



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

**Articles of Association**  
(June, 2017)

## **Article 1**

### **(Company Name)**

A joint stock company is incorporated with the name of Pirelli & C. Società per Azioni or, in abbreviated form, Pirelli & C. S.p.A. (hereafter, the “**Company**” or “**Pirelli**”).

## **Article 2**

### **(Registered Office)**

- 2.1. The Company has its registered, operational and administrative headquarter in Milan. The operational and administrative headquarter may not be transferred outside the Municipality of Milan except with prior authorisation from the ordinary Shareholders' Meeting in accordance with Article 11.1 below to be resolved upon with the majorities set out in Article 13.2 below.
- 2.2. By resolution of the Board of Directors, secondary headquarters, branches, technical, administrative and representative offices and agencies of any nature may be opened, transferred and closed, in Italy and abroad.

## **Article 3**

### **(Corporate Purpose)**

- 3.1. The Company has as its corporate purpose:
  - a) the assumption of Participations in other companies or entities both in Italy and abroad;
  - b) the financing and technical and financial coordination of the companies or entities in which it invests;
  - c) the purchase and sale, possession, management or placement of public or private securities.
- 3.2. The Company may also perform the following activities:
  - the production and trade, directly or through Participations in other companies, of tyres, as well as raw materials, semi-finished products, equipments, machineries, directly or indirectly related to the tyres production;
  - the research, development, experimentation and industrialization of tyres; studio and elaboration of manufacturing procedures of tyres and parts thereof, as well as any related and connected activities;
  - the financing, technical and financial coordination of the companies or entities in which it invests; the purchase and sale, possession, management and placement of public and private securities of social property;
  - the coordination and organization of the activities of the group in which it invests;

- the provision of management and business services, therein including use of the trademark, strategic planning, research and development, technical manufacturing specifications, marketing, advertising, sale, distribution, finance, management and data processing.
- the production and trade, directly or through Participations in other companies, of sportswear and clothing in general as well as provisions of services or taking representation agencies related to different goods as long as produced and commercialized by companies of the Pirelli Group (as defined herein) with the exception of real estate.

3.3. The Company may also perform any related, instrumental or in any case useful activity for achieving the corporate purpose, therein including, without limitation, obtaining patents for trade mark and any other form of intellectual and industrial property protection, purchasing and selling such rights, purchasing and licensing the same, as well as the provision of collateral and/or personal guarantees (also in favour of third parties), the assumption and granting of loans, in any form, or other forms of financing (therein including corporate guarantees) in favour of companies controlled by the Company.

3.4. The activities reserved to persons registered on professional registers and the activities set out in Art. 106 of Italian Legislative Decree n. 385 dated September, the 1<sup>st</sup> 1993 are excluded, to the extent that they are performed in relation to the public, along with reserved activities in general and those not permitted in accordance with applicable legal provisions.

#### **Article 4**

##### **(Duration)**

The term of duration of the Company is fixed to 31 December 2100; that term may be extended without the shareholders being entitled to any withdrawal right.

#### **Article 5**

##### **(Share Capital and Shares)**

5.1. The fully subscribed and paid-in share capital amounts to Euro 1,904,374,935.66 (onebillionninehundredfourmillionthreehundredseventyfourthousandninehundredthirtyfive point sixty-six) and is represented by 1,461,509,840 shares without par value (the “**Shares**” and each one the “**Share**”).

5.2. The Shares are registered. The Shares might be represented by share certificates or dematerialized.

5.3. In the event of capital increases by issuing shares against payment, the option right may be excluded or limited in respect of the applicable laws.

- 5.4. By resolution of the Shareholders' Meeting, the share capital may be increased even by way of contributions in kind or of receivables, as well as permitted assets, in compliance with applicable laws, the provisions of these Articles of Association and the resolutions of the Shareholders' Meeting.
- 5.5. Each Share is indivisible. In the event of co-ownership of one or more Shares, the rights of the co-owners in relation to the Company, except as provided by Article 2347 of the Italian Civil Code, must be exercised by a joint representative.

#### **Article 6**

##### **(Categories of Shares)**

The shares are only ordinary shares and grant the holders the same rights.

#### **Article 7**

##### **(Withdrawal)**

The Shareholders who do not take part in the approval of the following resolutions:

- extension of the term of duration of the Company; and
- introduction, modification or removal of restrictions on the circulation of shares

shall not be entitled to exercise the right of withdrawal.

#### **Article 8**

##### **(Prohibition of Transfer of Shareholding in Shares;)**

8.1 For the purposes of these Articles of Association:

(i) "**Transfer**" means any sale or disposal, with or without consideration, the result of which, directly or indirectly, involves the transfer to third parties of ownership (or beneficial ownership) and/or bare ownership and/or detention, and/or possession and/or any other real or personal right of enjoyment on the Participations in the Company (or part of them), or the constitution or transfer, with or without consideration, of any real or personal right of enjoyment of the Participations in the Company (or part of them), therein including, by way of example, the transfer on a fiduciary basis, the constitution in pledge or usufruct, the constitution in trust, the contribution, exchange, merger, demerger and transfer of business division, and also including disposals implemented for the purposes and to the effects of the transfer of Control (*as defined herein*) over companies or entities holding, directly or indirectly, that Participation;

(ii) "**Participation**" means any Share, or option right, subscription or pre-emption in accordance with the applicable laws, as well as any other instrument, therein including financial instruments, warrants and/or convertible bonds, granting rights of vote or the right to purchase, receive or subscribe, in any

form, ownership or another real right over Shares and the related rights, therein including any derivatives, directly or indirectly held, that grant to the beneficiary a long position on the Shares;

(iii) “**Person**” means any individual, corporation, partnership, firm, association, unincorporated organization or other entity;

(iv) “**Control**” has the meaning set out in Article 2359, Paragraph 1, No. 1 of the Italian Civil Code. The terms “**Controlling**”, “**Subsidiary**” and the verb “**to Control**” will be interpreted accordingly.

8.2 Except for the Transfers of Participations in the context of the IPO (as defined below), any Transfer of a Participation in Shares to any Person is prohibited until 5 November 2020. The Transfer prohibition in this Article 8.2 will not apply in respect of constitution of pledges in favour of banks or financial intermediaries, or in case of bonds or notes, in favour of bond holders and/or the relevant trustee, as a guarantee of fully perform of the obligations deriving (a) from the financial documents (including the relevant guarantee packages) relating to the facilities granted to Marco Polo Industrial Holding S.p.A. and the Company on the basis of loan agreements executed on 30 April 2015, as from time to time amended and/or integrated, in relation to the transaction targeting the acquisition of control over the Company and the de-listing of the relevant shares (the “**Loan Agreements**”), as well as (b) from any financial document governing bank loans, derivative contracts, and/or bonds / notes, relating, even partially, to any subsequent refinancing of the facilities under the Loan Agreements, as well as (c) from the obligations undertaken with regards to the pension funds established in the United Kingdom and the bonds issued by Pirelli International plc and guaranteed by Pirelli Tyre S.p.A. for a total amount of Euro 600 million, expiring on 2019 (collectively, the “**Refinancing**”), as well as in the event of enforcement of such pledges, in any way carried out.

## **Article 9**

### **(Pirelli Know-How)**

For the purposes of these Articles of Association, “**Pirelli Technological Know-How**” means: all the industrial and intellectual property rights in tire business, pursuant to any applicable law in effect from time to time, including, without limitation, patents and models (including applications submitted to obtain them), know how (including, without limitation, any technical information relating to products and processes, therein including data, formulations, drafts, software, documentation, technical manufacturing specifications, management data, facilities layouts, quality standards, and any combination of them), as well as (notwithstanding the product segment) the Pirelli trademarks and anything that is subject to copyright

protection or similar right; whose ownership or availability pertains to the Company or the companies directly or indirectly Controlled by the Company.

The Pirelli Technological Know-How may not be subject, in whole or in part, to any act of transfer and/or disposal for any reason and in any manner (including through the granting of licences) except with prior authorisation from the ordinary shareholders' meeting in accordance with Article 10.1 below to be resolved upon with the majorities set out in Article 13.2 below, except for the granting of non-exclusive licenses at market conditions: (a) in favour of the Company or companies directly or indirectly Controlled by the Company; or (b) in favour of third parties, within the ordinary business management or marketing or promotional activities. Acts of transfer and/or disposal of Pirelli Technological Know-How functional to the company reorganisation of Pirelli's Industrial Company Division and its possible integration with some strategic assets owned by China National Tire & Rubber Corporation, Ltd. and with the Participation held by the latter in the company Fengshen Tires Stock Limited Company, a company registered and listed in China with licence no. 410000100002081 (the "**Industrial Reorganisation**"), are not subject to the aforementioned Shareholders' Meeting authorisation.

#### **Article 10**

##### **(Loans)**

The shareholders may provide to the Company, in order to allow the achievement of the corporate purpose, financial resources or sums of cash, both interest bearing and non-interest bearing, with or without the obligation of repayment, in compliance with applicable regulatory and legislative provisions and these Articles of Association. The assumption of loans will occur in compliance with, and within the limits permitted by, applicable laws and in particular the criteria established by the Inter-Ministerial Committee for Credit and Savings.

#### **Article 11**

##### **(Shareholders' Meeting)**

11.1. The Shareholders' Meeting is both ordinary and extraordinary and resolves upon the issues reserved to it by law and by these Articles of Association. In addition, the Shareholders' Meeting, in accordance with and by virtue of Article 2364, Paragraph 1, no. 5) of the Italian Civil Code, authorises the Board of Directors to complete any of the acts set out in Articles 2.1 and 9 under the terms and conditions set out therein.

11.2. The Shareholders' Meeting may be held in any location in Italy, even a location other than the headquarters of the Company, or in another State of the European Union or in the People's Republic

of China; the right to attend or represent others at the Shareholders' Meeting is regulated by law and by these Articles of Association.

- 11.3. Holders of rights to vote may appoint a representative by proxy issued in accordance with existing regulatory and legislative provisions. The proxy must be granted in writing, must be sent to the Company in electronic format and the respective documentation must be retained in the Company records.
- 11.4. The right to attend and vote at the Shareholders' Meeting is regulated by the applicable provisions of law and these Articles of Association.

## **Article 12**

### **(Convocation of Shareholders' Meeting)**

- 12.1. The Shareholders' Meeting may be convened by the Board of Directors each time it is deemed appropriate by sending a notice of convocation, with at least 8 (eight) days' prior notice before the date of the Shareholders' Meeting, by way of: **(i)** letter sent to all holders of Shares indicated in the shareholders' book, to the directors and to the auditors by postal service or equivalent means, with notice of delivery; or, alternatively, **(ii)** any other means, therein including, by way of example, fax or e-mail message sent and received by all the persons indicated above, which guarantees proof of receipt of the notice of convocation by the respective recipient. The notice of convocation will be prepared in Italian and English, it being understood that, in the event of a discrepancy between the two versions, the English version will prevail.
- 12.2. The Shareholders' Meeting may also be convened, within the limits set out in Article 2367 of the Italian Civil Code, at the request of as many holders of Shares as represent at least 10% (ten per cent) of the subscribed share capital of the Company represented by Shares, provided that the request indicates the matters to be discussed.
- 12.3. The Shareholders' Meeting must be convened without delay every time a request is made by the Board of Statutory Auditors.
- 12.4. The notice of convocation may indicate a second date of call for another day, where the Shareholders' Meeting at first call is not validly held.
- 12.5. In the absence of the formalities provided for the convocation, the Shareholders' Meeting is validly held when the entire share capital of the Company is represented and the majority of members of the Board of Directors and Board of Statutory Auditors are in attendance at the Shareholders' Meeting;

in that case, each of the participants may object to the discussion of matters on which they do not feel to be sufficiently informed.

- 12.6. The Shareholders' Meeting must be convened by the Board of Directors at least once a year, within 120 (one hundred and twenty) days from the end of the financial year or, where permitted in accordance with applicable provisions of law, within 180 (one hundred and eighty) days.

### **Article 13**

#### **(Resolutions of the Shareholders' Meeting)**

- 13.1. Except as otherwise provided below, the ordinary and extraordinary Shareholders' Meeting is validly held and validly resolves with the majorities provided by applicable law.
- 13.2. In derogation of the foregoing, the resolutions of the ordinary Shareholders' Meeting referred to in Articles 2.1 and 9 above, as well as those of the extraordinary Shareholders' Meeting concerning a change to this Article 13.2 or Articles 2.1, 9 and 11.1 above or Article 27.4 below, are approved with the favourable vote of at least 90% (ninety per cent) of the share capital of the Company and provided that the shareholder who directly exercises Control over the Company is represented at the respective Shareholders' Meeting in accordance with Article 13.3 (A) below.
- 13.3. Subject to the foregoing, the following resolutions adopted by the Shareholders' Meeting:
- (i) any decision relating to actions to pursue directors' liabilities, in accordance with Articles 2392 and 2393 of the Italian Civil Code;
  - (ii) any increase and/or reduction of share capital other than any increase and/or reduction of share capital that:
    - (x) is required by law; and/or
    - (y) is necessary to allow for the Refinancing or in the case of breach or potential material breach of the financial covenants contained therein in the Loan Agreements or in the Refinancing;it being understood that any increase of the share capital in accordance with points (x) and (y) will be offered as an option to all the shareholders of the Company according to Article 2441 of the Italian Civil Code and the subscription price per Share will have to be determined according to fair market value;
  - (iii) dissolution of the Company;
  - (iv) mergers (other than the mergers set out in Articles 2505 and 2505-*bis* of the Italian Civil Code) and/or demergers;



- (v) any amendment to the company's Articles of Association other than those (a) set out in Article 2365 of the Italian Civil Code, and (b) set out in Article 13.2 above of these Articles of Association;

will be legitimately adopted at the respective Shareholders' Meeting provided that:

- (A) the shareholder that directly exercises Control over the Company is represented at the respective Shareholders' Meeting by a special proxy appointed jointly (i) by the chairman of the board of directors, (ii) by the chief executive officer, or, from the Significant Date, a further director of such shareholder that has been directly or indirectly expressed by the Class B Majority Shareholder, as defined in the articles of association of the company exercising direction and coordination over the Company (the "**Company Exercising Direction and Coordination**") (the "**Designated Director B1**"), as well as (iii) by an additional director of such Controlling shareholder (the "**Designated Director B2**"), which has been directly or indirectly expressed by the Class B Minority Shareholder, as defined in the Articles of Association of the Company Exercising Direction and Coordination (it being understood that, for the purposes of this Articles of Association, "**Significant Date**" ha the same meaning provided in the articles of association of the Company Exercising Direction and Coordination);
- (B) the shareholder directly Controlling the Company, represented as provided for above, is duly authorised in accordance with the provisions of its articles of association, as well as, going through the related shareholding structure up to the Company Exercising Direction and Coordination (included), with the provisions of the articles of association of the company in turn Controlling such shareholder.

#### **Article 14**

##### **(Right to attend and vote at the Shareholders' Meeting)**

- 14.1 Holders of Shares holding the right to vote may attend at the Shareholders' Meeting, as long as it is proved their legitimacy also in accordance with the provisions of Article 13.3 (A) above. Each Share attributes the right to 1 (one) vote. Disjointed voting is not permitted.
- 14.2 In order to attend at the Shareholders' Meeting the prior deposit of the Shares or respective share certificates (if issued) is not required.

- 14.3 The Shareholders' Meeting may even take place with attendees spread in a number of locations, linked by audio/video, provided that the collegial method and the principles of good faith and equality of treatment of the shareholders are respected. In particular, it is necessary that:
- (i) the chairman of the Shareholders' Meeting and the person taking minutes, who will proceed to draft and sign the minutes, are attending in the same location, with the meeting being deemed to be held in that location;
  - (ii) the chairman of the Shareholders' Meeting is able, even by way of his office, to ascertain the identity and legitimacy of the attendees, to regulate the conduct of the meeting, to ascertain and announce the results of the vote;
  - (iii) the person taking minutes is able adequately to hear the events of the Shareholders' Meeting being recorded;
  - (iv) the attendees are able to participate in the discussion and simultaneous vote on the items on the agenda, as well as to read, receive and send documents;
  - (v) the notice of convocation indicates any special methods of connection by audio and/or video conference.
- 14.4 The chairman of the Shareholders' Meeting will chair the meeting and lead the discussion in compliance with the law and these Articles of Association. To that end, the chairman, amongst other things: (i) will verify that the Shareholders' Meeting is validly held; (ii) will ascertain the identity of the attendees and their legitimacy – also with respect to the provisions of these Articles of Association – to attend at the meeting, therein including those attending by proxy; (iii) will ascertain that the quorum required to adopt the Shareholders' Meeting resolutions has been reached; (iv) will lead the meeting, even arranging for a different order of discussion of the items on the agenda indicated in the notice of convocation of the Shareholders' Meeting. The chairman will also take the appropriate measures to allow a proper discussion and vote, will establish its procedure and will ascertain the respective results. The chairman will be entitled to use a simultaneous translation service in English and Chinese.
- 14.5 The minutes of the ordinary Shareholders' Meeting will be drafted in Italian and English, both to be transcribed in the book; in the case of a discrepancy between the two versions, the English version will prevail. With reference to the minutes of the extraordinary Shareholders' Meetings, a translation in English will be provided to the attendees who request the same; in the case of a discrepancy between the two versions, the Italian version will prevail.

## **Article 15**

### **(Chairman and Secretary)**

- 15.1. The Shareholders' Meeting will be chaired by the chairman of the Board of Directors or, in the case of his absence or waiver, by the Chief Executive Officer and Executive Vice Chairman or, in the case of his absence or waiver, by the person elected by majority of the attendees.
- 15.2. The chairman of the Shareholders' Meeting will appoint a secretary, even a non-shareholder, and where necessary one or more scrutineers, even non-shareholders. The assistance of the secretary is not necessary when the minutes of the meeting are drawn up by a notary.

## **Article 16**

### **(Appointment of the Board of Directors)**

- 16.1. The Company is managed by a Board of Directors composed of 16 (sixteen) directors, even non-shareholders, who remain in office for a maximum period of 3 (three) financial years and may be re-elected.
- 16.2. The appointment of the Board of Directors will occur based upon slates submitted by the shareholders, in which the candidates must be listed by a sequential number.
- 16.3. The submitted slates must be (a) signed by the shareholders who submitted them, and (b) filed at the headquarter of the Company and made available at least 2 (two) calendar days prior to the date of the Shareholders' Meeting convened to resolve upon the appointment of the directors, except for the case in which all the shareholders waive such term. Together with each list, by the term indicated above, the representations by which the individual candidates irrevocably accept their candidacy and certify, under their own liability, the non-existence of causes of ineligibility and incompatibility, as well as the existence of the requirements prescribed by the applicable law for the respective roles, must be filed. The slates are made available to the shareholders at the legal head office of the Company.
- 16.4. The shareholders that, alone or with other shareholders, hold a Participation in the share capital represented by Shares at least equal to 10% (ten per cent) may submit, or contribute to submitting, one slate.
- 16.5. Each shareholder holding the right to vote, together with its Affiliates, may submit, or contribute to submitting, a single slate and may vote in favour of a single slate; each candidate may appear on only one slate. Slates that do not comply with the provisions set out above may not be voted upon. "**Affiliate**" means, in relation to a company or other entity, any company or other entity that, directly or indirectly, Controls, is Controlled by, or is subject to Joint Control with that company or entity.

- 16.6. The election of the Board of Directors will proceed as follows:
- (i) the members of the Board of Directors will be elected from the slate that obtained the highest number of votes from those submitted;
  - (ii) the first of the candidates indicated in that slate will be elected as Chairman of the Board of Directors;
  - (iii) until the Significant Date the candidate listed at position 9 of the slate will be elected as Chief Executive Officer and Executive Vice Chairman of the Company.
- 16.7. Where no slate is submitted, the appointment of the Board of Directors will not take place in accordance with the voting slate system described above, but rather by resolution of the Shareholders' Meeting made with the favourable vote of the majority of shareholders attending the Shareholders' Meeting and provided that the shareholder directly Controlling the Company is represented by a special proxy appointed in compliance with the provisions set out in Article 13.3 (A) above. The same process will be followed with reference to directors still to be elected, where the slate that obtained the highest number of votes does not contain a sufficient number of candidates. Without prejudice to Article 2369, Paragraph 3, of the Italian Civil Code.
- 16.8. Where, during the course of a financial year, a director resigns or in any case ceases office for any reason, the process will proceed in accordance with the law.
- 16.9. Where, during the financial year, the majority of members of the Board of Directors is missing, the remaining directors will automatically cease their office and that termination will have effect from the moment in which the board is reconstituted by appointment of the Shareholders' Meeting.
- 16.10. In that case, the Shareholders' Meeting will be urgently convened by the directors remaining in office to appoint the new Board of Directors.
- 16.11. If all the directors cease office, due to resignations or for another reason, the Shareholders' Meeting must be convened urgently to appoint the new Board of Directors by the Board of Statutory Auditors, which may, in the meantime, complete acts of ordinary administration.

#### **Article 17**

##### **(Chairman of the Board of Directors and Representation of the Company - Secretary)**

- 17.1. In addition to the powers expressly attributed to him by these Articles of Association – and without prejudice to the exclusive competence of the Chief Executive Officer and Executive Vice Chairman referred to in Article 18.2 below – the Chairman of the Board of Directors has the legal representation of the Company, even in court. The Chairman will therefore have broad powers to

bring judicial actions and appeals at any stage of jurisdiction, also in proceedings before the *Corte di Cassazione*, to submit petitions and lawsuits in the criminal venue, to appear as civil party for the Company in criminal cases, to bring actions and appeals before all administrative jurisdictions, to intervene and defend in cases of actions and appeals that involve the Company granting the necessary mandates and powers of attorney for that purpose.

- 17.2. The other directors have the legal representation of the Company within the limits of the powers delegated to them or in all other cases provided by these Articles of Association. In the cases and within the limits of the delegated powers, they will be entitled to the same powers and rights as the Chairman described above.
- 17.3. The Board of Directors and, within the limits of the powers due to them or granted by the Board of Directors itself, the Chairman as well as the Chief Executive Officer and Executive Vice chairman, are authorised to grant the representation of the Company before third parties and in court to Directors and in general to employees and possibly to third parties.
- 17.4. The Board of Directors may, in addition, appoint, even on a permanent basis, a secretary, even extraneous to the Board of Directors itself.

#### **Article 18**

#### **(Powers of the Board of Directors and Chief Executive Officer and Executive Vice Chairman - Meetings and Resolutions of the Board of Directors)**

- 18.1. The Board of Directors is invested with all the widest powers for the ordinary and extraordinary management of the Company, without exception, and it proceeds, in particular, with everything not reserved by law or by these Articles of Association to the competence, including authorisations, of the Shareholders' Meeting, without prejudice to the compliance with the procedures and the obligations lying upon the Company as a consequence of the direction and coordination activities to which it is subject, as set forth by the Articles of Association of the Company Exercising Direction and Coordination. In particular, the Board of Directors of the Company has exclusive competence, in addition to all the powers provided for by law, including those provided for by art. 2381 of the Italian Civil Code, over all resolutions concerning the issues listed below, with reference both to Pirelli, and to any other company (even foreign, provided that it does not have shares listed on a regulated market) that is subject to the direction and coordination of Pirelli, except for intra-group operations:
- (i) assumption or granting of loans of a value exceeding Euro 200,000,000 (two hundred million) and of a duration exceeding 12 (twelve) months;

- (ii) issuance of financial instruments to be listed on a European or non-European regulated market, for a total value greater than Euro 100,000,000 (one hundred million), and/or revocation from listing of those instruments;
- (iii) issuance of guarantees in favour or in the interest of third parties for amounts greater than Euro 100,000,000 (one hundred million);
- (iv) signature of derivatives contracts (a) with notional value exceeding Euro 250,000,000 (two hundred and fifty million), and (b) different from those having as their exclusive purpose and/or effect the hedging of corporate risks (e.g., hedging of rate risk, hedging of exchange rate risk, hedging of risk linked to market of raw materials);
- (v) purchase or sale of participations of control or association in other companies for a value greater than Euro 150,000,000 (one hundred and fifty million), when this involves the entry or exit from geographical and/or commodities markets;
- (vi) purchase or sale of participations other than those described in point (v) above, for a value exceeding Euro 250,000,000 (two hundred and fifty million);
- (vii) purchase or sale of businesses or business branches of strategic importance or, in any case, of a value exceeding Euro 150,000,000 (one hundred and fifty million);
- (viii) purchase or sale of assets or other property of strategic importance, or, in any case, of a total value exceeding Euro 150,000,000 (one hundred and fifty million);
- (ix) completion of particular significance transactions with related parties, being such the transactions satisfying the conditions provided in Appendix 1 of the "*Procedure for Transactions with Related Parties*" approved by the Board of Directors of the Company on 3 November 2010, as subsequently amended;
- (x) definition of the Company's remuneration policy;
- (xi) determination, in compliance with the Company's internal policies and the applicable regulation, of the remuneration of the chief executive officers and 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 in accordance with Article 2389, Paragraph 3, of the Italian Civil Code;
- (xii) approval of the strategic, industrial and financial plans of the Company and the group related to it ("**Pirelli Group**");

- (xiii) adoption of rules of corporate governance of the Company and definition of the guidelines of Pirelli Group's corporate governance;
- (xiv) definition of the guidelines on the internal control system, therein 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 provisions of the self-regulation code that the company will approve to implement;
- (xvi) the issues for which a qualified majority is required in accordance with Article 18.7 below;
- (xvii) the Significant Matters, as defined by Article 18.2(B) below.

It is understood that the aforementioned provisions will apply to whatever operation related to the subjects from (i) to (ix) of the present article 18.1, whose value overtakes, for every single operation or series of related operation (carried out within a common executive program or strategic plan) the abovementioned thresholds.

18.2. Subject to the competence of the Board of Directors in relation to the attributions reserved to it exclusively by law, as well as in accordance with Article 18.1 above, until August, 11<sup>th</sup> 2020 the following powers are necessarily delegated to the Chief Executive Officer and the Executive Vice Chairman of the Company, with the exclusion of the possibility to delegate them to other or additional directors, with the power to sub-delegate specific tasks or tasks' categories:

- (A) exclusively, the powers of ordinary management of Pirelli and Pirelli Group indicated below concerning the issues listed below, with reference both to Pirelli, and to any other company (including foreign companies, provided that they do not have shares listed on a regulated market) which is subject to the direction and coordination of Pirelli that must be implemented by Pirelli and/or by any other company (therein including any non-listed foreign company) subject to direction and coordination by Pirelli:
  - (i) assumption or granting of loans of a value no greater than Euro 200,000,000 (two hundred million) and of a duration up to a maximum of 12 months;
  - (ii) issuance of financial instruments to be listed on a European or non-European regulated market, for a total value not exceeding Euro 100,000,000 (one hundred million), and/or delisting of those instruments;

- (iii) issuance of guarantees in favour or in the interest of third parties for amounts not exceeding Euro 100,000,000 (one hundred million);
- (iv) signature of derivatives contracts (a) with notional value not exceeding Euro 250,000,000 (two hundred and fifty million), and (b) having as their exclusive purpose and/or effect the hedging of corporate risks (e.g., hedging of rate risk, hedging of exchange rate risk, hedging of risk linked to market of raw materials);
- (v) purchase or sale of participations of control or association in other companies for a value no greater than Euro 150,000,000 (one hundred and fifty million), when this involves the entry or exit from geographical and/or commodities markets;
- (vi) purchase or sale of participations other than those described in point (v) above, for a value not exceeding Euro 250,000,000 (two hundred and fifty million);
- (vii) purchase or sale of businesses or business branches of a value no greater than Euro 150,000,000 (one hundred and fifty million), with the exception of acts of purchase and/or sale of businesses or business branches having strategic importance for the Company reserved to the exclusive competence of the Board of Directors in accordance with Article 18.1(vii) above;
- (viii) purchase or sale of assets or other property of a total value not exceeding Euro 150,000,000 (one hundred and fifty million), with the exception of acts of purchase and/or sale of assets or other property having strategic importance for the Company reserved to the exclusive competence of the Board of Directors in accordance with Article 18.1(viii) above;
- (ix) the finalisation of intra-group operations;
- (x) any other issue related to the ordinary management of Pirelli and Pirelli Group not reserved to the competence of the Board of Directors by law and by these Articles of Association.

It is understood that the aforementioned provisions will apply to whatever operation related to the subjects from (i) to (viii) of the present article 18.2, whose value does not exceed, for every single operation or series of related operation (carried out within the same executive program or strategic plan) the thresholds mentioned above.



(B) the power to propose to the Board of Directors (the “**Power of Proposal**”) the adoption of the following resolutions (jointly, the “**Significant Matters**”):

- (i) approval of the budget and business plan of the Company and the Pirelli Group, as well as any significant change to those documents;
- (ii) any resolution concerning industrial partnerships or strategic joint ventures involving Pirelli and/or Pirelli Tyre S.p.A. and/or any Affiliate of Pirelli..

it being understood that: (a) the competence to resolve upon the Significant Matters will be reserved exclusively to the Board of Directors and/or to the Shareholders' Meeting, where appropriate; and (b) where the Board of Directors does not approve the proposal of the Chief Executive Officer and Executive Vice Chairman, the respective resolution must be motivated and in any case take account of the best interest of the Company;

(C) the power, that shall be exercised within the term of November, 5<sup>th</sup> 2019, to commence and complete the procedure of new admission to listing of the Shares of the Company, by way of (i) an *initial public offering* (“**IPO**”) in accordance with the provisions of the shareholders' agreement entered into between China National Tire & Rubber Corporation, Ltd., China National Chemical Corporation, Camfin S.p.A., Long-Term Investments Luxembourg S.A. and LTI Holding S.r.l. on August, 11<sup>th</sup> 2015 (the “**Shareholders' Agreement**”) and (ii) the merger by incorporation of the Company and all companies at that time Controlled by the Company Exercising Direction and Coordination into the latter company (the “**Merger**”) which will become effective only at the completion date of the IPO.

Where the Board of Directors of the Company decides to reserve to its competence any of the powers attributed to the Chief Executive Officer and Executive Vice Chairman by virtue of this Article 18.2(A), that decision must be adopted by the unanimous vote of all directors in office.

18.3. The Chief Executive Officer and Executive Vice Chairman will have the exclusive power, until November, 5<sup>th</sup> 2019 or, in case the IPO procedure would be started within such date until April, 5<sup>th</sup> 2020, to represent the Company in the IPO procedure and to decide - taking account of the best interest of Pirelli and Pirelli Group and the success of the IPO - the terms and conditions of the IPO - including, without limitation, the selection and appointment of consultants, including the joint global coordinators, one of which will be appointed by the Board of Directors of the Company at the indication of the Chairman of the Board of Directors of the Company - and to perform all activities

deemed necessary or opportune at its sole discretion to guarantee the success of the IPO, it being understood that:

- (i) the choice of the stock market for the purposes of the IPO will be under the exclusive competence of the Board of Directors of the Company, which will resolve in that regard at the proposal of the Chief Executive Officer and Executive Vice Chairman and with the majorities provided in Article 18.5 below, it being understood that any possible decision adopted by the Board of Directors against the respective proposal of the Chief Executive Officer and Executive Vice Chairman must be motivated and must in any case take account of the best interest of the Company; and
- (ii) where the per Share price defined as part of the IPO is lower than Euro 15,00 per Share, the IPO will be continued only subject to resolution of the Board of Directors adopted with the qualified majority referred to in Article 18.7 below. This Share price will have to be amended in order to take into account the transactions on the share capital and/or on the shares (splitting, consolidation, conversion, annulment) after August, 11<sup>th</sup> 2015.

18.4. The Board of Directors may appoint one or more than one advisory and purposeful committee.

18.5. Unless otherwise provided by other provisions of these Articles of Association, all resolutions of the Board of Directors are adopted in the presence of majority of directors in office and with the favourable vote of the absolute majority of directors present, provided that at least (x) 1 (one) of the directors appointed by the Chief Executive Officer of the Company directly Pirelli, and (y) 1 (one) of the directors expressed, directly or indirectly, by the Class B Minority Shareholder (as defined in the Articles of Association of the Shareholder Company Exercising Direction and Coordination) are present. In the event of equal votes, the vote of the Chairman will be decisive.

Where, however, a meeting of the Board of Directors is convened and this cannot be validly held due to the absence of the requirements set out in letters (x) and (y) above, in that case the Chairman of the Board of Directors will reconvene the Board of Directors as soon as possible to resolve upon the same agenda and that new meeting of the management body will be validly held in the presence of at least a half of the directors, irrespective of whether or not the directors referred to in letters (x) and (y) are present, and every resolution will be validly adopted with the favourable vote of the majority of directors present notwithstanding that, in the case of equal votes, the vote of the Chairman will be decisive.

- 18.6. Where the Chairman exercises his decisive vote, it must be motivated and in any case take account of the best interest of the Company.
- 18.7. Notwithstanding what is indicated in Articles 18.5 and 18.6 above, the approval of the following resolutions of the Board of Directors will always require (at any convocation) the presence and favourable vote of at least 11 (eleven) directors, without prejudice to the compliance with the procedure and the obligations lying upon the Company as a consequence of the direction and coordination activities to which it is subject, as set forth in the articles of association of the Company Exercising Direction and Coordination:
- (a) any proposal or recommendation to be submitted to the Shareholders' Meeting in relation to any of the issues indicated in Article 13.2 above;
  - (b) any resolution in relation to increases and/or reductions of capital, as well as mergers, demergers and/or liquidation of the Company, of Pirelli Tyre S.p.A. and/or any Affiliate of Pirelli;
  - (c) any decision relating to the Assumption of Indebtedness (as defined below), except where necessary for the purpose of the first Refinancing (and having regard to the personal or real guarantees relating thereto) (where “**Assumption of Indebtedness**” means: (i) the assumption by the Company of debt financing or other form of indebtedness, other than those provided by the Loan Agreements and (ii) the granting of guarantees in favour of third parties, provided that in both cases (i) and (ii): (a) they concern a debt financing or indebtedness or guarantees for an amount exceeding Euro 450,000,000 (four hundred and fifty million) per individual transaction or series of connected transactions; and/or (b) such transaction or series of connected transactions causes the breach by the Company of the financial covenants and/or ratios provided by the Loan Agreements, and/or provides financial covenants and/or ratios that are less favourable for the Company with respect to those provided for, and agreed, in the Loan Agreements; and/or (iii) any Refinancing subsequent to the first Refinancing; and/or (iv) material changes to the terms of the Loan Agreements and the Refinancing, including, by way of example, the financial covenants and ratios;
  - (d) any proposal regarding the distribution of dividends and/or reserves and/or any other form of distribution of income, with the exclusive exception of the distribution of profits and/or reserves and/or income that is necessary for the purpose of the Refinancing and/or within the limits of a ratio between distributed dividends and net financial year profits not exceeding 40% (forty per cent);

- (e) any transaction with Related Parties other than those provided in the Shareholder Agreement, meaning, by “**Related Party**”, with reference to each shareholder and/or direct or indirect Parent Company of that shareholder, to the Company and its direct or indirect Subsidiaries, any Person which may be considered as a “related party” in accordance with Annex 1 to CONSOB Regulation No. 17221/2010, as amended with Resolution No. 17389/2010;
  - (f) (i) any transfer and/or act of disposal, according to any method, of the Pirelli Technological Know-How (including the concession of licences), except for those functional to the Industrial Reorganisation and (ii) any transfer of the operational and administrative headquarter outside the Municipality of Milan, subject in both cases to the prior authorisation of the ordinary Shareholders' Meeting in accordance with Article 11.1 above to be resolved upon with the majorities set out in Article 13.2 below;
  - (g) any decision relating to liability actions provided by Article 2393-*bis* of the Italian Civil Code;
  - (h) any transaction overspending the annual budget and/or the business plan of the Company and the Pirelli Group of a value exceeding of Euro 35,000,000 (thirty-five millions);
  - (i) any decision concerning industrial partnerships or strategic joint ventures involving Pirelli and/or Pirelli Tyre S.p.A. and/or whichever Affiliate of Pirellis.
- 18.8. Resolutions concerning the approval and/or modification of the budget and/or the business plan of the Company and of Pirelli Group are made in compliance with the provisions set out in Article 18.7 above and with the majorities provided therein, it being understood that, where after 2 (two) meetings of the Board of Directors those majorities are not reached, at the third meeting the resolution will be approved with the favourable vote of the majority of the directors attending the meeting and, in the case of equal votes, the Chairman will have a casting vote.
- 18.9. The Company will exercise the activity of management and coordination in accordance with and by virtue of Articles 2497 et seq of the Italian Civil Code over the direct and indirect Subsidiary companies.

## **Article 19**

### **(Meetings of the Board of Directors)**

- 19.1. The Board of Directors may meet even in a location other than the registered office, provided that that location is in Italy, in a State of the European Union or in the People’s Republic of China, every time the Chairman of the Board of Directors deems it opportune or at the written request of at least 2 (two) directors of the Company.

- 19.2. The meetings of the Board of Directors are chaired by the Chairman of the Board of Directors or by any other director who may act as a substitute. The meetings of the Board of Directors are convened by written notice prepared in Italian and English (it being understood that, in the case of a discrepancy between the two versions, the English version will prevail), to be sent to all directors and to all auditors at the domicile recorded in the corporate books by way of recorded delivery letter, letter sent by hand, fax or e-mail with notice of receipt, which must be received at least 3 (three) Working Days – or, in urgent cases, at least 24 (twenty-four) hours before – prior to the day of the meeting. “**Business Day**” means any calendar day other than Saturday, Sunday and any other day on which the banks are not engaged in day to day business operations in Milan (Italy), Beijing (People’s Republic of China), Luxembourg or Moscow (Russia).
- 19.3. The notice of call shall indicate the day, location and time of the meeting, the list of items to be discussed and any special methods of connection by audio and/or video conference. In the absence of formal convocation, the Board of Directors is validly held when all directors in office and the effective statutory auditors are in attendance.
- 19.4. At the request of each director, meetings of the Board of Directors may also be held with attendees spread in a number of locations, linked by audio and/or video.
- 19.5. At the request of any director, submitted in good time, the meetings of the Board of Directors will use the simultaneous translation service in English. The translation will be done by one or more qualified translators who speak accurate Italian and English and who are reasonably acceptable for all the directors.
- 19.6. The minutes of the meetings of the Board of Directors will be prepared in Italian and English, both to be transcribed in the book. In the event of discrepancy between the two versions, the English version will prevail.

## **Article 20**

### **(Remuneration of Directors)**

- 20.1. Subject to the provisions of Article 20.3 below, the members of the Board of Directors will not receive any fee for the role, with the exception for attendance at individual meetings of the Board of Directors.
- 20.2. In any case, the directors are entitled to the reimbursement of reasonable documented expenses, incurred in the exercise of their office.

- 20.3. The remuneration of the directors invested with the role of Chairman and Chief Executive Officer and Executive Vice Chairman is established by the Board of Directors, having liaised with the Board of Statutory Auditors, in respect of any limits determined by the Shareholders' Meeting.

#### **Article 21**

##### **(Board of Statutory Auditors)**

- 21.1. The Board of Statutory Auditors is composed by a number of members determined by the Shareholders' Meeting at the time of appointment and equal to, as appropriate, (x) 5 (five) members, including 3 (three) effective statutory auditors and 2 (two) alternate statutory auditors, or, where an express request is made by the Chief Executive Officer of the shareholder directly Controlling the Company (or, from the Significant Date the Designated Director B1) or the Designated Director B2 by registered letter sent to the Board of Directors of the Company at least 5 (five) Working Days prior to the final deadline for filing the slates (y) 7 (seven) members, including 5 (five) effective statutory auditors and 2 (two) alternate statutory auditors. The Board of Statutory Auditors remains in office for 3 (three) financial years until the date of the Shareholders' Meeting convened to approve the financial statements relating to the third financial year of its mandate.
- 21.2. The appointment of the Board of Statutory Auditors will occur on the basis of slates submitted by shareholders. The slates will be split into two sections: one for candidates for the role of effective statutory auditor and the other for candidates for the role of alternate statutory auditor.
- 21.3. The slates submitted by the shareholders must (a) be signed by the shareholders submitting them, (b) be filed at the headquarter of the Company and be made available at least 2 (two) calendar days prior to the date of the Shareholders' Meeting convened to resolve upon the appointment of the Board of Statutory Auditors. The slates are made available to the shareholders at the registered office.
- 21.4. Shareholders holding Shares that, alone or with other shareholders, hold a participation in the share capital of the Company at least equal to 10% (ten per cent) may submit, or contribute to submitting, one slate.
- 21.5. Each shareholder, together with its Affiliates, may submit, or contribute to submitting, a single slate and may vote in favour of a single slate; each candidate may appear in only one slate. Slates not complying with the provisions set out above may not be voted upon.
- 21.6. Together with each slate, the declarations by which the individual candidates accept their candidacy and certify, under their own liability, the non-existence of causes of ineligibility and incompatibility, as

well as the occurrence of the requirements prescribed by the applicable law for the respective offices, must be filed.

21.7. The election of the Board of Statutory Auditors will proceed as follows:

- (i) the members of the Board of Statutory Auditors will be chosen from the candidates of the slate that obtained the highest number of votes from those submitted;
- (ii) the first of the candidates indicated in that slate will be appointed Chairman of the Board of Statutory Auditors.

Where no slate is submitted, the appointment of the Board of Statutory Auditors will not take place in accordance with the voting slate system identified above, but rather by resolution of the Shareholders' Meeting assumed with the favourable vote of the majority of Shareholders attending and provided that the Controlling shareholder is represented by a special proxy appointed in accordance with Article 13.3(A).

21.8. The Chairman of the Board of Statutory Auditors must be registered in the register of statutory auditors.

21.9. The members of the Board of Statutory Auditors must have the requirements of integrity, professionalism and independence required by applicable provisions of law.

21.10. The effective statutory auditors are due a remuneration calculated based upon professional rates, where not otherwise determined by the Shareholders' Meeting.

21.11. The Board of Statutory Auditors must meet at least once every 90 (ninety) days at the initiative of any of its members. The meetings of the Board of Statutory Auditors are validly held with the presence of the majority of the effective statutory auditors and resolve with the favourable vote of the absolute majority of the auditors attending the meeting.

21.12. Meetings of the Board of Statutory Auditors may even take place *with* attendees spread in a number of locations, linked by audio and/or video, provided that all participants can be identified and can participate in the discussion and intervene in real time in the discussion of the items on the agenda, can examine, receive and send documents. Where the requirements set out above are complied with, the meeting will be deemed to be held in the place in which the Chairman of the Board of Statutory Auditors is in attendance or, in his absence, in the place in which the eldest auditor is located.

## **Article 22**

### **(Statutory Accounts Audit)**

- 22.1. The statutory accounts audit is exercised by an independent auditing company registered on the appropriate public register. However, where the conditions provided by Article 2409-*bis*, Paragraph 2, of the Italian Civil Code are met, the statutory accounts audit may be attributed by the ordinary Shareholders' Meeting to the Board of Statutory Auditors.
- 22.2. The requirements, duties and attribution of the statutory accounts audit and the responsibilities of the auditing company are regulated by law.

**Article 23**

**(Financial Year)**

The financial year ends on 31 December each year.

**Article 24**

**(Profits)**

- 24.1. 5% (five per cent) of the net profits resulting from the annual financial statements of the Company will be deducted to be allocated to the ordinary legal reserve until the latter has reached a fifth of the share capital of the Company.
- 24.2. The remaining portion will be divided between the shareholders, unless the Shareholders' Meeting, at the proposal of the Board of Directors, resolves to make special allocations to extraordinary reserves, or for other uses or decides to carry forward some of such profits to the next year
- 24.3. Interim dividends may be distributed in compliance with the law.

**Article 25**

**(Dissolution)**

- 25.1. The Company dissolves for the causes established by law.
- 25.2. In the event of dissolution of the Company, Articles 2484 et seq of the Italian Civil Code will apply.

**Article 26**

**(Shareholders' Book)**

The domicile of the shareholders, directors, auditors and independent auditors, the respective fax numbers, e-mail addresses or other contact details – as regards relationships with the Company and for the purpose of any communication required by these Articles of Association or that must be sent by the Company to its shareholders - are those recorded by the shareholders' book.

**Article 27**

**(Final Provisions)**

- 27.1 Reference



For anything not provided by these Articles of Association, the provisions of law will be applied.

#### 27.2 Arbitration Clause

Any controversy arising out between the shareholders, or between shareholders and the Company, or among Directors, Statutory Auditors and/or liquidator and the Company, relating available rights related to the social relationship – including the controversy related to the validity, effectiveness, execution and enforceability of the current Articles of Association – as well as relating available rights related to the Shareholder Agreement – including the controversy related to the validity, effectiveness, execution, enforceability and resolution of the current Shareholder Agreement – shall be settled by the exclusive jurisdiction of an arbitration composed of three arbitrators, the arbitration shall be accordant to the Rules of arbitration of the International Chambers of Commerce (the **“ICC Rules”**).

All the arbitrators shall be appointed by the International Court of Arbitration of the International Chambers of Commerce (the **“Court”**). The nationality of the President of the Arbitrators could not be Italian as well as Russian or Chinese. The place of arbitration shall be Paris, the hearings, as well as pleadings, shall be in English. The Arbitrators will decide in the customary manner, according to Italian law. The arbitration award shall be final and binding for the parts.

#### 27.3 Temporary composition of the Board of Directors

As a temporary waiver to Article 16.1 above, until the draft financial statements as of 31 December 2015 is approved, the Board of Directors of the Company will be composed by 15 (fifteen) directors.

#### 27.4 New admission to listing of Shares of the Company

Where the procedure of new admission to listing of the shares of the Company is completed in accordance with Article 18.2(C) above, Articles 2.1, 9 and 11.1 will be maintained in their current formulation and Article 13.2 will be replaced by this Article:

*“The resolutions of the ordinary Shareholders' Meeting referred to in Articles 2.1 and 8 above, as well as those of the extraordinary Shareholders' Meeting concerning an amendment to this Article or Articles 2.1, 9 and 11.1 above, are approved with the favourable vote of a number of shareholders who represent at least 90% (ninety per cent) of the share capital of the Company.”*