



Pirelli & C. S.p.A.

Reports to the Meeting of 15 May 2018

Appointment of a Director subject to an increase to 15 in the number of members of the board of directors.

Prospectus prepared by the Directors pursuant to art. 125-ter of Legislative Decree 24 February 1998, no. 58 and subsequent amendments and additions, approved by the Board of Directors on 26 February 2018.

Dear Shareholders,

the ordinary shareholders' meeting held on 1 August 2017 gave rise to the renewal of the Board of Directors of Pirelli & C. S.p.A. ("**Pirelli**" or the "**Company**"), determining as fourteen the number of members of the Board and setting the duration of the related mandate as three financial years, thus expiring at the meeting called to approve the financial statements of the Company as at 31 December 2019¹.

In this regard, it is recalled that:

- The aforementioned appointment of the new Board of Directors - which took effect from 31 August 2017 - was approved at the meeting by the shareholder Marco Polo International Italy S.p.A ("**Marco Polo**", at the time the Company's sole shareholder) before the stock market listing of the Pirelli shares finalised on 4 October 2017 (the "**Listing**");
- as reported in the documentation published in the Listing process² the current composition of the Board of Directors reflects the shareholders' agreement existing between Marco Polo shareholders³ (the "**Shareholders' Agreement**"), pursuant to which the Board of Directors of Pirelli is envisaged as being initially composed of 14 members, 7 of which are independent, and that it comprises a further independent director, to be appointed at the first meeting of Pirelli subsequent to the Listing by the shareholders that are not Marco Polo (the "**Minorities.**");
- during the aforementioned meeting of 1 August 2017, Marco Polo undertook to ensure that Minorities can elect their representative on the Board during the first shareholders' meeting to be held after the Listing, following the determination of the new number of Directors as 15 ("**Meeting**").

It should be noted that, for the purposes of adopting the required shareholders' meeting resolutions, the statutory procedure of the voting list does not apply, as it is not a case of the full renewal of the Board of Directors. Therefore, pursuant to Article 10 of the Articles of Association, the appointment of Directors who, for any reason, are not appointed pursuant to the voting list procedure, is resolved by the Meeting with the majorities required by law.

As indicated in the Registration Document, drawn up upon the admission of the company's ordinary shares to trading on the Mercato Telematico Azionario (screen-based stock exchange) Organised and managed by Borsa Italiana S.p.A., Marco Polo is committed to ensuring that minorities can elect their representative on the Board during the first shareholders' meeting to be held after the date of the start of negotiations, following the determination of 15 as the new number of Directors.

This commitment also concerns the shareholders of Marco Polo who are the recipients of shares held by the latter in case the demerger of the company contemplated in the Shareholders' Agreement is completed before the Meeting. The appointed Director will expire together with those

¹ The Company's Articles of Association (article 10.1) provide the following: "*The company is managed by a Board of Directors composed of up to fifteen members who remain in office for three financial years and may be re-elected.*".

² Cf. Registration Document accessed at the following Company web address: <https://corporate.pirelli.com/corporate/it-it/investitori/pirelli-in-borsa/ipo-documentation>.

³ Accessed at the following Company web address: <https://corporate.pirelli.com/corporate/it-it/governance/patti>.

currently in office, and therefore on the date of the shareholders' meeting called to approve the financial statements for the year ended 31 December 2019 and will be paid a remuneration for the position in line with that determined for the other members of the Board of Directors.

In particular, it should be noted that each member of the Board of Directors is entitled to a gross annual fee for the office of 60 thousand Euro, in addition to any supplementary remuneration set by the Board of Directors in the case of participation in advisory committees.

Finally, it should be noted that the new Director, as decided by the Board of Directors at the meeting held on 31 August 2017, will also be appointed as member of the Control, Risks, Sustainability and *Corporate Governance Committee* and of the Compensation Committee.

PROPOSAL OF THE BOARD OF DIRECTORS

In view of the foregoing, the Board of Directors proposes to approve the increase from fourteen to fifteen of the number of members of the Board and the appointment of a new Director meeting the independence requirements provided for by Legislative Decree 58/1998 and by the Self-Regulatory Code of the listed companies to which Pirelli has adhered⁴.

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The Board invites shareholders who wish to submit proposals for the candidacy for the office of member of the Board of Directors to take into account, in addition to the provisions of law and the Articles of Association, also that which is recommended on the matter by the Self-Regulatory Code.

In particular, the Board hopes that any candidacies may be made available to the public - also through the Company - accompanied by suitable documentation, as indicated in the appropriate section of the Pirelli website dedicated to the Shareholders' Meeting, at least 25 days before the date of the Shareholders' Meeting and therefore by 20 April 2018, and this in order to allow those entitled to vote in the Meeting to know in advance the personal and professional characteristics of the candidate(s), notwithstanding the right to file candidates during the Shareholders' meeting.

Finally, the Board invites shareholders to also take into account the proficiency and skills profiles necessary for the execution of the position of Director of Pirelli as well as the guidance regarding the maximum number of positions deemed compatible with the effective execution of the office of Director of the Company published on the Pirelli website www.pirelli.com – Governance section⁵. At this regard, the Board of Directors suggests to the Shareholders who shall file candidates, taking into account that the newly appointed Director will be a member of the Audit, Risks, Sustainability and Corporate Governance Committee and of the Remuneration Committee and also considering the professional skills of the directors currently appointed (skills that grant the Board of Directors with a adequate and balanced composition), to choose the candidate having the

⁴ Accessed at the following web address: <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf>

⁵ It is to be noted that as of the date of this report, the Board of Directors of Pirelli & C. S.p.A. is made up of fourteen Directors, seven of whom are in possession of the requisites of independence, both pursuant to Legislative Decree 58/1998 and pursuant to the Self-Regulatory Code of the listed companies. It should also be noted that the current composition of the Board ensures compliance with legal and statutory provisions on gender balance.

knowledge and the experience, also academic, accrued on the same topic of the focus of the abovementioned committees.