

ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS, PURSUANT TO ARTICLE 125-TER OF CONSOLIDATED LAW ON FINANCE, AND CONCERNING THE SEVENTH ITEM ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING OF BREMBO S.P.A., CALLED ON 23 APRIL 2020 (SINGLE CALLING).

**7. Appointment of the Board of Statutory Auditors: 7.1. appointment of three Acting and two Alternate Auditors; 7.2. appointment of the Chairman of the Board of Statutory Auditors; 7.3. determination of the annual remuneration of the members of the Board of Statutory Auditors for each annual term. Related and ensuing resolutions.**

Shareholders,

With reference to the seventh item on the agenda and pursuant to Article 2364, paragraph 1(2)(3), of the Italian Civil Code, the Ordinary Shareholders' Meeting has been convened to **appoint the Board of Statutory Auditors**, as the three-year term of office of the previous Board of Statutory Auditors has expired.

Accordingly, during the Ordinary Shareholders' Meeting, you are called upon to appoint a new Board of Statutory Auditors in accordance with Article 22 of the Company's By-laws, applicable provisions of law and the implementing regulations enacted by Consob. To that end, you are called upon to appoint the Chairman of the Board of Statutory Auditors and set the yearly remuneration to which the members of such Board are entitled.

Pursuant to the By-laws (Article 23), the Board of Statutory Auditors discharges the supervisory duties and the adequacy of the accounting structures entrusted to it under applicable laws and regulations and supervises compliance with the law, therefore Audit Committee (Article 19 of the Legislative Decree No. 39/2010, modified by Legislative Decree No. 135/2016) is identified with the Board of Statutory Auditors.

Pursuant to the By-laws, the appointment of the Board of Statutory Auditors is based on lists, so as to ensure that minority shareholders are duly represented in the Board and the mandatory principle of gender balance is complied with. The right to submit a list can be exercised by Shareholders who, separately or jointly with other Shareholders, in the day in which such lists are filed with the Company, can give evidence that they hold at least 1% of share capital with voting rights.

The Board of Statutory Auditors is composed by three effective members and two alternates, re-electable and with a three-year term.

**1. Instructions for the submission of the lists**

In this regard, it should be recalled that, in accordance with the provisions of Article 22 of the By-laws, as well as the applicable laws in force and the implementing rules issued by Consob:

- the Board of Auditors are appointed by the General Meeting on the basis of voting lists submitted by shareholders;
- the voting lists submitted for the aforesaid purpose must be divided into two sections: 1(one) for candidates for the post of acting auditor and the other for candidates for the post of alternate. All the voting lists submitted must include at least 1 (one) candidate for the post of acting auditor and, in any event, a number of candidates not exceeding the total number of members to be appointed to the Board of Auditors. The lists containing a number of candidates equal to or greater than 3 (three), considering both sections, must include a number of candidates in the acting Statutory Auditors' section such as to ensure that the composition of the Board of Statutory Auditors, in respect of its acting members, complies with the laws and regulations on gender balance (men and women) from time to time in force, it being understood that where the application of the distribution criterion between genders results in a non-integer number, this must be rounded up to the next lower unit<sup>1</sup>;

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<sup>1</sup> The proposal takes into consideration, in the absence of a regulatory action on this matter, the Consob Communication n. 1/20 of 30 January 2020, in which the Supervisory Authority confirms that it will consider the criterion of 'rounding up' to the higher unit as provided by Art. 144-undecies paragraph 3, 1 ("Gender Balance"), of Consob Regulation adopted by the resolution n. 11971 of 14 May 1999 as amended. ("Rules for Issuers") inapplicable for arithmetic impossibilities to the corporate bodies composed by three components. Therefore, with regard to the latter,

- each candidate may appear on only one list, upon penalty of ineligibility;
- the right to submit a list can be exercised by Shareholders who, separately or jointly with other Shareholders, in the day in which such lists are filed within the Company, can give evidence that they hold at least 1% of share capital with voting rights. In detail, each party entitled to vote (as well as (i) shareholders belonging to the same group, the latter term being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of the said party; or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of the Consolidated Law on Finance (TUF); or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may submit, either on their own or jointly with other shareholders, directly or through third party intermediaries or trust companies, a single list of candidates, under pain of disqualification of the list;
- a shareholder may not vote, neither through third party intermediaries nor trust companies, for more than one list; said restriction also applies to the shareholders specified under (i), (ii) and (iii) illustrated in the point above of this report;
- ownership of the number of shares necessary to qualify to submit lists must be certified, at the time the list is filed or, at the very latest, no less than 21 days prior to the scheduled date of the Shareholders' Meeting (i.e., no later than 2 April 2020), by presentation of a notice issued by the intermediary in respect of the shares recorded as registered in the name of each of the Shareholders in question, as at the date on which the lists are lodged with the Company;
- shareholders who intend to submit (or to participate in submitting) a list and who are directly or indirectly associated, as defined in Article 144-*quinquies* of the Rules adopted by Consob with Resolution 11971 of 14 May 1999, as amended (the "Rules for Issuers"), with other shareholders who have submitted (or participated in submitting) another list are required to state their intention to do so at the beginning of the Shareholders' Meeting at which the Board of Statutory Auditors is appointed, and this statement must be recorded in the minutes of the Shareholders' Meeting;
- the said lists of candidates, duly signed by the Shareholders submitting the same, must be filed with the Company's registered office in Stezzano (Bergamo), at Viale Europa, 2 – 24040 (for the attention of the Legal and Corporate Affairs Dept.), or forwarded to the certified e-mail address [brembospa@pec.brembo.it](mailto:brembospa@pec.brembo.it), at least 25 calendar days prior to the scheduled date of the Shareholders' Meeting held in single calling (i.e., no later than 5.00 p.m. on 29 March 2020), together with the documents required under applicable regulations and the aforesaid Articles of the By-laws;
- lists must be filed with/forwarded to the Company under the terms and conditions specified above, together with:
  - (i) declarations issued by each candidate attesting their acceptance of their candidature and further attesting, under their own responsibility, that they do not labour under any of the reasons or causes of disqualification and ineligibility and that they meet the requirements of personal integrity and professionalism imposed under applicable regulations for such posts and/or by Brembo S.p.A. Corporate Governance Code;
  - (ii) a list of directorships or auditorships held in other companies or bodies by candidates seeking appointment to the Board of Auditors, if the same are significant in light of restrictions on the cumulative number of positions the members of the Board of Auditors may hold, imposed pursuant to these By-laws or under applicable statutory and/or regulatory provisions;
  - (iii) the curriculum vitae of each candidate with exhaustive information on personal and professional features;

- (iv) a list of the shareholders submitting the voting list, with an indication of their names, company names, registered offices, registration number with the Office of the Registrar of Companies or an equivalent body, and the overall percentage of share capital held by the shareholders submitting the voting list. Any lists submitted by shareholders other than those who possess a controlling (or relative) majority shareholding in the Company, shall be accompanied, pursuant to Article 144-*sexies* (4)(b) of the Rules for Issuers, by a declaration from the each shareholder submitting the list certifying the absence of any relationships of affiliation pursuant to Article 144-*quinquies* of the Rules for Issuers;
- voting lists submitted other than in compliance with the provisions of this article, shall be deemed as never having been submitted;
- the lists shall be made available for public consultation at the Company's legal office in Curno (Bergamo), at Via Brembo 25, the website [www.brembo.com](http://www.brembo.com), under Investor Relations/Shareholders' Meeting, as well as at Borsa Italiana S.p.A., and through the authorized storage mechanism ([www.1info.it](http://www.1info.it)). at least 21 days prior to the scheduled date of the Shareholders' Meeting (i.e., no later than 2 April 2020);
- if, pursuant to Article 144-*sexies* (5) of the Rules for Issuers, on the final date of the term indicated for the submission of lists, only one list has been deposited, or only lists presented by shareholders who are connected to each other as contemplated by Article 144-*quinquies* of the Rules for Issuers, lists can be presented until the third day following that date, i.e., until 1 April 2020. In such a case, the 1% share capital threshold shall be reduced by half;
- if no lists are submitted, the Shareholders' Meeting shall appoint the Board of Statutory Auditors and its Chairman by majority of the voters in accordance with the law, whereas if only a single list is submitted, the entire Board of Statutory Auditors shall be drawn from that list and the first candidate on the list shall act as the Chairman of the Board of Statutory Auditors; all in accordance with applicable provisions of laws and regulations governing the balance of the genders (men and women);
- in order to be eligible for the office of statutory auditor, pursuant to applicable laws and Articles 22 and 23 of the By-laws, candidates:
  - (i) must not labour under any of the reasons or causes of disqualification and ineligibility as per Article 148 (3) of TUF,
  - (ii) must meet the requirements of personal integrity and professionalism imposed with reference to applicable laws and regulations and in particular to Art. 148 (4) of TUF and the Decree of the Italian Minister of Justice No. 162 of 30 March 2000,
  - (iii) must comply with the limits to the cumulation of positions of members of the Board of Auditors established by Article 148-*bis* of TUF, Article 144-*terdecies* and Annex 5 bis of the Rules for Issuers.

In addition, the candidates for the Board of Statutory Auditors will have to:

1. according to the new Article 19 of the Legislative Decree No. 39/2010, modified by Legislative Decree No. 135/2016, that adopted Directive UE 2014/56:
  - (i) they will be chosen from those who have gained at least three years in professional or academic activities strictly related to the Brembo's business; or
  - (ii) they have held management positions in companies that operate in market area closely related to the business of Brembo, or
  - (iii) they have held management and supervisory skills for a suitable period in companies belong to the same market area and the same sizing of Brembo.

meet the independence requirements laid down in Art. 8.C.1 of Brembo S.p.A. Corporate Governance Code, which recalls the independence requirements of the directors referred to Art. 3.C.1 of Brembo S.p.a. Corporate Governance Code.

The lists shall be numbered in serial order according to the date of their filing with or submission to the Company.

## 2. Instructions of voting process

Without prejudice to the foregoing, with reference to the procedures regulating the **voting process** to appoint the Board of Statutory Auditors, the above-mentioned Article 22 of By-laws provides that:

- (a) the first two candidates for the post of statutory auditor and (b) the first candidate for the post of alternate auditor, appearing in serial order on the list that obtained the highest number of votes, shall be appointed to the Board of Auditors;
- (a) the first candidate for the post of statutory auditor, who shall also be appointed Chairman of the Board of Auditors, and (b) the first candidate for the post of alternate auditor, if indicated, appearing in serial order on the list receiving the second highest number of votes and that is not directly or indirectly linked with the shareholders who submitted or voted the list that obtained the highest number of votes; in the case where no candidate for the post of alternate auditor is included in the said list, the first candidate for the post of alternate on the list obtaining the next highest number of votes, and that is not directly or indirectly linked with the shareholders who submitted or voted the list the obtained the highest number of votes, shall be deemed appointed to the said position;
- should the voting process not comply with law and regulations on the gender balance (men and women)<sup>2</sup> from time to time in force, the last-elected candidate for the post of statutory auditor of the most represented gender taken, in serial order, from the list that obtained the highest number of votes, will be excluded and replaced by the first unelected candidate of the opposite gender taken from the same list.

### 3. Composition of the Board of Statutory Auditors – Diversity criteria – Optimal Composition

Concerning the optimal composition of the Board of Statutory Auditors, the Board of Directors recall the Additional Criteria expressed by Brembo’s Corporate Governance Code and reported in the chart below. Those criteria have the aim to ensure, besides the respect of applicable laws and regulations, also the diversity between its members, not only as regards the gender, and furthermore the high quality and complementarity of professional skills and personality within the Board of Statutory Auditors. Those criteria supply useful information to the shareholders to formulate the candidacy proposal for the renewal of the Board of Statutory Auditors, included in the agenda of the ordinary Shareholders’ Meeting of 23 April 2020.

ART 8.C.1, THAT RECALLS THE CONTENT OF THE ARTICLE 3.C.1 OF BREMBO S.P.A. CORPORATE GOVERNANCE CODE	
<b>INDEPENDENCE</b>	<p>The Board of Directors evaluates the independence of its non-executive members considering more the substance than the form and keeping in mind that a director usually does not appear independent in the following events, to be considered merely as an example and not limited to:</p> <p>a) if he/she controls, directly or indirectly, Brembo S.p.A. also through subsidiaries, trustees or third parties, or is able to exercise a significant influence over Brembo S.p.A., or participates in a shareholders’ agreement through which one or more persons can exercise a control or significant influence over Brembo S.p.A.;</p> <p>b) if he/she is, or has been in the preceding three fiscal years, a significant representative of Brembo S.p.A., of a subsidiary having strategic relevance or of a company under common control with Brembo S.p.A., or of a company or entity controlling Brembo S.p.A. or able to exercise over the same a considerable influence, also jointly with others through a shareholders’ agreement;</p> <p>c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship: - with Brembo S.p.A., one of its subsidiaries, or any of its significant representatives; - with a subject who, also jointly with others through a shareholders’ agreement, controls Brembo S.p.A., or – in case of a company or an entity – with the relevant significant representatives; or is, or has been in the preceding three fiscal years, an employee of the above-mentioned subjects;</p> <p>d) if he/she receives, or has received in the preceding three fiscal years, from Brembo S.p.A. or a subsidiary or holding company of the issuer, a significant additional remuneration (besides the “fixed” remuneration of non-executive director of Brembo S.p.A. and remuneration as member of committees recommended by the Code) also in the form of participation in incentive plans linked to the company’s performance, including stock option plans;</p> <p>e) if he/she was a director of Brembo S.p.A. for more than nine years in the last twelve years;</p> <p>f) if he/she is an executive director office in another company in which an executive director of Brembo S.p.A. holds the office of director;</p> <p>g) if he/she is shareholder or quota holder or director of a legal entity belonging to the same network as the company appointed for the auditing of Brembo S.p.A.;</p> <p>h) if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.</p>

<sup>2</sup> Please see Note 1

<b>ADDITIONAL CRITERIA FOR DIVERSITY IN THE COMPOSITION OF BOARD OF STATUTORY AUDITORS</b> (ART. 8.C.3 BREMBO S.P.A. CORPORATE GOVERNANCE CODE)	
<b>GENDER</b>	Minimum share reserved to the less-represented gender determined in accordance with the laws and regulations in force <sup>3</sup>
<b>Professional Skills</b>	<ul style="list-style-type: none"> <li>. Acknowledged compliance of shared ethical principles.<sup>4</sup></li> <li>. Managerial, professional or university teaching experience in legal, economic, business or technical disciplines, at least 3 years</li> <li>. Experience, for an appropriate period, as director or auditor, or as executive or manager, of listed or medium-large enterprises, in the sectors tightly connected to Brembo and to its dimensions.</li> <li>. Knowledge of business mechanisms, strategies, risk assessment and management techniques</li> <li>. Understanding of global dynamics of the economic- financial system.</li> </ul>
<b>Soft Skills</b>	<ul style="list-style-type: none"> <li>. Sufficient time availability in view of the complexity of the assignment. understanding of the powers and obligations pertinent to the office and the tasks to be performed.</li> <li>. Cooperation involvement and capability to influence (encourage and share professional skills and opinions development and contribute in conflict solving).</li> </ul>

#### 4. Recommendations expressed by the Board of Statutory Auditors about the remuneration of the Board of Statutory Auditors

As for the **remuneration** to be assigned to the members of the Board of Statutory Auditors, the Board of Directors of the Company recalls the considerations expressed by the Board of Statutory Auditors which is ending its mandate in the report drafted pursuant to Art. Q.1.6 of Rules of Conduct of the Board of Statutory Auditors of listed companies.

In particular, the Board of Statutory Auditors which is ending the mandate, considers that, based on the size and complexity of the company, the activities performed, the way in which the activities have been carried out, the support provided to different business functions and the engagement in the participation in corporate governance committees' meetings, the payment of the total amount of Euro 196.000 for each year of the mandate, can be considered adequate. This also with regard to the average remuneration for the auditors of listed companies comparable of greater size.

In light of Article 125-*bis* of TUF (concerning the need to make draft resolutions available to the Shareholders) and Article 135-*undecies* of TUF concerning the need for Shareholders to give voting instructions to the representative designated by the Company, the draft resolutions concerning the seventh item on the agenda of the Shareholders' Meeting are set out below, it being understood that, since the resolutions in question concern the appointment of the Board of Statutory Auditors, they are necessarily incomplete as at the date of this report, since the deadline by which the lists must be filed has not yet expired and additional/alternative proposals beyond those indicated below may be submitted to the Shareholders' Meeting.

It bears clarifying that each point of the following draft resolutions and any additional motions submitted for the approval of the Shareholders' Meeting will be put to a separate vote by the Shareholders' Meeting in order to permit those entitled to vote and their proxies with voting instructions to vote separately on each of the aforementioned items, where applicable according to the voting instructions they have been given.

Now therefore, in light of the foregoing, we submit for your approval the following:

#### Motion

"The Ordinary Shareholders' Meeting of Brembo S.p.A.:

- . having acknowledged the lists of candidates for the office of Statutory Auditor, accompanied by the necessary documentation, have been validly submitted, pursuant to currently applicable laws and regulations and the By-laws;
- . having acknowledged the results of voting;

<sup>3</sup> Please see Note 1

<sup>4</sup> Please see Brembo's Code of Ethics [www.brembo.com](http://www.brembo.com), under Company, Corporate Governance, Codes of Conduct, Policies

**resolves**

- (1) to appoint as Acting and Alternate Auditors, and as Chairman of the Board of Statutory Auditors the candidates included in the list [●], with a term of office of 3 (three) financial years, expiring on the date of approval of the Financial Statements for the year ending 31 December 2022;
- (2) to set the overall remuneration per year of the members of the Board of Statutory Auditors at Euro 196.000,00 per year, of which Euro [●] for the Chairman of the Board of Statutory Auditors and Euro [●] for Acting Auditors;
- (3) to authorise the Chairman and Deputy Chairman, separately, to take all actions necessary to the full execution of the aforementioned resolutions, with any and all necessary and appropriate powers to that end, without exclusion, and with the power to delegate third parties.”

Stezzano, 9 March 2020

On behalf of the Board of Directors  
The Chairman  
signed by Alberto Bombassei