



Pirelli & C. S.p.A.

Independence Criteria

**Document approved by the Board of Directors
of Pirelli & C. S.p.A. on 25 February 2021 and confirmed on 3 August 2023**

1.1. Introduction

Since 2006¹, the Board of Directors of Pirelli & C. S.p.A. (“**Pirelli**” or the “**Company**”) has been characterised by a number of Independent Directors who usually make up the absolute majority of its members, with a more rigorous approach, first of the old Corporate Governance Code² and now of the new Corporate Governance Code³.

Given that the central function of the Board of Directors is to define the strategic and supervisory guidelines for the business activities, Pirelli considers that, for the purpose of performing this important task effectively, a central role is played by an adequate number of Independent Directors in the Board of Directors and in the Committees (alongside compliance with the diversity criteria set out in the Diversity and Independence Statement adopted by the Board of Directors of Pirelli on 14 February 2019⁴).

The Board of Directors identifies the independence of its Directors as the freedom from relationships with the Company and/or with its main shareholders and executives that could influence their opinion; such independence is represented by the requisites indicated in the combined provisions set out by art. 147-ter, subsection 4 and art. 148, subsection 3 of Italian Legislative Decree no. 58 of 24 February 1998 (“**TUF**”) and by those set out by the Corporate Governance Code adhered to by Pirelli (as described in further detail in section 1.2 below).

A regular review of independence is also required for the members of the Board of Statutory Auditors.

Also in light of the recommendations provided by the Corporate Governance Committee of Borsa Italiana⁵, the Board of Directors of Pirelli deems it appropriate to

¹ With the exception of the period between the delisting of the Company (in late 2015) and its relisting (on 4 October 2017).

² Corporate Governance Code for listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, in force until 31 December 2020, pursuant to which at least one third of the Board had to be formed of Independent Directors.

³ Corporate Governance Code currently in force approved in January 2020 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria (in force from the first financial year following 31 December 2020), which states that in large companies with concentrated ownership such as Pirelli, the independent directors must make up at least one third of the administrative body.

⁴ For completeness, note that on 22 June 2020, the Board of Directors of Pirelli adopted the aforesaid Diversity and Independence Statement, updated to take account of the new legislation on gender balance.

⁵ Letter dated 19 December 2019 - “The Committee invites the administrative bodies to apply the criteria of independence defined by the Code with greater rigour, and the control bodies to monitor the correct application of said criteria. The Committee, in addition to reiterating the exceptional nature and necessary individual motivation – therefore

adopt, at the proposal of the Audit, Risks, Sustainability and Corporate Governance Committee, this statement on independence, in order to establish:

- *ex ante*, in the context of the procedure for assessing the independence of its members, the qualitative/quantitative criteria to be used to assess the independence of the directors for the purposes of the Corporate Governance Code and, in particular, the relevant parameters of any economic, professional or financial relationship pertaining to the directors whose independence is being examined, without prejudice to the fact that in assessing the independence of one of its members, the Board of Directors (upon the appointment and as part of the periodic checks) must adopt an approach that favours substance over form;
- cases of derogation from the independence criteria;
- the process for assessing the independence of the Directors;
- the process for assessing the independence of members of the Board of Statutory Auditors.

1.2. Independence criteria and circumstantial cases indicating compromised independence

Pursuant to the combined provisions of art. 147-ter, subsection 4 and art. 148, subsection 3 of the TUF, the following cannot qualify as independent directors:

- a) those who are in the conditions identified in article 2382 of the Italian Civil Code⁶;
- b) the spouse, relatives and relations by marriage within the fourth degree of the directors of the company, the directors, spouse, relatives and relations by marriage within the fourth degree of the directors of the subsidiaries of said company, the parent companies of said company, or companies subject to joint control;

linked to the particular case of the individual director – of the derogation from each criterion of independence recommended by the Code, invites the issuers to pay greater attention to the assessment of the significance of the relationships subject to assessment. To this end, the Committee invites the administrative bodies to define ex ante the quantitative and/or qualitative criteria to be used for the significance assessment of the relationships in question. These criteria should concern the overall position, not merely limited to the economic benefit, of the director whose independence is under assessment, and be adequately and transparently disclosed to the market in the report on corporate governance”.

Letter dated 22 December 2020 - “On application of independence criteria, the Committee invites boards to:

- *always justify on an individual basis any non-application of one or more independence criteria;*
- *establish ex ante the quantitative and/or qualitative criteria to be used to assess the significance of relationships being examined.”*

⁶ Provision which also prohibits the appointment as Director.

c) those who are linked to the company or to subsidiaries of said company or to parent companies of said company or to companies subject to joint control, or to the directors of the company and to the parties under letter b) by self-employment or salaried contracts or other financial or professional relationships that compromise their independence.

In addition to the aforesaid criteria strictly required by the TUF, recommendation no. 7 of the Corporate Governance Code identifies a number of hypotheses in which a director does not usually appear to be independent. Specifically, it states that *“The circumstances that compromise, or appear to compromise, the independence of a director include, at least, the following:*

- a) if s/he is a significant shareholder of the company;*
- b) if s/he is, or has been in the previous three financial years, an executive director or an employee:*
 - of the company, of a strategically relevant subsidiary of said company or of a company subject to joint control;*
 - of a significant shareholder of the company;*
- c) if, directly or indirectly (e.g. through subsidiary companies or of which s/he is an executive director, or as a partner of a firm or advisory company), s/he has, or has had in the previous three financial years, a significant business, financial or professional relationship:*
 - with the company or the subsidiaries of said company, or with the related executive directors or top management;*
 - with a party that, including alongside others via a shareholders' agreement, controls the company; or, if the parent company is a company or organisation, with the related executive directors or top management;*
- d) if s/he receives, or has received in the previous three financial years, from the company, from a subsidiary of said company or from the parent company, a significant additional remuneration with respect to the fixed remuneration for the role and to that provided for participation in the committees recommended by the Code or required by existing legislation;*
- e) if s/he was a director of the company for more than nine financial years, including non-consecutively, in the last twelve financial years;*
- f) if s/he holds the position of executive director in another company in which an executive director of the company has a position as director;*

g) if s/he is a shareholder or director of a company or entity belonging to the network of the company assigned to the company's external audit;

h) if s/he is a close family member of an individual in one of the situations listed under the previous points.

The administrative body predetermines, at least at the beginning of its mandate, the quantitative and qualitative criteria for assessing the significance set out in letters c) and d) above. In the case of a director who is also a partner of a firm or advisory company, the administrative body assesses the significance of the professional relationships that may have an effect on his/her position and on his/her role within the firm or advisory company or that in any case pertain to significant transactions of the company or of the group said company belongs to, including independently of the quantitative parameters".

For the purposes of assessing the independence criteria indicated by the Corporate Governance Code, the Board of Directors of Pirelli considers "close family members" to be parents, children, spouses not legally separated and cohabitants.

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The Board of Directors of Pirelli has identified the significance thresholds of the relationships being examined, as defined below.

With reference to the concept of "**significant business, financial or professional relationship**" as per letter c) above, this includes advisory roles or any other role – with the exception of non-executive corporate offices held within the group, relevant for the significant additional remuneration according to the criteria indicated below – that has led, for the director or statutory auditor whose independence is being examined, or their close family members, to economic compensation in the calendar year greater than (i) 300 thousand euros in the case of relationships held with undertakings or organisations, over which the director, statutory auditor or close family member has control or is a relevant member, or of the professional firm or association or advisory company where such individuals are a partner, shareholder or associate, in the case of a relationship held with these undertakings, organisations, advisory companies or professional firms and associations; (ii) 100 thousand euros for relationships held directly with natural persons.

It is understood that, regardless of exceeding the quantitative parameters above, if a director is also a partner of a firm or advisory company, a professional relationship involving him/her may also be assessed as significant by the Board of Directors – and therefore liable to compromise his/her independence – if it could have an effect on his/her position or on his/her role within the firm or advisory company or if it in any case pertains to important transactions of the Company and/or of the group.

With reference to the concept of “**additional significant remuneration**” set out in letter d) above, this includes all remuneration paid for whatever reason, in the calendar year, by the Company, by a subsidiary or parent company of said company (direct or indirect) that cumulatively exceeds the total amount of remuneration for the office or the remuneration for participation in board committees paid to the director, and of remuneration for the office of member of the board of statutory auditors, whose independence is being assessed.

For the purposes of the requirement that there be no additional significant remuneration: (a) “Fixed compensation for the position” means: (i) the annual remuneration determined by the shareholders’ meeting for all directors and statutory auditors or established by the board of directors for all non-executive directors as part of the total amount approved by the shareholders’ meeting for the entire board of directors; (ii) any annual compensation granted as a result of the particular position held by the individual non-executive director within the board of directors (Chairman, Vice Chairman, Lead Independent Director), defined according to the best practice required by the Corporate Governance Code (i.e. taking into account widespread remuneration practices in the sectors of reference or for companies of similar sizes, also considering comparable overseas experiences), in addition to any compensation granted to the Chairman of the Board of Statutory Auditors; (b) “remuneration provided for participation in the board committees” means the annual compensation that the individual director or statutory auditor receives as a result of his/her participation in the board committees required by the Corporate Governance Code or by committees/bodies required by current legislation (including any participation of directors or statutory auditors in the supervisory body), in any case excluding any remuneration deriving from participation in any executive committees;

If the non-executive director exceeds the aforesaid parameters, in principle and without prejudice to specific circumstances requiring specific assessment, s/he does not meet the independence requisites outlined by the Corporate Governance Code.

1.3. Derogations from the independence criteria

First of all, it should be noted that: (i) derogation from the independence criteria set out by the Corporate Governance Code is an exceptional circumstance for the Company and in the aforesaid hypothesis (ii) the assessment must look at the overall position of the directors involved and cannot be limited to an analysis of the economic benefit enjoyed by them, and (iii) any non-application of one or more independence criteria must always be justified on an individual basis.

Having made these statements, in the aforesaid hypothesis of derogation from the criteria of independence set out in the Corporate Governance Code, the Board of Directors, having taken account of existing legislation and the related guidelines issued by Consob, shall assess (by formulating specific individual motivations to that effect) at least:

- the specific relevance of the relationships in question, including in light of the economic/financial situation of the party involved;
- the personal qualities and professional experience gained throughout the career; and
- the administrative and control appointments held in other companies.

The existence of one or more of these elements could, including in light of the individual director's overall position, make it possible to rule out compromised independence even in the presence of derogation from the criteria of independence set out in the Corporate Governance Code or other applicable legislation.

In formulating its assessment, the Board of Directors shall apply the principle of substance over form indicated by the Corporate Governance Code.

As specified in more detail in section 1.4 below, in the aforesaid hypothesis consideration shall be taken of the non-application of the Corporate Governance Code in the Report on the Corporate Governance and Share Ownership, by providing adequate and transparent information about the reasons for the non-application of one

or more criteria pertaining to the individual director and by specifying the reasons for this with individual justification.

1.4. Process for assessing the independence of directors

Directors who present as independent, when the slates are submitted: (i) issue a specific statement confirming that they meet the independence requisites indicated by the combined provisions of art. 147-ter, subsection 4 and art. 148, subsection 3 of the TUF and by the Corporate Governance Code, and (ii) provide a *curriculum vitae* relating to their professional experience (containing, possibly as an attachment, a list of the administrative and control offices held) as well as exhaustive information about any connection or circumstance pertaining to them that is potentially relevant for the purposes of assessing independence.

Following appointment, during the mandate, the independent directors must notify the Company (i) without delay, of any change to the aforementioned information, provided when the slates were submitted, as well as any other circumstance that appears liable to impact the director's independence; and (ii) at least annually, (a) of the details of the offices held in the administrative and control bodies of companies (attesting under their own responsibility that the overall number of these offices does not exceed the limit indicated in the "*Board of Directors' guidance on the maximum number of offices*" adopted by the Company), and (b) of confirmation that they meet the independence requisites.

On the basis of the aforesaid statements and other information that the Company may have, the Board of Directors of Pirelli assesses the independence of the directors at the first useful meeting following the appointment, and subsequently, whenever relevant circumstances for the purposes of continuing to meet the independence requirements arise and in any case at least annually.

The Board of Statutory Auditors of the Company, as part of the tasks attributed to it by law, verifies the correct application of the criteria and the ascertainment procedures adopted by the Board of Directors to assess the independence of its non-executive members.

The results of the aforesaid independence assessments are disclosed to the public immediately following the appointment via press release and subsequently in the Report on the Corporate Governance and Share Ownership (or, alternatively, with reference to the results of assessments conducted by the Board of Statutory Auditors, in the report by the supervisory body to the Shareholder's Meeting) or in other specific press releases or documents. In these hypotheses, (i) specific indication will be provided of the criteria used for the assessment of the significance of the existing relationships, and (ii) if a director has been assessed as independent despite circumstantial cases indicating his/her compromised independence, a clear and reasoned motivation for this decision will be provided in relation to the position and individual characteristics of the director involved.

1.5. Process for assessing the independence of members of the supervisory body

Sections 1.2, 1.3 and 1.4 above also apply, *mutatis mutandis*, in relation to the assessment of the independence of the members of the supervisory body, without prejudice to the information provided below.

This assessment is carried out by the Board of Statutory Auditors on the basis of the information provided by each Auditor when appointed, during the mandate when relevant circumstances for the purposes of independence arise and in any case at least annually.

The independence assessment is sent in the appropriate formats and time frames to permit the administrative body to examine it before public disclosure or insertion of the related information in the Report on the Corporate Governance and Share Ownership.