



Pirelli & C. S.p.A.

## HALF YEAR REPORT ON CORPORATE GOVERNANCE

### 1. INTRODUCTION

Pirelli & C. S.p.A. adheres to the Corporate Governance Code of listed companies<sup>1</sup>.

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

### 2. SHAREHOLDERS' MEETING OF 15 JUNE 2021

Pirelli held its annual Ordinary Shareholders' Meeting (the "**Shareholders' Meeting**") on 15 June 2021, resolving on the following subjects:

#### **(i) Appointment of a Board Member**

The Ordinary Shareholders' Meeting held on 15 June 2021, with a favourable vote of approximately 99.25% of share capital represented at the Meeting, at a proposal of the Board of Directors, following termination of the appointment of Angelos Papadimitriou as of 24 March 2021, confirmed the number of members of the Board of Directors as 15 and appointed Giorgio Luca Bruno as a Director.

Together with the remaining Directors, Giorgio Luca Bruno is due to expire with the Shareholders' Meeting convened to approve the financial statements as at 31 December 2022.

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On the date of this report, the Pirelli Board of Directors has 15 Directors, as a majority independent, and specifically: Ning Gaoning (Chairman), Marco Tronchetti Provera (Executive Vice Chairman and CEO), Giorgio Luca Bruno (Deputy-CEO), Yang Xingqiang, Bai Xinping, Tao Haisu (Independent Director), Zhang Haitao, Domenico De Sole (Independent Director), Paola Boromei (Independent Director), Roberto Diacetti (Independent Director), Giovanni Lo Storto (Independent Director), Marisa Pappalardo (Independent Director), Giovanni Tronchetti Provera, Fan Xiaohua (Independent Director) and Wei Yintao (Independent Director).

For the sake of completeness, note that the current composition of the Board of Directors reflects the shareholders' agreements between the main Pirelli shareholders<sup>2</sup>.

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<sup>1</sup> New edition approved in January 2020 by the Corporate Governance Committee and becoming applicable from 1 January 2021, with information to be provided in the Report on Corporate Governance to be published in 2022.

<sup>2</sup> Available for consultation at <https://corporate.pirelli.com/corporate/it-it/governance/patti>

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**(ii) Appointment of the Board of Statutory Auditors for the financial years 2021, 2022 and 2023 and determination of the related remuneration**

On approval of the financial statements as at 31 December 2020, the mandate of the Board of Statutory Auditors, appointed by the Shareholders' Meeting of 15 May 2018 for the 2018-2020 three-year period, expired. Therefore, the Ordinary Shareholders' Meeting of 15 June 2021 ruled on its renewal and appointed five Standing Auditors and three Alternate Auditors for the three-year period 2021-2023 (expiring at the Shareholders' Meeting called to approve the financial statements as at 31 December 2023). Through the slate voting mechanism, the so-called minorities appointed the Chairman of the Board of Statutory Auditors (Riccardo Foglia Taverna) and an Alternate Auditor (Franca Brusco). The remaining four Standing Auditors (Alberto Villani, Teresa Cristiana Naddeo, Antonella Carù and Francesca Meneghel) and two Alternate Auditors (Marco Taglioretti and Maria Sardelli) were drawn from the so-called majority slate. The composition complies with gender balance laws in force.

More specifically, two slates were presented at the Shareholders' Meeting: one by Marco Polo International Italy S.r.l. (controlling shareholder) together with Camfin S.p.A. (which obtained approximately 88.72% of the votes of the capital represented in the Shareholders' Meeting) and the other by a group of asset management companies and institutional investors<sup>3</sup> (which obtained approximately 11.17% of the votes of the capital represented in the Shareholders' Meeting).

The *curricula vitae* presented when the slates were deposited were promptly published on the Company website, where they are continuously available and periodically updated.

The Shareholders' Meeting also established 90 thousand euros as the gross annual remuneration for the Chairman of the Board of Statutory Auditors and 75 thousand euros as the gross annual remuneration for each Standing Auditor.

At their first useful meeting after appointment, the members of the Board of Statutory Auditor ascertained that all the newly-appointed Statutory Auditors held the independence requirements established by the Corporate Governance Code the Company has adhered to, and pursuant to laws in force.

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**(iii) Report on the remuneration policy and the compensation paid: approval of the 2021 remuneration policy and advisory vote on the compensation paid in FY 2020**

In respect of the Report on the remuneration policy and compensation paid (the "Report"), the Shareholders' Meeting was also called (i) with binding resolution in accordance with Art.

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<sup>3</sup> For details on the parties submitting the minority slate, refer to the information given on the Company's website in the section dedicated to Shareholders' Meetings.

123-ter, subsection 3-ter of the TUF to approve Section I of the Report on the remuneration policy for FY 2021 (the “**Policy**”), and (ii) with non-binding resolution in accordance with Art. 123-ter, subsection 6 of the TUF, to resolve in favour or not in favour of Section II of the Report, in relation to the compensation paid in FY 2020.

Note that the definition of the Policy is the result of a clear and transparent process in which the Remuneration Committee and the Company’s Board of Directors play a central role. The Policy, which is submitted for approval by the Shareholders’ Meeting, was prepared based on the previous application experience and taking into account the provisions of the law and regulations adopted by Consob, also in implementation of Directive (EU) 2017/828 (“SHRD II”). Furthermore, the Policy, based on the pay-for-performance principle, is defined so as to align the interests of the management with those of the shareholders, pursuing the priority objective of value creation that is sustainable in the medium to long term, by creating an effective and verifiable link between remuneration, on the one hand, and Pirelli’s performance on the other. Finally, it also envisages compensation granted to non-executive directors in such an amount as to guarantee adequacy in terms of the skills, professionalism and effort required by their appointment.

The Shareholders’ Meeting: (i) approved the Policy (with approximately 87.50% of the votes of the capital represented in the Shareholders’ Meeting); and (ii) resolved in favour, with non-binding resolution, on the compensation paid in FY 2020 (with approximately 89.20% of the votes of the capital represented in the Shareholders’ Meeting).

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**(iv) Three-year monetary incentive plan for the Pirelli group’s management: 2021-2023 LTI Plan and adjustment of the Cumulative Group Net Cash Flow (before dividends) and normalisation of the potential effects on the related Total Shareholder Return, included in the 2020-2022 LTI Plan**

Pursuant to Art. 114-*bis* of the TUF, the Shareholders’ Meeting approved adoption of a 2021-2023 three-year monetary incentive Plan for the Pirelli Group management, in the part also based on the Pirelli share market performance, with approximately 89.08% of the votes of the capital represented at the Shareholders’ Meeting.

Lastly, with reference to the 2020-2022 three/year monetary incentive Plan approved by the Shareholders’ Meeting of 18 June 2020, the Shareholders’ Meeting approved (with approximately 89.04% of capital present) the proposal to adjust the Cumulative Group Net Cash Flow objective (before dividends) and the possibility to normalise potential effects on the TSR objective of the acquisition of Cooper by Goodyear (at the start of 2021), included in the reference panel of that objective.

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### **3. BOARD OF DIRECTORS MEETING OF 15 JUNE 2021**

The Board of Directors' meeting held at the end of the Shareholders' Meeting of 15 June 2021, having checked that the new Director met the requirements needed for the appointment, appointed the new Director, Giorgio Luca Bruno, as Deputy-CEO and member of the Strategies Committee, confirming the organisational structure previously agreed in the meeting held on 31 March 2021, with the obsolescence of the co-CEO General Management. Giorgio Luca Bruno - who cannot be qualified as independent pursuant to Legislative Decree no. 58 of 24 February 1998 ("**TUF**") and the Corporate Governance Code - was qualified by the Board as "executive director".

Note that the Board of Directors held after the Shareholders' Meeting confirmed, for all intents and purposes, Ms Antonella Carù as a member of the Supervisory Body.

In addition, the Board of Directors also approved the new procedure for related-parties transactions - effective from 1 July 2021 - with prior unanimous opinion of the Related-Parties Transactions Committee ("**RPT Committee**"), which resolved with the presence of all its members, following amendments made by Consob to Consob Regulation no. 17221 of 12 March 2010 ("**RPT Regulation**") with resolution no. 21624 of 10 December 2020. The Board of Director's also assigned the functions of the RPT Committee to the Remuneration Committee in relation to related-parties transactions involving the remuneration and treatment of directors and other Key Managers and, in general, matters subject to the Report on Remuneration Policy and Compensation Paid (including any derogations) to the extent and according to the criteria permitted by the RPT Regulation and applicable legislation and regulations, also taking into account the membership of the Remuneration Committee (which may, therefore, exercise these duties for related-parties transactions of lesser significance and related-parties transactions of greater significance where it is composed of unrelated directors who are, respectively, either by majority or exclusively independent directors).

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### **4. INFORMATION ON THE SHARE CAPITAL AND OWNERSHIP STRUCTURES**

The share capital subscribed and paid up on the date of approval of this report was 1,904,374,935.66 euros, represented by 1,000,000,000 registered ordinary shares with no par value.

The shareholder Marco Polo International Italy S.r.l. - in accordance with Art. 93 of Italian Legislative Decree no. 58/1998 - controls the Company with a share of 37.015% of the capital but does not exercise direction and coordination authority over it.



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The extraordinary shareholders' meeting of 24 March 2021 resolved to increase the share capital for cash for payment, in a divisible manner, with exclusion of the option rights pursuant to art. 2441, subsection 5 of the Italian Civil Code, for a total maximum amount, including any premium, of 500,000,000.00 euros, to service the conversion of the "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", to be paid up in one or more tranches by the issue of ordinary shares of the Company with regular dividend entitlement, for a maximum amount of 500,000,000.00 euro, exclusively to service the bond issued by the Company named "EUR 500 million Senior Unsecured Guaranteed Equity-linked Bonds due 2025", in accordance with the criteria determined by the related Regulation, without prejudice to the fact that the final deadline for subscription of the newly issued shares is established as 31 December 2025 and that if, as of that date, the share capital increase has not been fully subscribed it will in any case be intended as increased by an amount equal to the subscriptions collected and as of that date, with the specific authorisation for the directors to issue the new shares as they are subscribed. No parts of shares will be issued or delivered and no cash payment or adjustment will be made in lieu of said parts<sup>4</sup>.

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## 5. SHAREHOLDERS' AGREEMENTS

On 30 June 2021, Camfin S.p.A. ("**Camfin**") and Longmarch S.à r.l. ("**Longmarch**") finalised an investment agreement regarding Longmarch becoming a Camfin shareholder ("**2021 Investment Agreement**").

The 2021 Investment Agreement amends some clauses in the agreement signed by Camfin and Longmarch on 13 May 2020 ("**2020 Investment Agreement**") containing, *inter alia*, some shareholders' agreements related to a potential equity investment, pursuant to Art.119 of the Issuers' Regulation, consisting in a "repurchase agreement" stipulated between Longmarch and ICBC Standard Bank Plc ("**Repurchase Agreement**") regarding the right for Longmarch to repurchase a total number of 76,788,672 of Pirelli shares, corresponding to approximately 7.68% of Pirelli's share capital.

More specifically, the 2021 Investment Agreement establishes that in the first half of October 2021 Longmarch should transfer to Camfin – by signing an increase in capital reserved for it – 40,000,000 Pirelli shares corresponding to 4% of Pirelli's share capital, after buying them as part of the Repurchase Agreement (the "**Transfer**"). Following that Transfer, Longmarch will become the owner of a potential equity investment through the Repurchase Agreement of 36,788,672 Pirelli shares for approximately 3.68% of Pirelli's share capital. For what

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<sup>4</sup> For more details on the Equity-Linked Bond called "EUR 500 million senior unsecured guaranteed equity-linked bonds due 2025", see the Report on the Corporate Governance and Share Ownership included in the 2020 Annual Report and available on the Company website at the address [www.pirelli.com](http://www.pirelli.com) and in the specific website section dedicated to bonds issued by the Company.



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concerns the Pirelli shares involved in the Repurchase Right, the 2021 Repurchase Agreement establishes that the commitments undertaken by Longmarch pursuant to the 2020 Investment Agreement remain in force and, specifically, the prior consultation between Camfin and Longmarch and the Camfin indications regarding voting in Pirelli Shareholders' Meetings.

The updated extract of the aforementioned agreement together with updated extracts of agreements stipulated between certain shareholders, including indirect shareholders, of the Company, which contain shareholder provisions relating, amongst other things, to Pirelli governance, are available in the specific Company website section dedicated to "Shareholders' agreements".

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For more information on the Company's Corporate Governance system, refer to the additional information available from the Pirelli website ([www.pirelli.com](http://www.pirelli.com)), in the Governance and Investor Relation sections and to the annual Report on Corporate Governance and Share Ownership included in the Annual Report.