



## INTERIM CORPORATE GOVERNANCE REPORT

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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 Independent Directors who represent the majority of the members of the Board of Directors (iii) consolidated disclosure practices concerning the choices and the processes to make business decisions and an effective internal control system (iv) an innovative pro-active risk management system; (v) a general remuneration system, and a particular incentive system 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 (in October 1999) having then complied with the Code dated July 2002 and subsequently with the Code dated March 2006.

Pirelli's Board of Directors declared its compliance with the new version of the Self-Regulatory Code (December 2011) in the Meeting held on March 12, 2012; the Code is published on the following website: [www.borsaitaliana.it](http://www.borsaitaliana.it).

The Company's 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 on the basis of national and international best practices.

In the interim financial report the Company voluntarily highlights the updates and additions made to its corporate governance system compared to the information contained in the annual financial report.

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

Moreover, in June 2013, for the second consecutive year, Pirelli sponsored the ICGN Annual Conference held in New York, thereby confirming the importance that Corporate Governance themes represent for Pirelli.

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The Shareholders' Meeting held on May 13, 2013, inter alia, appointed the following persons as Company Directors: Carlo Salvatori (formerly co-opted during the Board of Directors' Meeting held on July 26, 2012), to substitute Mr. Giuseppe Vita; Mr. Jean Paul Fitoussi and Mr. Luca Rovati to substitute Mr. Paolo Ferro-Luzzi (who died on November 11, 2012) and Mr. Mario Greco (formerly co-opted during the Board of Directors' Meeting held on November 12, to substitute Mr. Giovanni Perissinotto and who subsequently resigned as a Director on March 4, 2013).

Furthermore, it should be noted that (i) on May 10, 2013, Mr. Vittorio Malacalza resigned from the following positions: Deputy-Chairman of the Board of Directors, member of the Strategies Committee, member of the Appointments and Succession



Committee and as Company Director and (ii) on July 24, 2013, Ms. Giulia Maria Ligresti resigned as a Company Director.

It should also be noted that on July 17, 2013, Mr. Carlo Acutis, Director, notified that he felt he no longer satisfied the requirements of independence in relation to his position as a controlling shareholder of Vittoria Assicurazioni S.p.A. and Yura International B.V. - entities which co-operate with Lauro Sessantuno S.p.A. in the absolute takeover bid promoted in relation to Camfin S.p.A. shares and that, for these reasons, Mr. Acutis had resigned as the Chairman and member of the Remuneration Committee.

In view of these resignations, in the Meeting held on August 5, 2013, the Board of Directors resolved to appoint Mr. Luigi Campiglio, Director, as a member of the Remuneration Committee and to appoint Mr. Luigi Roth, Director, as the Committee's Chairman; Mr. Luigi Roth is already a member of the Committee.

In the same meeting the Board of Directors assessed the existence of the requirements of independence in relation to Mr. Jean Paul Fitoussi, Director; this was the first meeting after the Shareholders' Meeting held on May 13, 2013.

Pirelli's Board of Directors is composed of 18 Directors at the date of this Report, the majority are independent Directors, and in particular, the following: Anna Maria Artoni, Alberto Bombassei, Franco Bruni, Luigi Campiglio, Jean Paul Fitoussi, Pietro Guindani, Elisabetta Magistretti, Luigi Roth, Carlo Secchi and Manuela Soffientini.

At the date of this Report and during 2013:

- the Board of Directors met 4 times;
- the Committee for Internal Control, Risks and Corporate Governance met 11 times;
- the Remuneration Committee met 3 times;
- the Appointments and Succession Committee met once;



- the Strategies Committee met once;

and 1 meeting of only Independent Directors and 3 informal meetings extended to all Directors have already been held.

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In the cited meeting held on May 13, 2013, the Shareholders' Meeting was also called to express its opinion:

- i) on Pirelli's "Remuneration Policy", this Policy is defined as a result of a clear and transparent process in which the Remuneration Committee and the Company's Board of Directors play a central role.

The indemnity of Directors with special duties and who have been assigned specific responsibilities and are not bound by a management employment relationship was reduced from three to two annuities compared to the 2012 Remuneration Policy, in the case of resignation or termination of the employment relationship, in line with best practices and also adopts the requests of certain "long investors" and "proxy advisors".

The Shareholders' Meeting voted in favour in the consultation with a percentage that exceeded 98% of the share capital represented in the Meeting;

- ii) on the proposal to "purchase and dispose of treasury shares", in relation to which the Shareholders' Meeting voted in favour with a percentage that exceeded 95% of the share capital represented in the Meeting;
- iii) on the proposal to "amend Article 7 (Shareholders' Meeting), Article 10 (Board of Directors) and Article 16 (Board of Auditors) of the Company Bylaws and to introduce Article 21 (transitional clause) to the Company Bylaws", on the one hand, consequent to the regulations set out concerning the balance between genders within the administrative and control body of listed companies and, on the other hand, certain new regulatory provisions concerning the participating

shares necessary to submit the lists to elect the Board of Directors and the Board of Auditors, as well as to take into account the amendments made by the Legislator to Article 126-bis of Legislative Decree No. 58/98, with the introduction of the right of shareholders representing at least one fortieth of the share capital to submit their own resolution proposals concerning items already on the Agenda. The Shareholders' Meeting voted in favour of the Board of Directors' proposal with a percentage that exceeded 99% of the share capital represented in the Meeting.

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In the Meeting held on March 11, 2013, the Board of Directors approved the Group's "new" Whistleblowing Policy that also gives the "outside community" the possibility of submitting reports.

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Lastly, it is important to note that:

- a shareholders' agreement was entered into on June 4, 2013 among 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. (a company controlled indirectly by Marco Tronchetti Provera & C. S.p.A.), Lauro Cinquantaquattro S.r.l. (a company 100% owned by Clessidra SGR S.p.A.), Intesa Sanpaolo S.p.A. and UniCredit S.p.A, as a result of winding-up the partnership among Marco Tronchetti Provera & C. S.p.A., Marco Tronchetti Provera Partecipazioni S.p.A. and Malacalza Investimenti S.r.l. in relation to Gruppo Partecipazioni Industriali S.p.A. and Camfin S.p.A (the Company's main shareholder), in the framework of an operation to rationalise the ownership



structures of Camfin S.p.A. Among other aspects, the shareholders' agreement includes provisions relating to the governance of Camfin, as well as the governance of Pirelli, concerning certain profiles and within the limits permitted by the legal regime and the nature of the investee company (the Camfin group owns a 26.19% participating interest in Pirelli's share capital with voting rights), in order to pursue the shared objective of ensuring the stability of Camfin's structures and thereby create the best conditions for a further creation of value in relation to the participating interest that the latter holds in Pirelli;

- on June 5, 2013, the participants of "Sindacato di Blocco Azioni Pirelli & C. S.p.A." informed the market that, on request, they had given their consent (i) to Allianz S.p.A. to release the entire assigned participating interest in Pirelli from the Agreement, corresponding to 20,977,270 ordinary shares (4.41% of the share capital); (ii) to Fondiaria-Sai S.p.A. to release 12,229,394 ordinary shares, overall, from the Agreement (2.57% of the share capital); (iii) to Camfin S.p.A. to release 33,300,000 ordinary shares, overall, from the Agreement (7% of the share capital); (iv) to amend Article 2 of the Agreement, establishing that, at the time of renewal, the Agreement's extension among the Participants which have not withdrawn shall be subject to the condition that the residual shares bound to the Agreement represent at least 30%, overall (instead of 33% as envisaged previously) of Pirelli's share capital in subscribed ordinary shares.

The abstracts of the foregoing Shareholders' Agreements are published on the Pirelli internet website, in the Investor Relations section.