



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

**Reports to the Shareholders' Meeting of 28  
May 2024**

**Three-year monetary incentive plan (2024-2026) for the Pirelli  
Group's management. Related and consequent resolutions.**

**(item 5 on the agenda)**

**Illustrative report 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 6 March 2024.**

A. Approval of the three-year monetary incentive plan 2024-2026 for the Pirelli Group's management.

Dear Shareholders,

in view of the Shareholders' Meeting of Pirelli & C. S.p.A. (hereinafter "**Pirelli**") called for 28 May 2024 (the "**Shareholders' Meeting**"), we inform you that, at its meeting of 6 March 2024, the Board of Directors approved the targets for the three-year monetary incentive Plan of the three-year period 2024-2026 for Pirelli Group's Management ("**2024-2026 LTI Plan**"). The 2024-2026 LTI Plan was also approved pursuant to Article 2389 of the Italian Civil Code, on the proposal of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors, in relation to the parties for whom such opinion is required. The 2024-2026 LTI Plan is subject to the approval of the Shareholders' Meeting pursuant to Article 114-*bis* of Legislative Decree 58/1998 ("**TUF**") as it states, *inter alia*, that part of the incentive is determined on the basis of a relative Total Shareholder Return target, calculated with respect to Tier 1 peers.

Moreover, pursuant to Article 123-*ter* of the TUF, the 2024-2026 LTI Plan is included in the 2024 Remuneration Policy adopted by Pirelli ("**2024 Policy**"), submitted for the binding vote to the Shareholders' Meeting.

The main information on the 2024-2026 LTI Plan is set out below, while for a more analytical description you are invited to read the Information Document prepared pursuant to Article 84-*bis*, paragraph 1, of Consob Resolution No. 11971 of 14 May 1999 ("**Issuers' Regulation**"), which is also available to the public at the registered offices of Pirelli & C. S.p.A. (in Milan, Viale Piero e Alberto Pirelli 25) and on the website [www.pirelli.com](http://www.pirelli.com) as well as at Borsa Italiana S.p.A. together with this report.

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Reasons for adopting the Plan<sup>1</sup>

In line with national and international best practices, the 2024 Policy is tailored to the objective of attracting, motivating and retaining resources with the professional qualities required to pursue corporate objectives. In addition, through the multi-year variable components assigned, in particular, to the Executive Vice Chairman, the Chief Executive Officer, the Corporate General Manager, Key Managers ("**KMs**"), 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 Company's long-term plans have a "rolling" mechanism through which the Pirelli's Board of Directors has defined the 2024-2026 LTI Plan targets and, previously, those of the 2022-2024 and 2023-2025 LTI Plan currently in force.

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<sup>1</sup> Information required by Article 114-*bis*, paragraph 1, letter a) of the TUF.

### Recipients of the Plan<sup>2</sup>

The 2024-2026 LTI Plan is extended to all 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, join the Group and/or take over, due to internal career progression, the position of Executive. In this case, their inclusion is subject to participation in the LTI Plan for at least one full financial year and the incentive percentages are scaled to the number of months of actual participation in the LTI Plan.

In particular, as at the date of this report, among others, the Executive Vice Chairman Marco Tronchetti Provera, Chief Executive Officer Andrea Casaluci, Corporate General Manager Francesco Tanzi and KMs are participants in the LTI Plan.

### Performance Targets and Bonus Calculation<sup>3</sup>

The Management remuneration structure, as better described in the 2024 Policy which should be referred to for further details, has several elements:

- gross annual base salary (GAS);
- 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, rising in relation to the role held by the beneficiary and taking into account the reference benchmarks of each role. This percentage can range, if the target objectives are met, from a minimum of 15% for Executives (executives of Pirelli's Italian companies or employees of foreign Group companies with a position or role comparable to that of an Italian executive) up to a maximum of 110%-125% for Directors holding specific offices to whom specific duties are also delegated; a share of the STI incentive - with retention in mind and to boost medium-long term performance - is deferred and possibly increased with a company matching 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 deferral and company matching component of the STI.

As for the STI incentive, the LTI incentive is also set as a percentage of the base salary with increasing percentages in relation to the role held and taking into account the reference benchmarks of each figure. The three-year incentive percentages set forth in the 2024-2026 LTI Plan, if targets are achieved, can go from a 15% minimum for Executives to a 65-70% maximum

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<sup>2</sup> Information required by Article 114-*bis*, paragraph 1, letters b) and b-*bis*) of the TUF.

<sup>3</sup> Information required by Article 114-*bis*, paragraph 1, letter c) of the TUF.

for Directors holding specific offices to whom specific duties are also delegated. There is also a limit to the maximum achievable LTI incentive.

The 2024-2026 LTI Plan, which is monetary and does not include the assignment of shares or options on shares, is subject to the achievement of three-year objectives and determined as a percentage of the gross annual base salary (GAS) received by the beneficiary at the date on which their participation in the Plan was established.

The medium-long term incentive plan “rolling” structure enables yearly definition of the value of the following three-year period targets, while ensuring management loyalty and the correct focus on performance targets.

In line with the 2022-2024 LTI Plan and the 2023-2025 LTI Plan, the 2024-2026 LTI Plan foresees three target types, all independent of each other and each assigned a specific weight:

- an objective represented by the Cumulative Group Net Cash Flow (before dividends), with a weight of 35% of the overall LTI bonus;
- Total Shareholder Return ("TSR") target, with a weight of 40%, to Tier 1 peers;
- the remaining 25% is tied to sustainability objectives and, in particular, for the 2024-2026 LTI Plan: (i) 10% is calculated in relation to Pirelli's positioning in the Dow Jones Sustainability World Index ATX Auto Component sector and (ii) 15% is linked to CO<sub>2</sub> Emissions Reduction.

In this last regard, the LTI 2024-2026 Plan, compared to previous plans, provides for a greater weighting of sustainability targets, which in total increase from 20 to 25 percentage points. More specifically, the CO<sub>2</sub> Emission Reduction KPI goes from 10 points to 15 percentage points and consequently the Group's cumulative Net Cash Flow (before dividends) KPI goes from 40 points to 35 percentage points.

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

Regarding each objective, where the set “access threshold” value is not attained, no right is accrued by the beneficiary to the corresponding part of the incentive.

For intermediate results falling between the “access threshold” and the target or between the target and the maximum, performance will be calculated by linear interpolation, differently to the sustainability target represented by the positioning in the Dow Jones Sustainability World Index ATX Auto Component sector, which will be calculated in three steps only: “access threshold”, target and maximum, without considering intermediate performances.

### Bonus Period

If the objectives are achieved, the disbursement of the incentive (the so-called LTI Bonus) of the 2024-2026 LTI Plan will take place in the first half of 2027, subject to the presence of the participants at the date of the payment.

The General Manager, KMs, Senior Managers and Executives shall not accrue the right to receive the LTI Bonus, not even pro-rata, in the event of voluntary resignation not for just cause or dismissal for just cause (Bad Leaver) occurring before the payment date.

For Directors holding specific offices to whom specific duties have been attributed who cease to hold office, a pro-rata payment of the LTI Bonus is provided for.

#### Plan Duration and Amendments

The 2024-2026 LTI Plan, implementing the “rolling” mechanism included in the 2020 Policy, is 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.

#### Special fund to encourage workers' participation in enterprises<sup>4</sup>

The 2024-2026 LTI Plan does not receive any support from the Special Fund to encourage workers' participation in enterprises, referred to in Article 4, paragraph 112, of Law No. 350 of 24 December 2003.

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The LTI Plan 2024-2026 is to be considered “of particular importance” as it is addressed, as at the date of this report, *inter alia*, to the Executive Vice Chairman, the Chief Executive Officer, the Corporate General Manager and KMs as they have regular access to inside information and have the power to make decisions that may affect the Group's development and future prospects.

Considering that the LTI Plan is monetary in nature, as it does not provide for the assignment of shares or options on stock or shares, but only a cash incentive partly linked to the performance of Pirelli & C.'s ordinary shares, the Information Document prepared in accordance with current regulations does not contain the information required for mechanisms that consider the assignment of shares or stock options.

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Dear Shareholders,

on the basis of the above, we hereby ask you to:

**1.** approve - pursuant to Article 114-*bis* of Legislative Decree No. 58 of 24 February 1998, as subsequently amended and supplemented - the adoption of the three-year monetary Incentive Plan for the 2024-2026 period (“**2024-2026 LTI Plan**” or “**LTI Plan**”) for the Management of the

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<sup>4</sup> Information required by Article 114-*bis*, paragraph 1, letter d) of the TUF.

Pirelli Group, regarding the part where it is also based on the performance of Pirelli shares, in the terms set out in this Report and as better described in the Information Document (prepared pursuant to Article 84-*bis*, paragraph 1, of the Issuers' Regulation). The LTI Plan states, *inter alia*, that a share of the bonus awarded under the LTI Plan will be determined on the basis of a relative Group Total Shareholder Return target, calculated with respect to Tier 1 peers;

**2.** grant the Board of Directors the broadest powers needed or opportune to implement the 2024-2026 LTI Plan and to adjust or modify the performance indicators and related 2024-2026 LTI Plan objectives, submitting the new performance indicators and objectives to the Shareholders' Meeting if the plan has characteristics established by Article 114-*bis* of the TUF (remuneration plans based on financial instruments).