Chairman
	Nuove Partecipazioni S.p.A.	Chairman
	Mediobanca S.p.A.	Deputy Chairman
Alberto Pirelli	Camfin S.p.A.	Director
	Lauro Sessantuno S.p.A.	Director
	Nuove Partecipazioni S.p.A.	Director
	FIN. AP di Alberto Pirelli & C. Sapa	General Partner
	Intek Group S.p.A.	Director
Carlo Acutis	Vittoria Assicurazioni S.p.A.	Deputy Chairman
	Banca Passadore S.p.A.	Deputy Chairman
	YAFA S.p.A.	Director
	YAM INVEST N. V.	Surveillance Director
	Lauro Sessantuno S.p.A.	Director
Anna Maria Artoni	Artoni Group S.p.A.	Sole Director
	Artoni Trasporti S.p.A.	Managing Director
	CDA Linkiesta	Director
Gilberto Benetton	Edizione S.r.l.	Chairman
	Atlantia S.p.A.	Director
	Autogrill S.p.A.	Chairman
	World Duty Free S.p.A.	Director
	Mediobanca S.p.A.	Director
	Sintonia S.p.A.	Director
Alberto Bombassei	Brembo S.p.A.	Chairman
	NTV S.p.A.	Director
Franco Bruni	Unicredit Audit S.p.A.	Director
	Pioneer Investment Management S.p.A	Director

Luigi Campiglio	Allianz Bank Financial Advisor	Director
Paolo Fiorentino	Unicredit Business Integrated Solutions Scpa	Chairman
	NEEP Roma holding S.p.A.	Chairman
	Officinae Verdi S.p.A.	Deputy Chairman
	Unicredit Credit Management Bank S.p.A.	Director and member of the Executive Committee
	A.S. Roma	Director and member of the Executive Committee
	Unicredit Bank Austria AG	Deputy Chairman
Jean Paul Fitoussi	Intesa Sanpaolo S.p.A.	Director
	Telecom Italia S.p.A.	Director
Pietro Guindani	Vodafone Omnitel N.V.	Chairman
	Salini-Impregilo S.p.A.	Director
	Assonime	Director
Elisabetta Magistretti	Mediobanca S.p.A.	Director
	Luxottica Group S.p.A.	Director
Gaetano Micciché	Intesa Sanpaolo S.p.A.	Director
	Banca IMI S.p.A.	Managing Director
	Telecom Italia S.p.A.	Director
	Prada S.p.A.	Director
Massimo Moratti	SARINT S.A.	Chairman
	SARAS S.p.A. Raffinerie Sarde	Managing Director
	GUT Edizioni S.p.A.	Director
	MASSIMO MORATTI & C. S.p.A. di Massimo Moratti	Sole Director
Renato Pagliaro	Mediobanca S.p.A.	Chairman
	Telecom Italia S.p.A.	Director
	Istituto Europeo di Oncologia S.r.l.	Statutory Auditor
Luigi Roth	Terna S.p.A.	Chairman
	Terna Rete Italia S.r.l.	Chairman
	Melior Valorizzazioni Immobili S.r.l.	Chairman
	Alba Leasing S.p.A.	Chairman
	Autostrada Torino – Milano S.p.A.	Director

Luca Rovati	Rottapharm S.p.A.	Deputy Chairman
	Camfin S.p.A.	Director
	Lauro Sessantuno S.p.A.	Director
	Nuove Partecipazioni S.p.A.	Director
	GWM Holding	Director
	Greentech Energy System A/S	Deputy Chairman
Carlo Secchi	Mediolanum S.p.A.	Chairman
	Italcementi S.p.A.	Director
	Mediaset S.p.A.	Director
Manuela Soffientini	Electrolux Appliances S.p.A.	Chairman and Managing Director
Claudio Sposito	Clessidra Sgr	Chairman and Managing Director
	Buccellati holding Italia S.p.A.	Deputy Chairman
	Jakal Group S.p.A.	Director
	Beni Stabili Gestioni Sgr S.p.A.	Director

CONCEPT & DESIGN

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In line with Pirelli's Green Sourcing Policy, the planning phase of this report included an analysis of the environmental impact of the materials used with the help of the supplier chosen, which has been certified by way of an environmental management system. Thanks to this approach, in order to carry out this project, we have used FSC-certified paper, vegetable-based inks, and water-based paints. The final packages is made out of recyclable cardboard and polypropylene.

Thanks to our colleague Giovanni Tamanza – Pirelli Tyre – for the great photographs

