



# Pirelli & C. S.p.A.

Milan - Viale Piero e Alberto Pirelli, 25

Share Capital 1,904,347,935.66 euros

Milan Companies Register No. 00860340157

Entry no. in R.E.A. Economic, Administrative Index: no. 1055

## Information Document

### Monetary incentive plan for the Pirelli Group's Management (2021-2023 cycle)

Update of 13 April 2022

amendments to par. 1.1, 1.2, 1.3, 1.4, 2.1, 2.2-2.3, 3.1, 3.2, 3.3, 3.5, 3.6, 4.8, 4.23.

Prepared pursuant to the combined provisions of Article 114-*bis* of Legislative Decree 58/1998 and Article 84-*bis*, paragraph 1, of Consob Decision no. 11971 of 14 May 1999 as amended and supplemented.

## INTRODUCTION

This document (the “**Information Document**”) is prepared pursuant to the combined provisions of Article 114-*bis* of Legislative Decree 58/1998 (“**TUF**”) and Article 84- *bis*, paragraph 1, of the Regulation adopted by Consob with Decision no. 11971 of 14 May 1999, as amended and supplemented (“**Issuers’ Regulation**”), as well as on the basis of Scheme no. 7 of Annex 3A of the Issuers’ Regulation, corresponding sections being identically numbered.

The Information Document is available to the public at the registered offices of Pirelli & C. S.p.A. (“**Pirelli & C.**” or “**Company**”) - in Milan, Viale Piero e Alberto Pirelli 25 - on the website of Pirelli & C. ([www.pirelli.com](http://www.pirelli.com)), and on the authorised emarket storage ([www.emarketstorage.com](http://www.emarketstorage.com)) mechanism in accordance with legal requirements, pursuant to applicable laws and regulations.

The object of the Information Document is the Long-Term Incentive Plan for the 2021-2023 cycle for Pirelli Group’s Management (“**2021-2023 LTI Plan** ”), approved by the Board of Directors of Pirelli & C. at its meeting on 31 March 2021 and, pursuant to Article 114-*bis* of the Consolidated Law on Finance, submitted for approval - with regard to the part of the Plan based in part on the market performance of Pirelli shares, as described below - to the Shareholders' Meeting, called for 15 June 2021 (on a single call). Starting from LTI Plan of the three-year cycle 2020-2022, included in the 2020 Remuneration Policy approved by the Shareholders’ Meeting of 18 June 2020 (“**2020 Policy**”), the Company introduced a “rolling” mechanism in relation to the medium-long term incentive plans. In application thereof, on 31 March 2021 the Board of Directors of Pirelli & C. defined the 2021-2023 LTI Plan objectives, in turn linked to achieving the Strategic Plan targets for the 2021-2022/2025 period (“**2021-2022/2025 Strategic Plan**”), with no change to the rest of the incentive plan structure.

The 2021-2023 LTI Plan - according to paragraph 3, article 114-*bis* of the TUF read together with paragraph 2, article 84-*bis* of the Issuers' Regulation - ranks as having “particular importance” in that it regards, among others, the Executive Vice Chairman and Chief Executive Officer of Pirelli & C., the Deputy-CEO (~~once appointed by the Shareholders' Meeting~~<sup>1</sup>), and individuals with strategic responsibility in the undertaking.

---

<sup>1</sup>~~The Board of Directors of 31 March 2021 approved the proposal to invite the Shareholders' Meeting scheduled for 15 June 2021 to appoint Giorgio Luca Bruno as Director of the Board, so as to allow said Board to grant him the role of Deputy CEO.~~

Given that the 2021-2023 LTI Plan is monetary, and therefore makes no provision for granting shares or options on shares or other financial instruments securities, but solely a cash award partly linked to the stock market performance of the ordinary shares of Pirelli & C., having regard to a selected sample of companies operating in the Tyre industry, the Information Document does not include the prescribed information on arrangements for awarding shares or share options or other financial instruments.

The amendments and additions made to the Information Document referred to in this Update (the "Update" or the "Amendments") were approved by the Board of Directors of Pirelli on 17 March 2022, at the proposal of the Remuneration Committee and subject to the favourable opinion of the Board of Statutory Auditors, and included in the Remuneration Policy for the year 2022 (the "2022 Policy") approved on the same date by the Board of Directors in the same manner and submitted to the binding vote of the Shareholders' Meeting of Pirelli & C. called for 18 May 2022 (on a single call) (the "Shareholders' Meeting"). All the Amendments have been approved by the Board of Directors subject to the approval of the same and of the 2022 Policy by the Shareholders' Meeting.

In particular:

- (i) the Amendments referred to in paragraphs 1.1, 1.2, 3.2, 4.8 were made in order to update the 2021-2023 LTI Plan to the appointment, in the meantime, of the Deputy-CEO, who is the beneficiary of the whole cycle of such LTI Plan;
- (ii) the Amendments as per paragraphs 1.3 and 1.4 take into account certain important updates to the Company's ownership and organisational structure and the remuneration system; and
- (iii) the Amendments as per paragraphs 2.1, 2.2-2.3, 3.1, 3.2, 3.3, 3.5, 3.6 and 4.23 were made in order to take into account any negative effects caused by the worsening of the geopolitical and macroeconomic scenario following the worsening of the crisis. Considering such negative effects, an adjustment was approved that allows reduction of the quantification only of the targets of the existing STI and LTI plans (and therefore also of the LTI Plan for the 2021-2023 cycle referred to in this Information Document) to ensure alignment of the Company's objectives with the objectives underlying the Management incentive schemes.

The terms and conditions of the 2021-2023 LTI Plan that are not subject to the

Amendments remain unchanged.

## **DEFINITIONS**

To facilitate the comprehension and reading of the Information Document, a glossary is provided below that lists a number of recurrent terms not previously defined:

**Directors holding specific offices:** the Directors of Pirelli & C. holding the office of Chairman, Executive Vice Chairman and Chief Executive Officer and Deputy-CEO. The Directors holding specific offices in other Group companies, who are also managers, are, for the purpose of the Policy (and, therefore, the 2021-2023 LTI Plan), Executives or Senior Managers, depending on the role held and, unless otherwise resolved by the Board of Directors of Pirelli & C. which classifies them as KM.

**Annual Total Direct Compensation on Target:** the sum of the following components, regardless of whether they are paid by Pirelli & C. or by other Group Companies:

- (i) gross annual base salary of the remuneration;
- (ii) annual variable short-term incentive (STI), if target objectives are achieved;
- (iii) medium-long term variable component consisting of:
  - a. annual value of the long-term incentive (LTI) plan if multi-year target objectives are achieved;
  - b. pro-rata value of the STI accrued and deferred, to be paid if the underlying conditions are met;
  - c. an additional value of an equal or higher amount in respect of the pro-rata of the STI accrued and deferred, to be paid if the underlying conditions are met.

**Remuneration Committee:** the Remuneration Committee of Pirelli & C..

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

**General Manager(s):** the persons chosen by the Pirelli & C. Board of Directors to be assigned extensive powers of business segment management. The subjects holding the office of General Manager in other Group companies are Executives or Senior Managers,

depending on the role held, unless otherwise resolved by the Board of Directors of Pirelli & C. which classifies them as KM.

**KM:** managers, chosen by the Pirelli & C. Board of Directors in accordance with the procedure confirmed and endorsed by the Board resolution passed on 22 June 2020, having the power or responsibility for planning, managing and controlling the Company's activities or the power to make decisions that can impact its evolution or future prospects and, more generally, those of Pirelli & C.. In accordance with the procedure, in any case all employees holding the following positions must be classified as KM: (i) General Manager; (ii) Executive Vice President; (iii) Manager responsible for the preparation of the corporate financial documents; (iv) Company Secretary.

**Executives:** managers of the Italian companies or employees of the Group's foreign companies with a position or role that is comparable to that of an Italian manager.

**Pirelli Group or Pirelli or Group:** all the companies included in the consolidation scope of Pirelli & C.

**Management:** all Directors holding specific offices, General Managers, KM, Senior Managers and Executives.

**2020-2022 LTI Plan:** means the Long-Term Incentive plan relating to the three-year period 2020-2022 supporting achievement of the objectives set by the 2020-2022 Strategic Plan approved by the Board of Directors' meeting of 19 February 2020 and, subsequently, by the Shareholders' Meeting held on 18 June 2020, as subsequently amended by the Board of Directors' meeting of 31 March 2021 (amendment submitted to the Shareholders' Meeting scheduled for 15 June 2021).

**2020-2022 Strategic Plan:** the business plan approved by the Board of Directors of Pirelli & C. on 19 February 2020.

**GABS (gross annual base salary):** the gross annual base salary of remuneration for the employees of a Company of the Group.

**Senior Managers:** means the persons to whom the following shall first report, except where they are KM (i) Directors holding specific offices to whom further specific duties have been attributed; (ii) General Managers, where the work of the Senior Manager significantly impacts business results.

**Company or Pirelli & C.:** Pirelli & C. S.p.A.

**STI:** means the annual variable component of remuneration that can be achieved if the predefined corporate objectives are achieved.

**Top Management:** means all Directors holding specific offices, General Managers and KM.

## 1. BENEFICIARIES OF THE PLAN

**1.1 List of named beneficiaries who are members of the Board of Directors of Pirelli & C., of the parent companies of Pirelli & C. and of the direct or indirect subsidiaries of the latter.**

The 2021-2023 LTI Plan is extended to Top Management – except for the Chairman – and, except in specific cases, to all Executives whose grade, determined with the Korn Ferry method, is equal to or above 20. It is also assigned to those who, during the three-year period of the 2021-2023 LTI Plan join the Group and/or take over, due to internal career progression, the position of Executive. Where this happens, participation is conditional on participating in the 2021-2023 LTI Plan for at least a full financial year and the incentive percentages are adjusted to reflect the number of months of actual participation in the 2021-2023 LTI Plan.

At the date of the Information Document the following took part in the 2021-2023 LTI Plan, among others:

- the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera;
- the Director, Giovanni Tronchetti Provera (in his capacity as Group's Senior Manager);
- ~~in the case of appointment as the~~ Deputy-CEO, Giorgio Luca Bruno, ~~who will~~ participating in the LTI plan ~~for the whole cycle pro-rata-temporis with effect from the~~

~~Date of Taking Office as Deputy-CEO;~~

- the General Manager Operations, Andrea Casaluci;
- together with the KM.

Given that the 2021-2023 LTI Plan extends to Group Executives in general, the plan beneficiaries will also be the Directors of the subsidiary companies of Pirelli & C. (controlled by it either directly or indirectly) who are at the same time Group Executives. It follows, therefore, that said individuals are 2021-2023 LTI Plan beneficiaries because they are part of the Group Management (and not in their capacities as Directors of Group companies or parent companies). Indeed, none of the 2021-2023 LTI Plan beneficiaries are such by virtue of being directors of Group Companies.

With reference to the Board Director of Pirelli & C. Giovanni Tronchetti Provera, note that he is a beneficiary of the 2021-2023 LTI Plan, not as a member of the Board of Directors but as Senior Manager of the Group.

**1.2 Categories of employees or non-employee personnel of Pirelli & C. and of the parent companies or subsidiaries of Pirelli & C.**

As noted above (see section 1.1) the 2021-2023 LTI Plan is open to Group Executives in general and may also be extended to those who join the Group during the 3-year period and/or assume the position of Executive as a result of in-house career development.

Accordingly, in addition to the Executive Vice Chairman and Chief Executive Officer and the Deputy CEO of Pirelli & C. (~~the latter pro rata temporis starting from the Date of Taking Office as Deputy-CEO~~), the 2021-2023 LTI Plan beneficiaries are those personnel who are employees of Pirelli & C. or of its direct or indirect subsidiaries inside or outside Italy, occupying a position the grade of which, determined using the Korn Ferry method, is 20 or more and which are included in one of the following categories:

- employees who are managers of Pirelli & C.;
- employees who are managers of one of the Italian subsidiaries of Pirelli & C.;
- employees of subsidiaries of Pirelli & C. whose registered office is located outside Italy ~~and who held a position or role that is equivalent to that of an Italian manager~~ are recognised as of Executive rank.

The 2021-2023 LTI Plan does not include any Group's consultants.

As of the date of the Information Document, in addition to the Executive Vice Chairman and Chief Executive Officer of the Company Marco Tronchetti Provera, the Director Giovanni

Tronchetti Provera (as Senior Manager), the Deputy-CEO Giorgio Luca Bruno, the General Manager Operations Andrea Casaluci and the KM, 248 employees are beneficiaries of the 2021-2023 LTI Plan due to their position of Executive in the Group, of which 77 due to their managerial employment contract with Pirelli & C. and the remaining 171 due to their role as Executive in one of the Group companies (in Italy or abroad) other than Pirelli & C.<sup>2</sup>.

As of the date of this Update, in addition to the Executive Vice Chairman and Chief Executive Officer of the Company Marco Tronchetti Provera, the Deputy-CEO Giorgio Luca Bruno, the Director Giovanni Tronchetti Provera (as Senior Manager), the General Manager Operations Andrea Casaluci and the KM, 236 employees are participants of the 2021-2023 LTI Plan. Said employees hold the position of Executive in the Group, 75 due to their managerial employment contract with Pirelli & C. and the remaining 161 due to their role as Executive in one of the Group companies (inside or outside Italy) other than Pirelli & C..

**1.3 List of named plan beneficiaries belonging to the following groups:**

**a) General Managers of Pirelli & C.**

The General Manager Operations Andrea Casaluci is a beneficiary of the 2021-2023 LTI Plan.

**b) other Managers with strategic responsibility of Pirelli & C. who during the financial year have received aggregate compensation (the sum of cash compensation and financial instrument-based compensation) that is greater than the highest aggregate compensation assigned to members of the Board of Directors.**

None of the KM of Pirelli & C. received aggregate compensation during the financial year that is greater than the highest aggregate compensation assigned to the members of the Board of Directors and, in particular, than that assigned to the Executive Vice Chairman and Chief Executive Officer of Pirelli & C..

**c) natural persons who control Pirelli & C. that are employees or who work as non-employees of Pirelli & C.**

Not applicable (Pirelli & C. is controlled by China National Chemical Corporation Limited Sinochem Holdings Corporation Ltd).

---

<sup>2</sup>~~In the event of appointment, the Deputy CEO pro rata temporis will also participate in the 2021-2023 LTI Plan, as of the Date of Taking Office as Deputy CEO.~~



**1.4 Description and number, broken down by category:**

**a) of Managers with strategic responsibility other than those indicated under item 1.3(b)**

At the date of adoption of the 2021-2023 LTI Plan, 7 KM of Pirelli & C. participated in the 2021-2023 LTI Plan (in addition to the General Manager Operations, Andrea Casaluci) and, at the date of the Amendments, 6 KM participated in the Plan (in addition to the General Manager Operations, Andrea Casaluci).

**b) in the case of “smaller” companies, pursuant to Article 3(1)(f) of Regulation no. 17221 of 12 March 2010, indication as an aggregate of all Managers with strategic responsibility of the issuer of financial instruments.**

Not applicable.

**c) any other categories of employees or non-employee personnel for whom the plan envisages different characteristics (e.g. managers, middle management, white-collar employees, etc.).**

The incentive scheme under the 2021-2023 LTI Plan is the same for all participants (as described in paragraph 2.2), differing in the percentage of incentive granted. In fact, consistently with the provisions in the 2020-2022 LTI Plan ( and in applying the rolling mechanism) this incentive percentage level increases in relation to the position held and considering the benchmarks applicable to each position in terms of Annual Total Direct Compensation on Target.

## **2. REASONS FOR ADOPTION OF THE PLAN**

### **2.1 Objectives to be achieved through grant of the plans.**

The 2021-2023 LTI Plan was adopted by the Board of Directors on 31 March 2021, with performance objectives related to the objectives of the 2021-2022/25 Strategic Plan approved by the Board of Directors on the same date and in line with best practices for listed companies.

The 2021-2023 LTI Plan is consistent with the Remuneration Policy for financial year 2021, adopted by the Board of Directors of Pirelli & C. on 31 March 2021 and subject to the binding vote of the Shareholders' Meeting (the “**2021 Policy**”). In general, the 2021 Policy aims to attract, motivate and retain resources in possession of the professional qualities required to pursue business objectives. In addition, through the multi-year variable

components assigned, in particular, to the Executive Vice Chairman and Chief Executive Officer, Deputy-CEO, General Managers, KM, Senior Managers and Executives, it aims to achieve long-term interests, contributing to the achievement of strategic objectives and the sustainable success of the company, as well as aligning the interests of Management with those of shareholders.

The targets set in the 2021-2023 LTI Plan represent a performance consistent with the corresponding targets disclosed to the market. In particular, the objectives for obtaining the incentive at “access threshold” level are set as equal to the value disclosed to the market (net of the sustainability objectives).

The 2021-2023 LTI Plan implements the second LTI Plan cycle, based on the “rolling” mechanism already included in the 2020 Policy structured on three-year performance periods (cycles) that start each year, with the definition of performance indicators and related objectives. The “rolling “ mechanism allows performance indicators to be aligned, for each new cycle, with market changes and the company’s strategic objectives which could be revised from year to year.

On 17 March 2022, the Board of Directors – at the proposal of the Remuneration Committee, subject to the favourable opinion of the Board of Statutory Auditors – established the criteria for adjusting the quantification only of the targets envisaged by the incentive plans existing at such date (and therefore by the 2022 STI Plan and by the LTI plans for the 2020-2022, 2021-2023 and 2022-2024 cycles) so as to account for any negative impact caused by a worsening of the relative macroeconomic and geopolitical scene. In particular, the approved criteria allow the quantification of the targets to be reduced less than proportionally (thus inducing Management to take compensatory action) with respect to the negative effects generated by factors arising from the worsening of the crisis, which impact, for example, the trend of sales of products manufactured in the Russian plants, the increase in landed costs in Europe due to production in alternative plants and the replacement of raw material suppliers, and/or the use of alternative raw materials. These adjustment criteria are also included in the 2022 Policy submitted to the binding vote of the Shareholders' Meeting.

**2.2 Key variables, including the performance indicators, used to attribute the financial instrument-based incentive plans.**

**2.3 Underlying elements in determining the amount of financial instrument-based**

***compensation, or the criteria for determining it.***

Management remuneration has three main elements:

- gross annual base salary (GABS);
- STI annual variable component: designed to reward the beneficiary's performance in the short term, motivating Management to achieve the Company's annual objectives; it is set as a percentage of the base salary, with percentages that rise in relation to the role held by the beneficiary and taking into account the reference benchmarks of each role. If the target objectives are achieved this percentage can range from a minimum of 15% for Executives up to a maximum of 125% for the Directors holding specific offices to whom further specific duties have been attributed and is designed to reward, according to the role held, the short-term performances of the Group, Company and/or Business Unit/Region/department to which the person belongs. A maximum limit is applied to the STI obtainable and is set at twice the incentive obtainable at the target level.

To benefit the continuity of results over time, for General Managers, ~~and~~ KM and selected Senior Managers part of the STI accrued, from a minimum of 25% to a maximum of 50%, is deferred, with a view to retention, and disbursed at the end of a three-year period subject to the continuation of employment and together with a corporate matching component which can vary from a minimum of 1 time to a maximum of 1.5 times the amount of the deferred STI. For the rest of Management, on the other hand, the payment of 25% of any accrued STI is deferred to the following year, payment being subject to the accrual of the STI bonus relative to the following year (and therefore its payment is potentially at "risk"), in addition to a possible increase of an equal amount with respect to the value of the accrued and deferred STI, depending on the achievement of the STI objectives, at least at target level. To calculate the Annual Total Direct Compensation on Target, this deferral and mark-up component is classified as a medium-long term variable component.

- medium-long term variable component (LTI): composed of LTI incentive plans linking Management remuneration to the Group's medium-long term performances, and of the aforementioned deferral and mark-up component of the STI.

Also the 2021-2023 LTI Plan is based on cash, excluding any provision for shares or share options and delivers, a medium/long-term incentive is set as a percentage of the gross annual base salary/GABS. Applying the rolling mechanism, the 2021-2023 LTI

Plan confirms the three-year incentive percentages set forth in the 2020-2022 LTI Plan which, as of 2021, are re-proportioned on an annual basis and, if targets are achieved, can go from a 15% minimum for Executives to a 70% maximum for Directors holding specific offices to whom further specific duties have been attributed. A ceiling to the incentive which may be reached is envisaged in the case of reaching all maximum performance objectives, ranging from a minimum of 40% for Executives to a maximum of 200% for Directors holding specific offices to whom further specific duties have been attributed.

In addition, the following types of objective have been set, all independent of each other, and their weights:

- cumulative Group Net Cash Flow (before dividends), with weight of 40% of the total LTI bonus at target level;
- Group Total Shareholder Return (“TSR”) relating to a panel of “peers” (TIER1: Continental, Michelin, Nokian, Goodyear and Bridgestone), with a target weight of 40%;
- two Sustainability indicators: Dow Jones Sustainability World Index ATX Auto Component sector and CDP Ranking, each with a weight of 10% at target level.

For all objectives there is a minimum value (“access threshold”) associated with payment of an incentive of 75% of the incentive achievable at target level.

In reference to each objective, if the minimum value (“access threshold”) set is not achieved, the beneficiary accrues no right to the payment of the related incentive share.

The 2021-2023 LTI Plan objectives that apply equally to the various managerial grades, together with their respective weightings at the target level, are tabulated below.

<b>Objective</b>	<b>Weighting at the target level</b>
Cumulative Group Net Cash Flow (before dividends)	40%
“Relative” TSR with respect to a selected panel of peers	40%
Dow Jones Sustainability World Index ATX Auto Component sector	10%
CDP ranking	10%

Regarding the TSR and cumulative Group Net Cash Flow objectives (before dividends), for intermediate results ranging between the “access threshold” value and the target, or between the target and the maximum value, performance will be calculated by linear interpolation, unlike the Sustainability objectives which will be calculated in just three steps: “access threshold”, target and maximum, without considering intermediate performances. Further information regarding performance levels and thresholds and targets are contained in the Remuneration Report prepared and submitted to the vote of Pirelli & C. Shareholders, pursuant to Article 123-ter, paragraphs 3 and 6 of the TUF.

As regards the TSR objective, the 2021-2023 LTI Plan allows normalisation of the potential effects on the final result of the acquisition of Cooper by Goodyear (a company included in the reference panel for the TSR objective) at the start of 2021.

On 17 March 2022, the Board of Directors – at the proposal of the Remuneration Committee, subject to the favourable opinion of the Board of Statutory Auditors – established the criteria for adjusting the quantification only of the targets envisaged by the incentive plans existing at such date (and therefore by the 2022 STI Plan and by the LTI plans for the 2020-2022, 2021-2023 and 2022-2024 cycles) for the sole purpose of accounting for any negative impact caused by a worsening of the relative macroeconomic and geopolitical scene. In particular, the approved criteria allow the quantification of the targets to be reduced less than proportionally (thus inducing Management to take compensatory action) with respect to the negative effects generated by factors arising from the worsening of the crisis, which impact, for example, the trend of sales of products manufactured in the Russian plants, the increase in landed costs in Europe due to production in alternative plants and the replacement of raw material suppliers, and/or the use of alternative raw materials. These adjustment criteria are also included in the 2022 Policy submitted to the binding vote of the Shareholders' Meeting.

**2.4 Reasons for any decision to grant compensation plans based on financial instruments not issued by Pirelli & C., such as financial instruments issued by subsidiaries or parent companies or by other, non-group, companies; if these financial instruments are not traded on regulated markets, information about the**

***criteria used to determine the value attributable to them.***

Not applicable.

***2.5 Considerations in regard to material tax and accounting implications that affected definition of the plans.***

There are no tax and accounting implications that affected definition of the 2021-2023 LTI Plan.

***2.6 Any support for the plan from the Special Incentive Fund for worker participation in businesses, pursuant to Article 4 (112) of Law 350 of 24 December 2003.***

Not applicable.

### **3. APPROVAL PROCEDURE AND TIMING REGARDING THE ASSIGNMENT OF INSTRUMENTS**

***3.1 Scope of powers and functions delegated by the Meeting of the Shareholders to the Board of Directors for implementation of the plan.***

The 2021-2023 LTI Plan is exclusively a cash incentive plan, and there is no provision that the Shareholders' Meeting delegate specific powers and/or functions for implementing the 2021-2023 LTI Plan to the Board of Directors, which is entrusted with all powers in this regard.

The 2021-2023 LTI Plan, in fact, is submitted for the approval of the Shareholders' Meeting to the extent to which the incentive is linked to the stock market performance of Pirelli shares, as explained. Moreover, the 2021-2023 LTI Plan is included in the 2021 Policy, subject to the approval of the Shareholders' Meeting.

On 31 March 2021, the Board of Directors approved the provision to allow normalisation of the acquisition of Cooper by Goodyear for the purposes of measuring the TSR objective. These adjustments are included in the 2021 Policy submitted to the binding vote of the Shareholders' Meeting.

On 17 March 2022, the Board of Directors – at the proposal of the Remuneration Committee, subject to the favourable opinion of the Board of Statutory Auditors – established the criteria for adjusting the quantification only of the targets envisaged by the incentive plans existing at such date (and therefore by the 2022 STI Plan and by the LTI plans for the 2020-2022,

2021-2023 and 2022-2024 cycles) for the sole purpose of accounting for any negative impact caused by a worsening of the relative macroeconomic and geopolitical scene. In particular, the approved criteria allow the quantification of the targets to be reduced less than proportionally (thus inducing Management to take compensatory action) with respect to the negative effects generated by factors arising from the worsening of the crisis.

### **3.2 The bodies/persons charged with managing the plan, and their function and responsibilities.**

After 31 December 2023, the Board of Directors of Pirelli & C., following examination by the Remuneration Committee, will verify the achievement of the objectives in the 2021-2023 LTI Plan (subsequent to possible adjustment of the relative quantification when applying the criteria illustrated, depending on changes in the relative macroeconomic and geopolitical scene) and will determine - solely for the Executive Vice Chairman and Chief Executive Officer, the Deputy-CEO, ~~(pro rata temporis with effect as of Office as Deputy-CEO)~~, the General Manager Operations of Pirelli & C. and, cumulatively, the KM (included among the persons indicated in section 1.1.), with the abstention of the beneficiaries when casting votes regarding their own remuneration - the amount of the incentive due. This will be paid, if the objectives have been achieved, no later than the first half of 2024.

For all other beneficiaries, the 2021-2023 LTI Plan incentive will be calculated by the Company's Human Resources & Organization Department and its Planning and Control Department.

### **3.3 Any procedures in place for revising the plans, including in the event that the basic objectives are altered.**

The 2021-2023 LTI Plan provides for the possibility - subject to examination by the Remuneration Committee and the opinion by the Board of Statutory Auditors - for the Board of Directors of Pirelli & C. to adjust the targets in the 2021-2023 LTI Plan (either downwards or upwards) in the event of extraordinary operations that modify the scope of consolidation of the Group and/or of far-reaching changes in the macroeconomic and geopolitical business scenario. The purpose is to preserve the aims of the 2021-2023 LTI Plan and to guarantee that the objectives of the enterprise and those underlying the Management incentive systems are kept in constant alignment, in case of extraordinary

circumstances, unforeseeable at the time when the plan was prepared. Any new performance indicators and respective targets will be submitted to the Company's Shareholders' Meeting for approval to the extent they relate to or concern the relevant features pursuant to Article 114-bis of the Consolidated Law on Finance (remuneration plan based on financial instruments).

Pirelli & C. Directors who participate in any capacity in the 2021-2023 LTI Plan will not cast a vote on any possible adjustment of the above-mentioned targets.

For the 2021-2023 Plan it is possible to normalise the potential effects on the final result of the acquisition of Cooper by Goodyear (a company included in the reference panel for the TSR objective) at the start of 2021, to calculate its impact on the TSR.

Also, the 2021-2023 LTI Plan, pursuant to the provisions of the 2020-2022 LTI Plan, implements the "rolling" mechanism entailing a 3-year performance period for each cycle, in order to: (i) guarantee a high degree of flexibility, bringing the performance indicators into line with the evolution of the market and company and, therefore, the Company's strategic plan for each new three-year cycle; (ii) create a recurring element of the remuneration policy, as each year it envisages the launch of a new cycle of the LTI plan, (iii) ensure an effective retention effect with regard to the "closed" medium-long term incentive plans, (iv) support corporate sustainability in the long term.

In implementation of the possibility envisaged in the 2021-2023 LTI plan to amend the objectives if a profound change occurs in the macroeconomic scenario in order to ensure the alignment of company objectives with the objectives underlying the Management incentive system, on 17 March 2022 the Board of Directors, upon the proposal of the Remuneration Committee, having obtained the favourable opinion of the Board of Statutory Auditors, defined the criteria to adjust only the quantification of the objectives of the 2021-2023 LTI Plan to make allowance for any negative effects resulting from a worsening of the relative geopolitical and macroeconomic scenario. In particular, the approved criteria allow the quantification of the targets to be reduced less than proportionally (so as to induce Management to take compensatory action) with respect to the negative effects generated by factors arising from the worsening of the crisis, which impact, for example, the trend of sales of products manufactured in the Russian plants, the increase in landed costs in Europe due to production in alternative plants and the replacement of raw material suppliers, and/or the use of alternative raw materials.

The 2022 Amendments are included in the 2022 Policy submitted to the binding vote of



the Shareholders' Meeting.

**3.4 Description of the procedures for determining the availability and assignment of the financial instruments on which the plans are based (for example, bonus issue of shares, capital increases without pre-emption rights, purchase and sale of treasury shares).**

Not applicable.

Since the 2021-2023 LTI Plan is a monetary plan, it does not provide for the granting of financial instruments, but the payment of a cash incentive.

**3.5 Role played by each director in determining the characteristics of the cited plans; existence of any conflicts of interest involving the respective Directors.**

Pursuant to Article 2389 Italian Civil Code, the 2021-2023 LTI Plan has been approved, upon proposal of the Remuneration Committee and by the Board of Directors of Pirelli & C., subject to a favourable opinion by their Board of Statutory Auditors.

The Executive Vice Chairman and Chief Executive Officer of Pirelli & C. did not cast a vote on the resolution approving the LTI Plan, on the resolution approving his inclusion among the beneficiaries of the LTI Plan adopted by the Board of Directors, or on the criteria approved with the 2022 Amendments, which allow the quantification of the targets to be reduced to an extent that is less than proportional to the negative effects generated by the worsening of the related geopolitical and macroeconomic scenario.

The Director of Pirelli & C. Giovanni Tronchetti Provera is a beneficiary of the LTI Plan as the Group's Senior Manager and did not cast a vote on the resolution approving the LTI Plan adopted by the Board of Directors of Pirelli & C. or on the criteria approved with the 2022 Amendments, which allow the quantification of the targets to be reduced to an extent that is less than proportional to the negative effects generated by the worsening of the related geopolitical and macroeconomic scenario.

The Deputy-CEO of Pirelli & C. Giorgio Luca Bruno did not cast a vote on the resolution adopted by the Board of Directors of Pirelli & C. on the criteria approved with the 2022 Amendments, which allow the quantification of the targets to be reduced to an extent that is less than proportional to the negative effects generated by the worsening of the related geopolitical and macroeconomic scenario.

**3.6 Date of the decision by the competent body to propose approval of the plans to the Meeting of the Shareholders and of any proposal by the remuneration committee, where such exists.**

In its meeting of 31 March 2021, the Board of Directors of Pirelli & C. – as proposed by the Remuneration Committee (held on 29 March 2021) and with the favourable opinion of the Board of Statutory Auditors – approved the new 2021-2023 LTI Plan and the Report on the remuneration policy and compensation paid, as well as the Report to the Shareholders' Meeting of Pirelli & C. called for 15 June 2021 (on single call), with the proposal to adopt the 2021-2023 LTI Plan for the Management of the Pirelli Group as regards the part based on the performance of Pirelli shares.

The amendments made to this document were examined and approved at the Board of Directors' meeting of 17 March 2022, at the proposal of the Remuneration Committee (which met on 16 March 2022) and subject to the favourable opinion of the Board of Statutory Auditors.

The amendments are also included in the 2022 Policy submitted to the binding vote of the Shareholders' Meeting.

**3.7 Date of the decision by the competent body to grant financial instruments and of any proposal to that body made by the remuneration committee, where such exists.**

Not applicable.

**3.8 Market price recorded on the above dates for the financial instruments on which the plans are based if those instruments are traded on regulated markets.**

Part of the LTI bonus is calculated on the basis of the Total Shareholder Return with a weight of 40%, relating to a panel of selected peers made up of Continental, Michelin, Nokian, Goodyear, and Bridgestone.

The period of comparison is the second half of 2023 against the second half of 2020.

For the 2021-2023 Plan it is possible to normalise the potential effects on the final result of the acquisition of Cooper by Goodyear (a company included in the reference panel for the TSR objective) at the start of 2021, to calculate its impact on the TSR.

**3.9 In the case of plans based on financial instruments traded on regulated markets, in what terms and in what way the issuer, in deciding when to assign the**

***instruments pursuant to the plans, gives consideration to a possible concomitance of :***

- i) said grant, or any decisions in this regard by the remuneration committee, and***
- ii) the disclosure of any material information pursuant to Article 17 of the EU Regulation No 596/2014; for example, where such information is:***
  - a. not already public and could have a positive impact on market quotations, or***
  - b. already published and could have a negative impact on market quotations.***

Not applicable.

#### **4. CHARACTERISTICS OF THE INSTRUMENTS GRANTED**

##### ***4.1 Description of the type of structure of the share-based compensation plans.***

Not applicable. No provision is made for assigning financial instruments. Instead, the 2021-2023 LTI Plan pays out a cash incentive to the beneficiaries depending on their achievement of the objectives indicated in sections 2.2 and 2.3.

##### ***4.2 Indication of the period when the plan is actually implemented, including reference, where such provision is made, to any other cycles.***

The long term incentive (LTI) plans exist throughout the entire duration of the 2021-2022/2025 Strategic Plan, with a “rolling” structure and in three-year cycles, with each cycle starting the following year and objectives for each three-year period, reviewed at the beginning of each year to guarantee constant alignment between the targets and the incentive scheme. The period of operation of the 2021-2023 LTI Plan is the 2021-2023 three-year period.

##### ***4.3 End of the plan.***

The 2021-2023 LTI Plan shall end on 31 December 2023 and any incentive due to beneficiaries of the Plan shall be paid in the first half of 2024.

With reference to the effects of termination of the employment relationship and/or term of office during the 2021-2023 LTI Plan, see 4.8.

##### ***4.4 Maximum number of financial instruments, including in the form of options, assigned every tax year to each named person or to the indicated categories.***

Not applicable. The 2021-2023 LTI Plan makes no provision to grant financial instruments but rather pays out a cash incentive.

***4.5 How the plan operates and its governing clauses, specifying whether actual assignment of the instruments depends on meeting conditions or achieving certain results, including performance results; description of these conditions and results.***

Not applicable.

However, the way the 2021-2023 LTI Plan operates is described in section 4.1.

***4.6 Indication of any availability restrictions applying to the instruments granted or to instruments obtained through exercising the options, particularly deadlines for allowing or prohibiting subsequent transfer to the Company itself or to third parties.***

Not applicable.

***4.7 Description of any conditions subsequent applying to the grant of the plans if beneficiaries execute hedging transactions that can circumvent any bans on selling the financial instruments granted, even in the form of options, or on selling the financial instruments obtained through exercising these options.***

Not applicable.

***4.8 Description of the effects if the work relationship is terminated.***

Where, prior to the end of the 3-year period of the plan, the employment relationship with Pirelli & C. or a Group company is terminated, for whatever reason, the beneficiary will no longer participate in the 2021-2023 LTI Plan and as a consequence the LTI bonus will not be paid out, not even pro-rata. For Directors holding specific offices to whom further specific duties have been attributed (such is the case of the Executive Vice Chairman and Chief Executive Officer, Mr Marco Tronchetti Provera and, ~~if appointed of~~ the Deputy-CEO Mr Giorgio Luca Bruno) who cease to hold office due to having completed their mandate and are not appointed thereafter even as Directors, a pro-rata payment of the LTI bonus is provided for.

***4.9 Indication of any other causes that determine the annulment of the plans.***

The Regulation does not provide for causes for annulment. It should be noted that the 2021-2023 LTI Plan includes a so-called clawback mechanism.

In particular, without prejudice to the possibility of any other action permitted by the order to protect the interests of the Company, contractual agreements will be signed with the persons concerned, enabling Pirelli to claim back (in whole or in part), within three years of the payment thereof, incentives paid to the aforementioned persons who, due to wilful misconduct or gross negligence, are held responsible for (or are accomplices to) the facts, as indicated below, related to economic and financial indicators included in the Annual Financial Report that involve subsequent comparative information adopted as parameters for the determination of the variable awards in the aforementioned incentive plans:

- (i) proven significant errors resulting in non-compliance with the accounting standards applied by Pirelli, or
- (ii) proven fraudulent conduct aimed at obtaining a specific representation of Pirelli's financial and equity situation, economic result, or cash flow.

***4.10 Reasons for any provision for "redemption" by the Company of the financial instruments in the plans, pursuant to Articles 2357 et seq. Italian Civil Code; beneficiaries of the redemption, stating whether it applies only to specific categories of employees; how redemption may be affected by termination of the work relationship.***

Not applicable.

***4.11 Any loans or other benefits to be granted for purchase of the shares pursuant to Article 2358 Italian Civil Code.***

Not applicable.

***4.12 Estimate of the expected cost for the Company at the date of the assignment, as may be determined on the basis of terms and conditions already established, expressed as a total amount and in relation to each instrument of the plan.***

The costs for the entire LTI bonus are included in the 2021-2022/2025 Strategic Plan objectives, so that the cost of the LTI plan is "self-financed" by fulfilment of the objectives themselves.

In particular, it is possible to estimate, on the basis of the number of beneficiaries at the Information Document date, that the total consolidated cost relating to the LTI Plan for the 3-year reference period falls between a minimum of euro zero (objectives not achieved) and a maximum of about euro 40 million if the maximum objectives envisaged in the LTI

Plan are achieved.

**4.13 Indication of any dilution of capital resulting from the compensation plans.**

Not applicable.

**4.14 Any limits applying to the exercise of the voting right and to the conferral of economic claims.**

Not applicable.

**4.15 If the shares are not traded on regulated markets, all information as may assist in properly assessing the value attributable to them**

Not applicable.

**4.16 Number of financial instruments underlying each option.**

Not applicable.

**4.17 Expiry of options.**

Not applicable.

**4.18 Procedures (American/European), timing (e.g. periods valid for exercise), and clauses (e.g. knock-in and knock-out clauses) affecting exercise.**

Not applicable.

**4.19 Exercise price of the option or the ways and criteria for determining it, particularly in regard to:**

**a) the formula for calculating the exercise price in relation to a specific market price (fair market value) (e.g. exercise price of 90%, 100% or 110% of market price), and**  
**b) ways of determining the market price used as a reference for determining the exercise price (e.g. last price of the day before grant, average for the day, average over the last 30 days, etc.).** Not applicable.

**4.20 If the exercise price is not equal to the market price determined as indicated in section 4.19.b (fair market value), reasons for this difference.**

Not applicable.

**4.21 Criteria adopted for setting different exercise prices for different beneficiaries or categories of beneficiaries.**

Not applicable.

**4.22 If the financial instruments underlying the options are not traded on regulated markets, indication of the value attributable to the underlying instruments or the criteria used to determine this value.**

Not applicable.

**4.23 Criteria for the adjustments necessary after extraordinary capital operations and other operations that alter the number of underlying instruments (capital increases, extraordinary dividends, consolidation or splitting of the underlying shares, merger and demerger, conversion into other classes of shares, etc.).**

In the event of extraordinary capital operations that modify the scope of consolidation of the Group and/or far-reaching changes in the macroeconomic and geopolitical business scenario, unforeseeable at the time when the plan was prepared, the Company shall consider proposing to the Board of Directors a possible adjustment of the target levels (downwards or upwards) in the 2021-2023 LTI Plan, in order to protect the value and aims of the Plan, in this way guaranteeing that the business aims and those underlying the management incentive arrangements are kept constantly aligned (see also section 3.3 above).

For the 2021-2023 LTI Plan it is also possible to normalise the potential effects on the final result of the acquisition of Cooper by Goodyear (a company included in the reference panel for the TSR objective) at the start of 2021, to calculate its impact on the TSR. Any new performance indicators and respective targets will be submitted to the Company's Shareholders' Meeting for approval to the extent they relate to or concern the relevant features pursuant to Article 114-bis of the Consolidated Law on Finance (remuneration plan based on financial instruments).

In implementation of the possibility to amend the objectives if a profound change occurs in the macroeconomic scenario in order to ensure the alignment of company objectives with the objectives underlying the Management incentive system, on 17 March 2022 the Board of Directors, upon the proposal of the Remuneration Committee and having obtained the favourable opinion of the Board of Statutory Auditors, defined the criteria to adjust only the quantification of the objectives envisaged by the 2021-2023 LTI Plan for

the sole purpose of accounting for any negative effects resulting from a worsening of the relative geopolitical and macroeconomic scenario. In particular, the approved criteria allow the quantification of the targets to be reduced less than proportionally (so as to induce Management to take compensatory action) with respect to the negative effects generated by factors arising from the worsening of the crisis, which impact, for example, the trend of sales of products manufactured in the Russian plants, the increase in landed costs in Europe due to production in alternative plants and the replacement of raw material suppliers, and/or the use of alternative raw materials. Such criteria are included in the 2022 Policy submitted to the binding vote of the Shareholders' Meeting.

**4.24 Share issuers shall append the accompanying Table 1, filled out as follows:**

- a) in all cases, the parts as applicable in section 1 of both boxes 1 and 2;**
- b) the parts as applicable in section 2 of both boxes 1 and 2, on the basis of the characteristics already defined by the Board of Directors.**

**Regarding the members of the Board of Directors or the Management Board, the general managers, and other managers with strategic responsibility of the listed issuer, the data relevant to Section 1, Table 1, and the information sought in paragraph 1 under:**

- section 1.1;**
- points a) and b) of sub-section 1.3;**
- points a) and b) of sub-section 1.4;**

Not applicable.

Since the 2021-2023 LTI Plan is a monetary plan, it does not provide for the granting of shares and/or financial instruments, but rather the payment of a cash incentive.