

Shareholders agreement communicated pursuant to Art. 122 of Legislative Decree n. 58 of February 24, 1998  
– Essential information pursuant to Art. 130 of Consob Regulation no. 11971/1999, as subsequently  
amended and supplemented

PIRELLI & C. S.P.A.

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1. Recitals

1.1 *The Co-investment Agreement and the First Shareholders Agreement*

On March 22, 2015, China National Chemical Corporation (“**CC**”), a state owned enterprise subject to the control of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) of the People’s Republic of China and its wholly owned subsidiary, China National Tire & Rubber Corporation, Ltd. (“**CNRC**”), from one side, and Camfin S.p.A. (“**CF**”), Long-Term Investments Luxembourg S.A. (“**LTI**”) and Coinv S.p.A. (“**Coinv**”) <sup>(1)</sup>, from the other side, entered into a sale and purchase and co-investment agreement (the “**Co-investment Agreement**”) setting forth the terms and conditions of a large corporate and industrial transaction contemplating the acquisition by CNRC (through indirectly controlled companies) of the control over Pirelli & C. S.p.A. (“**Pirelli**” or the “**Company**”) as well as the possible de-listing of Pirelli through the launch of a mandatory takeover bid upon its shares (the “**Takeover Bid**”); the purpose of this transaction was to set up a long-term industrial partnership relating to Pirelli amongst CNRC, CF and LTI, with the aim to strengthen the relevant development plans, to oversee the strategic geographic areas and to achieve the integration of the tyre business into the industrial segment of CNRC and of Pirelli, preserving the continuity and independence of the management structure of Pirelli group, the above also in view of the possible re-listing of Pirelli.

Pursuant to the Co-investment Agreement, on August 11, 2015 the Parties entered into an agreement governing, *inter alia*, the governance of the Italian companies controlled indirectly by CNRC that had launched the Takeover Bid and the governance of Pirelli (the “**First Shareholders Agreement**”); such agreement confirmed, amongst the main goals of the transaction, the value creation of Pirelli and its group in view of its possible re-listing during a four-year period.

Upon completion of the Takeover Bid and of the corporate aggregation and reorganization transactions, the share capital of Pirelli was fully owned by Marco Polo International Italy S.p.A. (“**Marco Polo**”), the share capital of which was owned by:

- CNRC, through (i) CNRC International (HK) Limited (“**SPV HK1**”); (ii) CNRC International Holding (HK) Limited (“**SPV HK2**”) – company owned for 75% by SPV HK1 and for 25% by Silk Road Fund Co., Ltd (“**SRF**”); and (iii) Fourteen Sundew S.à r.l (“**SPV Lux**”), with a shareholding representing 65% of the share capital of Marco Polo;
- CF, with a shareholding representing 22.4% of the share capital of Marco Polo; and
- LTI, with a shareholding representing 12.6% of the share capital of Marco Polo.

1.2 *The New Shareholders Agreement*

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<sup>1</sup> Company merged by incorporation into CF effective as of June 12, 2017.

Further to the analysis carried out by Pirelli and in coherence with and pursuant to the First Shareholders Agreement, on February 22, 2017 CF delivered to CNRC and LTI a notice, whereby it requested the beginning of a re-listing process of Pirelli (the “**IPO**”) and the starting of all the activities for the beginning and the implementation of the IPO and, on April 27, 2017, Pirelli approved the beginning of the IPO process.

In light of the foregoing and in view of the IPO, on July 28, 2017 (the “**Execution Date**”), CC, CNRC, SPV HK1, SPV HK2, SPV Lux, SRF, CF, LTI and Marco Tronchetti Provera & C S.p.A. (“**MTP**”) (collectively, the “**Parties**”) entered into a new shareholders agreement (the “**New Shareholders Agreement**”) governing, from one side, the governance of Pirelli from [●], the starting date of the trading of Pirelli shares on the MTA (hereinafter, also as “**Date of Completion of the IPO**”), as well as the undertaking of CNRC, SFR, CF and LTI to split the assets and liabilities of Marco Polo, to be implemented as soon as possible after the Date of Completion of the IPO.

Pursuant to the New Shareholders Agreement, the First Shareholders Agreement automatically terminated, together with any other related agreement, at the Date of Completion of the IPO.

### 1.3 *Demerger of Marco Polo*

In the New Shareholders Agreement, the Parties have acknowledged that, in coherence with the principles contained in the First Shareholders Agreement, the IPO is aimed at ensuring their exit from Marco Polo. Consequently, the New Shareholders Agreement contains the undertaking of CNRC, SFR, CF and LTI to implement the total demerger of Marco Polo upon the occurrence of: (i) the completion of the IPO; and (ii) the prepayment of the loan of Euro 1,250 million granted to Marco Polo pursuant to the facility agreement entered into on June 27, 2017 and expiring on January 3, 2019, with J.P.Morgan Europe Limited, as Agent, BNP Paribas Securities Services, Milan Branch, as Security Agent, and, inter alia, J.P.Morgan Limited, Banca IMI S.p.A. and Morgan Stanley as Lenders.

The New Shareholders Agreement provides that the Board of Directors of Marco Polo approves the total demerger of Marco Polo in favor of three beneficiaries and, in particular, of (aa) an Italian based wholly-owned SPV Lux’s beneficiary; (bb) CF or an Italian based wholly-owned CF’s beneficiary and (cc) an Italian based wholly-owned LTI’s beneficiary (the “**Demerger of Marco Polo**”). The Demerger of Marco Polo shall have a non-proportional nature pursuant to and for the purpose of Article 2506-*bis*, par. 4, of the Italian Civil Code, considering that each of the three shareholders of Marco Polo will receive 100% of the beneficiary company controlled by the same, without participating in the share capital of the other beneficiary companies. Without prejudice to the above, pursuant to applicable law, the net worth of Marco Polo shall be divided amongst the beneficiary companies of the Demerger of Marco Polo in proportion to the respective shareholdings owned by SPV Lux, CF and LTI in Marco Polo (*i.e.*, 65% / 22.4% / 12.6%). In the context of the Demerger of Marco Polo, the Pirelli shares will be valued at the offer price under the IPO.

In particular, Marco Polo’s net worth will be allocated to the beneficiary companies on the basis of the following criteria:

- with respect to the remaining Pirelli shares and the cash held by Marco Polo upon completion of the IPO, such assets will be assigned to the above-mentioned three beneficiaries pursuant to a sharing mechanism providing that each shareholder of Pirelli shall own a shareholding not exceeding the threshold of 50% of the share capital of Pirelli. Accordingly, upon completion of Demerger of Marco Polo, the Pirelli shareholding allocated to the beneficiary company wholly-owned by SPV Lux will be set within

the range of 45% plus one share and of 50% of the share capital of Pirelli, considering the shareholding effectively assigned in the context of the IPO;

- with respect to the distribution of the shares held by Marco Polo into TP Industrial Holding S.p.A. (“**TPIH**”) – company dealing with the activities relating to the industrial sector further to the completion of the aforesaid reorganization process – equal to 100% of the share capital of the latter, it is contemplated that such shares will be assigned to the beneficiaries SPV Lux, CF and LTI in proportion to the shareholdings owned by each of SPV Lux, CF and LTI in Marco Polo (respectively equal to 65% / 22.4% and 12.6%).

The Parties undertook to submit the Demerger of Marco Polo plan to the approval of the Board of Directors of Marco Polo at the Date of Completion of the IPO or immediately afterwards.

The Demerger of Marco Polo shall be completed as soon as possible after the Date of Completion of the IPO and, in any case, within three months from the date of the approval by Marco Polo of the financial statements related to the financial year 2017. In relation to this demerger, Marco Polo will file a tax ruling petition with the Italian Revenue Agency with respect to the applicable tax regime.

Finally, it is also pointed out that should the Demerger of Marco Polo not be completed within the abovementioned term or in the event that any of the Parties shows in good faith that the demerger is not the most efficient route, each Party shall be entitled to request to assess in good faith potential corporate procedures alternative to the Demerger of Marco Polo in order to proceed to the allocation in favor of the shareholders of Marco Polo of the net worth of Marco Polo, provided that, however: (i) in any case the criteria for the allocation of Marco Polo’s assets (cash, Pirelli shares and TPIH shares) shall remain those indicated above and (ii) in lack of an agreement between the Parties upon an alternative corporate procedure, the Demerger shall be implemented within December 31, 2018.

The shareholders of Marco Polo undertook to procure that, up to the completion of the Demerger of Marco Polo, the company (i) shall not carry out any action which may prevent or jeopardize its completion within the expected timing; and (ii) shall exclusively carry on the day-to-day management of a company which has as exclusive objective the split of its assets and liabilities in a short time.

In addition, the New Shareholders Agreement provides that, starting from the Date of Completion of the IPO (A) the decisions related to the activities and/or the business of Pirelli (and/or the activities and the business of its controlled entities) will not be subject to any prior approval at Marco Polo level, and (B) the resolutions relating to the vote of Marco Polo within Pirelli’s shareholders’ meeting will not be subject to any prior approval of the shareholders’ meeting of Marco Polo, of the special meeting of Class B Shareholders or of the Board of Directors of Marco Polo and, therefore, the termination of the management and direction activity of Marco Polo over Pirelli.

In particular, pursuant to the New Shareholders Agreement, without prejudice to CNRC’s control over Pirelli and CRNC’s right to include Pirelli in its consolidation perimeter for accounting purposes, (i) Pirelli is not be subject to the exercise of any activity of management and coordination in accordance with and by virtue of Articles 2497 et seq. of the Italian Civil Code; and, consequently, (ii) Pirelli has acknowledged the termination of the exercise of any activity of management and coordination by Marco Polo effective as of the Date of Completion of the IPO.

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The essential information of the New Shareholders Agreement relating to Pirelli are described herein–below.

## **2. Companies having financial instruments subject to the New Shareholders Agreement**

Marco Polo International Italy S.p.A., with registered office in Milan, via San Primo no. 4, VAT, fiscal code and registration number at the Companies' Register of Milan 09052130961.

Pirelli & C. S.p.A., with registered office in Milan, viale Piero e Alberto Pirelli no. 25, VAT, fiscal code and registration number at the Companies' Register of Milan 00860340157, having, as at today, a share capital equal to Euro 1,904,374,935.66, fully paid–in.

## **3. Parties adhering to the New Shareholders Agreement**

The Parties adhering to the New Shareholders Agreement are the following:

- China National Chemical Corporation, a company incorporated under the laws of the People's Republic of China, having its registered office in Beijing (People's Republic of China), no. 62 West Beisihuan Road, Haidian district, a state owned enterprise subject to the control of the State–owned Assets Supervision and Administration Commission of the State Council (SASAC) of the People's Republic of China;
- China National Tire & Rubber Corporation, Ltd., a company incorporated under the laws of the People's Republic of China, having its registered office in Beijing (People's Republic of China), no. 62 West Beisihuan Road, Haidian district, wholly controlled by CC;
- Silk Road Fund Co., Ltd., a limited liability company incorporated under the laws of the People's Republic of China, having its registered office at F210–F211, Tower B, Winland IFC, 7 Financial Street, Xicheng District, Beijing, People's Republic of China;
- CNRC International Limited, a company incorporated under the laws of Hong Kong (People's Republic of China), with registered office at RMS 05–15, 13A/F South Tower World Finance CTR Harbour City, 17 Canton RD TST KLN, Hong Kong (People's Republic of China), wholly controlled by CNRC;
- CNRC International Holding (HK) Limited, a company incorporated under the laws of Hong Kong (People's Republic of China), with registered office at RMS 05–15, 13A/F South Tower World Finance CTR Harbour City, 17 Canton RD TST KLN, Hong Kong (People's Republic of China), whose share capital is held for 75% by SPV HK1 and for 25% by SRF;
- Fourteen Sundew S.à r.l., a company incorporated under the laws of the Grand Duchy of Luxembourg, with registered office in Luxembourg, Rue Robert Stümper no. 7A, L–2557, wholly controlled by SPV HK2;
- Camfin S.p.A., a company incorporated under the laws of Italy, with registered office in via Bicocca degli Arcimboldi 3, Milan, indirectly controlled by MTP;
- Marco Tronchetti Provera & C. S.p.A., a company incorporated under the laws of Italy, with registered office in via Bicocca degli Arcimboldi 3, Milan, wholly controlled by Mr. Marco Tronchetti Provera;
- Long–Term Investments Luxembourg S.A., a company incorporated under the laws of the Grand Duchy of Luxembourg, with registered office in 124, Boulevard de la Petrusse, L–2330 Luxembourg (Grand Duchy of Luxembourg), whose share capital is wholly owned – indirectly through Long–Term Investments LLC, a

company incorporated under the laws of Russia – by WHPA Ltd., a company incorporated under the Laws of Republic of Cyprus, with a sole shareholder, *i.e.* Mr. Sergey Sudarikov.

#### **4. Percentages and number of financial instruments subject to the New Shareholders Agreement**

The New Shareholders Agreement is related to all the ordinary shares of Pirelli owned by Marco Polo as of the Execution Date, upon completion of the IPO and subsequently, as well as, upon completion of the Demerger of Marco Polo, by the beneficiaries of said demerger.

As at today, Marco Polo owns no. 600,000,000 ordinary shares of Pirelli, representing 60% of the voting share capital of Pirelli.

#### **5. Content of the New Shareholders Agreement**

##### *5.1 Corporate Governance of Pirelli*

###### *5.1.1 General Principles*

As described in the above recitals, the provisions of the New Shareholders Agreement concerning the governance of Pirelli are binding and refer only to CNRC and MTP, as company at the top of the shareholding chain of Camfin, while LTI shall not have any further prerogative upon the matters provided therein.

As general principle of the New Shareholders Agreement, MTP and CNRC have acknowledged that, in coherence with what already set forth in the First Shareholders Agreement, the governance structures are aimed at continuing the Pirelli's business and entrepreneurial culture by leveraging on the management retention in the long run and shall be inspired by the best international practice of listed companies. For this reason, MTP and CNRC agreed that Pirelli shall be managed by its current top management, and that, in consideration of his fundamental role, Mr. Marco Tronchetti Provera will act as Chief Executive Officer and Executive Vice Chairman of Pirelli and will lead the top management until the date of approval of the Company's financial statements as of December 31, 2019, ensuring the continuity of Pirelli's business culture. The above also by granting to Mr. Marco Tronchetti Provera a leading role in the designation of his successor as managing director of Pirelli.

###### *5.1.2 Board of Directors of Pirelli*

The New Shareholders Agreement provides that from August 31, 2017 the Board of Directors of Pirelli shall be composed of 14 members, 7 of whom independent and that an additional independent director, to be appointed by the minority shareholders at the first shareholders' meeting of Pirelli following the Date of Completion of the IPO, shall be added to the same board.

Following such addition, the New Shareholders Agreement provides that the Board of Directors of Pirelli is composed of 15 members (8 of which are independent) as follows, with candidates of the less represented gender distributed proportionally among the following points (i), (ii) and (iii):

- (i) 8 directors designated by CNRC, including the Chairman of Pirelli, 4 of whom independent and 1 of female gender;

- (ii) 4 directors designated by MTP, including Mr. Marco Tronchetti Provera, who will be appointed as Chief Executive Officer and Executive Vice Chairman of the Board of Directors of Pirelli (the “**Pirelli CEO and Executive Vice Chairman**”), 1 of whom independent, chosen amongst professionals having a strong background in the management of industrial companies and/or business experience in the sector;
- (iii) 2 directors, both independent and of female gender jointly designated by CNRC and MTP (the “**Jointly Appointed Directors**”), also considering the indications of the Joint Global Coordinators appointed in the context of the IPO; and
- (iv) 1 independent minority appointed director to be appointed by the first Pirelli’s shareholders’ meeting after the Date of Completion of the IPO.

All the independent directors shall have the requisites of independence prescribed for directors of listed companies by applicable laws and by the Corporate Governance Code. The aforesaid Board of Directors shall remain in office until the approval of the Company’s financial statements as of December 31, 2019.

Should it be necessary, for any reason whatsoever, to appoint a new Board of Director during the term of the New Shareholders Agreement, CNRC has undertaken to deposit and vote a slate reflecting the same composition under (i) and (ii) above. In such a case, the remaining 3 members of the Board of Directors will be chosen from the minorities slates pursuant to Pirelli’s by-laws.

In this respect, pursuant to Pirelli’s by-laws, the Board of Directors of the Company will be appointed through a voting lists mechanism which shall ensure the following composition:

- (i) 3 directors will be designated by the minority slates; and
- (ii) 12 directors will be designated by the majority slate, at least 3 of whom to be independent.

### 5.1.3 Matters reserved to the Board of Directors of Pirelli

The New Shareholders Agreement provides that any resolutions concerning the following matters, to be implemented by Pirelli and/or any other company (including any foreign unlisted company) which is subject to Pirelli’s management and coordination power but excluding intercompany transactions, shall be subject (as internal limitation to the powers granted to the Pirelli CEO) to the approval of the Board of Directors of Pirelli; it being further agreed that such matters shall be subject to the approval of the Board of Directors of Pirelli not only if the relevant threshold amount specified for each of such matters has been met, but also if any of the matters from (i) to (ix), as a single act or series of coordinated acts (performed in the context of a common executive program or strategic project) exceeds the annual budget/business plan or (only with respect to items from (i) to (viii) below) is not included in or listed or covered in the annual budget/business plan:

- (i) the receiving and granting of loans having a value exceeding Euro 200,000,000 and having a duration exceeding 12 months;
- (ii) the issuance of financial instruments to be listed on regulated European or non-European markets having an overall value exceeding Euro 100,000,000 and/or their delisting;
- (iii) the issuance of guarantees in favor or in the interest of third parties for amounts exceeding Euro 100,000,000;

- (iv) the entering into derivative agreements (a) having a notional value exceeding Euro 250,000,000, and (b) other than those which have as sole purpose and/or effect the hedging of corporate risks (e.g., hedging of interest rates, hedging of exchange rates, hedging of raw materials);
- (v) the acquisition or sale of control or connection shareholdings in other companies having a value exceeding Euro 150,000,000, which entail the entering (or exiting) geographic and/or commodities markets;
- (vi) the acquisition or sale of shareholdings other than those described in point (v) above for amounts exceeding Euro 250,000,000;
- (vii) the acquisition or sale of businesses or business divisions having a strategic importance or, however, a value exceeding Euro 150,000,000;
- (viii) the acquisition or sale of assets or of other activities having a strategic importance or, however, a total value exceeding Euro 150,000,000;
- (ix) the entering into material transactions with related parties, it being understood that “material transactions with related parties” means those transactions with related parties which satisfy the conditions set out under the “*Procedure for Related-Party Transactions*” approved by Pirelli’s Board of Directors;
- (x) the definition of Pirelli’s general policy on remuneration;
- (xi) the determination, in compliance with Pirelli’s internal policies and the applicable laws, of the remuneration of managing directors and of those directors who are vested with special offices and, where required, the allocation among the members of the Board of Directors of the aggregate remuneration approved by the shareholders’ meeting pursuant to Article 2389, paragraph 3, of the Italian Civil Code;
- (xii) the approval of strategic, industrial and financial plans of Pirelli and its group;
- (xiii) the adoption of the rules for the corporate governance of Pirelli and definition of the group’s corporate governance guidelines;
- (xiv) the definition of the guidelines of the internal control system, including the appointment of a director responsible for supervising the internal control system, defining his tasks and powers;
- (xv) any other matter which should be vested with the competence of the board of directors of a listed company pursuant to the corporate governance code of Borsa Italiana, as amended from time to time.

#### 5.1.4 Pirelli Chairman

Pursuant to the New Shareholders Agreement, CNRC and MTP agreed that the Pirelli Chairman shall have the power to legally represent the Company, as well as all the other powers granted to the Chairman according to the current by-laws of Pirelli, without prejudice to the powers and prerogatives of the Board of Directors.

#### 5.1.5 Pirelli CEO and Executive Vice Chairman – Significant Matters

The New Shareholders Agreements provides that Mr. Marco Tronchetti Provera will be the CEO and Executive Vice Chairman of Pirelli for the entire duration of the New Shareholders Agreement. The Pirelli CEO and Executive Vice Chairman shall be vested with the power and authority concerning the ordinary management of Pirelli and of the Pirelli group on an exclusive basis, with the exclusion of the powers which fall within the

exclusive competence of the Board of Directors (*i.e.*, the powers referred to under Paragraph 5.1.3 above), as well as with the power to propose to the Board of Directors the adoption of the following resolutions:

- (i) approval of the business plan and the annual budget of Pirelli and its group of companies and any material amendments thereto. Such business plan and the annual budget will (i) cover operating and financing matters of Pirelli, including, but not limited to, all funding to finance the said business plan and annual budget, as well as the decisions related to operating assets underlying the business plan and annual budget; and (ii) be equipped with adequate and appropriate supporting schedules explaining the items in the business plan and annual budget;
- (ii) any resolution concerning industrial partnerships or strategic joint ventures of Pirelli and/or any Affiliate of Pirelli (as defined below), subject, in any case, to the prior examination and discussion in the Strategies Committee of Pirelli.

The resolutions upon the matters referred to points (i) and (ii) above (the “**Significant Matters**”) will be reserved to the Pirelli Board of Directors and/or shareholders’ meeting of Pirelli, as the case may be. In particular, the approval and/or amendment of the budget and/or the business plan of Pirelli and its group will always remain within the competences of the Board of Directors. Furthermore, CNRC and MTP have agreed that, with respect to the Significant Matters, any possible decision taken in the Pirelli Board of Directors against the relevant proposal submitted to the Board by the Pirelli CEO and Executive Vice Chairman shall be motivated and shall in any case take into account the best interest of Pirelli.

#### 5.1.6 Resolutions of the shareholders’ meeting

The New Shareholders Agreement provides that (i) Pirelli’s technological know-how shall remain in the ownership of Pirelli and shall not be transferred to third parties (except for the licenses granted at arm’s length and for the renewal, extension, amendment and/or review of what already agreed and executed as of October 1, 2017 with respect to the use of said technological know-how in the industrial sector); and (ii) the operating and administrative headquarters of Pirelli shall remain in Milan.

The New Shareholders Agreement provides that the resolutions of the extraordinary shareholders’ meetings of Pirelli relating to Pirelli’s technological know-how and/or the operating and administrative headquarter shall be taken with a majority of 90% of the ordinary share capital.

Each of the above-mentioned provisions shall be reflected (as they were already reflected) in the by-laws of Pirelli, which has become effective as of the Date of Completion of the IPO.

#### 5.1.7 Management of Pirelli

The New Shareholders Agreement provides that Pirelli’s top managers, to be identified by Mr. Marco Tronchetti Provera, in his capacity as Pirelli CEO and Executive Vice Chairman (the “**Management**”), will benefit of the value creation at the level of Pirelli, through incentive mechanisms (also including a stock option plan with cash settlement option for Pirelli) to be developed on the basis of a long term incentive plan according to the best international market practice. The Pirelli’s Management shall be in charge of the day-to-day management of Pirelli, of the implementation of the business plan and of the recruitment and growth of key personnel of Pirelli and its group in line with the procedure implemented in Pirelli (which shall provide for the appointment of the “*dirigente preposto*” pursuant to Article 154-*bis* of the Consolidated Financial Act by the Board of Directors) and under the supervision of the Remuneration Committee and the Committee for the Appointment and Succession, as applicable.

### 5.1.8 Succession Procedure

CNRC and MTP agreed that, in view of the expiration from the office of the current Board of Directors, a new procedure will be adopted for the designation of the individual who will be requested to act as Pirelli's managing director upon expiration from said office by Mr. Marco Tronchetti Provera. In this respect:

- (A) starting from November 1, 2019, the procedure will be as follows: (i) the candidate to be considered for succession will be indicated to the Committee for the Appointment and Succession by the Pirelli CEO and Executive Vice Chairman (the "**Proposed Candidate**"); (ii) an international independent primary HR firm will be appointed to evaluate the Proposed Candidate; and (iii) the Committee for the Appointment and Succession will resolve upon the proposal of the Pirelli CEO and Executive Vice Chairman and, in case of tie vote, with the casting vote of the latter. Provided that the above HR firm has validated the Proposed Candidate, the following shall apply: (i) the Proposed Candidate shall be included by CNRC in the slate for the new Pirelli board to be filed in view of the shareholders meeting that will be called for the approval of the financial statements of the company as at December 31, 2019; and (ii) CNRC shall cause that, at the first board meeting appointed by the above shareholders' meeting, its non-independent directors vote and confirm the Proposed Candidate as new Pirelli CEO;
- (B) in case Mr. Marco Tronchetti Provera is no longer able for any reason whatsoever to accomplish the above activities, the above prerogatives belonging to him will pass on to one of the members designated by him in the Committee for the Appointment and Succession, as indicated by MTP. In such case, the procedure for the selection of the candidate shall be the same as described above, provided, however, that none of the members of such Committee for the Appointment and Succession will have the casting vote. In any such case, provided that the above HR firm has validated the Proposed Candidate, if the Committee does not approve the candidate proposed by the member of the Committee for the Appointment and Succession indicated by MTP or the Board of Directors of Pirelli does not appoint him by means of co-optation pursuant to Article 2386 of the Italian Civil Code, then CNRC (and MTP to the extent possible) shall: (i) cause the non-independent directors designated by it to resign to cause the Board to cease; (ii) insert the candidate proposed by the member of the Committee for the Appointment and Succession indicated by MTP in the slate for the appointment of the new Pirelli board; and (iii) cause that the non-independent directors to vote at the first board meeting the proposed candidate as new Pirelli CEO. In such case, CNRC committed to insert the new Pirelli CEO - appointed with the procedure set forth under this Paragraph 5.1.8(B) - in the slate for the new Pirelli board of directors to be appointed at the shareholders meeting that will be called for the approval of the financial statements of the company as at December 31, 2019 and shall cause that its non-independent directors vote and confirm at the first board meeting the new Pirelli CEO as Pirelli CEO.

### 5.1.9 Internal Committees of the Board of Directors

CNRC and MTP agreed that Pirelli constitutes internal committees and procedures in line with the best practice of international and Italian listed companies, with the significant role attributed to the independent directors.

Pursuant to the New Shareholders Agreement, it is provided that the internal committees of the Company are composed as follows:

- (i) Internal Control and Risks Committee, composed of 3 independent directors, of which: (a) 1 designated by CNRC (as Chairman); (b) 1 designated by MTP; and (c) 1 designated among the Jointly Appointed Directors;
- (ii) Related Parties Transactions Committee, composed of 3 independent directors, of which: (a) 1 designated by CNRC; (b) 1 designated by MTP; and (c) 1 designated among the Jointly Appointed Directors (as Chairman);
- (iii) Strategies Committee, composed of 7 directors, of which: (a) the Pirelli CEO and Executive Vice Chairman, who shall be the chairman of the Strategies Committee, and 1 director designated by the Pirelli CEO and Executive Vice Chairman; (b) 3 non-executive directors designated by CNRC; (c) 1 independent directors chosen by the Chairman; and (d) 1 independent director chosen by the Chairman among the Jointly Appointed Directors;
- (iv) Committee for the Appointment and Succession, composed of 4 directors, of which: (a) the Pirelli CEO and Executive Vice Chairman, who shall chair the Committee for the Appointment and Succession and 1 director designated by the Pirelli CEO and Executive Vice Chairman; (b) 2 directors designated by CNRC, one of them to be the Pirelli Chairman; and
- (v) Remuneration Committee, composed of 2 independent directors and 1 non-executive director, of which: (a) 1 independent director designated by the Pirelli CEO and Executive Vice Chairman; (b) 1 non-executive director chosen by the Chairman of Pirelli; and (c) 1 independent director designated by CNRC, who shall be chair the Remuneration Committee.

## 5.2 Provisions relating to the transfer of Pirelli shares

### 5.2.1 Lock-up Period

Pursuant to the New Shareholders Agreement, the Parties undertook not to sell, assign, transfer or dispose, in any way whatsoever, directly or indirectly (without prejudice to the Permitted Transfers, as defined below):

- (i) their respective participations in Marco Polo (as well as any right or related financial instrument) until the completion of the Demerger of Marco Polo;
- (ii) their respective participations directly or indirectly held in Pirelli (as well as any right or related financial instrument), until the expiry of the first anniversary as of the Date of Completion of the IPO, *i.e.* until October 4, 2018, (except for LTI that shall be entitled to transfer directly or indirectly, through Marco Polo, its participation in Pirelli after the expiry of the 6th month after the Date of Completion of the IPO, *i.e.* until April 4, 2018, to the extent it is allowed by the agreements executed in the context of the IPO and does not trigger an adverse effect on the Demerger of Marco Polo, it being understood that any proceeds in relation to this sale shall remain in Marco Polo until the Demerger of Marco Polo is completed and will be attributed to LTI net of costs and taxes only in the context of the Demerger of Marco Polo).

### 5.2.2 Permitted Transfers

In partial derogation to the restrictions referred to under Paragraph 5.2.1 above, the Parties will be entitled to transfer, in whole or in part, their respective participation to one or more controlling, controlled or under common control companies ("**Affiliate/s**"), in addition SFR may receive directly its relevant Pirelli shares.

## 5.3 Term and termination of the New Shareholders Agreement

### 5.3.1 Term

Without prejudice to the different and shorter term provided with respect to the lock-up undertakings pursuant to Paragraph 5.2.1 above, the provisions of the New Shareholders Agreement described above will become effective on the Date of Completion of the IPO and will remain in full force and effect until the date of approval, by the shareholders' meeting of Pirelli, of the financial statements of the Company as at December 31, 2019 and, in any case, no later than June 30, 2020.

### 5.3.2 Automatic Termination

Without prejudice to the above, all the rights and prerogatives granted to MTP with respect to the governance of Pirelli are subject to Mr. Marco Tronchetti Provera or his heirs directly or indirectly maintaining a stake not lower than (i) 4% of Pirelli share capital during whole lock-up period described above and, subsequently, (ii) 2% of Pirelli share capital. Such percentages to be calculated, in both cases, on a see-through basis, with respect to the Pirelli share capital at the Date of Completion of the IPO.

### 5.4 Indemnification rights

For the entire duration of the New Shareholders Agreements, each Party undertook to keep harmless and indemnified the other Parties from any liability which the latter may suffer as a result of such Party having (i) executed, or taken part in, directly or indirectly, also by means of Affiliates or related parties, any agreement whatsoever, also oral, concerning the Pirelli shares and/or (ii) caused the triggering of the obligation to launch any mandatory public tender offer on the Pirelli shares for each or all the other Parties as a consequence of (xx) the acquisition by such Party of Pirelli shares or (yy) the execution by such Party of agreements (whether voting or otherwise) with third parties.

## 6. **Control**

Pursuant to Article 93 of the Consolidated Financial Act, the *de jure* control over Pirelli is exercised by Marco Polo, which is, in turn, *de jure* controlled by CNRC. Furthermore, the New Shareholders Agreement provides that, without prejudice to the control of CNRC over Pirelli and CNRC's right to consolidate Pirelli Pirelli shall not be subject to the management and coordination activity pursuant to Article 2497 et seq. of the Italian Civil Code by CNRC or its subsidiaries.

## 7. **Type of shareholders agreement**

The provisions set forth in the New Shareholders Agreement are relevant pursuant to Article 122, paragraphs 1 and 5, letters a) and b), of the Consolidated Financial Act.

## 8. **Bodies of the New Shareholders Agreement**

The New Shareholders Agreement does not provide for any relevant body.

## 9. **Penalties in case of failure to comply with the obligations**

The New Shareholders Agreement does not provide for any penalty in case of failure to comply with the obligations set forth therein.

**10. No obligation to file shares**

The New Shareholders Agreement does not provide any obligation to file the shares of the Company contributed to the New Shareholders Agreement.

**11. Office of Companies Register**

The New Shareholders Agreement has been filed on 6 October 2017 at the Companies Register of Milan.

**Milan, 6 October 2017**