



Pirelli & C. S.p.A.

HALF YEAR REPORT ON CORPORATE GOVERNANCE

1. FOREWORD

Pirelli & C. S.p.A. (“**Pirelli**” or the “**Company**”) has a traditional system of administration and control. Pirelli's Corporate Governance system is based on the following factors: (i) the central function played by the Board of Directors (numbering 15 Directors) that is responsible for the strategic guidance of the Company with a view to pursuit of sustainable success (i.e. the creation of long-term value to the benefit of shareholders, taking into account all relevant stakeholders) and supervising the Company's overall business activities; (ii) the central role of the Independent Directors; (iii) an effective internal control system; (iv) a pro-active risk management system; (v) a remuneration system, in general, and incentive system, in particular for managers aimed at pursuing the business strategy and, through the multi-year variable components, at the achievement of long-term interests (thereby encouraging the achievement of strategic objectives and the sustainable growth of the company, as well as bringing the interests of the management into line with those of the shareholders); (vi) a robust code of conduct for transactions with related parties. Pirelli is aware that an efficient corporate governance system, aligned with international best practices, is one of the essential elements in securing the sustainable success of the Company, as the primary objective of the Board of Directors.

As better specified below, Pirelli adheres to both the Corporate Governance Code of listed companies currently in force (the “**Corporate Governance Code**”)¹ and to the new Corporate Governance Code published in January 2020 (the “**New Corporate Governance Code**”)², which will come into force starting FY 2021, with information to be given in the Corporate Governance Reports to be published in 2022. In this regard, it is specified that although the system of rules of corporate governance adopted by Pirelli is already substantively in line with the principles of the New Corporate Governance Code, also taking into account the resolutions passed by the newly-appointed Board of Directors on 22 June 2020, when the New Corporate Governance Code comes into force, the Company will decide, if necessary, on how to intervene on its corporate practices, according to the guidelines that inspired its revision.

¹ Approved in July 2018 by the Corporate Governance Committee established by the associations of businesses (ABI, ANIA, Assonime, Confindustria) and professional investors (Assogestioni), as well as by Borsa Italiana S.p.A. Adhesion took place first with the resolution passed by the Board of Directors during the Company's relisting process completed in October 2017 and, most recently, was confirmed on 22 June 2020, during the first board meeting held after the renewal of the Board of Directors, by resolution passed by the Shareholders' Meeting on 18 June 2020. For the sake of completeness, note that Pirelli has adopted the Code since it was first issued (October 1999) and the Company was not listed on the Stock Exchange during the period from 26 February 2016 to 3 October 2017.

² In January 2020, the new version was released of the Corporate Governance Code approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, which, as mentioned, will apply starting from the first financial year after 31 December 2020.



Pirelli & C. S.p.A.

The Company's governance system is formalised in the Ethical Code, the Company Bylaws, the Shareholders' Meeting Regulation, the Regulations of the Board of Directors and Committees and in a series of principles and procedures - as better specified below - periodically updated according to national and international best practices.

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 18 JUNE 2020

Pirelli held its annual Shareholders' Meeting (the "**Shareholders' Meeting**") on 18 June 2020; there, in an ordinary or extraordinary session, resolutions were passed on the following subjects.

(i) Appointment of the Board of Directors

Approval of the financial statements as at 31 December 2019 marked expiry of the mandate of the Board of Directors. Therefore, the Ordinary Shareholders' Meeting of 18 June 2020 ruled on its renewal and appointed a Board of Directors of 15 members for the three years 2020/2022 (expiring at the shareholders' meeting called to approve the financial statements as at 31 December 2022).

It is specified that by adopting the voting list system, the so-called minorities were able to appoint 3 Directors, corresponding to one fifth of the total (in particular, the Directors Giovanni Lo Storto, Paola Boromei and Roberto Diacetti).

More specifically, 2 slates were presented at the Shareholders' Meeting: one by Marco Polo International Italy S.r.l., together with Camfin S.p.A. (which obtained approximately 87% of the votes of the capital represented in the Shareholders' Meeting) and the other by a group of asset management companies and institutional investors³ (which obtained approximately 13% of the votes of the capital represented in the Shareholders' Meeting).

The parties submitting the slates had previously made available to the shareholders the personal and professional profiles for each of the candidates, indicating the fact that some (9 Directors in all) met the requirements laid down for qualification as independent, both in accordance with current legislation and with the Corporate Governance Code.

During the Shareholders' Meeting, therefore, the following were elected: Ning Gaoning, Marco Tronchetti Provera, Bai Xinping, Paola Boromei (newly-appointed Independent

³ 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.



Pirelli & C. S.p.A.

Director), Domenico De Sole (Independent Director), Roberto Diacetti (newly-appointed Independent Director), Fan Xiaohua (Independent Director), Giovanni Lo Storto (Independent Director), Marisa Pappalardo (Independent Director), Carlo Secchi (newly-appointed Independent Director), Tao Haisu (Independent Director), Giovanni Tronchetti Provera, Wei Yintao (Independent Director), Yang Xingqiang and Zhang Haitao (new Director). At the Shareholders' Meeting, Giorgio Luca Bruno, Laura Cioli, Ze'ev Goldberg and Cristina Scocchia ceased office.

The Shareholders' Meeting also approved, with approximately 91% of the votes of the capital represented in the Shareholders' Meeting, the appointment of Ning Gaoning as Chairman of the Board of Directors.

Thereafter, during the first meeting of the newly-appointed Board of Directors, held on 22 June 2020, the Board of Directors appointed Director Marco Tronchetti Provera as Executive Vice Chairman and Chief Executive Officer.

* * *

(ii) Report on the remuneration policy and the compensation paid: approval of the 2020 remuneration policy and advisory vote on the report on compensation paid in FY 2019 and the 2020-2022 LTI Plan

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. 123-*ter*, subsection 3-*ter* of Italian Legislative Decree no. 58 of 24 February 1998 (the “**TUF**”) to approve Section I of the Report on the remuneration policy for FY 2020 (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 2019.

Please 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). Moreover, the Policy, based on the principle of the pay for performance, is defined in order to align the interests of Management with those of shareholders, by establishing an actual 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.



Pirelli & C. S.p.A.

The Policy, submitted for the approval of the Shareholders' Meeting, also takes into account the resolutions passed by the Board of Directors on 3 April 2020, under the scope of the action taken in response to the Covid-19 health emergency and, in particular, the cancellation of the short-term incentive system for 2020 (intended for all group management, including the Executive Vice Chairman and CEO and the leadership team).

The Shareholders' Meeting: (i) approved the Policy (with approximately 88% 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 2019 (with approximately 90% of the votes of the capital represented in the Shareholders' Meeting).

Lastly, in accordance with Art. 114-bis of the TUF - after closure of the 2018-2020 Long-Term Incentive Plan effective as of 31 December 2019, with no disbursement, not even pro-quota of the three-year incentive envisaged therein - the Shareholders' Meeting approved the adoption of a three-year monetary incentive plan (2020-2022) for the Pirelli Group's management, in the part also based on the performance of the Pirelli share, with approximately 93% of the votes of the capital represented at the Shareholders' Meeting.

(iii) Additional resolutions of the ordinary session

The Shareholders' Meeting was also required to express its opinion of the report on the Directors and Officers Liability Insurance policy: the Shareholders' Meeting authorised the stipulation of a Directors and Officers Liability Insurance policy, in line with widespread international practice on the more evolved financial markets, with approximately 99% of the votes of the capital represented at the Shareholders' Meeting.

(iv) Amendment of the Company Bylaws

With regard to the only item on the agenda of the extraordinary session, the Shareholders' Meeting approved, with approximately 99% of the votes of the capital represented in the Shareholders' Meeting, certain amendments to the Company Bylaws - and, in particular, to Articles 6 (Share Capital), 9 (Shareholders' Meetings), 10, 11, 12, 13 (Management of the Company) and 16 (Board of Statutory Auditors) of said Bylaws - connected mainly with the need to adjust the text to comply with recent new regulations on gender balance in the administrative and auditing bodies of listed companies. On this occasion, further updates and improvements were also made to the text, aimed at providing greater clarity, a systematic approach and completeness to the document. The updated text of the Company Bylaws is available at www.pirelli.com.

3. BOARD OF DIRECTORS MEETING OF 22 JUNE 2020



Pirelli & C. S.p.A.

In addition to what has already been said about the appointment of the Executive Vice Chairman and Chief Executive Officer, the newly-appointed Board of Directors, in its meeting held on 22 June 2020, also passed, amongst others, the following resolutions regarding the Company's corporate governance system and, in particular, it:

- confirmed the internal control and risk management system and all related policies, including tax policies and identified the corporate departments involved in said internal control and risk management system (notably Internal Audit, Compliance and Rules, the Tax Risk Officer and Enterprise Risk Management);
- confirmed the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera as director responsible for sustainability;
- after obtaining the favourable opinion of the Board of Statutory Auditors, confirmed, for the term of the current Board of Directors, the Executive Vice President and Chief Financial Officer Francesco Tanzi as the Manager responsible for the preparation of the corporate financial documents;
- confirmed the existing organisational structure and identified the following Company Managers as key managers:
 - the General Manager of Operations, Andrea Casaluci;
 - the Executive Vice President and Chief Financial Officer, Francesco Tanzi;
 - the Executive Vice President Administration, Maurizio Sala;
 - the Executive Vice President Investor Relations, Planning & Controlling, Valeria Leone;
 - the Strategic Advisor and Executive Vice President Technology and Innovation, Maurizio Boiocchi;
 - the Executive Vice President and Chief Human Resources Officer, Davide Sala;
 - the Executive Vice President Region Europe, Francesco Sala; and
 - the Executive Vice President Corporate Affairs, Compliance and Company Secretary, Alberto Bastanzio;
- confirmed and approved the establishment of the following Board Committees, with tasks of investigation, consultation and/or advice, ruling on their composition and approving the related operating regulations:
 - Related-Party Transactions Committee comprising Carlo Secchi (Chairman), Giovanni Lo Storto and Marisa Pappalardo;
 - Audit, Risks, Sustainability and Corporate Governance Committee, comprising Fan Xiaohua (Chairman), Roberto Diacetti, Giovanni Lo Storto, Marisa Pappalardo, Carlo Secchi and Zhang Haitao; the Board of Directors



Pirelli & C. S.p.A.

also considered that Roberto Diacetti, Fan Xiaohua, Giovanni Lo Storto and Carlo Secchi have adequate accounting and financial experience and to acknowledge that the committee, as a whole, has adequate competence in the business sector in which the Company operates, as necessary to assess the relevant risks;

- Remuneration Committee, comprising Tao Haisu (Chairman), Bai Xinping, Paola Boromei, Fan Xiaohua and Carlo Secchi; the Board of Directors also considered that the Director Paola Boromei had adequate financial experience and experience in matters of remuneration policies;
 - Appointments and Successions Committee, comprising Marco Tronchetti Provera (Chairman), Bai Xinping, Ning Gaoning and Giovanni Tronchetti Provera; and
 - Strategies Committee, comprising Marco Tronchetti Provera (Chairman), Bai Xinping, Domenico De Sole, Giovanni Lo Storto, Ning Gaoning, Wei Yintao and Yang Xingqiang;
- confirmed and adopted the Organisational Model 231, the Ethical Code, the Code of Conduct and the Anti-Corruption Compliance Programme already adopted by the Company;
 - confirmed as members of the Company's Supervisory Body for the duration of the mandate of the current Board of Directors and in any case until renewed by the next Board of Directors, the Director Carlo Secchi (Chairman), the Standing Auditor Antonella Carù and the Corporate Vice President Internal Audit Maurizio Bonzi and the Executive Vice President Corporate Affairs, Compliance and Company Secretary Alberto Bastanzio; and
 - confirmed the assessments in regard to the absence of management and coordination pursuant to Art. 2497 et seq. of the Italian Civil Code by Marco Polo International Italy S.r.l. nor indeed by any of its direct and indirect parent companies, without prejudice to their right to include Pirelli in their scope of consolidation for accounting purposes.

In addition to the foregoing, during the same meeting, the Board of Directors also, *inter alia*:

- confirmed the corporate governance structure that had been adopted by the previous Board, confirming/adopting all related procedures, including the Market Abuse Procedure, the Related Party Transaction Procedure, the Orientation towards the maximum number of appointments considered compatible with the effective fulfilment of the role of Company Director, the Procedure for information flows to the Directors and Statutory Auditors and the Diversity and Independence Statement in connection with the composition of the Board of Directors and Board of Statutory Auditors; and



Pirelli & C. S.p.A.

- approved the regulation that envisages the rules of operation of the Board of Directors.⁴ The Data Protection Officer (DPO) of Pirelli, in continuation from the previous mandate, was confirmed as the Executive Vice President Corporate Affairs, Compliance and Company Secretary Alberto Bastanzio.

For the sake of completeness, please note that the Company has a plan in place for the succession of the Chief Executive Officer (adopted by the newly-appointed Board of Directors in the meeting held on 22 June 2020) and suitable procedures for the succession of the top management.

Please also note that on 22 June 2020, the Board of Directors resolved, pursuant to Art. 2389, subsection 1 of the Italian Civil Code, to allocate the total compensation attributed to the Board by the Shareholders' Meeting on 18 June 2020 (maximum 2 million euros), in line with the compensation attributed during the previous board mandate and under the scope of the conformity criteria established by the Policy.

In continuity with the previous mandates, an induction programme is dedicated to the Directors, in order to provide them, in particular newly-appointed Directors, with suitable knowledge of the business segment and markets in which Pirelli operates, its business carried out, the corporate dynamics and how they evolve, as well as the principles of correct risk management and the reference regulatory and legislative framework.

4. EVENTS FOLLOWING THE CLOSURE OF THE HALF YEAR

(i) Board of Directors meeting of 23 July 2020

The Board of Directors met on 23 July 2020 and established the new role of General Manager co-CEO, assigning it to Angelos Papadimitriou, who joined the group from 1 August 2020.

(ii) Board of Directors meeting of 5 August 2020

The Board of Directors of 5 August 2020 proceeded with the co-option of Angelos Papadimitriou, replacing Carlo Secchi, who resigned with effect as of the approval of the half-yearly financial report as of 30 June 2020, as communicated to the market on 31 July 2020. Angelos Papadimitriou - who has declared not to be in possession of the independence requirements pursuant to the TUF and the Corporate Governance Code - has been qualified by the Board as "executive director", as he is General Manager of the Company.

The Board also appointed the new director as a member of the Strategies Committee, increasing the number of its components from seven to eight.

⁴ The documentation is available from the Company's website in the section on Company Governance.



Pirelli & C. S.p.A.

In relation to the positions previously held by professor Carlo Secchi within the Board committees, the Board of Directors resolved:

- (i) as far as the Related Parties Transactions Committee is concerned, to appoint Marisa Pappalardo as Chairman and Domenico De Sole as new member;
- (ii) for the Remuneration Committee, to appoint Marisa Pappalardo as new member; and
- (iii) referring to the Audit, Risks, Sustainability and Corporate Governance Committee, to reduce the number of its members from six to five.

5. 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 46.036% of the capital but does not exercise direction and coordination authority over it.

The Company's website has updated extracts available of the agreements stipulated between certain shareholders, including indirect shareholders, of the Company, which contain shareholder provisions relating, amongst others, to Pirelli's governance.

* * *

For information on the Company's Corporate Governance system, please refer to the additional information available from the Pirelli website (www.pirelli.com), in the Governance and Investor Relation sections and to the annual Report on Corporate Governance and Ownership Structures included in the Annual Report.