



Pirelli & C. S.p.A.

HALF-YEAR REPORT ON CORPORATE GOVERNANCE

1. INTRODUCTION

Pirelli & C. S.p.A. (“**Pirelli**” or the “**Company**”) adopts the traditional administration and control system. Pirelli’s corporate governance system is based on: (i) the central role of the Board of Directors (made up of 15 Directors), which is responsible for strategic guidance and supervision of the overall business activities; (ii) the central role of the Independent Directors (who represent the majority of the Board); (iii) an effective system of internal controls; (iv) a proactive risk management system; (v) a general system of remuneration and an incentive system, in particular for managers linked to medium and long term economic objectives in order to align the interests of Management with those of the Shareholders, pursuing the priority objective of creating sustainable value in the medium to long term; (vi) solid principles of conduct for the execution of transactions with related parties. Pirelli is aware that an efficient corporate governance system aligned with international best practices is an essential element for achieving objectives related to creating sustainable value. Pirelli adheres to the Corporate Governance Code of Listed Companies¹. The Company’s governance system is formalised in the Code of Ethics, in the Articles of Association, in the Regulations for Shareholders’ Meetings and in a series of principles and procedures, periodically updated according to national and international best practices.

The Company highlights the updates and additions made to its corporate governance system on a voluntary basis in the Half-year Financial Report, with respect to that contained in the Annual Financial Report.

(i) Appointment of a Director and of the Chairman of the Board of Directors

The ordinary shareholders’ meeting held on 15 May 2019 approved, with approximately 87% of the capital represented at the meeting, the appointment of Ning Gaoning - already co-opted by the Board of Directors on 7 August 2018 pursuant to Article 2386, paragraph 1 of the Italian Civil Code - as Director and Chairman of the Board of Directors of the Company.

¹ Approved by the Committee for Corporate Governance established by business associations (ABI, ANIA, Assonime, Confindustria) and professional investors (Assogestioni), as well as by Borsa Italiana S.p.A. The adhesion took place with the Board of Directors’ resolution adopted as part of the Company’s relisting process that ended in October 2017. It should be noted that Pirelli has adhered to the Code since its first issue (October 1999) and that in the period from 26 February 2016 to 3 October 2017 the Company was not listed on the Stock Exchange.



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The Chairman was also appointed by the Board as a member of the Appointments and Successions Committee, in continuity with the previous mandate.

Ning Gaoning's term will expire, together with the remaining Directors, at the Shareholders' Meeting that will be convened to approve the financial report as at 31 December 2019.

For the sake of completeness, it is reported that the current composition of the Board of Directors reflects the shareholders' agreements existing between the main Pirelli shareholders².

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As of the date of this report, the Board of Directors of Pirelli is therefore made up of 15 Directors, the majority of whom are independent: Ning Gaoning (Chairman), Marco Tronchetti Provera (Executive Vice Chairman and Chief Executive Officer), Yang Xingqiang, Bai Xinping, Giorgio Luca Bruno, Laura Cioli (Independent Director), Domenico De Sole (Independent Director), Ze'ev Goldberg, Giovanni Lo Storto (Independent Director), Tao Haisu (Independent Director), Marisa Pappalardo (Independent Director), Cristina Scocchia (Independent Director), Giovanni Tronchetti Provera, Fan Xiaohua (Independent Director) and Wei Yintao (Independent Director).

(ii) Director in charge of sustainability matters

On 26 February 2019, the Board of Directors identified the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera as the director in charge of sustainability.

(iii) Remuneration Policy: consultation

At the aforementioned meeting of 15 May 2019, the Shareholders' Meeting was also called to resolve upon the Company's Remuneration Policy.

The establishment of this policy is the result of a clear and transparent process in which the Remuneration Committee and the Board of Directors of the Company play a central role. The policy, which was submitted to the Shareholders' Meeting for consultation, was drawn up on the basis of previous applicable experience and takes into account the regulatory requirements adopted by CONSOB (Italian Companies and Exchange Commission). Furthermore, the policy, based on the pay for performance principle, is defined so as to align

² See the following link <https://corporate.pirelli.com/corporate/it-it/governance/patti>



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the interests of Management with those of the Shareholders, by pursuing the priority objective of sustainable value creation in the medium to long term, via the creation of an effective and verifiable link between remuneration, on one hand, and Pirelli's performance on the other.

The Shareholders' Meeting voted in favour of the Remuneration Policy with approximately 79% of the capital represented at the Meeting.

(iv) Gender diversity policies

On 14 February 2019, the Board of Directors, with the approval of the Audit, Risks, Sustainability and Corporate Governance Committee and the Appointments and Successions Committee, adopted a Diversity and Independence Statement in relation to the composition of the Board itself and the Board of Statutory Auditors. This statement is available on the website: www.pirelli.com.

(v) Limits on the number of offices held

On 14 February 2019, the Board of Directors, with the favourable opinion of the Audit, Risks, Sustainability and Corporate Governance Committee and the Appointments and Successions Committee, resolved to reduce the maximum number of offices considered compatible with the position of director of the Company from five to four. This guidance is available on the website: www.pirelli.com.

The Board of Directors shall have the right to make a different and motivated assessment, which shall be made public in the Report and duly justified.

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For further information on the Company's corporate governance system, please refer to the relevant section of the Pirelli website and the Report on corporate governance and ownership structure included in the Annual Report.