



**Milan – Viale Piero e Alberto Pirelli, 25**  
**Share Capital EUR 1,345,380,534.66**  
**Milan Companies Register No. 00860340157**  
**Entry no. in REA Business Information Register: no. 1055**

### **Disclosure document**

Prepared pursuant to the combined provisions of Article 114-bis  
Legislative Decree 58/1998 and paragraph 1, Article 84-bis,  
Consob Resolution no. 11971 of 14 May 1999 (as amended and supplemented)  
regarding the 2014-2016 3-year Cash Incentive Plan for Pirelli Group Management.

## INTRODUCTION

This document (the “**Disclosure Document**”) is prepared pursuant to the combined provisions of Article 114-bis of Legislative Decree 58/1998 (Consolidated Law on Financial Intermediation) and of paragraph 1, Article 84-bis of the Regulation adopted by Consob with Resolution no. 11971 of 14 May 1999, as amended (“**Issuers Regulation**”). It conforms, too, with the indications of Model Format no. 7 of Schedule 3A of the Issuers Regulation, corresponding paragraphs being identically numbered.

The Disclosure Document is available to the public at the head office of Pirelli & C. S.p.A. (“**Pirelli & C.**”) - in Milan, Viale Piero e Alberto Pirelli 25 – and on the website of Pirelli & C. ([www.pirelli.com](http://www.pirelli.com)), and at Borsa Italiana S.p.A. (Milan, Piazza degli Affari n. 6), pursuant to applicable laws and regulations.

The object of the Disclosure Document is the 2014-2016 3-year Long-Term Cash Incentive Plan for Pirelli Group Management (“**LTI Plan**”), approved by the Board of Directors of Pirelli & C. at its meeting on 27 February 2014 and, pursuant to Article 114-bis of Legislative Decree 58/1998, submitted for approval – with regard to the part of the Plan based in part on the market performance of Pirelli shares, as described herein – to the Meeting of the Shareholders, called for 12 June 2014 (on a single call).

The LTI Plan – according to paragraph 3, article 114-bis of the Consolidated Law on Financial Intermediation read together with paragraph 2, article 84-bis of the Issuers’ Regulation – ranks as having “particular importance” in that it regards, among others, the Chairman and Chief Executive of Pirelli & C., the General Manager Operations, and individuals with strategic responsibility in the undertaking in that they have regular access to privileged information and have the power to make decisions that affect the development and the future prospects of the Group.

Given that the LTI Plan is monetary, and makes no provision for granting shares or options on share or other securities, but solely a cash award partly linked to the stock market performance of the ordinary shares of Pirelli & C, having regard to a selected sample of companies operating in the tyre industry, the Disclosure Document does not include the prescribed information on arrangements for awarding shares or share options.

## DEFINITIONS

To facilitate the comprehension and reading of the Disclosure Document, a glossary is provided below that lists of a number of recurrent terms not previously defined:

**Annual Total Direct Compensation at the target level:** the sum of the following components, regardless of whether they are paid by Pirelli & C. or by other Group Companies: (i) the gross annual fixed component of remuneration; (ii) the annual variable component that the beneficiary would receive if he or she achieves the objectives at the target level; (iii) annualisation of the medium/long-term variable component made up of a) the LTI bonus that the beneficiary would receive on achieving

the 3-year objectives at the target level and of b) the annual rolling mechanism for deferring payment of part of the accrued MBO incentive and for providing enhanced payment of the entire accrued MBO incentive in recognition of the sustained achievement, over time, of the annual objectives.

**Remuneration Committee:** the Remuneration Committee of Pirelli & C.

**Board of Directors:** the Board of Directors of Pirelli & C.

**General Managers:** the persons appointed as such by the Board of Directors of Pirelli & C. and have wide-ranging powers for managing business sectors. The General Managers at other Pirelli Companies are, for the purposes of this Policy and according to their role, Executives or Senior Managers (barring a resolution otherwise by the Board of Directors of Pirelli & C. that designates them “Managers with strategic responsibility”).

**Managers with strategic responsibility:** managers, appointed by express resolution of the Board of Directors of Pirelli & C., who have the authority or responsibility to plan and control the Company’s activities or to take decisions which may affect the development or future prospects of the Company and, more in general, of Pirelli.

**Disclosure Document:** this document.

**Executives:** managers at Pirelli’s companies in Italy or employees at the Group’s foreign companies having a position or role equivalent to that of an Italian manager.

**Group or Pirelli:** all the Companies included in the scope of consolidation of Pirelli & C.

**Management:** all the Directors holding special offices, the General Managers, the Managers with strategic responsibility, the Senior Managers and the Executives.

**MBO incentive:** the annual variable component of remuneration obtainable for achieving pre-set business objectives

**2014-2016 LTI Plan:** the Long Term Cash Incentive Plan

**Pirelli Tyre:** Pirelli Tyre S.p.A. with registered office at Milan, with tax code and entry number in the Milan Company Register no. 07211330159, a wholly-owned subsidiary of Pirelli & C..

**GAS (gross annual salary) :** the gross annual fixed component of remuneration for the employees of any Pirelli Group Company.

**Senior Managers:** the managers that report directly to (i) the Directors holding special offices who are assigned specific functions and (ii) to the General Managers whose activities have a significant impact on business results.

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

## **1. BENEFICIARIES OF THE PLAN**

### **1.1 List of named beneficiaries who are members of the Board of Directors of Pirelli & C., of the parent companies of Pirelli & C. and of the direct or indirect subsidiaries of the latter.**

The LTI Plan regards Pirelli Management (made up of Executive Directors of Pirelli & C. and Group Executives in general) and may be extended to those who, over the 3-year period, join the Group Management or take up an Executive post. Where this happens,

their inclusion in the Plan is conditional on participating in the LTI Plan for at least an entire financial year and the incentive percentages are adjusted to reflect the number of months of participation in the Plan.

The participants in the LTI Plan are, among others:

- the Chairman and Chief Executive Officer, Marco Tronchetti Provera with regard to his main executive appointment in the Pirelli Group (Chairman and Chief Executive Officer of Pirelli Tyre);
- the Deputy Chairman, Alberto Pirelli (in his capacity as *Senior Manager*);
- the General Manager Operations, Gregorio Borgo;

as well as the following managers with strategic responsibility:

- Maurizio Boiocchi (*Chief Technical Officer*);
- Giuliano Menassi (*Senior Vice President Manufacturing*);
- Maurizio Sala (*Chief Planning and Controlling Officer*);
- Francesco Tanzi (*Chief Financial Officer* and Manager with responsibility for preparing the Company's accounting documents);
- Christian Vasino (*Chief Human Resources Officer*).

Given that the LTI Plan extends to Group Executives in general, the plan beneficiaries will be the Directors of the subsidiary companies of Pirelli & C. (controlled by it either directly or indirectly) who are at the same time Group Executives. It accordingly follows that said individuals are LTI Plan participants in that they are part of Group Management (and not in their capacities as Directors of Group Companies). Indeed (with the sole exception of Mr. Marco Tronchetti Provera), none of the LTI Plan beneficiaries are such by virtue of being Directors of Group Companies, and for that reason their names cannot be disclosed.

### **1.2 Categories of employees or non-employee personnel of Pirelli & C. and of the parent companies or subsidiaries of Pirelli & C.**

As noted above (see section 1.1) the LTI plan is open to Group Executives in general and may also be extended to those who join Group Management during the 2014-2016 3-year period or assume the position of Executive as a result of in-house career development.

Accordingly, in addition to the Chairman of the Board of Directors of Pirelli & C. and of Pirelli Tyre, the LTI Plan beneficiaries are those personnel who are employees of Pirelli & C. or of its direct or indirect subsidiaries inside or outside Italy and are included in one of the following categories:

- employees who are managers of Pirelli & C.;
- employees who are managers of one of the Italian subsidiaries of Pirelli & C.;
- employees of subsidiaries of Pirelli & C. whose registered office is located outside Italy and who hold a position or role that is equivalent to that of an Italian manager given the title of Executive.

At the date of the Disclosure Document, in addition to the Chairman and Chief Executive

Officer of the Company, Marco Tronchetti Provera, the Deputy Chairman of the Company, Alberto Pirelli (in his capacity as *Senior Manager*), the General Manager, Gregorio Borgo, and the Managers with strategic responsibility (*Chief Technical Officer*, Maurizio Boiocchi; *Senior Vice President*, Giuliano Menassi; *Chief Planning and Controlling Office*, Maurizio Sala; *Chief Financial Officer* and Manager with responsibility for preparing the Company's accounting documents, Francesco Tanzi; and *Chief Human Resources Officer*, Christian Vasino). The participants of the LTI Plan number 311 employees ranking as Group Executives, of which 30 due to their position as employee managers at Pirelli & C., and the remaining 281 due to their role as an Executive at one of the Group companies inside or outside Italy other than Pirelli & C.

**1.3 List of named plan beneficiaries belonging to the following groups:**

**a) General Managers of Pirelli & C.**

The General Manager Operations of Pirelli & C., Gregorio Borgo, is a beneficiary of the LTI Plan.

**b) other Managers with strategic responsibility of Pirelli & C. who during the financial year have received aggregate compensation (the sum of cash compensation and financial instrument-based compensation) that is greater than the highest aggregate compensation assigned to members of the Board of Directors, or to the General Managers of Pirelli & C.**

None of the Managers with the strategic responsibility of Pirelli & C. received aggregate compensation during the financial year that is greater than the highest aggregate compensation assigned to the members of the Board of Directors or to the General Managers of Pirelli & C. and, in particular, than that assigned to the Chairman and Chief Executive Officer of Pirelli & C. and Pirelli Tyre.

**c) natural persons who control Pirelli & C. that are employees or who work as non-employees of Pirelli & C.**

Not applicable.

**1.4 Description and number, broken down by category:**

**a) of Managers with strategic responsibility other than those indicated under item 1.3(b)**

In addition to the General Manager Operations, Gregorio Borgo, the following Managers with strategic responsibility of Pirelli & C are participants in the LTI Plan:

- *the Chief Technical Officer* Maurizio Boiocchi
- *the Senior Vice President Manufacturing* Giuliano Menassi
- *the Chief Planning and Controlling Officer* Maurizio Sala
- *the Chief Financial Officer* and Manager with responsibility for preparing the

- Company's accounting documents, Francesco Tanzi
- *the Chief Human Resources Officer Christian Vasino.*

***b) in the case of “smaller” companies, pursuant to Article 3(1)(f) of Regulation no. 17221 of 12 March 2010, indication as an aggregate of all Managers with strategic responsibility of the issuer of financial instruments***

Not applicable.

***c) any other categories of employees or non-employee personnel for whom the plan envisages different characteristics (e.g. managers, middle management, white-collar employees, etc.).***

The incentive scheme under the LTI Plan is the same for all Plan participants (and is described in section 2.2), though there are differences in the percentage level of the incentive awarded. The percentage level rises according to the role concerned and considering the benchmarks applicable to each role in terms of total direct compensation at the target level.

The ROS objective (calculated as the ratio of accumulated Ebit after restructuring charges over the three-year period and the accumulated turnover over the three-year period) of the Group, of the Business Unit, and of the Region is set in accordance with the organisational unit to which the Executive belongs.

## **2. REASONS FOR ADOPTION OF THE PLAN**

### ***2.1 Objectives to be achieved through grant of the plans***

In general the Remuneration Policy for financial year 2014 adopted by Pirelli & C. (the “**2014 Policy**”) is directed at attracting, motivating, and retaining human resources having the professional standing needed to successfully pursue Group aims.

The 2014 Policy, in general, and the LTI Plan, in particular, are so designed as to align the interests of Management with those of the shareholders through the pursuit of the overriding objective of creating sustainable value over the medium-long term period by forging an effective and verifiable link between, on the one hand, remuneration and, on the other, individual performance and that of Pirelli.

The LTI Plan is to apply over a 3-year reference period (2014-2016). The medium/long-term target levels at which the rewards in the LTI Plan are paid out to the beneficiaries have been established on the basis of the Industrial Plan presented to the financial community on 6 November 2013.

In this connection it is noted that concurrent with the introduction of a new Industrial Plan for 2013-2017, the Board of Directors of Pirelli voted – with effect from 31 December 2013 – to terminate the medium/long-term cash incentive plan for Management (the Long Term Incentive or, “LTI” Plan) adopted in 2012 and geared to the objectives for the 2012-2014 3-year period. As an effect of that decision, no pay-out

was made of the 3-year incentive, not even a pro-rated payment, the “coinvestment” mechanism regarding part of the MBO incentive was abandoned, and any MBO incentive accrued for financial year 2013 was paid out in full. Concurrently, the Board of Directors approved the adoption of new LTI cash plan linked to the objectives of the 2014-2016 period as set out in the Industrial Plan.

***2.2 Key variables, including the performance indicators, used to attribute the financial instrument-based incentive plans.***

***2.3 Underlying elements in determining the amount of financial instrument-based compensation, or the criteria for determining it.***

Management remuneration is made up of three structural elements:

- fixed component;
- an annual variable component (MBO incentive): this is a pre-determined percentage of the fixed component, with percentages that rise according to the manager’s role and considering the benchmarks for each **role**. If the objectives are attained at target level this percentage can range from a minimum of 20% for Executives (managers at Pirelli’s Italian companies or employees at the Group’s foreign Companies holding a position equivalent to that of an Italian manager) up to a maximum of 100% for the Directors holding a special office who have been assigned specific functions. According to the role of the person concerned, this component is designed to reward the annual performance of the Group, of the Company, and/or of the function to which the person belongs. A limit is applied to the maximum MBO incentive obtainable and is set at twice the incentive obtainable at the target level; for the Directors holding special offices who are assigned specific functions, it is 2.5 times the incentive obtainable at the target level

To encourage continuity of results over time, payment of about 25% of the MBO incentive as may be accrued is deferred to the following year subject to the respective MBO incentive being accrued (so that payment of it is at risk), and in addition there is a possible reward mechanism for providing an enhanced payment of the entire MBO depending on the level of attainment of the MBO objectives in the following year (for the purposes of the Annual Total Direct Compensation, this element, which is subject to deferral and enhanced payment, is classified along with the medium/long-term variable component).

- the medium/long-term variable component: made up of the LTI bonus aimed at rewarding Group performance during the 2014-2016 period, and of the above MBO-related element that is variously subject to deferral and to enhanced payment.

The LTI Plan is based on cash, excluding any provision for shares or share options, and delivers a medium/long-term incentive set as a percentage of the gross annual fixed component (GAS). Said percentage level rises in accordance with the respective managerial role and is fixed with reference to the benchmarks for each such **role**. Where the objectives are attained at target level, the percentage level varies within a fixed

range between a minimum of 50% for Executives and a maximum of 250% for the Directors holding a special office who have been assigned specific functions. A limit is applied to the maximum incentive obtainable and is set at twice the incentive obtainable at the target level.

Access to the 2014-2016 LTI Plan is conditional on fulfilling a financial condition, namely the objective of creating value over the 3-year period, which measures the capacity of the Company to create value over the medium-long term by gauging post-tax profits from ordinary operations against the level of invested capital and its cost. Specifically, this objective equates to the difference between NOPAT (Net Operating Profit After Tax) and the weighted average cost of fixed capital plus working capital

In addition, the following three types of objective have been set, the first two of which are independent from one another, along with their respective weightings:

- Group Total Shareholder Return (“**TSR**”), an objective applying equally to Management as a whole and comprising two mutually independent sub-objectives: (i) absolute TSR, with a weighting that accounts for 40% of the total LTI bonus and (ii) relative TSR, with a 20% weighting, measured against a panel of selected peers made up of Michelin, Bridgestone, Goodyear, and Hankook.
- an objective specific to each Executive relating to their respective organisational unit (**Group**, Region, Business Unit), accounting for a percentage weighting of 30% of the overall LTI bonus: *Return on Sales (ROS)*, **calculated as the percentage ratio between accumulated EBIT**, after restructuring charges, **over the 3-year period** and the accumulated turnover over the same period;
- the remaining 10% is calculated on the basis of Sustainability Indicators relating to the positioning of Pirelli in two indices having equal weighting: (i) Dow Jones Sustainability Index, Autoparts and Tyre Sector, and (ii) FTSE4Good Tyre. This objective is accorded recognition only if the minimum value of at least one of the two economic/financial objectives above is reached.

Associated with all three of the objectives (TSR, ROS, and Sustainability) is a minimum value (an entry threshold level). At this level there is a pay-out that is 75% - for each objective - of the incentive amount obtainable for performance at the target level.

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

The LTI objectives that apply equally to the various managerial grades, together with their respective weightings at the target level, are tabulated below.

Objective	Weighting at the target level
Creation of value (difference between NOPAT - Net Operating Profit After Tax - and the weighted average cost of fixed plus working capital)	On/off condition

ROS (calculated as the ratio between accumulated EBIT after restructuring charges over the 3-year period and accumulated turnover over that 3-year period) of the Group, of the Business Unit, or of the Region (depending on the organisational unit in which the Executive works)	30%
“Absolute” TSR	40%
“Relative” TSR with respect to a selected panel of peers	20%
Sustainability indices	10%

Regarding the TSR and ROS objectives, for intermediate results ranging between the minimum value (entry threshold) and the target level or between the target level and the maximum level, the final assessment shall be made through linear scaling

***2.4 Reasons for any decision to grant compensation plans based on financial instruments not issued by Pirelli & C., such as financial instruments issued by subsidiaries or parent companies or by other, non-group, companies; if these financial instruments are not traded on regulated markets, information about the criteria used to determine the value attributable to them.***

Not applicable.

***2.5 Considerations in regard to material tax and accounting implications that affected definition of the plans.***

There are no tax and accounting implications that affected definition of the LTI Plan.

***2.6 Any support for the plan from the Special Incentive Fund for worker participation in businesses, pursuant to Article 4 (112) of Law 350 of 24 December 2003.***

The Plan does not receive any support from the Special Incentive Fund for worker participation in businesses, pursuant to Article 4(112) of Law 350 of 24 December 2003.

### **3. APPROVAL PROCEDURE AND TIMING REGARDING THE ASSIGNMENT OF INSTRUMENTS**

***3.1 Scope of powers and functions delegated by the Meeting of the Shareholders to the Board of Directors for implementation of the plan.***

The LTI Plan is exclusively a cash incentive plan, and there is no provision that the Meeting of Shareholders delegate specific powers and/or functions for implementing the Plan to the Board of Directors, which is entrusted with all powers in this regard.

Indeed, the LTI Plan is submitted for the approval of the Meeting of the Shareholders with regard to that part in which the incentive is partly linked to the stock market performance of Pirelli shares, as explained

**3.2 The bodies/persons charged with managing the plan, and their function and responsibilities.**

After 31 December 2016, the Board of Directors of Pirelli & C., following an examination by the Remuneration Committee, will vet the attainment of the objectives in the LTI Plan and will determine – only for the persons listed by name in section 1.1. – the amount of the bonus due to them, which will be paid, if the objectives have been attained, no later than the first half of 2017.

For all other beneficiaries, the LTI Plan incentive will be calculated by the Company's Human Resources Department and Organization and its Planning and Control Department.

**3.3 Any procedures in place for revising the plans, including in the event that the basic objectives are altered.**

The LTI Plan provides for the possibility - subject to examination by the Remuneration Committee and an opinion by the Board of Statutory Auditors - of the Board of Directors of Pirelli & C. deciding to revise the targets in the LTI Plan (either downwards or upwards) in the event of extraordinary operations that modify the scope of consolidation of the Group and/or of far-reaching changes in the macroeconomic and business scenario. The purpose is to preserve the aims of the LTI Plan, namely to **guarantee** that the objectives of the enterprise and those underlying the Management incentive systems are kept in constant alignment.

**3.4 Description of the procedures for determining the availability and assignment of the financial instruments on which the plans are based (for example, bonus issue of shares, capital increases without pre-emption rights, purchase and sale of treasury shares).**

Not applicable.

LTI Plan is a cash incentive plan. Accordingly, there is no provision to grant financial instruments but rather to pay out a cash incentive.

**3.5 Role played by each director in determining the characteristics of the cited plans; existence of any conflicts of interest involving the respective Directors.**

Pursuant to Article 2389 Italian Civil Code, the 2014-2016 LTI Plan has been approved, on a motion by the Remuneration Committee, by the Board of Directors of Pirelli & C. and by the Board of Directors of Pirelli Tyre, subject in both cases to a favourable opinion by their Boards of Statutory Auditors.

Since the Chairman and Chief Executive Officer of Pirelli & C. is a beneficiary of the LTI Plan by virtue of the office he holds with Pirelli Tyre, the main executive appointment he holds in the Pirelli Group, he did not cast a vote either on the resolution approving the LTI Plan or on the resolutions approving his inclusion among the beneficiaries of the LTI Plan adopted by the Board of Directors of Pirelli & C. and the Board of Directors of Pirelli

Tyre.

The Deputy Chairman of Pirelli & C. is beneficiary of the LTI Plan in his capacity as a *Senior Manager*; he did not participate in voting on the resolution that approved the LTI Plan adopted by the Board of Directors of Pirelli & C.

**3.6 Date of the decision by the competent body to propose approval of the plans to the Meeting of the Shareholders and of any proposal by the remuneration committee, where such exists.**

In its meeting of 27 February 2014, the Board of Directors of Pirelli & C., on a motion from the Remuneration Committee (which met on 20 February 2014) and with the endorsement of the Board of Statutory Auditors, approved the new LTI Plan and, on 27 March 2014 – on a motion from the Remuneration Committee (which met on the same date) and with the endorsement of the Board of Statutory Auditors – it likewise approved the Remuneration Report that recommended submission of the LTI Plan for the approval of the Meeting of the Shareholders of Pirelli & C. called for 12 June 2014 (on single call) in regard to the part based *inter alia* on the stock market performance of Pirelli.

**3.7 Date of the decision by the competent body to grant financial instruments and of any proposal to that body made by the remuneration committee, where such exists.**

Not applicable.

**3.8 Market price recorded on the above dates for the financial instruments on which the plans are based, if those instruments are traded on regulated markets.**

Part of the LTI bonus is determined on the basis of Group Total Shareholder Return (“TSR”) made up of two mutually independent “sub-objectives”: (i) absolute TSR, claiming a 40% weighting of the total LTI and (ii) relative TSR, with a 20% weighting, measured against a panel of selected peers, comprising Michelin, Bridgestone, Goodyear, and Hankook. The period of comparison is the 2<sup>nd</sup> half of 2016 against the 2<sup>nd</sup> half of 2013.

**3.9 In the case of plans based on financial instruments traded on regulated markets, in what terms and in what way the issuer, in deciding when to assign the instruments pursuant to the plans, gives consideration to a possible concomitance of :**

**i) said grant, or any decisions in this regard by the remuneration committee, and  
ii) the disclosure of any material information pursuant to Article 114(1); for example, where such information is:**

- a. not already public and could have a positive impact on market quotations, or**
- b. already published and could have a negative impact on market quotations.**

Not applicable.

#### **4. CHARACTERISTICS OF THE INSTRUMENTS GRANTED**

##### **4.1 Description of the type of structure of the share-based compensation plans.**

Not applicable. No provision is made for assigning financial instruments. Instead, the LTI Plan pays out a cash incentive to the participants depending on their achievement of the objectives indicated in section 2.2.

##### **4.2 Indication of the period when the plan is actually implemented, including reference, where such provision is made, to any other cycles.**

The period of operation of the LTI Plan is the 2014-2016 3-year period.

##### **4.3 Expiry of plan.**

The LTI Plan terminates on 31 December 2016, and sets the first half of 2017 as the time when the LTI Plan incentive, if obtained, will be paid out to the participants, provided that by 31 December 2016 their appointment or employee status has not terminated, for whatever reason.

Under the mechanism described above for sustaining continuity of results over the longer term, payment of 25% of the MBO incentive as may be accrued in connection with financial year 2016 shall be deferred to the following year (and, accordingly, shall be at risk of payment). Indeed, depending respectively on whether and at what level the 2017 MBO incentive is accrued, pay-out of the deferred 25% of the 2016 MOB incentive accrued, plus a possible enhancement of the entire 2016 MBO, shall be made in the first half of 2018.

##### **4.4 Maximum number of financial instruments, including in the form of options, assigned every tax year to each named person or to the indicated categories.**

Not applicable. The LTI Plan makes no provision to grant financial instruments but rather pays out a cash incentive.

##### **4.5 How the plan operates and its governing clauses, specifying whether actual assignment of the instruments depends on meeting conditions or achieving certain results, including performance results; description of these conditions and results.**

Not applicable. The LTI Plan makes no provision to grant financial instruments but rather pays out a cash incentive.

However, the way the LTI Plan operates is described in section 2.2.

##### **4.6 Indication of any availability restrictions applying to the instruments granted or to instruments obtained through exercising the options, particularly deadlines for allowing or prohibiting subsequent transfer to the Company itself or to third parties.**

Not applicable.

##### **4.7 Description of any conditions subsequent applying to the grant of the plans if beneficiaries execute hedging transactions that can circumvent any bans on selling the**

***financial instruments granted, even in the form of options, or on selling the financial instruments obtained through exercising these options.***

Not applicable.

***4.8 Description of the effects if the work relationship is terminated.***

Where, prior to the end of the 3-year period the appointment and/or the employment relationship is terminated, for whatever reason, the beneficiary – including Directors holding a special office who have been assigned specific functions (such is the case of the Chairman and Chief Executive Officer, Mr. Tronchetti Provera) – shall cease to participate in the LTI Plan and, as a result, the LTI Bonus shall not be paid out, not even on a pro-rated basis.

***4.9 Indication of any other causes that determine the annulment of the plans.***

The Regulation does not provide for causes of annulment.

***4.10 Reasons for any provision for “redemption” by the Company of the financial instruments in the plans, pursuant to Articles 2357 et seq. Italian Civil Code; beneficiaries of the redemption, stating whether it applies only to specific categories of employees; how redemption may be affected by termination of the work relationship.***

Not applicable.

***4.11 Any loans or other benefits to be granted for purchase of the shares pursuant to Article 2358 Italian Civil Code.***

Not applicable.

***4.12 Estimate of the expected cost for the Company at the date of the assignment, as may be determined on the basis of terms and conditions already established, expressed as a total amount and in relation to each instrument of the plan.***

The costs for the entire LTI bonus are included in the 3-year Industrial Plan targets, so that the cost of the LTI plan is “self-financed” by fulfilment of the targets themselves.

In particular, it is possible to estimate, on the basis of the number of participants at the Disclosure Document date, that the total consolidated cost relating to the LTI Plan for the 3-year reference period falls between a minimum of zero euros (objectives not achieved) and a maximum of about 115 million euros if the maximum objectives envisaged in the LTI Plan are achieved.

***4.13 Indication of any dilution of capital resulting from the compensation plans.***

Not applicable.

***4.14 Any limits applying to the exercise of the voting right and to the conferral of economic claims.***

Not applicable.

**4.15 If the shares are not traded on regulated markets, all information as may assist in properly assessing the value attributable to them**

Not applicable.

**4.16 Number of financial instruments underlying each option.**

Not applicable.

**4.17 Expiry of options.**

Not applicable.

**4.18 Procedures (American/European), timing (e.g. periods valid for exercise), and clauses (e.g. knock-in and knock-out clauses) affecting exercise.**

Not applicable.

**4.19 Exercise price of the option or the ways and criteria for determining it, particularly in regard to:**

**a) the formula for calculating the exercise price in relation to a specific market price (fair market value) (e.g. exercise price of 90%, 100% or 110% of market price), and  
b) ways of determining the market price used as a reference for determining the exercise price (e.g. last price of the day before grant, average for the day, average over the last 30 days, etc.).**

Not applicable.

**4.20 If the exercise price is not equal to the market price determined as indicated in section 4.19.b (fair market value), reasons for this difference**

Not applicable.

**4.21 Criteria adopted for setting different exercise prices for different beneficiaries or categories of beneficiaries.**

Not applicable.

**4.22 If the financial instruments underlying the options are not traded on regulated markets, indication of the value attributable to the underlying instruments or the criteria used to determine this value.**

Not applicable.

**4.23 Criteria for the adjustments necessary after extraordinary capital operations and other operations that alter the number of underlying instruments (capital increases, extraordinary dividends, consolidation or splitting of the underlying shares, merger and demerger, conversion into other classes of shares, etc.).**

In the case of extraordinary capital operations that modify the scope of consolidation of the Group and/or far-reaching changes in the macroeconomic and business scenario, the Company reserves the right to propose to the Remuneration Committee a possible revision of the target levels (downwards or upwards) in the LTI Plan, in order to defend the value and the aims of the Plan, in this way guaranteeing that the business aims and those underlying the management incentive arrangements are kept constantly aligned.

**4.24 Share issuers shall append the accompanying Table 1, filled out as follows:**

**a) in all cases, the parts as applicable in section 1 of both boxes 1 and 2;**

**b) the parts as applicable in section 2 of both boxes 1 and 2, on the basis of the characteristics already defined by the Board of Directors.**

**Regarding the members of the Board of Directors or the Management Board, the general managers and other managers with strategic responsibility of the listed issuer, the data relevant to Section 1, Table 1, and the information sought in paragraph 1 under:**

**- section 1 ;**

**- points a) and b) of sub-section 1.3;**

**- points a) and b) of sub-section 1.4;**

**may be provided through referral to the report published in compliance with article 84-quarter of the Issuers' Regulation**

Not applicable.

Since the LTI Plan is a monetary plan, it does not provide for the grant of financial instruments but rather the payment of a cash incentive.