



Procedure for information flows to the Directors and Statutory Auditors

Approved by the Board of Directors
of Pirelli & C. S.p.A. on 31 August 2017

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1. Introduction

1.1 – The completeness of the information available to the directors is an essential condition for the proper exercise of their duties and responsibilities to direct, guide and control the activities of Pirelli & C. S.p.A. (hereinafter “**Pirelli**” or the “**Company**”) and the other group companies that report to it (hereinafter, the “**Group**”).

1.2 – Similar adequate information is needed by the Board of Statutory Auditors.

1.3 – In compliance with the law (art. 150 of Decree 58/1998, hereinafter “**TUF**”, and art. 2381, para. 5 of the Italian Civil Code) and the Articles of Association, the Directors and Statutory Auditors receive a continuous flow of information from the Executive Directors, as coordinated by the Chairman of the Board of Directors who is assisted in this by the Secretary to the Board of Directors of the Company.

1.4 – The purpose of this procedure is to govern the above flow of information, in order to:

- guarantee the transparent management of the business;
- establish conditions for the effective and efficient management and control of the activities of the Company and the operations of the business by the Board of Directors;
- provide the Board of Statutory Auditors with the sources of information needed for the efficient performance of its supervisory role.

2. Procedures and timing

2.1 – The flow of information to the Directors and Statutory Auditors is assured, preferably, by the transmission of documents and, in particular:

- analyses, explanatory notes, memoranda, presentations, reports prepared by the offices or advisors of the Company, including those prepared ahead of or at the time of board meetings;
- other public and private documentation available to the Company;
- period corporate accounting documentation due to be published;

- specific quarterly reports containing information obtained from external sources, prepared using standard templates.

2.2 – The above documentation is sent to the Directors and Statutory Auditors on a timely basis and, in any case:

- with sufficient frequency to ensure compliance with disclosure requirements established by law and the Article of Association;
- with a frequency consistent with the scheduling of individual board meetings.

2.3 – The information made available in the above manner is supplemented (and, if necessary, replaced for reasons of confidentiality) by verbal explanations given by the Chairman, the Executive Directors or top managers of the Group at board meetings, or at specific informal meetings of the Directors and Statutory Auditors organised to examine topics of interest relating to the management of the Company.

2.4 – The transmission of documents and any other materials to the Directors and Statutory Auditors is coordinated by the Secretary to the Board of Directors of the Company, working together with the Chief Reporting Officer to the extent of his responsibilities.

2.5 – In all cases, the Directors and Statutory Auditors receive the information published by Pirelli in accordance with the regulations governing corporate disclosures (such as press releases and reports) and investment proposals (prospectuses, howsoever described).

3. Contents

3.1 – In addition to the matters reserved for examination and/or approval by the Board of Directors of the Company pursuant to the law and the Articles of Association, the flow of information to the Directors and Statutory Auditors contains information about:

- the general results of operations and the outlook for the future;
- the activities carried out, with particular reference to the transactions (i) of greatest strategic, economic, balance sheet and financial significance, (ii) with related parties and (iii) those deemed atypical or unusual;
- the instructions given in the exercise of management and coordination activities pursuant to arts. 2497 et seq. of the Italian Civil Code;

- any other activities, transactions or events that it is deemed appropriate to bring to the attention of the Directors and Statutory Auditors.

4. Results of operations and outlook

4.1 – The information on the general results of operations relates to the business activities of the Group.

4.2 – In addition to considering the actual results achieved and comparing them with the business plan and the budget, this information is also addressed in terms of its significance for strategic planning and guidance purposes.

4.3 – The results of operations and outlook are usually examined by the Board of Directors of the Company during the board meetings called to approve the financial reports required by art. 154-ter TUF (annual financial statements, half-year report and additional periodic financial information, if prepared). The results achieved are compared:

- with historical data (appropriately restated on a pro forma basis for consistency of comparison);
- with the budget objectives, indicating the reasons for any variances, partly in order to assess their effects on the strategic objectives, future plans and/or the forecast data for later periods;
- with the general performance of the sector and of peers, for benchmarking purposes.

5. Activities carried out

5.1 – The general information about the activities carried out relates to: (i) the implementation and development of transactions already authorised by the Board of Directors, (ii) the activities carried out by the Executive Directors – including via the organisational structure of the Company and its subsidiaries – in implementation of the mandates received, and (iii) the work of the committees established within the Board of Directors.

5.2 – The general information about the activities carried out also includes specific detailed information relating to:

- the transactions of greatest strategic, economic, balance sheet or financial significance;

- any atypical or unusual transactions;
- related-party transactions.

6. Transactions of greatest strategic, economic, balance sheet or financial significance

6.1 – The Board of Directors of the Company - without prejudice to (i) to the duties and powers reserved for it by the law and the Articles of Association, (ii) the hierarchy of mandates and (iii) internal corporate procedures – has established general quantitative and qualitative criteria to identify the transactions - excluding intercompany transactions - carried out by Pirelli or subsidiaries, including foreign unlisted companies, subject to management and coordination by the Company, that require prior approval by the Board of Directors of the Company.

6.2 – The information about the transactions described in para. 1 of this article describes (i) the strategic objectives, (ii) their consistency with the budget and the business plan, (iii) the method of execution (including the economic and other terms and conditions for their implementation), as well as (iv) the developments and any restrictions and implications that these transactions have or might have for the activities of the Pirelli Group.

6.3 – Information is also provided about those transactions that, although individually below the quantitative thresholds indicated, are part of the same strategic project or executive programme and, taken together, exceed the thresholds of significance.

7. Atypical or unusual transactions

7.1 – Transactions are deemed typical if they are carried out in the ordinary course of business, being essentially contributory to the production and characteristic business cycle. Transactions are deemed usual, on the other hand, if they contribute to satisfying ordinary requirements, being requirements that normally arise in the conduct of the business.

7.2 – In all cases, a transaction cannot be qualified as typical or usual when, in substance, particular issues exist with regard to its specific characteristics and/or inherent risks, the nature of the counterparty or the timing of its completion.

7.3 – Information about atypical or unusual transactions describes the underlying interest and the method of execution (including the economic and other terms and conditions for their implementation), with particular reference to the assessment process followed.

8. Management and coordination

8.1 – Information about the exercise of management and coordination activities describes:

- the strategic objectives, with particular reference to the entrepreneurial interest that justifies them and the results pursued;
- the method of execution (including the terms and economic and other conditions for their implementation), with specific reference to the assessment process followed;
- any restrictions and implications that they might have for the business, bearing in mind the budget and the business plan.

8.2 – Information updates are provided about the influenced transactions, in order to assess the overall results of the management and coordination activities.

9. Related-party transactions

9.1 – The following information about related-party transactions (hereinafter, “**RPT**”) - as defined in the Procedure for related-party transactions (hereinafter, “**RPT Procedure**”) adopted by the Company and published on the Pirelli website – is reported to the Directors and Statutory Auditors (already in part envisaged in the RPT Procedure):

- non-intercompany RPTs with a value that exceeds Euro 5 million, even if “ordinary” and/or “on market terms and conditions”;
- implementation status of RPTs of lesser significance¹ carried out by the Company or its subsidiaries²;
- implementation status of RPTs of greater significance³ approved by the Board of Directors⁴;

¹ RPTs are deemed to be of lesser significance if the transactions are not RPTs of greater significance or RPTs of insignificant amount.

² Information flow envisaged in art. 7, para. 1.f), of the RPT Regulation.

³ RPTs are deemed to be of greater significance if the transactions exceed the thresholds envisaged in attachment 1 to the RPT Procedure.

- RPTs arranged pursuant to any “framework resolutions” adopted by the Company;
- RPTs carried out “in urgent cases” in accordance with the provisions of the RPT Procedure;

The following information is provided for each of these transactions: (i) purpose, (ii) value, (iii) completion date of the transaction, (iv) identity of the counterparty (and, if applicable, the Group to which it belongs) and (v) nature of the relationship (distinguishing between transactions carried out directly by Pirelli and those carried out by its subsidiaries).

10. Collection of information

10.1 – The function that reports to the Chief Reporting Officer is responsible for collecting the information needed to guarantee an adequate flow of quarterly information.

The Chief Reporting Officer sends the information received to the CEO who, assisted by the Secretary to the Board of Directors, guarantees the flow of information to the Directors and Statutory Auditors.

In general, the activities carried out by the committees established within the Board of Directors are reported on in one of the following ways: (i) report at the time of one of the subsequent board meetings, (ii) periodic report to the Board of Directors or (iii) reports of the type referred to in art. 2.1 above.

11. Inside Information and Significant Information

11.1 – When the flows of information covered by this procedure relate to Inside Information and/or Significant Information (in both cases, as defined in the “Market Abuse Procedure” adopted by the Company), they must take place in accordance and compliance with the procedures indicated in the Market Abuse Procedure.

⁴ Information flow envisaged in art. 8, para. 1, of the RPT Regulation.