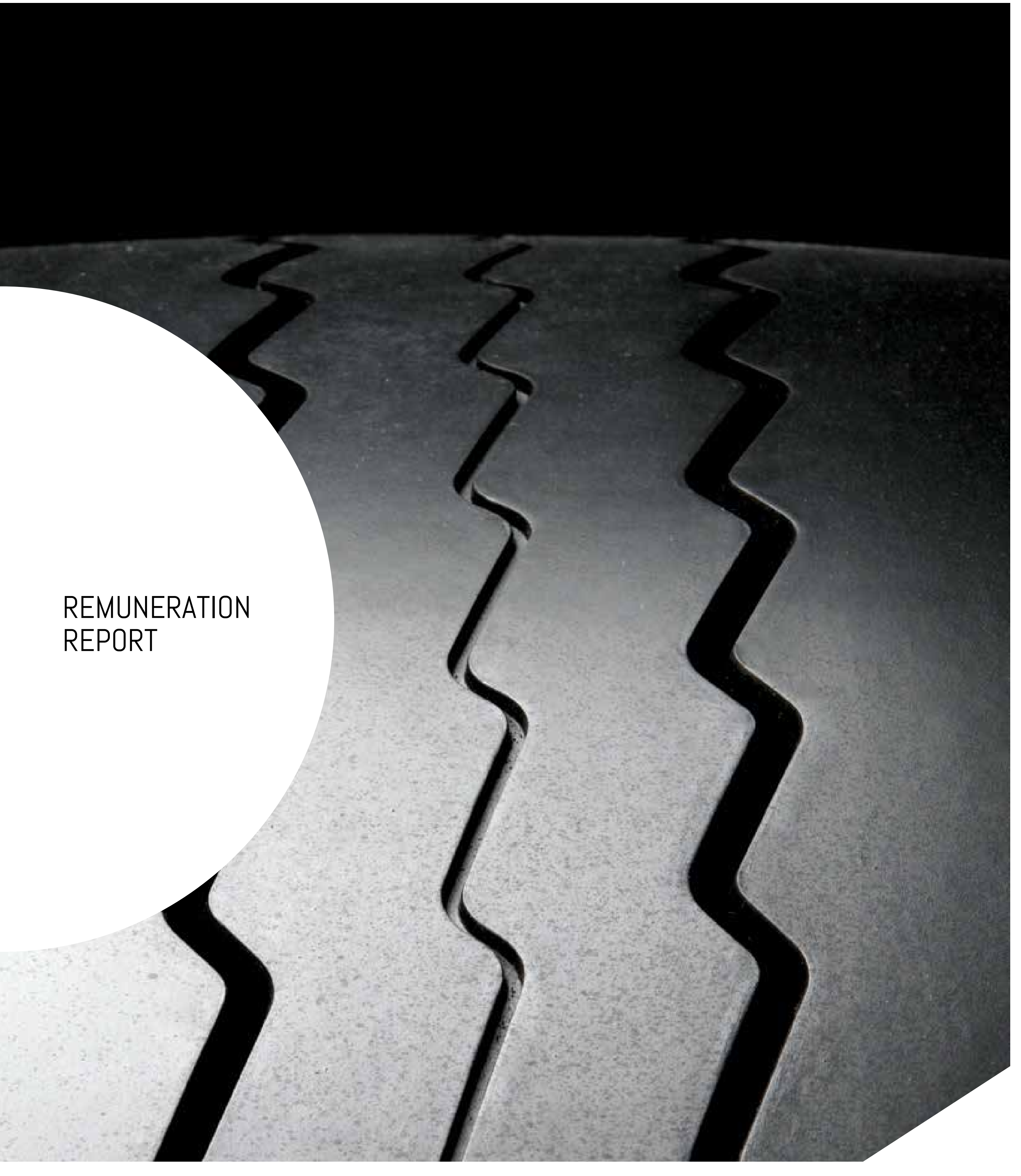

REMUNERATION REPORT

INTRODUCTION

This Remuneration Report ("**Report**") is broken down into two sections:

- Section I: "Policy" for financial year 2014 ("**2014 Policy**") and
- Section II: "Statement" for financial year 2013 ("**2013 Statement**").

The Report has been prepared pursuant to Article 123-*ter* of the Consolidated Law on Financial Intermediation and to Article 84-*quater* of Consob's so-called Issuers' Regulation, and also on the basis of Model Format 7-*bis* in Annex 3A to said regulation. In drafting the Report account was taken of the recommendations issued by the European Commission on April 30, 2009 concerning the remuneration of directors of listed companies (2009/385/EC) as well as of the recommendations on remuneration in the Corporate Governance Code of Borsa Italiana S.p.A. of December 2011, to which Pirelli subscribes.

The Report has also been adopted in the light of Article 14 of the Pirelli Procedure for Related Party Transactions.

The 2014 Policy sets out the principles and guidelines followed by Pirelli to (i) determine and (ii) monitor the application of the pay practices, as illustrated below, in regard to:

- Directors holding special offices, the General Managers, and the Managers with strategic responsibility of Pirelli & C.;
- the Senior Managers and Executives of the Group.

The 2013 Statement, submitted for the information of the Shareholders, provides a comprehensive account of remuneration in financial year 2013 that illustrates its consistency with the Policy approved by the Company the previous year.

To facilitate comprehension and reading, the Report includes the following glossary of some frequently used terms:

Directors holding special offices: the Directors of Pirelli & C. that hold the position of Chairman, Chief Executive Officer, and Deputy Chairman of Pirelli & C.; these directors may also be delegated specific duties. The Directors holding special offices at other Pirelli companies who are also Group managers are, for the purposes of this Policy and depending on their role, Executives or Senior Managers (barring a resolution otherwise by the Board of Directors of Pirelli & C. that designates them "Managers with strategic responsibility").

Directors not holding special offices: these are all the Directors of Pirelli & C. other than the Directors holding special offices. The Directors at other Pirelli companies who are also Group executives are, for the purposes of this Policy and according to their role held, Executives or Senior Managers (barring a resolution otherwise by the Board of Directors of Pirelli & C. that designates them "Managers with strategic responsibility").

Annual Total Direct Compensation at the target level: the sum of the following components, regardless of whether they are paid by Pirelli & C. or by other Group companies:

(i) the gross annual fixed component of remuneration;

(ii) the annual variable component that the beneficiary would receive if he or she achieves the objectives at the target level;

(iii) annualisation of the medium/long-term variable component made up of a) the LTI bonus that the beneficiary would receive on achieving the 3-year objectives at the target level and of b) the annual rolling mechanism for deferring payment of part of the accrued MBO incentive and for providing enhanced payment of the entire accrued MBO incentive in recognition of the sustained achievement, over time, of the annual objectives at the target level.

Remuneration Committee: the Remuneration Committee of Pirelli & C.

Board of Directors: the Board of Directors of Pirelli & C.

General Managers: the persons appointed by the Board of Directors of Pirelli & C. and having broad authority for management of business units. The General Managers at other Pirelli companies are, for the purposes of this Policy and according to their role held, Executives or Senior Managers (barring a resolution otherwise by the Board of Directors of Pirelli & C. that designates them "Managers with strategic responsibility").

Managers with strategic responsibility: managers, chosen by the Board of Directors of Pirelli & C., who have the authority or responsibility to plan and control the Company's activities or to take decisions which may affect the development or future prospects of the Company and, more in general, of Pirelli.

Executives: managers at Pirelli's companies in Italy or employees at the Group's foreign companies having a position or role equivalent to that of an Italian manager.

Pirelli Group or Pirelli: all the companies included in the scope of consolidation of Pirelli & C. S.p.A.

Management: all the Directors holding special offices, the General Managers, the Managers with strategic responsibility, the senior managers and the executives.

MBO incentive: the annual variable component of remuneration obtainable for achieving pre-set business objectives, as illustrated below in section 5 (also termed MBO incentive).

2014-2016 LTI Plan: the Long Term Cash Incentive Plan illustrated below in section 5.

GAS: the gross annual fixed component of remuneration for the employees of any Pirelli Group company.

Senior Managers: the managers that report to (i) the Directors holding special offices and who are assigned specific functions and (ii) to the General Managers whose activities have a significant impact on business results.

Company: Pirelli & C. S.p.A.

REMUNERATION POLICY FOR 2014

1. PRINCIPLES AND EXAMINATION OF RISKS

The 2014 Policy has been prepared on the basis of policy in previous years. It takes account, too, of the regulatory provisions adopted by Consob in Resolution no. 18049 of November 23, 2011, as well as of the early termination of the 2012-2014 LTI Plan and of the adoption of a new 2014-2016 Long Term Cash Incentive Plan introduced in "support" of the objectives for the 2014-2016 period listed in the 2014-2017 Industrial Plan approved by the Board of Directors on November 5 2013 (see 2014 Policy, section 5).

It is noted that the approval of the Shareholders' Meeting shall be sought for that part of the 2014-2016 LTI Plan which provides that the incentive is also determined on the basis of a Total Shareholder Return objective assessed in terms of Pirelli's performance and with regard to an index composed of selected peers in the Tyre sector.

* * *

The aim of the Pirelli Remuneration Policy is to attract, motivate and retain the resources that have the professional skills needed to successfully pursue Pirelli Group objectives. Indeed, Pirelli defines and applies a remuneration policy that, with regard to top management and Senior Managers, is geared to exert a strong pull on the third quartile of the corresponding employment market (as measured by the standard benchmark) and, with regard to Executives, is in line with the relevant market practice.

The Policy is defined in such a way as to align Management interests with those of Shareholders, pursuing the primary objective of creating sustainable value in the medium-long term through the creation of an effective and verifiable link between compensation, on the one hand, and individual and Group performance on the other.

The structure of Management remuneration, defined with the assistance of firms specialising in executive compensation and on the basis of international benchmarks, is composed of three principal elements:

- fixed component: for Directors holding special offices, the fixed component is set at the time of their appointment for their entire term by the Board of Directors, and, as an aggregate annual amount, it includes any fixed components for other positions that the Directors hold in the Pirelli Group.
  For the rest of Management, the fixed component is set when they are employed and may be periodically revised to take account of their performance, of their assumption of new responsibilities, and market salary trends for the type of position held by the individual;
- an annual variable component (MBO incentive): this is a pre-determined percentage of the fixed component, with percentages that rise according to the position held and considering the benchmarks for each individual. If the objectives are attained at target level this percentage can range from a minimum of 20% for Executives to a maximum of 100% for the Directors holding a special office who have been assigned specific functions. According to the role of the person concerned, it is designed to reward the annual performance of the Group, the Company and/or the function to which he or she belongs. Moreover, there is a limit on the maximum MBO incentive obtainable which is set at twice the incentive obtainable at the target level; for the Directors holding special offices and assigned specific functions, it is 2.5 times the incentive obtainable at the target level.
- the medium/long-term variable component: the LTI bonus is, likewise, set as a percentage of the fixed component and is aimed at rewarding Group performance during the period 2014-2016. Like the MBO incentive, the 3-year LTI bonus is a pre-determined percentage of the fixed component, with percentages that rise according to the position held and considering the benchmarks for each individual. If the objectives are attained at the target level this percentage can range from a minimum of 50% for Executives to a maximum of 250% for the Directors holding a special office who have been assigned specific functions. In addition, a limit is applied to the maximum LTI incentive obtainable and is set at twice the incentive obtainable at the target level
  A more detailed description of the function of the annual and 3-year variable components can be found in section 5, "MBO and LTI Plan".

The variable remuneration of Management is based on short and medium/long-term objectives set in the annual and multi-year Industrial Plans announced to the market.
It is relevant in this regard that the risk management process is now fully integrated into the strategic planning process. This guarantees that the set objectives for earning the variable bonus does not expose Pirelli to a risk appetite by management at variance with an acceptable level of risk as defined by the Board of Directors when approving the Plans.
Management remuneration is then structured in such a way as to assure balance among its components.
In particular, major weight is given to the variable component (with the medium/long-term component prevailing). If the objectives are met at the target level, this component represents:

- not less than 50% of the Annual Total Direct Compensation at the target level for the Chairman and Chief Executive Officer, the General Managers, and the Managers with strategic responsibility;
- not less than 40% for Senior Managers, and lastly,
- not less than 25% for Executives.

A significant portion of the MBO-linked variable incentive (25%) is deferred to encourage the continuity of results over time (so that payment of it is at risk) with a possible reward mechanism for enhancing the entire MBO incentive earned in each year in accordance with the level of achievement of MBO objectives in the following year, as explained below (for a detailed description, see section 5).
The definition of a mix of objectives, including non-financial objectives, for the medium/long-term variable portion avoids the preponderant weight of a single performance objective. Moreover, the existence of objec-

tives for achieving a significant part of the LTI incentive that are based on cumulative economic/financial parameters over the 3-year period (without, therefore, any interim account stage) discourages action aimed solely at achieving short-term objectives in order to secure the annual incentive.
For the other components of remuneration – office termination payments, non-competition agreements, and non-monetary benefits – granted to the various members of Management, see the sections that describe the remuneration structure for each category.

2. "THE PROCESS" OF POLICY DEFINITION AND IMPLEMENTATION AND THE PARTIES INVOLVED

Policy definition is the result of a clear and transparent process in which the Remuneration Committee and the Board of Directors play a key role. The fact is, the Policy, following a motion from the Remuneration Committee, is adopted and annually approved by the Board of Directors, which then submits it to the consultative vote of Meeting of the Shareholders.
The Board of Statutory Auditors gives its own opinion on the Policy, particularly in the part concerning Directors holding special offices.
The Remuneration Committee, the Board of Statutory Auditors, and the Board of Directors supervise policy application. For this reason, at least once annually, on presentation of the Remuneration Statement, the Senior Advisor for Human Resources and/or the Chief Human Resources Officer report(s) to the Remuneration Committee on compliance with the Policy.
The 2014 Policy – which has been approved by the Remuneration Committee, and then approved by the Board of Directors, after obtaining the favourable opinion of the Board of Statutory Auditors at its meeting on March 27, 2014 – is submitted for the examination and non-binding vote of the Shareholders' Meeting.

The point is made, merely as a detail, that under current laws the Board of Directors has the discretion to adopt (or where the law so provides, to propose to the Shareholders' Meeting) incentive mechanisms involving a grant of financial instruments or options on financial instruments, which if approved are published at the latest in the annual Remuneration Statement (without prejudice to any other disclosure obligations imposed by applicable laws and regulations). At the date of this Report, the Company has no incentive plans based on financial instruments.
It is noted, for the record, that the approval of the Shareholders' Meeting shall be sought for that part of the 2014-2016 LTI Plan whereby the incentive is determined on the basis of a Total Shareholder Return objective calculated commensurate with Pirelli's performance and against an index made up of selected peers in the tyre industry.

3. REMUNERATION COMMITTEE

Composition

As early as 2000, the Corporate Governance system then adopted by Pirelli & C. included a Remuneration Committee.
The Committee has four members, all independent, consistent with the most rigorous approach recommended by the Corporate Governance Code issued by Borsa Italiana (December 2011).
The Remuneration Committee is appointed by the Board of Directors (which also appoints its Chairman), and its term lasts as long as the term of the Board of Directors.
The Remuneration Committee, which ends its period in office with the approval of the financial statements at December 31, 2013, comprises: Luigi Roth (Chairman); Anna Maria Artoni; Luigi Campiglio; and Pietro Guindani.
In the course of financial year 2013 Carlo Acutis (a director and Chairman of the Committee) stood down as Chairman and member of the Remuneration Committee since he no longer qualified as independent. Following this resignation, the Committee was restored to full strength through the appointment of Luigi Campiglio, while Luigi Roth (director), was appointed Chairman of the Committee.
Two members of the Committee (Anna Maria Artoni and Pietro Guindani) have adequate experience in financial and remuneration matters, as determined by the Board of Directors when they were appointed.
The entire Board of Statutory Auditors may participate

in the activities of the Remuneration Committee.
The Secretary of the Board of Directors acts as Secretary of the Remuneration Committee.
You are advised that the next Shareholders' Meeting for approving the financial statements at December 31, 2013 shall be called on to vote on the renewal of the Board of Directors of the Company.

Duties of the Remuneration Committee

The Remuneration Committee has advisory, policy making, and supervisory functions to assure definition and application within the Group of remuneration policies aimed, on the one hand, at attracting, motivating and retaining resources having the professional skills necessary to profitably pursue Group objectives and, on the other hand, aligning Management and Shareholders interests.
In particular, the Remuneration Committee:

- assists the Board of Directors in defining the General Remuneration Policy of the Group;
- periodically assesses the adequacy, overall consistency and concrete application of the General Remuneration Policy;
- makes proposals to the Board of Directors in regard to Directors holding special offices, to the General Managers, and the tp Managers with strategic responsibility concerning:
  - their remuneration, in line with the General Remuneration Policy;
  - the setting of performance objectives related to the variable component of their remuneration;
  - the making of any non-competition agreements;
  - the making of any agreements to terminate the relationship, including on the basis of the principles set out in the General Remuneration Policy;
- assists the Board of Directors in vetting recommendations to the Shareholders' Meeting on adopting compensation plans based on financial instruments;
- monitors application of decisions taken by the Board of Directors, verifying in particular the effective achievement of established performance objectives;
- examines and submits to the Board of Directors the Annual Remuneration Report. Identifying by name each member of the Board of Directors and of the Board of Statutory Auditors, as well as the General Managers, and treating the Managers with strategic responsibility as an overall group, the report:
  - properly examines each item making up remuneration;
  - details the compensation paid during the reference year, for whatever reason any in whatever form, by the Company and its subsidiaries.

It might be added that the Board of Directors has delegated the responsibilities of the Committee for Related Party Transactions, required by Consob regulations, to the Internal Control, Risks and Corporate Governance Committee, barring solely issues regarding the remuneration of Directors and Manager with strategic responsibility, which are delegated to the Remuneration Committee.

Functioning

The Remuneration Committee meets whenever its Chairman deems appropriate, or on request by at least one of its members, by the Chairman of the Board of Directors or, if appointed, by the Chief Executive Officer and, in any event, as frequently as necessary for properly performing its duties.
The Remuneration Committee meetings are attended by the entire Board of Statutory Auditors[1] and – if deemed appropriate and on invitation by the Remuneration Committee – by other representatives of the Company and/or the Group as well as by the Independent Auditor. The Senior Advisor for Governance and Senior Advisor for Human Resources and/or the Chief Human Resources Officer are also present at all meetings.
In accordance with the recommendations of the Corporate Governance Code and best practices, the Directors holding special offices do not attend Remuneration Committee meetings.
The Remuneration Committee meetings are called with notices sent by, inter alia, the Secretary, as delegated by the Chairman of the Remuneration Committee.

The available documentation and information (or such, at any rate, as is necessary) is sent to all members of the Remuneration Committee sufficiently in advance of the meeting for them to express their opinions.
A majority of current members must be present for the Remuneration Committee meeting to have a quorum, and its decisions are approved by an absolute majority of the members present. Remuneration Committee meetings may be held by means of telecommunication links and are duly recorded in minutes by the Secretary and entered in a register.
The Remuneration Committee – which may draw on external consultants to perform its functions – has adequate funding to discharge its duties and has absolutely independent spending authority.
The Remuneration Committee may access key corporate information and functions to discharge its duties, availing itself of the Secretary's assistance for this purpose.
For a more detailed description of the activities performed in 2013 by the Remuneration Committee, see the Report on Corporate Governance and Ownership Structure.

4. CONTENTS OF THE 2014 POLICY

As previously mentioned, the Policy defines principles and guidelines to which:

- the Board of Directors refers when defining the remuneration:
  - of Directors of Pirelli & C. and, in particular, of the Directors holding special offices;
  - of the General Managers;
  - of the Managers with strategic responsibility;
- Pirelli refers when defining the remuneration of the Senior Managers and, more generally, the Executives of the Group.

5. MBO AND LTI PLAN

MBO

The annual variable component (MBO incentive) remunerates the beneficiary's performance on an annual basis.
Access to the annual variable component is contingent on fulfilling a financial condition (the so-called "on/off condition"), which is determined having regard to the role performed by the beneficiary. The incentive is then calculated on the basis of a number of objectives, likewise defined with regard for the specific role performed by the beneficiary. Corresponding to each such objective is an "entry threshold", which attracts payment of an amount equal to 75% of the target-level incentive payment, and a cap, representing the maximum amount that can be earned.
The MBO objectives for Directors holding special offices and who are assigned specific functions, for the General Managers, and for Managers with strategic responsibility, are set by the Board of Directors on a recommendation from the Remuneration Committee, and are linked to the annual performance of the Group.
The objectives for Senior Managers and Executives are defined instead by their hierarchical superiors in collaboration with the Group Human Resources and Organisation Department and with the Group Manage-

[1] The corporate governance rules of the Company make special provision enabling the entire Board of Statutory Auditors to directly monitor Committee activities and to perform its delegated supervisory functions more effectively.

ment Control Department. In contrast with the treatment of top management, these persons may be set objectives linked to the operating performance of their specific unit/function as well as qualitative/quantitative objectives linked to specific parameters of individual performance.

MBO 2014

As in the past, access to the **MBO 2014** incentive scheme is likewise dependent on a financial condition. In the case of Directors holding special offices and who are assigned special functions, of General Managers, and of Mangers with strategic responsibility, that condition is a Group Net Financial Position (before dividend distribution) that is aligned with the value set in the 2014-2017 Industrial Plan, inclusive of a "tolerance margin".
The above individuals are then set two objectives of an economic/financial nature, that are mutually independent, namely Group Ebit (after restructuring charges) and Group Net Cash Flow (before dividend distribution).
The target-level objectives represent a performance on a par with the corresponding objectives announced to the market. The scheme also includes an entry threshold, set at a less high level, which is rewarded with an incentive payment that is 75% of the amount obtainable at the target level.
There is, in addition, a ceiling set on the maximum incentive payment obtainable under the scheme. For Directors holding special offices and who are assigned special functions this stands at 2.5 times the incentive at the target level, and for General Managers and Managers with strategic responsibility, it is twice the incentive at the target level. The final figure for the incentive between the entry threshold and the target level and between the target and maximum levels is arrived at on a straight-line basis.
Senior Managers and Executives, in addition to the access condition (a financial objective relating to the Group or to their Region of operation) and to the two economic and financial objectives (relating, again, to their organisational unit), are set a third objective for their performance as an individual manager. They, too, will receive an incentive reward that is 75% of the incentive payable at the target level if they achieve the lower-level entry threshold, and the limit on the maximum obtainable if they outperform the target-level objectives is twice the target-level incentive.
At the end of the financial year, when a final account of performance can be undertaken, the Group Human Resources and Organisation Department, assisted by the Group Management Control Department, conducts an audit on the level of fulfilment attained in pursuing the objectives.
The table below sets out the objectives of the various office holders and the weighting of the respective objectives assuming that target-level performance is attained

Individual	Objective	% weighting at target level
Chairman and Chief Executive Officer/ General Manager and Managers with strategic responsibility	Group Net Financial Position (before dividend distribution)	On/Off Condition
	Group Ebit (after restructuring charges)	65%
	Group Net Cash Flow (before dividend distribution)	35%
Senior Manager/ Executive (Head Office)	Group Net Financial Position (before dividend distribution)	On/Off Condition
	Group Ebit (after restructuring charges)	50%
	Group Net Cash Flow (before dividend distribution) or a functional objective with Group-wide scope	30%
	Individual qualitative/quantitative performance	20%
BU/Region Senior Manager/ Executive	Group Net Financial Position (before dividend distribution), if for BU; Regional Net Financial Position, if for Region	On/Off Condition
	BU/Region Ebit (prior to restructuring charges)	50%
	Functional objective with a typically-wide Group scope	30%
	Individual qualitative/quantitative performance	20%

Deferral of payment of MBO incentive

Payment of 25% any MBO incentive as may be accrued is subject to a 12-month deferral and is conditional on achieving the MBO objectives of the following year. In particular,

- if, in the year following the one when the MBO incentive was accrued, no MBO incentive is accrued, the deferred portion of the previous year's MBO incentive (25% of the bonus accrued, as noted above) is forfeited;
- if, in the year following the one when the MBO incentive was accrued, an MBO incentive at entry-threshold level is accrued, the deferred portion of the previous year's MBO incentive is released;
- if, in the following year, an MBO incentive is accrued between the target level and the maximum level, an additional amount of between 20% and 40% of the incentive accrued in the previous year is paid out (for results in the following year ranging between the target level and the maximum level, the enhancement to the previous year's MBO incentive is scaled up linearly).

LTI Plan

In view of the introduction of a new Industrial Plan for 2013-2017, the Board of Directors of Pirelli voted – with effect from December 31, 2013 – to terminate the medium/long-term cash incentive for Management (the Long Term Incentive, or LTI) adopted in 2012 and geared to the objectives for the 3-year period 2012-2014.

As an effect of that decision, no payout was made of the 3-year incentive, not even a pro-rated payment, the "coinvestment" mechanism was abandoned, and any MBO incentive accrued for financial year 2013 was paid out in full. Concurrently, the Board of Directors approved the adoption of new LTI plan linked to the objectives of the 2014-2016 period as set out in the 2013-2017 Industrial Plan submitted on 6th November 2013, with pre-release of the respective guidelines on that occasion.

Like the previous LTI plan, the new one, for 2014-2016, is open to all of Management (except for specific cases, for example, the managers of the Internal Audit function) and may also be extended to those who join Group management during the 3-year period and/or assume the position of Executive as a result of in-house career development. Where this happens, their inclusion is conditional on participation in the Plan for at least one whole financial year, and the bonus percentages are pro-rated according to the number of months of participation in the Plan.

The 2014-2016 LTI Plan provides for an incentive ("LTI bonus") which is conditional on fulfilment of multi-year objectives and determined as a percentage of the gross annual fixed component/GAS received by the beneficiary at the established Plan vesting date. This bonus percentage rises according to the position held and considering the benchmarks applicable to each individual. Corresponding to each objective there is an entry threshold, which attracts payment of an amount equal to 75% of the target-level bonus, and a ceiling representing the maximum amount that can be earned. Where all the objectives are fulfilled at the maximum level, the LTI Bonus may not exceed twice the bonus obtainable for achieving the objectives at the target level.

In the event of a failure to reach the entry-level threshold for any objective, no right to payment of the commensurate bonus will accrue to the beneficiary.

As with the previous Plans, the 2014-2016 LTI Plan likewise includes an access condition, consisting in fulfilling the 3-year creation-of-value objective, which measures the capacity of the company to create value over the medium-long term considering the profitability after tax of ordinary operations compared with the amount of invested capital and its cost. In particular, this objective is equal to the difference between NOPAT (Net Operating Profit After Tax) and the weighted average cost of fixed capital plus working capital.

As to the medium/long-term objectives of the LTI bonus and the metrics for measuring them, the following three types of objective have been set, the first two of which are independent from one another, along with their respective weightings:

- Group *Total Shareholder Return* ("**TSR**"), an objective applying equally to Management as a whole and comprising two mutually independent sub-objectives: (i) absolute TSR, with a weighting that accounts for 40% of the total LTI bonus and (ii) relative TSR, with a 20% weighting, measured against a panel of selected peers. Fuller details on the application of the *Total Shareholder Return* objective can be found in the document released at the time of the Shareholders' Meeting;

- an objective specific to each Executive concerning their respective organisational unit (Group, Region, Business Unit): Return On Sales (ROS), calculated as the ratio between accumulated Ebit after restructuring charges over the 3-year period and accumulated turnover over the same period; the weighting of ROS in the total LTI bonus is 30%;
- the remaining 10% is calculated on the basis of a Sustainability indicator relating to the positioning of Pirelli in two indices, with equal weighting: (i) *Dow Jones Sustainability Index, Autoparts and Tyre Sector*, and (ii) *FTSE4Good Tyre*. This objective is only afforded recognition if the entry threshold for at least one of the two economic/financial objectives above is reached.

The LTI objectives applying equally to the various individual managers together with their respective weightings at the target level, is tabulated below

Objective	***Weighting at the target level***
Creation of value (difference between NOPAT -Net Operating Profit After Tax- and the weighted average cost of fixed plus working capital)	On/Off Condition
ROS (calculated as the ratio between accumulated Ebit after restructuring charges over the 3-year period and accumulated turnover over that 3-year period) of the Group, of the Business Unit, or of the Region (depending on the organisational unit in which the Executive works)	30%
"Absolute" TSR	40%
"Relative" TSR with respect to a selected panel of peers	20%
Sustainability indices	10%

Regarding the **TSR** and **ROS** objectives, for intermediate results ranging between the minimum value (entry threshold) and the target level or between the target level and the maximum level, the final assessment shall be made through linear scaling. The costs for the entire LTI incentive scheme are factored into the Industrial Plan, so that the cost of the LTI plan is "self-financed" by fulfilment of the objectives themselves.

The LTI Plan also promotes employee retention. If the individual's term in office and/or employment relationship should end for any cause or reason before completion of the 3-year period, the beneficiary – including Directors holding special offices and invested with special functions (as in the case of the Chairman and Chief Executive Officer, Mr. Tronchetti Provera) – ceases to be part of the LTI Plan and consequently the LTI bonus will not be paid, not even on a pro-rated basis.

6. REMUNERATION OF DIRECTORS OF PIRELLI & C.

The Board of Directors is composed of:

- Directors holding special offices who may also be assigned specific functions;
- Directors not holding special offices.

The delegation of authority to Directors only in urgent situations is insufficient to qualify them as Directors assigned specific functions.

On April 21, 2011 the Pirelli Shareholders' Meeting that appointed the Board of Directors also approved an overall compensation amount for remuneration of the Directors, pursuant to Article 2389(1) of the Italian Civil Code, while leaving it to the Board of Directors to decide on how it was to be allocated. In particular, the Shareholders' Meeting approved aggregate gross annual compensation of 1.7 million euros, which was subsequently allocated by the Board of Directors as follows

Body	***Appointment***	***Gross annual compensation***
Board of Directors	Director	50 thousand euros
Internal Control, Risks, and Corporate Governance Committee	Chairman	40 thousand euros
	Committee Member	30 thousand euros
Remuneration Committee	Chairman	25 thousand euros
	Committee Member	20 thousand euros
Strategies Committee	Chairman (M. Tronchetti Provera)	No compensation
	Committee Member	25 thousand euros
Appointments & Successions Committee	Chairman (M. Tronchetti Provera)	No compensation
	Committee Member	20 thousand euros
Supervisory Body	Chairman and committee members	25 thousand euros

In accordance with best practices, no variable compensation was granted to Directors not holding special offices (as defined hereinabove).

The Directors are also entitled to reimbursement of the expenses they incur on official business.

Again, in accordance with best practices, the Company implements a D&O (*Directors & Officers*) *Liability* insurance policy covering the third party liability of corporate bodies, General Managers, Managers with strategic responsibility, Senior Managers and Executives in the performance of their functions. The purpose of this policy is to indemnify Pirelli for the cost of any compensatory damages deriving from the relevant provisions of the applicable national collective bargaining agreement and the laws and regulations governing appointed positions, with exclusion of wilful misconduct and gross negligence.

No insurance, social security or pension coverage other than mandatory coverage is envisaged for Directors not holding special offices.

7. REMUNERATION OF DIRECTORS HOLDING SPECIAL OFFICES

At the time of their appointment or at the first meeting thereafter, the Remuneration Committee proposes the remuneration package for Directors holding special offices to the Board of Directors.

The remuneration package of Directors holding special offices who have been assigned specific functions consists of the following elements:

- a gross annual fixed component;
- an annual variable component (i.e. MBO incentive);
- a medium/long-term variable component (comprising the LTI bonus and the annual rolling arrangement for deferred payment of part of the earned MBO incentive and for making an enhanced payment of the entire MBO earned depending on the level of MBO attainment in the following year).

At the time of their appointment, the fixed component for Directors holding special offices who have been assigned specific functions is approved by the Board of Directors for their entire term, in an aggregate annual amount that also takes account of the other positions they hold in the Pirelli Group.

The remuneration package of Directors holding special offices and who have been assigned specific functions is determined on the basis of the following criteria:

- the fixed component represents no more than 50% of the Annual Total Direct Compensation at the target level;
- the annual incentive (MBO incentive) earned at the target level is a pre-determined amount corresponding to 100% of the fixed compensation for the main executive appointment. In any case, the maximum bonus cannot exceed 2.5 times that compensation;
- the annualised medium/long-term variable component, at the target level, represents at least 60% of the aggregate variable component. The LTI Bonus includes a cap set on the maximum level obtainable, corresponding to twice the bonus at the target level.

During his current tenure as a director, namely in financial year 2012, the structure of the remuneration of the Chairman and Chief Executive Officer (Mr Marco Tronchetti Provera) was modified following his waiver of a significant portion (about 20%) of the gross annual fixed salary set for the positions he holds, while attributing greater weight to the variable components.
In particular, the fixed component was adjusted as follows:

- for the position held at Pirelli & C., he was paid just a fixed gross annual salary of 900 thousand euros, in addition to his compensation as board member (50 thousand euros gross, annually);
- for the position held at Pirelli Tyre S.p.A., he was granted a fixed gross salary of 2 million euros and annual and multi-year variable compensation, based on the criteria described above.

As to the incidence of the various components, the table below shows the structure of the compensation package of the Chairman and Chief Executive Officer, Mr Marco Tronchetti Provera, where both the annual objectives of the 2014, 2015, and 2016 MBO schemes and the objectives set in the 2014-2016 LTI Plan are achieved (i) at the target level, or alternatively, (ii) at the maximum level.

Remuneration of the Chairman and Chief Executive Officer: structure (annualised)		
	Performance at the target level	**Performance at maximum level**
Fixed component	42.0%	22.2%
Annual variable component (MBO incentive)	21.4%	28.2%
Medium/long-term variable component	36.6%	49.6%

Subject to the 12-month deferral arrangements affecting part of the MBO incentive, with the attendant risks and opportunities noted in section 1 and detailed in section 5, part of the medium/long-term variable component in the table is conditional on the level of attainment of results in financial year 2017 and will, accordingly, be paid out – if applicable – in financial year 2018.

Regarding Directors holding special offices and assigned specific functions (at December 31, 2013, the Chairman and Chief Executive Officer, Mr Marco Tronchetti Provera), the Board of Directors made provision as below for those such Directors as do not have employee status, allowing entitlements comparable to those claimed by the Group's Italian managers in law and/or through the National Collective Bargaining Agreement, namely:

- a *T.F.M.* Office Termination Payment pursuant to Article 17(1)(c) of the *T.U.I.R.* Consolidated Income Tax Law no. 917/1986, with characteristics similar to those of the *TFR* Severance Indemnity Payment under Article 2120 of the Italian Civil Code granted by law to the Italian managers of the Group, and including the contributions that would be payable by the employer to social security institutions or funds if the manager had an employment contract with the Group.
- a policy (i) against personal accidents they might suffer while performing their official duties and (ii) accidents unrelated to work, with the premiums charged to the Company;
- benefits for permanent disability and for death following illness;
- additional benefits typical of their office and currently granted within the Group to Managers with strategic responsibility and/or to Senior Managers (company car).

If a Director holds special offices but has not been assigned specific functions (at December 31, 2013, this was the case of the Deputy Chairmen, Mr Alberto Pirelli and, up to May 10, 2013, of Mr. Vittorio Malacalza), their remuneration as Directors consists solely of the annual fixed gross component. If a Director holding a special office is also an Executive/Senior Manager (Mr Alberto Pirelli), his remuneration is determined on the basis of the criteria envisaged in the Policy according to the position held. This part, too, is subject to examination by the Remuneration Committee and the Board of Directors.
No insurance, social security or pension coverage is provided to Directors holding special offices who have not been assigned specific functions, other than the mandatory coverage or that available to them as Directors.
The Remuneration Committee and the Board of Directors analyse the positioning, composition, and competitiveness of the remuneration paid to directors holding special offices. They perform these analyses with the assistance of independent firms specialising in executive compensation. Within the normal limits of benchmark analyses, these firms use methods designed to enable a thorough assessment of the complexity of roles in organisational terms, the specific functions assigned to them, and the impact of individuals on final business results.
In particular, different parameters (sector, geography, etc.) are used to define the annually updated panel of benchmark companies.
The benchmark sample of companies used in 2013 to analyse competitiveness and revise the remuneration of the Chairman and Chief Executive Officer of Pirelli & C. comprised 8 companies in the Car and Tyre segment, on the one hand, and 26 European "Large Cap" companies, on the other hand.

The 8 companies making up the "Car and Tyre" panel are

BMW	**Daimler**	**Michelin**	**Renault and Nissan**
Continental	**Fiat**	**Peugeot**	**Volkswagen**

The 26 companies making up the "Large Cap Europe" panel are

Air Liquide	**L'Oreal**	**Richemont**	**Unilever**
Carrefour	**Nestle**	**Roche Holding**	**Volkswagen**
Daimler	**Novartis**	**Royal Dutch Shell**	**Wolters Kluwer**
Danone	**Reckitt Benckiser Group**	**SABMiller**	**WPP**
Heineken	**Reed Elsevier**	**Sanofi**	**Xstrata**
Iberdrola	**Renault and Nissan**	**Siemens**	
Linde	**Repsol**	**Total**	

HEIDI PAULA LANGVAD

Heidi Paula Langvad is a Fashion Designer from Denmark, known for her dark, feminine style and use of traditional craftsmanship and local products. Her work is featured on numerous fashion sites and blogs, including Vogue. She was the recipient of Muuse's most promising designer award from VOGUE talents 2012, as well as their Young Vision Award in 2011. She was also nominated for Best upcoming Designer from the Costume awards 2012.

36 YEARS OLD DANISH

2012: Muuse Prize (assigned by Vogue Talents) as Most Promising Designer
2012: Nomination at Costume Awards as Best Emerging Designer
2011: Young Vision Award

STYLIST

For a fashion designer Heidi is an introverted and shy person, carrying around her manikin at all times as a defensive tool as much as a comfort – and this proved to me that her work went beyond the façade, beyond the textiles to something deeper and more philosophical. She understands clothes in an experiential sense, they are not just for the external viewer, but more importantly for the wearer; they reflect something more meaningful back at them, and her designs include minute details not apparent to anyone other than the wearer. They are expressive, but not only outwardly. She explored the curvature of the female body in relation to the wheel. Heidi talked articulately and eloquently about women and clothes, and how women wear their clothes. She looks at the relationship between the two; the material and the body, but understands that, ultimately, a woman wants to look good, and wants her clothes to make her feel empowered and not vulnerable. She carried with her a fascinating book of ideas, aphorisms, stories (interestingly) and design, which was the chronicle of the dress that she presented to us. This proved that the process is not simply one of choosing materials and design – the physical preparation – but cerebral too. The dress, the finished item, is an amalgam of intellectual methods, which we might not have expected. The stark but graceful dress she presented was a testament to Heidi's creative vigor. She is an all-round talent, thinking beyond the limits of her medium, verging on the polymath.

[Hanif Kureishi]

Do you consider your talent a gift or a burden?

A gift, of course, who doesn't want to make women feel and look beautiful and confident?

What you would do if one day you woke up and discovered you had lost your talent?

Build up another one! Work hard, learn, make mistakes and work even harder – go with my passion always. It´s all about what´s happening in our minds and how much we want it.

Who is the living talent you most admire?

Peter Doherty

What do you like about your talent and what don't you like?

I have the ability to empower women.

When or where does your talent make you happy?

When a stranger, one day, told me. "Hey! You not only create clothes, you create beauty"! When I can see women strolling in my creations! Small femmes fatales ruling the world with their passion.

If you could change your talent, how you would change it?

I don't want to. And I can´t see how it is possible to change what is so much a part of my personality.

MY WHEEL

My wheel is the female body!
The shape of our inner self and thoughts.
Our softness and fragility, our perfection
and beauty. The shape of the dress,
the round lines, the handmade textures
(dynamic and slow fashion) takes us
back in time and brings back
the old handcrafted tradition.
This dress symbolises the tyre –
the mixture of rubbers, combined
to create the perfect match.
I don't follow fashion trends. My creations
are timeless with thoughts
and hearts from back then... It comes,
it goes, it comes and it goes –
and we must take part of it further
and make a circle of a lifetime full
of personality and beauty.

IS A DRESS

8. THE BOARD OF STATUTORY AUDITORS

The Shareholders' Meeting sets a fixed annual amount for remuneration of the Board of Statutory Auditors. In particular, at the date the Board of Auditors was renewed in financial year 2012, the fixed annual gross amount payable to the Chairman was set at 75 thousand euros and the amount payable to the members of the Board of Auditors was set at 50 thousand euros.
For the Statutory Auditor appointed to the Compliance Programme Supervisory Body, the Board of Directors, following its renewal, determined gross annual compensation of 25 thousand euros.
The Statutory Auditors are also entitled to reimbursement of the expenses they incur on official business.

In accordance with best practices, the Company provides a D&O (Directors & Officers) Liability insurance policy covering the third party liability of corporate bodies, General Managers, Managers with strategic responsibility, Senior Managers and Executives in the performance of their functions. The purpose of this policy is to indemnify Pirelli for the cost of damages arising out of provisions in the applicable national collective bargaining agreement and legal provisions regarding appointed positions, with exclusion of wilful misconduct and gross negligence.

9. GENERAL MANAGERS AND MANAGERS WITH STRATEGIC RESPONSIBILITY

At December 31, 2013, Pirelli & C. had: one General Manger for Operations (Mr Gregorio Borgo) and four Managers with strategic responsibility: (Mr Maurizio Boiocchi, Mr Francesco Chiappetta[2], Mr. Francesco Tanzi, and Mr Maurizio Sala. Additionally, as of January 1, 2014, they were joined by Mr. Christian Vasino and, with effect from 27 March 2014, by Mr. Giuliano Menassi).
The remuneration of the General Managers and Managers with strategic responsibility is composed of the following elements:

- a gross annual fixed component;
- an annual variable component (MBO incentive);
- a medium/long-term variable component (comprising the LTI bonus and the annual rolling arrangement for deferred payment of part of the earned MBO incentive and payment of an enhancement of the entire MBO earned depending on the level of MBO attainment in the following year;
- benefits typically granted to Pirelli Executives.

Furthermore, provision as below is made for General Managers and for Managers with strategic responsibility (comparable to the claims enjoyed by Senior Managers and Executives with an employment contract in Italian law):

- supplementary retirement plans that obligate the employer company to pay an amount equal to 4% of the gross annual remuneration received into a pension fund, up to a maximum gross amount of 150 thousand euros;
- supplementary health and life insurance in addition to what is prescribed by the National Collective Bargaining Agreement for Companies that Produce Goods and Services.

The fixed component for General Managers and Executives with strategic responsibility is determined when they are hired and periodically revised according to their performance, as resolved by the Board of Directors on a recommendation by the Remuneration Committee.
When determining the remuneration of its individual members, the Board of Directors considers the following criteria:

- the fixed component represents no more than 50% of the Annual Total Direct Compensation at the target level;
- for General Managers and the Chief Technical Officer the annual MBO incentive earned at the target level is a pre-set percentage of GAS, namely 75%, and for Managers with strategic responsibility, 50% of GAS
- the annualised, medium/long-term variable component, at the target level, accounts for no less than 60% of the aggregate variable component. The LTI Bonus is also subject to a cap, limiting the maximum that can be earned to twice the bonus at the target level.

As for the General Manager Operations the fixed component now stands at an overall figure of 600 thousand euros gross.

Regarding the incidence of the various components, the table below shows the structure of the compensation package of the General Manager Operations and, as an aggregate figure, of the directors with strategic responsibility, where both the annual objectives of the 2014, 2015, and 2016 MBO schemes and the objectives set in the 2014-2016 LTI Plan are achieved (i) at the target level, or alternatively, (ii) at the maximum level.

Remuneration of the General Manager Operations; structure (annualised)		
	Performance at the target level	***Performance at maximum level***
Fixed component	39.0%	22.5%
Annual variable component (MBO incentive)	21.9%	25.4%
Medium/long-term variable component	39.1%	52.1%

Overall remuneration of the 4 Managers with strategic responsibility[3]: structure (annualised)		
	Performance at the target level	***Performance at maximum level***
Fixed component	43.6%	26.1%
Annual variable component (MBO incentive)	19.1%	22.9%
Medium/long-term variable component	37.3%	51%

Subject to the 12-month deferral arrangements regarding part of the MBO incentive, with the risks and opportunities referred to in section 1 and detailed in section 5, part of the medium/long-term variable component in the table is conditional on the level of attainment of results in financial year 2017 and will, accordingly, be paid out – if applicable – in financial year 2018.

The process for definition of the remuneration of General Managers is similar to that illustrated for the Directors holding special offices.

In regard to the Managers with strategic responsibility, the Remuneration Committee assesses the consistency of their remuneration with the Policy.

The remuneration of General Managers and Managers with strategic responsibility is also analysed with the assistance of independent firms specialising in executive compensation. Definition of this remuneration is revised annually and published in the annual Remuneration Statement. In particular, a variety of parameters (sector, geography, etc.) are used to define the annually updated panel of benchmark companies.

In regard to the General Manager Operations and Managers with strategic responsibility the benchmark market used to verify the competitiveness of the respective remuneration includes 236 companies in the following European countries: Belgium, France, Germany, Italy, Spain, Netherlands and the United Kingdom.

10. SENIOR MANAGERS AND EXECUTIVES

The remuneration of Senior Managers and Executives in general is composed of the following elements:

- a gross annual fixed component (i.e. GAS);
- an annual variable component (MBO incentive);
- a medium/long-term variable component (comprising the LTI bonus and the annual rolling arrangement for deferred payment of part of the earned MBO incentive and for providing an enhanced payment of the entire MBO earned depending on the level of MBO performance in the following year.
- benefits as are customary in company practice (e.g. company car and, in the case of foreign assignments, contribution to housing costs and possibly to children's school expenses).

[2] As with effect from January 31, 2014, Mr. Francesco Chiappetta withdrew from his previous commitments to take on the role of Senior Advisor Governance in support of the Chairman and Chief Executive Officer. At the same time he stepped down as a manager with strategic responsibilities.

[3] The managers in question are: Francesco Tanzi (Chief Financial Officer); Maurizio Sala (Chief Planning and Controlling Officer); Maurizio Boiocchi (Chief Technical Officer); and Christian Vasino (Chief Human Resources Officer).

Furthermore, the Executives and Senior Managers with an Italian employment contract are entitled to:

- supplementary retirement plans that entail the employer company in paying an amount equal to 4% of the gross annual remuneration received to a pension fund, up to a maximum gross amount of 150 thousand euros;
- supplementary health and life insurance in addition to the requirements of the National Collective Bargaining Agreement for Companies that Produce Goods and Services.

The Pirelli Group considers the following criteria when determining the remuneration and individual components of remuneration of Senior Managers and Executives:

- fixed component: (i) for Senior Managers, its weight is generally not more than 60% of the Annual Total Direct Compensation at the target level, and (ii) for Executives, its weight is generally not more than 75% of the Annual Total Direct Compensation at the target level;
- an annual MBO incentive that, at the target level, accounts for not less than 20% of GAS.
- the annualised medium/long-term variable component, at the target level, accounts for not less than 60% of the aggregate variable component. For the LTI bonus there is a limit on the maximum level that caps it at twice the bonus at the target level.

The table below presents the structure of the compensation package for Senior Managers and Executives (taken overall) and shows the incidence of the various (annualised components of their compensation package where both the annual objectives of the 2014, 2015, and 2016 MBO schemes and the objectives set in the 2014-2016 LTI Plan are achieved (i) at the target level, or alternatively, (ii) at the maximum level

Remuneration of Senior Managers: structure (annualised)		
	Performance at the target level	***Performance at maximum level***
Fixed component	49.1%	31%
Annual variable component (MBO incentive)	14.7%	18.6%
Medium/long-term variable component	36.2%	50.4%

Remuneration of Executive: annualised structure		
	Performance at the target level	***Performance at maximum level***
Fixed component	71.1%	52.8%
Annual variable component (MBO incentive)	10.7%	15.8%
Medium/long-term variable component	18.2%	31.4%

Subject to the 12-month deferral arrangements regarding part of the MBO incentive, with the risks and opportunities referred to in section 1 and detailed in section 5, part of the medium/long-term variable component in the table is conditional on the level of attainment of results in financial year 2017 and will, accordingly, be paid out – if applicable – in financial year 2018.

The Group may include Senior Managers and Executives in possible incentive schemes adopted by the Group that assign financial instruments or options on instruments. In this connection, as already noted, at the date of this Report the Company has no incentive programmes involving financial instruments in place.
The remuneration of Executives and Senior Managers is also analysed with the assistance of independent firms specialising in executive compensation. Inter alia, this analysis takes account of the position held by the individual

manager and the country where he or she is assigned. For the Internal Audit Manager, the Board of Directors has determined – in accordance with best practices and as recommended by the Internal Control, Risks and Corporate Governance Committee – that the fixed component should have greater weight with respect to the variable component. However, the Internal Audit Manager (and, generally speaking, the managers of the Internal Audit function) are not included in the LTI Incentive Plan, but benefit only from the annual incentive plan linked largely to qualitative objectives subject to review by the Internal Control, Risks and Corporate Governance Committee and the Board of Directors, on proposal by the Director assigned to supervise the internal control system.

11. ALLOWANCES IN THE EVENT OF RESIGNATION, DISMISSAL OR TERMINATION

It is not Pirelli Group policy to make agreements with Directors, General Managers, Managers with strategic responsibility, Senior Managers and Executives that regulate ex ante the economic issues arising in the case of early termination of their contract by the Company or by the individual employee (i.e. "golden parachutes"). Agreements made when an existing relationship with the Group is terminated without just cause are not considered golden parachutes. In these cases, Pirelli prefers to seek agreements for consensual termination of the relationship. Without prejudice to statutory and/or contractual obligations, agreements made for termination of an employment relationship with the Group are based on applicable benchmarks and within the limits defined by case law and custom in the country where the agreement is made.
The Company defines internally the criteria which the other companies of the Group must also follow in reaching agreements on the early termination of contracts with managers and/or Directors holding special offices.

Pirelli makes no provision to pay allowances or extraordinary compensation for contract termination affecting Directors holding special offices, who are assigned specific functions, and who do not have management-level employee status with the Group. Payment of a specific allowance may be granted, subject to prior review by the delegated corporate bodies, in the following cases:

- termination by the Company without just cause;
- termination by the Director with just cause: for example, in the case of substantial changes in his role or assigned duties, and/or in the event of a hostile takeover offer.

In these cases, allowance amounts to twice the Director's gross annual compensation, where gross annual compensation means the sum of the gross annual fixed salaries for the offices held in the Group, the average of the annual variable remuneration (MBO incentive) accrued during the previous 3-year period, and the "TFM" severance payment on termination of office reckoned on the foregoing amounts.

12. NON-COMPETITION CLAUSES

With its General Managers and Managers with strategic responsibility, as well as with key professional figures at Senior Manager and Executive level, the Group may make non-competition agreements that entail payment of a GAS-related consideration determined by the duration and extent of the restrictions in the agreement.
The restriction applies to the merchandise sector in which the Group operates at the time the agreement is made and to its territorial coverage. The extent of the restriction varies according to the role of the person when the agreement is made and may, as in the case of the General Directors, cover all countries where the Group operates.

13. CHANGES TO THE REMUNERATION POLICY COMPARED TO THE PREVIOUS FINANCIAL YEAR

The 2014 Policy takes account of the adoption of a new 2014-2016 Long Term Cash Incentive Plan ("new LTI Plan") geared to the new 2013-2017 Industrial Plan and of the resulting early termination of the 3-year 2012-2014 Long Term Cash Incentive Plan (without any payout of the 3-year incentive, not even a pro-rated payment).

As against the previous year, the Policy has been revised to take account of the adoption of the new LTI Plan together with the discontinuance of the *Bonus Bank* arrangement. The revision concurrently extends to the MBO variable incentive, which, while retaining the entry threshold, departs from the previous version through the inclusion of a different rolling arrangement for deferring part of the MBO incentive accrued and for possibly enhancing the MBO incentive accrued if given objectives are achieved in the following year. The effect of this deferral arrangement is that effective payment of part of the medium/long-term variable component is made in financial year 2018 because it is dependent on the level of results reached in financial year 2017 (and, accordingly, in the second year after the end of the 3-year period covered by the 2014-2016 Plan). Following the discontinuance of the *Bonus Bank*, the entire 2013 MBO incentive accrued shall be paid out in its entirety, without any "setting aside".
Likewise, there have been percentage changes in the variable incentives that apply to the whole of management. Their effect is to marginally reduce earnings prospects at the target level and, where objectives are achieved at the maximum level, to provide an increase broadly of the same order, while leaving the total compensation package for results in the range between the target level and the maximum level entirely unchanged. By contrast, there is a more appreciable reduction for the attainment of objectives at the minimum level of access to the incentive payments.
Included in the 2014 Policy are some changes in wording to lend greater clarity to the text of the 2013 Policy.

14. OTHER INFORMATION

Pursuant to Consob Resolution no. 18049 of December 23, 2011, notice is given that:
- the Company did not avail itself of the assistance of external advisors and/or experts in preparing the 2014 Policy;
- Pirelli does not have any stock option plans in place;
- Pirelli did not refer to specific remuneration policies of other companies when defining the 2014 Policy. The criteria used to select the benchmarks are indicated in regard to the structure of remuneration for each individual.

Regarding the Remuneration Report as in Article 123-*ter* of the Consolidated Law on Financial Intermediation, Model Format no. 7-*bis* adopted with Consob Resolution no. 18049 of December 23, 2011 provides that the section of that report concerning members of the administrative bodies, the General Managers and the other Managers with strategic responsibility must, at least, contain the information indicated in said Model Format. The table below sets out the information required and indicates where, in the Report, it is found.

Information required under Model Format 7-bis	***Sections that specifically contain the required information***
bodies or persons involved in the preparation and approval of the remuneration policy, specifying their roles, and the bodies or persons responsible for proper implementation of this policy.	**2.** Process for definition and implementation of the Policy and parties involved **3.** Remuneration Committee
any action by a remuneration committee or another committee with delegated authority in this regard, describing its composition (distinguishing between non-executive directors and independent directors), responsibilities, and operating procedures;	**2.** Process for definition and implementation of the Policy and parties involved **3.** Remuneration Committee
the name of any independent experts who might have participated in the preparation of the remuneration policy;	**14.** Other information
the aims pursued by the remuneration policy, its fundamental principles, and any changes in the remuneration policy from the previous financial year;	**1.** Principles and examination of risks **13.** Changes to the Remuneration Policy compared to the previous financial year

description of the policies governing fixed and variable components of remuneration, particularly in regard to indication of their weight in relation to aggregate remuneration and distinguishing between short and long-term variable components;	The structure of remuneration for different individuals is described in the sections indicating the different fixed/variable and short-term variable/medium/long-term variable weights.si fisso/variabile; variabile di breve/variabile di medio-lungo periodo **6.** Remuneration of Directors of Pirelli & C. **7.** Remuneration of Directors holding special offices **8.** The Board of Statutory Auditors **9.** General Managers and Managers with strategic responsibility **10.** Senior Managers and Executives The following section illustrates how the variable components of remuneration work: **5.** MBO and LTI Plan
the policy applied to non-monetary benefits;	Sections for the individual positions **6.** Remuneration of Directors of Pirelli & C. **7.** Remuneration of Directors holding special offices **9.** General Managers and Managers with strategic responsibility **10.** Senior Managers and Executives
in reference to the variable components, a description of the performance objectives on the basis of which they are assigned, distinguishing between short-term and medium/long-term variable components, and information about the link between the change in results and the change in remuneration;	**5.** MBO and LTI Plan
the criteria used for assessing performance objectives underlying the grant of shares, options, other financial instruments or other variable components of remuneration;	**5.** MBO and LTI Plan
information intended to illustrate the consistency of the remuneration policy with pursuit of the company's long-term interests and the risk management policy, if such exists;	**1.** Principles and examination of risks **5.** MBO and LTI Plan And for the individual positions **6.** Remuneration of Directors of Pirelli & C. **7.** Remuneration of Directors holding special offices **8.** The Board of Statutory Auditors **9.** General Managers and Managers with strategic responsibility **10.** Senior Managers and Executives
the vesting period, any deferred payment systems, with indication of the deferral periods and criteria used to determine these periods and, if envisaged, the mechanisms for ex post correction;	Pirelli does not have any stock option plans in place. In regard to the mechanisms for deferral of variable monetary components, see Section: **5.** MBO and LTI Plan
information on any clauses governing the retention of financial instruments after purchase, with indication of the retention period and criteria used to determine these periods;	Pirelli does not have any stock option plans in place.
the policy governing any consideration payable on expiry of term in office or termination of the employment relationship, specifying what circumstances establish the right and any link between said consideration and company performance;	**11.** Allowances in the event of resignation, dismissal or termination **12.** Not-to-compete clauses
information about any insurance, social security or pension coverage other than mandatory plans;	Sections for the individual positions **6.** Remuneration of Directors of Pirelli & C. **7.** Remuneration of Directors holding special officese **8.** The Board of Statutory Auditors **9.** General Managers and Managers with strategic responsibility **10.** Senior Managers and Executives
the remuneration policy that might be applied in reference to: (i) independent directors, (ii) participation on committees and (iii) holding special offices (chairman, deputy chairman, etc.);	**6.** Remuneration of Directors of Pirelli & C.
whether the remuneration policy was defined by using the remuneration policies of other benchmark companies, and if so, the criteria used to choose these companies	**14.** Other information

REMUNERATION STATEMENT FOR 2013

1. PRINCIPLES

The Remuneration statement for 2013 illustrates the remuneration Policy applied by the Pirelli Group in 2013 and presents a final account of the remuneration, broken down by the different types of beneficiary, without prejudice to the disclosure obligations imposed by other provisions of law or regulation, highlighting the consistency with the company remuneration policy approved during the previous financial year.

2. "THE TABLE": COMPENSATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS, THE GENERAL MANAGERS AND OTHER MANAGERS WITH STRATEGIC RESPONSIBILITY

The tables below indicate:

- the remuneration paid to the Directors, to the Statutory Auditors, and to the General Manager Operations[4], each identified by name
- the remuneration paid, as an aggregate figure, to the other Managers with strategic responsibility[5]. It is to be noted that at December 31, 2013 other Managers with strategic responsibility were the Chief Financial Officer, Francesco Tanzi, the Chief Planning and Controlling Officer, Maurizio Sala, and the Chief Technical Officer, Maurizio Boiocchi (the latter as from November 5, 2013)[6]. To complete this information, Christian Vasino, the Chief Human Resources Officer, joined Pirelli as a Director with strategic responsibility, starting on 1 January, 2014, and on 27 March, 2014 Giuliano Menassi, the Vice President Manufacturing, was designated as a Manager with strategic responsibility.

The compensation is indicated in accordance with the accruals principle and the notes to the tables clarify the office held for which the compensation is received (for example, when a Director serves on several Board Committees) and the subsidiary and/or associate company (except for compensation waived or handed over to the company).

The tables include all persons who held the above positions during financial year 2013, even if for a part of the financial year.

The non-monetary benefits, where received, are also indicated on an accruals basis and reported in relation to the "tax liability criterion" applying to the benefit allocated.

It is to be noted that owing to the adoption of the new 2014-2016 LTI Plan (entailing early termination of the 2012-2014 LTI Plan without any payment – not even pro-rated - of the 3-year incentive) and to the consequent discontinuance of the Bonus Bank mechanism, 100% of the 2013 MBO incentive accrued shall be paid out (rather than 50% with the remaining portion being set aside under the Bonus Bank arrangement). Accordingly, save for that aspect:

- persons who were Directors of the Company during financial year 2013 have accrued/received compensation (on an accruals basis) as determined in accordance with the criteria in section 6 of the 2013 Policy;
- persons who were Directors with special duties during financial year 2013 (Chairman and Director and Deputy Chairman) accrued/received compensation (in accordance with the accruals concept) as determined in accordance with the criteria in section 7 of the 2013 Policy;
- the General Manager Operations of Pirelli & C. S.p.A. (appointed on September 26, 2013) accrued fixed compensation up to October 31, 2013 and the entire 2013 MBO variable incentive as a Senior Manager of Pirelli Tyre S.p.A.. His fixed remuneration, as General Manager Operations (600 thousand euros gross annually), is effective as from November 1, 2013;
- Managers with strategic responsibility have received/accrued compensation for the position held during the 2013 financial year, in accordance with the criteria set out in section 9 of the 2013 Policy;
- each member of the Supervisory Body received/accrued compensation for financial year 2013 of 25

thousand euros gross per year in line with the provisions set out in the 2013 Policy;

- each member of the Board of Auditors received/accrued compensation for financial year 2013 in line with the decisions of the Shareholders' Meeting at the date of their appointment (in addition to the 25 thousand euros gross per year in compensation paid to the Statutory Auditor appointed as a member of the Supervisory Body).
- the Senior Managers and Executives have received/accrued compensation for financial year 2013, in accordance with the criteria set out in paragraph 10 of the 2013 Policy. Limited exceptions were made, linked to operational requirements or at times when specific extraordinary objectives were attained, and these exceptions were reported by the Senior Advisor Human Resources or the Chief Human Resources Officer to the Remuneration Committee.

It should be known that with regard to its General Manger Operations, its Managers with strategic responsibility, and more generally, the other members of Group Senior Management (including Deputy Chairman, Alberto Pirelli, and excluding the Chairman and Chief Executive Officer) Pirelli has introduced non-competition agreements to protect its strategic and operational know-how. While the employer/employee relationship is in course no payments shall be made under these agreements. In this connection, it is observed that the Board of Directors, in view of the public announcement of the new Industrial Plan at the end of 2013, with objectives challenging enough in themselves but made even more so by the macroeconomic and market conditions, voted to approve the introduction of these non-competition agreements. In particular, the Board of Directors noted that, in the months before, there had been intensified competition in the tyre industry, already observable in 2012, and especially in the Premium segment, where Pirelli outperformed the market. This development, while on the one hand showing that Pirelli's positioning at the top of the range was a strategically sound choice, on the other hand weighed as a factor in deciding to "protect", through said non-competition agreements, its strategic and operational know-how in order to guarantee implementation of the new Industrial Plan.

The table below sets out the objectives set under the 2013 MBO incentive scheme for Directors holding special offices who are assigned specific functions and for Managers with strategic responsibility, and the end-of-period assessment

Type of objective	*Objective at the target level*	*Weighting*	*Result*	*% incentive*
Group Net Financial Position, before dividend distribution and prior to the effects of converting the Prelios loan	1,050 million euros	On/off condition	972 million euros	Condition ON
Group Ebit (after restructuring charges)	810 million euros*	100%	791 million euros*	90% of the bonus when performance is at target level

* With regard to the Group Ebit objective, the 2013 MBO plan allowed for an entry threshold at 790 million euros (97.5% of the value at target level). For results in the range between the entry threshold and the target level the incentive accrued would be 90% of the bonus payable for target level performance.

[4] Regarding the General Manager Operations, Gregorio Borgo, the table shows only that part of his remuneration earned as a General Manager. More specifically, Mr. Borgo took up his appointment as General Manager Operations on September 26, 2013 and his fixed remuneration as a General Manager took effect as from November 1, 2013. We advise you, as matter of full disclosure, that in financial year 2013 Mr. Borgo (i) up to October 31, 2013, received gross annual remuneration and (ii) accrued the MBO incentive for the whole of financial year 2013. For fuller details on the structure of the remuneration of the General Manager Operations, Gregorio Borgo, see section 9 of the Remuneration Policy for financial year 2014.

[5] Point b), Section II of Model Format 7-bis (see Annex 3A to Consob's Issuers' Regulation) lays down that the Remuneration Statement is to be divided into two parts:
"a) the remuneration of the members of the board of directors and of the board of statutory auditors, as well as of the general managers;
b) the remuneration of any other managers with strategic responsibility that, during the course of the year, have received total remuneration (obtained by adding cash remuneration to remuneration based on financial instruments) in excess of the highest total remuneration assigned to the persons in point a).
In the case of managers with strategic responsibility other than those referred to in point b), the information is provided on an aggregate level in tabular form, and in place of their names indicates the number of them concerned".

[6] Regarding the Chief Technical Officer, Maurizio Boiocchi, the table shows only the part of his remuneration (fixed and variable) received after being selected, on November 5, 2013, by the Board of Directors as a Manager with strategic responsibility. The remaining part of his remuneration (fixed and variable) received during the year is not shown in the table.

Name and surname	*Office*	*Period of tenure in office*	*Expiry of term of office*	*Fixed compensation*	*Fees for serving on committees*
Marco Tronchetti Provera	Chairman & CEO	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**3,383,346.60**	**0.00**
Of which, remuneration from Pirelli & C. S.p.A.				(1) 950,000.00	
Of which, remuneration from subsidiary & associated companies				(2) 2,433,346.60	
Vittorio Malacalza	Deputy Chairman	01.01.2013 05.10.2013	-	**126,094.33**	**15,931.00**
Of which, remuneration from Pirelli & C. S.p.A.				(4) 126,094.33	(5) 15,931.00
Of which, remuneration from subsidiary & associated companies					
Alberto Pirelli	Deputy Chairman	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**952,039.94**	**0.00**
Of which, remuneration from Pirelli & C. S.p.A.				(6) 350,000.00	
Of which, remuneration from subsidiary & associated companies				(7) 602,039.94	
Carlo Acutis	Director	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**50,000.00**	**13,562.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 50,000.00	(10) 13,562.00
Of which, remuneration from subsidiary & associated companies					
Anna Maria Artoni	Director	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**50,000.00**	**20,000.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 50,000.00	(11) 20,000.00
Of which, remuneration from subsidiary & associated companies					
Gilberto Benetton	Director	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**50,000.00**	**0.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 50,000.00	
Of which, remuneration from subsidiary & associated companies					
Alberto Bombassei	Director	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**50,000.00**	**25,000.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 50,000.00	(12) 25,000.00
Of which, remuneration from subsidiary & associated companies					
Franco Bruni	Director	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**50,000.00**	**55,000.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 50,000.00	(13) 55,000.00
Of which, remuneration from subsidiary & associated companies					
Luigi Campiglio	Director	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**50,000.00**	**28,110.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 50,000.00	(14) 28,110.00
Of which, remuneration from subsidiary & associated companies					
Paolo Fiorentino	Director	10.21.2013 12.31.2013	At first shareholding meeting practicable	9,726.00	3,836.00
Of which, remuneration from Pirelli & C. S.p.A.				(9) (15) 9,726.00	(12) (15) 3,836.00
Of which, remuneration from subsidiary & associated companies					
Jean Paul Fitoussi	Director	05.13.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**31,781.00**	**0.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 31,781.00	
Of which, remuneration from subsidiary & associated companies					

Variable non-equity compensation		Non-monetary benefits	Other components	Total	Fair value of equity compensation	End-of-office/employment-severance indemnity
Bonus and other incentives	Profit sharing					
1,800,000.00	0.00	6,201.48	0.00	5,189,548.08	0.00	0.00
		6,201.48		956,201.48		
[3] 1,800,000.00				4,233,346.60		
0.00	0.00	0.00	0.00	142,025.33	0.00	0.00
				142,025.33		
102,600.00	0.00	3,659.52	0.00	1,058,299.46	0.00	0.00
				350,000.00		
[8] 102,600.00		[8] 3,659.52		708,299.46		
0.00	0.00	0.00	0.00	63,562.00	0.00	0.00
				63,562.00		
0.00	0.00	0.00	0.00	70,000.00	0.00	0.00
				70,000.00		
0.00	0.00	0.00	0.00	50,000.00	0.00	0.00
				50,000.00		
0.00	0.00	0.00	0.00	75,000.00	0.00	0.00
				75,000.00		
0.00	0.00	0.00	0.00	105,000.00	0.00	0.00
				105,000.00		
0.00	0.00	0.00	0.00	78,110.00	0.00	0.00
				78,110.00		
0.00	0.00	0.00	0.00	13,562.00	0.00	0.00
				13,562.00		
0.00	0.00	0.00	0.00	31,781.00	0.00	0.00
				31,781.00		

Name and surname	*Office*	*Period of tenure in office*	*Expiry of term of office*	*Fixed compensation*	*Fees for serving on committees*
Mario Greco	Director	01.01.2013 03.04.2013	-	**8,630.00**	**0.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) (15) 8,630.00	
Of which, remuneration from subsidiary & associated companies					
Pietro Guindani	Director	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**50,000.00**	**20,000.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 50,000.00	(11) 20,000.00
Of which, remuneration from subsidiary & associated companies					
Giulia Maria Ligresti	Director	01.01.2013 07.24.2013	-	**28,082.00**	**0.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 28,082.00	
Of which, remuneration from subsidiary & associated companies					
Elisabetta Magistretti	Director	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**50,000.00**	**30,000.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 50,000.00	(16) 30,000.00
Of which, remuneration from subsidiary & associated companies					
Gaetano Micciché	Director	11.05.2013 12.31.2013	At first shareholding meeting practicable	**7,671.00**	**3,836.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) (15) 7,671.00	(12) (15) 3,836.00
Of which, remuneration from subsidiary & associated companies					
Massimo Moratti	Director	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**50,000.00**	**0.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 50,000.00	
Of which, remuneration from subsidiary & associated companies					
Renato Pagliaro	Director	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**50,000.00**	**25,000.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) (15) 50,000.00	(12) (15) 25,000.00
Of which, remuneration from subsidiary & associated companies					
Luigi Roth	Director	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**50,000.00**	**72,027.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 50,000.00	(17) 72,027.00
Of which, remuneration from subsidiary & associated companies					
Luca Rovati	Director	05.13.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**31,781.00**	**0.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 31,781.00	
Of which, remuneration from subsidiary & associated companies					
Carlo Salvatori	Director	01.01.2013 10.06.2013	-	**39,589.00**	**0.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 39,589.00	
Of which, remuneration from subsidiary & associated companies					
Carlo Secchi	Director	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**50,000.00**	**90,000.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 50,000.00	(18) 90,000.00
Of which, remuneration from subsidiary & associated companies					

Variable non-equity compensation		Non-monetary benefits	Other components	Total	Fair value of equity compensation	End-of-office/employment-severance indemnity
Bonus and other incentives	Profit sharing					
0.00	**0.00**	**0.00**	**0.00**	**8,630.00**	**0.00**	**0.00**
				8,630.00		
0.00	**0.00**	**0.00**	**0.00**	**70,000.00**	**0.00**	**0.00**
				70,000.00		
0.00	**0.00**	**0.00**	**0.00**	**28,082.00**	**0.00**	**0.00**
				28,082.00		
0.00	**0.00**	**0.00**	**0.00**	**80,000.00**	**0.00**	**0.00**
				80,000.00		
0.00	**0.00**	**0.00**	**0.00**	**11,507.00**	**0.00**	**0.00**
				11,507.00		
0.00	**0.00**	**0.00**	**0.00**	**50,000.00**	**0.00**	**0.00**
				50,000.00		
0.00	**0.00**	**0.00**	**0.00**	**75,000.00**	**0.00**	**0.00**
				75,000.00		
0.00	**0.00**	**0.00**	**0.00**	**122,027.00**	**0.00**	**0.00**
				122,027.00		
0.00	**0.00**	**0.00**	**0.00**	**31,781.00**	**0.00**	**0.00**
				31,781.00		
0.00	**0.00**	**0.00**	**0.00**	**39,589.00**	**0.00**	**0.00**
				39,589.00		
0.00	**0.00**	**0.00**	**0.00**	**140,000.00**	**0.00**	**0.00**
				140,000.00		

Name and surname	***Office***	***Period of tenure in office***	***Expiry of term of office***	***Fixed compensation***	***Fees for serving on committees***
Manuela Soffientini	Director	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2013	**50,000.00**	**25,000.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) 50,000.00	(12) 25,000.00
Of which, remuneration from subsidiary & associated companies					
Claudio Sposito	Director	10.21.2013 12.31.2013	At first shareholding meeting practicable	**9,726.00**	**4,863.00**
Of which, remuneration from Pirelli & C. S.p.A.				(9) (15) 9,726.00	(12) 4,863.00
Of which, remuneration from subsidiary & associated companies					
Gregorio Borgo	General Manager	09.26.2013 12.31.2013	-	**100,510.00**	**0.00**
Of which, remuneration from Pirelli & C. S.p.A.				(20) 100,510.00	
Of which, remuneration from subsidiary & associated companies					
4 Managers with strategic responsibility (19)				**1,907,146.70**	**0.00**
Of which, remuneration from Pirelli & C. S.p.A.				1,301,870.00	
Of which, remuneration from subsidiary & associated companies				(22) 605,276.70	
Francesco Fallacara	Chairman of the Statutory Audit Board	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2014	**75,000.00**	**0.00**
Of which, remuneration from Pirelli & C. S.p.A.				75,000.00	
Of which, remuneration from subsidiary & associated companies					
Enrico Laghi	Standing statutory auditor	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2014	**105,177.42**	**0.00**
Of which, remuneration from Pirelli & C. S.p.A.				50,000.00	
Of which, remuneration from subsidiary & associated companies				(24) 55,177.42	
Antonella Carù	Standing statutory auditor	01.01.2013 12.31.2013	Shareholders' Meeting to approve Financial Statements at 12.31.2014	**50,000.00**	**25,000.00**
Of which, remuneration from Pirelli & C. S.p.A.				50,000.00	(25) 25,000.00
Of which, remuneration from subsidiary & associated companies					
Total remuneration fromPirelli & C. S.p.A.				**3,820,460.33**	**457,165.00**
Total remuneration from subsidiary and associated companies				**3,695,840.66**	**0.00**
Total				**7,516,300.99**	**457,165.00**

Variable non-equity compensation		Non-monetary benefits	Other components	Total	Fair value of equity compensation	End-of-office/employment-severance indemnity
Bonus and other incentives	Profit sharing					
0.00	**0.00**	**0.00**	**0.00**	**75,000.00**	**0.00**	**0.00**
				75,000.00		
0.00	**0.00**	**0.00**	**0.00**	**14,589.00**	**0.00**	**0.00**
				14,589.00		
0.00	**0.00**	**0.00**	**104,466.96**	**204,976.96**	**0.00**	**0.00**
			[21] 104,466.96	204,976.96		
630,000.00	**0.00**	**14,377.70**	**0.00**	**2,551,524.40**	**0.00**	**0.00**
468,000.00		10,692.60		1,780,562.60		
[23] 162,000.00		[22] 3,685.10		770,961.80		
0.00	**0.00**	**0.00**	**0.00**	**75,000.00**	**0.00**	**0.00**
				75,000.00		
0.00	**0.00**	**0.00**	**0.00**	**105,177.42**	**0.00**	**0.00**
				50,000.00		
				55,177.42		
0.00	**0.00**	**0.00**	**0.00**	**75,000.00**	**0.00**	**0.00**
				75,000.00		
468,000.00	**0.00**	**16,894.08**	**104,466.96**	**4,398,986.37**	**0.00**	**0.00**
2,064,600.00	**0.00**	**7,344.62**	**0.00**	**5,767,785.28**	**0.00**	**0.00**
2,532,600.00	**0.00**	**24,238.70**	**104,466.96**	**10,166,771.65**	**0.00**	**0.00**

(1) Of which: 50 thousand euros as Director of Pirelli & C. S.p.A.; 900 thousand euros as Chairman and Chief Executive Officer of Pirelli & C. S.p.A..
(2) Of which: 2.000.000,04 euros as Chairman and Chief Executive Officer of Pirelli Tyre S.p.A. and 433.346,56 euros as Chairman of the Board of Directors of Prelios S.p.A., an appointment held up to 8th May 2013; for details of remuneration in that capacity see the Remuneration Report released by Prelios S.p.A..
(3) As Chairman and Chief Executive Officer of Pirelli Tyre S.p.A..
(4) Of which: 17.761 euros as a Director of Pirelli & C. S.p.A.; 108.333,33 euros as Deputy Chairman of Pirelli & C. S.p.A..
(5) Of which: 7.068 euros as a member of the Appointments and Successions Committee; 8.863 euros as a member of the Strategies Committee.
(6) Of which: 50 thousand euros as a Director di Pirelli & C. S.p.A.; 300 thousand euros as Deputy Chairman of Pirelli & C. S.p.A..
(7) Of which: euro 150 thousand as Deputy Chairman Pirelli Tyre S.p.A.; 452.039,94 euros as Senior Manager of Pirelli Tyre S.p.A..
(8) As a Senior Manager of Pirelli Tyre S.p.A..
(9) As a Director of Pirelli & C. S.p.A..
(10) As Chairman of the Remuneration Committee up to July 17, 2013.
(11) As a Member of the Remuneration Committee.
(12) As a Member of the Strategies Committee.
(13) Of which:30 thousand euros as a Member of the Internal Control, Risks and Corporate Governance Committee and 25 thousand euros as a Member of the Strategies Committee.
(14) Of which: 8.110 euros as a Member of the Remuneration Committee (as from August 5, 2013) and 20.000 euros as a Member of the Appointments & Successions Committee.
(15) Remuneration handed on to the Company he works for.
(16) As a Member of the Internal Control, Risks and Corporate Governance Committee.
(17) Of which: 30 thousand euros as a Member of the Internal Control, Risks and Corporate Governance Committee; 22.027 euros as a Member of the Remuneration Committee (and as from August 5, 2013 Chairman of said committee); 20 thousand euros as a Member of the Appointments and Successions Committee.
(18) Of which: 40 thousand euros as Chairman of the Internal Control, Risks and Corporate Governance Committee; 25 thousand euros as a Member of the Strategies Committee and 25 thousand euros as a Member of the Supervisory Body.
(19) At December 31, 2013 the following were Managers with strategic responsibility: Francesco Chiappetta; Maurizio Boiocchi; Maurizio Sala; and Francesco Tanzi.
(20) Remuneration, prorated, earned in his capacity as General Manager Operations (November 1, 2013 was starting date for remuneration).
(21) Mr. Gregorio Borgo earned his incentive under the 2013 MBO Plan in his capacity as a Senior Manager of Pirelli Tyre S.p.A.and, therefore, his incentive is not included in the table.
(22) Inclusive of the remuneration earned as Chief Technical Officer following his selection as a Manager with strategic responsibility on November 5, 2013 as well as 19.354,84 euros earned by Mr. Francesco Chiappetta during his appointment as Director of Administration of Prelios S.p.A. held as from May 8, 2013.
(23) Mr. Maurizio Boiocchi earned his incentive under the 2013 MBO Plan in his capacity as a Senior Manager of Pirelli Tyre S.p.A.and, therefore, his incentive is not included in the table.
(24) as Chairman of the Statutory Audit Board of Prelios S.p.A..
(25) As a Member of the 231 Supervisory Body.

3. MONETARY INCENTIVE PLANS IN FAVOUR OF MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGERS AND OTHER MANAGERS WITH STRATEGIC RESPONSIBILITY

For a description of the monetary incentive plans, please refer to section 5 of the 2013 Remuneration Policy.

The Board of Directors of Pirelli voted to terminate the medium/long-term cash incentive plan ("Long Term Incentive" or "LTI") for Group Management adopted in 2012 in support the objectives of the 3-year period 2012-2014. That decision, effective as from December 31, 2013, also excluded any payout, not even a prorated payment, of the 3-year incentive. At the same time, the Board approved the adoption of a new incentive plan – again intended for the entire management (some 330 participants) – geared to the objectives for the 2014-2016 period as listed in the 2013-2017 business plan submitted on November 6, 2013, the guidelines of which were released for that occasion.

Name and surname	Appointment	Plan	Annual bonus			Prior years' bonus			Other bonuses
			Payable / Paid out	Deferred	Period of deferral	No longer payable	Payable / Paid out	Still deferred	
Marco Tronchetti Provera	Chairman and Chief Executive	2013 MBO Plan	1,800,000.00	0.00	-	-	-	-	0.00
		2012-2014 LTI Plan	0.00	0.00	-	-	-	-	0.00
Alberto Pirelli	Deputy Chairman [1]	2013 MBO Plan	102,600.00	0.00	-	-	-	-	0.00
		2012 -2014 LTI Plan	0.00	0.00	-	-	-	-	0.00
Gregorio Borgo	General Manager Operations [2]	2013 MBO Plan	0.00	0.00	-	-	-	-	0.00
		2012 -2014 LTI Plan	0.00	0.00	-	-	-	-	0.00
n. 4 Key Managers [3]		2013 MBO Plan	0.00	0.00	-	-	-	-	0.00
		2012 -2014 LTI Plan	0.00	0.00	-	-	-	-	0.00
(I) Remuneration from company that prepares the Annual Financial Report		**2013 MBO Plan**	**468,000.00**	**0.00**	**-**	**-**	**-**	**-**	**0.00**
		2012 -2014 LTI Plan	**0.00**	**0.00**	**-**	**-**	**-**	**-**	**0.00**
(II) Remuneration from subsidiary and associated companies		**2013 MBO Plan**	**2,064,600.00**	**0.00**	**-**	**-**	**-**	**-**	**0.00**
		2012 -2014 LTI Plan	**0.00**	**0.00**	**-**	**-**	**-**	**-**	**0.00**
(III) Total			**2,532,600.00**	**0.00**	**-**	**-**	**-**	**-**	**0.00**

(1) Mr. Alberto Pirelli in included in the MBO and LTI variable incentive plans in his capacity as a Senior Manager of Pirelli Tyre S.p.A..

(2) Mr. Gregorio Borgo earned his incentive under the 2013 MBO Plan in his capacity as a Senior Manager of Pirelli Tyre S.p.A., and, therefore, his incentive is not included in the table, whereas for 2014 he is to be included in the MBO and LTI variable incentive plans in his capacity as General Manager Operations.

(3) At December 31, 2013, Messrs. Francesco Chiappetta, Maurizio Boiocchi, Maurizio Sala, and Francesco Tanzi were managers with strategic responsibility. In the case of Mr. Boiocchi only the part of his variable (MBO) remuneration relating to the time after his selection as a manager with strategic responsibility is shown.

4. TABLE CONTAINING INFORMATION ABOUT THE EQUITY INVESTMENTS OWNED BY MEMBERS OF THE BOARD OF DIRECTORS, THE BOARD OF STATUTORY AUDITORS, THE GENERAL MANAGERS, AND THE OTHER MANAGERS WITH STRATEGIC RESPONSIBILITY

The following table discloses any equity investments in Pirelli & C. S.p.A. and in its subsidiaries that might be held by persons who held one of the following positions, even for a part of the financial year:

- members of the Board of Directors;
- members of the Board of Auditors;
- General Manager;
- Manager with strategic responsibility.

In particular, the table shows – person by person for the members of the Board of Directors and of the Board of Statutory Auditors, as well as for the General Managers, and as an overall total for other Managers with strategic responsibility – the number of shares, by class of stock and in relation to the respective investee company:

- owned at the end of the previous financial year;
- acquired during the reference year;
- sold during the reference year;
- owned at the end of the reference year.

The title, terms and conditions of ownership are also specified.
All persons who, during the reference year, held appointments as members of the Board of Directors and Board of Statutory Auditors, as General Manager or as a Manager with strategic responsibility for even just a part of a year are included.

1. SHARES HELD BY MEMBERS OF THE BOARDS OF DIRECTORS AND OF THE STATUTORY AUDITORS AND BY GENERAL MANAGERS

Name and surname	Appointment	Investee company	No. of shares held at 12.31.2012	No. of shares acquired/sub-scribed for	No. of shares sold	No. of shares held at 12.31.2013
Tronchetti Provera Marco	Chairman and Chief Executive Officer	Pirelli & C.	1,251	-	-	1,251
		Pirelli & C. (held indirectly)	(1) 96,669,168	(*) see note	(*) see note	-
		Pirelli & C. (held indirectly)	(2) 27,831,232	(*) see note	(*) see note	-
		Pirelli & C. (held indirectly)	(3) 110,673	(*) see note	(*) see note	-
Pirelli Alberto	Deputy chairman	Pirelli & C.	131,629	-	-	131,629
Moratti Massimo	Director	Pirelli & C. (held indirectly)	(4) 2,343,392	-	-	(4) 2,343,392
Roth Luigi	Director	Pirelli & C. (held indirectly)	(5) 4,000	-	-	(5) 4,000

(1) Shares held through Camfin S.p.A. (*)
(2) Shares held through Cam 2012 S.p.A. (*)
(3) Shares held through Cam Partecipazioni S.p.A. (*)
(4) Shares held through CMC S.p.A., of which 1.838.459 in the name Cordusio Società fiduciaria per azioni under a trust arrangement.
(5) Share held by spouse
(*) In 2013 Lauro Sessantuno S.p.A. ("Lauro") made a bid for the shares in Camfin S.p.A. ("Bid") and gained control of it in June 2013. On October 4, 2013, following partial execution of an increase in the capital of Lauro to fund payment of the shares tendered in acceptance of the Bid, in compliance with agreements signed on June 4, 2013 and disclosed to the market, the stake held by Mr. Marco Tronchetti Provera (through the subsidiary company, Nuove Partecipazioni S.p.A.) was reduced from 54.80% to 39.16%. The resultant effect is that, as from October 4, 2013, no person has control of Lauro pursuant to article 93 of Legislative Decree no. 58/98. Accordingly, as from then, Mr. Marco Tronchetti Provera ceased to have the control in law that he had indirectly exercised over Lauro (and therefore over Camfin S.p.A.) through Nuove Partecipazioni S.p.A.. In accordance with what Lauro reported to the market, it is further noted that for the purposes of antitrust legislation Camfin S.p.A. is subject to the joint control of Nuove Partecipazioni S.p.A. and of Lauro Cinquantaquattro S.r.l. through Lauro.

2. SHARES HELD BY OTHER MANAGERS WITH STRATEGIC RESPONSIBILITY

Number of managers with strategic responsibility	Investee company	No. of shares held at 12.31.2012	No. of shares acquired/ sub-scribed for	No. of shares sold	No. of shares held at 12.31.2013
1	Pirelli & C.	3,837	-	-	3,837