

# CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

pursuant to Article 123-*bis* of the Consolidated Law on Finance

**Brembo S.p.A.**

[www.brembo.com](http://www.brembo.com),

section Company/Corporate Governance/Corporate Governance Reports 2016

Approved by the Board of Directors of Brembo S.p.A. on 3 March 2017



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## GLOSSARY

**Brembo/Issuer/Company:** Brembo S.p.A., with registered offices in Curno (Bergamo), via Brembo 25, tax code and VAT code No. 00222620163.

**Corporate Governance Code:** the Code of Corporate Governance for Listed Companies, approved on 9 July 2015 by the Corporate Governance Committee, promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria. It is available at <http://borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf>.

**Civil Code:** the Italian Civil Code.

**Board/Board of Directors/BoD:** the Board of Directors of Brembo S.p.A.

**Financial year:** the financial year which the Report refers to, specifically the financial year ended 31 December 2016.

**Group:** the Brembo Group.

**Borsa Italiana Instructions:** Instructions on the Rules of Markets organised and managed by Borsa Italiana S.p.A.

**Brembo's Corporate Governance Manual:** the document defining Brembo's corporate governance rules, fully incorporating the Corporate Governance Code, including the amendments introduced in July 2015. The latest update as of 18 December 2015 is available on Brembo's website ([www.brembo.com](http://www.brembo.com), Company section, Corporate Governance, Governance Documents).

**Brembo's 231 Model:** the Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001 of Brembo S.p.A. – Fifth Edition, available on Brembo's website in its latest update (July 2015) ([www.brembo.com](http://www.brembo.com), Company section, Corporate Governance, Codes and Policies).

**Related Party Transactions Procedure:** the Related Party Transactions Procedure adopted by Brembo S.p.A., in compliance with the Consob Resolution No. 17221 of 12 March 2010, and amended by Resolution No. 17389 of 23 June 2010; the Procedure is available on Brembo's website in its latest update (10 May 2016) ([www.brembo.com](http://www.brembo.com), Corporate Governance, Governance Documents).

**Consob Regulation on Related Party Transactions:** the Consob regulation introduced by Resolution No. 17221 of 12 March 2010 as further amended by Resolution No. 17389 of 23 June 2010.

**SC:** Supervisory Committee.

**Rules of Borsa Italiana:** the Rules of Markets organised and managed by Borsa Italiana S.p.A.

**Rules for Issuers:** the Rules for issuers established by Consob with Resolution No. 11971 of 1999, as amended and extended.

**Market Regulations:** the Market Regulations established by Consob with Resolution No. 16191 of 2007, as amended and extended.

**Report:** the Corporate Governance and Ownership Structure Report pursuant to Articles 123-*bis* of TUF and 89-*bis* of the Rules for Issuers, approved on 3 March 2017 by the Board of Directors of Brembo and available on Brembo's website ([www.brembo.com](http://www.brembo.com), Company section, Corporate Governance, Corporate Governance Reports)

**By-laws:** the By-laws of Brembo S.p.A., in the current applicable version, amended by the Extraordinary Shareholders' Meeting of 21 April 2016, available on Brembo's website ([www.brembo.com](http://www.brembo.com), Company section, Corporate Governance, Governance Documents).

**ICRMS:** Internal Control and Risk Management System.

**TUF:** Legislative Decree No. 58 of 24 February 1998 (Consolidated Law on Finance), as further amended and extended.

## 1. COMPANY PROFILE

Brembo S.p.A. is a world leader and acknowledged innovator in brake disc technology for automotive vehicles. The company supplies high performance brake systems, as well as clutches and other components for racing, to the most important manufacturers of cars, motorbikes and commercial vehicles worldwide. Moreover, Brembo is also a leader in the racing sector and has won more than 300 championships to date. The company operates in 15 countries in 3 continents, with 24 production plants and business sites, and a staff of over 9,000.

### 1.1 Governance Model

Brembo S.p.A. has adopted a traditional form of administration and control. Accordingly, the company's management is attributed to the Board of Directors, the supervisory functions to the Board of Statutory Auditors, and the statutory and accounting audit of the company's accounts to the Independent Auditors appointed by the General Shareholders' Meeting.

Brembo S.p.A.'s Corporate Governance System is inspired by the recommendations of the Corporate Governance Code, which have been incorporated into Brembo's Corporate Governance Code (last updated on 18 December 2015). In order to promote a corporate governance model that devotes constant attention to all stakeholders, and in particular to institutional investors and the financial market, while also anticipating new needs and the most impactful trends, Brembo:

- constantly monitors governance principles and models generally adopted at the European and international level<sup>1</sup> that consolidate best practices in the area of corporate governance;
- reviews the results of the analyses and most authoritative observers on the subject of corporate governance, in Italy and abroad, and compares

them with its own structural and organisational elements.<sup>2</sup>

The Report, approved by the Board of Directors on 3 March 2017, provides a general description of the corporate governance system adopted by the Group and information on its ownership structure, as required by current laws and regulations. The Report was filed with Borsa Italiana and made available to the public on the company's website ([www.brembo.com](http://www.brembo.com), section Company, Corporate Governance, Corporate Governance Reports) and through the authorised data storage system ([www.1info.it](http://www.1info.it)).

Certain data and the key features of Brembo S.p.A.'s corporate governance system have been summarised in tables and graph. A comparison of this data with data collected from Consob's "2016 Report on the Corporate Governance of Italian Listed Companies", the "4th Report on the application of the Corporate Governance Code" issued by the Governance Committee and the "Notes and Studies 18/2016 on Corporate Governance in Italy" issued by Assonime, as well as from leading International consultancy firms, shows that Brembo's system is in line with the best trends of Italian listed companies.

### 1.2 Sustainability and Corporate Social Responsibility

Brembo recognises the increasing importance of the contribution of non-economic aspects to defining the company's value and has therefore structured its approach to sustainability in a manner inspired by the main Italian and international reference documents, such as: the Corporate Governance Code, the UN Universal Declaration of Human Rights, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises.

<sup>2</sup> Global Board of Directors Survey, SpencerStuart; Rapporto finale sull'Osservatorio sull'eccellenza dei sistemi di governo in Italia (Final Report on the Monitoring Centre for the Excellence of Corporate Governance Systems in Italy), The European House Ambrosetti; La Corporate Governance in Italia: autodisciplina, remunerazioni e *comply-or-explain* (Corporate Governance in Italy: Self-Governance, Remuneration and Comply-or-Explain), Assonime; Principi italiani di Stewardship per l'esercizio dei diritti amministrativi e di voto nelle società quotate (Italian Principles of Stewardship for the Exercise of Administrative and Voting Rights in Quoted Companies) issued by Assogestioni in 2013, and subsequent editions; Rapporto sull'applicazione del Codice di Autodisciplina (Report on the Application of the Corporate Governance Code), Committee for Corporate Governance; G20/OECD Corporate Governance Principles, OECD; Commonsense Corporate Governance Principles; High Committee for Corporate Governance Annual Report, HCGE; Corporate Culture and the Role of the Boards, Financial Reporting Council.

<sup>1</sup> UK Corporate Governance Code; UK Corporate Governance Code for Small and Mid-Size Quoted Companies; Code de gouvernement d'entreprise Middelnext.

Brembo has a specific internal committee, the Corporate Social Responsibility Steering Committee, which is responsible for drawing up internal Guidelines and adopting the consequent policies at the Group level, while also identifying operating priorities.

In 2013, the Company also set up a CSR Department, which is tasked with promoting and coordinating corporate social responsibility initiatives, monitoring the progress of such initiatives and ensuring that they are consistent with the Company's situation and international best practices.

Brembo's commitment includes a series of voluntary actions and social interest initiatives, inspired by the standard ISO 26000 and exceeding the legal requirements, in the following areas:

- governance;
- sound management practices;
- individuals;
- the environment;
- the supply chain; and
- community engagement and development.

Brembo has also begun the process of drafting a Sustainability Report, which provides an accurate, thorough and transparent account of the strategies aimed at ensuring sustainable economic growth and business development, in a manner considerate of

its stakeholders' expectations, while also seeking constant improvement of the environmental and social impacts of its activities.

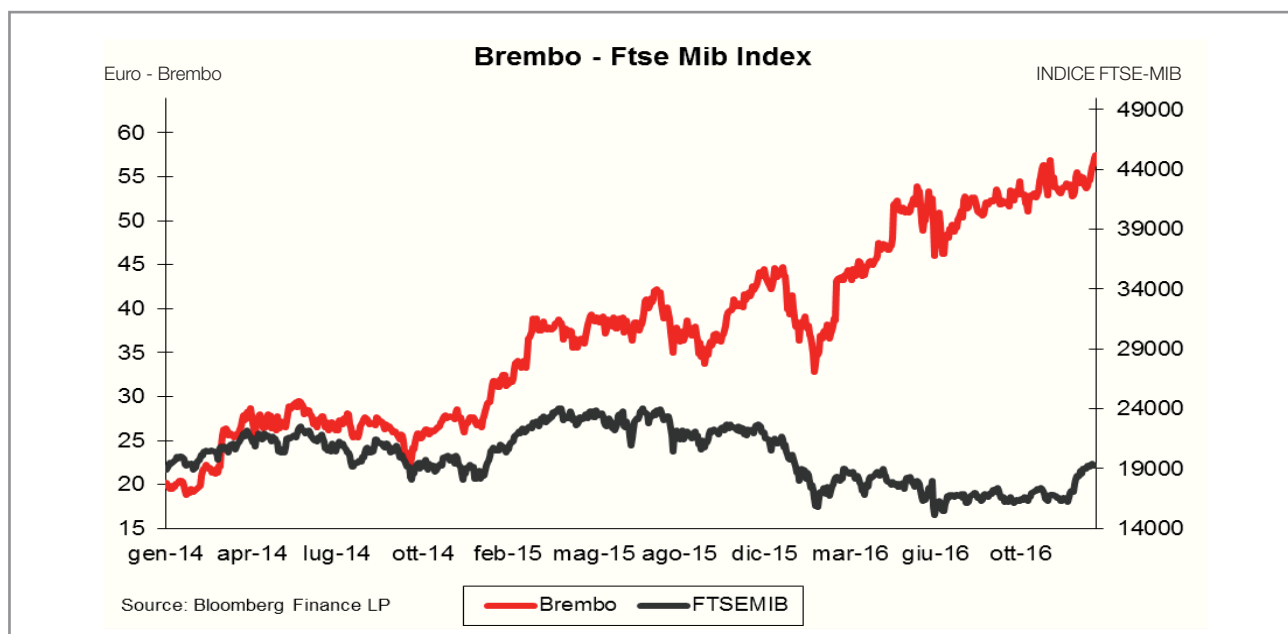
As envisaged in the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (version G4), Brembo has launched a materiality analysis process aimed at identifying the areas of greatest interest and with the greatest risks and opportunities for the purposes of business development and value creation from the perspective of long-term sustainability. On the basis of the material (i.e., relevant) themes, priority indicators were identified for use in monitoring and communicating the Group's sustainability performance.

The first Sustainability Report will be published in 2017, one year before publication becomes mandatory.

### 1.3 Company Key Highlights

| (euro million)                          | 2015    | 2016    | Change |
|---|---------|---------|--------|
| Sales                                   | 2.073,2 | 2.279,1 | +9,9%  |
| EBITDA                                  | 359,9   | 443,7   | +23,3% |
| Profit                                  | 184,0   | 240,6   | +30,8% |
| Net financial position                  | 160,7   | 195,7   | +21,8% |
| Market capitalisation as of 31 December | 2.984   | 3.840   | -      |
| Workforce (headcount)                   | 7.867   | 9.042   | +1.175 |

## 2014 - 2016 STOCK PERFORMANCE



## 2. INFORMATION ON OWNERSHIP STRUCTURE AT 31 DECEMBER 2016

### 2.1. Structure of share capital

Brembo S.p.A.'s subscribed and fully paid-up share capital amounted to €34,727,914 and was divided into 66,784,450 ordinary shares, without nominal value.<sup>3</sup>

#### Share Ownership at 31 December 2016

| Feature   | Yes/No | Share capital % |
|---|--------|-----------------|
| Presence of syndicate agreements                          | No     | --              |
| Presence of loyalty shares                                | No     | --              |
| Restrictions on the transfer of securities                | No     | --              |
| Securities carrying special rights                        | No     | --              |
| Employee share ownership scheme                           | No     | --              |
| Restrictions on voting rights                             | No     | --              |
| Minimum shareholding required for the submission of lists | Yes    | 1%              |
| Shareholding held by Italian institutional investors      | Yes    | 11.5%           |
| Shareholding held by foreign institutional investors      | Yes    | 32.4%           |

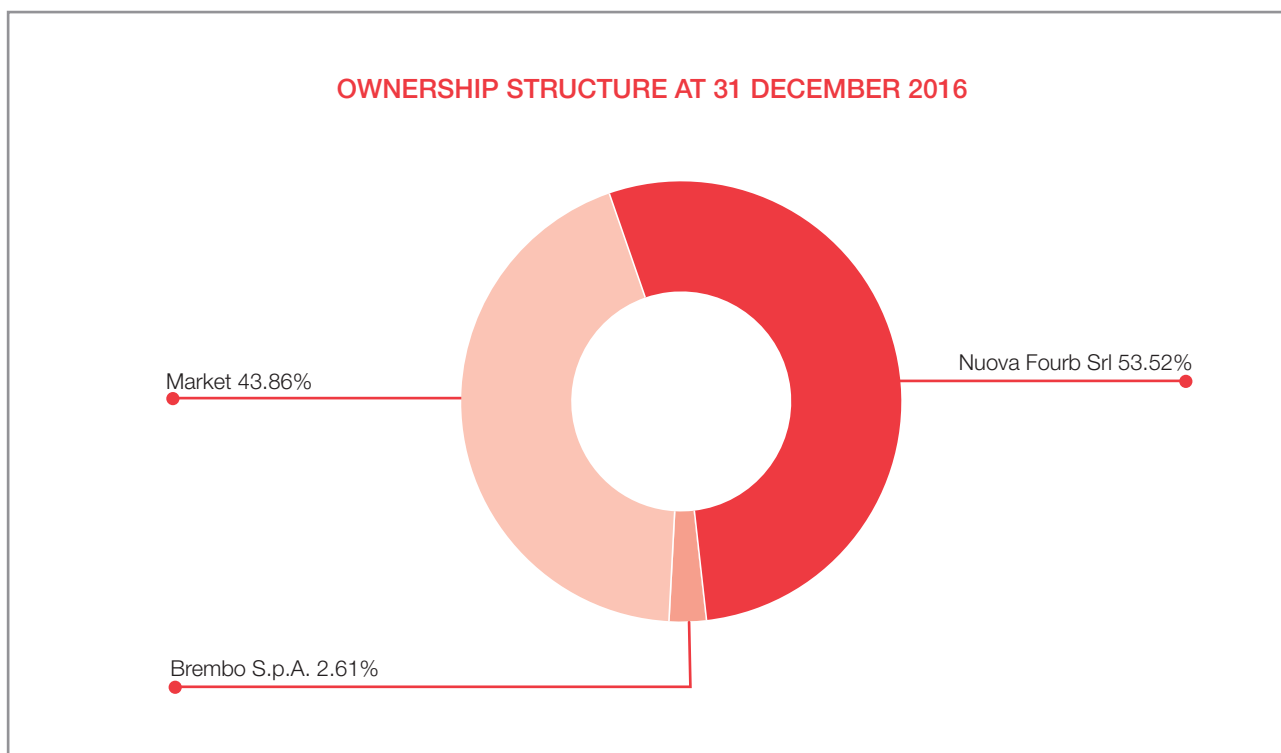
### 2.2. Significant shareholdings

Number of ordinary shares outstanding: 66,784,450

(Figures taken from the Shareholders' Register at 31 December 2016 and included in Consob notices)

| Declarant           | Direct shareholder                       | Nationality   | No. of shares | % on share capital with voting rights |
|---------------------|--|---------------|---------------|---------------------------------------|
| 1 BOMBASSEI ALBERTO | NUOVA FOURB SRL                          | ITALIAN       | 35.744.753    | 53.523%                               |
| 2                   | BREMBO SPA                               | ITALIAN       | 1,747,000     | 2.616%                                |
| 3                   | CACEIS BANK FRANCE                       | FRENCH        | 874,473       | 1.309%                                |
| 4                   | MONTANARO EUROPEAN SMALLER COMPANIES PLC | IRISH         | 800,000       | 1.198%                                |
| 5                   | JPMORGAN FUNDS EUROPEAN BANK AND BC      | UNITED STATES | 701,879       | 1.051%                                |
| 6                   | GOVERNMENT OF NORWAY                     | NORWEGIAN     | 638,023       | 0.955%                                |
| 7                   | GABELLI SMALL CAPITAL GROWTH FUND        | UNITED STATES | 630,000       | 0.943%                                |
| 8                   | COLUMBIA ACORN INTERNATIONAL             | UNITED STATES | 555,543       | 0.832%                                |
| 9                   | NATIONAL WESTMINSTER BANK PLC            | ENGLISH       | 449,873       | 0.674%                                |
| 10                  | CBNY S/A INTER OPPORTUNITIES FUND        | UNITED STATES | 362,711       | 0.543%                                |

<sup>3</sup> The General Shareholders' Meeting of Brembo S.p.A. held on 21 April 2016 approved through a majority vote to eliminate the nominal value of the company's ordinary shares and to delete all references to the nominal value of €0.52 euro per share from Article 5 of the current By-Laws.



### 2.3. Change of control clauses

In carrying out its business, Brembo and its direct or indirect subsidiaries are parties to various joint venture, supply, cooperation and financing agreements, which, as is customary in international contracts and in negotiating practice for such agreements, include clauses that if applied grant each of the parties the power to withdraw from and/or terminate and/or modify such agreements in the event of a direct and/or indirect change of control of one of the parties to the agreement.

### 2.4. Power to increase the share capital

In accordance with Article 2443 of the Civil Code, on 29 April 2014 the General Shareholders' Meeting vested the Board of Directors with delegated powers to increase the paid share capital by issuing new shares no later than 29 April 2019 — on one or more occasions, also in several tranches, pursuant to Article 2439, paragraph 2, of the Civil Code, while excluding the option right pursuant to Article 2441, paragraph 4 (2), of the Civil Code — for an overall maximum nominal value of €3,472,791.40 and no more than 6,678,445 shares without nominal value, or — if fewer — of a number of shares that, at each date

such powers are exercised (and taking due account of any and all the shares that may already have been issued pursuant to said powers), represents 10% (ten percent) of the company's total shares at such date<sup>4</sup>. With regard to the aforesaid delegated powers, the Board of Directors is additionally empowered to:

- establish, for each issue, the number, unit price of issue and dividend rights of the related ordinary shares, without restriction except as specified under Article 2441, paragraph 4 (2), and/or Article 2438, and/or Article 2346, paragraph 5, of the Civil Code;
- determine the deadline to subscribe company's ordinary shares;
- exercise the delegated powers, as well as the authority mentioned above, including and not limited to, full powers to accordingly amend the company's By-laws, as may be required from time to time.

<sup>4</sup> Please refer to Article 5 of the By-laws.



## 2.5. Authorisation to repurchase own shares

After revocation of the previous Resolution dated 23 April 2015, which was not implemented, the General Shareholders' Meeting of Brembo S.p.A. held on 21 April 2016 approved a plan for the buy-back of own shares ending on 21 October 2017. This authorisation entails:

- the purchase or sale up to 1,600,000 of its own shares, in one or more tranches – with the concurrent revocation of the previous authorisation passed on 23 April 2015, which was not implemented – and for a maximum term of 18 months, at a purchase price ranging between €0.52 and €60 each, using the available reserves and securing such shares by withdrawing from the Extraordinary reserve and partly from Retained earnings €96,000,000 (in addition to the restriction on Reserves for own shares already in portfolio of €13,475,897), for a maximum amount of €109,475,897;
- with reference to the disposal of own shares for a maximum term of 18 months, granting the Board of Directors the power to define, from time to time, all the criteria to set the relevant consideration and/or methods, terms and conditions to use own shares in portfolio, taking due account of the realisation methods applied and the price trend of the stock in the period before the transaction, acting in the best interest of the Company;
- granting the Chairman and Executive Deputy Chairman full powers, to be exercised severally and/or delegated to third parties, to implement the Resolutions as per the points above, even availing of attorneys-in-fact, in accordance with applicable laws and as requested by relevant authorities.

of and exclusive approval by the Board of Directors of Brembo S.p.A., which as of 31 December 2016 includes five independent Directors:

- the preparation of the Group's business, strategic and financial and budget plans;
- the issuance of directives on matters of financial and credit policy and the centralisation of functions such as treasury management, administration, finance and control; and
- the determination of the strategies for the growth, strategic and market positioning of the Group and its individual companies, particularly where policies may influence and determine their practical implementation by the company's management.

The professional expertise and authoritativeness of non-executive and independent Directors are an additional guarantee that all Board's decisions are taken in the sole interest of Brembo S.p.A. without being subject to any direction or interference from third parties representing interests other than those of Brembo S.p.A. and the Group.

On the other hand, Brembo S.p.A. has power of coordination and control on its subsidiaries pursuant to Article 2497 of the Civil Code, and sets the medium and long-term company and Group strategies in terms of financial performance, business objectives, investments and sales and marketing policies. The requirements pursuant to Article 2497-*bis* of the Civil Code have been complied with.

### Own shares in portfolio at 31 December 2016

| No. of own shares | % of share capital | Average book value | Total value     |
|-------------------|--------------------|--------------------|-----------------|
| 1,747,000         | 2.616%             | Euro 7.71          | Euro 13,475,897 |

## 2.6. Direction and coordination

Brembo S.p.A. is not subject to the direction and coordination of any company or entity pursuant to Article 2497-*bis* of the Civil Code, despite it being controlled by another company. This is because, in accordance with the provisions of the Corporate Governance Code, decisions that result in the following are subject to the collective examination

### 3. COMPLIANCE WITH THE 2015 CORPORATE GOVERNANCE CODE (pursuant to Article 123-bis, paragraph 2, letter a, of TUF)

Brembo endorses and complies with the recommendations of Borsa Italiana S.p.A.'s Corporate Governance Code for listed companies (July 2015 edition), through the adoption of its own Corporate Governance Code (as most recently updated by Board resolution of 18 December 2015). Neither Brembo S.p.A. nor any of the companies it directly or indirectly controls, is subject to any foreign or international regulations that could potentially affect Brembo's Corporate Governance Structure.

Taking due account of the evolution of industry-specific best practices and the Governance Committee's recommendations, in financial year 2016 (the last year of term of the current Board which will have to be reappointed or replaced), Brembo launched a process involving key players throughout its governance system (including Independent Directors, the Lead Independent Director, the Board Performance Evaluation and the Remuneration & Appointments Committee) aimed at informing the market of the outgoing Board's recommendations and guidelines regarding the requirements in terms of the professional background and working experience that future company directors ought to meet in order to ensure that the new Board of Directors be duly appointed and can function effectively, in light of the Group's size, market position, complexity, strategies and industry-specific features.

Therefore, on 3 March 2017, at the motion of the Remuneration & Appointments Committee, the outgoing Board<sup>5</sup> approved the Board Rules with a view to informing the market of further criteria, designed to be as objective as possible, to ensure the abovementioned targets. The criteria in question are also designed to ensure compliance with the gender balance requirements imposed on corporate governing bodies under Article 123-bis, paragraph 2 (d-bis) of TUF and applicable to the new Board to be appointed for the three year period 2017-2019.

<sup>5</sup> The term of the Board currently in office is set to expire as of the date of the General Shareholders' Meeting scheduled for 20 April 2017.

### 4. BOARD OF DIRECTORS

#### 4.1 Appointment and replacement of Company Directors

The company is governed by a Board of Directors made up of five to eleven members, determined by resolution of the General Shareholders' Meeting. Directors are appointed by the ordinary Shareholders' Meeting on the basis of lists with a minimum threshold of 1% of share capital (Consob Resolution No. 19856 of 25 January 2017).

On 21 April 2016 the General Shareholders' Meeting of Brembo S.p.A. resolved to amend the provisions of the By-laws governing the submission of lists for the appointment of the Board of Directors to reflect Article 126 of the TUF, and specifically:

- the lists submitted are also valid for any callings of ordinary sessions of the General Shareholders' Meeting after the first, even if a new notice of calling is published;
- in such cases, shareholders may submit new lists, and the terms provided for in Article 147-ter of TUF (25 days for submission and 21 days for public disclosure) are reduced to 15 and 10 days, respectively.

In line with the best practices of listed companies and in accordance with the recommendations of Borsa Italiana's Corporate Governance Code for Listed Companies, the General Shareholders' Meeting of Brembo S.p.A. held on 21 April 2016 approved the amendment to Article 15 of its By-laws regarding the independence requirements for members of the Board of Directors, introducing a reference not only to the applicable provisions of TUF, but also to the Codes of conduct adopted by the Company, with an indication of those set out in Borsa Italiana's Corporate Governance Code.

## SUMMARY OF THE COMPANY'S BY-LAWS PROVISIONS

### Composition (Article 15 of the By-laws)

The Board of Directors consists of:

- a minimum of 5 and a maximum of 11 members (executive and non-executive Directors), who may be re-elected and, unless otherwise resolved by the General Shareholders' Meeting, shall hold office for the period specified in the General Shareholders' Meeting appointment resolution, up to a maximum of three years; they shall expire at the date set for the General Shareholders' Meeting called to approve the Financial Statements for their last year of office, subject to the causes for termination and forfeiture provided for by law and the By-laws;
- at least 1 Board member, or 2 members if the Board is made up of more than 7 members, meeting the independence criteria pursuant to laws and the Corporate Governance Code of Borsa Italiana, endorsed by the Company<sup>6</sup>;
- its composition must reflect gender balance, in accordance with the laws and regulations from time to time in force.<sup>7</sup>

<sup>6</sup> It should be noted that, in light of Brembo S.p.A.'s stock entry in the FTSE-MIB index, as of 1 January 2017, the 3.C.3. principle of the Corporate Governance Code of Borsa Italiana according to which "As for issuers belonging to FTSE-Mib index, at least one third of the Board of Directors members shall be made up of independent directors. If such a number is not an integer, it shall be rounded down." should be taken into account with regard to the BoD composition.

<sup>7</sup> The By-laws has been brought in line with the provisions of Law No. 120/2011 (Regulation on equal access to the management and supervisory bodies of listed companies) by Board of Directors' resolution dated 12 November 2012.

### List voting (Article 15-bis of the By-laws)

With regard to the lists of candidates, duly signed by the Shareholders submitting the same, or the Shareholder delegated to do so, together with all the other related documents as required under the By-laws:

- the lists containing a number of candidates equal to or greater than three must include candidates of both genders (male or female); these 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 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;
- the lists must be filed with the Company's registered offices at least 25 calendar days prior to the scheduled date of the General Shareholders' Meeting at first calling and they must be made available to the public at the Company's registered offices, on the corporate website and in the other manners and forms specified under statutory and regulatory provisions, at least 21 calendar days prior to the scheduled date of the General Shareholders' Meeting;
- the lists shall be numbered in serial order according to the date of their filing with or submission to the company;
- the filing of voting lists pursuant to the provisions of Article 15-bis of Brembo S.p.A.'s By-laws shall also be valid for General Meetings held at subsequent callings, if any;
- in this latter case, new voting lists may be submitted and the aforementioned terms set forth for the filling of lists are reduced to 15 and 10 days, respectively.

### Voting and Election (Article 15-ter of the By-laws)

With reference to the procedures regulating the voting process to appoint the Board of Directors:

- 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 by Shareholders, in the same serial order in which they appear on the said list;
- 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;
- the positions of independent Directors, who must meet the requirements of independence, pursuant to Article 15 of By-laws as mentioned above, will be filled from the list that obtained the highest number of the votes cast by Shareholders, or if this is not possible, from the list that obtained the second highest number of votes;
- 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 (for instance, half the 1% of share capital);
- should only one list be submitted, all the members of the Board of Directors must be drawn from the said list, it being understood that in the event no list is submitted, the General Shareholders' Meeting shall pass related resolutions by majority vote, in accordance with applicable laws and regulations, and provisions concerning gender balance (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);
- should two or more lists be presented, the Board of Directors members shall be drawn: (i) from the list obtaining the highest number of the votes cast by shareholders, in the same serial order in which they appear on the said list, all the Board members to be appointed save one, without prejudice to provisions concerning gender balance and pursuant to applicable laws and regulations; (ii) 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.

#### 4.2 Succession plans

On 6 June 2011, the Board of Directors of Brembo S.p.A. approved the Brembo Group's current organisational structure reinforcing the Company's governance model in order to strengthen the top management team and gradually initiate internal succession mechanisms. Within this proven organisational structure and in accordance with the delegated powers assigned by the Board of Directors, Matteo Tiraboschi holds the position of Executive Deputy Chairman, Andrea Abbati Marescotti that of Chief Executive Officer, and Chairman

Alberto Bombassei has taken on a more strategic, less operational role.

In addition, for each top management position, Brembo also drew up Guidelines to identify both short- and medium-term successors, as summarised in specific documents approved by top management.

#### 4.3 Composition of the Board of Directors for the three-year period 2014-2016

The General Shareholders' Meeting held on 29 April 2014 confirmed the number of Board members at 11

and appointed the Board of Directors for the three-year period 2014–2016, i.e., until the General Shareholders' Meeting called on 20 April 2017 to approve the Financial Statements for the year ended 31 December 2016,

based on the two lists submitted respectively by the majority shareholder Nuova FourB S.r.l. and a group of Asset Management Companies and other institutional investors (holding 2.11% of the share capital, overall).

## COMPOSITION OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES AT 31 DECEMBER 2016

| BOARD OF DIRECTORS                                       |                          |               |                                   |                |  |                   |        |           |                           |                   |  | AUDIT & RISK COMMITTEE          |  | REMUNERATION & APPOINTMENTS COMMITTEE     |        |   |
|--|--------------------------|---------------|-----------------------------------|----------------|--|-------------------|--------|-----------|---------------------------|-------------------|--|---------------------------------|--|---|--------|---|
| Office held  | Name and surname         | Year of birth | Seniority of service <sup>1</sup> | In office from | In office until                                | List <sup>2</sup> | Exec.  | Non exec. | Indep. as per Code        | Indep. as per TUF | Attendance rate at 2016 meet-ings <sup>3</sup> | Other offices held <sup>4</sup> | Member                                   | Attendance rate at meet-ings <sup>3</sup> | Member | Attendance rate at meet-ings <sup>3</sup> |
| Chairman   | Alberto Bombassei        | 1940          | 21.12.84                          | 29.04.2014     | Approval of Financial Statements at 31.12.2016 | M                 | x      |           |                           |                   | 100%   | –                               |  |   |        |   |
| Executive Deputy Chairman                                | Matteo Tiraboschi        | 1967          | 24.04.02                          | 29.04.2014     | Approval of Financial Statements at 31.12.2016 | M                 | x      |           |                           |                   | 100%   | –                               |  |   |        |   |
| Chief Executive Officer                                  | Andrea Abbati Marescotti | 1964          | 06.06.11 (coopt.)                 | 29.04.2014     | Approval of Financial Statements at 31.12.2016 | M                 | x      |           |                           |                   | 100%   | –                               |  |   |        |   |
| Director   | Cristina Bombassei       | 1968          | 16.12.97 (coopt.)                 | 29.04.2014     | Approval of Financial Statements at 31.12.2016 | M                 | x      |           |                           |                   | 86%  | 1                               |  |   |        |   |
| Director   | Barbara Borra            | 1960          | 29.04.14                          | 29.04.2014     | Approval of Financial Statements at 31.12.2016 | M                 |        | x         | x                         | x                 | 100%   | 4                               |  | x (Chair.)                                |        | 100%                                      |
| Director   | Giovanni Cavallini       | 1950          | 14.11.05 (coopt.)                 | 29.04.2014     | Approval of Financial Statements at 31.12.2016 | M                 |        | x         | x                         | x                 | 71%  | 1                               | x <sup>5</sup>                           | 80%                                       | x      | 100%                                      |
| Director   | Giancarlo Dallera        | 1946          | 28.04.03                          | 29.04.2014     | Approval of Financial Statements at 31.12.2016 | M                 |        | x         |                           | x <sup>6</sup>    | 100%   | 4                               |  |   |        |   |
| Director   | Bianca Maria Martinelli  | 1961          | 29.04.14                          | 29.04.2014     | Approval of Financial Statements at 31.12.2016 | m                 |        | x         | x                         | x                 | 100%   | 2                               | x  |   |        | 100%                                      |
| Director   | Umberto Nicodano         | 1952          | 03.05.00                          | 29.04.2014     | Approval of Financial Statements at 31.12.2016 | M                 |        | x         |                           |                   | 71%  | 6                               |  | x   |        | 100%                                      |
| Director (LID)   | Pasquale Pistorio        | 1936          | 29.04.08                          | 29.04.2014     | Approval of Financial Statements at 31.12.2016 | M                 |        | x         | x                         | x                 | 100%   | 1                               | x (Chair.)                               |   |        | 100%                                      |
| Director   | Gianfelice Rocca         | 1948          | 29.04.11                          | 29.04.2014     | Approval of Financial Statements at 31.12.2016 | M                 |        | x         | x                         | x                 | 86%  | 9                               |  |   |        |   |
| No. of meetings held during the year of reference (2016) |                          |               |                                   |                |  |                   | BoD: 7 |           | Audit & Risk Committee: 5 |                   |  |                                 | Remuneration & Appointments Committee: 1 |   |        |   |

### NOTES

- <sup>1</sup> This column shows the date on which the Director was appointed by the General Shareholders' Meeting as a Director of Brembo for the first time; 'co-option' means the date of co-option by the Board of Directors.
- <sup>2</sup> This column indicates the list from which each Auditor was appointed ("M" for majority list; "m" for minority list submitted by a group of shareholders representing 2.11% of share capital during the General Shareholders' Meeting held on 29 April 2014).
- <sup>3</sup> This column shows the Directors' attendance rate at the meetings held by the BoD or Board Committees in 2016 (No. of times attended/No. of meetings held during the Director's actual term of office).
- <sup>4</sup> This column shows the number of Directorships or Auditorships held in other companies listed on regulated markets, including foreign markets, financial companies, banks, insurance companies and large companies. Said information can be obtained from their respective statements.
- <sup>5</sup> For 2016 the Board, having consulted the Remuneration & Appointments Committee, decided to reconfirm Giovanni Cavallini as independent Director, based on the principle of substance over form: despite having exceeded nine years in office in the last twelve years, Director Cavallini has always exhibited professionalism, commitment and pro-active, constant participation in the meetings of the Board and Committees, as well as independent judgement whilst performing his duties. However, given that he has exceeded the limits of seniority of service specified in Brembo S.p.A.'s Corporate Governance Code, as from 2016 he is no longer Chairman of the Audit & Risk Committee, although continues to be a committee member.
- <sup>6</sup> As from 2016, the Director Giancarlo Dallera is no longer considered to be independent in accordance with Borsa Italiana S.p.A.'s Corporate Governance Code and so will no longer be part of the Audit & Risk Committee, given that the limits of seniority in service specified in Brembo S.p.A.'s Corporate Governance Code have been exceeded.

All the appointed Directors meet the requirements of personal integrity, professionalism and respectability imposed by applicable statutory and regulatory provisions. The Non-executive Directors and those who can qualify as Independent Directors meet the requirements set by Article 148, paragraph 3, of TUF, and/or by the Corporate Governance Code, as indicated in the table above. The table also specifies the Directors' respective roles within the company, their attendance rate at the Board of Directors'

meetings held in 2016, their seniority of service, and the number of positions held with other companies that are relevant for the purposes of Brembo's Corporate Governance Manual.

No Directors reported circumstances requiring the submission of a report by them under Article 1.C.4 of Brembo's Corporate Governance Code (Departure from the competition principle).

### Other details concerning the Board of Directors at 31 December 2016 - Changes Compared to the previous term of office

| Type of information                       | Previous term of office 2011-2013 | Current term of office 2014-2016 | FTSE-MIB* | Industrial sector (ITA) |
|---|-----------------------------------|----------------------------------|-----------|-------------------------|
| No. of Directors                          | 11                                | 11                               | 12.3      | 11.5                    |
| No. of Directors drawn from minority list | 0                                 | 1                                | 2.3       | N/A                     |
| No. of executive Directors                | 3                                 | 4                                | 2.8       | 2.7                     |
| No. of non-executive Directors            | 2                                 | 2                                | 3.9       | 3.2                     |
| No. of Independent Directors              | 6                                 | 5                                | 6.1       | 5.6                     |
| % of the under-represented gender         | 18%                               | 27%                              | 29.4%     | 24.6%                   |
| Position of Lead Independent Director     | Yes                               | Yes                              | 100%      | N/A                     |
| Average age of Directors                  | 61.2                              | 61                               | 58.9      | 59                      |

\* Notes and Studies by Assonime 18/2016 and/or Final Report 2016 - "Osservatorio sull'Eccellenza dei Sistemi di Governo in Italia" (The European House Ambrosetti) and/or 2016 Italy Board Index of Spencer Stuart

## PROFESSIONAL PROFILE OF THE DIRECTORS CURRENTLY IN OFFICE

A short professional profile of each Director, with his/her personal and professional features, is included hereinafter.

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### ALBERTO BOMBASSEI

#### **Chairman Executive Director**

Company founder and Chairman of the Board of Directors since 1993.

He is also founder and Chairman of the Kilometro Rosso Scientific and Technological Park. In 2004, he was granted the Italian honorary title of “Cavaliere del Lavoro”. From 2001 to 2004, he served as President of Federmeccanica.

From 2004 to 2012, he held the position of Vice President of Confindustria for Industrial Relations, Social Affairs and Social Security. In 2003, the President of the Italian Republic, Carlo Azeglio Ciampi, awarded him the Leonardo Prize “Italian Quality” for his contribution to exporting Italian-made products worldwide. Since 2016 he has been Member of the Board of Directors of ISPI – Istituto per gli Studi di Politica Internazionale (Institute for International Political Studies). In the same year he became member of the Board of Directors of the Italy-China Foundation. Over the years he received several awards, including: the Prize “Eurostar 2004” for outstanding achievements at the helm of Brembo, and in 2007 the Prize “Amerigo Vespucci” for his contribution to the development of relations between Italy and Brazil; in 2008, he received the prize “ASFOR for career achievements” for his contribution to Italian economic and social development; in October 2012 the “Tiepolo Prize 2012” granted by the Italian Chamber of Commerce and Industry in Spain and the Chamber of Commerce and Industry of Madrid, and in November 2012 he was awarded the Ernst & Young Entrepreneur of the Year prize.

In December 2014, he was awarded the title of Commander of the Order of Isabella the Catholic by the Ambassador of Spain. In the same month, the American Chamber of Commerce in Italy conferred him the Transatlantic Award for the investments made to expand the Homer plant in Michigan and build a new cast-iron foundry.

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### MATTEO TIRABOSCHI

#### **Executive Deputy Chairman**

Born in Bergamo in 1967, Matteo Tiraboschi studied at the scientific lyceum and then obtained a bachelor’s degree in Economics at the University of Bergamo. He has been registered in the Certified Public Accountants Register of Bergamo since 1995, as well as in the Auditors Register. He started his career at the Milan offices of a major international auditing firm, where he worked for about four years. He then went into private practice for ten years as a Certified Public Accountant specialising in restructuring of companies undergoing a crisis situation, bankruptcy proceedings, taxation and corporate matters. In the same years, he also served as Director and Statutory Auditor in various companies. He has been a Director of Brembo S.p.A. since 2002. In 2005, he joined the company where he has since held several positions: Director of the Group’s Foreign Companies, Chief Financial Officer, and Investor Relator. Since 2011 he has served as Brembo S.p.A.’s Executive Deputy Chairman.

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### ANDREA ABBATI MARESCOTTI

#### **Chief Executive Officer**

Chief Executive Officer and General Manager of the company since 6 June 2011. Born in Modena in 1964, he graduated in 1989 with honours and recommendation for publication in Electronic Engineering at the University of Bologna. In 1991, he joined the Fiat Group, where he held the position of Chief Operating Officer of Fiat-GM Powertrain Italy from 2002 to 2003, Vice-President Planning Strategies & Sales of Fiat-GM Powertrain from 2003 to 2005, Chief Restructuring Officer of Fiat Powertrain Technologies from 2005 to 2006, and Senior Vice-President Operations Construction Equipment of CNH from 2007 to 2009. From 2009 to 2011 he served as Chief Executive Officer of UFI Filters.

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### CRISTINA BOMBASSEI

#### **Director in charge of the Internal Control and Risk Management System**

Director of the company since 1997. She has been executive Director in charge of the Internal Control & Risk Management System since 2008. In 2013, she was appointed CSR Officer and tasked with promoting

Brembo Group's commitment to Corporate Social Responsibility. She is a Director of Banca Popolare di Bergamo S.p.A. and Kilometrorosso S.p.A., as well as Vice-President of Confindustria Bergamo where she is in charge of Education.

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**BARBARA BORRA**

***Independent Director***

Member of the Board of Directors of Brembo S.p.A. since 2014, as Independent Director and Chairwoman of the Remuneration & Appointments Committee. Born in Turin on 24 March 1960, Barbara Borra earned a bachelor's degree in Chemical Engineering at the Turin Polytechnic in 1984, before completing her MBA through INSEAD Fontainebleau in 1989. She started her career in 1984 at the Montedison Group's Donegani Institute, first in Novara and then in the USA. In 1989, she joined General Electric where she remained until 2000, serving in positions of increasing responsibility in the Plastics and Lighting divisions. After five years at Rhodia, first as President Europe Zone in charge of Engineering Plastics and subsequently as Global President of the Technical Fibres division, in 2005, she joined Whirlpool as President of Whirlpool France, before being appointed Global Vice President of Food Preparation and Vice President and General Manager for China. Barbara Borra currently serves as CEO EMEA of the Fontana Group, as well as independent Director in the Supervisory Board of Ranstad and Italgas, and chairs the Board of Directors of the joint venture between Ansaldo Energia and Shanghai Electric.

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**GIOVANNI CAVALLINI**

***Independent Director***

Member of the Board of Directors of Brembo S.p.A. since 2005, where he has been serving as Independent Director. He was born in Milan on 28 December 1950. After graduating in Civil Engineering from the Polytechnic in Milan, he obtained a Master's degree in Business Administration from the Harvard Business School. From 1978 to 1987, he worked at The Boston Consulting Group, where he served as Vice President and Partner for three years. Founder and Chief Executive Officer of S.I.C. (Società Iniziative Commerciali), and Co-founder and Director of S.S.C. (Società Sviluppo Commerciale) until 1994, he was

then President of OBI Italia for two years. Within the Interpump Group S.p.A. he served as Chief Executive Officer from 1996 to 2005 and as Chairman from 2005 to 2013. From 2009 to July 2015, he served as Director of Migros Turk TSA, a company listed on the Istanbul stock exchange. From 2011 to 2016, he served as Independent Director of the Ansaldo STS Board. In June 2012, he was granted the Italian honorary title of "Cavaliere del Lavoro". From July 2013 to July 2015, he served as Chairman of ISI (Industrial Stars of Italy), a special-purpose acquisition company listed on the AIM of the Milan Stock Exchange. Since July 2015 he has been a Member of the Board of Directors of LU-VE S.p.A., a company listed on the AIM market of the Milan stock exchange. Since April 2016 he has served as Independent Director of Campari S.p.A. and, since May 2016, as Chairman of Industrial Stars of Italy 2.

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**GIANCARLO DALLERA**

***Non-executive Director***

Since 2003, Giancarlo Dallerà has been a Brembo S.p.A.'s Director. He has been a member of the Supervisory Committee of the company until 29 April 2014 and of the Audit & Risk Committee until 31 December 2015. He is also a member of the Board of Directors of CRE-LO.VE. S.p.A., Past President of the Industrial Entrepreneur Association of Brescia, Past Vice President of Federmeccanica, President of Cromodora Wheels S.p.A., a leading company in the production of light alloy wheels for original equipment and a supplier of major European manufacturers. From 1991 to 2003, he was President of Hayes Lemmerz International Inc., a multinational company in the automotive sector.

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**BIANCA MARIA MARTINELLI**

***Independent Director***

Brembo S.p.A.'s Independent Director and member of the Audit & Risk Committee since 2014. A graduate with honours in Economics at La Sapienza University in Rome, and Certified Public Accountant with an MBA from SDA-Bocconi University, she started her professional career in Società Immobiliare S.a.s. In 1988, she joined the Fininvest Group, covering a variety of posts in the Group's Foreign Department and in the Legal Affairs Department of R.T.I. In 1995, she took part in the start-up of Omnitel – now Vodafone



Italia — where she had been Public and Legal Affairs Director and a member of the Executive Committee and Board of Directors since 2003. In 2012, she was tasked with European operations in the area of consumer protection and transparency of information for the Vodafone Group. Since June 2014, she has been in charge of Poste Italiane S.p.A.'s Institutional and Regulatory Affairs Department. In addition, she has been a member of the Board of Directors of Poste Vita S.p.A. and has chaired its Internal Control Committee. She is a Director of the non-profit organisation Fondazione Poste Insieme Onlus.

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**UMBERTO NICODANO**

***Non-executive Director***

Director since 2000, he is also a member of the Remuneration & Appointments Committee of the company. A partner in the law firm BonelliErede since its foundation, he deals primarily with extraordinary finance transactions and matters of corporate governance and succession. He sits on the Board of Directors and on internal board committees of various companies including Poste Italiane and Valentino, where he is President.

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**PASQUALE PISTORIO**

***Independent Director***

Director of the company since 2008, he is a member of the Audit & Risk Committee and serves as Lead Independent Director. After graduating in Electrotechnical Engineering with a specialisation in Electronics from the Polytechnic in Turin in 1963, he received honorary degrees from the Universities of Genoa, Malta, Pavia, Catania, Palermo, Sannio, Milan Bicocca and Bristol. In 1978, he was appointed General Manager of the International Semiconductor Division, Motorola. In 1980, he became President and Chief Executive Officer of the SGS Group, which changed its name into ST Microelectronics after the merger with Thomson Semiconductors in 1987; he served this company as President and CEO up to retirement in March 2005, when he was appointed Honorary Chairman. He was a member of the UN ICT Task Force. From December 2004 to March 2012, he was a Director at FIAT Auto S.p.A. From May 2004 to December 2007, he was a Director of Telecom

Italia, where he also served as President from April to December 2007. He served as Confindustria's Vice President for innovation and research from May 2004 to May 2008. He received the Italian honorary title of "Commendatore al Merito" of the Italian Republic in 1974 and that of "Cavaliere del Lavoro" in 1997. During his career, he received several awards and honours, both nationally and internationally (France, Morocco, Singapore, etc.). In addition to his role in Brembo S.p.A., he currently serves as Director in Atos SA (listed company, France), and XiD (private company, Singapore).

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**GIANFELICE ROCCA**

***Independent Director***

He has been a Director of the company since 2011. He graduated with honours in Physics from the University of Milan and completed his studies at the Harvard Business School in Boston. In 2007, he was granted the Italian honorary title of "Cavaliere del Lavoro", and in 2009 he was awarded a honorary degree in Management Engineering from the Polytechnic of Milan. In 2010, the President of the Italian Republic, Giorgio Napolitano, awarded him the "2009 Leonardo Prize" for his contribution to the strengthening of the Italian international expansion in the steel, energy and infrastructure industries. He is Chairman of the Techint Group, which includes the companies Tenaris, Ternium, Tenova, Techint E&C, Tecpetrol and Humanitas. In Italy, he also sits on the Boards of Directors of Allianz S.p.A., Buzzi Unicem S.p.A. and the Luigi Bocconi Business School; since September 2016, he has been a Board member of the LUISS University and member of the Advisory Board of Milan Polytechnic. At international level, he is a member of the Advisory Board of Allianz Group, the Aspen Institute Executive Committee, the Harvard Business School European Advisory Board and the Trilateral Commission. From June 2012 to June 2016, he served as member of the Steering Committee of the European Institute of Innovation and Technology (EIT). For eight years, from May 2004 to May 2012, he served as Vice-President of Confindustria, where he was responsible for Education, and since June 2013 he has been President of Assolombarda. Active in social and charity initiatives, he is Chairman of the Fondazione Rocca and the Fondazione Fratelli Agostino ed Enrico Rocca.

## OPTIMAL COMBINATION OF PROFESSIONAL SKILLS AND MANAGERIAL EXPERTISE

Through the self-assessment process conducted annually by the Board of Directors, it has been determined that the composition of the Board of Directors represents a combination of professional skills and managerial expertise that meets the requirements of integrity, independence and gender

balance established in applicable laws, regulations, the By-laws<sup>8</sup> and the recommendations of the Corporate Governance Code, and is suited to the Group's size, position, complexity and the specific nature of its business sector and strategies.

| Director                   | Age | Gender | Ex | Non-ex | Indep                | ARC | RAC | Strategy | Experience in the field | Finance | Legal/ Risk Management | International background |
|----------------------------|-----|--------|----|--------|----------------------|-----|-----|----------|-------------------------|---------|------------------------|--------------------------|
| 1 Alberto Bombassei        | 76  | M      | X  | --     | --                   | --  | --  | X        | X                       |         | x                      | X                        |
| 2 Matteo Tiraboschi        | 49  | M      | X  | --     | --                   | --  | --  | X        | X                       | X       | X                      | X                        |
| 3 Andrea Abbati Marescotti | 52  | M      | X  | --     | --                   | --  | --  | X        | X                       | X       | X                      | X                        |
| 4 Cristina Bombassei       | 49  | F      | X  | --     | --                   | --  | --  |          | X                       |         | X                      |                          |
| 5 Barbara Borra            | 56  | F      | -- | X      | X                    |     | X   | X        | X                       |         | X                      | X                        |
| 6 Giovanni Cavallini       | 66  | M      | -- | X      | X                    | X   | X   | X        |                         | X       | X                      | X                        |
| 7 Giancarlo Dallera        | 70  | M      | -- | X      | X (TUF) <sup>1</sup> |     |     | X        | X                       |         |                        | X                        |
| 8 Bianca Maria Martinelli  | 55  | F      | -- | X      | X                    | X   |     | X        |                         |         | X                      | X                        |
| 9 Umberto Nicodano         | 64  | M      | -- | X      | ---                  |     | X   | X        |                         | X       | X                      | X                        |
| 10 Pasquale Pistorio       | 80  | M      | -- | X      | X                    | X   |     | X        |                         | X       | X                      | X                        |
| 11 Gianfelice Rocca        | 68  | M      | -- | X      | X                    |     |     | X        |                         | X       | X                      | X                        |

<sup>1</sup> As from 2016, the Director Giancarlo Dallera is no longer considered to be independent in accordance with Borsa Italiana S.p.A. Corporate Governance Code and so will no longer be part of the Audit & Risk Committee, given that the limits of seniority in service specified in Brembo S.p.A.'s Corporate Governance Code have been exceeded.

### 4.4 Diversity and Optimal Composition of the Board of Directors in the three-year period 2017-2019

In view of the upcoming appointment of the new Corporate Bodies during the session of the General Shareholders' Meeting called on 20 April 2017 to approve the Financial Statements as at 31 December 2016, in accordance with the recommendations set out in the Corporate Governance Code in 2016 Brembo launched a process involving the participation of several actors in the corporate governance system (independent Directors and the Lead Independent Director, Board Performance Evaluation and Remuneration & Appointments Committee). The aim of this process is for the outgoing Board to provide the Shareholders with Guidelines on the diversity and composition of the Governing Body and guidance on the professional and managerial characteristics and experience suited to ensuring an optimal composition of the new Board

<sup>8</sup> Forecast concerning the role of Directors from minority lists (Article 147-ter, paragraph 3, of TUF), Independent Directors (Article 147-ter, paragraph 4, of TUF) and representative of gender quotas (Article 147-ter, paragraph 1-ter, of TUF). Independence requirements as per the Corporate Governance Code (Article 3.C.1).

of Directors. The guidance offered is illustrated in the Directors' Report on the Appointment of the Board of Directors, available from the Company's website<sup>9</sup>. In addition, during the session of 3 March 2017 the outgoing Board of Directors<sup>10</sup>, on the proposal of the Remuneration & Appointments Committee, approved the Regulations of the Board of Directors, with the aim of providing the market with additional criteria, according to the abovementioned targets. These criteria also include the diversity policies to be applied to the composition of the governing body pursuant to Article 123-bis, paragraph 2, letter d-bis, of the TUF), with effect from the 2017-2019 Board term.

### 4.5 Maximum number of positions held at other companies

At the time of appointment and annually thereafter, within a Board session the Board of Directors verifies the compatibility of the positions held by Directors

<sup>9</sup> www.brembo.com, Investors section, For Shareholders, 2017 General Shareholders' Meeting.

<sup>10</sup> The current Board of Directors will end its term of office with the General Shareholders' Meeting convened for 20 April 2017.

in other companies based on examination and discussion of the Directors' individual statements.

It bears recalling that in the case of its 2014-2016 term, in accordance with the Remuneration & Appointments Committee's opinion and the results of the Board Performance Evaluation carried out upon the appointment of the new Corporate Bodies (2013 year-end), the Board of Directors decided not to define in advance a numerical criterion with regards to the maximum number of offices held in other companies, but rather to carry out annual assessments of the compatibility of the positions filled at other companies by the Directors with the ability to effectively perform the duties of director of the company and of member of any internal Committee. This assessment is of a qualitative nature and is based on an examination and discussion concerning the statements of each Director, taking into account the following criteria:

- relevance of the Directorships or Auditorships held in other companies listed on regulated markets (including foreign markets), financial companies, banks, insurance companies or large companies<sup>11</sup>;
- professional competence and independence of judgment expressed by the Directors;
- verification of Directors' commitment, active and constant participation in the meetings of the Board of Directors, Board Committees and various management activities of the Company, also in light of their professional commitments;
- any relationship that may be or appear such as to compromise the independence of judgment of the Director.

In 2016, the Board of Directors confirmed, based on the criteria set out above, that the positions held by Directors in other companies were compatible with effectively discharging their duties, pursuant to Article 1.C.2 of Brembo's Corporate Governance Code. The outcome is provided in the table on page 13.

#### 4.6 Induction Programme

Once the Directors have been appointed, Brembo S.p.A. organises an Induction Programme comprised of specific meetings with management, aimed at providing an adequate understanding of the business industry in which Brembo operates,

<sup>11</sup> For the assessment purposes, relevant positions are those held in companies that reported total sales or turnover exceeding €500,000,000.00 (five hundred million euro) in the last financial year.

its products, company trends and their evolution, as well as corporate organisation, control and risk management system, applicable laws and regulations and major trends that may have an impact on the Group's current performance and its short-, medium- and long-term growth strategy. It is also possible to conduct personalised follow-up sessions tailored to suit the particular interests or responsibilities that the individual Director may assume in Board Committees and to organise specific sessions based on needs and requirements for additional information identified during the previous term, either during meetings of the independent Directors or on the basis of the results of the Board Performance Evaluation. The Company is also committed to developing ongoing training programmes to allow its Directors — and in particular its executive Directors — to hone the skills and knowledge they need to tend to their responsibilities.

All newly appointed Directors receive the "Director's Manual", which contains all of the Codes, Regulations and Governance Procedures adopted by the Company.<sup>12</sup>

In order to promote and facilitate non-executive members of the company's Board of Directors and Statutory Auditors to gain more direct knowledge of the various companies into which the Group's business is structured and the specific characteristics of each entity of which the Group is comprised, as well as to foster deeper understanding of the industrial and development processes for Brembo's products, scheduled visits to the Group's facilities were organised in 2016, the final year of the Board's term:

- the meeting of 10 May 2016 was held in Poland, on the premises of the subsidiary Brembo Poland Sp. Zoo. (Dabrowa Górnicza). After the meeting, the Directors and Statutory Auditors had the opportunity to visit the Polish plant and become better acquainted with its industrial processes;
- the Stezzano facility was visited after the session of the Board of Directors held on 10 November 2016, providing further insight into the development processes of Brembo's products.

<sup>12</sup> Code of Ethics; Antibribery Code of Conduct; Brembo S.p.A.'s Corporate Governance Code; Rules of the Governance Committees; Related Party Transaction Procedure; Procedure for Handling Inside Information; Internal Dealing Regulations.

## INDUCTION SESSIONS in the THREE-YEAR PERIOD 2014 - 2016

| Induction Program | Executed | Number of sessions                                       | Focus   |
|-------------------|----------|--|---|
| 2014              | Si       | 3<br>(two hours each)                                    | Knowledge of Brembo's sector of operation, products, company dynamics and how they are evolving, organisation, control and risk management system and regulatory framework of reference |
| 2015              | Si       | 2<br>(one hour each during Board sessions)               | Group's short-, medium- and long-term growth strategy   |
| 2016              | Si       | 2<br>(Visit to Polish plant and visit to Stezzano plant) | Visits to Italian and international facilities for deeper insight into the industrial and development processes for Brembo's products   |

### 4.7 Role of the Board of Directors

#### 4.7.1 Tasks

The Board of Directors plays a key strategic guidance role that is not limited to approving the company's strategic plans and determining its organisational structure, values and standards. It is also tasked with ensuring sustainable growth in the medium-to-long term through an adequate control and risk management system, in addition to the utmost transparency towards the market and investors, with a particular emphasis on material changes in business prospects and situations of risk to which the company is exposed.

The Board of Directors is responsible for providing strategic and organisational guidance for the company and the Group, verifying the adequacy of the organisational, administrative and accounting structure and the appropriateness of the controls necessary to monitor the performance of the company and the Group, and for performing the functions and tasks set out in Article 1 of the Corporate Governance Code, including an evaluation of the nature and level of risk consistent with Brembo's strategic objectives, also in respect of the medium-long term sustainability of the company's activity.

#### 4.7.2 Meetings

In 2016, the Board of Directors met on seven occasions (six times at the Company's headquarters and once at the offices of Brembo Poland Sp. Zoo.) according to the company calendar. The average length of its meetings was 3.5 hours. The Directors' attendance rate at meetings during the year was high, as shown in the table on page 13.

The 2017 calendar approved by the Board of Directors on 7 November 2016 and then published calls for four meetings to review interim financial data. In this regard, it should be noted that Brembo, as a company listed on the STAR segment of Borsa Italiana, will publish its interim financial reports at 31 March and 30 September pursuant to Article 2.2.3, paragraph 3, of the Borsa Italiana Regulations, within 45 days of the end of the first, third and fourth quarters of the year (with an exemption from publication of the fourth report if the annual financial report is made available within 90 days of year-end, along with the other documents set out in Article 154-ter, paragraph 1, of TUF). In accordance with applicable regulations, the interim financial reports will be made available at the Company's offices and for consultation on the Company's website, [www.brembo.com](http://www.brembo.com), in the section Investors, Reports, and from the authorised data storage system ([www.1info.it](http://www.1info.it)), accompanied by a press release announcing the availability of the documents.

At the date of publication of this Report, three Board meetings have already been held, of which one aimed at examining and discussing the financial statements, items, documents, reports and proposals to be submitted to the General Shareholders' Meeting convened on 20 April 2017<sup>13</sup>.

The Board of Directors' Meetings:

- are called by the Chairman, or, if the Chairman is absent or otherwise unable to act, by the Deputy Chairman, through an e-mail notice with confirmation of receipt, sent to the members of the Board of

<sup>13</sup> Please refer to the notice of calling and the illustrative reports on [www.brembo.com](http://www.brembo.com), section Investors, For Shareholders, Shareholders' Meeting.

Directors and the Board of Statutory Auditors by the Secretary of the Board of Directors, at least five days before — or, in the cases of particular urgency, at least two days prior to the scheduled date of the Board meeting;

- Board meetings are valid, as well as their resolutions, even without a formal call, when all the Directors and Acting Auditors in office are present;
- Board meetings may be held by telecommunication means that allow participation in the discussion and provide the same information to all those in attendance;
- Board meetings may be held in Italy or a foreign country in which the Company operates, directly or through subsidiaries or investees.

The Agendas of meetings focus on five macro-areas:

- economic and financial aspects;
- strategic aspects (discussed in depth, such as: acquisitions, greenfield projects, etc.);
- themes dedicated to projects of investees;
- governance and compliance aspects;
- periodic reporting.

The Chairman of the Board ensures that the Directors and Statutory Auditors are provided with access to documentation concerning subjects on the Agenda suitably in advance of the date of the Board meeting. In order to ensure that pre-session information is timely, complete and adequate, the supporting documentation is:

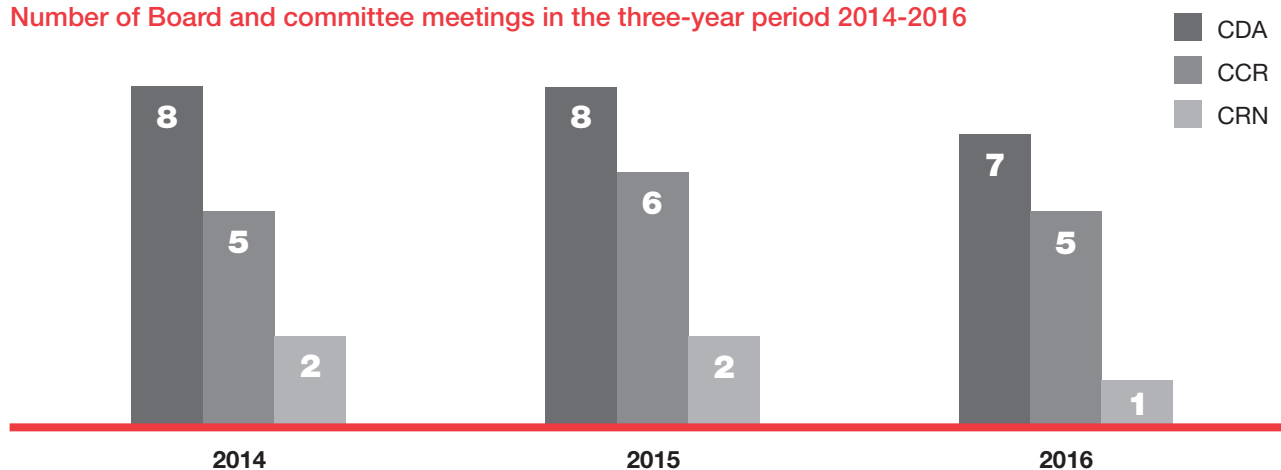
- prepared by the Secretary of the Board, with brief overviews of each subject on the agenda,

accompanied by detailed, in-depth reports illustrating the elements to be assessed (in descriptive and numerical terms) required to make the decisions concerned in a fully informed manner;

- made available to the Directors and Statutory Auditors at least five days before each meeting, except in particularly urgent cases, when it is made available two days in advance, through the app “Portale CdA by Brembo” (an application for mobile devices that allows materials to be made available for consultation solely to current Directors and Statutory Auditors, before and during sessions of the Board, through access with a username and password). The documentation concerning financial performance data for the period and certain strategic projects is presented directly during the meeting, with advance notice to the Directors and Statutory Auditors, who, if they wish, can consult it at the office of the Board Secretary in the days immediately prior to the meeting. In such cases, thorough inquiries are conducted during sessions of the Board.

In this regard, it bears remarking that the results of the Board Performance Evaluation 2016 confirmed that in the three years of the current term (2014-2016) the deadline for providing pre-session information has normally been met, thereby allowing the Board to function effectively. In addition, the frequency and length of Board meetings were adequate to ensure an appropriate level of participation, interaction and discussion amongst the various Directors on the subjects within their purview.

#### Number of Board and committee meetings in the three-year period 2014-2016



During sessions of the Board of Directors, the Chairman is responsible for coordinating the proceedings in an orderly manner and ensuring the check-and-balance procedures essential to effective, balanced management of meetings and the decision-making process. In particular, with the support of the Secretary of the Board of Directors, the Chairman:

- organises and coordinates the proceedings;
- facilitates dialogue between the executive and non-executive members of the Board of Directors and ensures the balance of powers between the Executive Deputy Chairman and Chief Executive Officer and the other executive Directors, in order to permit constructive debate;
- coordinates with the Delegated Bodies and requests the necessary information/reports for the Board.

#### **4.7.3 Activities carried out in 2016**

During 2016, the Board of Directors exercised its powers and performed its duties as summarised below.

During the meetings of 3 March 2016, 18 March 2016, 21 April 2016 and 10 May 2016 (held at the offices of the subsidiary Brembo Poland Sp. Zoo in Poland), 28 July 2016 and 7 November 2016, the Board of Directors examined, assessed and monitored:

- the performance and foreseeable evolution, including through information received from the Delegated Bodies, when presenting and approving the interim results;
- the adequacy of the organisational structure of the Group and its administrative and accounting system, after receiving the opinions of the Audit & Risk Committee and the Board of Statutory Auditors, while constantly receiving information regarding the main organisational changes and the administrative and accounting standards observed;
- the transactions with a significant strategic, operating, capital and/or financial impact carried out by the Company and/or its subsidiaries, assessing the relating risks and monitoring their progress, as well as authorising the necessary capital and financial support for certain Group companies;
- the state of progress of the activities performed in the exercise of the delegated powers and of material transactions and transactions in potential conflict of interest.

In terms of strategic projects and industrial plans, at the meeting held on 18 March 2016 (which lasted about 7 hours), after hearing the main Managers in the company's business and management areas, the Directors discussed and unanimously approved the 2016-2018 Strategic Three-Year Plan with a view on 2019, having found that the nature and level of the risk involved is in line with the Plan's objectives and sustainable in the medium/long term. On that occasion, Brembo's research, development and product and process innovation projects and initiatives were subject to further review, as always in a manner consistent with the risk profiles of the various projects and activities.

In addition, the Board examined, assessed and approved transactions that, amongst other things, had an impact on the Group's organisational structure, also considering the various risk profiles related thereto and, for specific investment projects, their sustainability over time. For example:

- the construction of a new aluminium caliper manufacturing complex in Nanjing (China), near the current brake disc manufacturing plant, scheduled to come on stream in early 2018;
- the expansion of the foundry in Dabrowa Górnicza (Poland);
- the closing on 19 May 2016 of the purchase of a 66% equity interest in ASIMCO Meilian Braking Systems;
- the construction of a new foundry in Mexico for the manufacture of iron brake discs, adjoining the integrated aluminium caliper manufacturing plant inaugurated in October 2016.

The Board of Directors also passed resolutions to economically and financially support some Group companies through their recapitalisation (Brembo Argentina S.A. and Brembo do Brasil Ltd.) or releasing parent guarantees to issue credit lines in favour of subsidiaries (Brembo México S.A. de C.V.). It also constantly monitored the process of winding up the Chinese company Brembo China Brake Systems Co. Ltd., concluded with the deregistration of the company in December 2016.

During the meetings of 3 March 2016 and 18 March 2016, the Board of Directors, in addition to verifying the continuing satisfaction of the requirements for the

positions of Director and Statutory Auditor, reviewed and approved the documentation and proposals to be put before the General Shareholders' Meeting of 21 April 2016, while also taking account of the opinions provided by the Governance Committees. In addition, the Board of Directors formulated and approved – in a single call – the draft resolution concerning the distribution of the dividend paid to the Shareholders in May 2016.

During the meeting of 3 March 2016, the Board of Directors discussed the proposals to amend the By-laws, subsequently approved by the General Shareholders' Meeting on 21 April 2016, with the aim of:

- bringing the By-laws of Brembo S.p.A. into compliance with the changes in the law brought on by Legislative Decree No. 91 of 18 June 2012, known as the “shareholders' rights corrective”;
- ensuring increasingly close alignment of the corporate governance of the company and the Brembo Group with the corporate governance system set out in the Borsa Italiana Code of Corporate Governance for Listed Companies and best practices for listed companies;
- better reflecting in the By-laws the development of the Group's business and the international profile it has now had for some time.

In the area of remuneration policies, on the basis of the opinions and proposals expressed by the Remuneration & Appointments Committee, the Board of Directors reviewed and approved the following during the meeting of 18 March 2016, in which the Head of Human Resources and Organisation was also invited to participate:

- the motion regarding the short-term Incentive Plan MBO 2016 for executive Directors, middle managers and staff up to the seventh level;
- the results of the 2013-2015 Incentive Plan for Executive Directors and Top Managers and the performances of beneficiaries for the purposes of payment of the related bonuses;
- the motion regarding the new three-year Incentive Plan 2016-2018 for Executive Directors and Top Managers and the related Rules;
- the motion regarding the new remuneration packages for 2016 for the Executive Deputy Chairman and the Chief Executive Officer;

- the 2016 General Policies for the remuneration of executive Directors, other Directors holding special positions and Key Management Personnel included in the Remuneration Report, in accordance with Article 123-*ter* of TUF (Section I);
- the 2016 Remuneration Report pursuant to Article 123-*ter* of TUF (Sections I and II), which stated that the 2015 policy was consistent with the market references identified, both in terms of overall positioning and pay-mix.

The main aspects of the new short- and long-term remuneration policies for 2017, approved by the Board during the meeting held on 3 March 2017, after having heard the opinion of the Remuneration & Appointments Committee, are illustrated in the 2017 Remuneration Report, in accordance with Article 123-*ter* of TUF, which is available on Brembo's website ([www.brembo.com](http://www.brembo.com), Company section, Corporate Governance, Remuneration Policies).

With regard to the Internal Control and Risk Management System, the Board constantly monitored the main aspects associated with the System in the context of the various improvement/development plans of the different processes. Monitoring activities included the periodic reports received during the meetings of 3 March 2016, 28 July 2016 and 3 March 2017 from the Director responsible for the Internal Control and Risk Management System, the Audit & Risk Committee, the Supervisory Committee and the Internal Audit Director, thus confirming the adequacy of the Internal Control and Risk Management System to the company's characteristics and risk profile, assessing its efficacy and consistency with established corporate objectives.

In particular, during the meeting of 28 July 2016, in which the Risk Manager also took part, the Board of Directors reviewed and discussed the Risk Report, which contains an update of the Group's risks, and formally drew up a rolling plan for the complete implementation of the Recommendations of the Code of Corporate Governance concerning the Risk Management System. The plan aims at ensuring the constant review of top risks according to the methods defined by the company and regarded as adequate, and assessing the extent of the compatibility of such risks with the Group's strategic objectives.

In its meetings held on 21 April 2016 and 3 March 2017, the Board of Directors met the Internal Audit Director in order to examine, respectively:

- the internal audit activities carried out in 2015 and verify the progress of the 2016 Audit Plan, adopting the measures deemed necessary;
- the 2017 Plan of the Internal Audit function, by approving it, finding the same appropriate to the business and Group size.

In its meeting of 28 July 2016, the Board of Directors examined the results of the 2015 Management Letter issued by the Independent Auditors and, in light of the observations expressed by the Audit & Risk Committee and the Board of Statutory Auditors, reiterated the adequacy of the Internal Control and Risk Management System to the structure of the Group and the company's type of business.

On the subject of the governance system, during its meeting of 28 July 2016 the Board of Directors promptly proceeded with the approval of the new internal procedures relating to market abuse, the rules on which changed profoundly following the entry into force on 3 July 2016 of Regulation (EU) No. 596/2014. Paragraph 5 provides a detailed description of the related activities carried out.

Regarding Legal Compliance (updating of the 231 Model and compliance programmes for Group companies), the Board was constantly informed by the Supervisory Committee not only on assurance and monitoring of compliance with the 231 Model, but also on reports of irregularities, none of which was found to be relevant for the intents and purpose of Legislative Decree No. 231/2001. On its meeting of 10 May 2016, the Board entrusted its Chairman with the task of forwarding to Borsa Italiana the Company's Notice pursuant to Article IA.2.10.2 of the instructions on Market Regulations (confirming adoption of the Model in accordance with Article 6 of Legislative Decree No. 231/2001). In addition, at the meeting of 7 November 2016, the Board of Directors approved the second edition of the Brembo Compliance Guidelines (the previous edition had been approved by the Board of Directors on 10 November 2011), which constitute Annex B to the 231 Model, with the aim of:

- making the content of the Special Sections of the 231 Model easier to use and circulate within both Brembo S.p.A. and its subsidiaries;

- providing a concise description of the areas of risk, main rules of conduct and control principles envisaged in the various Special Sections of the 231 Model, which the subsidiaries are tasked with adopting (they are incorporated in the various local compliance programmes) to prevent the commission of all of the offences set out in Legislative Decree No. 231/2001, which could, in theory, result in liability for Brembo S.p.A..

With regard to significant transactions, the company acts in accordance with the instructions for managing the requirements relating thereto included in the Corporate Governance Manual. Significant Transactions are the transfers of resources, services or obligations that by purpose, payment, procedures, or execution time may have an impact on the integrity of company assets or the completeness and fairness of information, including accounting information. These instructions also envisage quarterly disclosures of these transactions, as well as transactions involving potential conflicts of interest carried out by Brembo S.p.A. or its subsidiaries pursuant to Article 2359 of the Civil Code, by Brembo's internal entities to the Board of Directors and by the Board of Directors to the Board of Statutory Auditors. An examination of the significant transactions carried out in 2016 led to the conclusion that they were all consistent with the resolutions taken by the Board of Directors.

Within the framework of the Corporate Social Responsibility Project, during the meeting of 19 December 2016 the Board was informed of the communication and training methods for the new Code of Ethics — now in its third edition after the 2002 and 2008 versions — the text of which was approved during the session of the Board of Directors of 18 December 2015. This project refers not only to Brembo S.p.A., but to the entire Group, in keeping with international best practices: a new graphical form aimed at facilitating the reading and understanding of the principles, translation into all languages of the countries where Group companies operate, e-learning training process and specific dedicated Intranet portal.

Furthermore, the Company has constantly monitored the process of transposition into Italian law of Directive No. 2014/95/EU on disclosure of non-financial information, the development of non-financial reporting legislation, effected by Legislative



Decree No. 254 of 30 December 2016 (in force since 25 January 2017 with regard to declarations and reports referring to financial years beginning on or after 1 January 2017), with the aim of preparing to draw up the information and data to be produced in the appropriate reports concerning 2017. During the session of the Board of Directors of 3 March 2017, the CSR Officer illustrated the process of materiality analysis and identification of priority indicators carried out by the Company according to the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (version G4) and the Group's sustainability performance.

In the meeting of 7 November 2016, the Board examined the results of the 2016 Board Performance Evaluation coordinated by the Lead Independent Director with the support of the company's Legal and Corporate Affairs Department. Paragraph 3.10 provides details on the evaluation process and the relevant results. Acknowledging the overall results of the assessments conducted by the Directors, the Board of Directors expressed an assessment of essential adequacy of the Board of Directors and its Committees in terms of size, composition and functioning. The results of the above self-assessment activity were considered by the outgoing Board of Directors, including for the purposes of setting diversity guidelines for the composition of the governing body and providing guidance as to the competencies and professional profiles to be proposed in view of the appointment of the new Corporate Bodies (see paragraph 4.4).

Finally, during the meeting of 19 December 2016 the Board of Directors thoroughly analysed Brembo's 2017 budget, finding the targets set in it to be compatible with the nature and levels of the risk identified, and adequate in view of the sustainability of Brembo's business in the medium and long term. It also reviewed the 2017 budget figures of the Group's Internal Audit function, which it found to be adequate to the performance of the related responsibilities.

#### 4.8 Delegated Bodies

The General Shareholders' Meeting held on 29 April 2014 confirmed the appointment of Alberto Bombassei as Chairman of Brembo S.p.A. and Matteo Tiraboschi

as Deputy Chairman through to the end of the term of the entire Board of Directors, i.e., until the General Shareholders' Meeting called to approve the Financial Statements for the year ended 31 December 2016. Based on the organisational model (including with a view to succession planning) approved on 6 June 2011, the Board confirmed the respective powers (filed within the Companies Register) granted to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and General Manager, as specified below.

The Board of Directors retains the power to decide, *inter alia*, on the purchase and sale of shareholdings in other companies (M&As), when these exceed the limitations indicated in the following table, the issuance of guarantees to third parties by Brembo S.p.A., and responsibilities regarding annual budgets, strategic plans and medium-/long-term incentive plans.

With the favourable opinion of the Remuneration & Appointments Committee, in addition to the Directors not holding special positions and the Acting Auditors, the following were identified and confirmed as Key Management Personnel of the company: the Chairman, the Executive Deputy Chairman, the Manager in Charge pursuant to Law 262, the Chief Executive Officer and the General Manager. These are the only individuals, together with the Directors and the Acting Auditors, having the powers to influence and/or affect the development, future prospects and overall performance of the company and/or the Group.

Authority to delegate powers is vested solely in the Chairman of the Board, the Executive Deputy Chairman, and Chief Executive Officer (exclusively in relation with powers concerning safety and environment), on the basis of specific powers vested in the latter by the Board of Directors, without prejudice to specific Board resolutions.

Directors of Divisions and Business Units and other Central Directors who have been assigned specific company functions (generally coinciding with the organisational level of first-line Director) have been granted limited powers for ordinary management in relation to the performance of their respective offices and powers, regularly registered with the Company

Register of Bergamo, to be exercised in accordance with company authorisation processes.

Employers have also been identified pursuant to Article 2, paragraph 1, letter B, of Legislative Decree No. 81/2008 for Brembo's various production units, to which all of the necessary powers of organisation, management and spending authority have been assigned for the performance of the role of employer, as defined in current legislation.

Solely on an exceptional basis (subject to review from time to time by the Executive Deputy Chairman, the Legal and Corporate Affairs Department, and the Human Resources Department), special powers are granted to employees whose job descriptions do not fall within the categories mentioned above, but who, by reason of their assigned tasks, are required to represent Brembo in the latter's relations with public bodies, authorities and administrations (such as for instance, customs authorities, the Provincial Labour Department, etc.).

## **SUMMARY OF THE EXECUTIVE DIRECTORS' POWERS**

### **CHAIRMAN OF THE BOARD OF DIRECTORS**

The Chairman is the legal representative of the company pursuant to the law and the By-laws, and he is also the Company's major shareholder. The Chairman was also granted the widest powers of direction, coordination and control according to his office, and the powers of ordinary administration, subject to the limitations established by law and some specific limitations concerning real estate leases and leases of companies and/or business units, purchase and sale of real estate, including registered real estate, companies and business units and, generally, any transactions on movable or immovable property, purchase and sale of equity investments in Italy and abroad, the incorporation of new companies in Italy and abroad, having the power to choose the organisational system of the new company, as well as the issuance of letters of patronage, comfort letters, sureties and guarantees (subject to the periodic reporting to the Board of Directors) and taking out mortgage loans, loans or finance leases in the various existing forms.

### **EXECUTIVE DEPUTY CHAIRMAN**

The Executive Deputy Chairman was granted the authority to legally represent the company. In addition to the tasks of direction, guidance, communication and control, he was also granted extensive powers for the Group strategic direction, the development and proposal of guidelines concerning its international development and its financial and re-organisation policies. The Executive Deputy Chairman was also granted powers, subject to specific limitations, for the purchase and sale of real estate, representation in trade union matters, the issuance of letters of patronage, comfort letters, sureties and guarantees (subject to the periodic reporting to the Board of Directors), as well as the power to take out mortgage loans, loans or finance leases in the different existing forms and to manage the company. In the meeting held on 12 November 2015 and the following one of 10 May 2016, the Board of Directors decided to integrate some of the Executive Deputy Chairman's powers, also in consideration of the succession plan, thus conferring him the power of signing research and development contracts and agreements impacting the Group's industrial property, as follows:

- contracts of sale of industrial and intellectual property rights: The Executive Deputy Chairman has the power of signing contracts of sale of industrial and intellectual rights of the Company and contract of purchase of the same rights from third parties in favour of the Company, regardless of the value; this includes, but is not limited to, transfer contracts and/or licence agreements (both sale or purchase agreements) for patents, know-how and technology;
- research and development agreements: the Executive Deputy Chairman has the power to sign contracts, regardless of their value, on the execution of services and/or activities of research and development, design, co-design, engineering, research and technical collaboration/assistance with customers, suppliers, scientific institutions, universities and entities in general.

### **CHIEF EXECUTIVE OFFICER**

The Chief Executive Officer and General Manager have been given specific powers to manage the company and its business, powers relating to organisation, representation in trade union matters and

the mandate pursuant to Article 2381 of the Civil Code for the implementation, improvement and supervision of safety in the workplace, accident prevention and the protection of workers' health (environmental protection inside and outside the company, waste management, including the power to identify the person/s who is/ are to be considered as Employer pursuant to Article 2, paragraph 1, letter B, of Legislative Decree No. 81/2008 for Brembo's different manufacturing units).

In accordance with laws and regulations and pursuant to the By-laws, the Delegated Bodies report on the activities carried out in the performance of their respective delegated powers, at least on a quarterly basis and in any case in the subsequent meeting. During 2016, these activities were always carried out consistently with the Board's resolutions.

#### 4.9 Other Executive Directors

In addition to the Chairman, the following Directors are considered as executive Directors:

- Matteo Tiraboschi, Executive Deputy Chairman (whose powers are described in the previous paragraph);
- Andrea Abbati Marescotti, CEO and General Manager of the company (whose powers are described in the previous paragraph);
- Cristina Bombassei, Director with responsibilities for the Internal Control and Risk Management System, as well as CSR Officer (whose powers are described in paragraph 9.3).

#### 4.10 Independent Directors

The Board of Directors adopted the independence criteria for assessing the Directors' independence contained in the Corporate Governance Code by introducing at Article 3.C.1 of Brembo's Corporate Governance Code several clarifications with respect to point m) *"if he/she has been a Director of Brembo S.p.A. for more than nine years in the last twelve years,"* as specified below:

- *"if a Director, previously classified as independent, should exceed nine years in office over the last twelve years, the Board of Directors will carefully evaluate, on an annual basis, whether such a*

*qualification continues to be satisfied also in the light of substantial compliance with the other requirements laid down by Article 3.C.1, the Director's conduct and the independence of judgment expressed in carrying out his/her assignment. However, even where such independence were to be confirmed, that independent Director will no longer be able to serve as Chairman in Board Committees;*

- *if a Director, previously classified as independent, should exceed twelve years in office, he/she:*
  - *may no longer be qualified as independent pursuant to Brembo S.p.A. Corporate Governance Code;*
  - *may not be a member of the Committees set up within the Board."*

Satisfaction of the aforesaid requirements is verified by the Board of Directors, upon appointment and, subsequently, on an annual basis by examining and discussing the individual situation through the statement issued by each Director during a Board meeting.

It bears recalling that on the basis of such inquiries, during the Board's 2014-2016 term, on 12 November 2015 the Board resolved on the new composition of the Audit & Risk Committee, with effect from 1 January 2016 and until the end of the term of office in question (set to end with the General Shareholders' Meeting to approve the 2016 Financial Statements) due to the violation of the term limits envisaged in the Corporate Governance Code of Brembo S.p.A. by Directors Giovanni Cavallini and Giancarlo Dallera, with regard to their respective positions.

For 2016 in fact:

- the Board, having heard the opinion of the Remuneration & Appointments Committee, decided to reconfirm Giovanni Cavallini as independent Director, on the basis of the principle of substance over form: despite having exceeded nine years in office in the last twelve years, Director Cavallini has always exhibited professionalism, commitment and pro-active, constant participation in the meetings of the Board and Committees, as well as independent judgement in the performance of his duties. However, given that he has exceeded the limits of seniority of service specified in Brembo S.p.A.'s

Corporate Governance Code, he will cease to be Chairman of the Audit & Risk Committee, although he will continue to be a committee member;

- as from 2016, Director Giancarlo Dallerà is no longer considered to be independent pursuant to Article 3.C.1 of the Corporate Governance Code of Borsa Italiana and to Brembo S.p.A.'s Corporate Governance Code and so will no longer be part of the Audit & Risk Committee;
- the following Directors were deemed independent: Barbara Borra, Bianca Maria Martinelli, Giovanni Cavallini, Pasquale Pistorio, and Gianfelice Rocca.

In 2016, the independent Directors met, coordinated by the Lead Independent Director:

- on 28 July 2016, to review the current composition of the Corporate Bodies of Brembo S.p.A. and to assess their positions in relation to national and international trends and best practices, and to conduct an assessment of the future composition of the Board of Directors of Brembo S.p.A. (2017-2019) in light of the Group's international and technological growth and development. During that session, some guidance and indications were provided concerning the composition of the Company's future Board of Directors, based on the circumstances within which Brembo operates, characterised by: (i) constant growth; (ii) increasing internationalisation; and (iii) profound ongoing technological change. The possibility of the alternation of two to three members of the Board of Directors was also emphasised. In the light of the comments made by the independent Directors, the following proposals emerged, formulated by the current outgoing Board for the alternation of two to three Directors in conjunction with the appointment of the new Corporate Boards:
  - the Board's international profile, focused on the U.S. market and with technological expertise;
  - the presence of women, including as required by law, with particular interest in a woman of U.S. nationality with technology experience;
  - protection and promotion of the Group's international profile, with the presence of individuals not necessarily of foreign nationality, but who have considerable international experience and a 'global' vision;
- on 7 November 2016, to examine the outcome of the 2016 Board Performance Evaluation, the

findings of which are set out in paragraph 3.10 of the Report.

The Board Secretary participated in both meetings and prepared the minutes for each.

#### 4.11 Lead Independent Director

Non-executive and Independent Director Pasquale Pistorio was confirmed in his position as Lead Independent Director and will remain in office until the General Shareholders' Meeting called to approve the Financial Statements for the year ended 31 December 2016. The Lead Independent Director function is regulated by the Rules approved by the Board of Directors on 17 December 2012, fully incorporating the recommendations set forth in the 2015 Corporate Governance Code. More specifically, he is tasked with:

- serving as a point of reference for and coordinator of the petitions and contributions of non-executive Directors and, in particular, Independent Directors, within the Board of Directors;
- collaborating with the Chairman of the Board of Directors in order to ensure that members of the latter receive complete and timely information flows regarding operations;
- convening, at least on annual basis, the Independent Directors to discuss issues deemed of interest in regards to the functioning of the Board of Directors or the company's management;
- carrying out any and all additional duties that may be assigned from time to time by the Board of Directors and the Chairman;
- conducting, at the request of the Chairman, the Board Performance Evaluation on the functioning, size and composition of the Board of Directors and its Committees pursuant to the provisions of the Corporate Governance Code of Brembo S.p.A..

#### 4.12 2016 Board Performance Evaluation

On the request of the Board, and with the support of the Legal and Corporate Affairs Department, the Lead Independent Director coordinated the 2016 Board Performance Evaluation (hereinafter "BPE 2016"). In particular, on the basis of the discussion held during the meeting of the Independent Directors on 28 July 2016 concerning the composition of the Corporate Bodies of Brembo S.p.A., the assessment of 2016, considering trends and best practices in

Italy with regard to the composition of the Board of Directors, focused on the Board's overall performance during the three years of its term (2014-2016). The aim was eliciting further proposals to be assessed with the Remuneration & Appointments Committee and thus with the Board of Directors, regarding the composition and size of the new Board, to improve its future performance for the 2017-2019 Board term.

The evaluation was carried out requesting all Directors, on the one hand, to confirm and/or modify the answers provided for in the questionnaires completed in 2014 and 2015 and, on the other, to answer additional questions (BPE 2016) and thus formulate pro-

posals for the future with the aim of conducting an end-of-term assessment and analysing the qualitative and quantitative composition of the Board, so as to provide guidance concerning the professionals whose presence is deemed appropriate to an optimal composition of the new Board of Directors.

The results of this activity, received at the end of October 2016, were assessed by the Lead Independent Director, summarised in a special document provided to the Directors and examined during the meeting of the Independent Directors on 7 November 2016 and, subsequently, during the Board of Directors' plenary meeting held on the same day.

| Board Evaluation Process          | Executed | Procedure                                   | Type of assessment | Assessing party           | General judgement |
|-----------------------------------|----------|---|--------------------|---------------------------|-------------------|
| 2016 Board Performance Evaluation | Yes      | Questionnaires with closed and open answers | Independent        | Lead Independent Director | Very favourable   |

In general, the opinions expressed by all Directors were very positive, fully confirming the opinions expressed in previous years, which had amounted to 91% positive assessments in 2014 and 95% in 2015.

A unanimously positive opinion was also given by all Directors concerning the subjects addressed by the additional questions included in the 2016 Questionnaire, which focused on different elements than previous editions, with a particular emphasis on opinions of intangible assets and the application of the new provisions of the Corporate Governance Code (sustainability, induction, treatment of strategic issues, improvement of the Board's future performance, etc.). In particular, it was determined that the Company had launched a plan of action to draw up a Sustainability Report in advance of the legal obligation imposed by the EU Directive on non-financial reporting, considering corporate social responsibility to be a full-fledged approach and an important business tool.

## 5. HANDLING OF CORPORATE INFORMATION

### 5.1 The new EU provisions on market abuse

Regulation (EU) No. 596/2014 of 16 April 2014 (the Market Abuse Regulation) and Directive No. 2014/57/EU (the Market Abuse Directive) which imposes

criminal sanctions for market abuse offences — that jointly constitute the new EU regulatory framework governing market abuse issues — entered into force on 3 July 2016. With a view to preventing market abuse, the aforesaid statutory instruments require issuers to comply with disclosure obligations, including:

- the obligation to make public disclosure of Inside Information;
- the obligation to disclose the names of Insiders (Internal Dealing) and Persons closely associated therewith;
- the obligation, incumbent on all issuers and not only those in the STAR segment, to extend the Black Out Period to no less than 30 days;
- the obligation to maintain a list of persons with access to Inside Information (Insider Register).

Following the aforesaid regulatory reforms, the company amended its procedures and policies in respect of the handling of Inside Information, Insider Dealing and the maintenance of the Insider Register, especially since the same are to be considered control protocols within the meaning of Legislative Decree No. 231/2001, with regard to the prevention of market abuse offences.

### 5.2 Procedure for Handling Inside Information

Following the entry into force of the European regulatory framework outlined in paragraph 4.1

above, Brembo has reviewed and amended its previous Procedure for Handling Inside or Price-sensitive Information. The new procedure, approved by the Board on 28 July 2016, fully reflects not only the principles set forth in the Borsa Italiana's Market Information Guidelines and entrenched in international best practices, but also the provisions of Regulation (EU) No. 596/2014.

The purpose of this Procedure is to define the principles and rules governing the internal management and the disclosure of information pertaining to the operations of Brembo and the Group, with specific regard to Inside Information. Said rules and principles are aimed at ensuring that any and all Inside Information or that could potentially become Inside Information is treated with the utmost confidentiality in order to prevent the selective disclosure of documents and information pertaining to Brembo and the Group, i.e., the disclosure of data to certain persons such as, for example, shareholders, journalists or analysts prior to the public disclosure thereof, or otherwise, any form of untimely, incomplete or inadequate disclosure of the said data.

In keeping with the provisions of Brembo's Code of Ethics, the procedure is a preventive measure aimed at detecting and interdicting the abuse of Inside Information, market manipulation and attempted abuse of Inside Information within the meaning of Articles 31 and 54 of Directive No. 2014/65/EU, all of which constitute offences that, pursuant to Legislative Decree No. 231/2001 could potentially give rise to corporate administrative liability. Accordingly, the Procedure forms an integral part of Brembo S.p.A.'s 231 Model and Corporate Governance Code.

The procedure must be observed by any person afforded access to Brembo's Inside Information by virtue of his/her professional activity, in particular by its Directors, Statutory Auditors, Company Executives and all employees of Brembo and its subsidiaries.

Assessing if and to what extent specific events could be deemed to give rise to Inside Information, as well as whether or not to apply for authorisation to delay public disclosure of the same, shall be undertaken on a case-by-case basis, under the direct responsibility of the Executive Deputy Chairman, in close consultation

with the Investor Relator, the General Counsel, and the Business Development and Marketing Director.

The Investor Relations function is in charge of the publication of press releases. Brembo's Inside Information is published and stored using the Consob-authorized 1INFO system ([www.1info.it](http://www.1info.it)), managed by Computershare S.p.A.

The new procedure is available on Brembo's website: [www.brembo.com](http://www.brembo.com), section Company, Corporate Governance, Governance Documents.

### 5.3 Internal Dealing

Brembo's new Internal Dealing Procedure, adopted pursuant to and for the intents and purposes of Article 19 of Regulation (EU) No. 596/2014 of 16 April 2014 (the Market Abuse Regulation) and in compliance with all rules and regulations in force at the time of its issuance and subsequent amendments, regulates internal dealing, i.e., transactions involving shares or share-related instruments effected directly or through intermediaries, by Insiders or persons closely associated therewith.

This procedure regulates the disclosure and dissemination of information pertaining to transactions in Brembo S.p.A.'s financial instruments by Insiders and persons closely associated therewith, insofar as they are potentially in possession of inside information. The procedure sets forth:

- an obligation to report to the market all transactions involving the Company's financial instruments that have a cumulative value of over €5,000 per year;
- the ban on such transactions commencing on the 30th day immediately preceding Brembo's Board Meetings convened for the approval of the annual or interim financial results that the company is bound to disclose to the market, and expiring upon public disclosure of the press release on the results (so-called Black-out Period).

In line with the provisions of Brembo's Code of Ethics, the Internal Dealing Procedure constitutes a direct measure aimed at promoting parity of information and at deterring the misuse of advantages arising from information asymmetry to garner undue gains through insider trading transactions which,

*inter alia*, could entail corporate administrative liability for related criminal offences pursuant to Legislative Decree No. 231/2001. Accordingly, this procedure forms an integral part of the 231 Model, as well as of Brembo S.p.A.'s Corporate Governance Code, and is available on Brembo's website: [www.brembo.com](http://www.brembo.com), section Company, Corporate Governance, Governance Documents. The Investor Relations function is responsible for maintaining and periodically updating the list of insiders, as well as complying with public disclosure obligations in respect of transactions reported by Insiders.

On 9 February 2016, Brembo S.p.A.'s Chief Executive Officer, Andrea Abbati Marescotti, acquired 12,300 shares in the company and disposed of the same on 9 March 2016. The related transaction was disclosed in compliance with applicable regulations and published on Brembo's corporate website in the Insider Dealing section.

#### 5.4 Insider Register

Brembo has adopted a new Insider Register Procedure that is fully compliant with all of the requirements imposed under the new European regulatory framework governing the setting up, updating and maintenance of the Register of persons who, in the discharge of their assigned tasks and duties within the Parent or any of the latter's subsidiaries, have or could be afforded access to Inside Information on a regular or occasional basis.

The Insider Register provides a constantly updated record of all the persons who are at risk of engaging in such misconduct. As a result, it also plays a preventive role, by pre-emptively identifying all the individuals in possession of Inside Information directly or indirectly pertaining to Brembo, thereby providing a wealth of input for the risk mapping undertaken pursuant to Legislative Decree No. 231/2001, as well as for monitoring the flow of Inside Information with a view to ensuring compliance with confidentiality obligations.

This Insider Register Procedure applies to Brembo S.p.A. in its capacity as an Italian company whose shares are traded on the Italian regulated market, and to any and all persons and parties afforded access to Inside Information by virtue of an employment

contract with the company or any other type of working relationship with the same, such as, by way of example and without limitation, consultants, accountants, and credit rating agencies.

So as to prevent the commission of offences by employees and consultants who stand in a position to materially engage in criminal conduct, the company has imposed a series of further requirements, over and above the provisions set forth in the Procedure for Handling Inside Information, including confidentiality obligations contractually binding on consultants and employees, and the confidentiality requirement pursuant to the Code of Ethics.

In accordance with the recently introduced regulatory requirements, Brembo S.p.A. takes all necessary measures to ensure that all persons and parties included in the Insider Register are aware of the legal and regulatory duties underlying their inclusion, as well as the sanctions attaching to the misuse or improper circulation of Insider Information, ensuring that all the such persons are served appropriate information in such regard, in writing, against written acknowledgement of receipt and acceptance.

The Insider Register is maintained electronically using specific management software (RAP – *Registro Accesso alle Informazioni Privilegiate*) designed and licenced by Computershare S.p.A. to ensure full regulatory compliance.

The Legal and Corporate Affairs Department is tasked with maintaining and updating the Insider Register.

## 6. BOARD COMMITTEES

In accordance with the Corporate Governance Code, Brembo established all Committees provided for in the Code. The composition, duties and functioning of all Committees are defined in specific Regulations fully implementing the principles and criteria of the Corporate Governance Code. These Regulations are contained in Brembo's Corporate Governance Manual.

## 7. REMUNERATION & APPOINTMENTS COMMITTEE

The Remuneration & Appointments Committee<sup>14</sup>, appointed on 29 April 2014, will remain in office until the General Shareholders' Meeting convened on 20 April 2017 to approve the Financial Statements for the year ended 31 December 2016, and is made up of 3 members:

| Members            | Position                          |
|--------------------|-----------------------------------|
| BARBARA BORRA      | Independent Director - Chairwoman |
| UMBERTO NICODANO   | Non-executive Director            |
| GIOVANNI CAVALLINI | Independent Director              |

The professional profile of its members meets the experience requirements imposed by the Corporate Governance Code in order to ensure an efficient performance of the Committee's duties.

The Remuneration & Appointments Committee operates in accordance with its Regulations and is mainly tasked with:

- ensuring that the remuneration policies applicable to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and General Manager, the executive Directors, the Directors holding special offices and Key Management Personnel, as well as the non-executive Directors, are formulated by a Body in the absence of conflicts of interest;
- identifying the optimal composition of the Board, by indicating the professional roles that may promote its proper and effective functioning and possibly contributing to the preparation of the succession plan for Executive Directors.

The meetings of the Remuneration & Appointments Committee:

- are always attended by the Chairman of the Board of Statutory Auditors or another Statutory Auditor as required by the Chairman; the other members of the Board of Statutory Auditors may also attend the meetings;

<sup>14</sup> In 2012, Brembo incorporated the recommendation envisaging the establishment of an Appointments Committee, by vesting the Remuneration Committee of said role and consequently changing its name into Remuneration & Appointments Committee.

- may also be attended by persons, other than Committee members, who have been specifically invited and are part of the company's management and/or management structures, in relation to specific needs or items on the Agenda;
- are not attended by Executive Directors.

In 2016, upon notice of calling, the Committee held one meeting on 3 March 2016 (average length: approximately 1.5 hours). In addition to the Secretary (General Counsel), the Human Resources and Organization Director was invited to the meeting to present the subjects falling within his responsibility. On that occasion, the Remuneration & Appointments Committee:

- evaluated the closing results of the short-term annual Incentive Plan (MBO 2015) and the Incentive Plan for Executive Directors and Top Managers (LTIP 2013-2015), and their consistency with the short- and long-term policies adopted previously;
- evaluated and defined the proposals of the new short- and long-term remuneration policies, including the new three-year Incentive Plan for Top Managers (LTIP 2016-2018);
- examined the 2016 Remuneration Report (Sections I and II), assessing and confirming the effective implementation of the 2015 remuneration policies.

The Committee then submitted the proposals in question to the Board of Directors, which approved them and adopted the relevant recommendations. The Remuneration Report drawn up pursuant to Article 123-ter of TUF provides further information regarding the remuneration policies. The Report is available on Brembo's website ([www.brembo.com](http://www.brembo.com), section Company, Corporate Governance, Remuneration Policies).

Lastly, it should be noted that the Committee held an additional meeting on 24 February 2017, in view of the appointment of the new Corporate Bodies by the General Shareholders' Meeting that will approve the Financial Statements at 31 December 2016, to formulate the proposals to be submitted to the Board of Directors with regard to:

- appointment of new Corporate Bodies/2017-2019 term;
  - size: number of members of the Board of Directors;



- composition of the Board of Directors: integrity, independence and compatibility requirements for candidates and guidance concerning candidates' professional profiles for its future composition and number of positions held at other companies;
- total remuneration (for each year of the term of office) of the Governing Body and the Board Committees of Brembo S.p.A. and allocation thereof;

ii) Brembo's remuneration policies:

- MBO 2016 results;
- short-term annual incentive plan MBO 2017;
- 2017 Remuneration Report Pursuant to Article 123-ter of TUF: General Policies for the Remuneration of Executive Directors, other Directors holding special positions and Key Management Personnel.

On that occasion, the Committee also reviewed and expressed a favourable opinion of the text of the Rules of the Board of Directors, with the aim of defining – in addition to, and in keeping with, the development of best practices in this area – additional criteria of as objective a nature as possible, sufficient to ensure that the possible methods of appointment and proceedings of the Board are suited to the Group's size, positioning, complexity, strategies and industry-specific features, including the definition of policies concerning the diversity of the composition of the Corporate Bodies.

The proposals were submitted to the Board of Directors on 3 March 2017.

## 8. REMUNERATION OF DIRECTORS

Please refer to the Remuneration Report pursuant to Article 123-ter of TUF, which is available on Brembo's website ([www.brembo.com](http://www.brembo.com), section Company, Corporate Governance, Remuneration Policies).

The information required by Article 123-bis, paragraph 1(i), of TUF (*"agreements between the company and the Directors ... providing for compensation in case of resignation or dismissal without juste cause or if their employment ceases as a result of a public tender offer"*) are contained in the 2017 Remuneration Report in accordance with Article 123-ter of TUF,

which is available on Brembo's website ([www.brembo.com](http://www.brembo.com), section Company, Corporate Governance, Remuneration Policies).

The information required by Article 123-bis, paragraph 1(i), of TUF (*"the rules governing the appointment and replacement of Directors ... and amendments to the By-laws, if different from the otherwise applicable laws and regulations"*) are illustrated in the section concerning the Board of Directors (Section 3).

## 9. AUDIT & RISK COMMITTEE

The Audit & Risk Committee, which also performs the function of Related Party Transactions Committee<sup>15</sup>, consists of 3 members, indicated below.

| Members                 | Position  |
|-------------------------|---|
| PASQUALE PISTORIO       | Independent Director and Lead Independent Director - Chairman |
| BIANCA MARIA MARTINELLI | Independent Director <sup>16</sup>                            |
| GIOVANNI CAVALLINI      | Independent Director  |

It should be noted that the current composition of the Committee was approved by the Board of Directors with effect from 1 January 2016 and until the end of the Board's term (General Shareholders' Meeting convened on 20 April 2017 to approve the 2016 Financial Statements), given that Directors Giovanni Cavallini and Giancarlo Dallera had exceeded the limit of seniority provided for by Brembo S.p.A.'s Corporate Governance Code. The professional profiles of its members meet the experience requirements set by the Code for the effective performance of the Committee's duties.

The duties and functioning of the Audit & Risk Committee are defined in the relevant Rules contained in Brembo's Corporate Governance Manual.

<sup>15</sup> As it is fully made up of non-executive and independent Directors, the Committee also acts as Related Party Transactions Committee, pursuant to Article 2.2.3, paragraph 3, of the Rules of Borsa Italiana S.p.A., and Article 3 of Brembo S.p.A.'s Corporate Governance Manual.

<sup>16</sup> Elected from the minority list submitted by a group of Asset Management Companies and other institutional investors (holding 2.11% of share capital, overall)..

The following persons are always invited to the Committee meetings:

- the Chairman of the Board of Statutory Auditors or another Acting Auditor delegated by him;
- the Director in charge of the Internal Control and Risk Management System;
- the Chief Executive Officer;
- the Internal Audit Director;
- the Manager in charge of the Company's financial reports, or a person delegated by the said Manager, for matters falling within his remit;
- the Risk Manager;
- the Corporate and Compliance Manager, also serving as Committee permanent secretary.

Members of the company's management and/or in charge of the so-called second-level control functions were also specifically invited to participate so that they could illustrate the main risk factors and risk mitigation plans/actions, each to the extent of his or her competence. Given the similarity of the subjects addressed, the sessions of the Audit & Risk Committee often include agenda items that are discussed jointly with the Board of Statutory Auditors and the Supervisory Committee, in accordance with the specific functions and duties of each.

In 2016, the Audit & Risk Committee held five meetings, duly recorded in the minutes, lasting about 3.5 hours each on average, on the following dates: 25 February, 5 May, 21 July, 25 October, and 14 December. In addition, as at the date of approval of this Report, the Audit & Risk Committee had held one meeting, on 27 February 2017, during which it reported on the Internal Audit's activity, the final periodic reports for 2016 and the 2017 Audit Plan, which it deemed adequate to the Group's size and risk profiles and thus presented for the approval of the Board of Directors on 3 March 2017.

These meetings were always attended by the Chairwoman of the Board of Statutory Auditors or another Statutory Auditor designated by her or depending on the subjects addressed: all the members of the Board of Statutory Auditors, the members of the Supervisory Committee, the ICRMSD, the Chief Executive Officer, the Internal Audit Director, the Risk Manager, the Internal Audit staff (ad hoc) and the Corporate and Compliance Manager, who acts as the Committee's permanent

secretary. For further information about specific issues relating to the Group's risk profiles, sessions were also attended by the Administration and Finance Director, the Purchasing Director, the ICT Director, the Human Resources and Organization Director, the Quality and Environment Director, the General Counsel and the Group Controller.

In its functions of support to the Board of Directors, the Audit & Risk Committee issued opinions on certain aspects regarding the identification of the main corporate risks and the design, implementation and management of the Internal Control and Risk Management System. It also examined the reports submitted, by the Director in charge of the Internal Control and Risk Management System and the Internal Audit Director upon approval of the 2016 Financial Statements; moreover it issued opinions on the appropriateness of the Internal Control and Risk Management System for 2016 by means of specific reports submitted by the Committee's Chairman. The Committee periodically reports to the Board of Directors on the meetings held and subjects discussed.

During the course of its various meetings, the Audit & Risk Committee:

- oversaw the effectiveness of the audit process, and assessed and expressed its opinion on the proper use of the accounting standards and their consistency within the Group for the purposes of preparing the Consolidated Financial Statements, based on the information provided by the Manager in charge of the Company's financial reports, and their consistency for preparing the Financial Statements;
- examined the reports regularly provided by the Administration and Finance Director on significant transactions and transactions entailing a potential conflict of interests within the meaning of the corporate regulatory framework currently in force, as well as on the activities undertaken pursuant to Law No. 262/05 and its extension to Group companies; it determined that the transactions fell within the scope of the authority delegated by the Board of Directors and that the activities undertaken pursuant to Law No. 262/05 were appropriate in light of the structure of Brembo S.p.A. and the Group as a whole;
- met with the Quality and Environment Director for the annual report on environmental and workplace safety matters, with a focus on: the organisational system implemented, the results of accident

indicators, legislative assessments, and the 2016 Plan of Activities;

- assessed the risk management progress reports on:
  - the finalisation and circulation of the Procedure for Risk Management and monitoring of enterprise risk management activities;
  - the update of Brembo's Risk Report, on 31 December 2015 and 31 December 2016, respectively, containing a heat map of the Group's risk profiles and the action/mitigation plans periodically proposed by the management;
- received constant updates from the Internal Audit Director in respect of:
  - the 2016-2018 three-year Audit Plan;
  - main risks arising from assurance and monitoring activities and progress of the plans for their mitigation;
  - reports of infringements of rules, procedures and regulations, which were consistently analysed and investigated;
  - compliance-related activities.

During the meeting held on 21 July 2016, the Committee – together with the Board of Statutory Auditors, the Manager in charge of the Company's financial reports, the Internal Audit Department and representatives of the Independent Auditors – examined the results of the 2015 Management Letter issued by the Independent Auditors, and the related conclusions and recommendations, which were then reported to the Board of Directors and the Board of Statutory Auditors. No significant or serious deficiencies or critical failings were identified in the Internal Control System with regard to financial reporting, either from the standpoint of the procedures that generate the administrative and accounting data and information, which were found to be adequate to the Group's structure and type of business. The Committee then monitored the state of progress of the improvement plans prepared by the management.

Furthermore, with the aim of assisting the Board of Directors in supervising the Internal Control and Risk Management System, identifying specific risks and monitoring the progress of ongoing improvement plans, the Committee has been constantly updated, also by meeting with the company's managers involved in the different projects, on:

- the Group's budgeting and reporting system, developed while considering the Group's increasingly

international market scenario and the significantly heightened complexity of its business model;

- the results of the tax assessments conducted on the U.S. and Brazilian companies;
- an update concerning the technical migration to the new release of the AX System to AX12;
- an assessment of the compliance of IT governance with international frameworks (COBIT/ISO) developed in several stages and extended to the entire Group, for the purposes of the assessment of the possible adoption of an international standard;
- the issuance of Guidelines on the Brembo Legal, Corporate, Legal Compliance and IPR System (BLGIS), which describe and govern the scope and responsibilities of the Legal and Corporate Affairs Department, applicable to Brembo S.p.A. and all of its subsidiaries (in which it holds an interest of more than 50%);
- security management activities and the relevant organisational structure;
- the campaign to raise awareness about and circulate the third edition of the Brembo Code of Ethics;
- the proposal to amend the Addendum to the Antibribery Code of Conduct for Chinese companies, with the aim of facilitating the understanding and concrete application of the Code, and of providing specific rules of conduct compliant with local legislation, which has become stricter due to recent changes in the law.

Lastly, at the meeting of 27 February 2017, the Committee met with the CSR Officer, who presented the activities performed for the purposes of drafting a Sustainability Report on the basis of the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (version G4); the CSR Officer also illustrated the materiality analysis process aimed at identifying the areas of greatest interest and with the greatest risks and opportunities for the purposes of development of the Company's business and long-term value creation, in addition to the priority indicators identified to monitor and report the Group's sustainability performance.

In its capacity as Related Party Transactions Committee, the Committee:

- received ongoing information on 'Ordinary' Related Party Transactions carried out both at arm's length and not at arm's length, with Brembo Group companies, and considered as 'exempt' from the application of the procedural arrangements provided for in the Brembo Procedure;

- examined the Company's proposal and issued its favourable opinion, during the meeting of 5 May 2016, concerning the update of Brembo S.p.A.'s Related Party Transactions Procedure following the changes in the organisational structure of the Administration and Finance Department;
- at the meeting of 5 May 2016, examined the company's proposals and expressed its favourable opinion on the update of the Significance Indices for the identification of Highly Significant Transactions on the basis of data from the 2015 Financial Statements, and confirmed the amount of €250,000.00 as the 'threshold' for determining Low Value Transactions;
- reviewed and expressed a favourable opinion of the settlement signed with the related party Innova Technologie S.r.l., after assessing the Company's inter-

ests, including from a standpoint of reputation, and contemplating the expedience and essential correctness of the pertinent conditions (also considering the relationship between Brembo and Innova Technologie), in addition to the possible risks, both those deriving from a declaration of bankruptcy of Innova and the continuation of the various legal proceedings;

- analysed the terms and conditions of the transaction with the related party Kilometro Rosso S.p.A. for the lease of a building to be built according to specific needs and with the resulting customised features requested by Brembo, to ensure that the transaction is undertaken according to applicable company procedures and in accordance with the market parameters of reference for transactions with such characteristics.

## 10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

| Main aspects of the Internal Control and Risk Management System  | Yes/No |
|--|--------|
| Existence of a document containing Guidelines for the Internal Control and Risk Management System  | Yes    |
| Presence of an Executive Director charged with overseeing the Internal Control and Risk Management System  | Yes    |
| Presence of organisational structures responsible for risk management (Risk Management Committee - Risk Manager)   | Yes    |
| Existence of an Audit function tasked by the Board of Directors with systematically assessing the efficiency and efficacy of the Internal Control and Risk Management System   | Yes    |
| Preparation of specific compliance programmes (Code of Ethics, Model According to Legislative Decree No. 231, Antibribery Code of Conduct, Policy of Non-Discrimination and Diversity, Code of Basic Working Conditions) | Yes    |

Brembo's Internal Control and Risk Management System (hereinafter for brevity, "System" or "ICRMS"):

- complies with the principles set out in Article 7 of the 2015 Corporate Governance Code and, more generally, with the best national and international practices;
- represents the set of rules, procedures and organisational structures that allow the main business risks within the Group to be identified, measured, managed and monitored;
- helps the company to be run in a manner that is sound, correct and consistent with the objectives defined by the Board of Directors, favouring the adoption of informed decisions consistent with the risk profile, as well as dissemination of a proper understanding of risks, legality and corporate values.

The ICRMS is therefore an essential component of the Corporate Governance System of Brembo S.p.A. and the Group's subsidiaries. It was set up to

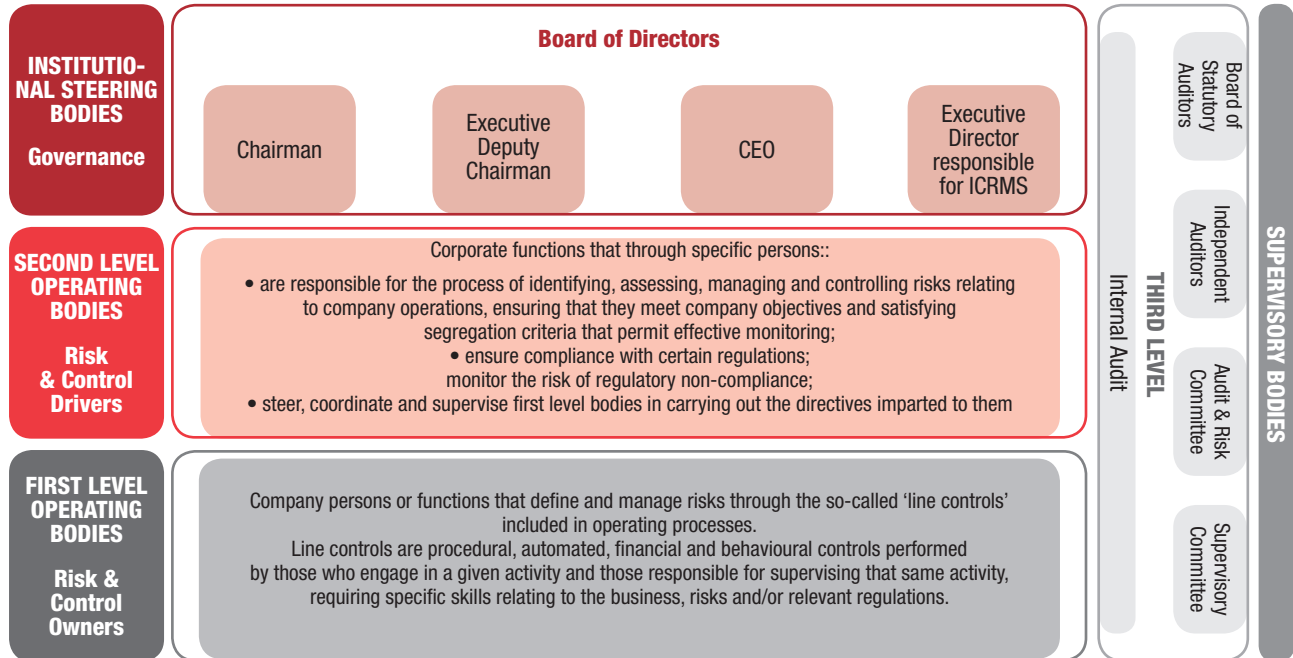
share ethical business principles and values, reflects Brembo's Code of Ethics and seeks to establish over time a fully-fledged culture of corporate controls aimed at ensuring legality, correctness and transparency in all company operations, involving the whole organisation in developing and applying methods to identify, measure, manage and monitor risks.

In operational terms, these principles translate into the achievement of the following Internal Control and Risk Management System objectives:

- helping to ensure the reliability of information;
- ensuring compliance with laws and regulations, as well as the company's By-laws and internal procedures;
- safeguarding company assets;
- facilitating the efficacy and efficiency of company operations and processes.

The System is organised as shown in the organisational chart.

## BREMBO'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM



The current edition of the Guidelines for the Brembo S.p.A. Internal Control and Risk Management System (available from the Company's website at the following link: [www.brembo.com](http://www.brembo.com), Company, Corporate Governance, Governance Documents) and the Policies for the Implementation of Brembo's Internal Control and Risk Management System were approved by the Board of Directors on 30 July 2015, in order to reflect the significant changes in the corporate governance since 2009 (the date of the first edition).

The Board of Directors is aware that the control processes cannot provide absolute assurances that the company objectives will be achieved and the intrinsic risks of business prevented; however, it believes that the ICRMS may reduce the likelihood and impact of wrong decisions, human errors, frauds, violations of laws, regulations and company procedures, as well as unexpected events.

Monitoring of the adequacy and effective operation of the Internal Control and Risk Management System, as well as any revision thereof, is an essential part of the system's structure. The Internal Control and Risk Management System is therefore subject to regular examination and controls, taking account

of developments in the company's operations and reference context. Based on the roles and responsibilities already defined, various control bodies can be identified with responsibility for performing checks and expressing opinions on the Internal Control and Risk Management System.

The overall and final assessment remains with the Board of Directors, which expresses an opinion regularly based on reports produced by the Control and Supervisory Bodies, not only to verify that the system exists and is being implemented within the Group, but also to carry out a regular detailed examination of its fitness and effective and concrete operation.

Such an assessment could therefore indicate the need to draw up further policies, processes and rules of conduct allowing the Group to adequately react to new or mismanaged risk situations. Such improvement measures, which are the responsibility of the respective management area, have to be coordinated by the Chief Executive Officer with the supervision of the Director in charge of the Internal Control and Risk Management System.

The Board of Directors has already identified the key roles and responsibilities in the Internal Control

and Risk Management System, through the approval of various company documents to which reference is made. In brief, the ICRMS involves, based on the respective duties, the Administrative Bodies (Board of Directors, Audit & Risk Committee, executive Directors, and particularly the ICRMSD), the Board of Statutory Auditors, Independent Auditors, Supervisory Committee, Internal Audit function and the other company roles and functions with specific tasks regarding internal control and risk management, organised in relation to business size, complexity and risk profile. In addition, management is responsible for the effective implementation of the Internal Control and Risk Management System for the areas within their respective remit, through the collaboration and active contribution of all those who work in and with Brembo, at each level in their working activity, helping to create not only economic but also ethical value for the company.

The key roles to mention are:

- the executive Directors, generally charged with defining further policies for effective implementation of these Guidelines, referring to models of best practice; these policies will be approved by Top Managers and reported to the Audit & Risk Committee;
- the Audit & Risk Committee, tasked with supporting the Board of Directors on internal control and risk management issues;
- the Executive Director in charge of the Internal Control and Risk Management System, tasked with identifying the main corporate risks by executing risk management Guidelines and verifying their adequacy;
- the Managerial Risk Committee, responsible for identifying and weighing the macro-risks and working with the system parties to mitigate them;
- the Risk Manager, tasked with ensuring, together with the management, that the main risks relating to Brembo and its subsidiaries are correctly identified, adequately measured, managed, monitored, and integrated within a corporate governance system consistent with the strategic objectives.

The Internal Audit function evaluates the effectiveness and efficiency of the overall Internal Control and Risk Management System on a regular basis and reports the results to the Chairman, the Executive Deputy

Chairman, the Chief Executive Officer, the Board of Statutory Auditors, the Audit & Risk Committee and the Supervisory Committee of Brembo S.p.A. with reference to specific risks connected with compliance with Legislative Decree No. 231/2001. On an annual basis, it also reports to the Board of Directors.

Risks are monitored at meetings held on at least a monthly basis, where results, opportunities and risks are analysed for each business unit and geographical region in which Brembo operates. The meetings also focus on determining the actions required to mitigate any risks. Brembo's general risk-management policies and the Bodies charged with risk evaluation and monitoring are included in the Corporate Governance Manual, in the Risk Management Policy and Procedure, in the Organisation, Management and Control Model (as per Italian Legislative Decree No. 231/2001) and in the reference Layout for preparing accounting documents (as per Article 154-*bis* of TUF), to which the reader is referred.

The Risk Management Policy applies to Brembo S.p.A. and its subsidiaries, and is addressed in particular to Governing and Control Bodies, Directors with delegated powers, company management and all employees of the organisation, with respect to the aspects falling within the purview of each of them. Risk management must be integrated into organisational processes and incorporated into all of the organisation's practices and processes in a pertinent, effective and efficient manner. In fact, it must be an integral part of decision-making and business management processes, including strategic and operational planning, the management of new business initiatives and the associated change.

In order to ensure an appropriate methodological approach, Brembo has approved an Enterprise Risk Management policy (ISO31000) as the key policy document and a risk management procedure supporting the risk management process, able to provide management with the necessary tools for identifying, assessing, weighting and handling the said risks.

This methodology provides:

- the Brembo risk model that classifies risks into the following macro families: external risks, strategic risks, financial risks and operating risks;

- the metric to be used in risk assessment, both quantitative (EBIT/Cash Flow) and qualitative (Operating/Reputational), and the likelihood of occurrence;
- the format containing the data required to identify, evaluate, weight and manage the risks, which will form Brembo's risk register.

The Enterprise Risk Management process relating to the strategic objectives is carried out annually, as is monitoring of the risk management activities.

For further information about risk families, reference should be made to the Risk Management Policy included in 2016 Annual Report .  
www.brembo.com, section Investors, Reports

The Internal Control System is involved in the broader Risk Management System, through the control activities designed to mitigate business risks. Brembo's Internal Control System refers to the CoSO Framework, which represents the best international practice for company Internal Control Systems. The CoSO hence represents the reference model for:

- implementing the Control System;
- assessing the efficacy of the Control System.

It also underpins Brembo's Organisation, Management and Control Model, pursuant to Legislative Decree No. 231/2001, and the Brembo Group's Reference Scheme for preparing the corporate accounting documents, pursuant to Law No. 262/2005.

Brembo adopted the new 2013 CoSO framework (Committee of Sponsoring Organizations) as of 2015.

### **10.1 Appropriateness of the Internal Control and Risk Management System**

With reports dated 28 July 2016 and 23 February 2017, the Chairman of the Audit & Risk Committee informed the Board of Directors of the activities undertaken by the Committee, and expressed a favourable opinion as to the adequacy of the ICRMS, taken as a whole, and its appropriateness for containing risks and efficiently ensuring compliance with the company's rules of conduct and operating procedures, whilst leaving it up to the Board of Directors to draw its own conclusions in such regard.

The Board of Directors examined the reports of the Chairman of the Audit & Risk Committee and the

Executive Director in charge of the Internal Control and Risk Management System, the activities undertaken and planned by the company's Internal Audit function, the meetings conducted by the Internal Audit Director with the Chairman of the Board of Directors, the Executive Director in charge of the Internal Control and Risk Management System and the Manager in charge of the company's financial reports. Based on the foregoing, the Board of Directors shared the opinion expressed by the Chairman of the Audit & Risk Committee and acknowledged that the ICRMS is substantially appropriate to the Group's structure and type of business, and suited to prevent the risks identified. Furthermore, the accounting principles and procedures are properly applied for the purposes of preparing the periodic financial reports.

### **10.2 The Internal Control and Risk Management System as it relates to the financial reporting process**

In accordance with the principles outlined by CoSO (Committee of Sponsoring Organizations), the Manager in charge of the Company's financial reports — assisted by the Compliance Officer and supported by Internal Audit and, where applicable, the evaluations provided by Brembo's Audit & Risk Committee — carries out a process to identify and assess the risks that might prevent the company from achieving its objectives regarding the reliability of financial reporting.

The process for identifying and assessing such risks is reviewed yearly. The Manager in charge of the Company's financial reports is responsible for updating the process to reflect any changes during the year that might influence the risk assessment process (i.e., significant organisational changes, business changes, amendments or updates to accounting standards, etc.).

Control measures taken to minimise risks identified during the risk assessment process are outlined using the appropriate formats (flow charts and matrices). Key control measures have been identified from among these.

In determining whether the administrative and accounting procedures are being effectively applied, the Manager in Charge of the Company's financial reports relies on the support of the Internal Audit function, which, by agreement with the Compliance Officer, draws up a three-year audit plan that is

carried out through scheduled annual test activities and conducted at all companies with the scope of application of Law 262.

If the tested control mechanisms are found to be defective, the Manager in charge of the Company's financial reports and the Compliance Officer are required to review them and evaluate, in concert with the Process Owners, the corrective measures recommended by the latter in a corrective plan.

The corrective plan is used to address any missing key control measures, existing control measures that are not being effectively applied, and existing control measures that are not entirely adequate.

When this document has been defined and shared, the Compliance Officer and/or Internal Audit (in this latter case through a specific follow-up on site) verify that the Improvement Plan has actually been implemented.

Any event that could potentially impact the adequacy of the above framework in light of the company's actual situation or that might compromise the reliability of the risk analysis process must be identified by the Process Owners and promptly reported to the Manager in charge of the Company's financial reports (through the Compliance Officer).

The Process Owners are responsible for identifying all events within the processes in their purview that could potentially change the above framework and promptly reporting them to the Manager in charge of the Company's financial reports, through the Compliance Officer. Every six months, if no specific events have occurred that could impact the processes or control measures for which they are responsible, the Process Contact Persons must provide a formal notice thereof.

The Compliance Officer and Internal Audit periodically report to the Manager in charge of the Company's financial reports as to the activities carried out and test results. Also the main companies in the Brembo Group are subject to analysis in conjunction with the preparation of the Brembo Group's Consolidated Annual Financial Statements and Six-Monthly Report.

On a half-yearly basis, the Manager in charge of the Company's financial reports, supported by the Compliance Officer, also requests each Group company falling within the scope of Law No. 262 to submit an attestation, duly signed by the local CFO and CEO/Country Manager, certifying that as at the

date of reference, all financial reporting processes currently in force are reliable and have been properly applied, and that the financial data in the reporting package are correct and complete.

### **10.3 Executive Director in charge of the Internal Control and Risk Management System**

On 29 April 2014, Cristina Bombassei was confirmed in her role as Executive Director in charge of the Internal Control and Risk Management System by the Board of Directors, which vested the said Director with the functions set forth in Article 7.C.4 of the Corporate Governance Code. She acts on the basis of the Guidelines issued by the Board of Directors and the Policies for implementing the ICRMS, issued by herself in July 2015.

In 2016, the Executive Director in charge of the Internal Control and Risk Management System kept communication channels open, coordinating with the Internal Audit Director, the Risk Manager and the Audit & Risk Committee during the performance of her activities (she is responsible for identifying the main company risks and monitoring the body of procedures and rules that comprise the Internal Control System, including in light of operating conditions and the legislative and regulatory situation).

The Executive Director in charge of the Internal Control and Risk Management System submitted the annual report to the Board of Directors at the meeting held on 3 March 2017.

### **10.4 Internal Audit Director**

Pursuant to the Corporate Governance Code, on the proposal of the Audit & Risk Committee and the Executive Director in charge of the Internal Control and Risk Management System, Alessandra Ramorino was confirmed in the position of Internal Audit Director by the Board of Directors on 17 December 2012. In addition, in December 2016 the Board of Directors also approved the related organisational structure, which it deemed adequate to the performance of the tasks set out in Article 7.C.5 of the Corporate Governance Code.

The Internal Audit Director (hereinafter the "IA Director") reports hierarchically to the Board of Directors through the Chairman, and in operational terms



to the Executive Deputy Chairman, and interacts with the Audit & Risk Committee, the Director in charge of the Internal Control and Risk Management System (ICRMSD) and the Board of Statutory Auditors, in such a way as to ensure constant efficacy and the requisite of independence in the performance of the duties associated with the position, in a manner consistent with the company's governance system and the Corporate Governance Code, while drawing inspiration from international best practices.

Upon proposal of the ICRMSD, and after obtaining a favourable opinion from the Audit & Risk Committee and the Remuneration & Appointments Committee, as well as consulting with the Board of Statutory Auditors, the Board of Directors determines the IA Director's (fixed and variable) remuneration in accordance with company policies and current laws. It also ensures that the IA Director has access to resources suited to the fulfilment of her responsibilities.

Each year, after having obtained a favourable opinion from the Audit & Risk Committee and consulted with the Board of Statutory Auditors, the Board of Directors assesses and approves the Audit Plan and the Internal Audit function's budget.

The mission of Brembo's Internal Audit function is to ensure the performance of independent, objective assurance and financial advice activities aimed at improving the organisation's efficacy and efficiency. Internal Audit is tasked with assisting the Brembo Group in achieving its objectives through a systematic professional approach oriented towards providing value-added services in all areas within its purview, to achieve ongoing improvement.

Internal Audit is also charged with verifying and assessing the operability and suitability of the Group's risk control and management system, in a manner consistent with the Guidelines and Policies for implementing the Internal Control and Risk Management System approved by Brembo's Board of Directors. In particular, this takes place through:

- an understanding of the risks and the assessment of the adequacy of the means used to manage them;
- an assessment of the adequacy and efficacy of the Internal Control System, while promoting effective control, at reasonable costs, with special regard to:
  - the reliability and integrity of accounting, financial and management information;
  - the efficiency and efficacy of company processes and the resources allocated to them;

- the compliance of processes and transactions with laws, supervisory regulations, rules, policies plans and internal procedures;
- safeguarding the value of the company's business and assets.

As part of its work, Internal Audit maintains constant relations with all the institutional control bodies and periodic relations with function Directors and Managers.

The activities carried out by the Internal Audit function continued to be oriented towards risk prevention, the determination of direct actions to be taken to eliminate anomalies and irregularities and the provision of support to the Group in the pursuit of pre-set operating targets.

During 2016, Internal Audit operated based on the approved Three-year Audit Plan, which provides for: organisational audits of Group subsidiaries, audits of compliance with Law No. 262/05 and Legislative Decree No. 231/2001, IT audits, audits on relevant compliance activities and ethics audits based on specific reports received.

The IA Director checked the reliability of the Company's IT systems, with specific emphasis on the accounting systems, as contemplated under the Audit Plan.

With regard to Legislative Decree No. 231/2001, the ongoing support provided by the Internal Audit function to the Supervisory Committee included the drawing up of a specific Audit Plan that was subsequently approved by the said Committee.

Throughout 2016, the Internal Audit function continued its monitoring of management of the top risks, including through follow-ups of the improvement plans defined by the management. It also provided information and training regarding the Internal Control System to Brembo's management.

The IA Director is not responsible for any operational areas; she has had direct access to the information required to perform her duties, reported on her work at each meeting of the Audit & Risk Committee and Supervisory Committee and attended the meetings of the Board of Statutory Auditors.

At its meeting on 27 February 2017, the Audit & Risk Committee was provided with appropriate information on the results of IA Director's activities for 2016 through the annual Report on the adequacy of the Internal Control and Risk Management System.

The Manager in charge of the Company's financial reports was also given due notice of activities carried out by the IA Director relating to Law No. 262/05 for 2016, during periodic meetings and through the Annual Report on the adequacy of the control model implemented for the purposes of Law No. 262 and the results of the tests in this area conducted by the Internal Audit function.

### 10.5 Organisational Model pursuant to Legislative Decree No. 231/2001

Brembo adopted an Organisation, Management and Control Model to fulfil all the legal requirements and comply with all principles that inspired the Legislative Decree No. 231/2001, with the aim to rely on an effective instrument of corporate management, able to create and protect the value of the company. Through the adoption of this Model, Brembo formalised a structured and organic system of control procedures and activities – already existing within the company – in order to prevent and monitor the risk that 231 Offences might be committed.

The 231 Model (Fifth Edition, approved on 30 July 2015) is made up of:

- a **General Section** illustrating the company's profile, the regulations of reference, underlying principles and the elements making up the Model (Corporate Governance System, Internal Control System, Principles governing the system of delegated powers, Code of Ethics), the function of the Model, the ways in which the Model is constructed and structured, the recipients of the Model, relations with Group companies, as well as the disciplinary system and the measures to be implemented in terms of training, circulation, amendment and updating;
- the **Special Sections** and relevant Sensitive Activity Analysis Sheets (the latter of which are intended for the Company's exclusive internal use) focusing on specific types of 231 Offences which – in light of Brembo's profile and business

operations – could, in the abstract, be committed within the company;

- the **Code of Ethics**, set forth in full in Attachment hereto since it forms an integral part of the Model, laying down the general principles and values that must inspire and inform the professional conduct of any and all the persons serving or acting on behalf of Brembo in any capacity whatsoever, also for the benefit of all Stakeholders even with reference to intentional crimes and negligent manslaughter or personal injury committed in violation of accident-prevention and occupational health and safety regulations;
- the **Brembo Compliance Guidelines** (in Attachment – intended for the Company's exclusive internal use), Second Edition (November 2016), which summarise the main rules of conduct indicated in the Special Sections to be adopted within Brembo in order to prevent the commission of Offences and that represent a means towards increasing the accessibility and immediacy of content of the various Special Sections for the recipients of the Brembo Model. The Second Edition, approved in 2016, features an in-depth restyling of the text, above all, to ensure that it is properly classified in accordance with the Company's filing system for corporate documents, as well as to incorporate graphics designed to improve dissemination and facilitate training;
- **Antibribery Code of Conduct** (Attachment) that, in line with the principles entrenched in the Code of Ethics and international best practices, is aimed at: ensuring transparency; clearly delineating the bounds of permitted behaviour and ensuring compliance with anti-bribery regulations in force in all the jurisdictions in which Brembo operates, by any and all persons serving Brembo in any capacity whatsoever; ensuring the highest levels of integrity by defining, *inter alia*, Brembo's policy regarding the acceptance and offer of gifts, hospitality and entertainment (i.e., the free provision of goods and/or services for promotional or public relations purposes). The Code defines each party's responsibilities in order to ensure the observance of the highest standards of integrity and avoid any suspicion of inappropriate motivations underlining the offer or acceptance of a gift or act of hospitality, or an undue influence exercised on or by the recipient who accepts such an offer;

- the **Rules governing the proceedings of the Supervisory Committee** (Attachment), as approved by the said Committee on 25 June 2014, following the Committee's new, mixed membership.

Brembo's 231 Model also describes the Group's compliance system entailing:

- the adoption of the 231 Model as part of Brembo S.p.A.'s Internal Control and Risk Management System, as well as the setting up of a Supervisory Committee tasked with constantly monitoring the functioning, appropriateness and effectiveness of the Model in question;
- the adoption by each subsidiary of a compliance programme designed in light of the local regulatory framework governing corporate administrative/criminal liability;
- the implementation by all subsidiaries of the general rules of conduct imparted by the Parent (Brembo Corporate and Compliance Tools) with a view to ensuring compliance with the highest ethical standards throughout the Group. In fact, if local regulations are less stringent than those of the Parent, then the latter's compliance principles will prevail (principle of prevalence). As well as the Antibribery Code of Conduct and Brembo Compliance Guidelines, the following instruments are also to be taken into account:
  - the **Brembo's Code of Basic Working Conditions** that codifies the principles underlying Brembo's relationships with its employees, intended exclusively for Internal use within the Company and by persons who for any reason or cause whatsoever operate on Brembo's behalf, such as business partners;
  - the **Brembo Policy on Non-discrimination and Diversity**;
  - **Brembo's Operating Procedures, Instructions and related Internal Authorisation Matrixes**, available for consultation on the Company's webportal, and duly **referenced in the Sensitive Activity Sheets**, in that they serve the preventive purposes contemplated in Legislative Decree No. 231/2001; other management systems and/or procedures applicable in specified corporate areas, in compliance with specific regulatory requirements, but also **servicing the preventive goals contemplated in Legislative Decree No. 231/2001**.

## Supervisory Committee

The Supervisory Committee, made up of 6 members, was appointed in the General Shareholders' Meeting on 29 April 2014 called upon to appoint the new Corporate Bodies and will continue to serve until the end of the term of office of the Board of Directors. The Committee's term of office will hence end on the date of approval of 2016 Financial Statements.

| Members             | Position  |
|---------------------|---|
| RAFFAELLA PAGANI    | Chairwoman of the Board of Statutory Auditors – Chairwoman of the Supervisory Committee |
| MILENA T. MOTTA     | Acting Auditor  |
| SERGIO PIVATO       | Acting Auditor  |
| ALESSANDRA RAMORINO | Internal Audit Director of Brembo   |
| MARCO BIANCHI       | External member <sup>17</sup>   |
| MARIO TAGLIAFERRI   | External member <sup>18</sup>   |

The mixed composition and panel layout of the Supervisory Committee is aimed at ensuring its autonomy, independence, operational efficiency and continuity, in compliance with Legislative Decree No. 231/2001 and the guidelines issued by the Italian Banking Association (ABI) and Confindustria (Italian Manufacturers' Association), as well as the most authoritative legal doctrine, which unanimously endorse as ideal for large corporations Supervisory Committees made up of internal members and external experts able to provide professionalism and technical know-how. Each member complies with the requirements of autonomy, independence, integrity, professionalism, competence and continuity of action provided for by the Supervisory Committee Regulation and Legislative Decree No. 231/2001. As per the Supervisory Committee Regulation, the Committee is chaired by the Chairwoman of the Board of Statutory Auditors (Raffaella Pagani).

As regards the specific activities within its remit, the Supervisory Committee met on 25 February 2016, 5 May 2016, 21 July 2016, 25 October 2016, and 14 December 2016. The Chairwoman of the Committee also attended the Audit & Risk Committee meetings

<sup>17</sup> Private practice lawyer - Studio Castaldi Mourre & Partners, Milan; he does not hold other offices within the company's Corporate Bodies.

<sup>18</sup> Certified Public Accountant and Certified Auditor, Private Practice - Studio Lexis – Dottori Commercialisti associati in Crema; he does not hold other offices within the company's Corporate Bodies..

























