



Pirelli & C. S.p.A.

Ordinary Shareholders' Meeting – 12 June 2025

Report of the Board of Directors on the items on the agenda

ITEM 3:

**2025-2027 three-year monetary incentive plan for the Pirelli
Group's management. Related and consequent resolutions.**

Explanatory report drawn up by the Directors pursuant to Article 125-ter of Italian Legislative Decree no. 58 of 24 February 1998 as subsequently amended and supplemented ("TUF"), approved by the Board of Directors on 28 April 2025.

Dear Shareholders,

The Board of Directors has convened you to discuss and resolve on - pursuant to Article 114-*bis* of the TUF - the approval of the monetary incentive Plan covering the three-year cycle 2025-2027 for the management of the Pirelli Group ("**2025-2027 LTI Plan**" or "**Plan**"), the objectives of which were approved at the Board of Directors meeting held on 28 April 2025. The 2025-2027 LTI Plan was also approved pursuant to Article 2389 of the Italian Civil Code, on the proposal of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors, in relation to the parties for whom such opinion is required. The 2025-2027 LTI Plan is subject to the approval of the Shareholders' Meeting pursuant to Article 114-*bis* of the TUF as it states, *inter alia*, that part of the incentive is determined on the basis of a relative Total Shareholder Return ("**TSR**") target, calculated with respect to Tier 1 peers.

Moreover, pursuant to Article 123-*ter* of the TUF, the 2025-2027 LTI Plan is included in the 2025 Remuneration Policy adopted by Pirelli & C. ("**2025 Policy**"), submitted for the binding vote to the Shareholders' Meeting.

The main information on the 2025-2027 LTI Plan is set out below, while for a more analytical description of it you are invited to read the Information Document ("**Information Document**") prepared pursuant to Article 84-*bis*, paragraph 1, of Consob Regulation No. 11971 of 14 May 1999, as subsequently amended and supplemented ("**Issuers' Regulation**"), made available to the public - at the same time as this report - at the registered offices of Pirelli & C. (in Milan, Viale Piero e Alberto Pirelli 25), at Borsa Italiana S.p.A. and at the authorised storage mechanism eMarket Storage (emarketstorage.com) as well as published on the Company's website www.pirelli.com.

The terms indicated in capital letters in this report have the same meaning assigned to them in the 2025 remuneration policy and report on compensation paid in 2024 contained in the 2024 Annual Report.

Reasons for adopting the Plan¹

In line with national and international best practices, the 2025 Policy is tailored to the objective of attracting, motivating and retaining resources with the professional qualities required to pursue corporate objectives. In addition, through the multi-year variable components assigned, in particular, to the Executive Vice Chairman, the Chief Executive Officer, the Corporate General Manager, Key Managers ("**KMs**"), Senior Managers and Executives, it aims to achieve long-term interests and the sustainable success of the Company and aims to strengthen the "pay for

¹ Information required by Article 114-*bis*, paragraph 1, letter a) of the TUF.

performance" link, supporting the achievement of the Company's strategic targets and aligning the interests of management with those of the shareholders.

The Company's medium-long term incentive plans are structured with a rolling mechanism which guarantees constant alignment between the performance indicators and the evolution of the market and the Company, ensuring that these elements are always consistent with the Company's strategic plans. The medium-long term incentive plan "rolling" structure enables yearly definition of the value of the following three-year period targets, while ensuring management loyalty and the correct focus on performance targets. For the application of this mechanism, the Board of Directors of Pirelli & C. defined the objectives of the 2025-2027 LTI Plan.

Recipients of the Plan²

The 2025-2027 LTI Plan is assigned to all Top Management – except for the Chairman of the Board of Directors – and is extended, except in specific cases, to all Executives whose grade, determined with the Korn Ferry method, is equal to or above 20. It is also assigned to those who, during the three-year reference period, join the Group and/or take over, due to internal career progression, the position of Executive. In this case, their inclusion is subject to participation in the Plan for at least one full financial year and the incentive percentages are scaled to the number of months of actual participation in the Plan.

In particular, as at the date of this report, the recipients of the 2025-2027 LTI Plan are the Executive Vice Chairman Marco Tronchetti Provera, the Chief Executive Officer Andrea Casaluci, the Corporate General Manager Francesco Tanzi, the KMs and 253 employees with Executive status in the Group.

The remuneration structure for the recipients of the Plan, as better described in the 2025 Policy which should be referred to for further details, has several elements:

- gross annual base salary;
- annual variable component (STI): designed to incentivise the beneficiary's performance in the short term, this component motivates the beneficiaries to achieve the Company's annual objectives; it is expressed as a percentage of the base salary, rising in relation to the role held by the beneficiary and taking into account the reference benchmarks of each role. This percentage may range, if the objectives are achieved at target level, from a 15% minimum for Executives to a 110% maximum for the Chief Executive Officer and 125% for the Executive Vice Chairman; there is also a maximum limit to the STI bonus achievable. Finally, a share of the STI incentive - with retention in mind and to boost medium-long term performance - is deferred and possibly increased with a company matching component;

² Information required by Article 114-bis, paragraph 1, letters b) and b-bis) of the TUF.

- medium-long term variable component (LTI): composed of multi-year incentive plans linking management remuneration to the Group's medium-long term performances, and of the deferral and company matching component of the STI.

Performance targets and LTI Bonus calculation³

The LTI incentive ("**LTI Bonus**") is expressed as a percentage of the base salary with increasing values in relation to the role held and taking into account the reference benchmarks of each role. The incentive percentages set forth in the 2025-2027 LTI Plan may range, if the targets objectives are achieved, from a 15% minimum for Executives to a 65% maximum for the Chief Executive Officer and 70% for the Executive Vice Chairman. There is also a maximum limit to the LTI Bonus achievable.

The 2025-2027 LTI Plan, which is monetary and does not include the assignment of shares or options on shares, is subject to the achievement of three-year objectives and determined as a percentage of the base salary received by the beneficiary at the date on which their participation in this plan was established.

The 2025-2027 LTI Plan foresees three target types, all independent of each other and each assigned a specific weight:

- an objective represented by the Cumulative Group Net Cash Flow (before dividends), with a weight of 35% of the overall LTI Bonus;
- TSR target, with a weight of 40%, to Tier 1 peers;
- the remaining 25% is tied to sustainability objectives: (i) 10% is calculated in relation to Pirelli's positioning in the Dow Jones Sustainability World Index ATX Auto Component sector and (ii) 15% is linked to CO₂ Emissions Reduction.

A minimum value – associated with payment of 75% of the bonus achieved on-target – and a maximum (cap) are envisaged for each objective of the Plan.

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

For intermediate results falling between the minimum and the target or between the target and the maximum, performance will be calculated by linear interpolation, except for the positioning target in the Dow Jones Sustainability World Index ATX Auto Component sector, which will be calculated in three steps only: minimum, target and maximum, without enhancing intermediate performance.

The objectives set in the Plan represent a performance consistent with the corresponding objectives in the business plans disclosed to the market. In particular, the objectives for obtaining the incentive at "target" level will be in line with what will be disclosed to the market.

³ Information required by Article 114-bis, paragraph 1, letter c) of the TUF.

LTI Bonus disbursement period

Disbursement of any accrued LTI Bonus will be paid in the first half of 2028, subject to continued employment at the end of the three-year term of the Plan.

If, on the other hand, the employment relationship is terminated in the period between the end of the three-year period referred to above and the date of the actual disbursement of the incentive, the entire amount earned will be paid, except in the case of voluntary resignation without just cause and dismissal for just cause.

For Directors holding specific offices to whom specific duties are also delegated (namely the Executive Vice Chairman and the Chief Executive Officer) and who cease to hold office a pro-rata payment of the LTI Bonus for the actual months of tenure of the office is provided for.

Special fund to encourage workers' participation in enterprises⁴

The 2025-2027 LTI Plan does not receive any support from the Special Fund to encourage workers' participation in enterprises, referred to in article 4, paragraph 112, of Law No. 350 of 24 December 2003.

The 2025-2027 LTI Plan is to be considered “of particular importance” as it is addressed, as at the date of this report, *inter alia*, to the Executive Vice Chairman and Chief Executive Officer, the Corporate General Manager and KMs as they have regular access to inside information and have the power to make decisions that may affect the Pirelli Group's development and future prospects.

Considering that the 2025-2027 LTI Plan is monetary in nature, as it does not provide for the assignment of shares or options on stock or shares, but only a cash incentive partly linked to the performance of Pirelli & C.'s ordinary shares, the Information Document prepared in accordance with current regulations does not contain the information required for mechanisms that consider the assignment of shares or stock options.

Dear Shareholders,

on the basis of the foregoing and having examined the explanatory report of the Board of Directors as well as the Information Document, we ask you to:

1. approve – pursuant to Article 114-*bis* of the TUF – the adoption of the 2025-2027 LTI Plan for Pirelli Group management, regarding the part where it is also based on the performance of Pirelli shares, in the terms set out in this report and as better described in the Information Document (prepared pursuant to Article 84-*bis*, paragraph 1, of the Issuers’ Regulation). The

⁴ Information required by Article 114-*bis*, paragraph 1, letter d) of the TUF.

2025-2027 LTI Plan states, *inter alia*, that a share of the bonus awarded will be determined on the basis of a relative Total Shareholder Return target, calculated with respect to Tier 1 peers;

2. grant the Board of Directors the broadest powers needed or opportune to implement the 2025-2027 LTI Plan and to adjust or modify the performance indicators and related 2025-2027 LTI Plan objectives, submitting the new performance indicators and objectives to the Shareholders' Meeting if the plan has characteristics established by Article 114-*bis* of the TUF (remuneration plans based on financial instruments).