



# **Pirelli & C. S.p.A.**

## **Reports to the Shareholders' Meeting of 18 May 2022**

### **Report on the Remuneration policy and compensation paid of the Pirelli Group (item 2 on the agenda)**

**Illustrative reports drawn up by the Directors pursuant to Article 125-ter of Italian Legislative Decree no. 58 of 24 February 1998 as subsequently amended and supplemented, approved by the Board of Directors on 17 March 2022.**

## A. Approval of the 2022 remuneration policy

Dear Shareholders,

In accordance with art.123-*ter* of the Consolidated Law on Finance ("**TUF**"), as amended and supplemented by art. 3 of Legislative Decree no. 49 of 10 May 2019 ("**Decree**"), the Shareholders' Meeting has also been called to vote on the first section of the Report on the Remuneration Policy and on the compensation paid ("**Remuneration Report**") which outlines the remuneration policy ("**Policy**") for members of administrative bodies, General Managers and Key managers and to whom Pirelli refers in order to define the remuneration of the Senior Managers and Executives of Pirelli.

The Policy submitted for your vote was drawn up pursuant to Art. 123-*ter* of the TUF and the regulations adopted by Consob, pursuant to Art. 84-*quater* of the Issuers' Regulations, as well as on the basis of Scheme 7-*bis* of Annex 3 A of the Issuers' Regulations, as recently amended and supplemented by Consob under Resolution no. 21623 of 10 December 2020.

With respect to the 2021 Remuneration Policy, the Policy includes some new elements, the main ones being:

- the increased weight of sustainability objectives in the STI plan from 10% to 15% with the introduction of the "Diversity and Inclusion (D&I): Women Hiring" objective;
- the replacement, starting from the LTI 2022-2024 cycle, of the CDP Ranking objective with the CO<sub>2</sub> Emissions Reduction objective;
- the reference panel used to compare the Annual Total Direct Compensation on Target of the Executive Vice Chairman and Chief Executive Officer, which was redefined by excluding Cooper Tyre (given its delisting following the acquisition by Goodyear) and FCA (following the merger with Stellantis) and including Brembo, thus maintaining the focus on the companies in the sector in which Pirelli operates;
- the possibility of revising the targets or closing the STI and LTI plans early, which is limited to circumstances where extraordinary transactions affecting the Group perimeter and/or profound changes in the macroeconomic and geopolitical scenario take place;
- the STI and LTI plan objectives (at minimum/threshold access, target and maximum level) were quantified on the assumption that until the end of 2022 the prices of energy and oil will remain at the levels they were in February 2022; this quantification does not consider potential impacts on local operations of imports and exports from and to Russia of raw materials and finished products nor the possibility of a total interruption of import and export flows from and to Russia and a recession in Europe due to worsening geopolitical tensions. With reference to the STI and LTI plans, in implementation for these latter of the possibility contained therein to amend the objectives if a profound change occurs in the macroeconomic scenario in order to ensure the alignment of company objectives and the objectives underlying the Management incentive system, 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 objectives set for the relative plans (which remain otherwise unchanged) to make allowance for any negative effects resulting from a worsening geopolitical and macroeconomic scenario;

- the increase in the value of the consideration under the non-competition agreement up to a maximum of 80% of the GABS (compared to the previous 60%) to include roles with a high technical content and specialist know-how, consequently an increase in the regular payment percentages to a maximum of 15% of the GABS (compared to the previous 10%).

The Policy takes into account the definition of the objectives of the new LTI Plan for the three-year period 2022-2024, applying the rolling mechanism, in support of the objectives of the 2021-2022/2025 Strategic Plan.

The Policy no longer includes the medium-long term Retention Plan for the General Manager Operations, the KM and selected Senior Managers/Executives, approved on 26 February 2018 and terminated in 2021.

The Policy also provides for the launch of an analysis process for the adoption of equity-based long-term plans (LTI).

As provided for in art.123-*ter* TUF, the first section of the Remuneration Report brought to your attention outlines:

- a. the remuneration Policy for the members of the administrative bodies, General Managers and Key managers and, without prejudice to the provisions of art. 2402 of the Italian Civil Code, for members of the controlling bodies, and to whom Pirelli refers to define the remuneration of the Senior Managers and Executives;
- b. the procedures used for the adoption and implementation of this Policy.

As prescribed in the Consolidated Law on Finance, the Shareholders' Meeting is asked to express its favourable vote on the first section of the Remuneration Report.

## B. Advisory vote on the remuneration paid in 2021

Dear Shareholders,

pursuant to art.123-*ter* of the Consolidated Law on Finance ("**TUF**"), as amended and supplemented by art. 3 of Legislative Decree no. 49 of 10 May 2019 ("**Decree**"), we have also called you to submit to your advisory vote the second section ("**Report on Compensation Paid**") of the Report on the remuneration policy and compensation paid ("**Remuneration Report**") which provides, by name, for the members of the administrative and controlling bodies, for the General Managers, as well as, in aggregate form, for the Key managers, a summary of the remuneration paid in implementation of the remuneration policy adopted by the Group in 2021, highlighting its compliance with the same.

The Report on Compensation Paid submitted for your advisory vote was drawn up pursuant to Art. 123-*ter* of the TUF and the regulations adopted by Consob, pursuant to Art. 84-*quater* of the Issuers' Regulations, as well as on the basis of Scheme 7-*bis* of Annex 3 A of the Issuers' Regulations, as recently amended and supplemented by Consob under Resolution no. 21623 of 10 December 2020.

As required by Article 123-*ter* of the TUF, the second section of the Remuneration Report that we submit to you illustrates, by name, for the members of the administrative and controlling bodies, the General Managers, as well as, in aggregate form, the Key managers:

- a. the items of which the remuneration is composed, including payments prescribed in case of resignation from office or termination of employment;
- b. the sums paid in the 2021 financial year for any reason and in any form by the Company and its subsidiaries or affiliates, indicating any components of said payments that are referable to activities undertaken in years preceding the year of reference and also highlighting the payments to be made in one or more subsequent years for activity undertaken in the reference year, providing, if applicable, estimates for the components that cannot be objectively quantified in the year of reference.

The subject appointed to carry out the external audit of the financial statements verifies that the Directors have prepared the Report on Compensation Paid.

As prescribed in the Consolidated Law on Finance, the Shareholders' Meeting is asked to express itself on the second section of the Remuneration Report in an advisory vote.