

ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS, PURSUANT TO ARTICLE 125-TER OF CONSOLIDATED LAW ON FINANCE, AND CONCERNING THE FIFTH ITEM ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING OF BREMBO S.P.A., CALLED ON 20 APRIL 2017 (SINGLE CALLING).

5 Appointment of the Board of Directors: 5.1. determination of the number of the Board of Directors and the duration of their term of appointment; 5.2. appointment of Directors; 5.3. appointment of the Chairman and of the Deputy Chairman of the Board of Directors; 5.4. determination of the total remuneration of Directors for each annual term. Related and ensuing resolution.

Shareholders,

With reference to the fifth 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 Directors**.

In this respect, it should be recalled that the approval of the Financial Statements for the year ended 31 December 2016 will mark the end of the term of office of the Directors currently in service.

Accordingly, during the Ordinary Shareholders' Meeting, you are called upon to appoint a new Board of Directors in accordance with Article 15-bis of the Company's By-laws (the "**By-laws**"), applicable provisions of law, the implementing regulations enacted by Consob and the Code of Corporate Governance for listed companies promoted by Borsa Italiana S.p.A. (the "**Code**"). To that end, you are called upon to set the number of the members of the Board of Directors, their term of office, the total remuneration to which the members of the Board are entitled for each year of service, and to appoint the Chairman of the Board of Directors.

Pursuant to the By-laws, the appointment of the Board of Directors 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 within the company, can give evidence that they hold at least 1% of share capital with voting rights.

In this regard, it should be noted that Articles 15 and 15-bis of the By-laws set the number of Directors at a minimum of 5 and a maximum of 11 members. These Articles also establish that Directors may be re-appointed and, unless otherwise resolved by the General Shareholders' Meeting, shall hold office for the period determined by the General Shareholders' Meeting resolution appointing them, up to a maximum of 3 financial years. In addition, they establish that the term of office of the Board members shall expire on the date of the General Shareholders' Meeting called for the approval of the financial statements pertaining to the last financial year of their term, save in the case of the reasons for termination or disqualification contemplated under law or in the By-laws.

It should also be recalled that:

- (i) pursuant to Article 147-ter of TUF, and the above-mentioned Article 15 of the By-laws, at least 1 Board member, or 2 if the Board is made up of more than 7 members, must meet the requirements of independence pursuant to laws and the Corporate Governance Code of Borsa Italiana, endorsed by the Company;
- (ii) the composition of the Board of Directors must reflect gender balance, in accordance with the laws and regulations from time to time in force.

1. Instructions for the submission of lists

As regard the procedures for the appointment of the Board of Directors, and in particular with reference to the **submission of lists**, the aforementioned Article 15-bis of the By-Laws, as well as the applicable laws in force and the implemented rules issued by Consob state as follows:

- the Directors are appointed on the basis of lists submitted by the shareholders, except in cases in which the ordinary methods and majorities apply and cases in which appointment by list is not permitted or is not possible;

- voting lists may be submitted only by those Shareholders who, as at the date on which the lists are lodged with the Company, either on their own or jointly with other Shareholders, represent at least the minimum percentage of the shares bearing voting rights at the Ordinary Shareholders' Meeting, established under applicable statutory and regulatory provisions. In particular, each shareholder (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 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 30 March 2017), 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;
- the number of candidates on each list may be no less than 2 and no more than 11; the candidates must be listed in serial order; furthermore, each list must include at least 1 candidate, or at least 2 candidates if the Board is to be made up of more than 7 members, who must meet the requirements of independence pursuant to laws and the Corporate Governance Code of Borsa Italiana, endorsed by the Company;
- the lists containing a number of candidates equal to or greater than 3 cannot include only candidates of the same gender (men or women); such lists must include a number of candidates of the under-represented gender such as to ensure that the composition of the Board of Directors 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 higher unit;
- each candidate may appear on only one list, upon penalty of ineligibility;
- 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 (to the attention of the Legal and Corporate Affairs Dept.), or forwarded to the certified e-mail address 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 26 March 2017), together with the documents required under applicable regulations and the aforesaid Articles of the By-laws;
- lists must be filed/forwarded to the Company under the terms and conditions specified above, together with:
 1. as indicated in the notice of calling, information identifying the shareholder or shareholders submitting the same, with an indication of the overall interest held by the latter in terms of percentage of the total share capital;
 2. the curriculum vitae of each candidate providing exhaustive information on his/her personal and professional features, with an indication of whether or not the candidate meets the requirements of independence pursuant to laws and the Corporate Governance Code of Borsa Italiana, as well as an indication of any other executive positions and directorships held in companies belonging to the significant categories listed in Article 1.C.2 of the Brembo S.p.A. Corporate Governance Code, as per Brembo S.p.A. Corporate Governance Manual¹, considering as significant the companies listed on regulated markets (including foreign markets), financial companies, banks, insurance companies or large companies (the latter including companies that reported total sales or turnover exceeding Euro

¹ Text available at the Company's registered office and the website www.brembo.com, under Investor Relations, Corporate Governance, Principles and Codes.

500,000,000.00 (five hundred million) in the last financial year;

3. a declaration through which each candidate accepts his candidature and, certifies, under his/her own responsibility that:
 - a) he/she does not labour under any of the causes of ineligibility or disqualification within the meaning of Article 2382 of the Italian Civil Code;
 - b) he/she meets the requirements of personal integrity and professionalism imposed under applicable statutory and/or regulatory provisions;
 - c) where applicable, an indication that he/she meets the requirements of independence pursuant to laws and the Corporate Governance Code of Borsa Italiana, endorsed by the Company;
 4. 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;
- lists submitted other than in compliance with the above provisions shall be deemed as never having been submitted;
 - pursuant to Article 147-ter, paragraph 1-bis, of TUF, and Article 15-bis of the By-laws, the lists shall be made available for public consultation at the Company's legal office in Curno (Bergamo), Via Brembo 25, on the website www.brembo.com, under Investor Relations/Shareholders' Meeting, as well as at Borsa Italiana S.p.A., at least 21 days prior to the scheduled date of the Shareholders' Meeting (i.e., no later than 30 March 2017).

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 Directors, Article 15-ter of By-laws, as well as the applicable statutory provisions and the implementing rules issued by Consob, provide that:

- a) all the Board members to be appointed as determined by the General Shareholders' Meeting, save 1, shall be drawn from the list obtaining the highest number of the votes cast, in the same serial order in which they appear on the said list;
- b) the remaining seat on the Board shall be awarded to the first candidate on the list that obtained the second highest number of votes and that is not linked in any way, whether directly or indirectly, with the Shareholders who submitted or voted in favour of the list that obtained the highest number of votes;
- c) the Board positions reserved to candidates meeting the requirements of independence, pursuant to article 15 of these By-laws — as mentioned above — will be filled from the list that obtained the highest number of the votes cast, or if this is not possible, from the list that obtained the second highest number of votes;
- d) for the intents and purposes of appointments to the Board of Directors, no account must be taken of lists that failed to obtain a number of votes representing at least half the aforementioned percentage established under Article 15-bis of the By-laws for the submission of voting lists (i.e., half the 1% of share capital);
- e) should only one list be submitted, all the members of the corporate bodies in question must be drawn from the said list, it being understood that in the event no list is submitted, the Shareholders' Meeting shall pass related resolutions by majority vote, in accordance with applicable laws and regulations; also gender balance must be ensured in compliance with applicable laws and regulations (including the rounding-up to the next higher unit in the event the application of the distribution criterion between genders results in a non-integer number).

3. Recommendations by the Board of Directors about the optimal sizing and composition of the new Board of Directors

According to what mentioned above, based on the results of the Board Performance Evaluation 2016 and on the recommendations expressed by the Independent Directors during the meetings held on 28 July and on 12 November 2016, as well as according to the indications formulated by the Remuneration & Appointments Committee in its meeting held on 24 February 2017, the Board of Directors, in the view of its renewal, submits

the following proposals with the aim to ensure a Governing Body **composition** suited to the sizing, the market positioning, the complexity and peculiarity of the business and the strategy of the Brembo Group.

a. Sizing of the new Board of Directors

The Board proposes that the **number of the members** of the Board of Directors to be appointed by the Shareholders' Meeting, according to the methods and terms described above, be kept at 11.

b. Term of office of the Directors

The Board proposes that the **term of office** of the Directors be set at three financial years and expire on the date of approval of the Financial Statements for the financial year ending on 31 December 2019, as per the usual practice.

c. Recommendations about Directors' professional background

With reference to the **professional background of the Directors**, that will be appointed, the Board proposes to ensure high and complementary skills concerning professional experience and personalities of Directors and to ensure a balance between them and the strategic vision of Brembo Group.

Therefore, for the identification of each candidate, the Board recommends the presence of specific managerial skills, focusing on the candidates' profiles, including female professional, that have an international background (not necessarily to be of foreign nationality, but who have a strong experience abroad and with a "global" vision), in particular with reference to the countries in which Brembo operates, and / or with technological expertise in R & D and Innovation.

d. Optimal composition of the new Board of Directors

With reference to the **optimal composition** of the governing body, the Board considers it reflected in the following scheme that guarantees, in addition to compliance with current laws and regulations, the ideal check-and-balance of powers, accountability and professional experience to ensure a balance and consistency between the internal expertise to the Board of Directors and Board Committees and also the progressive rotation of Directors, while guaranteeing the stability and continuity of the management of the Board of Directors:

N° MAXIMUM	11
N° NOT EXECUTIVE	At least 7
N° MINORITY	At least 1
N° INDEPENDENT	At least 5
N° GENDER	At least 4 of the gender less represented
MIX SKILLS (Background)	At least 4 managers who have an international background and/or with a nationality of a country in which Brembo operates Maximum 2 academic/professional

4. Recommendations expressed by the Board of Directors about the remuneration of the new Board of Directors

With respect to the **remuneration** to be assigned to the Directors, it should be recalled that:

- Article 21, paragraph 1, of the By-laws, in accordance with Article 2389, paragraph 1, of the Italian Civil Code, states that "Board members are entitled (...) to remuneration as determined by the General Meeting at the time of appointment of the Board. The remuneration of Board members in charge of specific tasks shall be established by the Board, after having heard the opinion of the Board of Statutory Auditors"; and
- Article 21, paragraph 3, of the By-laws, in accordance with Article 2389, paragraph 3, of the Italian Civil Code, grants the Shareholders' Meeting the power to establish an overall amount by way of remuneration for all the Board members, including those in charge of specific tasks, to be subdivided amongst the Board

members as established by the Board itself.

Given the above, and in light of the indications and recommendations formulated by the Remuneration & Appointments Committee at its meeting on 24 February 2017, the Board of Directors proposes that the Shareholders set an overall remuneration for the Directors, to be allocated by the Board of Directors, that:

- is consistent with the policy followed to date and also includes the emoluments of Directors vested with special tasks; and
- Is equal to Euro 4.000.000,00 per year of their term of office, taking into consideration the recent inclusion of Brembo's shares in the FTSE MIB index.

In light of Article 125-*bis* of the 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, pursuant to the above Article, where the person concerned is delegated by one or more Shareholders), the draft resolutions concerning the fifth 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 Directors, 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 proposals 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 need to appoint the new members of the Company Board, after determining their number;
- having acknowledged the lists of candidates for the office of Director, accompanied by the necessary documentation, which have been validly submitted;
- having acknowledged the results of voting;

resolves

- (1) to set at 11 (eleven) the number of the members making up the Board of Directors;
- (2) to appoint as Board members the Candidates included in the list/s [•];
- (3) to set the term of office of the new Board of Directors in 3 (three) financial years, with expiration on the date of approval of the Financial Statements for the year ending 31 December 2019;
- (4) to set the overall remuneration of the Directors, including those vested with specific tasks, to be allocated by the Board itself, at a total of Euro 4.000.000,00 per year;
- (5) to appoint as Chairman of the Board of Directors [•];
- (6) to appoint as Deputy Chairman of the Board of Directors [•];
- (7) 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, 3 March 2017

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