

Corporate Governance Report 2008 Financial Year

GLOSSARY

Self Regulatory Code: means the Self-Regulatory code of conduct for listed companies approved in March 2006 by the Corporate Governance Committee and promoted by the Italian stock exchange, Borsa Italiana S.p.A. and available on its website *www.borsaitaliana.it*.

Civil Code: means the Italian Civil Code.

Board / Board of Directors: means the board of directors of Pirelli & C.

CONSOB: means the Commissione Nazionale per le Società e la Borsa, the Italian official body for regulating and supervising companies and stock exchanges.

Date of approval of the Report: means the meeting of the Board of Directors on 10 March 2009 that approved this report.

Responsible Officer: indicates the officer responsible for preparing the company accounting documents referred to in article 154-bis of the FSA.

Financial year: indicates the company financial year that ended on 31 December 2008 to which this Report refers.

Market Regulation Instructions: indicates the Instructions for the Regulation of Markets organised and managed by Borsa Italiana S.p.A.

Pirelli & C.: indicates Pirelli & C. S.p.A., with registered offices in Milan, tax code, VAT number and Milan Business Registry no. 00860340157.

Pirelli RE: indicates Pirelli & C. Real Estate S.p.A., with registered offices in Milan, tax code, VAT number and Milan Business Registry no. 02473170153.

Pirelli Tyre: indicates Pirelli Tyre S.p.A., with registered offices in Milan, tax code, VAT number and Milan Business Registry no. 07211330159.

Stock Exchange Regulations: indicates the Market Regulations organised and managed by Borsa Italiana S.p.A.

Issuer Regulations: indicates the Regulations issued by CONSOB with deliberation no. 11971 of 1999 on the subject of issuers.

Market Regulations: indicates the Regulations issued by CONSOB with deliberation no. 16191 of 2007 on the subject of markets.

Report: indicates this report on the corporate governance and share capital, drafted pursuant to articles 123 bis of the FSA, 89 bis of the Issuer Regulations and article IA.2.6. of the Stock Exchange Instructions.

Company: indicates Pirelli & C.

Company bylaws: indicates the bylaws of Pirelli & C., available on the company internet site *www.pirelli.com* and printed at the end of this Report.

FSA: indicates Legislative Decree no. 58 of 24 February 1998 (the Testo Unico di Finanza, or consolidated Financial Services Act).

1. PROFILE OF THE COMPANY ISSUING THE REPORT

Pirelli & C. is a company listed on the Italian Stock Exchange that controls a multinational Group that does business in 160 countries with 135 years' experience in the industry.

In the tyres sector it operates Pirelli Tyre, the fifth largest manufacturer in terms of turnover, and leader in the high quality tyre market, with an industrial presence on four continents.

In the property sector it trades as Pirelli RE, a company which in just a few years has established its leadership in Italy, and has developed a major property business in Germany. It has a marginal presence in Poland.

With its strong orientation towards innovation, the Group has also initiated a number of start-up initiatives in recent years, in high technology sectors such as new generation photonics, broadband access, renewable energy sources and sustainable mobility, now supported by the new antiparticulate filter business.

Pirelli Labs S.p.A. is the advanced research centre that serves all the Group businesses.

Awareness of the importance of an efficient Corporate Governance system in fulfilling its objective of creating value induces the Company to keep its corporate governance system constantly in line with national and international best practice.

Pirelli adopts the traditional administration and control system based on the central role played by the Board of Directors. The Company Governance model is based on the presence of correct disclosure practices regarding the choices and the procedures for decision-making within the Company, on an effective system of internal controls, on an effective regulation of potential conflicts of interest and on a rigorous code of conduct for transactions with related parties.

The system of governance is documented in the Code of Ethics, the Company Bylaws, the regulations regarding shareholders' meetings, and a series of principles, rules and procedures, periodically updated to reflect regulatory and legal developments, that are available on the Company website at *www.pirelli.com* in the section dedicated to Governance and the approach and policies of the Board of Directors.

Moreover, the Company has been publishing its sustainability reports since 2005 - further information is available in the appropriate section in the company financial reports.

It should be noted that the Company voluntarily highlights updates and additions made to its corporate governance system since the preceding annual report in its half-yearly report.

2. INFORMATION ON THE SHAREHOLDER STRUCTURE (EX ART. 123 BIS TUF) AT 10/03/2009

a) Structure of the share capital

The Share capital is divided into ordinary shares and savings shares each of 0.29 euros par value: the table below shows its exact composition:

	No. shares	% of share capital	Listing
Ordinary shares*	5,233,142,003	97.49%	Listed on the MTA (Telematic Stock Market) organised and managed by Borsa Italiana S.p.A. - Blue Chip segment.
Savings shares**	134,764,429	2.51%	Listed on the MTA (Telematic Stock Market) organised and managed by Borsa Italiana S.p.A. - Blue Chip segment.

* Identification code ISIN IT0000072725

** Identification code ISIN IT0000072733

Rights and obligations

Ordinary shares entitle the holder to one vote each. They are registered shares or bearer shares, to the extent permitted by law, and in this case can be converted into the other type of shares at the request and expense of their owner.

Savings shares do not have voting rights and, unless otherwise provided by law, are bearer shares. At the request and expense of the shareholder they can be converted into registered savings shares.

In addition to the rights and privileges specified by the law and the Company bylaws, savings shares have the right of pre-emption in the reimbursement of capital for their whole face value; if the share capital is reduced by losses, the face value of the savings shares is only reduced for the part of the losses that exceeds the overall face value of the other shares. They also retain the rights and privileges assigned to them by the law and the Company bylaws, even when ordinary and savings shares are excluded from trading.

If share capital should be increased by the issue of shares of a single category, they must be offered as an option to all categories of shareholders.

If capital is increased by the issue of both ordinary and savings shares:

- a)** holders of ordinary shares have the right to receive options for ordinary shares and, for any difference, savings shares;
- b)** holders of savings shares have the right to receive options for savings shares and, for any difference, ordinary shares.

The net annual profits are divided as follows, after the legal allocations have been made:

- a)** savings shares are attributed a sum of up to seven percent of their par value. If in a financial year the savings shares are assigned a dividend of less than seven percent of their par value, the difference is added to the preference dividend in the two following financial years. The profits remaining after the dividend specified above has been assigned to the savings shares are allocated to all the shares in such a way that the savings shares receive a dividend that is two percentage points of their par value higher than that of the ordinary shares;
- b)** without prejudice to the above provisions concerning the increased total dividend payable on savings shares, ordinary shares are attributed a sum totalling five percent of their par value.

The remaining profits will be distributed to all the shares, in addition to the sums assigned as described in letters a) and b) above, unless the shareholders' meeting should decide to approve the Board's proposal to make special allocations to extraordinary reserves or for other uses, or should to carry forward part of said share of the profits.

If reserves are distributed the savings shares have the same rights as the other shares.

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

At the date of approval of the Report no financial instruments that attribute the right to subscribe to new issue shares were found to have been issued.

It should be noted that in a decision made by the Extraordinary Shareholders' meeting held on 11 May 2004, the Directors were given the right to issue convertible bonds in both ordinary and savings shares, or with warrants valid for the subscription of such shares to be offered as options to shareholders and holders of convertible bonds, for a maximum nominal sum of 1,000 million euros, before 10 May 2009, in one or more operations, within the limits permitted at the time of issue by the current regulations, with a consequent possible increase in share capital to serve the conversion of the bonds and/or the exercise of the warrants. See the section below entitled "Powers to increase the share capital and authorisations to purchase own shares".

Stock incentive plans

See the financial report and the information prospectus drafted in September 2007 pursuant to art. 84 bis of the Consob Issuer Regulations available in the Governance section of the Company website www.pirelli.com.

b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

c) Major shareholdings

Those subjects holding voting shares corresponding to more than 2% of the ordinary share capital according to the register of shareholders supplemented by the communications received pursuant to art. 120 of Legislative Decree no. 58/1998 and other information available are listed below:

	DECLARING SUBJECT	% share of ordinary and voting capital	% share of whole capital
1	MARCO TRONCHETTI PROVERA	26.19	25.53
	of which directly	0.00	0.00
	and indirectly through CAMFIN S.p.A.	26.17	25.51
	and through Cam Partecipazioni S.r.l.	0.02	0.02
2	ASSICURAZIONI GENERALI S.p.A.	5.49	5.36
	of which directly	2.18	2.12
	and indirectly through		
	- Ina Assitalia S.p.A.	2.00	1.96
	- Generali Vie S.A	1.10	1.07
	- Alleanza Assicurazioni S.p.A.	0.02	0.02
	- Intesa Vita S.p.A.	0.02	0.02
	- La Venezia Assicurazioni S.p.A.	0.00	0.00
	- Toro assicurazioni S.p.A.	0.17	0.17
3	EDIZIONE S.r.l.	4.77	4.65
4	MEDIOBANCA S.p.A.	4.61	4.49
5	ALLIANZ SE	4.52	4.40
	and indirectly through		
	Allianz S.p.A.	4.52	4.40
	CreditRas Vita S.p.A.	0.00	0.00
	Antoniana Veneta Popolare Vita S.p.A.	0.00	0.00
6	PREMAFIN FINANZIARIA S.p.A.	4.48	4.36
	of which indirectly through		
	- FONDIARIA - S.A.I. S.p.A.	4.45	4.34
	- Milano Assicurazioni S.p.A.	0.03	0.02
	- Popolare Vita S.p.A.	0.00	0.00
7	AXA ROSENBERG GROUP LLC	2.00	1.96

Note: The information on shareholders who directly or indirectly hold ordinary shares corresponding to 2% or more of the capital with voting rights in ordinary meetings of the Company shareholders is also available on the CONSOB website. In this respect, it should be noted that the information published by CONSOB on its website by virtue of the communications made by the subjects required to fulfil the obligations of article 120 of the FSA and the Issuer Regulation, may differ appreciably from the real situation, since the obligations to communicate changes in the percentage holdings arise not when these percentages change, but only when they "exceed" or "fall below" predetermined thresholds (2%, 5%, 10% and subsequent multiples of 5%). It follows as a result that a shareholder (i.e. a declaring subject) which has declared ownership of 2.6% of the voting capital may increase their holding to up to 4.9% without any obligation to communicate this to CONSOB pursuant to art. 120 of the FSA.

d) Securities that confer special rights

No securities that confer special monitoring rights have been issued.

e) Employee shareholdings: mechanism for exercising voting rights

In the case of employee shareholders, there are no mechanisms for the exercising of their voting rights when the voting rights are not exercised directly by said employees.

f) Restrictions on voting rights

There are no restrictions on voting rights (such as, for example, limitations on voting rights at a certain percentage or a certain number of votes, terms imposed on the exercise of voting rights, or systems in which, with the cooperation of the Company, the financial rights related to the securities are separate from the ownership of the securities).

g) Shareholder agreements

The participants in the Pirelli & C. S.p.A. Block Share Syndicate, the purpose of which is to ensure the stability of the Pirelli & C. share structure and an excerpt of the relevant agreement may be found at the end of this Report, and are available on the Company website at www.pirelli.com.

h) Appointment and replacement of Directors

The Company bylaws¹ have provided that the Board of Directors is appointed by a slate system since 2004. This system ensures that - if more than one slate is presented - minority shareholders can elect one fifth of the Directors.

The slates presented by the shareholders, signed by those presenting them, must be filed² at the registered offices of the Company, for inspection by anyone wishing to do so, at least fifteen days before the date the Shareholders' Meeting is first convened.

Each shareholder may present or participate in the presentation of only one slate and each candidate may appear on only one slate, on penalty of ineligibility.

Pursuant to the bylaws, only shareholders who, alone or together with other shareholders, hold at least 2 per cent of the share capital entitled to vote at the ordinary shareholders' meeting, or the lesser proportion required by regulatory provisions issued by CONSOB³, may present slates, subject to their proving ownership of the necessary number of shares not later than the date by which they must be deposited.

Declarations in which the candidates individually accept their candidacy and attest, on their own responsibility, that there are no grounds for ineligibility or incompatibility, and that they meet the requirements prescribed by law and the bylaws, must be deposited with each slate. The declarations must be accompanied by a curriculum vitae for each candidate regarding their personal and professional characteristics, indicating the administration and control appointments held by the candidate with other companies and their suitability to quality as independent, according to the legal and Company criteria.

Slates presented in violation of the above rule are considered null.

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

The following procedure will be used for the election of the Board of Directors:

- a) four fifths of the directors to be elected are selected in the progressive order in which they are listed on the slate that obtained the majority of the votes cast by the shareholders, rounding down to the nearest whole number;
- b) the remaining directors are appointed from the other slates; for this purpose, the votes obtained by the slates will be divided by a sequence of whole numbers from one up to the

¹ Article 10 of the company bylaws.

² Also in line with Criterion of application 6.C.1 of the Self Regulatory Code.

³ CONSOB (CONSOB Resolution no. 16779 of 27 January 2009) has determined the percentage shareholding required for presentation by the shareholders of the slates of candidates for election to the administration and control bodies of Pirelli & C. for the 2009 financial year as 2% of the capital with voting rights in the ordinary shareholders' meeting.

number of directors that remain to be elected. The quotients thus obtained are assigned progressively to the candidates of each of the slates, in the order in which they are listed. The quotients attributed to the candidates of the various slates are arranged in a single list, in decreasing order. The persons with the highest quotients are elected.

If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected a director, or which has elected the fewest directors, is elected.

If no-one from these slates has yet elected a director, or if they have all elected the same number of directors, then within these slates the candidate who obtained the highest number of votes is elected.

If two candidates on a slate have the same number of votes, and the same quotient, then the entire shareholders' meeting votes again and the candidate obtaining a simple majority of votes is elected.

If the slate voting mechanism should not assure the minimum number of independent directors, the elected non-independent candidate with the highest progressive number in the list who has received the highest number of votes is replaced by the unelected independent candidate from the same list according to their progressive number on it, and so on, list by list, until the minimum number of independent directors has been achieved.

For the appointment of directors not nominated according to the procedure described above, for any reason, then the shareholders decide with the legal majorities.

If one or more directorships should become vacant during the financial year, the provisions of art. 2386 of the Italian Civil Code apply.

Loss of the requisites for independence by a director does not cause their appointment to lapse if the minimum number of directors - specified by the legal and/or regulatory provisions - in possession of the legal requisites for independence remain in office.

As per international best practices, when renewing the Board of Directors it is Company practice to allow the shareholders separate votes on: (i) the number of people on the Board of Directors; (ii) the election of Directors through a vote on the slates presented; (iii) the duration of the mandate of the Board of Directors; and (iv) the remuneration of the Directors.

i) Changes to the bylaws

Changes to the bylaws of the Company are deliberated as provided by the legal regulations.

l) Powers to increase share capital and authorisations to purchase own shares

A resolution of an Extraordinary Shareholders' Meeting held on 7 May 2003, gave the Directors the right to issue, in one or more tranches, up to a maximum of 100,000,000 ordinary shares by 30 April 2008, to be assigned to managers and directors of the company, its subsidiaries or their subsidiaries, in Italy or abroad, pursuant to articles 2441 subsection eight of the Civil Code and article 134 of the FSA. On 25 February 2005, the Board of Directors, in partial execution of the powers attributed to it by the Extraordinary Shareholders' Meeting of 7 May 2003, resolved to increase the share capital for a maximum of Euro 15,725,496.50 par value, by the issue of a maximum of 54,225,850 ordinary shares of 0.29 euros par value, at a price of 0.996 euros each, of which 0.706 as share price premium, to be reserved for subscription by managers and executives of the company, its subsidiaries and their subsidiaries, in Italy and abroad.

By a resolution of the Extraordinary Shareholders Meeting held on 11 May 2004, the Directors were attributed:

- the right to increase the share capital by payment, by 10 May 2009, in one or more operations, up to a total sum of 600 million euros par value, with or without share premium, by issuing a maximum of 2,068,965,517 ordinary shares to be offered in option to shareholders and holders of convertible bonds, with the possibility of excluding the right to option pursuant to the combined provisions of art. 2441, last subsection, of the Civil Code, and article 134, subsection two, or the FSA, where the shares are offered for subscription by the employees of Pirelli & C. or its subsidiaries;
- the right to issue convertible bonds in both ordinary and savings shares, or with warrants valid for the subscription of such shares to be offered as options to shareholders and hold-

ers of convertible bonds, for a maximum nominal sum of 1,000 million euros, before 10 May 2009, in one or more operations, within the limits permitted at the time of issue by the current regulations, with a consequent possible increase in share capital to serve the conversion of the bonds and/or the exercise of the warrants.

Resolutions to increase the share capital that may ultimately be made by the Board of Directors in exercising its rights as attributed above must set the subscription price (including any share premium) and the corresponding term within which the shares may be subscribed. It may also specify that if the deliberated increase should not be wholly subscribed within the period of time set, the capital will be increased by a sum equal to the subscriptions collected at the end of said period.

At the date of approval of this Report, the Board of Directors had not made use of the last two powers mentioned above.

The Ordinary Shareholders Meeting held on 29 April 2008 authorised the Board of Directors to purchase the Company's own shares within the maximum limit specified in art. 2357 of the Civil Code, equal to 10% of the pro-tempore share capital, taking the own shares the Company or its subsidiaries already hold into account. The purchase may be made in one or more operations within 18 months of the date of authorisation. The arrangements for purchasing and disposing of the Company's own shares are determined by the Shareholders' Meeting in accordance with the Directors' Report, available in the 2007 financial reports and on the Company internet site, which may be consulted for further detail.

In its meeting on 9 May 2008 the Board of Directors followed up on the authorisation given by the Shareholders' Meeting held on 29 April 2008 and approved the programme to purchase and dispose of the Company's own shares. The main features of the plan were announced to the Company and the market in a press release issued by the Company on 9 May 2008.

On the date of approval of this Report, the Company had purchased 1.250,000 ordinary shares in execution of this programme.

At the date of this report, the Company holds 3,867,500 of its own ordinary shares and 4,491,769 of its own savings shares.

m) Change of control clauses

There are no subjects which may directly or indirectly, also by virtue of shareholder agreements, individually or jointly with other persons included in these agreements, exercise control over Pirelli & C.

It follows that, this being the case, no change of control of the company could occur.

n) Directors' indemnity in case of resignations, termination or cessation of appointment after a public takeover bid

The Company has not stipulated agreements with its directors that envisage indemnities in case of resignations or the termination/cancellation of appointments without good reason or if the employment relationship ceases after a public takeover bid.

3. COMPLIANCE

Pirelli & C. has adhered to the self-regulatory code of the Italian Stock Exchange (published in July 2002) since its first issue, and in the Board meeting held on 12 March 2007 it formalised its adherence to the new self-regulatory code for listed companies (published in March 2006) published on the website of the Italian Stock Exchange *www.borsaitaliana.it*.

As stated, the Company's awareness of the importance of an efficient Corporate Governance system to achieve its objectives of creating value induces the Company to keep its corporate governance system constantly in line with national and international best practice.

At the date of approval of this Report non-Italian legal provisions that influence the corporate governance structure of the Company do not apply to Pirelli & C.

4. DIRECTION AND COORDINATION ACTIVITIES

There are no subjects which may directly or indirectly, control Pirelli, also by virtue of shareholder agreement, individually or jointly with other persons included in these agreements, exercise control over Pirelli & C.

Nor is the Company subject to direction and coordination activities by any company or body pursuant to article 2497 and subsequent articles of the Civil Code.

In contrast, Pirelli & C., which heads the Group of that name, exercises direction and coordination activities pursuant to the provisions of the Italian Civil Code over many companies, having published appropriate information about these matters pursuant to article. 2497-bis of the Civil Code.

The Boards of Directors of Pirelli & C. and Pirelli RE, in their meetings on 10 March 2009 and 5 March 2009, respectively, reconsidered their previous assessments and considered that - also as a result of the recent changes to the organisation structure and operational character of the latter, which integrated its activities and functions more closely with that of the parent Pirelli & C. - and determined that the parent now performs direction and control activities pursuant to article 2497 and subsequent articles of the Italian Civil Code.

5. BOARD OF DIRECTORS

In accordance with the Italian regulations for the traditional direction model, the management of the Company is assigned to the Board of Directors, which plays an active role in guiding its strategy and controlling its operations, with the power to direct its overall management and intervene directly in a series of decisions that are necessary or useful in the pursuit of its corporate aims.

To carry out its duties the Board of Directors relies on the support provided by specific Board Committees composed entirely of independent directors.

5.1. Composition

The Board of Directors of the Company, as provided by the bylaws, consists of no less than seven and no more than twenty-three members, who serve for three years (unless a lesser period is specified by the Shareholders' Meeting upon their appointment) and may be re-elected.

The Board of Directors in office on 31 December 2008 consists of twenty members and was appointed by the Shareholders' Meeting held on 29 April 2008 for three financial years to expire at the Shareholders' Meeting called to approve the financial reports for the year ending 31 December 2010. The average age of the Directors is just over 62 years.

By voting on a slate⁴ the minority shareholders were able to nominate four Directors, i.e. one fifth of the total number (specifically, Carlo Angelici, Cristiano Antonelli, Franco Bruni and Umberto Paolucci).

Two lists were presented at the Shareholders' Meeting on 29 April 2008, one by the participants in the Pirelli & C. Share Block Syndicate and the other by a group of institutional investors⁵. Those proposing the slates made the candidates' profiles available so that the candidates' personal and professional characteristics, as well as some candidates' qualifications as independents, were made known prior to voting. The curricula vitae presented when the slates were filed were promptly published on the Governance section of *www.pirelli.com*, the Company website, where updated versions remain available.

⁴ The voting list is specified in article 10 of the bylaws.

⁵ The minority list was presented by: ARCA SGR SPA (rubrica Fondo Azioni Italia - Rubrica Fondo Arca BB), BNP PARIBAS ASSET MANAGEMENT SGR SPA (BNL Azioni Italia), MONTE PASCHI ASSET MANAGEMENT SGR SPA (Ducato Geo Italia), PIONEER INVESTMENT MANAGEMENT SGR P.A. (Pioneer Azionario Crescita), PIONEER ASSET MANAGEMENT S.A., EURIZON CAPITAL SGR SPA (San Paolo Azioni Italia - Sanpaolo Italian Equity Risk - Sanpaolo Opportunità Italia - Nextra Rendita), EURIZON CAPITAL S.A. (SPI Obiettivo Industria - SPI Obiettivo Europa - SPI Obiettivo Euro - SPI Obiettivo Italia), FIDEURAM INVESTIMENTI S.G.R. S.p.A. (IMI Italy), FIDEURAM GESTIONS S.A. (Fonditalia Global - Fonditalia Equity Italy - Fonditalia Euro Cyclical - Fideuram Fund Equity Italy - Fideuram Fund Europe Listed Industrials Equity), INTERFUND SICAV (Interfund Equity Italy - Interfund Equity Europe Industrials), AMBER MASTER FUND SPC (Managed by Amber Capital LP).

The composition of the Board of Directors at the date of approval of this Report is indicated below:

Name	Office	Appointed on	Slate	Exec.	Non-exec.	Indep.	Indep. FSA	% BOD
Marco Tronchetti Provera	Chairman	29/04/2008	Maj.	X				100*
Alberto Pirelli	Deputy Chairman	29/04/2008	Maj.	X				100*
Carlo Alessandro Puri Negri	Deputy Chairman	29/04/2008	Maj.	X				100*
Carlo Acutis	Director	29/04/2008	Maj.		X	X	X	100*
Carlo Angelici	Director	29/04/2008	Min.		X	X	X	67*
Cristiano Antonelli	Director	29/04/2008	Min.		X	X	X	100**
Gilberto Benetton	Director	29/04/2008	Maj.		X			33*
Alberto Bombassei	Director	29/04/2008	Maj.		X	X	X	67*
Franco Bruni	Director	29/04/2008	Min.		X	X	X	83*
Luigi Campiglio	Director	29/04/2008	Maj.		X	X	X	100**
Enrico Tommaso Cucchiani	Director	29/04/2008	Maj.		X			33*
Berardino Libonati	Director	29/04/2008	Maj.		X	X	X	83*
Giulia Maria Ligresti	Director	29/04/2008	Maj.		X			50*
Massimo Moratti	Director	29/04/2008	Maj.		X			67*
Renato Pagliaro	Director	29/04/2008	Maj.		X			50**
Umberto Paolucci	Director	29/04/2008	Min.		X	X	X	100**
Giovanni Perissinotto	Director	29/04/2008	Maj.		X			67*
Giampiero Pesenti	Director	29/04/2008	Maj.		X	X	X	67*
Luigi Roth	Director	29/04/2008	Maj.		X	X	X	83*
Carlo Secchi	Director	29/04/2008	Maj.		X	X	X	100*

LEGEND

Slate: Maj/Min according to whether the director was elected from the majority or minority slates (art. 144-decies of the Issuer Regulations)

Exec.: if checked indicates that the director is an executive director

Non-exec.: if checked indicates that the director is a non-executive director

Indep.: if checked indicates that the director is independent according to the criteria contained in the Self Regulatory Code

Indep. FSA: if checked indicates that the director possesses the attributes of independence specified in art. 148, subsection 3 of the FSA (art. 144-decies of the Issuer Regulations)

% BOD: indicates the percentage of Board meetings attended by the director

* The percentage also takes meetings attended by the Director in the financial year prior to the renewal of the Board of Directors by the Shareholders' Meeting of 29 April 2008.

** The Director was appointed for the first time by the Shareholders' Meeting of 29 April 2008. The percentage thus only takes account of the meetings held after that date.

In accordance with the provisions of the Self Regulatory Code⁶, the positions occupied by the Directors in major companies other than Pirelli Group companies are listed at the end of the Report.

⁶ Self Regulatory Code: Criterion of application 1.CO.2.

The composition of the Board Committees at the date of approval of this Report is indicated below:

Name	Office	R.C.	CCI	% Committee
Carlo Angelici	Member		X	100*
Alberto Bombassei	Member	X		100**
Franco Bruni	Member		X	100*
Berardino Libonati	Chairman	X		100*
Giampiero Pesenti	Member	X		100*
Carlo Secchi	Chairman		X	100*

LEGEND

R.C.: indicates the Remuneration Committee

C.I.C.C.G.: indicates the Committee for Internal Control and Corporate Governance

% Committee: indicates the percentage of meetings of the Committee in question attended by the director

* The percentage also takes meetings attended by the Director in the financial year prior to the renewal of the Committees consequent on the renewal of the Board of Directors by the Shareholders' Meeting of 29 April 2008.

** The Director was appointed to this Committee for the first time after the renewal of the Board of Directors by the Shareholders' Meeting of 29 April 2008. The percentage thus only takes account of the meetings held after that date.

No Director ceased to serve after the election of the Board of Directors by the Shareholders' Meeting of 29 April 2008.

In addition to those directors appointed to the Board on 29 April 2008, Gabriele Galateri di Genola, Mario Garraffo, Dino Piero Giarda and Aldo Roveri also served as directors, and ceased to serve due to the expiry of their mandates with the Shareholders' Meeting of 29 April 2008 that approved the financial statements for the year ended on 31 December 2007.

Maximum accumulation of directorships in other companies

On 29 April 2008, in accordance with the provisions of the Self Regulatory Code⁷ the Board of Directors confirmed the validity and applicability of the Policy adopted by the Board during the previous mandate⁸, which established that serving as a director or auditor of more than five companies other than those directed and coordinated by Pirelli & C. S.p.A, or controlled or affiliated to such companies, is not considered compatible with serving as a director of the Company, when the companies are (i) listed companies included in the S&P/MIB index (or equivalent foreign indices), or (ii) companies operating prevalently in the retail finance sector (members of the lists specified in article 107 of legislative decree no. 385 of 1 September 1993), or (iii) companies that undertake banking or insurance activities. Moreover, it is not considered compatible for a director to hold more than three executive positions in companies described in (1), (ii) or (iii).

Offices held in more than one company in the same group are considered a single office, and executive positions prevail over non-executive ones.

The Board of Directors retains the right to form a different opinion, and this will be made public in the annual report on corporate governance, together with the congruent grounds for doing so. Positions occupied by the Directors in major companies other than Pirelli Group companies are listed at the end of this Report.

After investigation by the Committee for Internal Control and Corporate Governance, the Board of Directors, in its meeting of 10 March 2009, examined the offices held and reported by the individual Directors and determined that all Directors hold appointments that are compatible with the execution of their office of Director or Pirelli & C. according to the policy on this issue adopted by the Company.

⁷ Self Regulatory Code: Criterion of application 1.CO.3.

⁸ Board of Directors meeting of 7 November 2007.

When the Board of Directors is due for renewal, Shareholders who, pursuant to the bylaws, intend to present slates for the composition of the Board of Directors, are invited to examine this document.

The aforementioned Policy is attached at the end of this Report, and is also available in the Governance section of the Company website, *www.pirelli.com*.

5.2. ROLE OF THE BOARD OF DIRECTORS

The Bylaws do not specify a minimum interval between Board meetings. The Company has circulated a calendar⁹ that schedules 4 meetings for 2009, specifically:

- 10 March 2009: Board of Directors' meeting to examine the budget and consolidated financial reports for the year ended on 31 December 2008
- 07 May 2009: Board of Directors' meeting to examine the consolidated results for the first quarter of 2009 (intermediate report on operations at 31 March 2009).
- 30 July 2009: Board of Directors' meeting to examine the half-yearly financial report at 30 June 2009.
- 5 November 2009: Board of Directors' meeting to examine the consolidated results for the last quarter of 2009 (intermediate report on operations at 30 September 2009).

Board meetings may take place by means of telecommunication, enabling all parties to participate in the debate, with equal information.

The Board of Directors meetings are convened by means of letter, telegram, fax or e-mail sent at least five days prior (or, in the event of emergencies, at least six hours prior) to the meetings to each Director and Statutory Auditor.

Barring exceptional cases, the Directors and the Auditors have always received the necessary documentation and information with reasonable notice in order to express their informed opinion on the matters submitted to their scrutiny.

During the 2008 financial year there were 6 meetings of the Board of Directors, 4 of which after the Board had been renewed. After the renewal, each meeting lasted an average of about two hours. The percentage attendance of Directors during the financial year was over 75% on the whole, and the independent Directors assured an average attendance of about 95%.

The Lead independent director attended all meetings of the Committee for Internal Control and Corporate Governance (which he Chairs), all meetings of the Board of Directors and all Shareholders' Meetings that were held during the 2008 financial year.

At the date of approval of the Report, there have been 2 meetings of the board.

Functions of the Board of Directors

As stated, the Board of Directors plays a central role in the corporate governance system of the Company; it has the power (and the duty) to direct Company business, pursuing and fulfilling its primary and ultimate objective of creating shareholder value.

Pursuant to the bylaws¹⁰, the Board is responsible for the management of the Company and, to this end, it is vested with the broadest powers, except for those matters remitted by law or the bylaws to the authority of the shareholders' meeting.

The Board of Directors, also in accordance with the recommendations of the Self Regulatory Code¹¹:

- examines and approves the strategic, industrial and financial plans of the Company and the Group;
- formulates and adopts the rules for the corporate governance of the Company, and defines the Group governance guidelines;
- evaluates the adequacy of the general organisational, administrative and accounting structure of the Company as well as of those subsidiaries of strategic importance as set up by

⁹ Press release of 7 November 2008.

¹⁰ Article 11 of the company bylaws.

¹¹ Self Regulatory Code: Criterion of application 1.C.1, lett. a).

- the Managing Directors, with special reference to internal auditing and the management of clashes of interests;
- grants powers to the Managing Directors and the Executive Committee (if established) and revokes them; defining their limits, the manner in which they are to be exercised and the frequency, at least quarterly, at which such bodies must report their activities in the exercise of the powers granted to them to the Board;
 - determines, after having examined the proposals of the Remuneration Committee and consulted the Board of Statutory Auditors, the remuneration of the Managing Directors and of those directors who are vested with special offices and, if the Shareholder Meeting has not already resolved upon it, allocates the total remuneration to which the members of the Board of Directors are entitled;
 - evaluates the general performance of the Company, taking into consideration, specifically, the information received from the delegated bodies, and periodically compares the results achieved with those planned;
 - examines and approves in advance all operations involving the Company and its subsidiaries which have a significant impact on the strategy, the profitability, the assets or the financial position of the Company, paying particular attention to situations in which one or more directors act in their own interest or in the interest of third parties, and more generally to transactions with related parties;
 - at least once a year, evaluates the size, composition and functioning of the Board itself and its Committees, expressing opinions on any professional figures whose presence in the Board it might deem advisable;
 - constitutes the Supervisory Body pursuant to legislative decree no. 231 of 8 June 2001;
 - appoints the General Managers and the executive responsible for drawing up the company accounting documents, determining their responsibilities and powers;
 - appoints and dismisses the internal control officer and determines their duties and remuneration, after having received the opinions of the Committee for Internal Control and Corporate Governance and the Board of Statutory Auditors;
 - reviews and approves periodic reports prepared according to applicable legislation;
 - exercises the other powers and fulfils the responsibilities attributed to it by the law and the Company bylaws.

Evaluation of the general results of operations¹²

Pursuant to the bylaws¹³ and the current regulations¹⁴, the Board of Directors has evaluated the general results and likely development of operations at least once a quarter. Please see the paragraph headed “Information to the Board” in the “Delegated Bodies” section.

Internal control system and governance system¹⁵

The Board of Directors has assessed¹⁶, the adequacy of the internal control system and, more generally, the governance of the Company and of the Group it controls, at six monthly intervals. In this respect it should be noted that recently the Board of Directors, in its meeting on 10 March 2009, adopting the considerations made by the Committee for Internal Control and Corporate Governance, evaluated the adequacy of the general organisational, administrative and accounting structure of the Company, and expressed a positive opinion of the internal control system and, more generally, of the governance system of the Company and the Group¹⁷.

¹² Self-Regulatory Code Criterion of application 1.C.1, lett. e).

¹³ Article 11 of the company bylaws.

¹⁴ Article 150 of the FSA.

¹⁵ Self-Regulatory Code. Criterion of application 1.C.1, lett. b).

¹⁶ Self-Regulatory Code. Criterion of application 1.C.1.

¹⁷ See the paragraph headed “Committee for Internal Control and Corporate Governance”, below, for further details.

Remuneration of the directors vested with special responsibilities¹⁸

The Board has examined and approved the Committee's proposal for the remuneration of the General Managers of the Company and has been informed of the remuneration of the Managing Director and General Manager of Pirelli Tyre¹⁹.

After its renewal, the Board also deliberated the proposal of the Remuneration Committee, approved by the Board of Statutory Auditors, for the fixed and variable remuneration package for directors vested with special responsibilities.

See section 10 "Remuneration of directors" for (all) issues related to remuneration.

Transactions with significant impact on the strategy, the profitability, the assets or the financial position of the Company²⁰

The "Procedure for information flows to Directors and Auditors", appended at the end of this Report, and available in the Governance section of the company website, www.pirelli.com, specifies that the general information on the activities carried out should be complete with specific detailed information on, among other matters, transactions with significant impact on the strategy, profitability, assets or financial position of the company.

Moreover, the Board, without prejudice to the responsibilities and powers reserved to it by the law, bylaws, powers structure and internal procedures, has also determined that it is the responsibility of the Board of Directors to approve in advance certain non infragroup operations and actions (determined on the basis of the latest qualitative criteria and further quantitative thresholds) when carried out by Pirelli & C. or by unlisted foreign companies subject to the direction and coordination of Pirelli & C.

Transactions with related parties:

For transactions with related parties, see the section entitled "Interest of the directors and transactions with related parties".

Board performance evaluation²¹

During 2006, for the first time, the Board of Directors made a self-evaluation of its performance (officially called a "Board performance evaluation"), thus adhering to international best practices and the provisions in the new Self-Regulatory Code²².

As proposed by the Committee for Internal Control and Corporate Governance, and based on suggestions made by the independent directors²³, and taking the positive experience of preceding years into account, the Board concluded that it would be advisable to start a similar self-evaluation of the Board of Directors for the 2008 financial year.

Specifically, considering the good results of the previous financial year, an opportunity arose to examine other topics in depth, and also to propose that the Board focus on other topics that emerged from the self-evaluation undertaken in the previous year to check on the improvements made. In accordance with common practice, the self-evaluation process occurred by direct interviews with individual Board members or, alternatively, allowing Board members to provide written answers to a questionnaire (which was also used as a guide for the interviews). The evaluation was carried out with the assistance of a major consultancy company that worked alongside the Committee for Internal Control and Corporate Governance to develop methods for the self-evaluation and to analyse its results.

¹⁸ Self Regulatory Code: Criterion of application 1.C.1, lett. d).

¹⁹ As reported in the section entitled "Remuneration of Directors", the Managing Director and General Manager of Pirelli Tyre, Dr. Francesco Gori, has been categorised, for self-regulatory purposes, as a "director with strategic responsibilities".

²⁰ Self Regulatory Code: Criterion of application 1.C.1, lett. f).

²¹ Self Regulatory Code: Criterion of application 1.C.1, lett. g).

²² Self Regulatory Code: Criterion of application 1.C.1, lett. g).

²³ The board performance evaluation was examined in depth in the meetings of the independent directors. Please see the "Meeting of the independent directors" paragraph under "Direction and coordination activities".

Directors not only expressed their views of some topics that emerged during the previous year's assessment, checking on any improvements noted, but were also asked to express their opinions, primarily on the following aspects:

- a Board performance evaluation: consisting of an evaluation by Directors principally concerning the operation of the Board and its Committees;
- a directors' evaluation: focussed on examining in depth the Directors' opinions of the degree of effective participation in and knowledge of the Company by other Directors;
- a self evaluation: involving self assessment by individual Directors of their own participation in and knowledge of the Company.

The following specific aspects were examined in particular depth:

- the functioning of the Committees and the information they feed back to the full Board;
- the analysis and management of the risks the Company has to oversee, and Directors' knowledge and assessment of the internal control system;
- the adequacy of the general organisational, administrative and accounting structure;
- the governance of the Group from a market perspective.

The Directors interviewed had an opportunity to express four degrees of opinion and to formulate their own comments.

The results were subject to in depth analysis by the Committee, and then examined by the Board of Directors in its meeting of 10 March 2009.

The Directors expressed a high degree of participation in the board performance evaluation and the examination of the results showed the emergence of a positive impression of the Board and its Committees, although a need for some changes also emerged.

Specifically, the Directors expressed their appreciation of the working meetings they had had with Senior Management to examine in depth the different business sectors in which the Group operates²⁴ and suggested that this practice should be consolidated, since it improves their knowledge of the Company and its businesses.

Moreover, taking the specific economic scenario into account, the Directors suggested that the topic of risk management should be further examined, to better understand how the Company and the Group identify, evaluate and control the most significant risks.

This third edition of the board performance evaluation again confirmed the participation in and satisfaction of the Directors with their Board.

Article 2390 Civil Code

Article 10, last subsection of the bylaws provides that, unless otherwise deliberated by the Shareholders' Meeting, the directors are bound by the prohibition contained in article 2390 of the Civil Code.

5.3. Delegated Bodies

Chairman

The Board of Directors appoints its Chairman, where the Shareholders' Meeting has not done so. After its renewal, the Board of Directors appointed Marco Tronchetti Provera as Chairman in its meeting of 29 April 2008.

The Chairman is the legal representative of the Company, empowered to perform any action pertinent to corporate activity in its various manifestations.

The Board of Directors has identified the limits to the powers it confers, which have been defined as the inner limits of the relationship between the delegating body of the Board and the subject with delegated powers. In particular, the following inner limits have been identified for the Chairman: the power to guarantee Company and subsidiary bonds having individual values of more than 25 million euros, or for third parties regarding bonds with individual values of

²⁴ Cf. Section 5.4 "Other Executive Directors".

more than 10 million euros (in the latter cases another Managing Director's signature must accompany the Chairman's signature).

Furthermore, the Chairman, Marco Tronchetti Provera, was confirmed as responsible for the following organizational functions:

- relations with shareholders and the information provided to them;
- formulation of the general strategies and development policy for the Company and the Group, and any extraordinary corporate actions, to be submitted to the Board of Directors;
- proposals for the appointment of members of the General Managers' departments and, after consulting the Remuneration Committee, for their remuneration, to be submitted to the Board of Directors;
- chairmanship of the Managing committees with strategic functions;
- coordination of the activities of Managing Directors, where appointed;
- all forms of communication with the market, with the power to delegate to Managing Directors, where appointed.

General Managers and other Managers

Powers pertaining to his specific assigned functions, are subject to certain quantitative limits, have been granted to Claudio De Conto, Chief Operating Officer.

Less broad powers have been granted to other Managers of the Company to be used in their individual spheres of competence.

As in the past, in 2008 the Chairman, the Chief Operating Officer and the Managers used their delegated powers only for the ordinary management of the activities of the Company (in regard to which the Directors were periodically informed) and submitted the significant transactions to the Board of Directors.

In fact, delegation is not a way of assigning exclusive powers but is rather the solution adopted by the Company to ensure the best degree of operational flexibility in terms of the organization of the Board (and in terms of relationships with third parties).

Information to the Board

Pursuant to Article 11 of the bylaws and the prescriptions of Article 150, subsection 1 of the FSA), the Board of Directors and the Board of Statutory Auditors are kept informed about the performance of the Company, its general management, its prospects, and the transactions with greatest impact on its profitability, financial position or assets and liabilities carried out by the Company or its subsidiaries; in particular, the delegated bodies report any transactions in which they have an interest, on their own account or on behalf of third parties, or that are influenced by the person, if any, who performs management and coordination activities. Such reports are made promptly and at least once every three months, on occasion of the Board of Directors meetings (and the Executive Committee, if established) or by means of a written communication.

To foster the orderly organisation of the flow of information, the Company developed a specific Procedure, in use since 2002, which clearly defines the rules to follow to comply with the information reporting obligations.

After its renewal, in its meeting on 29 April 2008 the Board of Directors confirmed the validity and applicability of the procedure on information flows adopted by the Board during its previous mandate.

The purpose of the new procedure is to regulate and coordinate the various types of data flowing to Directors and Auditors, so that they all have the common aim of making the data needed to properly fulfil its directional, policy and control responsibilities continuously available to the Board.

The text of the procedure, reprinted at the end of this Report, is also available in the Governance section of the Company website *www.pirelli.com*.

5.4. Other Executive Directors

The Board of Directors considers the Chairman of the Board of Directors, Marco Tronchetti Provera, and the two Vice Chairmen, Alessandro Puri Negri (also Vice Chairman and Managing Director of subsidiary Pirelli RE) and Alberto Pirelli (also director and manager of a business unit of subsidiary Pirelli Tyre and director of other companies that are subsidiaries of Pirelli Tyre) to be executive directors.

In accordance with the recommendations of the Self Regulatory Code²⁵, to increase all directors' knowledge of the reality and dynamics of the company, several working lunches with Senior Management were organised during the year, to examine in greater detail the various business sector in which the Group operates.

5.5. Independent Directors

The Board of Directors of the Company evaluate the requisites for independence specified in the Self Regulatory Code and the FSA for non-executive directors qualified as independent upon their appointment and during their mandate.

In light of a substantial evaluation of the information provided by the Directors and that available to the Company, the Board of Directors confirmed that the eleven directors who, on appointment, were qualified as independent (Carlo Acutis, Carlo Angelici, Cristiano Antonelli, Alberto Bombassei, Franco Bruni, Luigi Campiglio, Berardino Libonati, Umberto Paolucci, Giampiero Pesenti, Luigi Roth and Carlo Secchi), continue to maintain these requisites in the Board meeting on 10 March 2009. A further six Board members (Gilberto Benetton, Enrico Tommaso Cucchiani, Giulia Maria Ligresti, Massimo Moratti, Renato Pagliaro and Giovanni Perissinotto) could be qualified as non-executive members. It follows that the percentage of independent directors on the Board as currently composed is 55%, which is about 65% of all the non-executive directors.. The average of the independent Directors is about 67 years. It should also be noted that the Board of Directors has accepted that all directors who can be qualified as independent are also independent in terms of the requisites specified in the FSA for the members of the Board of Statutory Auditors.

In line with the recommendations of the Self-Regulatory Code²⁶, the Board of Statutory Auditors has checked that the criteria and ascertainment procedures adopted by the Board to assess the independence of its members are correctly applied.

The Board of Directors performed this assessment based on the most rigorous requirements of the Self-Regulatory Code²⁷, which states that a director may not - by law - be considered independent:

- a) if they, directly or indirectly including on behalf of subsidiaries, trust companies or through third parties, control the issuer or are able to exercise considerable influence, or are a participant in a shareholder agreement through which one or more subjects can exercise control or significant influence on the issuer;
- b) if they have or have been in the past three financial years a prominent exponent²⁸ of the issuer, or one of its strategic subsidiaries or a company under joint control with the issuer, or a company or a body that, alone or together with others in accordance with shareholders agreements, control the issuer or are able to exercise considerable influence;
- c) if directly or indirectly (e.g. through subsidiaries or bodies that have a significant position, such as a partner in a law firm or consultancy company) they have, or had in the previous financial year, a close business, financial or professional relationship with:
 - the issuer, one of its subsidiaries, or any related prominent exponent thereof;
 - a subject who, alone or together with others in a shareholder agreement, controls the issuer, or
 - is or has been an employee of one of the above-mentioned subjects within the previous three financial years;

²⁵ Self Regulatory Code: Criterion of application 2.C0.2.

²⁶ Self-Regulatory Code. Criterion of application 3.C.5.

²⁷ Criteria of application 3.C.1 and 3.C.2.

²⁸ The following may be considered "prominent exponents" of a company or body: the chairman of the body, the legal representative, the chairman of the Board of Directors, the executive directors and managers with strategic responsibilities in the company or body considered.

- d) if they receive, or have received in the past three financial years, from the issuer or one of its subsidiaries or parent companies, a substantial bonus in addition to their “fixed” salary as non-executive director of the issuer, including performance-based incentive plans, including share options;
- e) if they have been a director for more than nine years of the past twelve;
- f) if they are an executive director in another company in which an executive director²⁹ of the issuer is a director;
- g) if they are a partner or director of a company or body belonging to the company mandated to audit the accounts³⁰ of the issuer;
- h) if they are a close family member of a person that finds themselves in one of the situations described above.

Meetings of the independent directors

In accordance with the recommendations of the Self-Regulatory Code³¹, the independent directors met four times during the financial year in the absence of the other directors, two after the renewal of the Board of Directors by the Shareholders’ Meeting held on 29 April 2008. The meetings held during the new mandate focussed on topics inherent to the corporate governance system of the Company, with particular attention paid to the system used for the self evaluation of the Board of Directors and the results achieved after the experiences of previous years, as well as to the remuneration mechanisms for the Senior Management of the company. During 2009, two meetings of the independent directors only have already been held.

5.6. Lead independent director

In November 2005, to further extend the role of the independent directors, the Board of Directors decided to introduce a Lead Independent Director.

The Lead Independent Director (Carlo Secchi, the Chairman of the Committee for Internal Control and Corporate Governance, was chosen) coordinates and acts as a point of reference for the issues raised and contributions made by the independent Directors.

The Lead Independent Director also has the right to convene - on his own initiative or upon the request of other Directors - specific meetings of independent Directors only in order to discuss any topics felt at the time to be of interest to the functioning of the Board of Directors or to the running of the business. Last but not least, please note that the Lead Independent Director works with the Chairman of the Board of Directors to improve the operation of the Board itself, and in order to cooperate to ensure that directors receive complete and prompt information.

The Lead independent director attended all meetings of the Committee for Internal Control and Corporate Governance (which he Chairs), all meetings of the Board of Directors and all Shareholders’ Meetings that were held during the 2008 financial year.

6. HANDLING OF COMPANY INFORMATION

6.1 Internal management and disclosure of documents and information

Market transparency, and clear, correct and complete information, are the values that are upheld by the conduct of the corporate bodies, the management and all those who work for the Pirelli Group.

In March 2006 the Board of Directors adopted a specific Procedure for the management and communication to the market of privileged information that, taking account of the regulations on market abuse, governs the management of privileged information on Pirelli & C., its unlisted

²⁹ The following persons are executive directors of the issuer: Chairman Marco Tronchetti Provera and Vice Chairmen Alberto Pirelli and Carlo Alessandro Puri Negri.

³⁰ The company mandated to audit the accounts of Pirelli & C. is Reconta Ernst&Young S.p.A. a member of the Ernst&Young network(Cf. Section 12.4)

³¹ Self-Regulatory Code. Criterion of application 3.CO.6

subsidiaries and the listed financial instruments of the Group. The procedure applies to all members of corporate bodies, employees and collaborators of companies external to the Group that might have access to information that could evolve into privileged information.

This procedure also applies as instructions to all subsidiaries, in order to obtain from them, without hesitation, the necessary information for the timely and proper fulfilment of financial reporting obligations.

In accordance with the legal provisions, the Procedure specifically defines:

- the requisites and responsibilities for classifying privileged information;
- the arrangements for tracing access to privileged information in transit;
- the tools and rules to protect the confidentiality of privileged information in transit;
- the operational arrangements for the communication of privileged information to the market and, in general, on communications with the public and/or analysts and investors.

The Procedure also disciplines the institution of a register of persons with access to confidential information, in operation since 1 April 2006.

In its meeting on 29 April 2008, the Board of Directors confirmed the validity and applicability of the “Procedure for the management and communication to the public of privileged information” and, in line with its practice of periodically revising its procedures in relation to regulatory changes and best practice, the Board, changed and sharpened the text, as proposed by the Committee.

The updated text of the procedure is printed at the end of this Report and is also available in the Governance section of the Company website *www.pirelli.com*.

6.2 Insider dealing

Matters regarding the transparency of transactions involving Company shares or financial instruments linked to them, made directly or by third parties by relevant persons or by persons closely related or linked to them (i.e. insider dealing) are currently fully governed by law and by the Consob implementing regulation (art. 114 of the Financial Services Act and articles 152-sexies and subsequent articles of the Issuer Regulations).

Pursuant to the law, Directors and statutory auditors of the Company, as well as “persons who carry out administrative [...] functions in a listed company and managers that have regular access to privileged information [...] and have the power to make management decisions that could affect the performance and the future prospects of a listed company...” and others, are obliged to disclose to the market any insider dealing transactions made on Company shares or financial instruments linked to these shares having a value of more than euros 5,000 annually.

The Company opted to identify these managers as its Chief Operating Officer, and - as an example of self-regulation - the Managing Director and General Manager of subsidiary Pirelli Tyre. Similar disclosure obligations have also been adopted by Pirelli RE, a company that is also listed on regulated markets.

Within the more general auditing process for the corporate governance instruments, despite being not obliged by the law, the Board of Directors decided to confirm, in accordance with the previous mandate, black out periods for the persons mentioned above who must adhere to insider dealing regulations, who must therefore abstain from making transactions on Company shares or on financial instruments linked to these shares in these periods. These periods may, moreover, be extended or suspended by the Board of Directors in exceptional cases.

The text of this procedure is printed at the end of this Report, and available in the Governance section of the Company website, *www.pirelli.com*.

7. BOARD COMMITTEES

In the meeting of the Board of Directors on 29 April 2008, after its renewal, the Board instituted two subcommittees: the Committee for Internal Control and Corporate Governance, and the Remuneration Committee.

8. APPOINTMENTS COMMITTEE

The Board of Directors decided not to establish a subcommittee charged with nominating candidates for the position of Director, since the conditions envisaged by the Code for its establishment do not exist, because of the current ownership structure and, above all, because of the provision for the slate system in the by-laws, given the transparency this mechanism ensures in the selection of candidates.

Since the Board considers the above arguments still valid, it did not feel that the constitution of a specific elections committee is necessary. Moreover, it has given the Committee for Internal Control and Corporate Governance the power to identify candidates to propose to the Board in the event that an independent Director replaced pursuant to article 2386, subsection 1 of the Civil Code.

9. REMUNERATION COMMITTEE

The Board established the “Remuneration Committee”, a subcommittee among its members, charged with fact-finding and advisory functions, in the year 2000.

In full compliance with the provisions of the Self-Regulatory Code³², the Remuneration Committee appointed by the Board of Directors in its meeting on 29 April 2008, is composed exclusively of independent Directors:

- Bernardino Libonati (Chairman)
- Alberto Bombassei
- Giampiero Pesenti

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

The meetings of the Remuneration Committee are regularly minuted by the secretary and the minutes are transcribed into a specific register³³.

Functions of the Remuneration Committee:

In line with the provisions of the Self-Regulatory Code, the Board of Directors confirmed the fact-finding and consultative role of the Remuneration Committee.

Specifically, the Remuneration Committee:

- formulates proposals to the Board for the remuneration of the Managing Directors and those persons who hold certain offices to ensure that their remuneration is aligned with the objective of shareholder value creation in the medium-long term;
- periodically evaluates the remuneration criteria for the senior management of the Company and, as requested by the Managing Directors, formulates proposals and recommendations, with specific reference to the adoption of possible stock option plans or stock bonuses;
- monitors the application of the decisions made by the competent bodies and of the company policies regarding top management pay. The Committee - which may also request the assistance of external consultants in fulfilling its mandate - meets whenever its Chairman deems it appropriate or when a meeting has been requested by another member of the committee or by a Managing Director.

The Board of Statutory Auditors and, if deemed appropriate, other Company and/or Group representatives and the External Auditors, attend the meetings of the Committee.

In line with the recommendations of the Self Regulatory Code³⁴, directors vested with special offices do not attend Remuneration Committee meetings.

The information and documents available and required for informed deliberation of the material submitted to the committee have always been circulated to all members reasonably in advance. The Committee also has the right³⁵ to access company departments and information as necessary for the execution of its assigned duties, making use of the support of the Secretary of the Board of Directors.

³² Self Regulatory Code: Principle 7.P.3.

³³ Also in accordance with the recommendations of the Self Regulatory Code: Criterion of application 5.C.1, lett. d).

³⁴ Self Regulatory Code: Criterion of application 7.C.4.

³⁵ Also in line with the provisions of the Self Regulatory Code. Criterion of application 5.C.1, lett. e).

The Committee has adequate financial resources for the performance of its duties with independent expenses.

During 2008, the Remuneration Committee met four times (two after its renewal), with all members in attendance, and examined issues including the pay packages of the Chairman and the General Managers, formulating proposals for the Board and disclosing the criteria applied in reaching its decisions. The Committee was also informed of the decisions taken by Pirelli Tyre on the subject of the pay of the Managing Director and General Manager Dr. Francesco Gori. The Committee made use of leading executive pay consultants to develop its analyses based on job-comparable benchmarking and an analysis per grade, independently of the specific role held. The analysis was developed taking data published by Italian and International Groups considered comparable in terms of organisational structure and/or industrial sector and/or capitalisation into account.

10. REMUNERATION OF DIRECTORS

In addition to reimbursement for expenses incurred in performing their duties, Directors receive annual fees determined by the Shareholders' Meeting³⁶.

The meeting of 29 April 2008 decided "to establish a maximum of 1,200,000 euros as the total annual remuneration of the Board of Directors pursuant to Art. 2389, subsection 1, of the Civil Code, said amount to be distributed among its members in accordance with the decisions taken in this regard by the Board".

At the same meeting, on 29 April 2008, the Board of Directors established the distribution of the remuneration as follows:

- 50,000 euros per annum for each of the 20 members of the Board of Directors;
- 25,000 euros per annum for each of the members of the Committee for Internal Control and Corporate Governance;
- 20,000 euros per annum for each of the members of the Remuneration Committee.

Reserving the right to use the residual amount (65,000 euros) in the future, to give the Board a margin of organizational flexibility, including for the adoption of any new governance solutions. A fee of 15,000 euros per annum is also payable to the Board member called on to be a member of the Self-Regulatory Body pursuant to legislative decree no. 231/2001 (Carlo Secchi).

The remuneration of directors given particular tasks is established by the Board of Directors upon consultation with the Board of Statutory Auditors as proposed by the Remuneration Committee. The current remuneration system provides³⁷ for payments to comprise a fixed amount and an additional bonus linked to the performance of the Group, and to be related to the attainment of specific objectives set by the Board. Specifically, Company practice, based on analyses carried out with major executive pay consultants, is to attribute an incentive based on a mechanism that includes a financial type (Net Financial Position) as an access condition (an "on/off" condition), linked to a quantitative parameter of annual profitability (PBIT).

A short report on the remuneration of the directors vested with special powers and managers with strategic responsibilities can be found in the table in the notes to the financial statements for 2008. It should be noted that the Board of Directors of the Company has identified the managers with strategic responsibilities as those who "hold the power to take decisions which may impact on the future development and evolution" of the Company" and as such its Chief Operating Officer (Dr. Claudio De Conto), and the Managing Director and General Manager of Subsidiary Pirelli Tyre (Dr. Francesco Gori).

It should also be noted that the pay proposals (fixed and variable components) for the Chief Operating Officer of the Company were developed after an in-depth comparative analysis by a major consultancy on market positioning in terms of the remuneration packages of a comparable sample of Italian and international companies.

Lastly, it should be noted that there are no stock-option plans for either the executive or the non-executive directors³⁸.

³⁶ Article 14 of the company bylaws.

³⁷ Also in line with the provisions of the Self Regulatory Code. Criterion of application 7.C.1.

³⁸ Vice Chairman Carlo Alessandro Puri Negri is an exception to this, since he is a recipient of stock options in his capacity as Chief Executive Officer of Pirelli RE.

11. THE COMMITTEE FOR INTERNAL CONTROL AND CORPORATE GOVERNANCE

The Board established³⁹ the Committee for Internal Control and Corporate Governance, charged with fact-finding and advisory functions, from amongst its members in the year 2000.

In line with best practices and in full compliance with the recommendations in the Self-Regulatory Code, the Committee appointed by the Board of Directors in its meeting on 29 April 2008 is exclusively composed of the following independent Directors:

- Carlo Secchi (Chairman);
- Carlo Angelici;
- Franco Bruni

two of whom⁴⁰ possess adequate accounting and financial experience.

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

The meetings of the Committee for Internal Control and Corporate Governance are regularly minuted by the secretary, and the minutes are transcribed into a specific register⁴¹.

Functions attributed to the Committee for Internal Control

The Board of Directors that convened on 29 April 2008 confirmed the attributes - of a fact-finding and advisory nature - of the Committee for Internal Control and Corporate Governance in line with those specified in the Self-Regulatory Code, and also specified that the Committee should continue to maintain the corporate governance prerogatives that have characterised it since its establishment.

Specifically, the Committee for Internal Control and Corporate Governance:

- assists The Board of Directors:
 - in the definition of policies for the internal control system, so that the principal risks for the Company and its subsidiaries are correctly identified and adequately measures, managed and monitored, and also in the determination of criteria for the compatibility of these risks with healthy and correct management of the business;
 - in the identification of an executive director (normally a Managing Director) charged with supervising the operations of the internal control system;
 - in the evaluation, at least annually, of the adequacy, efficacy and effective operation of the internal control system;
 - in the description of the essential elements of the internal control system in the corporate governance report, expressing its evaluation of the system's overall adequacy;
- expresses an opinion on proposals to appoint, revoke or assign tasks relating to the internal control officer;
- evaluates the correct use of accounting principles and their homogeneous application inside the Group and for the purpose of drawing up the consolidated financial reports;
- at the request of the executive manager with specific responsibility (for risk management), expresses opinions on specific aspects of the identification of the main company risks and on the design, implementation and management of the internal control system;
- reviews the work plan prepared by the internal control officers, from whom it receives periodic reports;
- evaluates the proposals formulated by independent auditors in order to obtain the commission, as well as the audit plan and the results set out in the auditors' report and in the letter of suggestions, if produced;
- monitors the efficacy of the audit process;
- monitors the respect of the principles that the Company has formulated for execution of transactions with related parties;
- reports to the Board of Directors, normally in the first available meeting, on the activity carried out and in general on the adequacy on the internal control system when the annual and half-yearly financial reports are being approved;

³⁹ Also in line with the provisions of the Self Regulatory Code. Principle 8.P.4.

⁴⁰ Specifically, Mr. Bruni and Mr. Secchi.

⁴¹ Also in line with the provisions of the Self Regulatory Code, Criterion of application 5.C.1, lett. d).

- monitors the compliance with the rules of corporate governance and their periodic updating, and respect for any rules of conduct adopted by the Company and its subsidiaries. It is also responsible for proposing the methods for and times at which the Board of Directors should perform its annual self-evaluation;
- if an independent Director should be replaced, it proposes candidates for co-opting to the Board of Directors;
- it performs the further tasks assigned to it by the Board of Directors, also in relation to the monitoring of procedural correctness and of the substantial fairness of operations.

In line with the “Procedure for information flows to Directors and Auditors”. The Committee has the right to consider, on a case by case basis, the following correlated parties:

- (i) companies in which the natural persons indicated in the procedure mentioned above hold strategic management roles, and the companies controlled by these companies;
- (ii) companies which share a majority of directors with Pirelli.

The Committee - which may also request the assistance of external consultants in fulfilling its mandate - meets whenever its Chairman deems it appropriate or a meeting has been requested by another member of the committee or by a Managing Director.

The Board of Statutory Auditors⁴² and, if deemed appropriate, other Company and/or Group representatives attend the meetings of the Committee.

The internal control officer (who is functionally answerable to the Committee for Internal Control and Corporate Governance) reports on his work and on the arrangements by which risk management and compliance with plans of defined content occur).

The internal control officer also reports, at least once a year, to the Board of Directors, either directly or through the Committee for Internal Control and Corporate Governance and the Board of Statutory Auditors.

The information and documents available and required for informed deliberation of the material submitted to the committee have always been circulated to all members reasonably in advance.

The Committee has adequate financial resources for the performance of its duties with independent expenses. In accordance with the provisions of the Self-Regulatory Code⁴³, the Committee also has the right to access company information and departments as necessary for the execution of the tasks assigned to it, making use of the support of the Secretary of the Board of Directors.

During 2008, the Committee for Internal Control and Corporate Governance met 4 times (with three of these meetings held after its renewal) and all members participated in these meetings. The average duration of the meetings was over two and a half hours.

The Committee proactively contributed to the process of implementing and updating the corporate governance tools of the Company, and, in particular, during the financial year it submitted the following interventions to the Board of Directors for approval⁴⁴:

- identification of the black-out periods applicable to subjects required to respect the insider dealing regulations;
- the adoption of a new “procedure for information flows to directors and auditors”.

The Committee has also proposed some changes to the company bylaws, to change the period of time specified in article 154-ter of the FSA as notice for Shareholders’ Meetings to be called, and to provide greater clarity, with more systematic and complete rules as well as changes to incorporate policies gradually developed in response to legislative initiatives. It also plans to include a mechanism to guarantee the presence of the minimum number of independent directors specified in the current law in the company bylaws.

The Company was informed about the adoption of the procedure⁴⁵ concerning article 36 of the Markets Regulation, which regulates the markets and conditions at which the shares of companies incorporated in non-European Union countries may be listed.

Also during 2008, the internal control officer of the Company (who is the head of the Internal Auditing Department) was able to report his actions to the Committee. The Committee also monitored the work done by the Internal Audit Department, specifically examining the result of work carried out as part of the Audit Plan approved by the Committee itself.

⁴² Also in accordance with the recommendations of the Self Regulatory Code: Criterion of application 8.C.4.

⁴³ Self Regulatory Code: Criterion of application 5.C.1, lett. e).

⁴⁴ Some of the initiatives to update the corporate governance tools were reported in the “Corporate Governance Report for the 2007 financial year”.

⁴⁵ Refer to the section entitled “Adaptation of article 36 of Consob Regulation 16191/2007, concerning the regulation of markets” included in the interim report on operations at 30 September 2008, also available on the Company internet site.

The internal control officer also reported on his activity to the Committee: for information, please see the section entitled “Officer responsible for the preparation of the company accounting documents”.

Lastly, it is considered appropriate to provide an account of the development of the actions, legal and otherwise, that involved two ex-heads of Company Security that were reported in the corporate governance report for 2006 and 2007, and have been the subject of an investigation by the Committee for Internal Control and Corporate Governance and the Board of Statutory Auditors.

In particular, the Committee has been informed that, on 18 July 2008, the Company was informed that the investigations had been completed, and informed that an entry had been made in the register of investigations pursuant to legislative decree 231/2001 and that it was considered the victim of the offence of misappropriation with multiple aggravating circumstances. Subsequently, on 19 January 2009, the Company was notified that a preliminary hearing date had been set, and an indictment issued for violation of Legislative Decree 231/2001. The preliminary hearing was set for 30 March 2009.

At the date of approval of this Report the decisions to be taken in relation to the proceedings to improve the protection of the Company’s interests, were still being assessed, with the assistance of the Company’s lawyers.

With the assistance of highly qualified experts in the field, the Company has also separately examined the potential civil liabilities consequent on “intrusive activities” undertaken by ex-employees of the Company. After assessing the investigation made by the Committee, the Board of Directors, while considering and repeating the total non-involvement of the Company in the acts committed, which also damaged the Company itself - in coherence with the values of fairness and correctness that inform its action, and the importance of its human resources that Pirelli has always acknowledged, decided to offer an immediate financial contribution, the amount of which to be determined based on a fair evaluation, also supported by the experts mentioned above, to all the past or present employees of the Pirelli Group that were the object of “intrusive activities”, as an act of solidarity.

It should be noted that the Company is proceeding with the civil actions started against the security service suppliers involved in the investigations in order to be compensated for services that were not contractually fulfilled or were even illegal.

The Committee for Internal Control and Corporate Governance and the Board of Directors, taking into account the comments of the Board of Statutory Auditors, judged the internal control system of the Company and of its underlying Group to be adequate⁴⁶.

12. INTERNAL CONTROL SYSTEM

The internal control system of Pirelli & C. and the Group it heads is designed to ensure the provision of correct information and adequate cover of all the activities of the Group, with special reference to those areas that are considered to be potentially at risk.

It has developed as a process intended to achieve substantial and procedural fairness, transparency and accountability by ensuring: that transactions and, more generally, business related activities are efficient and can be known and verified, that financial information and accounting and operational data are accurate, that applicable laws and regulations are complied with, and that the assets of the business are safeguarded, not least with a view to prevent the perpetration of fraud against the Company and the financial markets.

The cardinal rules of the internal control system of the Company are:

- the separation of roles in the performance of the principal activities involved in each operating process;
- the traceability and constant visibility of decisions;
- the management of decision-making processes according to objective criteria.

⁴⁶ Cf. Paragraph headed “Internal control system and governance system” in the section entitled “Role of the Board of Directors”.

12.1. Executive director responsible for the internal control system

Responsibility for the internal control system lies with the Board of Directors, which lays down the guidelines for the system and periodically verifies that it is adequate and working effectively. To this end, the Board refers to the Committee for Internal Control and Corporate Governance, as well as to an Internal Control Officer, who is given an adequate level of independence and appropriate means in order to carry out this mandate, and who carries out typical audit functions to verify the adequacy and efficiency of this system; and, if anomalies are detected, who proposes the necessary corrective solutions.

After its renewal, the Board of Directors, in its meeting of 29 April 2008, identified the Chairman of the Board of Directors as the director charged with the internal control system to whom the following tasks have been assigned, in line with the recommendations of the Self-Regulatory Code⁴⁷:

- ensuring that the main company risks are identified, taking the characteristics of the activities performed by the issuer and its subsidiaries into account, and periodically submit them to the Board of Directors for examination;
- executing the policy lines defined by the Board of Directors, ensuring that the internal control system is planned, implemented and managed, and constantly ascertaining its overall adequacy, efficacy and efficiency;
- adapting the system to changes in business conditions and in the legal and regulatory frameworks;
- propose the appointment, revocation and remuneration of one or more internal control officers to the board.

12.2. Internal control officer

The internal control officer - the Board of Directors, after its renewal, with the approval of the Committee for Internal Control and Corporate Governance and in accordance with best practice, as proposed by the Executive Director charged with the internal control system, confirmed as the head of the Internal Audit Department (Dr. Maurizio Bonzi) reports his activities to the Committee for Internal Control and Corporate Governance and the Board of Statutory Auditors and is hierarchically answerable to the Chairman of the Board of Directors of Pirelli & C.

The Internal Audit Department assumes a role of great prominence in the internal control system and also, due to the activities it performs regarding subsidiaries, it has the principal task of assessing the adequacy and functionality of the control, risk management and corporate-governance processes throughout the entire Group by means of independent assurance and consultancy. The work of the Internal Audit Department is carried out in accordance with its mandate, and approved by the Committee for Internal Control and Corporate Governance, regarding the following aspects:

- mission;
- objectives and responsibilities (independence, complete access to information, activity framework, communication of results);
- improvement in the quality of internal audits; principles of professional ethics;
- professional reference standards.

The Company also has in place a planning and control system that focuses on individual sectors and work units, which produces a detailed monthly report for the General Managers, providing a useful tool for the supervision of specific activities. To pursue the strategies and guidelines adopted by the parent company, the Chief Operating Officer and appropriate senior executives for the sector sit on the Boards of Directors of the largest subsidiaries.

Finally, on the subject of the internal control system, it should be noted that the Company continues to apply the methodology (called "Project 262" within the company) to verify the adequacy of the administrative and accounting procedures to provide the delegated administrative bodies and the executive responsible for drawing up the company accounting documents with a system of controls for the preparation and validation of periodic accounting reports which allow these individuals to make the declarations regarding them required by the law.

⁴⁷ Also in line with the provisions of the Self Regulatory Code. Criterion of application 8.C.1, lett. b).

12.3. Organisational model ex Legislative Decree 231/2001

The internal control system described above has been further strengthened by the introduction of an organizational model that the Board of Directors approved on 31 July 2003 and which has been revised and modified according to updated regulations (most recently with a resolution of the Board of Directors on 9 March 2008). This organisational model, which is intended to ensure the development of a system that meets the specific requirements deriving from the entry into force of Legislative Decree 231/2001, on the administrative liability of companies for criminal offences committed by their employees, the model consists of a set of principles and procedures arranged in a pyramid that, starting from the base, can be summarized as follows:

- a Group Code of Ethics, which enunciates the general principles (transparency, correctness and fairness) that inspire the conduct of business. It indicates the objectives and the values informing business activity in relation to the main stakeholders with which Pirelli & C. interacts on a daily basis: the shareholders, the financial market, customers, staff and the community;
- general principles of internal control, which qualify the Internal Control System, the field of application of which extends uniformly across the various levels of the organisation;
- lines of conduct which set out specific rules aiming to avoid the creation of environmental situations that favour criminal activity in general and, in particular, crimes pursuant to legislative decree 231/2001, and translate the principles expressed in the Code of Ethics into operational practice;
- internal control checklists, which set out the main phases of each high and medium risk process and, for instrumental processes, the specific checks to be made to reasonably prevent the risk of any criminal offence and the flows of information to the Supervisory Body to draw attention to situations of possible non-compliance with the procedures established in the organisational model.

The Organisational Model mentioned is available on the Company website *www.pirelli.com*.

A specific Self-Regulatory Body, with full economic independence, monitors the functioning of and the adherence to the organisational model. It is composed of Carlo Secchi, the Lead Independent Director and Chairman of the Committee for Internal Control and Corporate Governance, Statutory Auditor Paolo Domenico Sfameni, a member of the Board of Statutory Auditors, and Maurizio Bonzi, head of the Internal Audit Department and internal control officer.

This assures the full autonomy and independence of this Body, and the input of the different professional skills that contribute to the corporate management control.

The Supervisory Body is also charged with making ad hoc recommendations to the Board of Directors to adapt the organizational model to changes in the legal framework, and to changes in the nature of the business activities of the Company and the ways in which they are conducted. While the Supervisory Body reports to the Board of Directors, the Committee for Internal Control and Corporate Governance and the Board of Statutory Auditors on the checks it has performed and their outcomes.

Each member of the Self-Regulatory Body is paid a gross annual fee of 15,000 euros.

The mandate of the Self-Regulatory appointed by the Board of Directors on 29 April 2008 expires with that of the Board that appointed it.

With reference to the other Italian companies in the Group, the Self-Regulatory Body has been identified by seeking the technical and operational solution that, while respecting the mandate and the powers reserved to this body by law, is appropriate to the size and organizational context of each company. Lastly, a disciplinary system has been introduced to sanction non-compliance with the measures indicated in the organisational, operational and control systems.

Finally, it should be pointed out that the Internal Audit Department of Pirelli & C. provides, when requested by the self-regulatory bodies of Group companies, operative assistance in the management and analysis of information flows established pursuant to Art. 6, subsection 2, letter d), of Legislative Decree 231/2001, as well as in implementation of specific audits on the basis of data received through the aforementioned information flows.

During the year, the Self-Regulatory Body became involved in the court case that implicated two ex-heads of the Security Department of the Company, as detailed in the section entitled “Committee for Internal Control and Corporate Governance”. In this respect, the Self-Regulatory Body has taken note of the circumstances reported in the aforementioned section.

12.4. External auditors

The audit of the company accounts is carried out by an auditing firm appointed by the Shareholders' Meeting and chosen from the firms listed in the appropriate register kept by Consob. The Shareholders' Meeting held on 29 April 2008 appointed Reconta Ernst&Young S.p.A. as external auditors of the statutory and consolidated financial statements and abbreviated half-yearly financial reports for the years 2008-2016. Pursuant to current law, the appointment was made at the reasoned proposal of the Board of Statutory Auditors after extensive in-depth technical-economic evaluation. This evaluation was performed taking into account a comparative overall analysis of the proposals received, with detailed comparison of (i) the costs and conditions of the mandate; (ii) the mix of personnel employed; (iii) the coverage of the territory and the skills and specific experience, and (iv) the fees proposed for work within the same perimeter. The Board of Statutory Auditors kept the Committee for Internal Control and Corporate Governance constantly informed on the progress of the selection process.

Reconta Ernst&Young S.p.A. is the Italian organisation of the Ernst&Young network, which through the organisations present in the various countries in which the Group operates, has also been appointed to audit the accounts of the principal Pirelli Group companies.

The fees paid to Reconta Ernst&Young (and to the other companies that are part of its network) are reported in detail in the notes to the consolidated financial statements of Pirelli & C. at 31 December 2008.

12.5. Officer responsible for preparing the company accounting documents

The Company bylaws⁴⁸ attribute the power to appoint the Responsible Officer to the Board of Directors, after having received the opinion of the Board of Statutory Auditors; they also establish that this appointment expires when the term of the Board of Directors making the appointment expires. The Responsible Officer must be an expert on administration and control matters, and possess the proper requisites, as established for directors.

After its renewal, the Board of Directors, with the favourable opinion of the Board of Statutory Auditors, confirmed Claudio De Conto, Chief Operating Officer of the Company, to whom all the administrative and tax structures of the Group report, as the Responsible Officer.

The Board of Directors, in compliance with the provisions of the FSA, has assigned the following duties to the Responsible Officer:

- a) to organise adequate administrative and accounting procedures for the formation of the company financial reports and consolidated financial statements and all other communications of a financial nature;
- b) to issue a written declaration attesting that the documents and communications of the Company disseminated to the market and the related financial reports, including mid-year reports, of the Company correspond to the documentary evidence, ledgers and accounting records;
- c) to attest, with a specific report drawn up according to the model established in the CONSOB regulations, attached to the financial reports, half-yearly report and consolidated financial statements:
 - the adequacy and effective application of the procedures specified in paragraph 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 Community pursuant to EC regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002;
 - that the documents correspond with the ledger entries and accounts;
 - that the documents are suitable to provide a true and correct representation of the economic, financial and equity situation of the Company and the set of business included in the consolidation;
 - for the statutory and consolidated financial reports, that the report on operations includes a reliable analysis of their progress and results, of the situation of the Company

⁴⁸ Article 11 of the company bylaws.

and the set of businesses included in the consolidation, together with descriptions of the principal risks and uncertainties to which they are exposed;

- for the abbreviated half-yearly report, that the half-yearly report on operations contains a reliable analysis of the information specified in subsection 4 of article 154 of the FSA.

The Board of Directors ensures that the Responsible Officer has adequate means and powers to perform the duties assigned to him, and monitors that the administrative and accounting procedures are effectively respected.

For this purpose the Responsible Officer reports, at least once a year, to the Board of Directors, either directly or through the Committee for Internal Control and Corporate Governance and to the Board of Statutory Auditors for those matters within its remit.

He promptly reports to the delegated administrative body, to the Board of Directors, also through the Committee for Internal Control and Corporate Governance, on any matters of significant relevance that he believes must be declared in the report specified in article 154-bis of the FSA unless corrected.

The Responsible Officer is invited to attend the meetings of the Board of Directors of the Company at which examination of the economic and financial data of the Company is on the agenda.

The Responsible Officer has direct access to all the information necessary for the production of the accounting data, without the need of any authorisation, shares the internal flows for accounting purposes, and approves all the company procedures that have an impact on the economic, financial and equity situation of the Company.

The Responsible Officer is granted all powers of an organisational and management nature needed to perform the tasks attributed to him by the current regulations, the Company bylaws and the Board of Directors.

To exercise the powers conferred to him he is granted full economic autonomy.

The Responsible Officer has attended all the meetings of the Board of Directors of the Company for which the examination of the economic-financial data of the Company was on the agenda, and has issued, after his appointment, the attestations and declarations specified in article 154-bis of the FSA.

The Responsible Officer reported to the Committee for Internal Control and Corporate Governance and, when the budget was being approved, to the Board of Directors, concerning the adequacy and suitability of the powers and means conferred by the Board of Directors of the Company, confirming that he had direct access to all the information necessary for the production of the accounting data, without need of any authorisation, shared the internal flows for accounting purposes and approved all of the company procedures that had an impact on the economic, financial and equity situation of the Company. During the financial year the Responsible Officer has issued the declarations and attestations specified in article 154-bis of the FSA.

13. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

The Company has also had rules of conduct for transactions with related parties, including intra-group business, in place since 2002. The purpose of these rules is to guarantee effective procedural and substantial correctness and transparency in transactions undertaken by Pirelli & C., directly or through subsidiaries, with parties related to Pirelli & C. itself.

On the basis of these rules, the Board is called on to approve transactions with related parties and infragroup transactions in advance, when the transactions are not typical or usual and concluded at standard conditions. To this end, the Board receives an adequate report on the nature of the relation, the ways in which the transaction is to be carried out, the conditions, including the economic conditions, for its execution, the evaluation procedure followed, and the underlying reasons and interest, as well as any risks for the company. If the relation is with a Director or with a related party through a Director, the Director concerned must - unless the Board decides otherwise - limit him or herself to supplying clarification, and does not participate in the Board Meeting that will deliberate the transaction. Depending on the nature, value or other characteristics of the transaction, the Board of Directors, to ensure that the transaction is not carried out at incongruous conditions, is assisted by one or more experts who express their opinion on the economic and/or legal and/or technical aspects of the transaction. The Committee for Internal Control and Corporate Governance monitors

the respect of the principles that the Company has formulated for execution of transactions with related parties.

Finally, please note that in order to identify what constitutes a related party, the Company - as also indicated by Consob - defines the concept of "related party" according to the IAS/IFRS principles (specifically IAS 24).

The text of the principles of conduct is printed at the end of this Report and is also available in the Governance section of the Company website, www.pirelli.com.

14. BOARD OF STATUTORY AUDITORS

According to the law and the Company bylaws, the Board of Statutory Auditors is entrusted with monitoring the following:

- compliance with the law and the bylaws;
- respect for the rules of correct administration;
- the adequacy of the organisational structure of the Company for the aspects within its competence, of the internal control and administration-accounting system, and of the reliability of the latter to correctly represent the operating results;
- the ways in which the corporate governance rules specified in the codes of conduct prepared by companies that manage regulated markets or professional associations, which the company declares to follow, are actually implemented;
- the adequacy of the instructions issued by the Company to its subsidiaries regarding the reporting of price sensitive information⁴⁹.

The Board of Statutory Auditors carries out its duties by exercising all of the powers conferred upon it by law and, since it can rely on a constant and analytical information flow from the Company, during and beyond the regular meetings of the Board of Directors and its Committees.

In fulfilling its functions, the Board of Statutory Auditors, besides participating in all the Board of Directors and Shareholders' Meetings, also takes part in the tasks of the Remuneration Committee and the Committee for Internal Control and Corporate Governance. Moreover, Paolo Domenico Sfameni, a Standing Auditor, became a member of the Supervisory Body in accordance with the legislative decree No. 231/2001.

15. APPOINTMENT OF AUDITORS

The Company bylaws provide that the Board of Statutory Auditors consists of three Standing Auditors and two Alternate Auditors. In order to allow minority shareholders to elect one Standing Auditor and one Alternate, the Company bylaws⁵⁰ specify that they are appointed using the so-called the slate system, meaning that one Standing Auditor and one Alternate Auditor are elected from the slate that obtains the second highest number of votes (the so-called the minority slate). The remaining members of the Board (i.e. two Standing Auditors and the other Alternate Auditor) are elected from the slate that obtains the highest number of votes (the majority slate).

Pursuant to the Company bylaws, shareholders who, alone or together with others, hold at least 2% of the share capital entitled to vote at the ordinary shareholders' meeting that is, the lowest percentage required by CONSOB⁵¹ may present slates.

Pursuant to the Issuer Regulations (article 144-quinquies and subsequent)⁵² the slates must be filed at the registered offices of the company at least 15 days before the date of the Shareholders' Meeting called to deliberate the matter. While the current regulations should be consulted for further details, it is pointed out that if a single slate is presented, or if the several slates presented by shareholders are found to be linked, then slates may be submitted up to five days

⁴⁹ Now referred to as "sensitive information" (article 114 of the FSA).

⁵⁰ Article 16 of the company bylaws.

⁵¹ CONSOB (Resolution no. 16779 of 27 January 2009) has determined the percentage shareholding required for presentation by the shareholders of the slates of candidates for election to the administration and control bodies of Pirelli & C for the 2009 financial year as 2% of the capital with voting rights in the ordinary shareholders' meeting.

⁵² In this respect it should be noted that CONSOB has issued Communication no. DEM/9017893 of 26-2-2009, containing some recommendations on the appointment of members of administration and control bodies.

after the expiry of the date for their presentation (15 days before the shareholders' meeting) and the thresholds for their presentation are reduced by half.

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

The following must be accompanied by the following, also pursuant to the current regulations:

- information on the identity of the shareholders who presented the slates, indicating their percentage holdings and a certificate proving that they own such a holding;
- a declaration by shareholders other than those who hold, including jointly, a controlling interest or relative majority, attesting that there are no links;
- a professional curriculum vitae for each candidate and declarations in which the candidates individually accept their candidacy and attest, on their own responsibility, that there are no grounds for ineligibility or incompatibility, and that they meet the requirements prescribed by law and the bylaws.

Slates presented in violation of the above rule are considered null.

Subject to ineligibility, each candidate may only appear on one slate.

Slates must be divided into two sections: one for candidates for the position of Standing Auditors and the other for candidates for the position of Alternate Auditor. The first candidate in each section must be selected from among persons entered in the register of standing auditors who have worked on statutory audits for a period of not less than three years.

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

The Standing Auditor at the top of the minority slate, if presented, is entitled to Chair the Board of Statutory Auditors.

In the event of death, resignation or disqualification of a Standing auditor, he (or she) is replaced by the Alternate Auditor from the same slate. If the Chairman of the Board of Statutory Auditors is to be replaced, the other Standing Auditor elected on the same slate takes the Chair; if it is not possible to proceed in the manner described above, a shareholders' meeting is called to fill the vacancy or vacancies on the Board of Statutory Auditors by means of a resolution approved by a relative majority of the votes cast.

When the Shareholders' Meeting must appoint the Standing and/or Alternate Auditors needed to complete the Board of Statutory Auditors, pursuant to the previous paragraph, or to the law, the following procedure must be used: if standing auditors elected from the majority slate are to be replaced, the appointment is made with the favourable votes of a relative majority without being tied to a slate; if, instead, standing auditors elected from the minority slate are to be replaced, the shareholders' meeting replaces them with the favourable votes of a relative majority, choosing where possible from among the candidates on the slate from which the standing auditor to be replaced was elected. The principle of necessary representation of minorities is respected, since the bylaws assure the right to participate in the appointment of the Board of Statutory Auditors, in case of the appointment of Auditors who have been candidates on the minority slate or slates other than those that obtained the highest number of votes in the procedure to appoint the Board of Statutory Auditors.

For the appointment of Auditors for any reason not appointed according to the procedure described above, then the shareholders decide with the legal majorities.

Outgoing Auditors may be re-elected.

Participation in meetings of the Board of Statutory Auditors may be - if the Chairman or his substitute verifies the necessity - by means of telecommunication techniques that permit participation in the discussion and equality of information for all those taking part.

16. AUDITORS

The Shareholders' Meeting held on 21 April 2006 resolved to renew the Board of Statutory Auditors for the 2006-2008 period, appointing Luigi Guatri, Enrico Laghi and Paolo Francesco Lazzati (the latter as replacement following the resignation of Paolo Domenico Sfameni) as Standing Auditors. Luigi Guerra and Franco Ghiringhelli were appointed alternate auditors.

The appointments were made with the slate system. The single slate was presented by members of the Pirelli & C. Block Shares Syndicate. The Company considers that the reason why no alternative slate was presented by the minorities is the authoritative and known character of the candidates proposed.

In the absence of members of the Board of Statutory Auditors from the minority slate, the Shareholders' Meeting decided to confirm the appointment of Luigi Guatri as Chairman of the Board of Statutory Auditors.

The Shareholders' Meeting also determined that the annual gross fee for each of the Statutory Auditors should be 41,500 euros, and that the gross annual fee of the Chairman of the Board of Statutory Auditors should be 62,000 euros.

It also determined that the Standing Auditor called on to become a member of the Supervisory Body in accordance with the legislative decree No. 231/2001 (Paolo Domenico Sfameni) should receive an additional gross annual fee of 15,000 euros.

The composition of the Board of Statutory Auditors at the date of approval of this Report is indicated below:

Nome	Office	Appointed on	Slate	Indep. Self. Reg. Code	Indep. Self. Reg. Code
Luigi Guatri	Chairman	21/04/2006	Maj.	X	100
Enrico Laghi	Standing Auditor	21/04/2006	Maj.	X	100
Paolo Domenico Stameni	Standing Auditor	21/04/2008	*	X	100**
Luigi Guerra	Alternate Auditor	21/04/2006	Maj.	-	-
Franco Ghiringhelli	Alternate Auditor	21/04/2006	Maj.	-	-

LEGEND

* Appointed pursuant to the Company bylaws, without invoking use of the slate voting mechanism since the conditions to do so did not occur.

** Auditor Paolo Domenico Sfameni was appointed by the Shareholders' Meeting of 29 April 2008, and thus this percentage was calculated based on the number of those meetings held after his appointment that he attended.

Office: indicates whether the person is the chairman, a standing auditor, or an alternate auditor

Slate: Maj/Min according to whether the auditor was elected from the majority or minority slates (art. 144-decies of the Issuer Regulations)

Indep.: if checked indicates that the auditor may be considered independent according to the criteria contained in the Self Regulatory Code, specifying at the end of the table if these criteria have been supplemented or modified

% att. B.S.A.: indicates the percentage of meetings of the board of auditors attended by the auditor

The list of offices held by Auditors in public or private limited companies, and in partnerships limited by shares, is reported in the document attached to the report on supervisory activity drawn up pursuant to article 153 subsection 1 of the FSA contained in the financial report.

It should be noted that on the Date of approval of the Report, the Company had not been informed that any serving Auditor had exceeded the limit of accumulated administration and control offices specified in article 144 terdecies of the Issuer Regulations.

The Auditors who ceased to hold office during the year are listed below:

Name	Office	Served from / to	Slate	Indep. ex. Code	% att. B.S.A.
Paolo Lazzati	Standing Auditor	From 21/04/2006 to 29/04/2008	Maj.	X	100*

LEGEND

Refer to the legend for the two preceding tables.

* This percentage was calculated taking into account the number of those meetings of the Board of Statutory Auditors that he attended before ceasing to serve compared with respect to those meetings held in the year after his appointment ceased.

In line with the provisions of the Self Regulatory Code⁵³ and as expressly ascertained by the Board of Statutory Auditors, based on the information provided by the Auditors and the information available to the Board of Statutory Auditors, all Auditors may be defined as independent based on criteria contained in the Code regarding directors. Moreover, during the year the

⁵³ Self-Regulatory Code. Criterion of application 10.C0.2.

members of the Board of Statutory Auditors considered Consob communication no. 8067632 of 17 July 2008, and promptly confirmed to the Company that they continue to fulfil the requisites for independence also in the light of the content of said communication⁵⁴.

Pirelli & C. qualifies its Auditors as related parties for the Company, and thus if an Auditor has an interest in a specific transaction of the Company the “rules of conduct for transactions with related parties” described in the preceding section “Interests of Directors and transactions with related parties” become applicable. It follows that, in accordance with the provisions of the Self-Regulatory Code⁵⁵, the Board receives an adequate report on the nature of the relation and the ways in which the transaction will be executed.

During 2008 the Board of Statutory Auditors held 5 meetings attended by all members of the Board. However, it should be noted that the members of this Board also attended the Shareholders’ Meetings and the meetings of the Board of Directors, all of the meetings of the Committee for Internal Control and Corporate Governance and the Remuneration Committee held during the year, as required by the corporate governance rules adopted by the Company, which offer the Board of Statutory Auditors, in its own interest, the possibility of directly following the activities of the Committees and performing their control functions more efficaciously.

During the year, the Board of Statutory Auditors has monitored the observance of the law and the bylaws, the respect of the principles of correct administration and the adequacy of the organisational structure of the Company, the internal control system and administrative-accounting system, as well as the reliability of the latter to correctly represent the operating results.

It also monitored the ways in which the corporate governance rules specified in the codes of conduct prepared by companies that manage regulated markets or professional associations, which the company declares to follow, are actually implemented, and on the adequacy of the instructions given by the Company to its subsidiaries regarding the reporting of price sensitive information⁵⁶.

The Board of Statutory Auditors reported the activities it had carried out, and expressed its opinion on those aspects of the Directors’ proposal for the distribution of the 2008 dividend within its field of competence to the Shareholders’ Meeting held on 29 April 2008.

The Board of Statutory Auditors presented its reasoned proposal for the appointment of Reconta Ernst&Young S.p.A. as external auditors of the statutory and consolidated financial statements and abbreviated half-yearly financial reports for the years 2008-2016 to the Shareholders’ Meeting held on 29 April 2008. The Board of Statutory Auditors had previously undertaken an extensive in-depth technical-economic evaluation. This evaluation was performed taking into account a comparative overall analysis of the proposals received, with detailed comparison of (i) the costs and conditions of the mandate; (ii) the mix of personnel employed; (iii) the coverage of the territory and the skills and specific experience, and (iv) the fees proposed for work within the same perimeter. The Board of Statutory Auditors subsequently monitored⁵⁷ the independence of the external auditors, checking that the instructions in terms of both the nature and entity of the services other than accounts monitoring provided to Pirelli & C, and its subsidiaries by the external auditors and their network are respected.

The Board of Statutory Auditors has also checked that the criteria and ascertainment procedures adopted by the Board of Directors to assess the independence of its members are correctly applied.

The Board of Statutory Auditors⁵⁸ coordinated its activities with the Internal Audit department and, as stated, staff from the latter participated in all the meetings of the Committee for Internal Control and Corporate Governance.

It should be noted that the Shareholders’ Meeting called to approve the financial statements at 31 December 2008 will also be called on to deliberate the renewal of the Board of Statutory Auditors. On this matter, see the Directors’ Report, which will be made available on the company website *www.pirelli.com*, for greater detail.

⁵⁴ CONSOB communication no. DEM/DCL/DSG/8067632 of 17-7-2008 concerning situations of incompatibility for members of control organs pursuant to art. 148, subsection 3, lett. C) of the FSA.

⁵⁵ Self-Regulatory Code. Criterion of application 10.C0.4.

⁵⁶ Now referred to as “sensitive information” (article 114 of the FSA).

⁵⁷ Also in accordance with the recommendations of the Self Regulatory Code: Criterion of application 10.C.5.

⁵⁸ Self-Regulatory Code: Criteria of application 10.C.6 and 10.C.7.

17. RELATIONS WITH SHAREHOLDERS

In line with its tradition of transparency and fairness, the Company actively promotes relations with shareholders, institutional and private investors and with financial analysts, with other market operators and with the financial community in general within the proper limits of their respective roles, and periodically organizes meetings with representatives from the Italian and international financial communities.

The Investor Relations division was founded in March 1999 to promote continuous dialogue with the financial markets; Valeria Leone was appointed to run this division in October 2008.

To enable open and immediate dialogue with all those needing information of a financial nature about Pirelli, there is a dedicated Investors section on the Company website (*www.pirelli.com*), where information for an initial evaluation of Pirelli is available: from the identifying characteristics of the Company to economic-financial data, on the drivers of the various businesses in which the Pirelli Group is engaged to the opinions of financial analysts, from all the documentation made available to meetings with the financial community to accounting and legal information.

To facilitate contact with the Company, Investor Relations has an e-mail address (*investorrelations@pirelli.com*) and guarantees to reply to all queries received within 24 hours, while the Investors-Contacts section shows the contact details for each member of the IR team, for specific requests from analysts and investors, both individual and institutional.

To facilitate understanding of the strategy and evolution of the business and results produced, the top management of Pirelli &C and Investor Relations use other tools of financial communications, such as roadshows, conference calls, one to one meetings and industry conferences for Group businesses. The Company also has a culture based on the combination of profitability and business sustainability, and takes part in many world indicators assessing the social responsibility of business, and has been acknowledged a leader in this field.

18. SHAREHOLDERS' MEETINGS

The Shareholders' meeting - that may be ordinary or extraordinary - has the competence, according to the law, for resolving upon a series of specified matters such as the approval of the financial statements, the election and the revocation of directors and statutory auditors, their fees and responsibilities, the purchase or sale of own shares, the modification of the Company bylaws, the issuance of convertible bonds, and, except for restricted cases, merger and division transactions. An ordinary Shareholders' Meeting - which may be held in Italy, not necessarily in the registered office - may be convened within 120 days after the end of the financial year.

In line with the calendar circulated by the Company, the date of first call of the Shareholders' Meeting is 20 April 2009, and in second call for 21 April 2009.

In addition to the law and the bylaws, Shareholders' Meetings are governed by the Rules of Proceedings (printed at the end of this Report and available in the Governance section of the Company website, *www.pirelli.com*), approved by the Shareholders' Meeting held on 11 May 2004 and subsequently modified by the Shareholders' Meeting held on 23 April 2007.

In particular, the Rules assign to the Chairman of the meeting the right to grant those shareholders who have requested it, pursuant to the law and the Company bylaws, a period of no longer than 15 minutes to illustrate proposals and explain the reasons for them to be added to the items to be discussed in the Shareholders' Meeting.

The Shareholders' Meeting is chaired, in the following order, by the Chairman of the Board of Directors, by a Deputy Chairman or a Managing Director; if there are two or more Deputy Chairmen or Managing Directors, they are chaired by the senior in age. In the absence of the aforementioned individuals, the Shareholders' Meeting is chaired by another person elected by the shareholders with the favourable vote of the majority of the capital represented at the meeting.

The Chairman of the shareholders' meeting - among other things - verifies that the meeting has been validly constituted, ascertains the identity of those present and their right to attend, including by way of proxies, ascertains the legal quorum and governs the proceedings, with the faculty to establish a different order for the discussion of the topics listed in the agenda indicated in the notice convening the meeting. The Chairman also takes appropriate action to

ensure orderly discussion and voting, establishing the procedures and verifying the results. The decisions of the meeting are recorded in minutes signed by the Chairman of the meeting and the Secretary or by the Notary public.

The minutes of extraordinary Shareholders' Meetings must be prepared by a Notary public appointed by the Chairman of the meeting.

Article 7 of the Company bylaws specifies that shareholders' interventions for which the communication specified in article 2370 subsection two of the Civil Code, within two days of the date of the particular shareholders' meeting, are legitimate.

The bylaws do not envisage the non-availability of the actions for which the communications mentioned in the aforementioned article 2370, subsection 2 of the Civil Code until the meeting has been held.

With reference to the right of each shareholder to speak on topics raised for discussion, it should be noted that the Rules for shareholders' meetings provide that the Chairman determines the period of time available to each speaker at the start of the meeting, taking the importance of the individual items on the agenda into account, but in any event no less than 15 minutes. Persons who wish to speak must ask the Chairman or the Secretary, indicating the topic to which the speech refers. The request may be presented up to the moment the Chairman has declared closed the discussion of the matter which the demand to speak refers. Participants may ask to speak a second time during the discussion, for a period of no more than five minutes, solely for the purpose of replying or formulating voting intentions.

As far as the meeting of holders of savings shares is concerned, this is called by the Common Representative of the savings shareholders of the Company or by the Board of Directors every time they believe it to be proper advisable or when its convening is required by the law.

The special meeting of savings shareholders is chaired by the Common Representative of the savings shareholders or, in his absence, by the person elected by a majority of the capital represented at the meeting.

Pursuant to the Company bylaws⁵⁹ the Company is responsible for the expenses of organising the special shareholders' meeting and for the remuneration of the Common Representative.

The savings shareholders' meeting took place on 28 January 2009 and proceeded to appoint a Common Representative, the mandate of the serving Common Representative having expired. The special shareholders' meeting confirmed Giovanni Pecorella as Common Representative for the years 2009-2011, determined his remuneration, and approved the creation of a fund for the expenses necessary for the protection of the common interests of the group. When renewing the Common Representative, the savings shareholders' voted separately on the appointment of the Common Representative and on the determination of his fee.

19. CHANGES AFTER THE CLOSURE OF THE FINANCIAL YEAR

The Report takes into account the changes that have occurred since the end of the financial year to the data of approval of the Report.

⁵⁹ Article 6 of the company bylaws.

ANNEX A

Name - Purpose - Registered Office - Term

Article 1

A joint-stock company has been incorporated under the name Pirelli & C. Società per Azioni or, in abbreviated form, Pirelli & C. S.p.A.

Article 2

The Company's purpose shall be:

- a) the acquisition of equity interests in other companies or corporations, both in Italy and abroad;
- b) the financing and the technical and financial coordination of the companies or corporations in which it holds interests;
- c) the sale and purchase, ownership, management and/or placement of both government and private securities;

The company may carry out all operations of any type whatsoever - excluding any activities reserved by law - connected to its corporate purpose.

Article 3

The registered office of the Company shall be in Milan.

Article 4

The duration of the company shall be until December 31, 2100.

The extension of the term of duration does not award the right of withdrawal to shareholders who do not take part in the approval of the relating resolution.

Share capital

Article 5

The Company shall have a subscribed and paid-in share capital of 1,556,692,865.28 euros (one-billionfivehundredandfiftysixmillions-sixhundredandninetytwothousands-heighthundred-sixtyfivepointtwentyeight) divided into no. 5,367,906,432 (fivebillions-threehundredsixtyseven-millions-ninehundredandsixthousands-fourhundredandthirtytwo) shares with a par value of 0.29 euros (twentynine cents) each, consisting of 5,233,142,003 (fivebillions-two hundredandthirtythreemillions-onehundredandfourtytwothousandsand three) ordinary shares and 134,764,429 (onehundredandthirtyfourmillions-sevenhundred-and-sixtyfourthousands-fourhundredandtwentynine) savings shares.

With resolutions to increase the share capital by issuing shares against payment, pre-emption rights may be excluded for up to a maximum of ten percent of the previously existing capital, provided that the issue price corresponds to the market value of the shares and that this is confirmed in a specific report prepared by the firm appointed to audit the accounts.

If so resolved by the shareholders' meeting, the share capital may also be increased by means of contributions in kind or of receivables.

By resolution of the extraordinary shareholders' meeting held on May 7, 2003, the directors were authorised to issue, on one or more occasions within April 30, 2008, up to a maximum of 100,000,000 (one hundred million) ordinary shares, to be allocated to executive managers

and cadres employed by the Company, by its subsidiaries and by the subsidiaries of the latter, in Italy and abroad, in compliance with article 2441, paragraph 8, of the Italian Civil Code and article 134 of Legislative Decree no. 58/1998. On February 25, 2005 the Board of Directors resolved, in partial implementation of the authorisation granted to it by the extraordinary shareholders' meeting held on May 7, 2003, to increase the share capital by a maximum nominal amount of 15,725,496.50 euros by issuing up to 54,225,850 ordinary shares with a par value of 0.29 euros each, at a price of 0.996 euros per share, inclusive of a 0.706 euros share premium, to be reserved for subscription by executive managers and cadres employed by the Company, by its subsidiaries and by the latter's subsidiaries, in Italy and abroad.

By resolution of the extraordinary shareholders' meeting held on May 11, 2004, the directors were authorised to increase the share capital against payment, on one or more occasions and within May 10, 2009, by a total maximum nominal amount of 600 million euros, with or without a share premium, by issuing up to a maximum of 2,068,965,517 ordinary shares against payment, to be offered on option to shareholders and convertible bondholders, with the possibility of excluding pre-emption rights, in compliance with the combined provisions of article 2441, last paragraph, of the Italian Civil Code and article 134, paragraph 2, of Legislative Decree no. 58/1998, if the shares are offered for subscription by the employees of Pirelli & C. S.p.A. and/or its subsidiaries. By resolution of the extraordinary shareholders' meeting held on May 11, 2004, the directors were authorised to issue, on one or more occasions within May 10, 2009, bonds that are convertible into ordinary and/or savings shares, or that carry warrants valid for the subscription of said shares, to be offered on option to shareholders and convertible bondholders, corresponding to a total maximum nominal amount of 1,000 million euros within the limits permitted each time under the laws in force, with the ensuing eventual increase of the share capital to back the conversion of the bonds and/or exercise of the warrants.

The resolutions passed by the Board of Directors to increase the share capital during the exercise of the rights allocated as described above shall set the share subscription price (inclusive of any share premium) as well as the specific term for the subscription of the shares: they may also provide that, if the capital increase resolved is not fully subscribed by the date set for this purpose, the capital shall be increased by an amount corresponding to the subscriptions received up to such date.

Article 6

The shares are divided into ordinary shares and savings shares.

Ordinary shares award the right to one vote per share; they may be either registered or bearer shares insofar as the law permits, and in this case may be converted from one type to the other, especially at the shareholder's request and expense.

Savings shares do not carry voting rights and, unless the law provides otherwise, are bearer shares.

They may be converted into registered shares on request and expense of the shareholder.

As well as any rights and privileges provided for by law and in other parts of these By-laws, savings shares shall have priority in the repayment of the capital up to their entire par value; in the event of a reduction of the share capital due to losses, the par value of saving shares will be reduced only by the amount of the loss that exceeds the total par value of the other shares.

Savings shares shall retain the rights and privileges contemplated by law and by these By-laws also in the event that the Company's ordinary and/or savings shares are delisted.

In the event of a share capital increase being carried out by issuing shares of only one class, such shares must be offered on option to the holders of all classes of shares.

In the event of both ordinary and savings shares being issued:

- a)** the holders of ordinary shares shall be entitled to receive an option on ordinary shares, and on savings shares to make up any difference;
- b)** the holders of savings shares shall be entitled to receive an option on savings shares, and on ordinary shares to make up any difference.

Any introduction or removal of restrictions on the circulation of shares does not award the right of withdrawal to shareholders who do not take part in the approval of the relating resolution.

The savings shareholders' organisation is governed by law and by these By-laws. The expenses

related to the organisation of the special savings shareholders meetings and the remuneration of the common representatives of savings shareholders shall be borne by the Company.

Shareholders' meetings

Article 7

The calling of shareholders' meetings, which may be held anywhere in Italy, including in a place other than the Company's registered office, the right to attend meetings and representation at same are all regulated by law and by these By-laws.

The notice of the call of an extraordinary shareholders' meeting may provide for it to be held on third call.

Shareholders for which the Company has received the documentation pursuant to art. 2370, paragraph 2, of the Italian Civil Code, at least two days prior to the date set for each meeting shall be entitled to attend shareholders' meetings.

The ordinary shareholders' meeting must be called within 120 days after the end of the Company's financial year.

Requests to add items to the agenda of the general meetings presented by shareholders in accordance with the law must be detailed, by the same shareholders, by a report to be filed in the Company's registered office in time to be made available to the other shareholders and at least 10 days prior to the date set for the meeting on the first call.

Special meetings of savings shareholders shall be convened by the common representative of savings shareholders or by the Board of Directors of the Company whenever they deem it necessary or in accordance with the law.

Article 8

The due constitution of shareholders' meetings and the validity of the resolutions adopted by same are governed by law.

The proceedings of shareholders meetings are governed by law, by these By-laws, and - solely for the ordinary and extraordinary general meetings - by the Rules of Proceeding approved by resolution of the Company's ordinary shareholders meeting.

Article 9

Ordinary and extraordinary shareholders' meetings shall be chaired by the Chairman of the Board of Directors, by a Deputy Chairman or by a Managing Director, in that order; whenever there are two or more Deputy Chairmen or Managing Directors, the meetings will be chaired by the elder of same respectively. In the absence of all of the aforementioned individuals, the meeting shall be chaired by another person elected with the favourable vote of the majority of the capital represented at the meeting.

The special meeting for savings shareholders shall be chaired by the common representative for savings shareholders or, in his absence, by the person appointed with the favourable vote of the majority of the capital represented at the meeting.

The Chairman shall be assisted by a Secretary who is to be appointed with the favourable vote of the majority of the capital represented at the meeting and need not be a shareholder; there is no need to appoint a Secretary when a notary public is designated to draw up the minutes of the meeting.

The Chairman of the shareholders' meeting shall chair the meeting and govern its proceedings in compliance with the law and these By-laws. To this end, the Chairman shall, amongst other things: verify that the meeting is duly constituted; ascertain the identity of those present and their right to attend, including by proxy; ascertain the legal quorum for passing resolutions; direct the business, including by establishing a different order for the discussion of the items listed on the agenda in the notice convening the meeting. The Chairman shall also take appro-

priate measures to ensure the orderly conduct of discussions and votes and shall establish the procedures and ascertain the results thereof.

The resolutions of shareholders' meetings shall be recorded in the minutes that must be signed by the Chairman of the meeting and by the Secretary or the notary public.

The minutes of extraordinary shareholders' meetings must be drawn up by a notary public appointed by the Chairman of the meeting.

Any copies of and extracts from minutes that have not been drawn up by a notary public shall be certified as true copies by the Chairman of the Board of Directors.

Administration of the Company

Article 10

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

The shareholders' meeting shall establish the number of members of the Board of Directors, which shall remain unchanged until said meeting resolves otherwise.

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

The slates presented by the shareholders, which must be undersigned by the parties submitting them, shall be filed at the Company's registered office, and be available to anyone on request, at least fifteen days before the date set for the shareholders' meeting to be held on first call.

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

Only shareholders who, alone or together with other shareholders, hold a total number of shares representing at least 2 percent of the share capital entitled to vote at the ordinary shareholders' meeting or the minor percentage, according to the regulations issued by Commissione Nazionale per le Società e la Borsa, are entitled to submit slates, subject to their proving ownership of the number of shares needed for the presentation of slates within the term of filing of the same slates. Together with each slate, and within the respective terms specified above, statements must be filed in which the individual candidates agree to their nomination and attest, under their own liability, that there are no grounds for their ineligibility or incompatibility, and that they meet any requisites prescribed for the positions.

Together with such statements, a curriculum vitae must be filed for each candidate, setting out their relevant personal and professional data and mentioning the offices held in management and supervisory bodies of other companies and specifying, where appropriate, the grounds on which they qualify as an independent candidate in accordance with the criteria established by law and the Company.

Any changes that occur up to the date of the Shareholders' meeting must be promptly notified to the Company.

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

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

The Board of Directors shall be elected as specified below:

- a) four-fifths of the directors to be elected shall be chosen from the slate which obtains the highest number of votes cast by the shareholders, in the order in which they are listed on the slate; in the event of a fractional number, it shall be rounded-down to the nearest whole number;
- b) the remaining directors shall be chosen from the other slates; to this end, the votes obtained by the various slates shall be divided by whole progressive numbers from one up to the number of directors to be elected.

The quotients thus obtained shall be assigned to the candidates on each slate in the order they are respectively listed thereon. On the basis of the quotients assigned, the candidates on the various slates shall be ranked in a single list in decreasing order. Those who have obtained the highest quotient shall be elected.

If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected a director or that has elected the lowest number of directors shall be elected.

If none of such slates has as yet elected a director or they have all elected the same number of directors, the candidate from the slate which obtained the highest number of votes shall be elected. If the different slates obtain the same number of votes and their candidates are assigned the same quotients, a new vote shall be held by the entire shareholders' meeting and the candidate who obtains the simple majority of the votes shall be elected.

If the application of the slate voting system shall not ensure the appointment of the minimum number of independent Directors required by the law and/or regulation, the appointed non-independent candidate indicated with the higher progressive number in the slate which has obtained the higher number of votes shall be replaced by the non-appointed independent candidate included in the same slate on the basis of the progressive order of the presentation and so on, slate by slate, until the minimum number of independent Directors shall be appointed.

When appointing directors who, for whatsoever reason were not appointed under the procedure established herein, the shareholders' meeting shall vote on the basis of the majorities required by law. If one or more vacancies occur on the Board during the course of the financial year, the procedure established in article 2386 of the Italian Civil Code shall be followed.

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

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

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

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

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

Article 11

The Board of Directors shall conduct the management of the company and is accordingly vested with the broadest powers of administration, except for those remitted by law or by these By-laws to the authority of the shareholders' meeting.

Within the limits established by law, the Board of Directors shall be authorised to decide on the merger of companies in Pirelli & C. S.p.A. or de-merger in favour of Pirelli & C. S.p.A. of companies in which Pirelli & C. S.p.A. owns at least 90 percent of the shares or quotas, the reduction of the share capital in the event of the withdrawal of shareholders, the revision of the By-laws to conform with statutory provisions, the relocation of the Company's registered office within Italy, and the opening and closing of branch offices.

The Board of Directors and the Board of Statutory Auditors shall be kept informed, also by corporate bodies with delegated powers, on the activities carried out, the general performance of operations and their foreseeable development, and the transactions of greatest economic, financial and equity-related significance concluded by the Company or its subsidiaries; in particular, said corporate bodies with delegated powers shall report on transactions in which they have an interest, directly or on behalf of third parties, or that are influenced by the party that performs management and coordination activities, if any. Such reports shall be made promptly, on a quarterly basis at the least, in a written memorandum.

In accordance with the established times and procedures for disclosing information to the market, the representative of the holders of savings shares must be informed by the Board of Directors or by the persons delegated for such purpose about any corporate events that might affect the price of the shares in that class.

In the context of the management of the Company, the Board of Directors shall be authorised to delegate those powers which it deems appropriate to one or more of its members, possibly

with the title of Managing Director, and grant them the single or joint signature powers it decides appropriate to establish.

It may also delegate its powers to an Executive Committee composed of some of its own members, whose remuneration shall be established by the shareholders' meeting.

It may also establish one or more committees with consulting and propositional functions, also for purposes of adjusting the corporate governance structure in line with the recommendations issued from time to time by the pertinent authorities.

The Board of Directors shall appoint - with the consent of the Board of Statutory Auditors - the manager responsible for preparing the Company's financial reports. His office shall expire at the same time as that of the Board of Directors that appointed him/her, unless annulment for good cause, with the consent of the Board of Statutory Auditors.

The manager responsible for preparing the Company's financial reports must be an expert on administration, finances and auditing of companies and satisfy the integrity qualifications required to be a directors. Failing of such qualifications shall determine the termination of the office to be resolved by the Board of Directors within thirty days since the acknowledgement of the defect.

Lastly, the Board may appoint general managers, deputy general managers, managers and deputy managers and attorneys-in-fact to carry out certain operations or categories of operations, establishing their powers and functions. The appointment of managers, deputy managers and attorneys-in-fact to carry out certain operations or categories of operations may also be remitted by the Board to the Managing Directors and the General Managers.

Article 12

The Board shall meet, at the invitation of the Chairman or whoever acts in his/her stead, at the Company's registered office or at any other venue stated in the letter of convocation, whenever he/she deems it appropriate in the best interests of the Company or receives a written request to do so from one of the Managing Directors or one-fifth of the directors in office or at least two standing members of the Board of Statutory Auditors.

The meeting of the Board of Directors can also be convened by the Board of Statutory Auditors, or by a single Statutory auditor, subject to prior notice given to the Chairman of the Board of Directors.

The Chairman shall give advance notice of the matters to be discussed at Board meetings and arrange for adequate information on the questions to be examined to be provided to all the directors, taking account of the circumstances of each case.

Board meetings shall be called by letter, telegram, fax or e-mail, to be sent to each director and standing member of the Board of Statutory Auditors at least five days prior (or in urgent cases, with at least six hours' notice) to the date scheduled for the meeting.

Even when a Board meeting is not formally called, resolutions of the Board of Directors shall nevertheless be valid if adopted in the presence of all the Board members in office and all the standing members of the Board of Statutory Auditors.

Board meetings - and meetings of the Executive Committee, if established - may, if the Chairman or whoever acts in his/her stead verifies the necessity, be attended by means of telecommunications systems that permit all attendees to participate in the discussion and obtain information on an equal basis.

Meetings of the Board of Directors, and of the Executive Committee, if established, shall be considered held at the place in which the Chairman and the Secretary must be simultaneously located.

Resolutions of the Board of Directors shall only be valid if adopted in the presence of the majority of Board members and by majority vote. In the event of a tied vote, the Chairman shall hold the casting vote.

Resolutions of the Board of Directors, including those adopted at meetings held via telecommunications, must be recorded in a specific minutes book and signed by the Chairman and the Secretary of the meeting. Any copies of and extracts from minutes that have not been drawn up by a notary public shall be certified as true copies by the Chairman.

Article 13

The legal representation of the Company vis-à-vis third parties and in court proceedings shall pertain severally to the Chairman of the Board of Directors and, within the limits of the powers granted to them by the Board of Directors, to the Deputy Chairmen and the Managing Directors, if appointed.

Each of the aforementioned shall in any event be vested with all powers to bring legal actions and file petitions before any judicial authority and at all levels of jurisdiction, including in appeal and Supreme Court proceedings, to file statements and charges in criminal cases, to sue on behalf of the Company in criminal proceedings, to bring legal proceedings and file petitions before all administrative jurisdictions, to intervene and protect the Company's interests in any proceedings and claims concerning the Company and to grant the mandates and powers of attorney ad lites required for such purpose.

The Board of Directors and, within the limits of the powers granted to them by said Board, the Chairman of the Board and, if appointed, the Deputy Chairmen and the Managing Directors, shall be authorised to grant the power to represent the Company vis-à-vis third parties and in court proceedings to managers and staff in general and, when necessary, to third parties.

Article 14

In addition to the reimbursement of all expenses sustained by reason of their office, members of the Board of Directors shall be entitled to an annual emolument established by the shareholders' meeting.

The remuneration of directors vested with special office shall be established by the Board of Directors after obtaining the opinion of the Board of Statutory Auditors.

Article 15

If, due to resignations or for any other reason, more than half of the seats on the Board become vacant, the entire Board of Directors shall be deemed to have resigned and cease to hold office with effect as of the time of its reconstitution.

Board of statutory auditors

Article 16

The Board of Statutory Auditors shall be composed of three standing and two alternate auditors, who must be in possession of the requisites established under applicable laws and regulations; to this end, it shall be borne in mind that the fields and sectors of business closely connected with those of the Company are those stated in the Company's purpose, with particular reference to companies or corporations operating in the financial, industrial, banking, insurance and real estate sectors and in the services field in general.

The ordinary shareholders' meeting shall elect the Board of Statutory Auditors and determine its remuneration. The minority shareholders shall be entitled to appoint one standing auditor and one alternate auditor.

The Board of Statutory Auditors shall be appointed in compliance with applicable laws and regulations and with the exception of the provisions of the third-to-last paragraph of this article 16, on the basis of slates presented by the shareholders in which candidates are listed by consecutive number.

Each slate shall contain a number of candidates which does not exceed the number of members to be appointed.

Shareholders who, alone or together with other shareholders, represent at least 2 percent of the shares with voting rights in the ordinary shareholders' meeting or the minor percentage, accord-

ing to the regulations issued by Commissione Nazionale per le Società e la Borsa for the submission of slates for the appointment of the Board of Directors shall be entitled to submit slates.

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

The slates of candidates, which must be undersigned by the parties submitting them, shall be filed in the Company's registered office and be available to anyone on request, at least fifteen days prior to the date set for the shareholders' meeting to be held on first call except for those cases in which the law and/or the regulation provide an extension of the deadline.

Without limitation to any further documentation required by applicable rules, including any regulatory provisions, a personal and professional curriculum, mentioning also the offices held in management and supervisory bodies of other companies, of the individuals standing for election must be enclosed with the slates together with statements in which the individual candidates agree to:

- their nomination;
- attest, under their own liability, that there are no grounds for their ineligibility or incompatibility, and that they meet the requisites prescribed by law, by these By-laws and by regulation for the position.

Any changes that occur up to the date of the Shareholders' meeting must be promptly notified to the Company.

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

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

The slates shall be divided into two sections: one for candidates for the position of standing auditor and one for candidates for the position of alternate auditor. The first candidate listed in each section must be selected from among the persons enrolled in the Register of Auditors who have worked on statutory audits for a period of no less than three years.

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

The Board of Statutory Auditors shall be elected as specified below:

- a)** two standing members and one alternate member shall be chosen from the slate which obtains the highest number of votes (known as the majority slate), in the consecutive order in which they are listed thereon;
- b)** the remaining standing member and the other alternate member shall be chosen from the slate which obtains the highest number of votes cast by the shareholders after the first slate (known as the minority slate), in the consecutive order in which they are listed thereon; if several slates obtain the same number of votes, a new vote between said slates will be cast by all the shareholders attending the meeting, and the candidates on the slate which obtains the simple majority of the votes will be elected.

The chair of the Board of Statutory Auditors shall pertain to the standing member listed as the first candidate on the minority slate.

The position of a standing auditor which falls vacant due to his/her death, forfeiture or resignation shall be filled by the alternate auditor chosen from the same slate as the former. In the event of the replacement of the Chairman of the Board of Statutory Auditors, the chair shall pertain to the candidate listed in the same slate of the former Chairman, following the order contained in the list; if it proves impossible to effect substitutions and replacements under the foregoing procedures, a shareholders' meeting shall be called to complete the Board of Statutory Auditors which shall adopt resolutions by relative majority vote.

When the shareholders' meeting is required, pursuant to the provisions of the foregoing paragraph or to the law, to appoint the standing and/or alternate members needed to complete the Board of Statutory Auditors, it shall proceed as follows: if auditors elected from the majority slate have to be replaced, the appointment shall be made by relative majority vote without slate constraints; if, however, auditors elected from the minority slate have to be replaced, the shareholders' meeting shall replace them by relative majority vote, selecting them where possible from amongst the candidates listed on the slate on which the auditor to be replaced appeared and in any event in accordance with the principle of necessary representation of minorities to which this By Laws ensure the right to take part to the appointment of the Board of Statutory Auditors.

The principle of necessary representation of minorities shall be considered complied with in the event of the appointment of Statutory Auditors nominated before in the minority slate or in different slates other than the one which obtained the highest number of votes in the context of the appointment of the Board of Statutory Auditors.

In case only one slate has been presented, the shareholders' meeting shall vote on it; if the slate obtains the relative majority, the candidates listed in the respective section shall be appointed to the office of standing auditors and alternate auditors; the candidate listed at the first place in the slate shall be appointed as Chairman of the Board of Statutory Auditors.

When appointing auditors who, for whatsoever reason, were not appointed under the procedures established herein, the shareholders' meeting shall vote on the basis of the majorities required by law. Outgoing members of the Board of Statutory Auditors may be re-elected to office.

Meetings of the Board of Statutory Auditors may, if the Chairman or whoever acts in his/her stead verifies the necessity, be attended by means of telecommunications systems that permit all attendees to participate in the discussion and obtain information on an equal basis.

Financial statements - Allocation of profits

Article 17

The company's financial year shall close on December 31 of each year.

Article 18

Following the mandatory allocations to statutory reserves, the Company's net year-end profits shall be distributed as follows:

- a) savings shares shall be awarded a dividend of seven percent of their par value; if a dividend of less than seven percent of par value is awarded to savings shares in a given financial year, the difference shall be computed as an increase to be added to the preference dividend over the subsequent two financial years; any profits remaining following the award of the aforementioned dividend to savings shares shall be distributed amongst all the shares in such a way that savings shares shall receive an aggregate dividend which is higher, compared to the dividend awarded to ordinary shares, by an amount corresponding to two percent of their par value;
- b) without prejudice to the foregoing provisions regarding the aggregate higher dividends awarded to savings shares, ordinary shares shall be awarded a dividend corresponding to a maximum of five percent of their par value.

The remaining profits shall be distributed amongst all the shares, in addition to the allocations contemplated in the foregoing points a) and b), unless the shareholders' meeting, on the proposal of the Board of Directors, resolves to make special allocations to extraordinary reserves or for other uses, or decides to carry some of such profits forward to the next year.

Should reserves be distributed, savings shares shall be awarded the same rights as other shares. Interim dividends may be distributed in compliance with the law.

General provisions

Article 19

Insofar as their relations with the Company are concerned, the domicile of the shareholders is understood, for all legal purposes, to be that reported in the Shareholders' Register.

Article 20

All matters not specifically regulated in these By-laws shall be governed by the applicable provisions of the law.



ANNEX B - Main offices held by Director in other companies different of which of the Pirelli Group

Marco Tronchetti Provera	Marco Tronchetti Provera S.a.p.A.	Member of the Board of Managing
	Camfin S.p.A.	Chairman
	Gruppo Partecipazioni industriali S.p.A.	Chairman
	Mediobanca S.p.A.	Deputy Chairman
	F.C. Internazionale Milano S.p.A.	Director
Alberto Pirelli	Camfin S.p.A.	Director
	Gruppo Partecipazioni industriali S.p.A.	Deputy Chairman
	KME S.p.A.	Director
Carlo Alessandro Puri Negri	Camfin S.p.A.	Deputy Chairman
	Gruppo Partecipazioni industriali S.p.A.	Deputy Chairman
	AON Italia S.p.A.	Director
	Artemide Group S.p.A.	Director
	Eurostazioni S.p.A.	Director
	Fratelli Puri Negri S.p.A.	Chairman
Carlo Acutis	Vittoria Assicurazioni S.p.A.	Deputy Chairman
	Banca Passadore S.p.A.	Deputy Chairman
	Ergo Italia S.p.A.	Director
	Scor S.A.	Director
	IFI S.p.A.	Director
	Yura International B.V.	Director
Carlo Angelici	SACE BT S.p.A.	Director
Cristiano Antonelli		
Gilberto Benetton	Edizione S.r.l.	Chairman
	Atlantia S.p.A.	Director
	Autogrill S.p.A.	Chairman
	Benetton Group S.p.A.	Director
	Mediobanca S.p.A.	Director
	Allianz S.p.A.	Director
Alberto Bombassei	Brembo S.p.A.	Chairman
	Italcementi S.p.A.	Director
	Atlantia S.p.A.	Director
	Ciccoella S.p.A.	Director
	Nuovo Trasporto Viaggiatori S.p.A.	Director
	River S.p.A.	Chairman
Franco Bruni	Pioneer Global Asset Management S.p.A.	Director
	Unicredit Audit S.p.A.	Director
Luigi Campiglio	Allianz Bank Financial Advisor	Director
Enrico Tommaso Cucchiani	Allianz SE	Member of the Management Board
	Allianz S.p.A.	Chairman
	Unicredit S.p.A.	Director
	ACIF Allianz Compagnia Italiana	
	Finanziamenti S.p.A.	Chairman
	Lloyd Adriatico Holding S.p.A.	Director
	Illy Caffè S.p.A.	Director
Berardino Libonati	Unidroit-Institut International pour l'Unification du Droit Privè	Chairman

	Telecom Italia S.p.A.	Director
	Telecom Italia Media S.p.A.	Chairman
	RCS MediaGroup S.p.A.	Director
	Unicredit S.p.A.	Deputy Chairman
	ESI S.p.A. – Edizioni Scientifiche Italiane	Director
Giulia Maria Ligresti	Fondazione Fon-SAI	Chairman
	Premafin Finanziaria S.p.A.	Chairman and CEO
	Fondiarria SAI S.p.A.	Deputy Chairman
	Gilli S.r.l.	Chairman
	SAI HOLDING S.p.A.	CEO
	SAIFIN S.p.A.	Chairman
Massimo Moratti	F.C. Internazionale Milano S.p.A.	Chairman
	SARINT S.A.	Chairman
	SARAS S.p.A. Raffinerie Sarde	CEO
	GUT Edizioni S.p.A.	Director
	Angelo Moratti di Gian Marco Moratti e Massimo Moratti & C. S.a.p.A.	Chairman
Renato Pagliaro	Mediobanca S.p.A.	General Manager
	SelmaBPM Leasing S.p.A.	Director
	Cofactor S.p.A.	Director
	Telecom Italia S.p.A.	Director
	RCS MediaGroup S.p.A.	Director
	Burgo Group S.p.A.	Director
Umberto Paolucci	Microsoft Italia S.r.l.	Chairman
	Geox S.p.A.	Director
	Datalogic S.p.A.	Director
	Aeffe S.p.A.	Director
	Coesia S.p.A.	Director
Giovanni Perissinotto	Assicurazioni Generali S.p.A.	CEO
	IntesaSanpaolo S.p.A.	Member of the Management Board
	Banca Generali S.p.A.	Chairman
	Alleanza Assicurazioni S.p.A.	Director
	Ina Assitalia S.p.A.	Director
	Toro Assicurazioni S.p.A.	Director
Giampiero Pesenti	Italcementi S.p.A.	Chairman
	Italmobiliare S.p.A.	Chairman
	Fincomid A.G.	Deputy Chairman
	Franco Tosi S.r.l.	Chairman
	Allianz S.p.A.	Director
	Mittel S.p.A.	Director
Luigi Roth	Terna S.p.A.	Chairman
	Ente Autonomo Fiera Internazionale di Milano	Chairman
	Avenire Nuova Editoriale S.p.A.	Director
	Banca Popolare di Roma S.p.A.	Director
Carlo Secchi	Allianz S.p.A.	Director
	Italcementi S.p.A.	Director
	Mediaset S.p.A.	Director
	Parmalat S.p.A.	Director
	La Centrale Finanziaria Generale	Director
	TEM Tangenziali Esterne Milano	Director

1. *Type and objective of the agreement*

The purpose of the Pirelli & C. shareholders agreement is to ensure a stable shareholder base and a uniform strategy in the management of the company.

2. *Parties to the shareholders agreement and Pirelli & C. shares transferred to the agreement:*

	Number of ordinary shares granted	% of all shares granted	% of the total n. of ordinary shares issued
Camfin S.p.A.	1,063,360,850	43.97	20.32
Mediobanca S.p.A.	241,144,264	9.97	4.61
Edizione S.r.l.	241,135,003	9.97	4.61
Fondiaria - SAI S.p.A.	231,355,374	9.57	4.42
Allianz S.p.A.	230,749,971	9.54	4.41
Assicurazione Generali S.p.A. (*)	230,749,965	9.54	4.41
Intesa Sanpaolo S.p.A.	84,519,252	3.49	1.62
Massimo Moratti (**)	62,407,310	2.58	1.19
Sinpar S.p.A.	33,168,521	1.37	0.63
Total	2,418,590,510	100	46.22

LEGEND

* Including n. 57,400,000 shares through Generali Vie S.A. and n. 82,779,265 shares through Ina Assitalia S.p.A.

** Including 37,420,339 shares through CMC S.p.A. and n. 13,435,544 shares fiduciary owned by Istifid S.p.A.

3. *The party, if any, which, through the agreement, can exercise control over the company*

There is no party which, through the agreement, can exercise control over Pirelli & C.

4. *Restrictions on the sale of the shares transferred and on the subscription and the purchase of new shares*

The sale of the shares to third parties (and option rights in the event of a capital increase) is prohibited. Shares can be sold freely and pre-emptively to subsidiaries, according to article 2359, paragraph 1, point 1 of the Italian Civil Code, and to the parent companies as well as other participants to the shareholders agreement.

Each participant may buy or sell additional shares for an amount not in excess of the higher of 20% of the shares already transferred by the participant itself and 2% of the ordinary share capital issued; purchases of greater amounts are permitted only with the intent of reaching a holding equal to 5% of the ordinary share capital issued, on condition that the amount in excess of the above limits came under the shareholders agreement.

CAMFIN S.p.A. is authorized to freely purchase additional Pirelli & C. shares; it can transfer shares to the shareholders agreement, but to the extent that, at any one time, the shares do not exceed 49.99% of total shares transferred by all the participants in the shareholders agreement. This has been decided so that a stable predominate position is not assumed in the shareholders agreement or a stable veto power is not exercised over common decisions. Except where the Pirelli & C. ordinary shares in the shareholders agreement correspond to the majority of the voting rights in the ordinary shareholders' meetings, each participant (also through parent companies and/or subsidiaries) intending to purchase shares of that category shall inform the President in writing beforehand and the President shall inform the participant if, taking into account the laws in force concerning tender offers, the participant can proceed, in whole or in part, with the proposed purchase, buy or sell the shares.

5. *Availability of the shares*

The shares transferred shall remain at disposal of the participants in the shareholders agreement.

6. *Bodies governing the agreement, composition, meetings and powers*

The Body governing the agreement is the Shareholders Agreement Executive Committee. The Shareholders Agreement Executive Committee shall consist of a president and vice-president, in the form of the president and the longest serving vice-president of Pirelli & C., and by a member representing each participant unless a participant has deposited more than 10% of ordinary share capital, in which case another member may be designated: for this purpose, in the event the shareholders agreement is composed of several companies related by a controlling relationship or belonging to the same parent company, their aggregate shall be considered for this purpose as one sole participant in the shareholders agreement. The Shareholders Agreement Executive Committee shall be convened to evaluate the proposals to be submitted to the shareholders' meetings, for the possible earlier termination of the agreement and for the admission of new participants. The Shareholders Agreement Executive Committee shall also meet at least twice a year to examine the semiannual performance, the annual results, the general guidelines for the company's development, the investment policy and proposed significant divestitures and more in general, all the relevant matters of discussion by both the ordinary and extraordinary sessions of the shareholders' meetings.

7. *Matters covered by the Agreement*

Those contemplated in points 4 and 6 above.

8. *Majorities needed to reach decisions regarding the issues governed by the Agreement*

The Shareholders Agreement Executive Committee approves its resolutions with the favourable vote of the majority of the shares transferred; the Shareholders Agreement Executive Committee can designate a trusted person to represent the shares in the shareholders agreement at the shareholders' meetings in order to vote according to its instructions. Whenever the decisions of the Shareholders Agreement Executive Committee are not voted unanimously, the dissenting participant shall have the right to freely vote at the shareholders' meeting.

9. *Term, renewal and cancellation of the agreement*

The agreement shall be valid until April 15, 2010 and shall be tacitly renewed for a period of three years except for withdrawal, which can be exercised between December 15 and January 15 prior to the expiration date. In case of withdrawal, the shares transferred by the withdrawing party shall be automatically offered pro quota to the other participants. The agreement shall remain in force, whenever it is possible, at every expiration date, to renew the agreement for a percentage of Pirelli & C.'s subscribed ordinary share capital of not less than 33%.

10. *Penalties for breach of the commitments contained in the agreement*

They are not envisaged by the agreement.

11. *Registration of the agreement at the Company Registry*

The agreement is registered at the office of the Milan Companies Registry.

Milan, 1 January 2009

ANNEX D - General Criteria set by the Board of Directors regarding the maximum number of offices considered compatible with an effective performance of a directors' duties

As a principle, it is not considered compatible with the role of Director of the Company to hold the office of director or statutory auditor in more than five companies, different from those subject to the direction and coordination of Pirelli & C. S.p.A. or that are affiliates of or are controlled by Pirelli & C. S.p.A., as far as it concerns (i) listed companies included in the S&P/MIB index (or in an equivalent foreign index), or (ii) in financial companies operating towards the public (registered in the registry set forth under article 107 of d.lgs. 1° September 1993, n. 385), or (iii) banks and insurance companies; no more than three executive offices may be held by the same director in the companies described under (i), (ii) and (iii) above.

The offices held in more companies belonging to the same group are considered as unique office with prevalence of the executive office over the non executive one.

The Board of Directors has the faculty to make a different evaluation, which will be made public and properly motivated in the annual report on Corporate Governance.

ANNEX E - General Criteria for the identification of the most important: strategic, economic, or financial capital transactions

Without prejudice to the responsibilities and powers reserved to the Board of Directors by the law, the bylaws, the overall powers and the internal procedures, it pertains to the Board's the prior approval of the following acts and no intragroup transactions when performed by Pirelli & C. S.p.A. (hereinafter also "Pirelli & C.") or even by foreign companies not listed and subject to the management and coordination of Pirelli & C.:

- a) the taking or granting of any loan or loans having an aggregate value in excess of euros 200 million and a duration in excess of 12 months;
- b) the issuing of any financial instruments intended to be listed in regulated European or extra-European markets (and their delisting) which have an aggregate value in excess of euros 100 million;
- c) the granting of any guarantees in favour of or on behalf of any third parties for an amount in excess of euros 100 million;
- d) the signing of derivatives contracts which (i) have a notional value in excess of euros 250 million and (ii) do not have as their exclusive purpose or effect the covering of risks assumed by the Company (such as, for example, covering interest rates, exchange rates or raw material costs);
- e) the acquisition or sale of controlling stakes in third parties for values in excess of euros 150 million that would allow the entry into (or the exit from) geographic and/or commodities markets;
- f) the acquisition or sale of any participations other than those mentioned in paragraph (e) above for amounts in excess of euros 250 million;
- g) the acquisition or sale of any companies or divisions having either a strategic significance or a value in excess of euros 150 million;
- h) the acquisition or sale of any assets or other activities that either have a strategic significance or an aggregate value in excess of euros 150 million.

Are subject to prior approval even those transactions which, although individually below the quantitative thresholds specified, are linked within the same strategic or executive program, and therefore, as a whole, exceed the relevant thresholds.

1. Introduction

- 1.1 – The completeness of the available information to directors is essential for the proper fulfilment of their duties and responsibilities regarding the management, the direction and the monitoring of the business activities of Pirelli & C. S.p.A. (henceforth “Pirelli” or “the Company”) and of the Group.
- 1.2 – Similar appropriate information is due to the Board of Statutory Auditors.
- 1.3 – In compliance with the legal and the bylaws’ provisions, non-executive Directors and Auditors are therefore the receivers of a permanent information flows from the Executive Directors, who are coordinated by the Chairman of the Board of Directors who, if necessary, can refer to the Secretary to the Board of Directors of the Company.
- 1.4 – The purpose of the current procedure is to regulate the above-mentioned information flows in order to:
 - guarantee the transparency of the management of the Company;
 - ensure good conditions for efficacious and effective actions of direction and monitoring of the Company activities and management by the Board of Directors;
 - supply the Board of Statutory Auditors with the requisite tools for an efficient fulfilment of its role.

2. Terms and procedures

- 2.1 – The information flows to Directors and Auditors is preferably provided with written documents, specifically:
 - notes, memoranda, presentations and reports drawn up by Company offices or consultants, including those prepared for Board of Directors meetings;
 - other documents, published and un-published, available to the Company;
 - documents of accounting period of the Company that are intended for publication;
 - quarterly financial reports including external information, drawn up according to specific guidelines.
- 2.2 – The above-mentioned documentation is timeless transmitted to non-executive Directors and Auditors and, in any case:
 - with a sufficient frequency in order to ensure that legal and bylaws data provisions are respected,
 - according to coherent deadlines with the scheduling of the single Board of Directors meeting.
- 2.3 – The information reproduced according to the procedures above are integrated (or, if necessary, omitted for reasons of privacy) with the comments made orally by the Chairman, the Executive Directors or by members of the management of the Group during Board of Directors meetings or specific informal meetings, open to Directors’ or Auditors’ participation, and organized in order to go into topics about the management of the Company.
- 2.4 – The transmission of documents and any other material to Directors and Auditors is coordinated by the Secretary to the Board of Directors of the Company, in agreement with the manager in charge of the preparation of the accounting documents of the Company, as per his competence.
- 2.5 – In any case, Directors and Auditors are the receivers of the information published by Pirelli as provided by legal provisions regarding Company reports (such as press releases and reports) and investment solicitation (reports that are denominated, anyhow).

3. Contents

- 3.1 – The information flow to Directors and Auditors - besides matters intended for the examination and/or the approval of the Board of Directors of the Company according to the law and the bylaws of the Company - includes:

- the general results of operations and their foreseeable development;
- the completed activity, with specific reference to transactions involving significant economic, financial and equity income, to transactions with related parties and to atypical or unusual transactions;
- the instructions given during the execution of direction and coordination activities;
- any further activities, transactions or events that are deemed appropriate to bring to the attention of Directors and Auditors.

4. General results and development of operations

- 4.1 – The corporate activities of the Group are the focus of background information about management.
- 4.2 – Information are considered in a strategic perspective of planning and direction, as well as in terms of the attainment of results and in comparison with industrial and budget forecasts.
- 4.3 – General results and development of operations are regularly examined by the Board of Directors of the Company when they approve the accounting period reports. The attained results are compared:
 - with historic figures (opportunistically reconstructed using pro forma figures in order to obtain homogeneous comparisons with previous periods);
 - with budget objectives, indicating the causes of possible variances, also in order to evaluate the effects of these variances on strategic or anticipatory objectives and/or on forecasts regarding following periods;
 - with the general trend of the sector and peers, in order to benchmark.

5. Business activity

- 5.1 – General information about the completed business activity concern executive businesses and developments of operations already decided by the Board of Directors, as well as activities performed by Executive Directors - also through units and subsidiaries of the Company - in the exercise of their duties.
- 5.2 – General information about the business activities are completed with a specific report of details regarding:
 - transactions involving significant economic, financial and equity income;
 - operations with related parties;
 - atypical or unusual transactions.

6. Significant transactions

- 6.1 – In the present procedure, the following - besides operations reserved to the Board of Directors according to the art. 2381 of the Italian Civil Code and the bylaws of the Company - are considered transactions involving significant economic, financial and equity income when Pirelli or subsidiaries carry out:
 - the issues of financial tools for a total value higher than 100 million euros;
 - the granting of personal and collateral securities in the interest of subsidiary companies (and in the interest of Pirelli regarding collateral securities) against bonds having a unit value higher than 25 million euros;
 - the granting of loans or securities in favour or in the interest of third parties for amounts higher than 10 million euros;
 - the granting of loans in favour of subsidiary companies and the investment or disinvestment transactions, also real estate transactions, transactions for the purchase and the assignment of share, of company and company branches, of assets and other activity, for amounts higher than 100 million euros;

- merger and division transactions, when at least one of the parties is a listed company or when subsidiary companies are involved if at least one of the parameters indicated below, in case of application, come out equal or higher than 15% of:
 - the total assets of the merged company or of the activities submitted to division/the total assets of the Company (figures taken from the consolidated balance sheet, if reported);
 - the pre-tax results and the extraordinary parts of the merged company, or of the activities to be divided/the pre-tax results and extraordinary parts of the Company (figures taken from consolidated balance sheet, if reported);
 - the total equity capital of the merged company, or of the company branch submitted to division/the total equity capital of the Company (figures taken from consolidated balance sheet, if reported).
- 6.2 – Informative report on transactions involving significant economic, financial and equity income shall highlight the strategic aims, the budget and the industrial plan coherence, the executive procedures (including economic terms and conditions for their fulfilment), the business developments as well as the possible changes and implications for the activities of the Pirelli Group.
- 6.3 – Informative reports shall also be made for transactions that, even if they are individually smaller than the above-mentioned threshold value, are associated within the same strategic plan or executive programme and therefore, considered altogether, exceed the threshold value.

7. Operations with related parties

- 7.1 – The following definitions must be made regarding the current procedure relating to “related parties”; these are defined according to international accounting standards concerning financial statements for transactions with related parties, adopted in accordance with art. 6 of EC Regulation n. 1606/2002 as indicated in the “Data collection procedure”.
- 7.2 – The Company adopted this apposite procedure in order to ensure that the principle of fairness was respected in substance and form for all transactions made, directly or through subsidiaries, with related parties with Pirelli.
- 7.3 – Besides the transactions with related parties subject to the board approval according to the above-mentioned procedure (atypical, unusual or non-standard transactions), transactions with related infra-Group parties (i.e. companies owned by Pirelli or by the company that owns Pirelli) must be similarly reported to Directors and Auditors if they involve amounts higher than 50 million euros, and those with associated non infra-Group parties if they involve amounts higher than 500.000 euros. For each of these transactions, the following points must be indicated:
 - object and amount;
 - the date of targeting of the contract(s) below or those linked anyway with the transactions;
 - the identities of the counterparties (specifying the nature of their relationship with Pirelli).
- 7.4 – As to every quarter of statement, an overall figure of the transactions concluded with the individual parties related to Pirelli must be supplied, separating the transactions directly carried out with Pirelli and the transactions achieved by subsidiary companies.

8. Atypical or unusual transactions

- 8.1 – Transactions that form part of the ordinary business of the Company are considered typical, i.e. essential to the production and the dealing cycle of the Company. On the contrary, transactions are considered usual when intended for the fulfilment of ordinary requirements, i.e. requirements that normally belong to the business of the Company.
- 8.2 – In any case, transactions may be called neither typical nor usual when they actually present particular elements of criticality due to their specific characteristics and/or to their intrinsic risks, to the nature of the counterparty or to the time of their fulfilment.
- 8.3 – Information about atypical or unusual transactions highlight the interest below and illustrate the executive procedures (including the economic terms and conditions of their fulfilment), with specific reference to the estimative procedures followed.

9. Direction and coordination activities

- 9.1 – Information about the execution of direction and coordination activities illustrate:
- the strategic aims, with specific reference to the entrepreneurial interest justifying them and the results that are followed;
 - the executive procedures (including the economic terms and conditions of their fulfilment), with specific reference to the estimative procedures followed;
 - the possible changes and implications on the execution of the company, also with reference to the budget and the industrial plan.
- 9.2 – Further updating on the affected transactions shall be supplied in order to estimate overall results of the direction and the coordination activities.

Data collection procedure

In order to allow an adequate information flow to non-executive Directors and to the Board of Statutory Auditors, information must be obtained by the Chairman and CEOs according to the procedure listed below.

1. Information about business activities, about transactions involving significant economic, financial and equity income, about infra-group transactions and atypical or unusual transactions.

Pirelli General Managers and the Heads of Business units/Central Functions/Business Operations that report directly to the Chairman and the CEOs (the so-called “Front Line”) through the General Manager and Chief Operating Officer transmit, on a quarterly basis, to the Chairman and the CEOs, with an apposite note, the activities that the competent structure carried out in the period, highlighting specifically the transactions involving significant economic, financial and equity income; the infra-Group transactions higher than 50 million euros; non-standard, atypical or unusual transactions; the executive businesses and developments of operations already decided by the Board of Directors; as well as the main business activities carried out within the duties attributed to Managing Directors, including the most important launched projects and the most significant undertaken initiatives.

Informative reports shall also be made for transactions that, even if they are individually smaller than the above-mentioned threshold value, are associated within the same strategic plan or executive programme and therefore, considered altogether, exceed the threshold value.

2. Information about operations with related parties different than intra-group transactions.

The purpose of the current procedure are the transactions with related parties carried out by Pirelli or by companies owned by Pirelli, with parties directly or indirectly related to Pirelli i.e.:

- a) the persons who, directly or indirectly, control Pirelli, also in virtue of shareholder agreement, individually or jointly with other persons included in these agreements;
- b) the persons who, directly or indirectly, exercise a significant influence over Pirelli. This influence is presumed in case of shareholdings equal to or higher than 10% of the authorized capital in the form of ordinary Pirelli shares;
- c) the members of the Board of Directors and Acting Auditors of Pirelli;
- d) the managers with strategic responsibilities in the Company, identified by the Board of Directors of Pirelli, or in its possible subsidiaries (i.e. “key managers”);
- e) close family members of the persons indicated above in letters a) to d), meaning spouses not legally separate and the dependents, as indicated in civic records the children, the children of domestic partner and other dependents of the concerned persons, independently of the family relationship and/or affinity and other relatives that the concerned person considers might influence or be influenced by him/her in their relationship with Pirelli;
- f) an associate of Pirelli;

- g) the companies upon which the persons indicated above in letters a) to e) exert control, directly or indirectly, also in virtue of shareholders agreement, individually or jointly with other persons included in these agreements;
- h) the companies on which the persons indicated above in letters a) to e) exert, directly or indirectly, significant influence, if they are physical persons. This influence is presumed in case of shareholdings equal to or higher than 10% (in the case of listed companies) or 20% (in the case of unlisted companies) of the authorized capital in the form of voting shares at the general meetings;
- i) the joint ventures in which Pirelli participates;
- j) the pension funds for the employees of Pirelli or of related parties;
- k) the Internal Control Committee of Pirelli may consider related party, on a case by case basis:
 - (i) the companies in which the persons indicated above in letters a) to e) hold strategic management roles and the companies controlled by these companies;
 - (ii) the companies that share a majority of their Directors with Pirelli.

With the same regularity as mentioned under point 1 above, General Operations Management collects and transmits to the Chairman and to the CEOs declarations from the persons mentioned under letters a) to d) above pointing out the transactions involving amounts higher than 500.000 euros, or those with lower amounts but non-standard, achieved directly by or through one of the persons indicated in letters g) to k) above, also through third parties, with Pirelli or its subsidiaries, by themselves or, in the case of physical persons, by spouses or dependents, as indicated in civic records.

Amongst these information, must be pointed out transactions that, even if they are individually smaller than the above-mentioned threshold value, are associated within the same relation and therefore, considered altogether, exceed the threshold value.

General Operations Management also collects the declarations whereby the persons in letters a) to d) above:

- (i) list the companies for which they perform the cases in letters g) to j) above, as well as companies in which they hold the role of directors;
- (ii) update this list.

General Operations Management transmits the list to the parties related to Pirelli as specified above to the General Managers and to the Front Line.

The Front Line communicates on a quarterly basis to the Chairman and the CEOs the transactions completed with Pirelli - or companies controlled by Pirelli - also through third parties or indirectly related parties as specified in the list given by the General Operations Management, involving amounts higher than 500,000 euros and, also if involving lower amounts, made under non-standard conditions.

ANNEX G - Rules of conduct for effecting transactions with related parties

1. Transactions with related parties, including intra-group transactions, except for typical or usual transactions concluded at arm's length conditions, must be approved in advance by the Board of Directors.
2. Typical or usual transactions shall be taken to mean those which, by their object or nature, are not extraneous to the normal course of business of the Company and those which do not involve particular critical factors due to their characteristics or to the risks related to the nature of the counterpart or to the time at which they are concluded. Transactions concluded at arm's length conditions means transactions concluded at the same conditions as those applied by the Company to whatsoever party.
3. The Board of Directors shall receive adequate information on the nature of the relationship, the manner of execution of the transaction, the economic and other terms and conditions governing it, the valuation procedure adopted, the underlying interest and motivations, and the possible risks for the Company. Where the relationship is with a Director or with a party related by means of a Director, the Director concerned shall limit himself to providing clarifications and shall leave the meeting of the Board when the decision is to be taken; the Board of Directors may also resolve in a different way.
4. Depending on the nature, value and other characteristics of the transaction, to guard against the transaction's being carried out at unsuitable conditions the Board of Directors shall be assisted by one or more experts, who shall express an opinion, according to the case, on the economic conditions and/or the legitimacy and/or the technical aspects of the transaction.
5. For transactions with related parties, including intra-group transactions, which are not submitted to the Board of Directors inasmuch as they are typical or usual concluded at arm's length, the Directors having delegated powers or the managers responsible for carrying out the transaction, without detriment to compliance with the specific procedure pursuant to Article 150.1 of the Consolidated Law on Financial Intermediation, shall collect and preserve, inter alia by type or group of transaction, adequate information on the nature of the relationship, the manner of execution of the transaction, the economic and other terms and conditions governing it, the valuation procedure adopted, the underlying interest and motivations, and the possible risks for the Company. For such transactions also, one or more experts may be appointed as provided above.
6. The experts are to be chosen from among persons of recognized professional experience and competence in the matters concerned. Their independence and absence of conflicts of interest will be carefully evaluated.

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1. Introduction

- 1.1 – Information - in the sense of news about events, facts, figures or initiatives having a specific significance in relation to an entity's activity - is a strategic component of a company's assets and essential for its success. The appropriate and timely sharing of information is a necessary condition for the effective pursuit of business objectives, and underlies the most important corporate processes.
- 1.2 – Without prejudice to the provisions of applicable law concerning the protection and dissemination of particular categories of information, such as the personal and sensitive data referred to in the Code for the Protection of Personal Data (Legislative Decree 196/2003), the use of information must observe the general principles regarding the efficient exploitation and safeguarding of a company's resources, which can be expressed in the case in question as the "need to know". The use of information for purposes other than the activity of the business is to be considered an abuse and, on a general basis, all those who work to promote the interest of the Pirelli Group (hereinafter the "Group") are subject to confidentiality requirements concerning the information they acquire in or for the performance of their duties.
- 1.3 – However, the law imposes an obligation to disclose information not known to the public concerning a company and its subsidiaries which is of a precise nature and which, if it were made public, would be likely to have a significant effect on the price of that company's financial instruments (inside information). The law also requires informational equality to be restored if inside information is disclosed prematurely to third parties who are not subject to confidentiality requirements under laws, regulations, bylaws or agreements.
- 1.4 – This explains the great delicacy of the stage preceding the "perfection" of inside information in which not only is it necessary to impose a confidentiality regime on inside infor-

mation “in the making,” so as to avoid triggering the immediate disclosure obligation, but above all there is the fact that premature disclosure could be misleading for the market and/or harmful for the business.

- 1.5 – This procedure covers the handling - including the public disclosure - not only of inside information but also of information which could become such; it seeks to reconcile the fluidity of internal information processes with safeguarding information, especially as regards to the give and take between the disclosure of inside information and the need to keep it confidential while it is being perfected. In this respect the procedure ties in with the internal rules of general application concerning the classification and management of information from the standpoint of confidentiality.

2 – Purpose and scope

- 2.1 – This procedure (hereinafter the “Procedure”) establishes:
 - a) the requirements and responsibilities for the classification of inside information;
 - b) the manner of tracing access to inside information in the making, with special regard to the creation of the register referred to in Article 115-bis of Legislative Decree 58/1998 and Article 152-bis of Consob Regulation 11971 of 14 May 1999, as amended;
 - c) the instruments and rules for safeguarding inside information in the making;
 - d) the operational rules for the disclosure of inside information to the market and in general for public announcements and/or communications to analysts/investors.
- 2.2 – The Procedure is an essential component of the Pirelli Group’s system of internal control, also with reference as to what is provided for by Legislative Decree no. 231/2001 and by the Organizational Model 231 adopted by Pirelli & C. (hereinafter “Pirelli”). It directly regulates inside information concerning Pirelli, its unlisted subsidiaries and the Group’s listed securities and serves as a template for the similar measures that the other Group issuers of securities listed on regulated markets are independently required to adopt (including the companies that promote and manage shares of listed real estate investment funds).
- 2.3 – The seriousness of the consequences of failure to correctly apply the Procedure calls for rigorous and continuous checks on compliance and the immediate reporting of cases of inobservance to the Internal Control and Corporate Governance Committee by the person responsible for reporting.

3 – Persons subject to the Procedure

- 3.1 – The Procedure applies to all the members of the governing bodies of Group companies and those of their employees who have access to information that is likely to become inside information. In particular, all the senior managers are required to make a written declaration at the time of their appointment attesting that they have examined the Procedure and are aware of the responsibilities it entails for them.
- 3.2 – The conduct of persons external to the Group who, for any reason whatsoever, have similar access is governed by the rules laid down in the confidentiality agreement referred to below.
- 3.3 – The Procedure also serves as instructions to Pirelli’s subsidiaries to provide, without delay, all the information needed to permit the prompt fulfilment of the public disclosure obligations laid down in applicable laws and regulations and, exclusively as regards listed subsidiaries or subsidiaries with financial instruments listed on controlled Italian markets or that promote and manage shares of listed real estate investment funds, to adopt equivalent measures.

4 – Basis

- The EU Directives on Market Abuse (Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003, Commission Directive 2003/124/EC of 22 December 2003 and Commission Directive 2004/72/EC of 29 April 2004);
- Article 114 et seq. of Legislative Decree 58/1998 (the Consolidated Law on Finance);
- Law 262/2005;
- Consob Regulation 11971 of 14 May 1999, as amended;
- The Code of Ethics of the Pirelli Group and Organizational Model 231 of Pirelli;
- General principles of internal control;
- The Pirelli Group's policy "OP SE G" June 15, 2006 "Treatment of Corporate Information".

5 – Definitions

- "Inside information" - As provided for by law, inside information concerning Pirelli means information of a precise nature which has not been made public relating to the Company or to its subsidiaries and which, if it were made public would be likely to have a significant effect on the prices of securities they have issued. Once inside information has been perfected, there is a general obligation to disclose it immediately to the public in the manner laid down in the Procedure.
- "Market sensitive information" - For the purposes of the Procedure, market sensitive information means information that could become inside information, i.e. inside information in the making. The following are examples of market sensitive information as defined here: operational results or forecasts, commercial offers, projects, contracts, events, including those of an organizational nature, corporate actions and business decisions. Market sensitive information is subject to the confidentiality regime laid down in the Procedure. This does not exclude the possibility of the same information also being classified as confidential under the standard method of classification, governed by the relevant internal rules, in light of the potential harm to which its inappropriate circulation would expose the Group.
- "Informational context" means, with reference to an event, transaction or project, all the information concerning that event, transaction or project, including accessory information and all the relevant preparatory material. Similarly, certain activities and processes that are recurrent or continuous in the operation of the business constitute informational contexts.
- "Register" means the database, created pursuant to applicable law, with the names of the persons who through the exercise of their employment, profession or duties have access to market sensitive information.
- "Market Sensitivity Support Group" means the group providing technical support in determining the market sensitivity of information, made up of persons appointed by the heads of the competent functions within following divisions: Personnel, Industrial Legal Affairs, Corporate Legal Affairs, Administration and Control, Media Relations, Finance, Investor Relations, Human Resources and Organization functions and coordinated by the addressee of the information request as referred to in article 2.6.1 of the Rules of the organized Markets and managed by Borsa Italiana S.p.A. .The Information Officer.of the Company.

6 – Requirements for inside information

- 6.1 – In the first place inside information has to be precise. Accordingly, for information to be considered inside information, it must refer to:
 - an event which has occurred or may reasonably be expected to occur; or
 - a set of circumstances which exists or may reasonably be expected to come into existence;
 - and enable a conclusion to be drawn as to the possible effect of that event or set of circumstances on the prices of the securities of the Company and its subsidiaries.
- 6.2 – Inside information concerns actual and probable events and circumstances. For the purposes of the Procedure, studies, research and estimates developed from publicly available data are excluded.

- 6.3— Inside information must also relate to the Company or its subsidiaries. In this respect inside information can:
- have a “voluntary” origin (such as unilateral business decisions, extraordinary corporate actions and agreements); or
 - derive from the verification of facts, events or circumstances of an objective nature capable of influencing the activity of the business and/or the price of the securities issued (such as periodic financial reports or the resignation of a top manager).
- The extent to which information relates to the Company must be evaluated in terms of the legal imputability to the Company of the decision (inside information of “voluntary” origin) or of the act of verification (inside information of “external” origin).
- 6.4— Inside information of “voluntary” origin is perfected when the fact (transaction, unilateral decision or agreement) to which the information refers is defined in the manner provided for by the applicable principles of corporate governance, laid down in laws and regulations, bylaws or internal rules. In this case the disclosure of inside information follows the adoption of the decision by the body competent for the matter that is the subject of the information (the Board of Directors or a body with delegated powers).
- 6.5— As for agreements, the relevant moment is that of their substantial definition, in terms of content and legal bindingness, rather than that of their formal execution: the inside information is perfected as soon as there is a meeting of the wills of the parties with regard to the essential elements of the contract, with further negotiations not excluded. It remains necessary for the “will” of the Company (or its subsidiaries) to be expressed by a person authorized to commit the Company (or its subsidiaries), so as to ensure that the “will” - and hence the information - can be related to the Company (or its subsidiaries).
- 6.6— In the case of inside information of “external” origin, i.e. information consisting of the verification of facts, events or circumstances of an objective nature, if the fact is instantaneous (e.g. the notification of a sanction or the resignation of a top manager) and not open to interpretation, the time at which it is received by the competent organizational unit is when the information can be related to the Company (or its subsidiaries) and therefore when the inside information is perfected and the disclosure obligation consequently triggered.
- 6.7— More frequently, however, the verification of inside information of “external” origin is a process that unfolds over time and is divided into successive stages, serving at times to obtain figures (as for periodic financial reports) and at others to interpret a set of circumstances (as for a possible profit warning in light of the performance of the business). In such cases the time at which the inside information is perfected is governed by the corporate governance standards - laid down in laws and regulations, bylaws or internal rules - that determine the body competent to conclude the verification process.

7 – Classification of market sensitive information

- 7.1— In the case of inside information of “voluntary” origin, information may be classified as market sensitive by persons authorized to submit the event, transaction or process to the body competent to decide on it. Accordingly,
- in the case of initiatives of a strategic nature and those for which the Board of Directors is competent (e.g. extraordinary financial actions), information is classified as market sensitive by the Chairman of the Board of Directors, who may delegate the task to the Secretary of the Board of Directors, who may consult with the Managing Director and/or the General Directors;
 - in the case of decisions entrusted to bodies with delegated powers (e.g. a commercial agreement or the launch of a new product), the decision on the market sensitive nature of information is taken by the senior manager directly under the managing director.
- 7.2— It is also possible for the classification to be made directly by the body competent to decide (i.e. by the Board of Directors or the bodies with delegated powers).
- 7.3— Once information has been classified as market sensitive, the competent person must activate the procedures to cordon off the relevant informational context, so as to prevent the inappropriate internal and, above all, external circulation of the information.

- 7.4— In the case of inside information of “external” origin - apart from that concerning instantaneous events not open to interpretation, the mere reception of which triggers the disclosure obligation - information becomes market sensitive (and subject to the corresponding confidentiality regime):
- if the informational content is the subject of a process of verification or construction that has already been formalized (e.g. the calculation of data to be included in a financial report), starting from the stage of the process specified by the senior manager responsible for the process. The specification of this critical stage must reconcile the organizational need for elementary data to flow freely with the need to counter the risk of leakage in good time (through suitable instruments and conduct);
 - if the process of interpreting and evaluating the event or circumstance has not already been formalized (e.g. the notification of a sanction), starting from the time the event or circumstance becomes related to the company, with the act of the competent senior manager if and when he considers that the information in question may become inside information.
- 7.5— Before information is classified as market sensitive, it is at a preliminary stage to which the Procedure does not apply. This obviously does not exclude the possibility of the information being classified as confidential under the Group’s policy for the classification and handling of information, which also continues to apply after information has been classified as market sensitive.
- 7.6— In carrying out their evaluations, the persons charged with classifying information as market sensitive may have recourse to the technical support of the Market Sensitivity Support Group, which, for example, may also draw up lists of facts and circumstances that would normally be considered relevant, in light of their nature, characteristics and scale.

8 – The register

- 8.1— The register consists of a computerized system whereby access to the individual market sensitive informational contexts can be traced, so as to permit checks to be made on the data entered and any subsequent updates. Each person entered in the register is charged with ensuring the traceability of the handling of market sensitive information deriving from his sphere of activity and responsibility.
- 8.2— Without prejudice to compliance with the regime laid down in laws and regulations, entries are made in the Register for:
- recurrent and continuous significant activities and processes (e.g. the preparation of financial reports, budgets, and forecasts);
 - specific projects and events (e.g. extraordinary corporate actions, acquisitions and disposals, and significant external events).
- 8.3— Individual names are entered in the Register in connection with each recurrent or continuous process or each project or event (with the possibility of multiple entries in relation to different informational contexts), with an indication of the time the market sensitive information became available and, where appropriate, of the time it ceased to be available (entry to/exit from the relevant informational context).
- 8.4— Responsibility for creating a new informational context and entering the necessary data (with an indication of the role played by each person with access to the information) coincides with the responsibility for classifying the information as market sensitive and is therefore allocated to the persons authorized to perform the classification (the Board of Directors, the Chairman of the Board of Directors, the Secretary of the Board of Directors if authorized by the Chairman, the Managing Director and the senior managers). The person who creates an informational context has primary responsibility for it and accordingly also decides on the reclassification of its content.
- 8.5— At the time a new name is entered in the Register and of subsequent updates to the entry (either by the person primarily responsible for the informational context to which the market sensitive information belongs or by another person authorized to that end), the system automatically generates a message to the interested party, together with a document setting out the obligations, prohibitions and responsibilities connected with access to market sensitive information, including a policy for tracing individual information flows (see the document in Annex A).

8.6— The definition of “roles” and the manner of keeping and updating the Register, the methods of retrieving data and the procedures for managing the database are in detail set out in Annex B.

9 – Confidentiality measures applied to market sensitive information

9.1— The Pirelli Group takes suitable measures to maintain the confidentiality of market sensitive information. In particular, without prejudice to the security measures laid down by the Group’s policy and the other safeguards suggested by experience and, in general, the prudence required to keep the risk of information leakage within reasonable limits, the organisational, physical and logical security measures set out below must be complied with.

9.2— It is understood that the above-mentioned measures also apply:

- to inside information that has already been perfected but for which a delay in disclosure has been duly requested, until the information is actually disclosed;
- subsequent to disclosure, to all the relevant preparatory material, without prejudice to the possibility of its reclassification by the person with primary responsibility for the informational context to which it belongs.

Organisational security

9.3— The distribution of market sensitive information according to the guiding principle of the need to know is entrusted to the senior managers in Pirelli’s official organization chart, who are required to inform recipients of the importance of the information transmitted and to make the necessary entries in the Register without delay.

9.4— In the case of recurrent and continuous activities and processes, the identification of the persons authorized to have access to market sensitive information is a key aspect of the operational procedures governing such activities and processes. The Human Resources and Organization Function is responsible for updating the Register in line with developments in the internal organization.

9.5— In order to access market sensitive information, persons external to the Group must first sign a confidentiality agreement. It will be the responsibility of the employee that in accordance to his specific role should verify in advance and ensure the successful signing of the confidentiality agreement. The template for this agreement, elements of which may be omitted only with the express authorization of the Chairman of the Board of Directors, the Secretary of the Board if authorized by the Chairman, or a Managing Director, is set out in Annex C.

Physical security

9.6— The activity of producing material (including, but not limited to, the printing and photocopying of documents) containing market sensitive information must be overseen by personnel entered in the Register. The subsequent retention, distribution and management of such material are the responsibility of the persons possessing it, within the limits of such possession according to their entitlement in the Register. Each person is responsible for ensuring the traceability of the operations involved in the management of the material he has been entrusted with.

9.7— Material must be labelled “market sensitive” to permit the nature of the information contained to be recognized; to this end, the names of any files, regardless of their extension, must include the code of the informational context to which they belong.

9.8— Material containing market sensitive information must be kept in rooms with controlled physical access or placed in guarded or protected archives when no longer required and must never be left unguarded, especially when taken off the work premises.

9.9— The destruction of material containing market sensitive information must be undertaken by the persons possessing it, in the most suitable way to prevent the improper recovery of the data.

Logical security

- 9.10 — When market sensitive information is processed, transmitted or stored in electronic form, it must be (encrypted) treated as to ensure the confidentiality.
- 9.11 — The entry of data in the Register for a given informational context automatically results in corresponding entries being made in the database of authorizations to access the corresponding files, with the user profiles of the “roles” defined in the register, individually or by category.

10 - Disclosure of inside information to the market - general rules

- 10.1 — In the case of inside information of “voluntary” origin (i.e. inside information that is the subject of a process of verification), the person entitled to classify the informational context as market sensitive (i.e. the senior manager charged with the verification process) is responsible for promptly activating the preparation of the press release to be issued when the inside information is perfected.
- 10.2 — To this end, such person handles communications with the Media Relations Function (External Communication) and coordinates all the persons entered in the Register for the informational context in question who possess information that the Media Relations Function needs to prepare a draft press release. The Market Sensitivity Support Group checks the draft from the point of view of the congruence of the economic and financial data, its ability to meet the needs of investors and the financial community, its consistency with information already disclosed by the Company in financial reports or earlier press releases, and its compliance with applicable laws and regulations.
- 10.3 — The Information Officer decides whether to make ex ante checks with supervisory authorities (Borsa Italiana, Consob, etc.), where appropriate also with a view to submitting a duly formulated request to delay disclosure.
- 10.4 — The Media Relations Function then submits the draft press release resulting from the process described above for approval by top management (the Board of Directors as a whole if the Board is responsible for perfecting the inside information), incorporates any comments or changes and receives the competent director’s authorization to make the disclosure. The Media Relations Function - after verifying the presence of the declaration by the Director and the manager responsible for preparing the Company’s financial reports and corporate reports attesting the truthfulness of the press release if it contains information on the economic, equity, or financial conditions of the Group - issues the press release in accordance with applicable laws and regulations and immediately informs the Investor Relations Function and the Information Officer, so that they can perform the activities for which they are competent, as well as top management.
- 10.5 — After public disclosure, the Media Relations Function posts the press release without delay (and in any case before the market opens on the day following that on which it was issued) on the Company’s website, with an indication of the date and time of the posting.
- 10.6 — In the case of inside information consisting of an instantaneous objective fact which is merely received, the process described above - mutatis mutandis - must be initiated by the member of the internal organization authorized to perform the necessary verification.

11 - Disclosure of inside information to the market - special cases

Rumours and requests by the Authorities

- 11.1 — When:
- there is a significant variation in the price of listed financial instruments with respect to the last price of the previous day, coupled with the disclosure to the public, not in accordance with this Procedure, of information concerning the Company’s or its subsidiaries’ equity, economic, or financial conditions, possible extraordinary financial actions, significant acquisitions or disposals, or operating performance;

- with the markets closed or in the pre-opening phase, there is publicly available information which was not disclosed in accordance with this Procedure and which is likely to have a significant effect on the price of the Company's or its subsidiaries' financial instruments, or
 - a report is received from Borsa Italiana or Consob concerning the spread of market rumours, the Information Officer, with the assistance of the Market Sensitivity Support Group and the heads of the corporate functions involved, examines the situation to determine whether it is necessary and/or desirable to inform the public regarding the truthfulness of the publicly available information, supplementing and correcting it if need be, in order to restore conditions of informational equality and fairness, and, where appropriate, whether it is necessary to submit a duly formulated request to delay disclosure.
- 11.2 — Similarly, the Information Officer, with the assistance of the Market Sensitivity Support Group and the heads of the corporate functions involved, examines the situation to determine whether it is necessary and/or desirable to make a public disclosure (and, as above, to determine whether it is necessary to submit a duly formulated request to delay disclosure) if Borsa Italiana or Consob request information or a public disclosure, even in the absence of rumours.
- 11.3 — If public disclosure is found to be necessary or desirable, the Information Officer initiates the process of drafting an appropriate press release, in the manner described above.

Profit warnings

- 11.4 — In the case of earlier announcements of targets (including in the form of trend changes) and/or forecasts for the Company and/or its subsidiaries, the Investor Relations Function, together with the other Functions involved, are responsible for monitoring the consistency of the operating performance with what was announced and for monitoring the consensus of the market, so as to issue a profit warning in the event of a significant and lasting divergence between market expectations and the Company's own projections.
- 11.5 — If a press release is necessary, it is prepared by the Administration and Control Function in the manner described above.

12 - Relations with third parties

- 12.1 — The Company has structures charged with handling relations with the media and with the Italian and international financial community.

Relations with the financial community

- 12.2 — Relations with the financial community are handled by the Investor Relations Function.
- 12.3 — On the occasion of meetings with the financial community (road shows, conference calls, conventions, etc.), the Investor Relations Function gives advance notice of the place, date and purpose of the meeting to the Market Sensitivity Support Group for its assessment of the aspects for which it is competent. It also provides draft versions of any documents that are to be presented/distributed to participants. Copies of the final versions of such documents must be sent to the Information Officer, so that any disclosures necessary may be made before the material is presented/distributed in the meeting.
- 12.4 — If the preliminary examination of the material finds it contains inside information, a suitable press release is prepared and issued at the initiative of the Information Officer. An analogous procedure is followed if inside information is unintentionally disclosed in a meeting.

Relations with the media

- 12.5 — The Media Relations Function (External Communication) is responsible for relations with the press.
- 12.6 — Interviews and statements concerning the Company, and meetings with reporters, may be given or made by the Chairman of the Board of Directors, the Managing Director after consulting with the Chairman, and other persons authorized by the Chairman,

acting on a proposal from the Media Relations Function or otherwise. This Function clears the content of interviews and press conferences with the interested parties and keeps the Market Sensitivity Support Group constantly informed where appropriate so that it may assess the aspects for which it is competent.

- 12.7 — If the preliminary examination of the material finds that it contains inside information, a suitable press release is prepared and issued in the manner described above at the initiative of the Information Officer. An analogous Procedure is followed if inside information is unintentionally disclosed in an interview or at a press conference.

Conferences, meetings, courses and conventions

- 12.8 — When managers participate in conferences, meetings, courses and conventions, the organizational unit involved gives advance notice of the place, date and purpose of the meeting to the Media Relations Function - if the participation of the press is likely at such events – and to the Human Resources and Organization Function. It also provides the name of the Company representative(s) participating and draft versions of any documents that are to be presented/distributed to participants.
- 12.9 — Subsequent to a cursory preliminary examination, the Media Relations Function (and/or the Human Resources and Organization Function) and where appropriate initiates a check on the content of the material with the Market Sensitivity Support Group. If it is found to contain inside information, a suitable press release is prepared and issued in the manner described above at the initiative of the Information Officer.

13 - Publications

- 13.1 — The content of any document published by the Company (such as advertisements, advertising brochures, information booklets, company magazines, etc.) must be first checked by the External Communication, assisted by the Market Sensitivity Support Group, to ensure that the information is correct and consistent with the content of earlier publications and that it does not include inside information.
- 13.2 — If inside information is found during the above-mentioned check of the content of a document, a suitable press release is prepared and issued at the initiative of the Information Officer.
- 13.3 — Economic and financial information, corporate documents, presentations to the financial community and other documents concerning Pirelli are posted on the Company's website. Such posting, to be authorized by the heads of the competent Functions, may not take place until the Company has fulfilled the disclosure obligations imposed by applicable laws and regulations. For such purpose, the heads of the competent Functions sent such material to the Information Officer so that he may fulfil the obligations imposed by applicable laws and regulations.

ANNEX A

Notices to be sent to persons entered in the register

Pursuant to Article 115-bis of the Consolidated Law on Finance (Legislative Decree 58/1998, as amended, hereinafter the “CLF”), Pirelli & C S.p.A. has created a register of persons with access to information that is likely to become inside information as defined in Article 114 of the CLF (the “Information” and the “Register”).

Accordingly, this is to inform you, pursuant to Article 152-quinquies of Consob Regulation 11971/1999, as amended, that

[N.B.: depending on the reason for the notice being sent, it is necessary to insert one of the following texts]

- your name [or your company or professional association] has been entered in the Register as having access on a regular basis to Information in connection with the following recurrent activity: **[N.B.: notice of entry in connection with a recurrent activity]**
- your name [or your company or your professional association] has been entered in the Register as having access on an occasional basis to Information in connection with the following project or event: **[N.B.: notice of entry in connection with a project or event]**
- your entry in the Register has been updated to indicate that you no longer have access to Information in connection with the following project or event: **[N.B.: notice to be sent at the end of a project or event]**
- your [or your company’s or your professional association’s] entry in the Register has been updated to indicate that you [or your company or your professional association] no longer have [has] access to Information in connection with the following recurrent activity: **[N.B.: notice to be sent at the end of a person’s entry as having access to Information “on a regular basis” in connection with a recurrent activity]**

To this end we inform you that, pursuant to Article 181 of the CLF, inside information means information of a precise nature which has not been made public relating, directly or indirectly, to Pirelli & C. S.p.A. (the “Company”), its securities or one of its subsidiaries and which, if it were made public would be likely to have a significant effect on the prices of the Company’s securities. Pursuant to Article 114 of the CLF, the Company must disclose inside information concerning the Company or its subsidiaries without delay to the public; it may delay the disclosure of such information, under its own responsibility, only in the cases and under the conditions established by Consob, provided that the Company is able to ensure the confidentiality of the information.

If Information is divulged to a third party who is not subject to a confidentiality requirement, the Company must disclose it in full to the public, simultaneously when it is divulged intentionally and without delay when it is divulged unintentionally.

It is therefore essential that persons entered in the Register observe the confidentiality requirements applying to Information to which they have access.

It should be noted, moreover, that each person entered in the Register is required to ensure the traceability of actions involving Information and its confidentiality within his sphere of activity and responsibility, from the time when, by any means (i.e. in correspondence, meetings, etc.), he comes into possession of Information in connection with the recurrent activity or the project or event to which the relevant entry refers.

If a person entered in the Register, intentionally or unintentionally, divulges Information to persons not possessing it (even if entered in the Register for other reasons), he must immediately inform the officer responsible for the Register.

It should also be remembered that Title I-bis of the CLF provides for sanctions in the event of insider trading and market manipulation. In particular, Articles 184 and 187-bis provide respectively for penal and administrative sanctions to be imposed on any person who, possessing

inside information by virtue of his membership of the administrative, management or supervisory bodies of an issuer, his holding in the capital of an issuer or the exercise of his employment, profession, duties, including public duties, or position:

- a) buys, sells or carries out other transactions involving, directly or indirectly, for his own account or for the account of a third party, financial instruments using such information;
- b) discloses such information to others outside the normal exercise of his employment, profession, duties or position;
- c) recommends or induces others, on the basis of such information, to carry out any of the transactions referred to in subparagraph a).

Penal sanctions, imposed by the courts, consist of imprisonment for between two and twelve years and a fine of between twenty thousand and three million euros; administrative sanctions, imposed by Consob with a reasoned decision, consist of a fine of between one hundred thousand and fifteen million euros.

The amounts of the pecuniary administrative sanctions referred to above may be increased up to three times or up to the larger amount of ten times the product of the offence or the profit therefrom when, in view of the personal situation of the guilty party, the magnitude of the product of the offence or the profit therefrom or the effects produced on the market, they appear inadequate even if the maximum amount is applied.

Without prejudice to the possibility of the Company seeking compensation for any losses and/or liability it may incur as a consequence of conduct in violation of the obligations referred to in this notice, it should be recognized that non-compliance may also result: (i) for employees, in the imposition of the disciplinary measures provided for by law and labour contracts; (ii) for external collaborators, in the termination, with or without notice, of the relationship; and (iii) for directors and members of the board of auditors, in the board of directors proposing their disqualification for good cause at the next shareholders' meeting.

The personal data necessary for entries in and updates of the register will be treated in accordance with Legislative Decree 196/2003 (the "Privacy Code").

Please examine the extract from the legislation referred to in this notice and the fact sheet issued pursuant to Article 13 of the Privacy Code by clicking on this Internet link: www.pirelli.com.

For any information or clarification you may need concerning this document and its application, please contact: inforegistro@pirelli.com.

(The officer responsible for the Register)

Keeping the register; criteria for data management and retrieval

Design of the Register

Whereas:

- Article 115-bis of Legislative Decree 58/1998, as amended (hereinafter the “CLF”) provides for the creation of a register of persons who have access - on a regular or an occasional basis - to inside information “in the exercise of their employment, profession or duties”;
 - Article 152-bis of Consob Regulation on issuers, as most recently amended by Resolution no. 15232 of 29 November 2005 (the “Regulation”), specifies the information to be entered in the Register, with reference exclusively to the persons entered therein;
- the Register of Pirelli & C. S.p.A. (hereinafter, “Pirelli & C.” or the “Company”) is organized on subjective basis it is designed to hold data on natural and legal persons, entities and professional associations. For each person, the Register contains the nature of the relationship with the issuer in virtue of which he possesses information that may become inside information as defined in Article 114 of the CLF (“market sensitive information”). Persons are entered in the Register in accordance with their “Roles” under the relationship, of which there are potentially a great many, including:
- a) members of the administrative, management and supervisory bodies of the Company or Group companies;
 - b) employees of the Company or Group companies, in relation to the specific position held;
 - c) advisors, external auditors;
 - d) shareholders who provide direction and coordination, if any.

When specifying the profile of each Role, on the basis of the encryption program used by the Company, authorizations are issued to access the files related to the individual informational contexts for which the entry in the Register is being made.

Without prejudice to the above, entries may be made:

- on a regular basis, for recurrent and continuous activities and processes, such as the preparation of financial reports, budgets and forecasts and meetings of the governing bodies (“Recurrent Activities”);
- on an occasional basis, for specific projects and events, such as extraordinary corporate actions, acquisitions and disposals, and notifications of sanctions (“Projects/Events”).

Some persons will be entered in the Register only for individual Projects/Events in connection with which they possess market sensitive information, with an indication of the date the initial entry is made in the Register and of that on which the person ceases to have access to the information, which coincide, respectively, with the time at which the person becomes involved in the Project/Event and the end of the period during which the Project/Event is associated with market sensitive information (e.g. with the issue of the press release with the price-sensitive information concerning the decision to go ahead with or abandon a transaction) or the earlier time at which, for any reason, the person ceases to have access to the market sensitive information. Other persons may be entered, for Recurrent Activities as well as for specific Projects/Events, as persons authorized to access - according to their functions in the Company or its subsidiaries - market sensitive information. The functions are described in the Register, with special reference to the normal calendars for the related flows of information, so as to circumscribe the “habitual” access of the persons with an interest in them. Such persons are first entered in the Register when they take up the function and their entries are updated, as described below, when they cease to hold the position or the function changes. As mentioned above, such persons may also be entered in connection with specific Projects/Events.

Keeping the Register

A) Projects/Events

At the start of a Project/Event which is an expression of the Company's will (i.e. which is of "voluntary" origin) the person charged with classifying the related information as market sensitive and with entering the possessors of such information in the Register (the "Registering Officer") is the person with responsibility for submitting it to the competent body for a decision on the Project/Event. Accordingly:

- if the decision is to be made by Pirelli & C.'s Board of Directors (e.g. in the case of extraordinary financial operations), the Registering Officer is the Chairman of the Board, who may delegate the task to the Secretary of the Board, who may consult with the Managing Director;
- if the decision is entrusted to a Pirelli & C. body with delegated powers (e.g. in the case of a commercial agreement), the Registering Officer is the senior manager. Entries may also be made in the Register for employees and members of the governing bodies of Pirelli & C.'s subsidiaries, which will not normally keep a register of their own. Any subsidiaries with securities listed on Italian regulated markets are an exception in this respect, since they are required to keep a register of their own under Article 115-bis of the CLF; these companies will therefore be entered in the Register as legal persons in accordance with Article 152-bis (2) (a) of the Regulation.

If instead a Project/Event is the consequence of the verification of facts or circumstances of an objective nature (i.e. of "external" origin), the Registering Officer is the senior manager under the Pirelli & C. managing director to whose sphere of activity the Project/Event is related who receives the information if the Project/Event is instantaneous and not subject to verification or the one who is responsible for the process of verification, if such process exists.

The persons indicated above will also be responsible for the subsequent reclassification of market sensitive information and consequently for the entry in the Register of the end or suspension of the Project/Event.

B) Recurrent Activities

At present the activities considered to be Recurrent Activities and as such to be entered in the Register are as follows:

- the preparation of periodic financial reports;
- the preparation of forecasts and the establishment of quantitative objectives;
- the preparation and holding of meetings of the governing bodies of the Company and its subsidiaries;
- the drafting of press releases pursuant to Article 114.1 of the CLF;
- relations with investors, analysts, and the media.

The analysis of the individual Recurrent Activities to identify the stage at which they must be entered in the Register is carried out by the Human Resources and Organisation Function with the assistance of the senior manager under the managing director competent for the activity in question. The Human Resources and Organisation Function is charged with the task of making and updating the entries in the Register, inter alia in line with developments in the internal Organisation.

The officer responsible for the Register, as defined below, may decide to add other Recurrent Activities, possibly acting on a proposal from the Human Resources and Organisation Function.

Officer responsible for the Register

The officer responsible for the Register is the Secretary of Pirelli & C.'s Board of Directors, who, in addition to the duties specified in other parts of this document

- performs the general supervision of the keeping of the Register and may access all the information it contains, with the right to retrieve data in any of the ways permitted by the system;
- handles relations with the judicial and supervisory authorities in the event of requests regarding the data contained in the Register;

- coordinates the Registering Officers and the settlement of any questions that may arise in the operation of the Register.

Data management and retrieval

The Register is electronic and can be accessed, with appropriate security systems, via the Internet and the Company's Intranet. Access is restricted to the officer responsible for the Register and to the Registering Officers. As mentioned above, the officer responsible for the Register can consult all of its content and carry out all the data entry and retrieval operations permitted by the system. By contrast, the Registering Officers are only authorized to call up, in addition to the data concerning Recurrent Activities, those which they entered themselves.

Natural persons are entered in the Register with their names, date and place of birth, residence or elected domicile, and e-mail address. For legal persons, entities and professional associations, their ID data are supplemented by the ID data of a natural person appointed to act as contact person.

For each entry in the Register (and therefore for each Project/Event and each Recurrent Activity), the system holds an indication of the person's "role" and date of entry, the date at which the person ceases to have access to the relevant market sensitive information, and the date of each update. Pursuant to applicable law, all these data are retained for at least five years from the time when the circumstances that gave rise to the entry or subsequent updates cease to exist.

In the case of Projects/Events the officer responsible for the Register receives, electronically and at the intervals he establishes, a report showing all the positions open (i.e. without a date corresponding to their termination or suspension), so as to be able to make the appropriate checks on their status.

The data contained in the Register can be searched using the following parameters:

- first name and family name;
- individual Projects/Events and Recurrent Activities;
- category of information (i.e. all the Projects/Events or all the Recurrent Activities);
- status (open, closed) of the Project/Event or Recurrent Activity.

The output generated can be displayed on screen, printed and downloaded.

In view of the necessity of informing persons of their entry in the Register, of subsequent updates of the data concerning them, of the obligations deriving from the possession of inside information and of the sanctions applicable in the event of violations, the application automatically e-mails employees the notifications required by law. For other types of registered persons, the system notifies the officer responsible for the Register and/or the Registering Officer who made the entries of the need to make the required notifications without delay.

ANNEX C

[on letter head of consultant or counterparty]

.....

STRICTLY PRIVATE AND CONFIDENTIAL

Pirelli & C. S.p.A.
Via G. Negri 10
20123 Milan
Italy
To the attention of:

Re: confidentiality agreement related to:

.....
.....
..... (“**Transaction**”)

Dear Sirs,

Reference is made to our conversations regarding the Transaction and to your request that we assume certain confidentiality obligations, also on behalf of the Relevant Persons (as defined hereinafter).

We acknowledge that, as a consequence of our involvement with the Transaction, you may make available to us data and information, in written, electronic or oral form, relating to:

- (a) the Transaction, including its existence;
- (b) Pirelli & C. S.p.A. (the “**Company**”) and/or its controlled companies and/or companies on which the Company exercises, directly or indirectly, a significant influence, and
- (c) the persons that own, directly or indirectly, a stake in the share capital of the Company

(such data and information is collectively referred to as the “**Confidential Information**”)¹.

We hereby undertake to maintain the Confidential Information strictly private and confidential and not to disclose or disseminate the Confidential Information, without the prior written consent of the Company, to persons other than the following:

- (i) directors, managers or employees of [either] our company [or our affiliates (for the purposes hereof affiliates means the controlling companies or the companies controlled, also indirectly, by us and/or under common control, jointly the “**Affiliates**”)]²,
- (ii) legal counsels or other advisers or assistants or of either our company or the affiliates appointed with your prior written consent,
- (iii) partners, associates, advisers, employees or assistants of the undersigned firm and/or professional association³ which are directly involved in the Transaction and need to know the Confidential Information.

Furthermore, we undertake to use the Confidential Information only for the purposes of the Transaction and not to use any Confidential Information in a way that may be prejudicial to the Company, its affiliates or other persons that own, directly or indirectly, a stake in the share capital of the Company.

We represent that we have in place a system of security measures fully adequate to protect the Confidential Information in accordance with the provisions of this Agreement.

¹ Delete any paragraph which is not applicable and or insert any further paragraph if appropriate.

² Insert reference to Affiliates if appropriate.

³ Delete any paragraph which is not applicable and or insert any further paragraph if appropriate ,e.g. “(●) counterparties to the Transaction”; “(●) legal counsels or other advisers or consultants of the Company”.

We further undertake to inform preliminarily and appropriately each of the persons mentioned in paragraphs (i) to (iii) above (collectively referred to as the “**Relevant Persons**”)⁴ of the confidentiality obligations under the Italian Legislative Decree no. 58 dated 24th February, 1998, as subsequently amended, and implemented by the relevant rules and regulations (the “**Decree**”), and to ensure that each of the Relevant Persons agrees and complies with the terms and conditions of this agreement as if they were a party to it. We agree that we shall be liable for any breach of this agreement by us and, pursuant to Article 1381 of the Italian Civil Code, by any of the Relevant Persons.

The information disclosed to the Relevant Persons shall not be deemed to be Confidential Information if such Confidential Information: (x) is in, or becomes part of, in the public domain other than as a result of an unauthorized communication or disclosure by us or any of the Relevant Persons; or (y) is, or becomes, available to us [or our Affiliates] by a third party which is not in breach of any duty of confidentiality (known to us) owed to the Company or other company within its group; (z) have been independently elaborated by us [or our Affiliates] without any kind of reliance or use, of any kind, of the Confidential Information.

Notwithstanding the foregoing, each of the persons subject to the confidentiality obligations set forth herein shall not be bound to fulfil any obligations hereunder in the event that the disclosure or communication of any part of the Confidential Information is required by law, regulation or order to which no opposition can be made. In such circumstances, we shall promptly notify you in writing and shall consult with you on the opportunity to take appropriate actions in order to obtain a waiver and/or communications is required, we undertake to cooperate with you, also in the event it appears necessary or appropriate to delay the timing of the disclosure and/or communication pursuant to Article 114, paragraph 3, of the Decree in order to obtain a protective order or undertakings required or advisable so as to ensure a private and confidential treatment for specific parts of the Confidential Information.

We hereby undertake to comply with the provisions of the applicable privacy laws and regulations. We further undertake to comply with the provisions set forth in the Decree, also taking into account that any of the Confidential Information may, pursuant to the Decree, become market sensitive information. In particular, we hereby represent:

- (i) to acknowledge any duties arising out the Decree; and
- (ii) to be aware of the sanctions set forth in the Decree also in the event of abuse of market sensitive information or market manipulation.

We further represent to be aware that you may deem it necessary to enter our names in the registry you keep pursuant to the provisions of the Decree, which records the list of persons having access to confidential information. Therefore, we undertake to provide you in writing with the names of the Relevant Persons having access to the Confidential Information and of those who will access your offices.

Furthermore, we acknowledge that the breach of the confidentiality obligations contemplated by this agreement could cause serious and unrecoverable damages to the Company, to its Affiliates and to its direct or indirect shareholders, as well as to their respective directors. Consequently, and without prejudice to any other legal remedies, including orders and injunctions, if a breach of the obligations hereunder by us or any of the Relevant Persons is ascertained and, in any event, upon enforcement of administrative or criminal sanctions pursuant to the Decree against us or any of the Relevant Persons, the Company:

- (a) may terminate the agreements or contracts executed with us⁵ and still in force, if any, and
 - (b) for a period of at least three years, will not enter into further agreements or contracts with us⁶.
- The period mentioned in letter (b) above shall run, respectively, from either the date on which the breach is ascertained or the date on which the Company becomes aware of the enforcement of the abovementioned sanctions.

⁴ Delete any paragraph from (i) to (iii) which is not applicable and or insert reference to any further paragraph which has been inserted, if appropriate.

⁵ Insert “and or our Affiliates” if appropriate.

⁶ Insert “and or our Affiliates” if appropriate.

[We acknowledge that all Confidential Information is, and will remain, the property of the Company and or its Affiliates. Upon request of the Company, all documentation containing Confidential Information, and all copies or excerpts thereof, shall be immediately returned to you and all and all electronic records of the Confidential Information shall be deleted or destroyed; we will give you written confirmation of such deletion or destruction as soon as it has occurred.

Without prejudice to any obligation under this agreement, we may keep a copy of the Confidential Information for recording purposes if expressly required by mandatory provisions of law, provided that we give you prior written communication.]⁷

All obligations under this agreement become effective from the date hereof and shall terminate upon the third (3rd) anniversary of the completion of the Transaction or its definitive interruption.

This agreement shall be governed by, and construed in accordance with, the laws of Italy.

We hereby agree that any dispute arising out in connection with the construction or implementation of this agreement shall be submitted to the exclusive jurisdiction of the Courts of Milan.

Yours faithfully,

Consultant/Counterparty

.....

By:.....

Title:.....

⁷ Insert this paragraph if appropriate.

The Board of Directors of Pirelli & C S.p.A. has decided - as part of its self-regulatory system - to require “relevant persons” in the company (including its directors and statutory auditors) to abstain, in certain periods of the year (so-called black-out periods), from carrying out transactions - including through intermediaries - on the shares of the company or related financial instruments.

In particular, The Board of Directors decided that the relevant persons (“**Relevant Persons**”) (within the meaning specified in article 152-sexies, subsection 1, letters c.1 and c.3) of the Consob Regulation adopted in decision no. 11971/1999 and subsequent modifications⁸, as well as those identified - including purely for self-regulatory purposes - by the Board itself, and the physical and legal persons⁹ closely linked to the latter, shall abstain from carrying out transactions on Financial Instruments (as defined below) in the twenty days preceding the release of the economic and financial results of the period (definitive or preliminary)¹⁰.

The Board of Directors has also reserved the right to determine, in an extraordinary way, further periods during which the obligation to abstain described above shall apply or be suspended.

For the purposes of the above provisions, Financial Instruments shall be understood to mean:

- (i) financial instruments listed in the Italian and foreign regulated stock exchange market, issued by Pirelli & C. S.p.A. and its subsidiary companies, excluding non-convertible bonds;
- (ii) financial instruments, even unlisted, attributing the right to subscribe, purchase or sell the instruments at point (i), including certificates representing the instruments at point (i);
- (iii) derivative financial instruments, including *covered warrants*, having as related asset the financial instruments at point (i), including when they are exercised by means of payment of a cash difference. Financial Instruments as defined in point (i) also include shares in real estate investment funds listed, promoted and managed by investment management company subsidiaries of Pirelli & C. Real Estate S.p.A.

⁸ Article 152-sexies subsection 1 letters c.1 to c.3 of the Consob Regulation adopted with decision no. 11971/1999./

* c.1) The members of the administrative and control bodies of a listed company

c.2) The persons who act as directors of a listed company and the managers who regularly access privileged information and have the power to take decisions which may impact on the evolution and future prospects of the listed company

c.3) The members of administration and control bodies, those persons who act as directors of a listed company and the managers who regularly access to privileged information and have the power to take decisions which may impact on the evolution and future prospects of a company directly or indirectly controlled by a listed company, if the book value of the stake in the above mentioned subsidiary company represents more than fifty percent of the equity asset of the listed company, as resulting from the last approved Annual Report.

⁹ This means all those physical and legal persons strictly linked to the Relevant Persons who may be considered to influence or be influenced by the latter (and thus legal persons who, while subsidiary according to the current legal and regulatory provisions, operate in conditions of operational independence, are excepted).

¹⁰ The terms are calculated taking as reference the calendar of the meetings of the board of directors for approval of the reports specified in article 154-ter subsections 1,2 and 5 of the CLF (Consolidated Law on Finance) announced by the Company to the market.

ANNEX J - Regulations for shareholders' meetings

Article 1

- These Regulations shall apply to the Company's ordinary and extraordinary shareholders' meetings.

Article 2

- To ensure the regular conduct of shareholders' meetings, for matters not expressly governed by these Regulations, the Chairman of the meeting (hereinafter the "Chairman") shall adopt the measures and solutions deemed most appropriate, in compliance with the law and the bylaws.

Article 3

- Meetings may be attended, with the right to take part in the discussion and to vote, by persons entitled to do so pursuant to the applicable provisions (hereinafter the "Participants").
- Unless stated otherwise in the notice convening the meeting, personal identification and verification of the right to attend the meeting shall begin at the place where it is to be held at least one hour before the time fixed for it to start. When the Participants have been identified and their right to attend verified, under the supervision of the Chairman, the auxiliary staff provided by the Company shall issue badges that serve for control purposes and to exercise the right to vote.
- The Participants shall be able to follow the discussion, take the floor during the discussion and exercise their right to vote, in the technical manner specified on each occasion by the Chairman.
- Participants who, after being admitted to the meeting, intend for any reason to leave the premises where it is being held, must inform the auxiliary staff.

Article 4

- Directors, senior executive and employees of the Company and of Group companies may attend the meetings, following also the course of actions decided by the Chairman, as may other persons whose presence is deemed useful in relation to the matters to be discussed.
- With the agreement of the Chairman and following the course of action decided by him, the proceedings may be followed by professionals, consultants, experts, financial analysts and suitably qualified journalists, accredited for a single meeting, in areas which could specifically be set aside for that purpose.
- Persons accredited to follow the proceedings must report for identification by the Company's appointees at the entrance of the premises where the meeting is to be held and collect a special badge to be exhibited upon request.

Article 5

- In accordance with the law and the bylaws, it is up to the Chairman to direct the meeting and ensure the best conditions for its orderly and effective conduct.
- The Chairman may authorize the use of audio-visual recording and transmission equipment.

Article 6

- In the conduct of the meeting and in the preparation of the minutes the Chairman shall be assisted by a Secretary, in case a Notary public is not present. The Secretary or the Notary public may in turn arrange to be assisted by persons of their trust.
- For the purposes of conducting the voting procedures, the Chairman shall be assisted by scrutineers; he may use auxiliary staff to provide the necessary technical support and to maintain order.

Article 7

- When the quorum for duly constituting the shareholders' meeting is not reached, after an appropriate period of time the Participants shall be informed of the fact and the discussion of the matters on the agenda shall be understood to be deferred until the next call of the meeting, if any.
- During a meeting the Chairman may, if he deems it desirable and the majority of the capital represented at the meeting does not object, suspend the proceedings for up to three hours.

Article 8

- Opening the proceeding of the meetings, the Chairman shall summarize all the items of the agenda.
- The Chairman can grant to shareholders' who have required to add items to the agenda, according to the By-Laws and to the provisions of law, up to 15 minutes for describing the proposed resolutions to be taken and for explaining the reasons why they are proposed.

Article 9

- The Chairman shall establish the order in which the items on the agenda are to be discussed, which may differ from that indicated in the notice convening the meeting.
- He may provide for several items to be discussed together or for the discussion to proceed item by item.
- The Chairman and, at his invitation, persons attending the meeting pursuant to the Article 4, paragraph 1, shall explain the items on the agenda.

Article 10

- It is up to the Chairman to conduct and moderate the discussion, ensure its correctness and prevent disturbances of the regular course of the meeting.
- The Chairman, taking account of the subject matter and importance of the individual items on the agenda, may establish at the start of the meeting the time - not less than 15 minutes - available to each speaker.
- The Chairman shall call on Participants to comply with the time limits for speaking established in advance and to keep to the matters stated in the agenda. In the event of an overrun and/or an abuse, the Chairman shall interrupt the speaker.

Article 11

- Persons who intend to speak must apply to the Chairman or the Secretary, indicating the subject they will address. Such requests may be submitted until the Chairman closes the discussion on the subject to which they refer.
- Participants may ask to take the floor a second time during the same discussion, for not more than five minutes, exclusively in response to other speakers or to declare how they intend to vote.

Article 12

- The Board of Directors and the Participants may put forward, giving reasons, proposals for alternative or amended resolutions with respect to those originally put forward by the Board of Directors or by the Shareholders who have requested to add items to the agenda in accordance with the By-Laws and with the provisions of law.
- The Chairman shall evaluate the compatibility of such proposals in relation to the agenda of the meeting and to the applicable provisions.

Article 13

- The members of the Board of Directors and the Board of Statutory Auditors may intervene in the discussion; at the invitation of the Chairman, persons attending the meeting pursuant to the Article 4, paragraph 1, may also take the floor, inter alia to respond to requests for clarification.

Article 14

- The Chairman shall take appropriate measures to ensure the orderly conduct of voting and provide for the voting on an item to be held immediately after the close of the discussion thereof or at the end of the discussion of all the items on the agenda.
- The Chairman shall establish how each voting procedure is to be conducted and the procedures for identifying and counting the votes cast and shall be responsible for ascertaining the results.

Article 15

- Upon completion of the counting of the votes with the help of the scrutineers and the Secretary, the results of the voting shall be announced.

