

**REPORT ON
CORPORATE
GOVERNANCE
AND OWNER
SHIP STRUCTURE
2014**



NOTHING

BELLI

CONTROL

1. ISSUER

The Company has a traditional system of administration and control. *Pirelli's Corporate Governance* is based on: (i) the centrality of the Board of Directors, which directs the strategy and oversees all the activities of the company; (ii) the central role of the independent directors (iii) an efficient system of internal controls; (iv) a proactive risk management system; (v) a system that remunerates managers, in general, and incentivises them, in particular, for medium to long term financial objectives synchronising the interests of management and shareholders, prioritising sustainable, medium-term value creation; (vi) a robust code of conduct for transactions with related parties.

Pirelli is aware that an efficient system of corporate governance is an essential element for achieving the objective of sustainable value creation.

For a profile of the issuer see also the Pirelli website.

2. OWNERSHIP STRUCTURE (EX ARTICLE 123 BIS, PARAGRAPH 1, TUF) AS OF 31 MARCH 2015

Share capital structure:

the share capital subscribed and paid amounted to € 1,345,380,534.66, divided into a total of 487,991,493 shares with no par value and distributed as follows:

	NO. SHARES	% OF SHARE CAPITAL	LISTED
Ordinary shares*	475,740,182	97.49%	Listed on the MTA organised and managed by Borsa Italiana S.p.A. - Blue Chip Segment
Savings shares**	12,251,311	2.51%	

* ISIN IT0004623051

** ISIN IT0004623333

The share capital has not changed during the 2014 financial year.

No financial instruments with a right to subscribe to new shares had been issued at the Date of the Report.

Significant shareholdings:

Table 1 lists those who, as published by Consob, own shares with voting rights at an Ordinary General Meeting in excess of 2% of the ordinary capital.

Rights and obligations:

the shares are divided into ordinary shares and savings shares, without par value. Without prejudice to the provisions of the law, Articles 6 and 18 of the Statute establishes the rights and obligations of ordinary and savings shares. In particular, the savings shares are entitled to an increase in share in any dividend received under the terms and limits of Article 18 of the Company Statutes; they are entitled to priority in the repayment of capital within the limits and terms stated in Article 6 of the Company Statutes. The reduction of capital for losses has no effect on the savings shares except for the portion that exceeds the proportion of capital represented by other actions as provided by Article 6 of the Company Statutes.

This is discussed in more detail in the Statutes themselves available at <http://www.pirelli.com/corporate/it/governance/laws/default.html>.

Incentive plans:

the Company does not currently have any share incentive plans.

In the course of 2014, Pirelli approved the “launch” of a “new” LTI “Cash” Plan for 2014 to 2016, in support of the objectives outlined in the 2013-2017 Business Plan.

More information on the LTI Plan is given in the information document - prepared in accordance with Articles 114-bis of TUF and 84-bis of the Issue Regulations - and in the Remuneration Policy for the Year 2014 available on the Pirelli website.

Rules applicable to the appointment and replacement of Directors and the Board of Auditors:

Reference is made in regard to the Board of Directors and to the Board of Auditors.

Shareholder agreements:

On 24 May 2014, following the agreement in principle of 15 March 2014 (the “Maximum Agreement”), published and filed under Article 122 of the TUF, there were signed:

- a co-investment agreement (the “Co-Investment Agreement”) between UniCredit S.p.A. [“UC”], Intesa Sanpaolo S.p.A. [“ISP”], Nuove Partecipazioni S.p.A. [“NP”] and Long-Term Investments Luxembourg S.A. (the “Strategic Investor”), concerning the regulation of mutual rights, liabilities and obligations of the parties within the framework of a project for implementation of a programme of *business* development, strategies and activities to support further growth at Pirelli;
- a shareholder agreement [“CF Agreement”] between the same parties, which includes the rules (a) for *governance* of Camfin S.p.A. [“Camfin”], a company identified by the parties to the agreement as a vehicle for the realisation of the *partnership* between them, (b) the presentation of the list for the election of directors of Pirelli, (c) to the extent possible and provided that they attain the *quorum* necessary in a Pirelli General Meeting, the number of directors to be appointed by the Parties to the Board of Directors of Pirelli, (d) the rules for the maintenance of *standards* of *governance* of Pirelli in line with best market practices and (e) of the rules applicable to the transfer of their holdings in Camfin and, indirectly, in Pirelli.

On 10 July 2014, having fulfilled all the activities provided by the agreements between the Parties, the Camfin Shareholders’ Agreement came fully into force.

Also on 24 May 2014, upon the signing of the Shareholders Agreement CF, UC, ISP and NP also signed a shareholders’ agreement (the “Coinv Shareholder Agreement”) that governs the relation-

ships of its signatories in relation to each other and in relation to the Co-Investment Agreement and the Camfin Shareholder Agreement.

The Coinv Shareholders' Agreement relates to, among other things, (i) the *corporate governance* of Coinv (a company holding 50% of Camfin share capital); (ii) the composition of the list to be submitted to Camfin for the appointment of those members of the Board of Directors of Camfin who must be designated by Coinv, (iii) the possible exit from Coinv and divestment by Camfin and (iv) management for the progressive and timely liquidation of other assets and liabilities of Camfin which, under the agreements between the parties, have been transferred to Coinv.

On 10 July 2014, the Coinv Shareholders' Agreement came fully into force.

The finalisation of definitive agreements provided by the aforesaid Maximum Agreement meant that the "Lauro Shareholders Agreement" signed on 4 June 2013 between Nuove Partecipazioni S.p.A., Intesa Sanpaolo S.p.A., UniCredit S.p.A. Marco Tronchetti Provera & C. S.p.A., Marco Tronchetti Provera Partecipazioni S.p.A., Gruppo Partecipazioni Industriali S.p.A. and Lauro Cinquantaquattro S.r.l. was superseded and, therefore, terminated by mutual consent with effect from 10 July 2014.

On 22 March 2015, the following were signed:

a sale and purchase and co-investment agreement (the "Agreement") between China National Chemical Corporation ["CC"], China National Tire & Rubber Corporation Ltd. ["CNRC"], Camfin S.p.A. ["Camfin"] and Long-Term Investments Luxembourg S.A. ["LTI"] and Coinv S.p.A. ["Coinv"]. The Agreement provides for (i) the purchase of the investment held by Camfin in the share capital of Pirelli, (ii) the simultaneous reinvestment by Camfin of a portion of the income from the sale, (iii) the acquisition will be made through a newly established Italian company (**Bidco**) that will be indirectly controlled by CNRC in partnership with Camfin through two newly established Italian companies (**Newco** and **Holdco**), (iv) following completion of the acquisition, a Mandatory Tender Offer (**Mandatory Opa**) - on the remaining ordinary share capital of Pirelli at a price of 15.00 euros per share - and a Voluntary Public Offer (**Voluntary Opa**) - on the totality of the savings capital of Pirelli at a price per savings share of 15.00 euros subject to the achievement of not less than 30% of the savings capital - will be launched by Bidco, with the aim of proceeding to the de-listing of Pirelli (v) the dividend related to 2014 results will be paid before the acquisition by Bidco part of the Pirelli shares held by Camfin.

Completion of the transaction is subject to conditions typical of a transaction of this type and is expected in the summer of 2015, after approval by the antitrust authorities and other competent authorities.

The commitment is expected of the parties to enter into a Shareholders' Agreement, subject to fulfilment of precedent conditions under the agreement,

a restatement agreement between Nuove Partecipazioni ["NP"], Coinv, LTI, Intesa Sanpaolo SpA ["ISP"] and UniCredit S.p.A. ["UC"], which governs the relations between the parties relating to and upon completion of the agreements and transactions referred to in the Sale and Purchase and Co-investment Agreement;

a restatement agreement between Nuove Partecipazioni ["NP"], Intesa Sanpaolo S.p.A. ["ISP"] and UniCredit S.p.A. ["UC"], which governs the relations between the parties relating to and upon completion of the agreements and transactions referred to in the Sale and Purchase and Co-investment Agreement.

For more information on the provisions contained in these shareholder agreements, please refer to the extracts of the agreements available on the Pirelli website.

Change of control clauses

There is no party that can exercise control over Pirelli & C., either directly or indirectly, by virtue of shareholder agreements, individually or jointly with other parties included in shareholders' agreements.

It follows that no change of control of the Company is presently foreseeable.

For the sake of completeness, the following are confirmed.

The 500 million euro bond placed on the market by Pirelli & C. provides for the right of bondholders

to request early repayment in the event of a “*Change of Material Shareholding*” that would obtain following cases: (i) Pirelli & C. ceases to hold (directly or indirectly) a percentage of at least 85% of the share capital of Pirelli Tyre (except in the event Pirelli Tyre is incorporated within, or merges with, Pirelli & C. or another company of the Pirelli Group); (ii) to the extent applicable, a person other than one or more of the shareholders belonging to the then Pirelli Shareholders Block Agreement¹ (provided Camfin continues to have the greatest Pirelli shareholding amongst the members) comes to hold more than 50% of the share capital with voting rights of Pirelli & C. or acquires the right to appoint or remove the majority of members of the Board of Directors; (iii) Camfin ceases to hold (directly or indirectly) at least 20% of the share capital with voting rights in Pirelli & C.

¹ It is recalled that the Block Agreement terminated with effect from 31 October 2013.

A similar clause is envisaged, except for the provision indicated in point (iii) above: (a) for the American issue of bonds worth 150 million US dollars by Pirelli International Limited guaranteed by Pirelli & C. and by Pirelli Tyre; (b) for the “*Schuldschein*” financing obtained by Pirelli International Ltd and guaranteed by Pirelli & C. and by Pirelli Tyre, totalling 155 million euros.

The latest bond issue of 600 million euros placed on the market (November 2014) by Pirelli International Plc. and guaranteed by Pirelli & C., the interval agreement between Pirelli & C., Pirelli Tyre and Pirelli International Plc. with a syndicate of banks, granting Pirelli a line of credit in mixed form of 1 billion euros (in January 2015), and the interval agreement between Pirelli & C. and Pirelli Tyre with a more restricted pool of banks granting Pirelli a line of credit in mixed form of 200 million euros (February 2015) provides for the option of the bondholders and, respectively, of the lending banks, to request early repayment in the event of a “*Change of Material Shareholding*” that would obtain in the following cases: (i) Pirelli & C. ceases to hold (directly or indirectly) a percentage higher than 50% of the share capital of Pirelli Tyre (except in the event Pirelli Tyre is incorporated within, or merges with, Pirelli & C. or another company of the Pirelli Group); (ii) within the current framework of shareholder agreements concerning, among others, Pirelli, a subject different from Camfin or from the concert of the current trust members or by those acting in concert with Camfin, either comes to hold more than 20% of the Pirelli & C. share capital with voting rights, or comes to hold a greater percentage of shares than that held by Camfin or acquires the right to appoint or remove the majority of members of the Board of Directors; (iii) after a split of Camfin S.p.A. when upon completion of the current trust, the members mentioned above are allocated *pro rata* a direct shareholding in Pirelli & C., and a third party, being their assignee or successor, or a party acting in concert with them, comes to hold a stake in the Pirelli & C. share capital with voting rights higher than that of each of them, taken individually, or the third party becomes entitled to appoint or remove the majority of members of the Board of Directors.

The *joint venture* contract between Pirelli Tyre and PT Astra Otoparts Tbk provides that in the event of a change of control of either party, the other has a right to *terminate* the *joint venture*. In particular, if the change of control concerns Pirelli Tyre, PT Astra Otoparts Tbk has a put option for the sale of its stake in Pirelli, while, in the opposite case, Pirelli Tyre would have a call option for the purchase of the participation of PT Astra Otoparts Tbk.

Statutory provisions of OPA:

Pirelli & C. Company Statutes do not provide for exemptions from the provisions on the *passivity rule* nor the application of the counteraction rule provided in Article 104-*bis* of the TUF.

Powers to increase the share capital:

there are powers granted to the Directors to increase, the share capital by one or more times, nor are they granted the right to issue bonds convertible into shares, either ordinary and savings, or warrants for the subscription of shares.

Authorisation to purchase own shares:

At the date of this Report, the Board of Directors is authorised to proceed with the purchase and disposal of own shares - ordinary and savings, up to a maximum number of shares (own) that does not exceed 10% of the share capital, also regarding treasury shares held directly or indirectly (through subsidiaries) by the Company - by virtue of a special resolution passed, on 12 June 2014 by the shareholders, which granted this authorisation for a period of 18 months.

At the date of this Report, the Company holds 351,590 ordinary own shares representing approximately 0.07% of the ordinary shares and of the entire share capital and 408,342 own savings shares representing approximately 3.33% of the savings shares and about 0.08% of the total share capital, all held before 12 June 2014. Therefore the aforementioned shareholders' authorisation has not been used by the Board of Directors of Pirelli to purchase or dispose of any own shares.

Since there are now the same opportunities that persuaded the directors to propose to the General Meeting of 12 June 2014, the above authorisation, the Board of Directors has deemed it useful to submit to the 2014 Budget Meeting a proposal to renew the authorisation to purchase and dispose of shares on the same terms as the current authorisation, in order to prevent the convening of a new meeting near the end of the 18 months of the current authorisation. For more information, please refer to the related Board of Directors Meeting, which will be made available on the Pirelli website at the latest 21 days prior to the 2014 Budget Meeting.

Directors' indemnity in case of resignation, dismissal or termination of employment following a takeover bid²:

² The information contained in this section is provided also in compliance with the requirements set out in Consob Communication DEM/11012984 dated 24 February 2011.

Pirelli's policy is not to enter into with Directors, Key Managers, *Senior Managers and Executives* agreements that regulate *ex ante* any financial issues that may arise from early termination by the Company or by an individual [so-called "Parachutes"].

Indeed, the agreements entered into with Pirelli in the event the employment relationship is interrupted for reasons other than just cause do not represent "parachutes". Pirelli adopts a policy that seeks to come to agreements to reach a consensual conclusion of the employment relationship. In any event, contractual and legal obligations still obtain regarding any agreements reached concerning termination of the relationship with Pirelli, guided by the reference *benchmark* and within the limits defined by the case law and practices of the country where the agreement is made.

The Company defines the internal criteria which are also to be complied with by other Group companies when managing the agreements which govern early termination of relationships concerning Executives and/or Directors assigned special duties.

As for the directors holding particular positions at Pirelli & C., who are assigned specific functions and are not concerned with labour relations management, Pirelli does not provide for the payment of indemnities or extraordinary compensation related to termination of their mandates.

The payment of a specific indemnity (which may therefore be considered a "parachute") may be acknowledged, always subject to assessment by the competent company bodies in the following cases:

- termination on the Company's initiative not supported by a just cause
- termination by a Director for just cause, meaning, without limitation, a substantial change in their role or assignments and/or a "hostile takeover".

In such cases, the allowance is equal to 2 year of the annual gross compensation, meaning the sum of the gross annual fixed salaries for the positions held in the Group, the average annual variable remuneration (MBO) accrued during the previous three years and the severance package of the aforementioned amounts.

For more information, please refer to the Remuneration Report which will be available on the Pirelli website at the latest 21 days prior to the 2014 Budget Meeting.

Management and coordination ex Article 2497 et seq. of the Commercial Code:

there is no party which, directly or indirectly, or by virtue of shareholder agreements, either alone or jointly with the other signatories of the agreements, exercises control over Pirelli & C.

Nor is the Company subject to management and coordination by another company or body, pursuant to Article 2497 et seq. of the Italian Civil Code.

On the contrary, Pirelli & C., which heads the Group, exercises direction and coordination of numerous subsidiaries, as published under Article 2497-bis of the Italian Civil Code.

More information under Article 123 bis, Paragraph 1 of the TUF

- There are no restrictions on transfers of securities;
- There are no shares granting special rights of control;
- In the case of employee share ownership, there is no mechanism for exercising voting rights if they are not exercised directly by the employees;
- There are no restrictions on voting rights (such as limitations of the voting rights to a certain percentage or a certain number of votes, deadlines for exercising the right to vote or systems by which, with the cooperation of the Company, financial rights attached to securities are separated from ownership of the securities);
- Amendments to the Company Statutes are resolved as provided for by law.

3. COMPLIANCE

Pirelli adheres to the Self-Regulation Code approved by the Committee for Corporate Governance established by business associations (ABI, ANIA, Assonime, Confindustria), by professional investors (Assogestioni), and by the Italian Stock Exchange, since its first issue (October 1999).

Pirelli & C., as a FTSE-MIB company, applies the recommendations of the Self-Regulation Code specifically provided for such companies.

The Annual Report on Corporate Governance and Ownership Structure (the "Report") has been prepared according to the *format* of the Italian Stock Exchange.

At the date of this Report, there are no provisions of Italian law applicable to Pirelli & C. likely to influence the *corporate governance* structure of the Company.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT OF DIRECTORS

Pursuant to the law and the Company Statutes of the Board of Directors the appointment is made on a list system which ensures to "minorities", where two or more lists are submitted, one-fifth of the Directors.

Below is a summary of the provisions contained in the Company Statutes in relation to the appointment and replacement of Directors. Please refer in each case to the Statutes (which must be considered prevalent over that which appears below) for further information.

The lists submitted by shareholders must be deposited at the registered office of the Company at least 25 days before the meeting and published at least 21 days before the same.

Each shareholder may present or participate in the presentation of a single list and each candidate

may be presented on only one list under penalty of ineligibility. Shareholders are entitled to submit lists if, alone or together with others, they hold shares representing at least 1% of the share capital entitled to vote at an ordinary general meeting, or have the minimum holding required by the Consob³ regulations, with the further obligation to prove ownership of the number of shares required to submit lists, by the Company's list publication deadline.

³ Cf. Consob Resolution 19109 of 28 January 2015. The percentage fixed by Consob for the presentation, by shareholders, of lists of candidates for administration and control organs of Pirelli & C. is 1% of the share capital entitled to vote in an ordinary general meeting.

Any documents required by the Statutes must be filed with each list. At the meeting, each person entitled to vote may vote for one list only. The election takes place as follows:

- from the list that received the majority of votes cast are taken four-fifths of the directors to be elected, rounded down in the event of a fractional number;
- the remaining directors are taken from other lists; using the quota method provided in the statutes.

If more than one candidate obtains the same quotient, the candidate elected is the one from the list that has not yet had a director elected or that has the lowest number of directors elected.

In the event that none of these lists has elected a director or all have elected the same number of directors, from amongst these lists, the elected candidate shall be the one who has obtained the highest number of votes. In case of equality of votes and an equal quota, there will be a new vote by the entire Shareholders' Meeting and the candidate elected will be the one who receives a simple majority of the votes.

If application of the voting list mechanism does not ensure the minimum number of independent directors required by applicable law, the non-independent candidate, i.e. the one with the higher progressive number in the list that received the most votes, will be replaced by an independent candidate from the same list, in the order of presentation and so on, list by list, until the minimum number of independent directors is completed.

For the appointment of directors for any reason not appointed pursuant to the procedure, the shareholders decide by the legal majority.

In order to ensure a balance between genres, the Statute provides that the lists for the election of the Board of Directors that contain a number of candidates equal to or greater than three, must be present a number of candidates of the less represented gender at least to the extent of the minimum required by the applicable legal and/or regulatory framework, as specified in the notice of the meeting. If application of the voting list mechanism does not produce the required minimum number of Directors belonging to the less represented gender, the Statutes provide for a progressive mechanism of automatic replacement.

Furthermore, where a General Meeting, or the Board of Directors (in the case of co-option), should provide for the appointment of Directors without following the voting list, the gender balance within Board of Directors must be respected in all cases. If, during the year, one or more directors leave, Article 2386 of the Commercial Code provides that there is no failure in the requirement for independent directors if there remain on the Board the legal minimum of directors having the legal requirements for independence.

For more information on the mechanisms for the election of members of the Board of Directors, please refer to the Articles available on the Pirelli website, and the documents which will be made available at least 40 days prior to a notice to re-elect the Board of Directors.

4.2. COMPOSITION

The Board of Directors consists of not less than seven and not more than 23 members, who serve for three years (unless a shorter period has been established by the time of appointment) and may be re-elected. The Board of Directors, at the date of this Report, is composed of 15 directors and was appointed on 12 June 2014 for three years expiring at the General Meeting convened to approve the

accounts up to 31 December 2016.

The average age of the members in office is about 58 years with an average term in office of just under 3½ years.

At the Annual Shareholders' Meeting on 12 June 2014, were presented two lists: one by Camfin, which obtained 62.14% of the votes of the capital with voting rights represented at the meeting, and by a group of asset management companies and financial intermediaries⁴, who got 26.48% of the votes of the capital with voting rights represented at the meeting.

⁴ AcomeA SGR S.p.A., fund manager of AcomeA Italy; Anima SGR S.p.A., fund manager: Fondo Anima Geo Italia, Anima Star Italia Alto Potenziale e Fondo Anima Italia; APG Asset Management NV fund manager Stichting Depositary APG Developed Markets Equity Pool; Arca S.G.R. S.p.A., fund manager Arca BB and Arca Azioni Italia; Ersel Asset Management SGR S.p.A., fund manager Fondersel PMI; Eurizon Capital S.G.R. S.p.A., Fund Manager: Eurizon Azioni Area Euro and Eurizon Azioni Italia; Eurizon Capital SA, fund manager: Eurizon Easy Fund Equity Italy, Eurizon Investment SICAV Europe Equities, Eurizon Easy Fund Equity Europe LTE, Eurizon Easy Fund Equity Euro LTE, Eurizon Easy Fund Equity Consumer Discretionary LTE, Rossini Lux Fund - Azionario Euro e Eurizon Easy Fund Equity Italy LTE; FIL Investments International, fund manager Fidelity Funds - Italy Pool; Fideuram Investment S.G.R. S.p.A. fund manager Fideuram Italia; Fideuram Asset Management [Ireland] Limited fund manager: Fideuram Fund Equity Italy, Fideuram Fund Equity Europe and Fonditalia Equity Italy; Interfund Sicav fund manager Interfund Equity Italy; Generali Investments SICAV in the name and on behalf of the following shareholders: GIS Small & Mid Cap Equity and GIS Euro Equity Italy; Mediolanum Gestione Fondi SgrpA fund manager Mediolanum Flexible Italy; Mediolanum International Funds Limited - Challenge Funds; Pioneer Asset Management SA fund manager: Pioneer Funds - Italian Equity and Pioneer Investment Management SGRpA fund manager Pioneer Italia Azionario Crescita.

On 10 July 2014 and following changes to the entire Board of Directors from 12 June 2014, C. Sposito, R. Bruno, P. Alonzo E. Nitti, L. Gobbi, E. Parazzini - all drawn from the majority list - resigned. The Board of Directors met again on 10 July 2014 and proceeded to co-opt D. Casimiro, I. Glasenberg, A. Kostin, P. Lazarev, The. Sechin and I. Soglaev to replace the directors who resigned. There was not at that time an Appointments and Successions Committee to assist the Board in replacing the independent directors who had resigned (P. Alonzo; L. Gobbi; E. Nitti), so the *whole* Board appointed 9 directors, a majority of whom were independent. The Board of Directors has determined, on the basis of available information and the statements made by the parties concerned, that the independence requirements have been met by I. Glasenberg and A. Kostin. The co-opted directors will demit at the next General Meeting.

Updated *curricula vitae* detailing the personal and professional characteristics of each Director are published on the Pirelli website.

The tables included in the end of this Report, shows the composition of the Board of Directors at the date of the Report and the changes during the year.

4.2.1 MAXIMUM NUMBER OF POSITIONS HELD IN OTHER COMPANIES

The Board of Directors has adopted the principle that it is not compatible with the duties of a director of the Company to be a director or auditor of more than five other companies, other than those subject to management and coordination by Pirelli & C. S.p.A., or its subsidiaries or affiliates, in the case of (i) companies listed on the FTSE/MIB index (or equivalent foreign indices), or (ii) companies that undertake banking or insurance; it is also not considered compatible to be an executive director of more than three companies as in (i) and (ii).

Positions held in several member companies of the same group are considered to be a single position and an executive position prevails over a non-executive position.

The Board of Directors retains the right to make a different assessment, properly motivated, and to make it public in the Corporate Governance Report.

The Board of Directors, subject to review by the Audit, Risks, Sustainability and *Corporate Governance* Committee, annually reviews the positions held by each Director (based on the same statement). At the date of this Report no director holds a number of positions higher than the number determined as excessive by the Company's policy.

An annex to the Report shows the main positions held by the Directors in companies other than those belonging to the Pirelli Group.

4.3. ROLE OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the strategic leadership and oversight of all business activity, with power to direct the business as a whole and is competent to take the most important economic and strategic decisions, or in terms of structural incidence on the management, or the functions, of the exercise of the control and direction of Pirelli.

In carrying out its duties, the Board of Directors is supported by appropriate committees, created internally, responsible for investigations, advice and/or consultation, and managerial committees, composed of *senior management*, which implement the directives and policies established by the Board and the Chief Executive and co-operate with the latter for the definition of proposals to be submitted to the Board.

The Company Statutes provide for a minimum of Board meetings quarterly. Pirelli has released a calendar on the Pirelli website providing for six Board meetings in 2015.

The Directors and the Auditors have always received notice with the appropriate and adequate documentation and information necessary for them to express an informed opinion on the matters submitted for their consideration.

In practice, documents subject to examination by the Board – drafted in several languages in order to facilitate the work of the Directors – shall be sent in ten days prior to the meeting. In limited and exceptional cases where it was not possible to send documentation this far in advance, complete information on the topic under consideration was given at the meeting, ensuring an informed decision was made.

4.3.1 FUNCTIONS OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for:

- reviewing and approving the strategic, industrial and financial plans of the Company and the Group, monitoring periodically their implementation;
- preparing and adopting the Company's *corporate governance* rules and defining the Group's *governance* guidelines;
- defining the guidelines of the internal control system, appointing a Director responsible for overseeing the internal control system and defining their tasks and powers;
- supervising the process of risk governance by defining the overall threshold of acceptable risk ("*risk appetite*");
- evaluating, once a year at least, the adequacy of the internal control system and risk management with respect to the characteristics of the risk profile, as well as its effectiveness;
- assessing the adequacy of the organisational, administrative and accounting structure of the Company and its strategic subsidiaries;
- establishing one or more internal Board committees, appointing the members, and determining its tasks, powers and remuneration;
- granting and revoking the powers of the Managing Directors and the Executive Committee - if there is one - defining the limits and procedures for their exercise; also determining the frequency, not exceeding three months, with which such bodies must report to the Board on the activities delegate to them;
- defining the general remuneration policy;
- determining, on the recommendations of the Remuneration Committee and Statutory Auditors, the remuneration of the Managing Directors and other Directors who hold special positions, and, if this has not been decided by the General Meeting, the division of the total remuneration between members of the Board;
- evaluating the general performance of management, taking into account, in particular, the information provided by other company bodies, as well as periodically comparing the results they achieve;
- reviewing and approving transactions of the Company and its subsidiaries when these transactions have a significant strategic, economic, or financial impact;

- assessing, at least once a year, the size, composition and functioning of the Board and its Committees, expressing opinions on those professionals whose presence on the Board is deemed appropriate;
- establishing a Supervisory Board pursuant to Legislative Decree 231 of 8 June 2001;
- appointing the general managers, the manager responsible for preparing corporate accounting documents, determining their responsibilities and powers, and appointing key managers;
- appointing and dismissing, on the recommendation of the Director in charge of overseeing the internal control system, the *Internal Audit* Director, determining their responsibilities and remuneration in line with company policy, after consultation with the relevant Board committee and the Board of Auditors;
- approving, at least annually, the plan prepared by the head of the *internal audit* department, in consultation with the Board of Auditors and the Director in charge of the system of internal control and risk management;
- evaluating and approving periodic reports according to applicable legislation;
- assessing, with the Statutory Auditors, the results presented by the external auditor in any letter of recommendations and report on key matters arising from the statutory audit;
- evaluating and approving transactions of major importance with related parties in accordance with the Procedure for Transactions with Related Parties;
- formulating proposals to be submitted to the shareholders;
- exercising such other powers and performing the tasks assigned to it by law and the Company Statutes.

Subject to (i) the responsibilities and powers reserved to the Board by law and the Company Statutes, (ii) the structure of the proxies and (iii) the internal corporate procedures, the Board of Directors shall approve the following operations and transactions - not intragroup - when made by the Company or by companies, included those unlisted and foreign, which are subject to the management and coordination of Pirelli & C.:

- taking and the granting of loans for a total value of over 200 million euros and lasting more than 12 months;
- issues of securities intended to be listed on regulated markets or outside Europe (and their *delisting*) for a total of more than 100 million euros;
- the granting of guarantees to or for third parties, for amounts exceeding 100 million euros;
- entering into derivative contracts that have i) a notional value in excess of 250 million euro and ii) that do not have as their exclusive purpose and/or effect to cover business risks (but not limited to: hedging interest rates, exchange rates, or raw materials);
- the acquisition or disposal of investments in subsidiaries and for values in excess of 150 million euros that would allow the entry into (or exit from) geographical and/or product markets;
- the acquisition or sale of equity investments (other than those mentioned in the previous point) for amounts exceeding 250 million euros;
- the acquisition or sale of companies or company branches that have strategic importance or, anyway, are worth more than 150 million euros;
- the acquisition or sale of assets and other activities that have strategic importance or, anyway, have a total value exceeding 150 million euros.

Also subject to prior approval by the Board of Directors of the Company are transactions included in a strategic plan or executive programme which if, taken together, exceed the quantity thresholds above. Meetings of the Board of Directors, at the invitation of the Chairman and CEO, may be attended by members of the *management* in order to facilitate timely and in-depth knowledge of the activities of the Company and the Group as well as to promote access to *senior management* in order to augment the supervision of the Board of Directors over business activities.

4.4. ACTIVITIES OF THE BOARD OF DIRECTORS

During the year 2014, there were 8 meetings of the Board of Directors, with an average duration of about 1½ hours and with an attendance of over 85% of the Directors and of the independent directors around 90%.

The *Lead Independent Director* (until 12 June 2014 Prof. Carlo Secchi and from 10 July 2014 Dr. Luigi Roth), has participated in all meetings of the Board of Directors.





The Board of Directors has devoted to items on the agenda as much time as necessary to allow a constructive debate and encouraging contributions from individual directors.

4.4.1 BOARD PERFORMANCE EVALUATION

The Board of Directors has undertaken, as from 2006, a self-assessment of its own performance – the “Board performance evaluation”.

Also for the year 2014, the Board - on a proposal of the Audit, Risks, Sustainability and *Corporate Governance* Committee and taking into account the positive experience of the previous year - has decided to confirm the self-assessment process on the basis of the approach already adopted in past. The self-assessment process took place with the support of a facilitator (Spencer Stuart), by direct interviews with individual Board members allowing those who could attend to fill in a questionnaire prepared by the Committee to be used as a guide for the interview. A final report on the process of self-evaluation was presented to the Board of Directors.

The self-assessment process has been focused on four main topics:

-  Organisation and functioning of the Board of Directors;
-  Organisation and functioning of the Committees;
-  Composition and size of the Board of Directors;
-  Participation and commitment of the Directors.

The Board of Directors confirmed its appreciation concerning the size, composition and function of the Board itself with reference to the 2014 financial year based on the outcome of the self-assessment process.

The Board of Directors of Pirelli, in the opinion of the Directors, works very effectively and acts with autonomy and authority in its corporate governance, internal control and risk management. The high, international level of professionalism and experience of the Directors is reflected in the effect of their regular participation in the meetings of the Board and Committees.

Their work is conducted under the authority of the President, the atmosphere of the Council is marked by cooperation and mutual respect; the new Directors are gradually integrating into our operating mechanisms, bringing their experience from other countries and other companies.

The current structure of the proxies is considered to be in line with the needs of the Pirelli Group.

The Board of Directors presents a mix of different and complementary skills. The arrival of the new directors has strengthened areas such as strategic vision, internationalism, analysis of the business and industrial issues.

The current size of the Board of Directors is considered adequate by the majority of the directors, as it allows proper debate, ensures the proper functioning of the Committees and allows a variety of professional experience.

The balance between executive, non-executive and independent directors is considered to be in line with the needs of the Pirelli Group.

Some suggestions have been made to further strengthen the role of the Council and the Directors' capacity to participate in Board discussions such as the organisation of an increased number of informal meetings to deepen knowledge of the business of the Pirelli Group and create more cohesion between the Directors. It has also been recommended to expand the flow of information from management to the directors in the intervals between Board meetings.

4.4.2 ARTICLE 2390 OF THE ITALIAN CIVIL CODE

The last paragraph of Article 10 of the Company Statutes provides that, until resolution to the contrary, the directors are not bound by the competition prohibition in Article 2390 of the Civil Code.

4.5. DELEGATE BODIES

4.5.1 CHAIRMAN AND CEO

The Board of Directors appoints its Chairman, in accordance with the Company Statutes when the Shareholders' Meeting has not already done so. The Board, at its meeting on 12 June 2014, named Marco Tronchetti Provera Chairman and CEO, with the following responsibilities:

- relations with shareholders and the information provided to them;
- defining the strategies for the general policy and development policy of the Company and the Group, as well as the extraordinary transactions submitted to the Board of Directors;
- proposals to appoint General Managers and for their remuneration, after consulting the Remuneration Committee;
- all forms of communications to the market.

The Chairman ensures that the documentation relating to items on the agenda is made known to the directors and auditors appropriately in advance to enable the Directors to express their opinion on the matters under consideration.

The Chairman and CEO is conferred with full powers – to be exercised with a single signature – necessary to perform whatever concerns the Company's business, without exceptions.

The Board of Directors has identified transactions outside the Group as beyond the limits on the management powers conferred on the Chairman and Chief Executive Officer. These limits have been qualified as internal and regarding the relationship between the delegating body and the person delegated.

In particular, the Chairman and Chief Executive Officer may exercise the power to issue guarantees and collateral within the following limits: (i) a single signature for obligations of the Company and/or its subsidiaries, where the amount does not exceed 25 million euros or for third parties in respect of obligations concerning an amount not exceeding 10 million euros; (ii) with the joint signature of a General Manager (or Manager with strategic responsibilities provided with identical power) equivalent to those referred to in paragraph i) against bonds whose unit amounts are higher than those indicated above. For internal purposes, it also falls to the Board of Directors to approve operations and transactions – outside the Group – when made by the Company or by companies, unlisted and foreign, subject to the management and coordination of Pirelli & C. as per 4.3.1 above: "Functions of the Board of Directors".

4.5.2 GENERAL MANAGERS AND KEY MANAGERS

The Pirelli General Managers are the General Manager for Technology, Maurizio Boiocchi and the General Manager for Operations, Gregorio Borgo.

The key managers with strategic responsibilities are: Chief Financial Officer Francesco Tanzi, Chief Planning and Controlling Officer Maurizio Sala, the Chief Human Resources Officer Christian Vasino and Chief Manufacturing Officer Giuliano Menassi.

Powers pertaining to their specific assigned functions have been allocated to the aforementioned General Managers and Key Managers; more limited powers, within their specific areas of competence, are granted to other *senior managers* and *managers*.

4.5.3 INFORMATION TO THE BOARD

The Board of Directors and Statutory Auditors are kept informed of the work performed, at least quarterly, on general operating performance, on the outlook and on operations with the most impact on the strategy, finances and capital of the Company or its subsidiaries and on its organisation, administration and accounting, with particular reference to the system of internal control and risk management.

The Company has developed a special procedure for the orderly organisation of the flow of information. The procedure has been in place since July 2002 and defines in detail the rules to be followed in order to comply with the information reporting obligations.






The updated version of the Procedure on information flows to Directors and Auditors is posted on the Pirelli website.

4.6. OTHER DIRECTORS

The Board of Directors has named as executive directors the Chairman of the Board of Directors and CEO, Marco Tronchetti Provera, and the Deputy Chairman, Alberto Pirelli, the latter because of his operational posts in the subsidiary Pirelli Tyre.

In line with established business practice, in order to increase the directors' and auditors' (in particular of those appointed for the first time in Pirelli) knowledge of business reality and dynamics, informal meetings were held during the year to examine in depth certain business and corporate governance issues, through a structured induction programme, also with the support of Assonime and Assogestioni.

In particular, the *induction* programme, which consisted of various sessions with Pirelli's *senior management*, dealt with:

-  "Strategic and financial planning";
-  "Product and operations";
-  "Corporate Governance: duties and responsibilities of the directors";
-  "Internal organisation. Incentive schemes." Investor Relations;
-  "Analysis of Corporate Governance and Organisational Model 231".

4.7. INDEPENDENT DIRECTORS

The Board of Directors has a number of independent directors representing more than a third of its members, following a more rigorous approach to the Self-Regulation Code which, for FTSE-MIB companies, recommends that at least one third of the Board is composed of independent directors. Upon appointment and thereafter on an annual basis, the Board evaluates the requisites of independence required by the Self-Regulation Code and the TUF for non-executive directors to qualify as independent.

The Board of Directors identifies the independence of its Directors by their freedom from relationships with the Company and/or its major shareholders and managers that might affect their judgement.

In order to make this assessment, the Board referred to the recommendations of the Self-Regulation Code adopted by the Italian Stock Exchange.

In the light of a thorough assessment of the information provided by the Directors and available to the Company, the Board of Directors, at its meeting of 31 March 2015, has confirmed that the requirements of independence, and the requirements of the TUF, are met by the Directors in office at that time and qualified as such at the time of their nomination.

At the date of this Report, the average age of the independent directors in office is just over 60 years, with an average term of approximately 3 years.

The Board of Statutory Auditors verified the correct application of the criteria and procedures

adopted by the Board to evaluate the independence of its members.

During the year 2014, the Independent Directors met without the other Directors to address the issue of the *Board performance evaluation*.

4.8. LEAD INDEPENDENT DIRECTOR (“L.I.D.”)

In line with the recommendations of the Self-Regulation Code and, also, in order to further enhance the role of the independent directors, the Board of Directors confirmed the *LID* (this has been, since the changes in the Board, Luigi Roth⁵). He is the point of reference and coordination for requests and contributions from the independent directors.

⁵ Up to 12 June 2014, the Lead Independent Director was Prof. Carlo Secchi.

In his capacity as *L.I.D.*, he:

- collaborates with the Chairman of the Board of Directors to achieve the best functioning of the Board;
- has the power to convene, independently or at the request of other directors, meetings - even informal ones - of the independent directors only on topics related to the operation of the Board of Directors, in particular, and the system of corporate governance more generally, with the further option of inviting members of *management* to discuss the organisational structure;
- works with the Chairman of the Board of Directors to ensure that the Directors receive adequate information in a timely manner.

The *LID*, in the exercise of his powers, may count on the cooperation of the Secretary of the Board of Directors.

The *L.I.D.* has been in constant contact with the Chairman of the Board of Directors in order to achieve an ongoing improvement in reporting to the Board.

5. TREATMENT OF CORPORATE INFORMATION

The Board of Directors since March 2006, has adopted a procedure for the management and market disclosure of privileged information that, taking into account the legislation on market abuses, governs the management of inside information concerning Pirelli & C., its unlisted subsidiaries and any issues of listed financial instruments.

The Procedure also applies as an instruction to all subsidiaries, in order to obtain from them, without delay, the information required for timely and correct compliance with the reporting obligations to the general public.

The procedure, which is available in its updated version on the Pirelli website, also governs the register of persons with access to inside information, in operation since 1 April 2006.

Even in the absence of regulatory obligations in this regard, the Board of Directors has decided that it should continue to monitor the issues mentioned above, with specific times in the year (so-called “*Black out periods*”⁶), when no transactions with the Company’s shares or related financial instruments will be permitted. However these periods may, in exceptional cases, be extended or suspended by the Board of Directors.

⁶ The procedure relating to *black out periods* can be found on the Company’s website.

6. BOARD COMMITTEES

The Committees set up within the Board have fact-finding, proposing and/or advisory duties in relation to issues which particularly require in-depth examination so that there can be an effective and informed airing of opinions on these issues.

In continuity with the previous term, on 10 July 2014, the Board of Directors confirmed the establishment of four committees: the Audit, Risks, Sustainability and *Corporate Governance* Committee; the Remuneration Committee; the Appointments and Successions Committee and the Strategy Committee.

The Board formally defines the tasks and powers of each committee at the time it is established, in a *written charter* published on the Pirelli website and in this Report.

The composition of the Board Committees is given on the Pirelli website and in the tables in the bottom of the report to each committee also reported that the number of meetings held during the year 2014 and their average duration.

Operation of the Board Committees

The Board Committees are appointed by the Board of Directors (which also appoints their chairmen) and they remain in office for a full term of the Board of Directors. The Committee appoints the Secretary of the Committee and/or the individual meetings.

The Committee meets whenever its Chairman deems appropriate, or if a request is made by at least one member, the Chairman of the Board of Directors or, if appointed, the CEO may convene it, and at a frequency appropriate to the proper performance of their duties.

Committee meetings are convened by notice sent by the Secretary of the Committee on orders from the Chairman of the Committee.

The documentation and information available (and in any case, those necessary) are sent to all members of the Committee sufficiently in advance of the meeting for them to reply appropriately.

For meetings of the Committee to be valid they require the presence of a majority of the members then in office and decisions must be made by a majority of the members present. Committee meetings may also be held by means of telecommunication, and are regularly reported by the Secretary of the Committee and transcribed into a minute book.

The Committees - which in the course of their work may engage external consultants - have spending autonomy for the performance of their duties and the right to access the information and corporate functions relevant to the performance of its tasks, using their Secretary for this purpose.

The entire Board of Auditors may participate in the activities of the Audit, Risks, Sustainability and *Corporate Governance* Committee and Remuneration Committee.

The Chairman of the Board is invited to attend meetings of the Appointments and Successions Committee and of the Strategy Committee.

7. APPOINTMENTS AND SUCCESSIONS COMMITTEE

At the date of this Report, the Appointments and Successions Committee is composed of 4 members (2 independent): M. Tronchetti Provera (Chairman), A. M. Artoni, D. Casimiro and P. Pietrogrande. The Senior Human Resources Advisor (Gustavo Bracco) acts as Secretary. The Committee:

- proposes to the Board of Directors the candidates to be co-opted, when an Independent Director is to be replaced;
- proposes to the Board “emergency” top management succession plans, identifying (inside and outside of Pirelli) professionals who can ensure successions to, in particular, the Chairman and Chief Executive Officer and, if appointed, General Managers;
- identifies the criteria for succession plans for top and *senior management* in general in order to ensure continuity in *business* strategies.

8. STRATEGY COMMITTEE

At the date of this Report, the Strategy Committee is composed of seven members (three independent): M. Tronchetti Provera (Chairman), I. Sechin, D. Casimiro, A. Kostin, P. Fiorentino, L. Roth and M. Soffientini. The heads of the *Investor Relations Department* (Valeria Leone) and the Sustainability and Risk Governance Department (Filippo Bettini), act as secretaries.

The Committee has consultative and advisory functions in the definition of strategic guidelines and for the identification and definition of the terms and conditions of the individual operations of strategic importance. In particular, the Committee:

- examines in advance strategic, industrial and financial plans, also long-term plans of the Company and of the Group to be submitted to the examination of the Board of Directors;
- supports the Board to assess transactions, initiatives and activities of strategic importance and, in particular:
 - entry into new markets, both geographic and *business*;
 - industrial alliances [e.g. *joint-ventures*];
 - extraordinary transactions (merges, spin-offs, share capital increases or decreases other than decreases due to losses);
 - investment projects;
 - industrial and/or financial restructuring programmes and projects.
- periodically examines the organisational structure of the Company and the Group presenting possible suggestions and opinions to the Board in this regard.

9. REMUNERATION COMMITTEE

At the date of this Report, the Committee is composed of three independent members on the basis of the most stringent recommendations of the Self-Regulation Code: L. Roth (Chairman), I. Glasenberg and M. Soffientini. The Committee Chairman Luigi Roth has adequate experience in financial matters and remuneration; this was assessed by the Board of Directors at the time of his appointment. The Secretary of the Board, Anna Chiara Svelto, acts as Secretary.

The Committee has a consulting, advisory and oversight function to ensure the establishment and enforcement within the Group of remuneration policies aimed, firstly, to attract, motivate and retain the human resources with the professional skills necessary to successfully pursue the objectives of the Group and who, on the other hand, are able to align the interests of *management* with those of shareholders. In particular, the Committee:

- assists the Board in the definition of the General Remuneration Policy of the Group;
- periodically assesses the adequacy, overall consistency and concrete application of the Remuneration Policy;
- for Directors vested with special powers and for General Managers, it makes proposals to the Council:
 - concerning their remuneration, in line with the General Policy on Remuneration;
 - for the setting of *performance* objectives related to the variable components of the remuneration;
 - defining possible non-competition agreements;
 - for the definition of any arrangements for the closure of the relationship on the basis of the principles established in the General Remuneration Policy.
- with reference to the key management personnel, it checks the consistency of their remuneration with the General Remuneration Policy and expresses opinions thereon under the procedure for Transactions with Related Parties;
- supports the Board of Directors in examining proposals to be submitted to the Shareholders' Meeting concerning the adoption of stock option plans based on financial instruments;
- monitors the implementation of decisions taken by the Board and verifies, in particular, the actual achievement of *performance* targets set;
- considers and submits to the Board of Directors the Annual Report on Remuneration which specifies members of the Board and control organs and the General Managers and mentions the Key Managers generically:
 - provides an adequate breakdown of each item comprising the remuneration;
 - illustrates in detail the pay offered by the Company and by its subsidiaries during the reference financial year, for whatever reason and in whatever form.

The Board of Directors has assigned to the Remuneration Committee the powers of the Committee for Transactions with Related Parties required by Consob regulations for matters relating to the remuneration of directors and managers with strategic responsibilities. Pirelli has established a Remuneration Policy, submitting it to the advisory vote of the shareholders. The Remuneration Report for the Year 2015 (composed of a Policy Statement for the Year 2015 and 2014) will be made available on the Pirelli website at the latest 21 days prior to the 2014 Budget Meeting.

10. AUDIT, RISKS, SUSTAINABILITY AND CORPORATE GOVERNANCE COMMITTEE

At the date of this Report, the Committee is composed of three independent members on the basis of the most stringent recommendations of the Self-Regulation Code: A.M. Artoni (Chairman), A. Kostin and E. Magistretti. The Board Director E. Magistretti has adequate experience in accounting and finance; this was assessed by the Board of Directors at the time of his appointment. The Secretary of the Board, Anna Chiara Svelto acts as Secretary.

The Committee, in particular:

- assists the Board of Directors:
 - defining the guidelines of the system of internal control and risk management, so that the main risks facing the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored;
 - determining the degree of compatibility of these risks with the management of the company, consistent with the strategic objectives identified;
 - naming an Executive Director to be in charge of overseeing the system of internal control and risk management with respect to the risk profile;
 - assessing the adequacy, efficiency and the effective operation of the internal control system, at least once a year;
 - describing, in the report on corporate governance, the essential elements of the internal control system, assessing its overall adequacy;
- expressing an opinion on proposals for the appointment and dismissal of, assignment of tasks to and remuneration of the Head of *Internal Audit* and ensuring that he receives adequate resources to perform his functions;
- assessing, jointly with the Board of Auditors, to the company's directors, the manager responsible for preparing the financial reports and responsible to the auditors, (a) the correct use of accounting principles and their consistent application within the Group for the preparation of consolidated accounts, (b) any letter from the statutory auditor with suggestions to the Executive Board and the eventual report on key matters arising from the statutory audit;
- upon request of the director in charge, expressing opinions on specific aspects of the identification of the main business risks and the design, implementation and management of the internal control system;
- examining the *audit* plan prepared by the Director of Internal Audit and his periodic reports;
- monitoring the independence, adequacy, effectiveness and efficiency of the *Internal Audit* department;
- requires the *Internal Audit* Department, when appropriate, to carry out checks on specific areas of operation;
- reporting to the Board of Directors on the work performed, at least at the same time as the annual and half-yearly report on the adequacy of the internal control system;
- monitoring the observance and periodic updating of *corporate governance* rules and compliance with the principles of conduct adopted by the Company and its subsidiaries. It is the Committee's

particular responsibility to propose the methods and timing of the annual self-assessment of the Board of Directors;

- defining and proposing to the Board of Directors the guidelines for “sustainability” and monitoring compliance with the principles of conduct adopted in respect of the Company and its subsidiaries;
- assisting the Board of Directors in the preparation and subsequent examination and approval of the financial sustainability;
- performing other duties assigned to it by the Board of Directors, including those in relation to monitoring the procedural correctness and qualitative *fairness* of transactions.

The Board of Directors has, then, allocated the responsibilities of the Committee for Transactions with Related Parties required by Consob regulations to the Audit, Risks, Sustainability and *Corporate Governance* Committee, with the exception of matters relating to the remuneration of directors and key managers which are entrusted to the Remuneration Committee.

11. SUCCESSION PLANS⁷




⁷ The information included in this section is also provided in compliance with the Consob recommendations contained in Communication DEM/11012984 dated 24 February 2011.

Following its establishment in April 2011, the Appointments and Successions Committee has examined the business processes related to the identification, management and development of a reservoir of talent, guaranteeing the Group, over time, ongoing internal growth and generational change. The Committee also examined the main initiatives for developing management skills and the process for preparing the “Succession tables”.

The Committee has been able to verify the structure and implementation status of the systems which allow Pirelli (i) to monitor the key resources and to verify the existence of any persons in-house who are capable of assuming roles of greater responsibility or (ii) to define the qualifications required to fill these roles in the event of recruiting from outside the Company in the case of “emergency” changes”. A structured succession plan for top management was then developed, with the help of a specialist international consulting firm, to be activated in case of emergency, defining the roles and responsibilities of the different agents involved in the process. It also defined the way forward in defining the plan of natural succession for top management.

With reference to the succession of top management in an emergency, and with specific regard to the role of CEO, the Plan, approved by the Board of Directors, provides that, in case of impossibility, the Board of Directors defines powers and may delegate its authority to ensure ordinary and extraordinary management during the transitional period. In particular, it is anticipated that the Board of Directors: (i) appoints an internal management committee, composed of three members of the Board with consolidated management and entrepreneurial experience; this committee will, on the one hand, play a proactive management role in any extraordinary transactions that cannot be postponed and, secondly, to ensure the ongoing management and operational decisions that are the normal responsibility of the CEO; (ii) nominate from within *senior management* a “spokesperson” to cover the necessary role of liaising between the new management committee and corporate structures and for external and internal communication (iii) consider whether to define for operational *management* a temporary widening of powers for ordinary activities, within the limits of the approved *budget*. The new Management Committee, with the help of the Appointments and Successions Committee, will assess applications [internal and external] and submit to the Board a short-list for the final choice. The Board of Directors, at the end of the process, co-opts the chosen person and grants them management powers.

The Plan also provides a series of preparatory activities aimed at the natural succession of the CEO, and useful also in the event of an emergency succession:

-  defining any extension of the relative powers of the Chairman and of the CEO;
-  matching any existing key executives with the competence models for senior management;
-  constantly observing the market.

12. INTERNAL CONTROL SYSTEM

The objectives of Pirelli's Internal Control System ["SCI"] are: (i) efficiency and effectiveness of operations; (ii) reliability of information; (iii) protection of company assets and (iv) compliance with laws and regulations to ensure proper disclosure and adequate control over all activities of the Group, with particular attention to the areas considered at risk.

For an articulation of the Pirelli SCI, please see the section of the Budget text headed "*Compliance*" and the paragraph in the Budget headed "risk governance".

13. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

Since the year 2002, Pirelli has established standards of conduct for the implementation of related party transactions. Subsequently, following the adoption by Consob of a Regulation on this matter, on 3 November 2010, Pirelli approved a new procedure for transactions with related parties ["OPC Procedure"].

The Board considered that its sub-committees have the features required under the Rules set by the OPC Regulations and Procedure and, therefore, has attributed the competence of the Committee for Transactions with Related Parties to the Audit, Risks, Sustainability and *Corporate Governance* Committee, with the exception of responsibilities for the remuneration of directors and key management which are assigned to the Remuneration Committee.

In line with the Consob recommendation, dated 5 November 2013 (elapsed, then, three years after the adoption of the OPC procedure), the Board of Directors - taking into account the opinion issued by the Committee for Transactions with Related Parties and of the assessment by Auditors - confirmed the system adopted in 2010, at the same time updating the procedure with some marginal changes. For further details, please refer to the OPC Procedure published on the Pirelli website.

14. AUDITORS

The Board of Auditors is entrusted with monitoring the following aspects, in accordance with the law and the Company Statutes:

- compliance with the law and the Company Statutes and respect for the principles of good management;
- adequacy of the organisational structure for its duties, the internal control system and the accounting system and its reliability in correctly representing management;
- procedures to implement effectively the corporate governance rules envisaged by the Self-Regulation Code that Pirelli has adopted;
- adequacy of instructions given to subsidiaries in relation to mandatory disclosure of inside information;
- the financial reporting process;
- the efficiency of the internal control, internal audit and risk management systems;
- the statutory audit of the annual accounts and the consolidated accounts;
- the independence of the statutory auditor or the statutory auditing company, in particular, concerning services other than auditing services rendered to the company whose accounts are to be audited.

APPOINTMENT OF AUDITORS

At the date of this Report, the Board consists of three permanent and one alternate auditor. In order to ensure compliance with local regulations relating to gender balance, on 13 May 2013 the Shareholders' Meeting amended the Company Statutes by increasing from two to three the number of alternates, as well as joint takeover mechanisms that ensure a balance between genders. This change will be applied at the next election to the Board of Auditors.

Below is a summary of the provisions contained in the Company Statutes in relation to the appointment and replacement of members of the Board of Auditors, for further information please see, in any case, to the document [which must be considered prevalent over that which follows].

In order to allow minority shareholders to elect one permanent auditor and one alternate auditor, they will be elected using a "voting list", under which an Auditor (who will chair the College) and an Alternate Auditor are elected from the minority list. In case there are lists with the same number of votes, a new vote is held between these lists by all eligible voters present at the meeting; the candidates are elected from the list that obtains a simple majority of votes.

The remaining members of the Board of Auditors are elected from the majority slate.

Again with the aim of providing supplementary criteria to make it possible to ensure compliance with the balance between genders on the Board of Auditors, the Company Company Statutes also envisage (i) that the voting lists which indicate a number of candidates equal to or greater than three, considering both sections, must include candidates of a different gender in the section of the slate that refers to Statutory Auditors and in the section of the slate that refers to Alternate Auditors and (ii) an automatic progressive substitution mechanism if the application of the voting list mechanism does not assure the required minimum number of Permanent Auditors, or of Alternate Auditors, belonging to the gender less represented.

Shareholders have a right to present lists when they, alone or together with other shareholders, represent at least 1% of the shares entitled to vote at an ordinary General Meeting, or the minimum percentage required by the Consob regulations⁸.

⁸ Cf. Consob Resolution 19109 of 28 January 2015. The percentage of shares required for the submission, by shareholders, of lists of candidates for the election to the administrative and control organs of Pirelli & C., is 1% of the share capital entitled to vote at an ordinary General Meeting.

The lists are to be lodged at the Company's registered office at least 25 days prior to the date foreseen for the Shareholders' Meeting convened to resolve this point, unless there has been an extension, as envisaged by the applicable rules. In this last regard, the current regulations specify that, in the event of submission of a single list or multiple lists presented by shareholders who are inter-connected, lists may be submitted until the third day after the deadline for submission of lists [25 days before the Meeting], and the thresholds required for their presentation are reduced by half. Each shareholder may present or participate in the presentation of only one voting lists. Any documentation required by the Company Statutes or by the law must be submitted at the same time. Each candidate may appear on only one list, under penalty of ineligibility.

The lists are divided into two sections: one for candidates for the position of Permanent Auditor and the other for candidates for the position of Alternate Auditor. The first candidate in each section must be selected from among persons entered in the Register of Auditors who have worked in the legal audits of accounts for a period of not less than three years.

Each person entitled to vote may vote for only one list.

In the case of death, waiver or forfeiture of a Permanent Auditor, then the position shall be filled by the Alternate Auditor chosen from the same voting list which included the auditor who has just left office. If the succession does not enable a Board of Auditors to be reconstituted in compliance with the applicable legislation or gender balance, then the position shall be filled by the second Alternate Auditor drawn from the same voting list. If it later proves necessary to replace an additional auditor drawn from the list that received the most votes, in each case the additional alternate member from the same list will be elected. In the event of replacement of the Chairman of the Board of Auditors, the chair is taken by the auditor on the same list as the former Chairman, following the order of the list, it being understood, however, that they possess the legal and/or regulatory requirements for the office and there is respect for the gender balance required by the laws and/or regulations currently in force; if it is not possible to proceed in the manner described above, a meeting will be convened to appoint the Board by majority vote.

When the General Meeting is required to appoint the permanent and/or alternate members needed to complete the Board of Auditors, they shall be appointed as follows: if it is necessary to replace auditors elected on the majority list, the appointment is made by majority vote on any list; however the gender balance required by the laws and/or regulations currently in force must be respected; if, however, it is necessary to replace Auditors elected from the minority list, the General Meeting replaces them with a relative majority vote, choosing where possible from among the candidates on the list which included the Auditor being replaced and in compliance with the principle of the necessary representation of minorities since the Company Statutes assure the right to participate in appointments to the Board, respecting, however, the gender balance required by the laws and/or regulations currently in force. The principle of representation of minorities is respected in the case of appointment of auditors who had been candidates on the minority list or other lists different from the list which, in the appointment of the Permanent Auditors, had obtained the highest number of votes.

If only one list is submitted, the General Meeting shall vote on it; if the list obtains the relative majority, the Permanent Auditors and alternate candidates listed in the respective section of the list shall be elected; the chairmanship of the Board of Auditors goes to the person named in first place on that list. For the appointment of Auditors for any reason not appointed pursuant to the procedure described above, the decision shall rest with the legal majority of shareholders, respecting, however, the gender balance required by the laws and/or regulations currently in force. Outgoing Auditors may be re-elected.

AUDITORS

The General Meeting of 10 May 2012 appointed the Board of Auditors for the financial years 2012 to 2014 (and therefore for the forthcoming Shareholders' Meeting), appointing as Permanent Auditors F. Fallacara [appointed Chairman as taken from the minority list], A. Carù and E. Laghi, and alternate auditors U.S. Iacovino and A. Lorenzatti [taken from the minority list].

The appointment was based on the voting list system. The list presented by the members of the Shareholders' Block of Pirelli & C. received about 78% of the votes of the share capital with voting rights represented at the meeting, while the minority list presented by a group of savings management companies and financial⁹ intermediaries, got about 22% of the votes of the share capital represented at the meeting.

The meeting also settled 50,000 euros as the gross annual remuneration of each auditor and 75,000 euros as the gross annual remuneration of the Chairman of the Board of Auditors.

In addition, the Auditor appointed to the Supervisory Board (Antonella Carù) shall receive an additional gross annual fee of EUR 25,000.

Following the resignation of Prof. Laghi on 12 June 2014, in accordance with law and the Company Statutes, Dr Iacovino took over the office of Permanent Auditor. At the date of the Report, there is a vacancy for the position of alternate auditor.

The tables in the end of this Report show the composition of the Board of Auditors as at the date of this Report, the changes during the year 2014, the number of meetings held and the percentages of attendance by individual members. As from the next report, the average duration of meetings of the Board of Auditors will be published.

The number of positions held by the auditors in other shareholder companies, limited liability companies and companies with unlimited responsibility is published by Consob on its website.

It should be noted that, at the date of the report, no currently serving auditor exceeds the maximum number of positions of administration and control allowed by the Issuer Regulations.

As established by the Board of Auditors, on the basis of the information provided and available to the Board of Auditors, all Auditors are considered independent based on the criteria contained in the Self-Regulation Code with regard to Directors and in relation to Consob Communication 8067632 of 17 July 2008¹⁰.

The OPC procedure, in accordance with regulatory requirements, qualifies the auditors as related parties of the Company.

It shall be noted that the Board of Auditors will be renewed upon approval of the Financial Statements of the company as at 31 December 2014.

⁹ Anima SGR S.p.A., manager of the Prima Geo Italia and Anima Italia funds; APG Algemene Pensioen Groep N.V., manager of the Strichting Depository APG Developed Markets Equity Pool fund; Arca SGR S.p.A. manager of the Arca Azioni Italia and Arca BB funds; AZ Fund Management S.A. manager of the AZ Fund 1 Italian Trend fund; Credit Suisse Fund Management SA, manager of the Credit Suisse Portfolio Fund (LUX) Reddito (Euro) and CS Equity Fund (LUX) Italy funds; Eurizon Capital SGR S.p.A. manager of the Eurizon Azioni Italia fund; Eurizon Capital SA manager of the following funds: Eurizon Stars Fund European Small Cap Equity, Eurizon Eurizon Stars Fund – Italian Equity, Eurizon Easy Fund Equity Consumer Discretionary LTE, Eurizon Easy Fund Equity Small Cap Europe; Fideuram Investimenti SGR S.p.A., manager of the Fideuram Italia fund; Fideuram Gestions SA, manager of the following funds: Fonditalia Equity Italy, Fonditalia Euro Cyclical, Fideuram Fund Equity Italy, Fideuram Fund Equity Europe Growth and Fideuram Fund Equity Europe; Interfund Sicav manager of the Interfund Equity Italy funds; JP Morgan Asset Management (UK) Limited, manager of the following funds: JPMorgan Funds, Commingled Pension Trust Fund [International Equity Index] of JPMorgan Chase Bank N.A., Commingled Pension Trust Fund [Intrepid International] of JP Morgan Chase Bank N.A., JP Morgan European Investment Trust Plc, JP Morgan Fund Icvc-JPM Europe Dynamic (formerly UK) Fund, JPM Fund Icvc – JPM Europe Fund, JP Morgan International Equity Index Fund, JP Morgan Intrepid European Fund and JP Morgan Intrepid International Fund; Mediolanum International Funds Limited – Challenge Funds; Mediolanum Gestione Fondi SGR S.p.A., manager of the Mediolanum Flessibile Italia fund; Pioneer Investment Management SGR S.p.A., manager of the Pioneer Italia Azionario Crescita fund and Pioneer Asset Management S.A.

¹⁰ CONSOB Communication DEM/DCL/DSG/8067632 dated 17-7-2008 concerning "Situations of incompatibility of the members of control bodies, pursuant to Article 148, Paragraph 3, Sub-section c) of the Unified Finance Law (TUF)".

15. SHAREHOLDER RELATIONS

Pirelli its tradition of transparency, pays particular attention to relations with shareholders, investors (institutional and private), with financial analysts, with other market participants, and, in general, with the financial community, in accordance with their mutual roles; Pirelli periodically organises meetings with them in Italy and abroad.

Moreover, the Investor Relations Department was set up in March 1999 in order to favour an on-going dialogue with the financial markets and placed under Valeria Leone in October 2008.

In order to have an open, immediate and transparent dialogue with all those in need of financial information on Pirelli, the Pirelli website has a section called "Investors" with all the information necessary for a first contact with Pirelli: from identifying characteristics of the Company to financial data, the *drivers* of the various Pirelli Group *businesses* to the opinions of financial analysts, from all the documentation made available to meetings with the financial community to accounting and corporate details.

For more information, see the investor section of the Pirelli website.

16. MEETINGS

General Meetings are convened pursuant to the law and the Company Statutes with a notice (containing an indication of the day, time and place of the meeting and a list of items to be discussed) published on the Pirelli website. The notice is published, usually at least thirty days before the date set for the Meeting on first call, and in the case of meetings convened for the election of members of the administrative and control organs, at least forty days before the date of the Meeting.

The meeting notice contains among other things a description of the procedures that shareholders must comply with in order to participate and exercise their right to vote in the General Meeting as well as information on (i) the right to ask questions before the Meeting; (ii) the terms and conditions for exercising the right to supplement the agenda; (iii) the procedure for the exercise of proxy voting; (iv) identification (designated by the Company for the appointment of proxies and the terms and conditions for granting proxies). A General Meeting may not vote on matters that were not specified in the agenda.

Shareholders who, individually or collectively represent at least one-fortieth of the share capital may request, within ten days of publication of the meeting notice, (unless otherwise provided by law), the inclusion of items to be discussed or submit additional proposals for decisions on matters already on the agenda, indicating the reasons.

A General Meeting, whether ordinary or extraordinary, is competent to decide, among other things: on (i) the appointment and dismissal of Directors and Auditors with their respective compensation and liability claims, (ii) approval of the budget and the allocation of income, (iii) the purchase and sale of treasury shares, (iv) amendments to the Company Statutes, (v) approval and amendment of the Regulations for the General Meeting, (vi) the issue of convertible bonds.

An ordinary General Meeting - which may be held in Italy, outside the registered office - must be called within 180 days of the close of the financial year.

Apart from specific matters for which the rules provide for a different majority, the General Meeting, in a single call: (i) when ordinary, be validly constituted regardless of the proportion of capital represented by the members participating and shall pass resolutions with an absolute majority of the capital represented; (ii) when extraordinary, be validly constituted with the presence of shareholders representing at least one-fifth of the share capital and shall pass resolutions with a favourable vote of at least two-thirds of the capital represented.

Members have the right to inspect all the documents lodged at the head office for meetings once they have been called and to obtain copies at their own expense.

The conduct of such meetings, both by law and by the Company Statutes, is governed by the General Meeting Regulations approved on 11 May 2004 and subsequently amended by the General Meeting on 23 April 2007.

A right to attend the meeting and exercise the right to vote pertains to those who, on the basis of a notice from the broker to the Company, prove entitled to attend and to exercise the right to vote at the close of business on the seventh open market day before the date set for the meeting in a single call.

Credit and debit records made on accounts after this deadline will not influence the entitlement to vote at the Shareholders' Meeting.

Shareholders with voting rights may be represented by means of a proxy issued in accordance with the procedures envisaged by the applicable law and regulations.

2014 Shareholders' General Meetings

During the year 2014, there was one General Meeting on 12 June 2014 with the participation of 66.4% of the ordinary share capital.

The Meeting of the holders of savings shares

A meeting of the holders of savings shares is called by the common representative of the savings shareholders or by the Board of Directors whenever they deem it appropriate, or when it is required to be held in accordance with the law. A special meeting of the holders of savings shares is chaired by the Common Representative of the savings shareholders or, failing that, by the person elected by an affirmative vote of the majority of the capital represented at the meeting.

Under the Company Statutes, the expenses for organising a special meeting and the remuneration of the common representative shall be borne by the Company.

The General Meeting of the savings shareholders held on 27 January 2015, appointed [by a favourable vote of 99.7% of the shares in this category at the General Meeting] for the years 2015 to 2017, as the Common Representative of the savings shareholders, on the proposal of Anima SGR S.p.A., manager of the UCI "Anima Geo Italia" and "Anima Star Italia Alto Potenziale", the lawyer Angelo Cardarelli and settled his remuneration at 15,000 euros. The General Meeting of savings shareholders also approved unanimously the establishment of a fund for any expenses necessary to safeguard the common interests of this category, as anticipated by the Company and equal to 40,000 euros.

17. CHANGES SINCE THE YEAR END

The Report takes into account changes which have occurred from the end of the 2014 financial year up to the date of the Report.

TABLES

**Table 1:
Significant shareholdings**

Below are the individuals who, as published by Consob to the date of publication of this report, have shares with voting rights in the Ordinary General Meeting in excess of 2% of the ordinary capital.

DECLARING PARTY OR SUBJECT AT THE TOP OF THE INVESTMENT CHAIN	DIRECT SHAREHOLDER		% ON VOTING CAPITAL				% ON ORDINARY CAPITAL			
	NAME	OWNERSHIP	%	OF WHICH WITHOUT VOTE		%	OF WHICH WITHOUT VOTE			
				VOTE ENTITLED TO			VOTE ENTITLED TO			
				%	SUBJECT	%	%	%	SUBJECT	%
HARBOR INTERNATIONAL FUND	HARBOR INTERNATIONAL FUND	Ownership	4,544	0,000			4,544	0,000		
		Total	4,544	0,000			4,544	0,000		
	Total		4,544	0,000			4,544	0,000		
EDIZIONE S.r.l.	SCHEMATRENTAQUATTRO S.p.A.	Ownership	3,034	0,000			3,034	0,000		
		Total	3,034	0,000			3,034	0,000		
	EDIZIONE S.r.l.	Ownership	1,574	0,000			1,574	0,000		
		Total	1,574	0,000			1,574	0,000		
	Total		4,608	0,000			4,608	0,000		
MALACALZA INVESTIMENTI S.r.l.	MALACALZA INVESTIMENTI S.r.l.	Ownership	6,980	0,000			6,980	0,000		
		Total	6,980	0,000			6,980	0,000		
	Total		6,980	0,000			6,980	0,000		
CAMFIN S.p.A.	CAM 2012 S.p.A.	Ownership	5,850	0,000			5,850	0,000		
		Total	5,850	0,000			5,850	0,000		
	CAMFIN S.p.A.	Ownership	20,343	0,000			20,343	0,000		
		Total	20,343	0,000			20,343	0,000		
	Total		26,193	0,000			26,193	0,000		
MEDIOBANCA - BANCA DI CREDITO FINANZIARIO S.p.A.*	MEDIOBANCA - BANCA DI CREDITO FINANZIARIO S.p.A.	Ownership	3,954	0,000			3,954	0,000		
		Total	3,954	0,000			3,954	0,000		
	Total		3,954	0,000			3,954	0,000		

Note:

The data relating to shareholders who, directly or indirectly, hold ordinary shares representing more than 2% of the share capital with voting rights in ordinary meetings of the Company, are taken from Consob's website. In this regard, it is useful to note that the information published by Consob on its website by virtue of the communications made by the parties bound by the obligations of Article 120 of the TUF and the Issuers Regulation, could be different from the real situation, because the obligations to communicate changes in the percentages of holdings arise not from a simple variation of this percentage but only when the holdings exceed or fall below predetermined thresholds (2%, 5%, and subsequent multiples of 5% up to a 30% threshold and, beyond this threshold, 50%, 66.6%, 90% and 95%). It follows, for example, that a shareholder (I.E. declarant) who declared ownership of 2.6% of the share capital with voting rights will increase their stake up to 4.9% without thereby coming under any obligation to notify Consob under Article 120 of the TUF.

* Please note that Mediobanca S.p.A. attended the 2013 Budget Meeting holding 4.61% of the ordinary share capital. With this participation they are listed in the register of shareholders of the Company.

Table 2: Composition of the Board of Directors

The following is the composition of the Board of Directors at the date of the Report.

NAME	OFFICE	APPOINTED FROM	LIST	EXEC.	NON EXEC.	INDEP.	INDEP. TUF	% BOARD	DATE OF INITIAL APPOINTMENT IN PIRELLI & C. S.P.A.	YEAR OF BIRTH
Marco Tronchetti Provera	President and CEO	12/06/2014	Maj.	X				100%	07/05/2003	1948
Alberto Pirelli	Vice President	12/06/2014	Maj.	X				88%	07/05/2003	1954
Anna Maria Artoni	Adviser	12/06/2014	Maj.		X	X	X	100%	21/04/2011	1967
Didier Casimiro*	Adviser	10/07/2014	-		X			100%	10/07/2014	1966
Paolo Fiorentino	Adviser	12/06/2014	Maj.		X			50%	21/10/2013	1956
Andrey Kostin*	Adviser	10/07/2014	-		X	X	X	50%	10/07/2014	1956
Ivan Glasenberg*	Adviser	10/07/2014	-		X	X	X	100%	10/07/2014	1957
Petr Lazarev*	Adviser	10/07/2014	-		X			100%	10/07/2014	1967
Elisabetta Magistretti	Adviser	12/06/2014	Min.		X	X	X	100%	21/04/2011	1947
Gaetano Micciché	Adviser	12/06/2014	Maj.		X			50%	05/11/2013	1950
Paolo Pietrogrande	Adviser	12/06/2014	Min.		X	X	X	100%	12/06/2014	1957
Luigi Roth	Adviser	12/06/2014	Maj.		X	X	X	100%	23/04/2007	1940
Igor Sechin*	Director - LID	10/07/2014	-		X			50%	10/07/2014	1960
Manuela Soffientini	Adviser	12/06/2014	Min.		X	X	X	100%	01/03/2012	1959
Igor Soglaev*	Adviser	10/07/2014	-		X			100%	10/07/2014	1969

Number of meetings of the Board of Directors during the year 2014: 8 [of which there were 4 before the Board elections on 12 June 2014] - Average length of meetings - about 1½ hours

* Director appointed under Article 2386 of the Commercial Code on 10/07/2014. Mandate expires with the Annual General Meeting of 2014.

Legend

List: Maj/Min according to whether the director was elected from the list voted by the majority or the minority

Exec.: if ticked indicates that the director qualifies as executive

Non exec.: if ticked indicates that the director qualifies as non-executive

Indep.: if checked indicates that the director can be considered independent according to the criteria established by the Self-Regulation Code.

Indep. TUF: if ticked indicates that the director satisfies the independence requirements established by Article 148, Paragraph 3 of the TUF

% BoD: indicates the attendance of directors, in percentage terms, at meetings of the Council. [The percentage is calculated taking into account the number of attendances compared to the number of meetings held during the term of office of the person concerned].

The following Directors who have ceased to hold office during the year:

NAME	OFFICE	IN OFFICE FROM/TO	LIST	EXEC.	NON EXEC.	INDEP.	INDEP. TUF	% BOARD
Carlo Acutis	Adviser	from 21/04/2011 to 12/06/2014	Maj.		X			75%
Piero Alonzo	Adviser	from 12/06/2014 to 10/07/2014	Maj.		X	X	X	100%
Gilberto Benetton	Adviser	from 21/04/2011 to 12/06/2014	Maj.		X			75%
Alberto Bombassei	Adviser	from 21/04/2011 to 12/06/2014	Maj.		X	X	X	25%
Franco Bruni	Adviser	from 21/04/2011 to 12/06/2014	Min.		X	X	X	100%
Riccardo Bruno	Adviser	from 12/06/2014 to 10/07/2014	Maj.		X			100%
Luigi Campiglio	Adviser	from 21/04/2011 to 12/06/2014	Maj.		X	X	X	100%
Jean Paul Fitoussi*	Adviser	from 10/05/2013 to 12/06/2014	-		X	X	X	75%
Luciano Gobbi	Adviser	from 12/06/2014 to 10/07/2014	Maj.		X	X	X	100%
Pietro Guindani	Adviser	from 21/04/2011 to 12/06/2014	Min.		X	X	X	75%
Massimo Moratti	Adviser	from 21/04/2011 to 12/06/2014	Maj.		X			75%
Emiliano Nitti	Adviser	from 12/06/2014 to 10/07/2014	Maj.		X	X	X	100%
Renato Pagliaro	Adviser	from 21/04/2011 to 12/06/2014	Maj.		X			100%
Enrico Parazzini	Adviser	from 12/06/2014 to 10/07/2014	Maj.		X			100%
Luca Rovati*	Adviser	from 10/05/2013 to 12/06/2014	-		X			75%
Carlo Secchi	Director - LID	from 10/05/2013 to 12/06/2014	Maj.		X	X	X	100%
Claudio Sposito	Adviser	from 21/10/2013 to 12/06/2014	Maj.		X			80%

* Director appointed from outside a voting list by General Meeting on 10.05.2013, to replace a director who had left the Board.

Table 3:
Composition of the Board Committees

The following is the composition of the Committees formed from within the Board of Directors at the date of the Report:

AUDIT, RISKS, SUSTAINABILITY AND CORPORATE GOVERNANCE COMMITTEE

NAME	OFFICE	APPOINTED TO THE COMMITTEE FROM	LIST	EXEC.	NON EXEC.	INDEP.	% COMMITTEE
Anna Maria Artoni	President	10/07/2014	Maj.		X	X	100%
Andrey Kostin*	Member	10/07/2014	-		X	X	25%
Elisabetta Magistretti	Member	10/07/2014	Min.		X	X	100%

Number of meetings of the Committee during the year 2014: 9 [of which there were 5 before the Committee changed on 10 July 2014] -

Average length of meetings about 2 hours

* Director appointed under Article 2386 of the Commercial Code on 10/07/2014. Mandate expires with the Annual General Meeting of 2014.

REMUNERATION COMMITTEE

NAME	OFFICE	APPOINTED TO THE COMMITTEE FROM	LIST	EXEC.	NON EXEC.	INDEP.	% COMMITTEE
Luigi Roth	President	10/07/2014	Maj.		X	X	100%
Ivan Glasenberg*	Member	10/07/2014	-		X	X	100%
Manuela Soffientini	Member	10/07/2014	Min.		X	X	100%

Number of meetings of the Committee during the year 2014: 5 [of which there were 3 before the Committee changed on 10 July 2014] - Average length of meetings about 1 hour

* Director appointed under Article 2386 of the Commercial Code on 10/07/2014. Mandate expires with the Annual General Meeting of 2014.

STRATEGY COMMITTEE

NAME	OFFICE	APPOINTED TO THE COMMITTEE FROM	LIST	EXEC.	NON EXEC.	INDEP.	% COMMITTEE
Marco Tronchetti Provera	President	10/07/2014	Maj.	X			-
Didier Casimiro*	Member	10/07/2014	-		X		-
Andrey Kostin*	Member	10/07/2014	-		X	X	-
Paolo Fiorentino	Member	10/07/2014	Maj.		X		-
Luigi Roth	Member	10/07/2014	Maj.		X	X	-
Igor Sechin*	Member	10/07/2014	-		X		-
Manuela Soffientini	Member	10/07/2014	Min		X	X	-

There were no meetings of the Strategy Committee in the year 2014

* Director appointed under Article 2386 of the Commercial Code on 10/07/2014. Mandate expires with the Annual General Meeting of 2014

APPOINTMENTS AND SUCCESSIONS COMMITTEE

NAME	OFFICE	APPOINTED TO THE COMMITTEE FROM	LIST	EXEC.	NON EXEC.	INDEP.	% COMMITTEE
Marco Tronchetti Provera	President	21/04/2011	Maj.	X			-
Anna Maria Artoni	Member	10/07/2014	Maj.		X	X	-
Didier Casimiro*	Member	10/07/2014	-		X		-
Paolo Pietrogrande	Member	10/07/2014	Min.		X	X	-

There were no meetings of the Appointments and Successions Committee in the year 2014

* Director appointed under Article 2386 of the Commercial Code on 10/07/2014. Mandate expires with the Annual General Meeting of 2014

There follow those members of Committees that ceased to hold office during the year:

NAME	OFFICE	IN OFFICE FROM/TO	R.C.	ARSCGC	STR. C.	APPOINT. AND SUCC. C.	% COMMITTEE
Carlo Secchi	President of the Audit, Risks, Sustainability and Corporate Governance Committee	from 21/04/2011 to 12/06/2014		X	X		100% ARSCGC
Franco Bruni	Member of the Strategy Committee	from 21/04/2011 to 12/06/2014		X	X		100% ARSCGC
Luigi Roth	Member	from 21/04/2011 to 12/06/2014		X		X	100% ARSCGC
Anna Maria Artoni	Member	from 21/04/2011 to 12/06/2014	X				100% R.C.
Luigi Campiglio	Member	Appoint. and succ. c.: from 21/04/2011 to 12/06/2014 - R.C.: from 05/08/2013 to 12/06/2014	X			X	100% R.C.
Pietro Guindani	Member	From 21/04/2011 to 12/06/2014	X				67% R.C.
Alberto Bombassei	Member	From 26/07/2012 to 12/06/2014			X		-
Renato Pagliaro	Member	From 21/04/2011 to 12/06/2014			X		-
Claudio Sposito	Member	From 21/10/2013 to 12/06/2014			X		-
Gaetano Micciché	Member	From 05/11/2013 to 12/06/2014			X		-

There were no meetings of the Appointments and Successions Committee and the Strategy Committee during the year 2014

Table 4: Composition of the Board of Auditors.

There follows the composition of the Board of Auditors as at the date of the Report:

NAME	OFFICE	APPOINTED FROM	LIST	INDEP. SELF-REGULATION CODE	% BOARD	% S.C.	% ARSCGC	% S.C.	% R.C.	% APPOINTMENTS
Francesco Fallacara	President	10/05/2012	Min.	X	100%	100%	100%	-	100%	-
Antonella Carù	Auditor	10/05/2012	Maj.	X	100%	100%	100%	-	100%	-
Umile Sebastiano Iacovino*	Auditor	12/06/2014	Maj.	X	100%	100%	100%	-	100%	-
Andrea Lorenzatti	Alternate Auditor	10/05/2012	Min.	-	-	-	-	-	-	-

* the auditor Umile Sebastiano Iacovino, held the post of Alternate Auditor until 12 June 2014 when he succeeded Prof. Enrico Laghi as Permanent Auditor

Office: indicates whether chairman, auditor, alternate auditor.

List: Maj/min depending on whether the auditor was elected from a majority or minority voting list [Article. 144 decies of the Issuer Regulations]
Indep.: if ticked indicates that the auditor can be considered independent according to the criteria established by the Code; it is specified at the foot of the table if these criteria have been supplemented or amended

% part. CS: indicates the attendance of the auditor, in percentage terms, at meetings of the Board of Auditors.

% part. Board of Directors: shows the attendance of the auditor, in percentage terms, at meetings of the Board of Directors.

% part. Audit, Risks, Sustainability and Corporate Governance Committee: shows the attendance of the auditor, in percentage terms, at meetings of the Audit, Risks, Sustainability and Corporate Governance Committee

% C. Appointments: shows the attendance of the auditor, in percentage terms, at meetings of the Appointments and Successions Committee.

% RC: shows the attendance of the auditor, in percentage terms, at meetings of the Remuneration Committee.

The Chairman of the Board of Auditors is invited to attend the Appointments and Successions Committee, and may also be invited to the Strategy Committee. In this regard it is noted that the Chairman of the Board of Auditors did attend all the meetings of the Strategy Committee to which he was invited. In 2014 there were no meetings of the Appointments and Successions Committee or the Strategy Committee.

There follow those members of the Board who have ceased to hold office during the year:

NAME	OFFICE	IN OFFICE FROM/TO	LIST	INDEP. SELF-REGULATION CODE	% BOARD	% BOARD OF AUDITORS	% ARSCGC	% S.C.	% R.C.	% APPOINTMENTS
Enrico Laghi	Auditor	From 10/05/2012 to 12/06/2014	Maj.	X	50%	67%	40%	-	33%	-

Legend

See the legend of the tables above.

ANNEX A

List of important positions held by Directors in other companies not belonging to the Pirelli Group

Marco Tronchetti Provera	Coinv S.p.A.	Chairman
	Gruppo Partecipazioni Industriali S.p.A.	Chairman
	Marco Tronchetti Provera & C. S.p.A.	Chairman
	Nuove Partecipazioni S.p.A.	Chairman
	Mediobanca S.p.A.	Deputy Chairman
	MGPM società semplice	General Partner and Director
	Eurostazioni S.p.A.	Director
Alberto Pirelli	FIN. AP di Alberto Pirelli & C. Sapa	General Partner
	Intek Group S.p.A.	Director
	Nuove Partecipazioni S.p.A.	Director
Anna Maria Artoni	Artoni Group S.p.A.	Sole Director
	Artoni Trasporti S.p.A.	CEO
	CDA Linkiesta	Director
Didier Casimiro	ATK	Chairman
	TZS	Chairman
	RN-TSIR	Director
	TNK-BP Limited	Director
	TNK Trade Limited	Director
	TNK Trading International S.A.	Director
	Krasnoleninsk Refinery	Director
	RN-Trade	Director
	RN-Sheremetyevo	Director
	Rosneft	Member of the Management Board
Paolo Fiorentino	Unicredit Business Integrated Solutions Scpa	Chairman
	Officinae Verdi S.p.A.	Chairman
	Unicredit Credit Management Bank S.p.A.	Director and member of the Executive Committee
	Unicredit Bank Austria AG	Deputy Chairman
Ivan Glasenberg	Glencore	CEO
	United Company Rusal plc	Director
Andrey Kostin	VTB Bank	Chairman of Management Board and member of the Supervisory Council
	VTB 24	Chairman of the Supervisory Council
	VTB Bank Ukraine	Chairman of the Supervisory Council
	Bank of Moscow	Chairman
	VTB Capital	Director

Petr Lazarev	International Bank of Reconstruction and Development	Chairman of the Supervisory Board
	LLC Neftepromleasing	Chairman of the Supervisory Board
	LLC RN-Trade	Deputy Chairman
	TNK-BP Limited	Director
	TNK-BP International Limited	Director
	TNK Industrial Holdings Limited	Director
	TNK SH Investments Limited	Director
	TNK-BP Finance SA	Director
	TOC Investments Corporation	Director
	Taihu Limited	Director
Rosneft	Member of the Management Board	
Elisabetta Magistretti	Mediobanca S.p.A.	Director
	Luxottica Group S.p.A.	Director
Gaetano Micciché	Intesa Sanpaolo S.p.A.	Director
	Banca IMI S.p.A.	CEO
	Prada S.p.A.	Director
Paolo Pietrogrande	Netplan Management Consulting LLC	CEO
	Tobin Consulting Engineering	Member Advisory Board
Luigi Roth	Alba Leasing S.p.A.	Chairman
	ASTM	Director
	Eurovita Assicurazioni S.p.A.	Director
Igor Sechin	Rosneft	Chairman, Deputy Chairman of the Board of Directors and Chairman of Management Board
	Rosneftgaz	Chairman
	National Oil Consortium	Chairman
	United R&D Center [RN-CIR]	Chairman
	CSKA PHC	Chairman of the Supervisory Board
	RN Management	Chairman
TNK-BP Limited	Director	
Manuela Soffientini	Electrolux Appliances S.p.A.	Chairman and CEO
Igor Soglaev		