

ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS CONCERNING THE SEVENTH ITEM OF THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING OF BREMBO S.P.A., CALLED ON APRIL 22, 2021 (SINGLE CALLING)

(prepared in accordance with art. 125-ter of the Legislative Decree Nr. 58 of February 24, 1998, as subsequently amended, and with Art 84-ter of Consob Regulation adopted through Resolution No. 11971 of 14 May 1999 as subsequently amended ("Issuers Regulation"))

7. Engagement of the independent Auditing Firm for the period 2022–2030 and determination of the associated fees. Relevant and ensuing resolutions.

* * *

Shareholders,

this Illustrative Report - drafted pursuant to art. 125-ter, paragraph 1, of the Legislative Decree Nr. 58 of February 24, 1998, as subsequently amended and integrated (hereinafter "TUF") and Art. 84-ter of Consob Regulation adopted through Resolution No. 11971 of 14 May 1999, as subsequently amended and integrated – has been approved by the Board of Directors of Brembo S.p.A. ("Brembo" or "Company") in its meeting held on March 4th 2021 and is made available, according to the terms provided by laws and regulations, at the Company's registered offices, on the corporate website www.brembo.com, "Investors" section, "For Shareholders", "Shareholders' Meeting" as well as through the mechanism for the storage of regulated information_ "1info-storage" (www.1info.it).

* * *

With the approval of the Financial Statement for the year ended 31 December 2020 by the Ordinary Shareholders' Meeting, the mandate for the Independent Auditors assigned to Ernst & Young S.p.A., approved by the Ordinary Shareholders' Meeting of 23 April 2013 for the nine-year period 2013-2021, will expire.

You have been therefore called, within the ordinary session, to approve the engagement of the new Independent Auditing Firm, determining the relevant fees and the adjustment criteria for the whole duration of the engagement, that, pursuant to the Legislative Decree Nr. 39 of January 27, 2010 ("D. Lgs. 39/2010") must have a nine-year term and precisely for the financial years closed on 31 December 2022-2030.

It is underlined that, pursuant to art. 17 of the Legislative Decree 39/2010¹, the Independent Auditing Firm Mandate may not be renewed or the same audit firm reappointed until at least 3 (three) financial years have passed since termination of the previous engagement.

During the financial year 2020, Brembo has decided, one year before the expiry of Ernst & Young S.p.A mandate, to start the procedure for the selection of the new independent auditing firm for the financial years closed on 31 December 2022-2030, in order to submit the reasoned recommendation for the new assignment to the Shareholders' Meeting called on 22 April 2021.

The Board of Statutory Auditors, in its capacity of "Internal Control and Audit Committee" pursuant to Artt. 13 and 17 of the Legislative Decree 39/2010, as amended by the Legislative Decree 135 of 17 July 2016, and the EU Regulation (UE) n. 537/2014 of the European Parliament and the Council of 16 April 2014 ("Regulation 537/2014"), has been requested to prepare the Reasoned Recommendation in compliance with the European legislation in force.

¹ The Engagement of Independent Auditing Firm last for a nine-years term for the Auditing Firms and for a seven-years term for Independent Auditors. The engagement cannot be renewed or the same Auditing Firm reappointed until at least 3 (three) financial years have passed since termination of the previous engagement.

This early timing is a common practice within the listed companies and has the aim to:

- allow the new independent auditing firm to comply with the so called “cooling in”, provided by the Regulation 537/2014²;
- facilitate the handover between the ending and the incoming Independent Auditing Firm, in order to allow, more efficiently, the pursuit of the best quality of the auditing activity.

In the light of the above, the Board of Directors invites the Shareholders Meeting to analyze and approve the reasoned Recommendation prepared by the Board of Statutory Auditors, in its capacity of “Internal Control and Audit Committee” (that is attached to this report *sub Annex 1*, which furthermore includes the economic conditions applied by the selected companies), which indicates Deloitte & Touche S.p.A. and PricewaterhouseCoopers S.p.A. as possible candidates in the legal and independent auditing of the accounts for the financial years closed on 31 December 2022-2030, expressing its preference for the offer received from the auditing firm Deloitte & Touche S.p.A..

* * *

Motion

Shareholders,

Now therefore, in light of the foregoing, the Board of Directors of the Company proposes that the Ordinary Shareholders’ Meeting take the following

Resolution

“The Ordinary Shareholders’ Meeting of Brembo S.p.A. properly constituted in accordance with the law and able to take the resolutions:

- *having considered the reasoned Recommendation of the Board of Statutory Auditors related to the engagement of Independent Auditing Firm for the financial years closed on 31 December 2022-2030 for the the legally–required auditing of accounts;*
- *having acknowledged that the selection procedure met all requirements set out in the Legislative Decree Nr. 39 of January 27, 2010 (as amended by the Legislative Decree Nr. 135 of July 17, 2016) and in the EU Regulation (UE) n. 537/2014 of the European Parliament and the Council of 16 April 2014; and*
- *having examined the Illustrative Report of the Board Of Directors; and*

resolves

1. *to approve the Board of Statutory Auditors’ proposal according to the terms and conditions specified in Annex 1 (Reasoned Recommendation of Brembo S.p.A. Board of Statutory Auditors for the engagement of the Independent Auditing Firm for the financial years closed on 31 December 2022-2030 and determination of the fees) and, with reference to the expressed preference,*
2. *to confer the engagement for Brembo S.p.A. legally-required audit of the accounts pursuant to the Legislative Decree Nr. 39 of January 27, 2010 and in the EU Regulation (UE) n. 537/2014 of the European Parliament and the Council of 16 April 2014, for a nine-year term and precisely for the financial years closed on 31 December 2022-2030:*
 - (i) *first and foremost,(to Deloitte & Touche S.p.A., which, from the evaluation performed based on the technical-economic methodology model of the selection procedure, turned out to be the first and therefore, is considered more suitable for the performance of the assignment,*

² *The services of design and implementation of internal control and risk management procedures related to the preparation and/or control of financial information, or of the design and implementation of technological systems for financial reporting (art. 5.1, lett.(e) Reg. EU 537/2014), which, if performed by the audit firm entering the year prior to the beginning of the new mandate (01.01 – 31.12 of the year preceding the year of the beginning of the mandate) do not allow the same to carry out the activity of Legally-required Audit, and therefore cannot be conferred on the incoming entity.*

for a proposed total annual fee of Euro 255,000.00, corresponding to an estimated annual engagement of n. 4,251 average total annual hours;

- (ii) *secondarily – should the outcome of the voting on item (i) above not reach the required voting percentage- to PricewaterhouseCoopers S.p.A., the second ranked audit firm by the Board of Statutory Auditors, for a proposed total annual fee of Euro 231,500.00, corresponding to an estimated annual engagement of n. 4,390 average total annual hours;*

being agreed that to the aforementioned fees it is necessary to add also out-of-pocket expenses incurred for specific needs, contributions (pension funds, Consob or other supervisory authorities), VAT and the adjustment for changes in the ISTAT cost-of-living index.

3. *to award the Chairman and the Executive Deputy Chairman of the Board of Directors, separately between them, with the power to delegate third parties, the fullest necessary and appropriate powers to give execution to this shareholders resolution, including - for example purposes but not limited to – the power to review the general conditions of the engagement, as currently proposed by the appointed auditing company, as well as to sign the related engagement letter and/or to introduce to the resolutions possible non-substantial changes that should be necessary and/or appropriate for the registration in the Companies Register and/or upon the request of the Supervisory Authority or other competent Authority”.*

* * *

Stezzano, 22 March 2021

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

REASONED RECOMMENDATION OF THE BOARD OF STATUTORY AUDITORS OF BREMBO S.P.A. ENGAGEMENT OF THE INDEPENDENT AUDITING FIRM FOR THE FINANCIAL YEARS 2022-2030

Introduction

With the approval of the Financial Statements for the year ending 31 December 2021, the mandate for the Independent Auditors, pursuant to Article 2409-*bis* of the Italian Civil Code and Articles 13 *et seqq.* of Legislative Decree No. 39 of 27 January 2010, that Brembo assigned to EY S.p.A. for the financial years 2013-2021, will expire.

Under Article 13 of Legislative Decree No. 39 of 27 January 2010, the Shareholders' Meeting appoints the independent auditing firm on the reasoned recommendation of the Board of Statutory Auditors.

With regard to public-interest entities, Article 17(1) of Legislative Decree No. 39 of 27 January 2010 provides that “the audit engagement shall last for nine financial years in the case of an audit firm and seven financial years in the case of statutory auditors”.

According to the current legislation on statutory audit, most recently amended by European Regulation No. 537/2014 and Legislative Decree No. 39/2010, as supplemented by Legislative Decree No. 135/2016:

- EY S.p.A. cannot be appointed again;
- the new audit engagement must be entrusted through an appropriate selection procedure.

Selection Procedure

In 2020, Brembo S.p.A. (hereinafter also “the Company”) launched the procedure for the selection of the new Independent Auditing Firm, to be appointed to carry out the audit engagement for the 2022-2030 financial years.

The Board of Statutory Auditors, in its capacity as the "Internal Control and Audit Committee", has prepared the following Recommendation in accordance with the EU legislation in force.

Regulatory framework

The legislative framework on statutory audit consists of the following provisions:

- Directive 2006/43/EC, as amended by Directive 2014/56/EU, on statutory audits of annual accounts and consolidated accounts, transposed into Legislative Decree No. 39 of 27 January 2010, lastly amended by Legislative Decree No. 135 of 17 July 2016;
- Regulation (EU) No. 537/2014 regarding statutory audit of public-interest entities, effective from 17 June 2016.

Legislative Decree No. 39/2010 contains the general rules on statutory audit, as well as some specific rules on the statutory audit of Public-Interest Entities (PIEs). On the other hand, Regulation No. 537/2014 governs some specific points of the rules on the statutory audit of PIEs, such as Brembo. The purpose of the legislation is to further harmonise the rules originally introduced by Directive 2006/43/EC at European Union level to allow for greater transparency and predictability of the obligations applying to entities carrying out statutory audits, and to better define their independence and objectivity in the performance of their duties, also with a view to increasing public trust in the separate and consolidated financial statements of such entities and contributing to the smooth functioning of the market.

Article 16(2) of EU Regulation strengthened the role played by the Internal Control and Audit Committee — which coincides with the Board of Statutory Auditors in companies using a traditional management system — in the selection of the new Audit Firm, giving it the task of submitting a reasoned recommendation to the Board of Directors, thereby allowing the Shareholders' Meeting to take an adequately reasoned decision.

Specifically, pursuant to Article 16 of Regulation No. 537/2014, a) the Internal Control and Audit Committee must submit a recommendation to the administrative body for the appointment of the audit entity; b) the recommendation shall be justified and contain at least two choices for the audit engagement and the audit committee shall express a duly justified preference for one of them; c) the proposal to the Shareholders' Meeting shall contain the recommendation and the preference.

Selection procedure

Introduction – request for proposal

The Company's organisation is given "executive" tasks, while the Board of Statutory Auditors is given responsibility for assessing the whole process and for validating the regularity of the procedure.

First, the Board of Statutory Auditors shared with the relevant corporate functions the selection process for identifying the audit firms to which the requests for bids were addressed, according to transparent and non-discriminatory criteria, as required by law. As a result, participation was open to bidders with adequate expertise and experience in the sector and with suitable organisation to perform the audit of a Group having the characteristics of Brembo.

At the end of this preliminary stage, the Company selected the following Audit Firms: **KPMG S.p.A., BDO S.p.A., PricewaterhouseCoopers (hereinafter also PWC) S.p.A. and Deloitte & Touche (hereinafter also Deloitte) S.p.A.** The Request for Proposal ("RFP") and the annexes were sent to these firms on 29 July 2020.

The selection procedure was organised and conducted by the Manager in Charge of the Company's Financial Reports, under the supervision of the Board of Statutory Auditors.

The Board of Statutory Auditors supervised the selection process put in place by the Company with regard to the choice of the Audit Firm to be contacted, the structure of the request for proposal, during the stages of the process, as well as the scoring system adopted and the implementation of the evaluation grid, in order to ensure full traceability of the selection procedure.

It was established that the proposal should be broken down as follows:

For Brembo S.p.A.:

- Auditing of the separate Financial Statements of Brembo S.p.A.;
- Periodic audits pursuant to Legislative Decree No. 58/1998 ("Draghi Law");
- Services for issuing an attestation with respect to Brembo S.p.A.'s tax returns made pursuant to current tax legislation;
- Attestation of R&D costs for tax credit purposes.

For the Consolidated Financial Statements:

- Auditing of Brembo Group's Consolidated Financial Statements in Italian and English (including the issue of the certification report to be attached to the Annual Report translated into English);
- Limited auditing of Brembo Group's Consolidated Six Monthly Financial Report pursuant to Consob Communication No. 97001574 of 20 February 1997 in Italian and English (including the issuance of the limited audit report to be attached to the Six Monthly Financial Report translated into English);
- Review/assurance of the entire Consolidated Annual Report in ESEF (I-XBRL) format, if required by regulations;
- Issuance of an opinion on consistency and compliance with the law of the Directors' Report on Operations and of the information referred to in Article 123-*bis*, paragraph 1(c, d, f, l, m) and paragraph 2(b), of Legislative Decree No. 58/98, as contained in the Corporate Governance Report;
- Drafting of the additional report required by Article 11 of EU Regulation No. 537/2014;
- Verification that the Remuneration Report has been drafted;
- Verification that the Disclosure of Non-Financial Information has been drafted, i.e., check that a section of the Directors' Report on Operations contains the non-financial information required by Legislative Decree No. 254 of 30 December 2016 or that a separate report has been drafted containing the required information;
- Limited review (ISAE 3000) of the Disclosure of Non-Financial Information of the Brembo Group prepared pursuant to Legislative Decree No. 254/2016.

For the Group companies:

- Mandatory and non-mandatory audit of the financial statements of subsidiaries and associates within the Brembo Group;
- Review of the reporting packages of subsidiaries and associates within the Brembo Group.

The approach and timing of the selection procedure were also specified.

Criteria for non-acceptance of the proposals and selection criteria were identified.

It was also established that the proposal should contain:

- an illustrative brochure of the Audit Firm and, for all activities relating to the audit of Brembo S.p.A. and the Consolidated Financial Statements, the team in charge of the audit, with attached the professional profiles of the persons involved (excluding assistants);
- the most recent "Transparency Report" containing the information required by Article 18 of Decree No. 39/2010;
- the list of current professional assignments with Brembo S.p.A. and with the Group Companies, so that a waiver can be requested in case of incompatibility;
- the criteria for reviewing the fees upon occurrence of certain circumstances not foreseen at the time of submitting the proposal, and which would entail an increase in time and/or a change in the professional level of the members of the Audit Firm's team.

Assessment criteria

In defining the assessment criteria, technical-qualitative and quantitative elements were established, to which equal weighting was given. Within the various profiles, the individual assessment elements were given different weights in view of experience and the Group's requirements.

The following technical-qualitative elements were considered:

- the international dimension of the Audit Firm, having regard to its direct geographical coverage of the countries in which Brembo operates, or which could become future new markets;
- the experience and technical expertise of the proposed team and the commitment to maintain the core team for all nine years;
- ensuring that the seniority and expertise of the team would be maintained throughout the nine-year period;
- specific professional experience in the sectors in which the Group operates, proven by the performance of audit engagements in companies of comparable size and structure;
- policies for "agile" working, compatible with achieving the purpose of the engagement;
- the presence and access to centres of excellence in the network with respect to specific topics and issues, also concerning the sector in which Brembo operates;
- the availability of operational manuals on updated international accounting standards;

- monitoring tools to verify independence and the communication process for any other services provided by the network to any Group company;
- relations with the Group in previous years, also positively judging the effect of any discontinuity;
- the methods, operational tools and supporting materials used;
- how the activities carried out by the team and communications to the Board of Statutory Auditors are managed and reported;
- investment in new technological solutions for data analysis and consideration of resulting efficiencies on planned hours;
- the quality and adequacy of the audit plan in relation to Brembo's needs and the laws and regulations in force;
- attention paid to the analytical elements of the internal control and risk management system;
- willingness to adopt a “Continuous Auditing” approach, based on early assessment of accounting issues arising from new activities or accounting standards;
- ability to deliver the service in a timeframe that is in line with the Group's schedule, in all countries where the Group operates;
- commitment to draft the letter with the points of attention/observations noted regarding the internal control system, data accuracy and ITGCs;
- methods of interaction with the Group's Internal Audit function and with the activities under Law 262.

The following quantitative-financial elements were considered:

- professional mix and number of hours;
- total fees and breakdown of fees at the individual subsidiary/country level;
- the way in which the fees are adjusted based on actual data at year-end and in subsequent years: bids "on lump-sum” basis, with changes in the fees only linked to significant changes in the scope of consolidation, in accounting standards and in the regulatory framework, or linked to other extraordinary events;
- potential increase in efficiency over the years as a result of improved understanding of the Group;
- how relations with foreign network companies are managed and coordinated in terms of activities and fees;
- billing methods, currency of account, inflation-related issues and criteria for charging additional costs.

In order to obtain a better understanding of the information provided by the bidding companies, a detailed "Assessment Grid" was developed as a guide for identifying elements to be clarified during interviews with the audit firms, as well as any additional documentation to be requested.

In addition, for a better understanding of the hours and services offered, scoping, hours and mix as set out in the bid were examined in comparison with data from the current audit firm.

On the basis of the documentation received and bearing in mind the predefined selection criteria, the Company — in agreement with the Board of Statutory Auditors, during collective sessions for the analysis and in-depth examination of the bids, also in light of meetings held with the partners of the bidding companies — analysed and compared the bids in detail, noting, for each assessment profile, the distinctive and qualifying aspects of each company participating in the tender.

Results of the selection procedure

By 2 October 2020, the Company had received the Bids from each of the four audit firms selected; meetings were then held with representatives of all the bidding companies and requests were made for further documentation.

The analysis of the Bids and of the supplementary information received, also on the basis of the assessment grid, showed that:

- a) the manner of performing the audit activity set out in the bids, including the hours and the professional resources involved, is generally adequate in relation to the scope and complexity of the engagement;
- b) all the bids contain a specific and reasoned declaration concerning the commitment to prove the independence requirements provided for by law, with specific reference to Articles 10 and 17 of Legislative Decree No. 39 of 27 January 2010, in accordance with the legislation in force;
- c) all the Audit Firms submitting bids have, albeit with different characteristics and levels, appropriate organisation and technical-professional skills in light of the size and complexity of the engagement, pursuant to Articles 10-*bis*, 10-*ter*, 10-*quater* and 10-*quinquies* of Legislative Decree No. 39 of 27 January 2010, and they meet the requirements provided for by the Regulation.

The documentation received shows that all the bidding companies are part of international networks that offer high quality services according to high professional standards.

The results of the analysis carried out, however, led to an initial selection of Deloitte & Touche S.p.A., Pricewaterhouse Coopers S.p.A. and Kpmg S.p.A. on the basis of the weighted assessment of the technical-qualitative and quantitative elements stated above.

In the first selection stage, BDO S.p.A. was excluded due to the lower score obtained in relation to the technical-qualitative aspects.

The analysis of the three bidding companies continued, acquiring further assessment elements in addition to those already provided in the bid package.

The results of the assessment obtained with the help of the "Assessment Grid" were shared: it showed a higher score for Deloitte and PWC than for Kpmg.

Subsequently and at the conclusion of the analysis, between Deloitte & PWC, the Board of Statutory Auditors expressed a preference for Deloitte, for the following reasons:

- 1) both the teams proposed by Deloitte and PWC have consolidated knowledge and experience, also at an international level, but the team proposed by Deloitte offers discontinuity with the past in the performance of the assignment, as it has never carried out auditing activities for the Group, thus achieving in this respect a higher score in terms of independence;
- 2) Deloitte's bids envisage more audit hours than PWC for the same increase in fees compared to the outgoing audit firm;
- 3) also from a financial standpoint, Deloitte's bids for the audit activity to be rendered to Brembo S.p.A. for the financial years 2022/2030, as revised with the discount granted by Deloitte, with respect to the total hours provided (€822,500 for a total of 20,452 hours per year) is more competitive than the revised proposal submitted by PWC (€816,490 for a total of 16,992 hours per year). The stated fees are in addition to out-of-pocket and/or incidental expenses, contributions (pension funds, Consob or other supervisory authorities), VAT and the adjustment for changes in the ISTAT cost-of-living index.

Final considerations

Given the foregoing, and taking into account in particular the outcome of the procedure for the assessment and weighting of the technical-qualitative and quantitative elements described above, the Board of Statutory Auditors recommends Deloitte & Touche S.p.A. and PricewaterhouseCoopers S.p.A. as candidates for the audit engagement for the 2022-2030 financial statements.

Board of Statutory Auditors' recommendation

The Board of Statutory Auditors:

- on the basis of the bids received, the selection process identified and the assessments carried out,
- considering that Article 16(2) of the Regulation i) provides that the reasoned recommendation of the Board of Statutory Auditors must contain at least two possible alternatives for the appointment and ii) requires the Board of Statutory Auditors to express a duly justified preference,

RECOMMENDS

to Brembo S.p.A.'s Board of Directors to submit to the General Shareholders' Meeting to be held on 22 April 2021 to engage for the 2022-2030 years one of the following audit firms: Deloitte & Touche S.p.A. or PricewaterhouseCoopers S.p.A.

The financial conditions applied by the aforementioned Audit Firms are set out in Attachment 1. Having regard to both of them, the Board of Statutory Auditors

EXPRESSES ITS PREFERENCE

for Deloitte & Touche S.p.A., as the company that has achieved the best technical-qualitative assessment, following the selection procedure carried out and therefore deemed most suitable for the performance of the engagement, and in line with the identified needs of the Company and the Group.

Statement

The Board of Statutory Auditors, pursuant to Article 16, paragraph 2, of the Regulation, declares that this Recommendation has not been influenced by third parties and none of the clauses as per Article 6 of the Regulation has been applied.

Milan, 25 February 2021

The Board of Statutory Auditors

Signed by Raffaella Pagani

Signed by Paola Tagliavini

Signed by Mario Tagliaferri

Attachment 1

ANNUAL FEES PROPOSED BY DELOITTE S.P.A.

	Average hours per year	Annual fees in €/1,000	Annual average rate €
Annual and half-yearly auditing	4,251	255,000	60
Other services	894	53,000	59
Total Brembo S.p.A.	5,145	308,000	60
Total BSCCB S.p.A.	519	30,000	58
Total Brembo Group's foreign subsidiaries	10,527	484,500	46
TOTAL	16,191	822,500	51

ANNUAL FEES PROPOSED BY PWC S.P.A.

	Average hours per year	Annual fees in €/1,000	Annual average rate €
Annual and half-yearly auditing	4,390	231,500	53
Other services	1,291	68,000	53
Total Brembo S.p.A.	5,681	299,500	53
Total BSCCB S.p.A.	500	24,000	48
Total Brembo Group's foreign subsidiaries	9,134	492,990	54
TOTAL	15,315	816,490	53