

CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

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

Brembo S.p.A.

www.brembo.com,

section Company, Corporate Governance, Corporate Governance Reports 2017

Approved by the Board of Directors of Brembo S.p.A. on 5 March 2018



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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, listed on the Milan stock exchange (FTSE – MIB index as of 2 January 2017).

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 2017.

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 version is available on Brembo's website (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 (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 (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. 20249 of 2017, 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 5 March 2018 by the Board of Directors of Brembo and available on Brembo's website (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 20 April 2017, available on Brembo's website (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 is a world leader in the design, development and manufacture of braking systems and components for cars, motorbikes and industrial vehicles in the original equipment, aftermarket and racing sectors. It is capable of offering the highest levels of security, comfort and product performance thanks to the integration of its processes and optimisation of its entire production cycle, from design to iron or aluminium casting, assembly and tests and simulations – in the laboratory, on the track and on the road. The company's drive to innovation extends to new technologies, new materials, new forms and new markets. Product performance goes hand-in-hand with the search for a unique style, in keeping with the design of the vehicles in which the company's products are used. Lastly, the increasing use of environmentally friendly technologies, recycling of all materials used during production and thorough prevention of all forms of pollution are further evidence of Brembo's

commitment to the environment. The company operates in 15 countries in 3 continents, with a staff of over 9,800, and 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.

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.

The Corporate Governance System of Brembo S.p.A. is inspired by and fully implements the recommendations of the Corporate Governance Code of Borsa Italiana which have been incorporated into

REPORT EXECUTIVE SUMMARY– NEW PARAGRAPHS 2017

NEW CONTENTS 2017	Paragraph Reference
Statement on Non-Financial Information pursuant to Legislative Decree No. 254/2016	paragraph 1.3
Regulations of the Board of Directors (composition and functioning)	paragraph 4.1 paragraph 4.3 paragraph 4.4
Company Board Diversity Policies	paragraph 1.3 paragraph 4.4 paragraph 13.2
Professional profile of Directors and Statutory Auditors in office	paragraph 4.3 paragraph 13.1
Succession plans	paragraph 4.2
Optimal composition of the Board of Directors	paragraph 4.3
Induction Programme	paragraph 4.6
Description of the Board of Directors' activities in 2017	paragraph 4.7.3
2017 Board Performance Evaluation	paragraph 4.12
Assignment of the tasks of the Sustainability Committee to the Audit and Risk Committee	paragraph 9 paragraph 16.2
Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001	paragraph 10.5
Antitrust Code of Conduct	paragraph 10.5
Anti-bribery Code of Conduct	paragraph 10.5
Whistleblowing Channel	paragraph 10.5 paragraph 16.1
Remarks on the Letter from the Chairman of the Corporate Governance Committee of 13 December 2017	paragraph 18

Brembo's Corporate Governance Code (last updated on 18 December 2015) and in the Regulations of the Board of Directors, approved by the latter on 3 March 2017. 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 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, for purposes of benchmarking and ongoing improvement.

In compliance with applicable laws and regulations, the Report, approved by the Board of Directors on 5 March 2018, provides a general description of the corporate governance system adopted by the Group and information on its ownership structure with the aim of providing qualitative and other information on the functioning of the Board of Directors, its internal committees and its Internal Control and Risk Management System. The Report has been made available to the public on the Company's website (www.brembo.com, section Company, Corporate Governance, Corporate Governance Report), and through the authorized storage mechanism (www.1info.it).

1.2 Sustainability and Corporate Social Responsibility

Brembo recognises the growing importance of non-economic aspects to creating the company's value and therefore began in the late '90s — when it issued its first Intangible Capital Report — to set up a sustainability system 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.

Brembo has a Corporate Social Responsibility Steering Committee which, supported by a team consisting of representatives from the various company functions, is responsible for ensuring promotion, coordination and consistency of company's sustainability projects and activities, monitoring the CSR action plans put in place by the different organisational units, assessing best practices at international level, as well as effectively managing relations with all Group stakeholders and sustainability-related risks. The position of "CSR Officer" was created in 2013 to oversee and coordinate the performance of these activities: this role is filled by the Director in charge of the Internal Control and Risk Management System, with the aim of promoting and coordinating corporate social responsibility initiatives, monitoring the progress of such initiatives and ensuring that they are consistent with Brembo's situation and international best practices.

At its meeting on 20 April 2017¹ the Board of Directors also identified the Audit and Risks Committee as the governance committee to be tasked with supervising all sustainability issues and interactions with all stakeholders (as suggested by the Corporate Governance Code), changed its name to the Audit, Risks & Sustainability Committee and updated the list of its tasks as established in the Committee's Rules (see paragraph 16.1)².

Dialogue with internal and external stakeholders is a fundamental part of Brembo's strategy for doing business in a consistently sustainable manner, since it allows important information to be gathered about the environment in which it operates and feedback to be obtained about its actions. Through this process of listening and dialogue, Brembo is able to assess the extent to which it is understanding and satisfying the expectations and interests of its stakeholders by identifying the areas in which to increase its commitment and those in which to confirm the approach adopted. Establishing ongoing, mutually satisfactory dialogue requires: the identification of key stakeholders with which to promote periodic

¹ The General Shareholders' Meeting appointed the governing body in office at the date of publication of this Report on 20 April 2017.

² www.brembo.com, section Company, Corporate Governance, Governance Documents.

dialogue initiatives and the definition of the most appropriate methods of securing their engagement.

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.

For further information, see <http://www.brembo.com/en/sustainability>.

Brembo's first Sustainability Report (2016 edition) was presented to the Shareholders' Meeting held on 20 April 2017 and then published on the Company's website (<http://www.brembo.com/en/sustainability/report-and-presentations>) one year before the publication became mandatory.³ It was drafted in accordance with the guidelines issued by the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (version G4) after 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 this, the priority indicators were identified for use in monitoring and communicating the Group's sustainability performance.

1.3 Brembo's implementation of the Directive on Non-financial and Diversity information (Legislative Decree 254/2016)

Statement of Non-Financial Information

Legislative Decree No. 254 of 30 December 2016 transposed European Directive 2014/95/EU, which introduced the concept of non-financial disclosure in the framework of periodic reporting, requiring certain large undertakings to prepare and publish, for

each financial year, a statement at the individual or consolidated level containing a series of information on environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters, and on diversity policies as they relate to the criteria for choosing members of Company Bodies, with an impact on the company's business and its sustainability in the medium-to-long term.

To define the structure and contents of the Statement on Non-Financial Information pursuant to Legislative Decree 254/2016 ("NFS"), Brembo conducted a materiality analysis aimed at identifying areas of non-financial reporting of a social and environmental nature deemed relevant in relation to its business profile, strategies, stakeholders' expectations, business environment, etc., in which the Group's activities have the greatest effect on protection of natural ecosystems and the wellbeing of communities, people and all other Group stakeholders. This analysis was conducted according to the G4 guidelines published by the Global Reporting Initiative (GRI) and led to the approval of the Materiality Matrix by Brembo's Board of Directors on 18 December 2017, after it was examined by the Audit, Risks & Sustainability Committee. With the support of external consultants, the CSR function prepared internal procedures, also approved at the Board of Directors' meeting of 18 December 2017, with the goal of establishing roles, activities, responsibilities and timescales in the information-gathering and validation process at the global level.

The NFS for 2017 was examined and approved by the Board of Directors of Brembo S.p.A. at its meeting of 5 March 2018, after being examined by the Audit, Risks & Sustainability Committee during its meeting of 26 February 2018, and it was then submitted to the control bodies (Board of Statutory Auditors and Independent Auditors) for the activities within their remit. The SNFI was also subject to limited assurance by the same auditing firm commissioned to audit the financial statements (EY), who verified that it conforms to Decree No. 254/2016 and complies with the principles and methodologies of the reporting standard used (GRI). The related report, which is separate from the independent auditors' report, is appended to and published together with the NFS.

³ Italian Legislative Decree No. 254/2016.

Company Board Diversity Policies

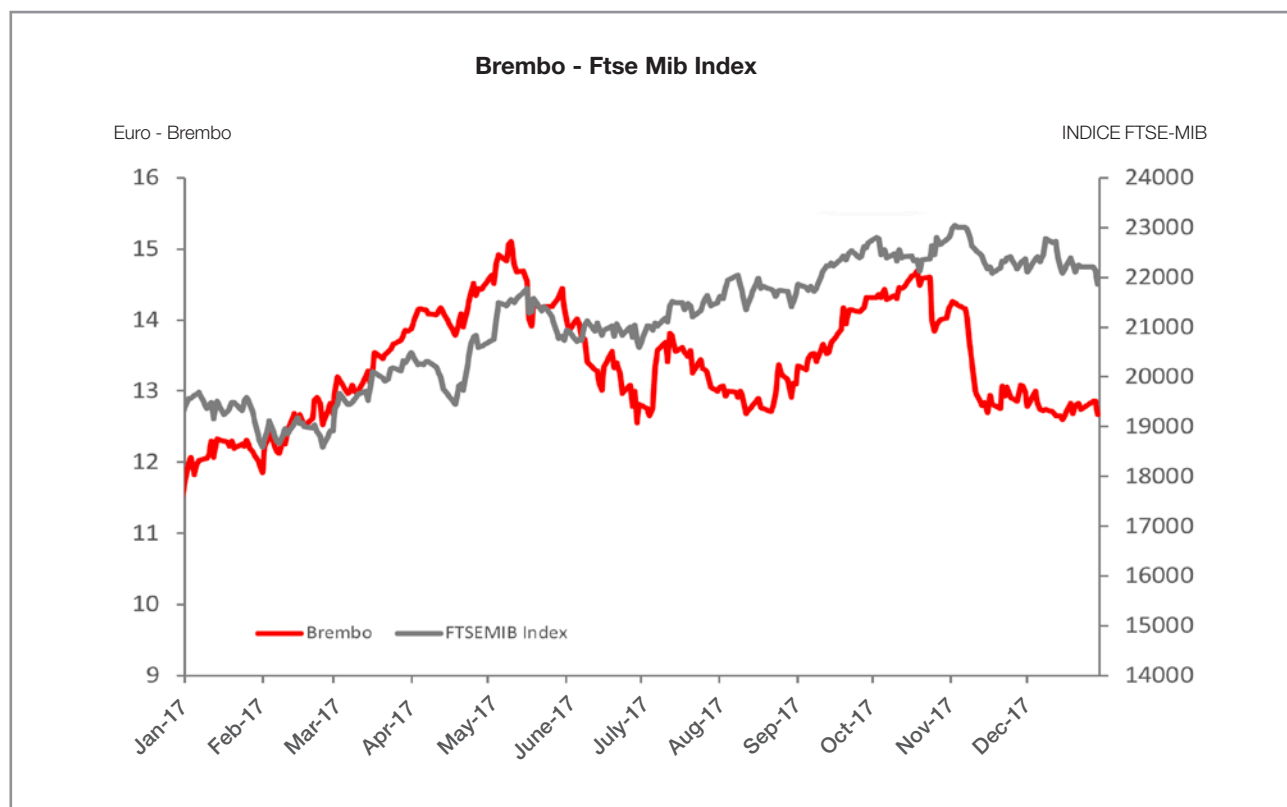
Article 123-bis, paragraph 2, letter d-bis), of TUF requires that companies provide information on the adoption and results of a board diversity policy, not only in respect of gender, but also of experience, professionalism, age and other relevant aspects. On 3 March 2017, Brembo's Board of Directors approved the "Regulations of the Board of Directors", applicable with effect from the Board's 2017-2019 term of office, with the aim of providing the market with criteria in addition to those established by applicable laws and regulations, based on as objective a foundation as possible, relating to the formation and proceedings of the Board of Directors, as suited to the Group's size, position, complexity and the specific nature of its business sector and strategies. The criteria contained therein, as described in paragraph 4.4, make up the above-mentioned diversity policies for the governing

body's composition as provided for by TUF, and coincide with the views expressed by the Board of Directors, also based on Board Committee's reports, regarding its optimal composition.

1.4 Company Key Highlights

(euro million)	2016	2017	Change
Sales	2,279.1	2,463.6	+8.1%
EBITDA	443.7	480.0	+8.2%
Profit	240.6	263.4	+9.5%
Net financial position	195.7	218.6	+11.7%
Market capitalisation as of 31 December	3,840	4,231	+10.2%
Workforce (headcount)	9,042	9,837	+8.8%

2017 - STOCK PERFORMANCE



2. INFORMATION ON OWNERSHIP STRUCTURE AT 31 December 2017

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 333,922,250 ordinary shares, without nominal value. The total number of shares changed with effect from 29 May 2017 as a result of the stock split⁴ of the previous 66,784,450 total ordinary shares, without par value, into 333,922,250 newly issued ordinary shares with the same characteristics as the previously issued ordinary shares, by means of withdrawal of the existing ordinary shares in issue and the assignment of five newly issued shares per each ordinary share withdrawn and cancelled.

SHARE OWNERSHIP AT 31 DECEMBER 2017

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	10.5%
Shareholding held by foreign institutional investors	Yes	33.4%

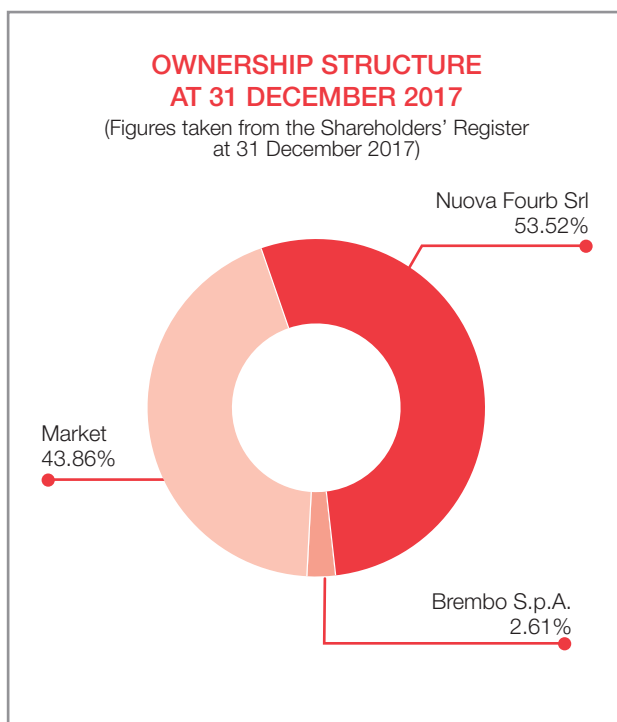
2.2. Significant shareholdings

Number of ordinary shares outstanding: 333,922,250

(Figures taken from the Shareholders' Register at 31 December 2017 and included in Consob notices)

Declarant	Direct Shareholder	Nationality	No. of shares	% of share capital with right to vote	
1	BOMBASSEI ALBERTO	NUOVA FOURB SRL	ITALIAN	178,723,765	53.523%
2		BREMBO SPA	ITALIAN	8,735,000	2.616%
3		COLUMBIA ACORN INTERNATIONAL	AMERICAN	6,731,505	2.016%
4		CACEIS BANK FRANCE	FRENCH	4,794,330	1.436%
5		GOVERNMENT OF NORWAY	NORWEGIAN	3,044,350	0.912%
6		AMERICA	AMERICAN	2,687,195	0.805%
7		KUWAIT INVESTMENT AUTHORITY	KUWAITIANA	1,930,010	0.578%
8		GABELLI SMALL CAPITAL GROWTH FUND	AMERICAN	1,907,500	0.571%
9		DB AG LONDON	ENGLISH	1,734,780	0.520%
10		MONTANARO EUROPEAN SMALLER COMPANIES PLC	IRISH	1,702,500	0.510%

⁴ The transaction was approved by the Extraordinary Shareholders' Meeting of 20 April 2017. It was aimed to increase the trading of the stock in light of the Company's constant growth, as it has recorded in time a more than positive trend and an ensuing increase in its market value compared to the initial listing price.



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 33,392,225 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 date⁵. 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.

2.5. Authorisation to repurchase own shares

After revocation of the previous Resolution dated 21 April 2016, which was not implemented, the General Shareholders' Meeting of Brembo S.p.A. held on 20 April 2017 approved a plan for the buy-back of own shares ending 20 October 2018. The authorisation, which takes account of the effects of the above stock split, calls for:

- the purchase of a maximum of 8,000,000 treasury shares for up to €120,000,000 and the sale of all treasury shares held, in one or more tranches, with the concurrent revocation of the previous authorisation granted on 21 April 2016 and never implemented, for a maximum period of 18 months, at a minimum price of no more than 10% below the reference price of the shares during the trading session on the day before each purchase transaction is undertaken and a maximum price of no more than 10% above the reference price of the shares during the trading session on the day before each individual purchase transaction is undertaken, by drawing on unrestricted reserves;
- 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

⁵ Please refer to Article 5 of the By-laws.

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.

OWN SHARES IN PORTFOLIO AT 31 DECEMBER 2017

No. of own shares	% of share capital	Average book value	Total value
8,735,000	2.616%	Euro 1.543	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 of and exclusive approval by the Board of Directors of Brembo S.p.A., which as of 31 December 2017 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 of Directors' decisions are taken in the sole interest of the Group and its stakeholders, without being subject to any direction or interference from third parties representing interests other than those of Brembo S.p.A.

Brembo S.p.A. is responsible for coordination and control of its subsidiaries pursuant to Article 2497 of the Civil Code, and sets the company and Group strategies aimed at long-term sustainability 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.

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

Brembo endorses the recommendations of the Corporate Governance Code for listed companies (July 2015 edition), through the adoption of its own Corporate Governance Code. 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.

The Executive Directors, the Lead Independent Director and Independent Directors have, *inter alia*, examined the recommendations made by the Governance Committee in its letter of 13 December 2017 sent to issuers, following the publication of the Fifth Report on the Application of the Corporate Governance Code, indicating a sound level of application at Brembo (see paragraph 18).

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.

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;
- its composition must reflect gender balance, in accordance with the laws and regulations from time to time in force (amendment to the By-laws of 12 November 2012).

The Board of Directors' Regulations (approved on 3 March 2017) introduce additional criteria — of as objective a nature as possible — for the formation of the Board of Directors, so that its composition is suited to the Group's size, positioning, complexity, specific industry and strategies. These criteria also represent and include the diversity policies in the composition of the governing body pursuant to Article 123-bis, paragraph 2, letter d-bis, of the TUF (see paragraph 4.4).

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, while maintaining executive powers.

In addition, for each top management position, Brembo also drew up guidelines, as summarised in specific documents approved by top management, to identify both short- and medium-term successors, so as to be able to manage unforeseeable cases of replacement of executives in as prompt and orderly a manner as possible.

These plans will be presented during a Board of Directors' meeting in the first half of 2018 by way of induction.

4.3 Composition of the Board of Directors for the three-year period 2017-2019

The General Shareholders' Meeting held on 20 April 2017 confirmed the number of Board of Directors'

members at 11 and appointed the Board of Directors for the three-year period 2017-2019, i.e., until the General Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019, based on the list submitted by the majority shareholder Nuova FourB S.r.l. and the candidate proposed directly by a group of Shareholders (holding 0.515% of the share capital, overall) during the same General Shareholders' Meeting.

Based on the suggestions made by the Remuneration & Appointments Committee during the meeting of 24 February 2017 in view of the renewal of company boards and officers — which took account of the results of the 2016 Board Performance Evaluation and the recommendations of the Independent Directors, expressed during the meetings of 28 July and 12 November 2016 — the outgoing Board of Directors submitted to the Shareholders' Meeting its opinions on the size (number, term of office and type of professionals) and composition (number of independent directors, gender and background) and remuneration of the Board of Directors. These views, based on the criteria laid down by the Regulations of the Board of Directors approved on 3 March 2017 (which represents Brembo's diversity policies pursuant to Article 123-bis, paragraph 2, letter d-bis of TUF), have been included in the Directors' Report on the Appointment of the Board of Directors, made available on the Company's website along with the additional pre-AGM informational documentation

Composition of the Board of Directors and Board Committees at 31 december 2017

BOARD OF DIRECTORS													Audit, Risk & Sustainability Committee		Remuneration & Appointments Committee	
Office held	Name and surname	Year of birth	Seniority of service ¹	In office from	In office until	List ²	Exec.	Non exec.	Indep. as per Code	Indep. as per TUF	Attendance rate at 2017 meeting ³	Other offices held ⁴	Member	Attendance rate at meetings ³	Member	Attendance rate at meetings ³
Chairman	Alberto Bombassei	1940	21.12.1984	20.04.2017	Approval of Financial Statements at 31.12.2019	M	x				100%	–				
Executive Deputy Chairman	Matteo Tiraboschi	1967	24.04.2002	20.04.2017	Approval of Financial Statements at 31.12.2019	M	x				100%	–				
Chief Executive Officer	Andrea Abbati Marescotti	1964	06.06.2011 (co-opt.)	20.04.2017	Approval of Financial Statements at 31.12.2019	M	x				100%	–				
Director	Cristina Bombassei	1968	16.12.1997 (co-opt.)	20.04.2017	Approval of Financial Statements at 31.12.2019	M	x				88%	–				
Director	Giovanni Canavotto	1951	20.04.2017	20.04.2017	Approval of Financial Statements at 31.12.2019	M	x				100%	–				
Director	Barbara Borra	1960	29.04.2014	20.04.2017	Approval of Financial Statements at 31.12.2019	M		x	x	x	100%	1	x	100%	x (Chair)	100%
Director	Laura Cioli	1963	20.04.2017	20.04.2017	Approval of Financial Statements at 31.12.2019	M		x	x	x	100%	2	x (Chair)	100%		
Director	Nicoletta Giadrossi	1966	20.04.2017	20.04.2017	Approval of Financial Statements at 31.12.2019	m ⁵		x	x	x	100%	2	x	75%	x	- ⁷
Director	Umberto Nicodano	1952	03.05.2000	20.04.2017	Approval of Financial Statements at 31.12.2019	M		x			100%	5			x	100%
Director(LID)	Valerio Battista	1957	20.04.2017	20.04.2017	Approval of Financial Statements at 31.12.2019	M		x	x	x	60%	1				
Director	Gianfelice Rocca	1948	29.04.2011	20.04.2017	Approval of Financial Statements at 31.12.2019	M		x	x	x	88%	11				
DIRECTORS WHOSE TERM OF OFFICE EXPIRED DURING THE YEAR OF REFERENCE																
Director	Giovanni Cavallini	1950	14.11.2005 (co-opt.)	29.04.2014	Approval of Financial Statements at 31.12.2016	M		X	X	X	67%	1	x	0%	x	0%
Director	Giancarlo Dallera	1946	28.04.2003	29.04.2014	Approval of Financial Statements at 31.12.2016	M		X		X	67%	4				
Director	Bianca Maria Martinelli	1961	29.04.2014	29.04.2014	Approval of Financial Statements at 31.12.2016	m ⁶		X	X	X	100%	2	x	100%		
Director(LID)	Pasquale Pistorio	1936	29.04.2008	29.04.2014	Approval of Financial Statements at 31.12.2016	M		X	X	X	100%	1	x (Chair)	100%		
No. of meetings held during the year of reference (2017) BoD: 8 Audit, Risk & Sustainability Committee: 5 Remuneration & Appointments Committee: 1																

NOTES:

- 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.
- This column indicates the list from which each Director was appointed ("M" for majority list; "m" for minority list).
- This column shows the Directors' attendance rate at the meetings held by the BoD or Board Committees in 2017 (No. of times attended/No. of meetings held during the Director's actual term of office).
- 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.
- The candidature of Director Nicoletta Giadrossi was submitted by a group of Shareholders representing 0.515% of the share capital, directly during the General Shareholders' Meeting held on 20 April 2017.
- Director Bianca Maria Martinelli has been elected from the minority list submitted by a group of Shareholders representing 2.11% of share capital during the General Shareholders' Meeting held on 29 April 2014.
- The only meeting of the Remuneration & Appointments Committee organized in 2017 was held before (24 February 2017) the appointment of the Director Nicoletta Giadrossi, who was appointed as a member of the Committee by the Board of Directors during the meeting held on 20 April 2017.

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 on page 15. The table also specifies the Directors' respective roles within the company, their attendance rate at the Board of Directors' meetings held in 2017, 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).

Lastly, it should be noted that no members of the Board of Directors of Brembo S.p.A. are Directors of any of its subsidiaries.

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.

ALBERTO BOMBASSEI

Chairman

Executive Director

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

He is also founder and Chairman of the Kilometro Rosso Scientific and Technological Park.

From 2001 to 2004, he served as President of Federmeccanica. In 2003, the University of Bergamo awarded him an honorary degree in Mechanical Engineering. In 2004, he received the Order of Merit for Labour award from Italian President Carlo Azeglio Ciampi. From 2004 to 2012, he was Vice President of Confindustria in charge of Industrial Relations, Social Affairs and Social Security. In 2014, Spain's Ambassador to Italy bestowed on him the title of Commander of the Order of Isabel the Catholic for his extraordinary contributions to civil society and promotion of friendly relations between Spain and Italy. He has been a member of the Board of Directors of ISPI – Institute for International Policy Studies since 2016. In the same year, he became member of the Board of Directors of the Italy-China Foundation. In June 2017, he was named a member of the Executive Board of Assonime, an association of Italian joint-stock companies, for the period 2017-2018. In July 2017, he was included into the Automotive Hall of Fame, the global automotive industry's highest honour, reserved for those who have had a decisive impact and a positive influence on automotive history. Over the years he received several awards, including: the Leonardo "Qualità Italia" Award bestowed on him in 2003 by Italian President Carlo Azeglio Ciampi for having brought Italian craftsmanship to the world; the "Amerigo Vespucci" Prize in 2007 for contributing to the development of Italy-Brazil relations; the "ASFOR alla Carriera" prize in 2008; the "Premio Tiepolo 2012" bestowed on him by the Italian Chamber of Commerce and Industry for Spain and the Chamber of Commerce and Industry of Madrid; the Ernst & Young Prize as "Entrepreneur of the Year 2012"; the "Transatlantic Award 2014" given to him by the

American Chamber of Commerce in Italy for the investments to expand the plant in Homer, Michigan; the Leonardo Award, given to him in March 2017 by Italian President Sergio Mattarella for his significant contribution to the promotion of Italy in the world; and the Falck Prize, conferred on him in October 2017 by AIDAF, the Italian Association of Family Businesses, to recognise Brembo's extraordinary results.

MATTEO TIRABOSCHI**Executive Deputy Chairman**

Born in Bergamo in 1967, he has been Executive Deputy Chairman of the Brembo Group since 2011 and a member of the Board of Directors of Brembo S.p.A. since he joined the company in 2002 as chairman of a subsidiary. He has served in roles of increasing responsibility at Brembo, including at an international level, such as Head of Foreign Subsidiaries and Group CFO and Investor Relator. After obtaining a degree in Economics and Business from the University of Bergamo, and after being admitted to the Bergamo Accountants Association and the Register of Statutory Auditors in 1995, he began his career at the Milan offices of a major auditing firm, where he remained for approximately 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, while also serving as Director and Statutory Auditor in various companies. He has served as Director of two Italian SPACs and he has been a member of the Board of Directors of Milan Polytechnic since January 2017.

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.

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 and Risk Management System since 2008. In 2013, she was appointed Chief CSR Officer and tasked with promoting Brembo Group's commitment to Corporate Social Responsibility. She is a Director of Kilometrorosso S.p.A., as well as Vice President of Confindustria Bergamo in charge of Education.

GIOVANNI CANAVOTTO**Executive Director**

Born in Brescia in 1951, after completing the secondary school (classical studies), he obtained a university degree in Electrotechnical Engineering in Padua and was admitted to the professional association. He is a member of the Bergamo Engineers Association. In 1978, he joined SACE Brown Boveri, a leading designer and manufacturer of low and medium-voltage circuit-breakers and switchboards, where he served in important roles instrumental for his professional development, in particular with regard to Quality (Quality Assurance and Total Quality) and Project Management. He joined Brembo in 1985. As the Group's Quality and Environment Director, he set up the company's Quality and Environment System, defining its system of procedures (Quality and

Environment Manual) and led the company to obtain certification from all major customers and ISO. In 2000, he served in management and business development roles at the worldwide level at various units of the Group, including, in particular, the Commercial Vehicles Business Unit and Discs Division. He has been Chief Operating Officer of the Car and Light Commercial Vehicles Braking Systems Division since 2014. He became a member of the Board of Directors of Brembo S.p.A. in April 2017.

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. Former CEO EMEA of the Fontana Group. She is an independent Director seating on Randstad's Supervisory Board.

LAURA CIOLI

Independent Director

A Director of Brembo S.p.A. since 2017, she has served in various executive roles at leading global companies operating in telecommunications, media, energy, financial services and management consulting. In particular, she has been: (i) Chief Executive Officer of Rcs Mediagroup, (ii) Chief Executive Officer of CartaSi, (iii) Chief Operating Officer of Sky Italia (News Corporation Group), (iv) Senior Vice President of ENI Gas & Power, (v) Executive Director of Vodafone Italia, member of the Executive Committee in various

roles, including Head of Strategy and Business Development, Head of Operations and Head of the Business Division, and (vi) partner at Bain & Company. She has acted as Non-Executive Director on the boards of various companies, such as Telecom Italia, Salini-Impregilo, World Duty Free Group, Cofide, Ansa and Visa Italia (as chairwoman). She is currently a member of the Board of Directors, the Audit, Risks & Sustainability Committee and Remuneration Committee of Pirelli S.p.A. and a member of the Board of Directors of Ansaldo Energia. After graduating in Electronic Engineering from the University of Bologna, she also earned a master's degree in Business Administration from Milan Bocconi and is a member of the International Advisory Board of SDA Bocconi.

NICOLETTA GIADROSSI

Independent Director

A Director of Brembo S.p.A. since April 2017, she is currently also a member of the boards of directors of Fincantieri S.p.A. and Cairn Energy Plc, as well as Senior Advisor Industry at Bain Capital. She sat on the Board of Directors of Faiveley Transport from 2011 to 2017, on that of Bureau Veritas from 2013 to 2017, and on that of Aker Solutions Asa until 2013. She began her career in 1988 at The Boston Consulting Group in Paris. In 1995, she joined General Electric Company, where she stayed for more than ten years, serving in various managerial roles in the Equipment and Oil & Gas sector, such as General Manager, GE Oil & Gas Downstream. From 2009 to 2012, she was Vice President & General Manager, Europe, Middle East and Africa of Dresser-Rand, a company operating in the Oil & Gas and Renewable Energies sector. From 2012 to 2014, she was Executive Vice President/Head of Operations at Aker Solutions Asa in Oslo, an offshore engineering firm. From 2014 to 2016, she was President Region A (Europe, Africa, Middle East, Russia and India) of Technip, a French engineering and technology firm in the energy and infrastructure sectors. She holds a degree in Mathematics and Economics from Yale University and an MBA from Harvard Business School.

VALERIO BATTISTA**Independent Director**

A Director of Brembo S.p.A. since 2017, he holds a degree in Mechanical Engineering from the University of Florence and has gained extensive managerial experience over a long and illustrious career, first with the Pirelli Group and then with the Prysman Group, of which he took the helm in 2005. At the Pirelli Group, he occupied positions of increasing responsibility, handling in particular the restructuring and reorganisation of Pirelli Cavi, making it into one of the company's most profitable and competitive divisions in the period 2002-2004. In 2005, he oversaw the creation of the Prysman Group, which he led to its IPO in 2007.

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.

GIANFELICE ROCCA**Independent Director**

He is Chairman of the Techint Group, recognised as one of the world's top iron and steel, energy and infrastructure groups that includes Tenaris, Ternium, Tenova, Techint E&C, Tecpetrol and Humanitas. In the 90s, he founded the Humanitas Clinical Institute, a general hospital among the most renowned in Europe: an international centre of research, teaching and case management of Harvard University. From June 2013 to June 2017, he was President of Assolombarda, a part of Confindustria. For eight years — from May 2004 to May 2012 — he was Vice President of Confindustria in charge of Education, and from June 2012 to June 2016 he was a member of the Executive Board of EIT (the European Institute of Innovation and Technology). He is an honorary member of the Italian Institute of Technology and sits on the Scientific Committee of the Milan Polytechnic Foundation. He has been a member of the Board of Directors of Bocconi University of Milan since November 2014 and of that of LUISS University of Rome since September 2016. In July 2017 he was named a member of the Board of Directors of the Leonardo Da Vinci National Museum of Science and Technology. In Italy, in addition to being a member of the Board of Directors of Brembo S.p.A., he sits on the boards of directors of Allianz S.p.A. and Buzzi Unicem S.p.A. and is a member of the Advisory Board of Milan Polytechnic. At international level, he is a member of the Trilateral Commission, the Advisory Board of Allianz Group, the Aspen Institute Executive Committee, the Harvard Business School European Advisory Board and the Cancer Center International Executive Board of the Beth Israel Deaconess Medical Center. He is Chairman of Fondazione Rocca and Fondazione Fratelli Agostino ed Enrico Rocca. In 2007, he was granted the Order of Merit for Labour award", and in 2009 he was awarded an 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 graduated with honours in Physics from the University of Milan and completed a PMD at the Harvard Business School in Boston.

4.4 Board of Directors' Diversity Policies

On 3 March 2017 Brembo's Board of Directors approved the Regulations of the Board of Directors, applicable with effect from the Board's 2017-2019 term of office, with the aim of providing the market with criteria in addition to those established by applicable laws and regulations, with as objective a foundation as possible, concerning the composition and proceedings of the Board of Directors that are

appropriate to the Group's size, position, complexity and the specific nature of its business sector and strategies. The criteria contained therein, as described below, form the diversity policies for the governing body's composition not only with regard to gender, but also experience, professionalism, age and other relevant aspects, as mandated by Article 123-bis, paragraph 2, letter d-bis), of TUF.

QUANTITATIVE FEATURES

AGE	<i>Independent Directors:</i> a maximum age of 70 and a minimum age of 35 (at the date of submission of the lists).
OVERALL NUMBER	11
No. OF NON-EXECUTIVE DIRECTORS	At least 7
No. OF INDEPENDENT DIRECTORS	At least 5
No. OF MINORITY DIRECTORS	At least one (or more than one, where required by the By-laws).
GENDER	Percentage of seats reserved to the less represented gender in accordance with applicable legislation.
ALTERNATION	Change of a maximum of three Directors each time the Board is elected, in order to ensure continuity of management, while also providing an incentive for the progressive re-election of Directors.
SENIORITY OF SERVICE	<i>Independent Directors:</i> persons who have already served three terms on the Company's Board of Directors cannot stand as candidates for the office of Director.
NO CROSS-DIRECTORSHIPS	<i>Executive Directors:</i> they cannot be directors of another company (not belonging to the same Group) of which a company director is the Chief Executive Officer.

QUALITATIVE FEATURES

SKILL SET	<ul style="list-style-type: none"> At least four positions must be filled by entrepreneurs or managers who have an international background and/or are from a geographical area where Brembo's business has a significant presence. A maximum of two positions may be filled by academics and/or professionals.
Background	
HARD SKILLS	<ul style="list-style-type: none"> Record of honouring shared ethical principles. Knowledge of business mechanisms, strategies, risk assessment and management techniques and sustainability profiles. Ability to interpret industry scenarios and trends, performance of competitors and development of enterprises in the medium-to-long term and to assess alternative strategic guidelines and options with a view towards strategic orientation. Managerial, entrepreneurial, business and organisational experience. Understanding of the dynamics of the global financial system. Experience as director or auditor, or as executive or manager, of listed or medium-to-large enterprises. Managerial, professional or university lecturer experience in legal, economic, business or technical disciplines.
Professionalism	

<p>SOFT SKILLS</p> <p><i>Personal aptitudes</i></p>	<ul style="list-style-type: none"> • Sufficient time available in view of the complexity of the assignment (see also “Maximum number of positions” below). • Full understanding of the powers and obligations inherent in the position and the functions to be performed. • Ability to stand up for and defend his or her own ideas and take a stand for the interest of Brembo and its stakeholders. • Collaboration, involvement and ability to influence (knowing how to instill and contribute to professionalism and the development of opinions and taking a part in resolving conflicts). • A result-oriented approach and encouragement of colleagues in focusing constructively on the goals to be achieved. • Business judgement and decision-making ability (encouraging behaviour and ensuring evaluation and decision-making skills focused on developing the business).
<p>KNOWLEDGE OF THE GROUP'S BUSINESS AND INDUCTION PROGRAMMES</p>	<p>Brembo organises an induction programme structured in several sessions and dedicated to Directors and Statutory Auditors, in particular the newly appointed ones, aimed at providing an adequate understanding of the company and the business industry in which the Group operates, its products, company trends and their evolution, organisational structure, the principles of proper risk management, 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.</p> <p>All newly appointed Directors receive all of the Codes, Regulations and Governance Procedures adopted by the Company, which represent the “Director's Manual”.</p> <p>Executive Directors in particular are offered continuing education programmes and personalised modules based on the particular interests or responsibilities that individual Directors may assume within Board Committees or to focus on the specific issues driving the need for personalisation expressed at meetings of the Independent Directors and in the findings of the Board Performance Evaluation</p>
<p>KNOWLEDGE OF THE GROUP'S INDUSTRIAL PROCESSES</p>	<p>In order to promote and facilitate a more direct knowledge of the various entities into which the Group's business is structured and the specific characteristics of each of them, as well as to foster deeper understanding of the industrial and development processes for Brembo's products, scheduled visits to the Group's facilities are organised periodically for non-executive members of the company's Board of Directors and Statutory Auditors: within this framework, some Board meetings are held at the Group's Italian and international industrial facilities</p>
<p>NO COMPETITION</p>	<p>Candidates for the office of Director cannot have or accept consulting assignments from competing firms.</p>
<p>MAXIMUM NUMBER OF POSITIONS</p>	<p>The commitment required of Directors does not consist solely of participation in Board meetings, but also extends to an analysis of the documentation sent in view of each meeting, participation in Board Committees and participation in informal and/or induction sessions. It is therefore essential that Directors have sufficient time to carry out their duties.</p> <p>Directors may not have more than four simultaneous positions at listed companies (positions at listed companies in which the Director also holds a significant equity interest do not count).</p> <p>The Board of Directors conducts an assessment based on the declarations made by the Directors (or candidates for the position of Director) and the following criteria:</p> <ul style="list-style-type: none"> • professional competence and independence of judgment; • verification of their 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.

At the Board meeting on 5 March 2018, after having heard the Remuneration & Appointments Committee convened on 16 February 2018, it was assessed whether the current Board satisfied the above requirements. The results are shown in the table on page 22.

OPTIMAL COMBINATION OF PROFESSIONAL SKILLS AND MANAGERIAL EXPERTISE FOR THE THREE-YEAR PERIOD 2017-2019

In light of the guidance provided by the outgoing Board of Directors with regard to the composition of the governing body, including in reference to the criteria set out in the Regulations of the Board of Directors approved on 3 March 2017 and reproduced on page 20, the Board of Directors appointed by the Shareholders' Meeting on 20 April 2017 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 and the recommendations of the Corporate Governance Code. Its composition and the related combination

are therefore suited to the Group's size, position, complexity, and the specific nature of its business sector and strategies.

This assessment, which also takes account of Brembo's diversity policies pursuant to Article 123-bis, paragraph 2, letter d-bis), of TUF, was confirmed as part of the Board's self-assessment process, the findings of which were reviewed during the session on 5 March 2018, including in light of the assessments expressed with regard to individual positions by the Remuneration & Appointments Committee during its meeting on 16 February 2018. Details on such assessment are given in the table below.

Director	Age	Gender	Ex	Non-ex	Indep	ARSC	RAC	Strategy	Experience in the field	Finance	Legal/ Risk Management	International background
1 Alberto Bombassei	77	M	X					X	X		x	X
2 Matteo Tiraboschi	50	M	X					X	X	X	X	X
3 Andrea Abbati Marescotti	53	M	X					X	X	X	X	X
4 Cristina Bombassei	49	F	X						X		X	X
5 Giovanni Canavotto	66	M	X					X	X			X
6 Barbara Borra	57	F		X	X	X	X	X		X		X
7 Laura Cioli	54	F		X	X	X		X		X	X	X
8 Nicoletta Giadrossi	51	F		X	X	X	X	X		X	X	X
9 Umberto Nicodano	65	M		X			X	X		X	X	X
10 Valerio Battista	60	M		X	X			X	X	X	X	X
11 Gianfelice Rocca	69	M		X	X			X	X	X	X	X

The findings of the 2017 Board Performance Evaluation, presented in detail in paragraph 4.12 below, confirmed that the Directors are fully satisfied with and appreciate the size, composition and functioning of Brembo's Board of Directors and Board Committees. The areas of excellence identified included the overall characteristics presented by the Board (gender, age, experience, culture, sustainability profiles, etc.), deemed appropriate to improving the quality of debate.

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 in other companies based on examination and

discussion of the Directors' individual statements, in accordance with the Regulations of the Board of Directors, which set the maximum number of positions at listed companies at four, excluding from this number positions occupied at listed companies where the Director also holds significant equity interest (see paragraph 4.4).

In 2017, 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 15.

4.6 Induction Programme

With the aim of providing an adequate understanding of the business industry in which Brembo operates, its products, organisational structure, company trends and their evolution, the ICRMS, 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, Brembo organises an Induction Programme through:

- specific meetings with management;
- visits to the Group's production facilities in Italy or abroad;

- thorough inquiries on specific subjects during sessions of the Board.

These activities aim, *inter alia*, to align the competences of individual Directors with the specific needs of each company. 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.

INDUCTION SESSIONS 2017/2018 – First year of TERM OF OFFICE

Following the election of new board members and officers, Brembo organised an induction programme targeting newly elected Directors and Statutory Auditors, but also open to those already in office, with the participation of the top managers, Division/BU Chief Operating Officers and Chief Central Department Officer, as summarised in the following table:

Induction Program		Number of sessions	Activities Description
2017	Ad-hoc Induction sessions	4 (5 hours each)	<ul style="list-style-type: none"> • 23 May 2017: Business and Product (Part I). • 12 June 2017: Business and Product (Part II). • 26 September 2017: Management Systems – Quality, Safety and Environment. • 29 November 2017: Industrial Plan and Corporate Social Responsibility
2017	Visits to the Group's production facilities	2 (1,5 hours each)	<ul style="list-style-type: none"> • 26 September 2017: visits to the Curno and Mapello plants, for a deeper understanding of the development processes for Brembo products.
2017-2018	Thorough inquiries during sessions of the Board	4 (1,5 hours each)	<ul style="list-style-type: none"> • 9 November 2017: Industry 4.0 • 18 December 2017: organic and non-organic growth strategies and M&A transactions. • 9 February 2018: Remuneration Policies • 10 May 2018: Succession plans

The findings of the 2017 Board Performance Evaluation with regard to induction confirmed the Directors' positive feedback concerning the quality of the sessions, which facilitated integration, thus suggesting continuing exploration of strategy, product diversification, risks and the development of the automotive industry in 2018.

4.7 Role of the Board of Directors

In order to ensure a transparent account of the functioning the Board of Directors and its committees, the following paragraphs contain a detailed description, including qualitative information, of the

activities actually performed by the Board of Directors and the resolutions passed by it during the reporting year.

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, including risks having an impact on sustainability, 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, as well as for performing the functions and tasks set out in Article 1 of the Corporate Governance Code of Borsa Italiana, including an assessment of the nature and level of risk compatible with Brembo's strategic objectives, also in respect of the medium-long term sustainability of the company's activity.

4.7.2 Meetings of the Board of Directors

In 2017, the Board of Directors met on eight occasions, according to the company calendar published. The average length of meetings was 3.5 hours. The Directors' attendance rate at meetings during the year was high, as shown in the table on page 15.

2018 Meeting Calendar

The 2018 calendar approved by the Board of Directors on 9 November 2017 and then published calls for four meetings to review interim financial data. Given the importance that Brembo attaches to opportunities for exchange and discussion within the Board, these are in addition to the following ad-hoc meetings:

- one to review the strategic business plan;
- one to review the findings of the 2017 Board Performance Evaluation.

At the date of publication of this Report, two Board meetings have already been held:

- on 9 February 2018, with the aim of examining the outcome of the 2017 Board Performance Evaluation (see paragraph 4.12);
- on 5 March 2018, with the aim of examining and discussing the financial statements, documents, reports and proposals to be submitted to the Shareholders' Meeting convened on 20 April 2018⁶.

Content of additional periodic reporting

After Brembo's exit from the STAR (high requirements securities) segment of Borsa Italiana effective 3 May 2017, the Company decided that it will continue to publish — on a voluntary basis — its interim financial reports, as previously announced, and in a manner consistent with the information made available until now, with effect from the approval of the Interim Financial Report at 31 March 2017, and until otherwise provided for by the Board of Directors.

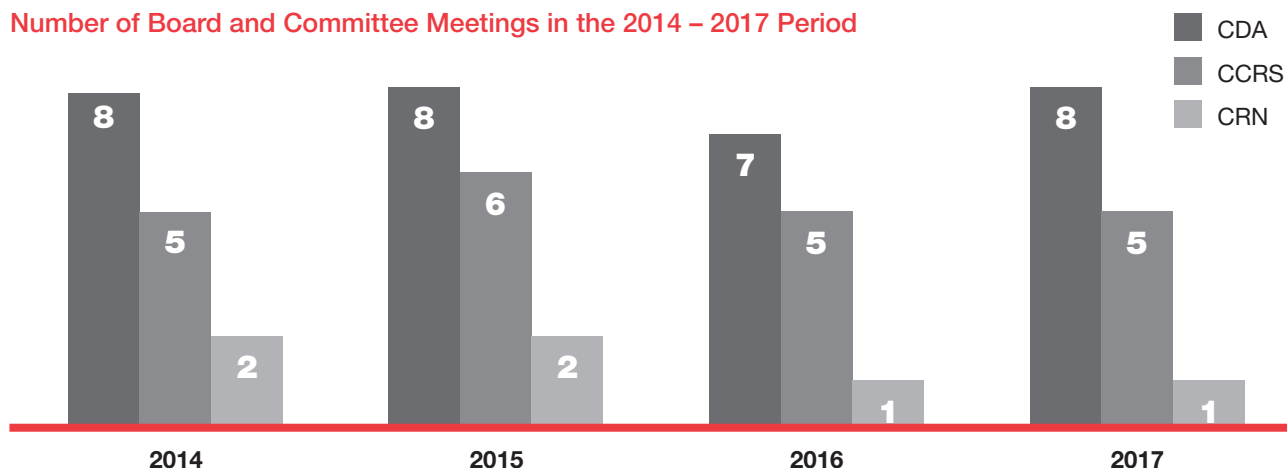
The content, timescales and methods of voluntary periodic financial reporting, as also published on the Company's website (www.brembo.com, Investors, Calendar), are provided below.

a) Content of additional periodic reporting. It will include the following information:

- general description of the operating conditions in the various geographical areas in which the Group operates;
- trends in terms of volumes, consolidated turnover, the consolidated statement of financial position,

⁶ Please refer to the notice of calling and the illustrative reports on www.brembo.com, section Investors, For Shareholders, Shareholders' Meeting, 2018.

Number of Board and Committee Meetings in the 2014 – 2017 Period



the consolidated statement of income, the consolidated statement of comprehensive income, as well as the consolidated statement of cash flow, broken down by geographical area and application;

- consolidated net financial position, movements in consolidated equity, foreseeable outlook, significant events that occurred during the reporting period and significant events after the reporting period.

b) Deadlines for the approval and disclosure of additional periodic reporting. It shall be subject to Board of Directors' approval within no more than 45 days following the end of the first and third quarters of each financial year, and thereafter immediately disclosed after the meeting, pursuant to the procedures set forth under point d).

c) Correctness and compatibility of the information. Income statement figures will be disclosed side by side with data pertaining to the same period of the previous financial year, whilst balance sheet figures will be disclosed side by side with data at 31 December of the previous financial year.

d) Disclosure procedures. The additional periodic disclosures will be made available at the Company's offices and for consultation on the Company's website, www.brembo.com, in the section *Investors, Reports*, and from the authorised data storage system (www.1info.it), accompanied by a press release announcing the availability of the documents to be disseminated at the end of the Board of Directors' meeting called to approve the above-mentioned additional periodic disclosures.

Calling and holding the BoD Meetings

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 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, and is made available to the Directors and Statutory Auditors in a protected format to ensure the confidentiality of the data it contains. In such cases, thorough inquiries are conducted during sessions of the Board.

The Regulations of the Board of Directors also specify the methods of storing and retrieving documentation, which depend on the confidentiality level assigned to each document.

It bears clarifying that the findings of the 2017 Board Performance Evaluation confirmed the Directors' positive opinion on the quality of the agendas for meetings and the number of items on each agenda, deemed compatible with the time available to discuss them. In particular, a positive view was taken of their structure, which permitted time to be devoted to further discussion and debate of strategic and business issues. Furthermore, the majority of the Board found the information provided to be clear and accessible and the documentation to have been sent promptly. Finally, it was found that debate within the Board is presided over effectively by the Chairman, with the involvement and solicitation of contributions from all Directors regarding the subject matter of their choosing, with the Executive Deputy Chairman and Chief Executive Officer available as needed to provide information and respond to observations and any requests for clarification.

The Directors generally expressed a positive opinion of the attention devoted by the Board to the areas within its remit.

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;
- invites the Company's Executives to participate in the meeting to provide the appropriate clarification of the specific issues submitted for the Board's examination and approval;
- coordinates with the Delegated Bodies and requests the necessary information/reports for the Board.

The findings of the 2017 Board Performance Evaluation confirmed that the Board acts in a critical, constructive spirit, making room and time for all opinions, even in cases of conflict. The Directors have emphasised that they are able to participate actively in discussions and express their points of view freely, even when constructively challenging the proposals put forward by the Executive Directors.

4.7.3 Activities carried out in 2017

During 2017, the Board of Directors exercised its powers and performed its duties as summarised below.

**Operations
Strategic transactions
Delegated powers**

During the meetings of 20 January 2017, 3 March 2017, 24 March 2017, 20 April 2017, 11 May 2017, 27 July 2017 and 9 November 2017 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 (Brembo Argentina S.A. and Brembo do Brasil Ltd.) or the granting of Parent Guarantees for the issuance of lines of credit (Brembo Mexico S.A. de C.V. and Brembo (Nanjing) Automobile Components Co. Ltd.);
- 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.

**Strategic projects
and industrial plans**

In terms of strategic projects and industrial plans, at the meeting held on 24 March 2017 (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 2017-2019 Strategic Three-Year Plan with a view on 2020. Concurrently, on the basis of the rolling plan approved by the Board in 2016, the related Plan risks were analysed with the participation of the Risk Manager in the meeting, and these risks were found to be compatible with the Plan's objectives and sustainable in the medium-to-long term. On that occasion, Brembo's product and process research, development and 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.

The results of the 2017 Board Performance Evaluation confirmed that Directors are adequately involved in the strategic planning process.

During the different meeting the Board of Directors has been informed about the outstanding strategic projects and it has monitored the state of progress of the industrial plans approved and started in 2016:

- 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 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.

Group's growth strategies and related risks

With the participation of various Division Directors and the Head of Business Development, the Board of Directors also periodically discussed and reviewed the Group's growth strategies, including mergers and acquisitions, and analysed the related risks (meetings of 27 July 2017 and 18 December 2017). Within this framework, it also assessed and approved proposals to join various Italian and international associations, with the aim of forming partnerships to participate in local and/or European tenders relating to research and development.

Regulations of the BoD, Diversity policies in the composition of Company Boards

During the meeting of 3 March 2017, 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, while also taking account of the opinions provided by the Governance Committees:

- the Regulations of the Board of Directors, with the aim of meeting market expectations by establishing additional criteria with as objective a basis as possible intended to ensure that the way in which the Board is formed and functions is appropriate to the Group's size, positioning, complexity, industry concerns and strategies, while also implementing diversity policies for the composition of the governing body in accordance with Article 123-bis, paragraph 2, letter d-bis), of TUF;
- the documentation and proposals to be submitted to the Shareholders' Meeting on 20 April 2017, including those relating to the renewal of company boards and officers, for which the Remuneration & Appointments Committee submitted its opinion on size, composition and the new candidates' professional profiles, and on the remuneration policies for Executive Directors, Directors holding special positions and Key Management Personnel.

Remuneration policies

In the area of remuneration policies, the Board of Directors reviewed and approved with the attendance of the Head of Human Resources and Organisation:

- the motion regarding the short-term Incentive Plan "MBO 2017" for executive Directors, middle managers and staff up to the seventh level;
- the results of the short-term Incentive Plan MBO 2016 for executive Directors, middle managers and staff up to the seventh level;
- the 2017 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 2017 Remuneration Report pursuant to Article 123-ter of TUF (Sections I and II), which stated that the 2016 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 2018, approved by the Board during the meeting held on 5 March 2018, after having heard the opinion of the Remuneration & Appointments Committee, are illustrated in the 2018 Remuneration Report, in accordance with Article 123-ter of TUF, which is available on Brembo's website⁷.

⁷ www.brembo.com, section Company/Corporate Governance/Remuneration Policies

**Stock Split
Exit from the STAR
Segment**

At the aforementioned meeting on 3 March 2017, the Board also proposed and approved a draft resolution on the distribution of the dividend paid to the Shareholders in May 2017 and then examined and approved a proposal for a stock split, undertaken with effect from 29 May 2017 by withdrawing the current ordinary shares in issue and assigning five newly issued shares per each ordinary share withdrawn and cancelled, without any change to the amount of share capital. Finally, the Board assessed and approved the proposal to voluntarily remove the shares of Brembo S.p.A. from the STAR segment pursuant to Article 2.5.8 of the Rules of Borsa Italiana, in view of the increase in the company's capitalisation and asset structure since its IPO in 2001, which had resulted, above all, in its inclusion in the FTSE MIB index of the Mercato Telematico Azionario (MTA) with effect from 2 January 2017. The BoD nonetheless decided to continue to meet the governance requirements for the inclusion of the shares in the STAR segment on a voluntary basis.

**Sustainability
and Statement
of Non-Financial
Information**

With reference to Sustainability, the Board examined, assessed and approved:

- at the meeting on 3 March 2016, Brembo's ongoing process of preparing a Sustainability Report, with the aim of providing an accurate, thorough and transparent account of the Group's strategies in view of long-term sustainability, and the 2016 Sustainability Report, of which a brief version was presented to the Shareholders' Meeting on 20 April 2016 and a full version was then made available to the public;
- at the meeting on 18 December 2017, the proposed 2017 Materiality Matrix and the two internal procedures governing roles, activities, responsibilities and timescales in the worldwide data-collection and validation process, and the preparation and approval of the Statement of Non-Financial Information pursuant to Legislative Decree No. 254/2016;
- at the meeting on 5 March 2018, the 2017 Statement of Non-Financial Information made available to the public along with this Report, as discussed in paragraph 1.3 above.

**Adequacy of the
Internal Control
and Risk Management
System**

With regard to the ICRMS, 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 2017, 27 July 2017 and 5 March 2018 from the Director responsible for the Internal Control and Risk Management System, the Audit & Risk Committee, the Supervisory Committee the Chief Internal Audit Officer, thus confirming the adequacy of the ICRMS to the company's characteristics and risk profile, assessing its efficacy and consistency with established corporate objectives.

Internal Audit

In its meetings held on 11 May 2017 and on 5 March 2018 the Board of Directors met the Internal Audit Director in order to examine, respectively:

- the internal audit activities carried out in 2016 and verify the progress of the 2017 Audit Plan, adopting the measures deemed necessary;
- the 2018 Plan of the Internal Audit function, by approving it, finding the same appropriate to the business and Group size.

Management Letter

In its meeting of 27 July 2017, the Board of Directors examined the results of the 2016 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 ICRMS to the structure of the Group and the company's type of business.

Group's Compliance System

With regard to the Group's Compliance System, the Board of Directors:

- took note at the meeting on 27 July 2017 of the update to the General Section of the 231 Model, as limited to the expansion of the list of Legislative Decree 231 predicate offences in response to the amendment of the law in late 2016 and early 2017, for which the Company deemed the existing map of sensitive processes and control protocols adequate, including for the prevention of the risks deriving from the changes in the law.
- In addition, during the same meeting the Board approved the second edition of the Brembo Antibribery Code of Conduct (the previous edition had been approved by the Board of Directors on 12 November 2013), which constitute Annex C to the 231 Model, with the aim of:
 - i) continuing to manage gifts according to strict standards, allowing for an exception to the established limits by value solely for Brembo merchandising gifts included in the specific company catalogue;
 - ii) requiring that Group companies implement a similar gift catalogue, subject to validation by Brembo S.p.A.
- at the meeting on 9 November 2017, approved the Brembo Anti-trust Code of Conduct, drafted according to the findings of an Anti-trust Compliance programme implemented by the Company to raise awareness among company departments of compliance with competition rules and the principles of the Company's Code of Ethics⁸. The Anti-trust Code applies to employees of Brembo S.p.A. and EU subsidiaries and represents a model for the compliance programmes that will need to be implemented starting in 2018 at Group companies based outside the European Union.

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.

⁸ Available on the website at www.brembo.com, section Company/Corporate Governance.

Significant Transactions

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 2017 led to the conclusion that they were all consistent with the resolutions taken by the Board of Directors.

Board Performance Evaluation

In the meeting of 27 July 2017, the Board examined the program outlined by the Spencer Stuart company, which, in accordance with the provisions of the Board of Directors' Regulation regarding the advisability of availing itself of the support of specialized external consultants, has been designated to carrying out the activity of Board Performance Evaluation for the period 2017-2019. For a detailed description of the activities and related results, approved first by the Lead Independent Director and by the Independent Directors and then by the Board of Directors in the meetings held both on 9 February 2018, see paragraph 4.12.

Budget 2018

Finally, during the meeting of 18 December 2017 the Board of Directors thoroughly analysed Brembo's 2018 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 2018 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 20 April 2017 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 2019. 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 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.

The Division and Business Unit Chief Operating Officers — who also include Director Giovanni Canavotto — and other Division/Business Unit Chief Operating Officers, who have been assigned specific company functions (generally coinciding with the first reports to the Chairman, Chief Executive Officer and General Manager and Deputy Chairman of Brembo S.p.A. – C-Suite), 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 Chief Legal & Corporate Affairs and the Chief Human Resources and Organisation Officer), 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 broad powers for the ordinary operations of the company and its business, 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.

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 2017, 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 Chief CSR Officer (whose powers are described in paragraph 10.3);

- Giovanni Canavotto, System Div. Chief Operating Officer (who reports to the Chief Executive Officer), on whom the Board of Directors has confirmed the conferral — on a par with the other Division/Business Unit Chief Operating Officers — of limited ordinary management powers relating to the performance of his duties, to be exercised in accordance with company authorisation processes.

4.10 Independent Directors

The Board of Directors adopted the independence criteria for assessing the Directors' independence contained in the Corporate Governance Code. 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.

For financial year 2017, the list of Directors who met all the said independence requirements included: Barbara Borra, Laura Cioli⁹, Nicoletta Giadrossi¹⁰, Valerio Battista⁹, and Gianfelice Rocca⁹.

In 2017, the Independent Directors met on 26 July, coordinated by newly appointed Lead Independent Director Valerio Battista, for initial discussion and alignment with the newly appointed Independent Directors, with the aim of soliciting proposals for activities to be submitted to the Board of Directors. In the light of the comments made by the Independent Directors, several proposals emerged and were submitted to the Board of Directors during its session of 27 July 2017. Most of these proposals involved further inquiry into and/or exploration of specific subjects viewed as particularly important, and the Executive Directors implemented them immediately.

The Independent Directors also met on 9 February 2018 to examine:

- the state of implementation of the instructions prepared and circulated to the Board of Directors during the meeting on 27 July 2017;

⁹ Elected by the Shareholders' Meeting of 20 April 2017.

¹⁰ Elected by the Shareholders' Meeting of 20 April 2017 straight during the meeting (candidate proposed directly by a group of Shareholders holding 0.515% of the share capital, overall).

- the main actions and improvements resulting from the 2017 Board Performance Evaluation, in view of the presentation of the resulting findings to the Board of Directors by the appointed consultant;
- the recommendations made by the Governance Committee in its Letter to the issuers of 13 December 2017 on the Fifth Edition of the Annual Report of the Corporate Governance Committee concerning the application of the Corporate Governance Code, with a particular focus on the areas of improvement/reinforcement suggested by the Committee, emphasising a sound level of implementation within Brembo. See section 18.2.

The findings of these assessments were reported to the Board of Directors during the meeting held on the above date.

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

4.11 Lead Independent Director

Following the renewal of company boards by the Shareholders' Meeting of 20 April 2017, the role of Lead Independent Director was awarded to newly appointed Independent, Non-Executive Director Valerio Battista¹¹.

The Lead Independent Director function is regulated by the Rules approved by the Board of Directors, 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;

¹¹ Until the General Shareholder's Meeting of 20 April 2017, the Lead Independent Director in charge was Pasquale Pistorio.

- 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 2017 Board Performance Evaluation

The Regulations of the Board of Directors approved on 3 March 2017 state that in conducting the annual assessment of the functioning of the Board of Directors and its Committees it may also be appropriate to procure the services of independent external advisors, with the aim of greater focus on “relational and intangible” aspects. Within this framework, the Board of Directors engaged Spencer Stuart to perform the Board Performance Evaluation activity for the period 2017-2019; Spencer Stuart qualifies as an independent advisor from Brembo because it does not have, and has not had, other assignments on the company’s behalf. The programme will be divided into three stages:

- 2017/18 – Snapshot of the current situation;
- 2018/19 – Specific assessment, BoD culture, relationship dynamics and style;
- 2019/20 – Progress report and future direction.

The goals for the assignment to be used in the final phase (2019) for the conclusive report are as follows:

- creation of value for the shareholders through:
 - (i) an understanding of the rapid transformation that is in progress in the automotive industry and the ability to provide stimuli, proposals and challenges to senior executives and management;
 - (ii) guidelines for non-organic growth, including in sectors other than automotive;
 - (iii) an above-average company performance, according to a sustainable approach and with an appropriate risk exposure;

- a collaborative, constructive and challenging working environment.

In 2017, the advisor’s activity was focused above all on analysing the results of the Board Performance Evaluation conducted during the previous Board’s term by obtaining the documentation presented to the Board. Individual directors were then interviewed according to a questionnaire including questions about the three aspects covered by the Corporate Governance Code (size, composition and functioning) as they relate to the Board and Board Committees, and to the operating practices adopted by the Board of Directors, in order to permit a comparison with best practices. The interviews were conducted in late 2017 to allow the newly appointed Directors to participate in several meetings in order to be able to express a better informed assessment of the BoD’s functioning. The minutes of meetings of the Board and Board committees were also viewed for this purpose. In addition, the Chairman of the Board of Statutory Auditors, the Secretary of the Board of Directors, the Chief Administration and Finance Officer, the Risk Manager and the Chief Internal Audit Officer were also contacted as the personnel who generally interact the most with the Board of Directors. Finally, the advisors also attended the meeting of the Board of Directors on 9 November 2017 as auditors and observed the relational and social dynamics between the members, the level of debate, the Directors’ participation and their contribution to analyses and decisions.

The results, included in a report drafted by the advisor and also containing areas with room for improvement and proposed ways of achieving such improvement, were summarised in a special document provided to the Directors and examined during the meeting of the Independent Directors on 9 February 2018 and, subsequently, during the Board of Directors’ plenary meeting held on the same day.

Board Evaluation's Process	Operating Methods	Evaluation Method	Advisor	General Comments
2017 Board Performance Evaluation	<ul style="list-style-type: none"> - Analysis of the BPE 2016 results - Questionnaires with multiple choice and open answers - Directors’ individual interviews - Internal functions’ interviews - Participation in a board meeting 	Independent	Spencer Stuart	<p>Broadly positive picture equal to 84% of responses according to the proposed topics.</p> <p>This level of overall appreciation is very high, compared to the one reported by the consultant appointed in the course of his activity in support of other Boards, in Italy and abroad (66-68%).</p>

In short, the Directors indicated that they were fully satisfied with and appreciated the size, composition and functioning of Brembo's Board of Directors and Board Committees. In the advisors' opinion, the Board's behaviour is essentially consistent with the Corporate Governance Code and best practices in Italy and internationally. The aspects of the work done by the Board and Board committees in 2017 with which the Directors indicated they were most satisfied were as follows:

- the Board was adequately and periodically informed of the management and performance of the business;
- the Board was adequately involved in the main business decisions (including extraordinary transactions) and was capable of challenging the senior management's proposals;
- the Board showed a constructive spirit in its work;
- all opinions were considered, including conflicting opinions;
- the combination of traits possessed by Board members (gender, age, experience, culture, etc.) enhanced the quality of the debate;
- the Board was promptly informed of important decisions;

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;
- reporting obligations for those who perform administration, control and management functions (managers) and their associates (internal dealing);

- the Black Out Period, extended to 30 days and incumbent on all issuers;
- 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.

In addition, in 2017 a compliance audit was conducted by the Supervisory Committee, through the Internal Audit function, in order to monitor the proper application of procedures relating to market abuse. The positive findings of this audit were reported to the Board of Directors as part of periodic reporting procedures.

In 2017, the Company regularly monitored the ongoing changes in the related laws and interpretations, in Italy and internationally, to assess any necessary changes to internal procedures to identify and monitor relevant information and/or the implementation of new organisational and management measures, in a manner consistent with the Consob Guidelines issued in October 2017.

5.2 Procedure for Handling Inside Information

Brembo's Procedure for Handling Inside or Price-sensitive Information, approved by the Board during its meeting held on 28 July 2016, fully reflects not only the principles set forth in 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 Chief Legal & Corporate Affairs Officer, and the Chief Business Development & Marketing Officer

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), managed by Computershare S.p.A.

The procedure is available on Brembo's website: 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 for persons discharging managerial responsibilities (Managers) to report to the market all transactions involving the Company's financial instruments that have a cumulative value of over €20,000 per year¹²;
- 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 discloses to the market, also on a voluntary basis, 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, section Company, Corporate Governance, Governance Documents. The Investor Relations function is responsible for maintaining and periodically

¹² Threshold changed by Consob Resolution dated 27 April 2017.

updating the list of insiders, as well as complying with public disclosure obligations in respect of transactions reported by Insiders.

5.4 Insider Register

Brembo's Insider Register Procedure fully complies with all of the requirements imposed under the above-mentioned 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 available on the company's website and are included in Brembo's Corporate Governance Manual.

7. REMUNERATION & APPOINTMENTS COMMITTEE

The Remuneration & Appointments Committee¹³, appointed on 20 April 2017 by the Board of Directors' meeting convened after the Shareholders' Meeting, will remain in office until the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019, and is made up of 3 members¹⁴:

Members	Position
BARBARA BORRA	Independent Director - Chairwoman
NICOLETTA GIADROSSI	Independent Director ¹⁵
UMBERTO NICODANO	Non-executive 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, that distinguish its respective remuneration and appointments functions as follows.

(i) *Remuneration function*: 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;

(ii) *Appointments function*: 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.

¹³ Brembo implemented the recommendation to set up the Appointments Committee in 2012, entrusting such function to the Remuneration Committee and accordingly changing its name to Remuneration & Appointments Committee.

¹⁴ Until the Shareholders' Meeting of 20 April 2017, the Committee was composed of: Barbara Borra (Chairwoman), Umberto Nicodano and Giovanni Cavallini.

¹⁵ Elected directly during the Shareholders' Meeting of 20 April 2017 from the list submitted by a group of shareholders holding 0.515% of the share capital.

The meetings of the Remuneration and 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;
- 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 2017, the Committee met on 24 February 2017 after being convened (average length of session: approximately 1.5 hours), in view of the renewal of company boards by the Shareholders' Meeting held on 20 April 2017, in order to formulate two separate proposals to be submitted to the Board of Directors concerning:

i) *Appointment of new Corporate Bodies/2017-2019 Term*:

- advance assessment of the Regulations of the Board of Directors approved by the BoD on 3 March 2017;
- size: assessment of the 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.

Finally, the Committee held an additional meeting on 16 February 2018 to conduct an advance assessment of the matters to be put before the BoD and then the Shareholders' Meeting. In addition to the Secretary (Chief Legal & Corporate Affairs Officer), the Chief Human Resources and Organisation Officer was invited to attend the meeting to explain the matters within his remit. On that occasion, the Remuneration & Appointments Committee:

i) composition of the Board of Directors:

- an assessment of the individual declarations of the Directors, Statutory Auditors and members of the Supervisory Committee for periodic verification of continuing satisfaction of the requirements set in the Regulations of the Board of Directors for the positions in question;
- an assessment of the combination of professional backgrounds and managerial skills in light of Brembo's diversity policy pursuant to Article 123-bis, paragraph 2, letter d-bis, of TUF defined by the Regulations of the Board of Directors.

ii) with reference to Remuneration:

- evaluated the closing results of the short-term annual Incentive Plan (MBO 2017);
- evaluated and defined the proposals of the short-term annual Incentive Plan (MBO 2018);
- examined the 2018 Remuneration Report (Sections I and II), assessing and confirming the effective implementation of the 2017 remuneration policies.

The Committee then submitted the opinions and 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, section Company, Corporate Governance, Remuneration Policies).

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, 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 2018 Remuneration Report in accordance with Article 123-ter of TUF, which is available on Brembo's website (www.brembo.com, section Company, Corporate Governance, Remuneration Policies).

The information required by Article 123-bis, paragraph 1(l), 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 & SUSTAINABILITY COMMITTEE

The Audit, Risks & Sustainability Committee¹⁶, which also acts as the Related Party Transactions Committee, was appointed by the Board of Directors at the meeting held on 20 April 2017, following the Shareholders' Meeting, and will remain in office until the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019¹⁷.

The committee is composed of 3 members:

Membri	Qualifica
LAURA CIOLI	Independent Director - Chairwoman
BARBARA BORRA	Independent Director
NICOLETTA GIADROSSI	Independent Director ¹⁸

Starting with its term beginning on 20 April 2017, for the first time the Board of Directors assigned the

¹⁶ Due to the fact that the Audit, Risks & Sustainability Committee is wholly composed by Non Executive and Independent Directors according to Article 2.2.3, paragraph 3, of the Rules of Borsa Italiana and Brembo's Corporate Governance Manual (Article 3), the Committee acts also as Related Parties Transactions Committee.

¹⁷ Until the Shareholders' Meeting of 20 April 2017, the Committee was composed of: Barbara Borra (Chairwoman), Umberto Nicodano and Giovanni Cavallini.

¹⁸ Elected directly during the Shareholders' Meeting of 20 April 2017 from the list submitted by a group of shareholders holding 0.515% of the share capital.

Committee responsibility for supervising sustainability issues, resulting in the change of the Committee's name from Audit and Risks Committee to Audit, Risks & Sustainability Committee, and its tasks as set out in the related regulation were updated accordingly. This decision was made in accordance with the suggestion contained in the comment on Article 4 of the Corporate Governance Code, which indicates that it is appropriate to consider whether to form a specific committee dedicated to supervising sustainability issues and the Board's interaction with all stakeholders or to assign that same function to a pre-existing committee. On the basis of the best practices in this area, and in light of the new Legislative Decree No. 254/2016 on the Statement of Non-Financial Information, the Company decided to assign this function to the Audit and Risks Committee, considering, among other factors, the related nature of its duties.

The duties and functioning of the Audit, Risks & Sustainability Committee were therefore expanded and incorporated into a new version of the Regulations, approved by the Board of Directors during its meeting on 20 April 2017, along with the appointment of the Committee, and contained in the Brembo Corporate Governance Manual. In particular, the main new sustainability tasks relate to:

- reviewing and assessing (i) sustainability policies aimed at ensuring the creation of value over time for Shareholders as a whole and all other stakeholders over the medium and long term, in accordance with sustainable development principles; (ii) sustainability guidelines, goals and the resulting processes, and sustainability reports submitted annually to the Board of Directors;
- monitoring international sustainability initiatives and the Company's participation in such initiatives with the aim of strengthening the Company's international reputation.

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 and the Chief CSR Officer;
- the Chief Executive Officer;
- the Chief Internal Audit Officer;

- 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 & Compliance Manager, also serving as Committee permanent secretary;

Members in charge of the so-called second-level control functions are also specifically invited to participate, so that they can 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, Risks & Sustainability Committee often included agenda items that were discussed jointly with the Board of Statutory Auditors and the Supervisory Committee, in accordance with the specific functions and duties of each, in order to ensure an immediate discussion and timely information flows.

In 2017, the Audit, Risks & Sustainability Committee held five meetings, duly recorded in the minutes, lasting about 4 hours each on average, on the following dates: 27 February, 11 May, 18 July, 26 October, and 14 December. In addition, as at the date of approval of this Report, the Committee had held one meeting, on 26 February 2018, during which it reported on the Internal Audit's activity until the end of the financial year, the final periodic reports for 2017 and the 2018 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 5 March 2018.

All members of the Committee also participated in the induction programme intended for newly appointed Directors and Statutory Auditors, but also open to those already in office, as discussed in detail in paragraph 4.6 above.

In its functions of support to the Board of Directors, the Audit, Risks & Sustainability 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 Chief Internal Audit Officer when the 2017 Financial Statements were approved, and it expressed opinions on the adequacy of that System for 2017 through specific reports submitted by the Committee's Chair, by means of which it periodically reports to the Board on the meetings held and subjects discussed.

During the course of its various meetings, the Audit, Risks & Sustainability 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 Chief Administration and Finance Officer on significant transactions and transactions entailing a potential conflict of interests within the meaning of corporate regulatory framework currently in force; 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;
- was regularly updated by the Risk Manager on the progress of the periodic Enterprise Risk Management process, reviewing the update to Brembo's Risk Report as at 31 December 2017 and the Heat Map of the Group's risk profiles and the action/mitigation plans periodically proposed by the management, as well as on ongoing recalls and, at the meeting on 26 February 2018, on the contents of the newly issued Risk Management Manual;
- was informed by the Chief Internal Audit Officer of the remit and organisational structure of Internal Audit, and was constantly updated on the following matters:
 - the progress of audit plans (with an average opinion per audit and staffing situation to complete the plan), verifying its implementation according to the Audit Plan approved in 2017;
 - the results of audit activities during the period, with an opinion of residual risk once the Plan is implemented;

- an analysis of reports of violations of laws, procedures and regulations received and/or identified in the course of ethics audits;
- the findings of the audit of compliance with Law No. 262/2005 and Legislative Decree No. 231/2001 and all other applicable compliance;
- the Audit Plan and related 2018 Budget.

These activities did not result in the identification of significant critical issues and allowed the Committee to confirm the substantial adequacy of the Internal Control and Risk Management System.

In supervising the Internal Control and Risk Management System, with the aim of identifying specific risks and monitoring the improvement plans launched, the Committee conducted specific inquiries into specific issues, meeting directly with top managers:

- the Chief Administration and Finance Officer, who explained the Group's current relationships with financial institutions and the progress of the plans devised according to the 2016 Management Letter issued by the Independent Auditors and the work done pursuant to Law No. 262/05 and its extension to Group companies;
- the Chief Purchasing Officer, who provided information and updates on the risks associated with the supply chain and the measures to contain and mitigate those risks defined by the management;
- the Chief Information Officer, who presented and explained Brembo's IT governance model, developed according to the international COBIT framework; data classification, protection and governance policies and procedures; the preventive measures implemented for cybersecurity purposes; and the update on the migration, from a technical standpoint, to the new release of the AX system (AX12);
- the Chief Legal & Corporate Affairs Officer, for updates on the main litigation at the Group level and the plan to ensure that Brembo complies with Regulation (EU) No. 2016/679 on personal data protection.

In addition, at its meeting on 26 February 2018, the Committee met with the Country General Manager of Brembo Czech sro. with the same goal of receiving an update concerning the Company's ongoing improvement plans.

During the meeting held on 18 July 2017, the Committee — together with the Board of Statutory Auditors, the Manager in charge of the Company's financial reports, the Chief Internal Audit Officer and representatives of the Independent Auditors — reviewed and discussed the results of the 2017 Management Letter issued by the Independent Auditors, and the related conclusions and recommendations it contained, which were thus relayed to the Board of Directors. No significant or serious deficiencies or critical failings were identified in the Internal Control and Risk Management 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.

Lastly, during its meeting on 14 December 2017, the Committee met with the Chief CSR Officer who, in reference to the non-financial reporting obligations imposed by Legislative Decree No. 254/2016, presented the proposed Materiality Matrix for 2017, in addition to the procedures established by the Company governing the roles, activities, responsibilities and

timescales of the worldwide process of data collection and validation, as well as preparation and approval of the Statement of Non-Financial Information. At its meeting on 26 February 2018, the Committee then reviewed in advance the Statement of Non-Financial Information drafted pursuant to Legislative Decree No. 254/2016 for 2017, which it found to be consistent with the provisions of the Decree.

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

- received ongoing information on 'Ordinary' Related Party Transactions carried out with Brembo Group companies both at arm's length and otherwise, and considered as 'exempt' from the application of the procedural arrangements provided for in the Brembo Procedure;
- was regularly updated regarding Brembo's List of Related Parties;
- at the meeting of 11 May 2017, 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 2016 Financial Statements, and confirmed the amount of €250,000.00 as the 'threshold' for determining Low Value Transactions.

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 a Committee responsible for supervising risks, including sustainability risks	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, Anti-trust Code of Conduct)	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 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 any kind of risk, including risks relating to sustainability in the medium-long term.

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.

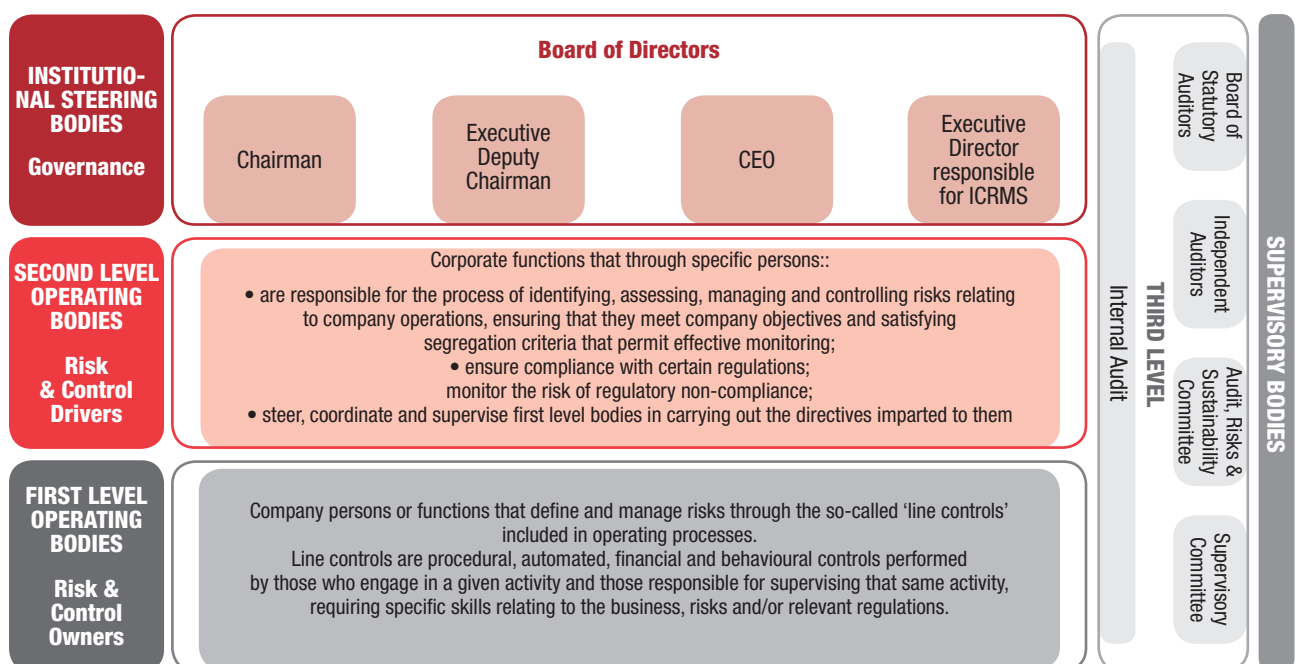
The System is organised as shown in the organisational chart.

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, 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

BREMBO'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM



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, Risks & Sustainability 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, Risks & Sustainability Committee;
- the Audit, Risks & Sustainability Committee, tasked with supporting the Board of Directors on internal control and risk management issues, including those relevant from the standpoint of sustainability;
- 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, Risks & Sustainability 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 2017 Annual Report¹⁹.

¹⁹ 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 18 July 2017 and 26 February 2018, the Chairman of the Audit, Risks & Sustainability 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, Risks & Sustainability 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 Chief 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, Risks & Sustainability 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, Risks & Sustainability 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 20 April 2017, the Board of Directors confirmed Cristina Bombassei in her role as Executive Director in charge of the Internal Control and Risk Management System, vesting her with the functions set forth in Article 7.C.4 of the Corporate Governance Code. Said function acts on the basis of the Guidelines

issued by the Board of Directors and the Policies for implementing the ICRMS, issued by the function itself in July 2015.

In 2017, the Executive Director in charge of the Internal Control and Risk Management System kept communication channels open, coordinating with the Chief Internal Audit Officer, the Risk Manager and the Audit, Risks & Sustainability 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 5 March 2018.

10.4 Chief Internal Audit Officer

Pursuant to the Corporate Governance Code, on the proposal of the Audit, Risks & Sustainability Committee and the Executive Director in charge of the Internal Control and Risk Management System, Alessandra Ramorino was confirmed in the position of Chief Internal Audit Officer 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 Chief Internal Audit Officer reports hierarchically to the Board of Directors through the Chairman, and in operational terms to the Executive Deputy Chairman, and interacts with the Audit, Risks & Sustainability 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, Risks & Sustainability Committee and the Remuneration &

Appointments Committee, as well as consulting with the Board of Statutory Auditors, the Board of Directors determines the Chief Internal Audit Officer (fixed and variable) remuneration in accordance with company policies and current laws. It also ensures that the Chief Internal Audit Officer has access to resources suited to the fulfilment of her responsibilities.

Each year, after having obtained a favourable opinion from the Audit, Risks & Sustainability 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 2017, 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 Chief Internal Audit Officer 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 2017, 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 Chief Internal Audit Officer 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 26 February 2018, the Audit, Risks & Sustainability Committee was provided with appropriate information on the results of Chief Internal Audit Officer 's activities for 2017 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 Chief Internal Audit Officer relating to Law No. 262/05 for 2017, 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 and updated in July 2017) is made up of:

General Section

A General Section illustrating the company's profile, the regulatory framework, 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 formed 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; following the legislative changes introduced between the end of 2016 and early 2017, extending the list of underlying offences, the General Section was updated in July 2017 through the integration of said list:

- introduction of the offence of “unlawful intermediation and exploitation of agricultural labour” (Article 603-*bis* of the Italian Penal Code), deemed not applicable in the light of the Company's business; in any event, the existing tools/preventative measures and control procedures implemented for contractors and temporary labour agencies (to which the offence could apply, in theory, on the basis of their company objects) were found to be adequate;
- introduction of the offence of “trafficking in organs harvested from a living person” (Article 601-*bis* of the Italian Penal Code), deemed not applicable, in the light of the Company's business;
- introduction of the offence of “instigation of corruption” (Article 2635-*bis* of the Italian Civil Code), for which it was assessed that the current map of sensitive processes and the related control protocols aimed at combating the risks of corruption and solicitation of bribery governed by the Special Section of the Legislative Decree 231 Model also cover the risks deriving from the changes made to the law.

The opportunity was also taken to update the following points:

- inclusion of the shares of Brembo S.p.A. in the FTSE-MIB;
- number of employees at the Group level;
- new name of the Audit, Risks & Sustainability Committee;
- new composition of the Supervisory Committee, as per the resolution of the Board of Directors of 20 April 2017;
- explicit statement of the general obligation to report to the Supervisory Committee already included in the various guidelines, procedures and instructions issued by Brembo, on the basis of suggestions made by the newly elected Supervisory Committee.

Special Sections

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.

Code of Ethics

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;

Brembo Compliance Guidelines

They 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

Code of Conduct 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 second edition of the Code, approved by the Board of Directors on 27 July 2017, raises the maximum limit on Brembo merchandising gifts (intended to promote the brand), while also requiring that subsidiaries adopt a merchandising catalogue similar to that of the Parent.

Rules governing the proceedings of the Supervisory Committee

Regulation revised and approved by the Supervisory Committee itself on 11 May 2017, to reflect its renewed composition, which no longer calls for the involvement of members of the Board of Statutory Auditors.

Group compliance system

This system entails the adoption of the 231 Model, 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 serving the preventive goals contemplated in Legislative Decree No. 231/2001.

Brembo Antitrust Code of Conduct

In 2017, in order to raise awareness among company departments of compliance with competition rules, in accordance with the principles enshrined in its Code of Ethics, Brembo prepared and adopted an Antitrust Code of Conduct, in addition to the other compliance documents already issued. It represents a practical guide, tailored to Brembo's business, that provides a simple, accessible explanation of:

- the restrictions imposed by antitrust rules;
- the cases in which such restrictions may most frequently be breached;
- the most common areas/situations of risk of violations of antitrust rules;
- the proper behaviour to be adopted to ensure full compliance with antitrust legislation in the various countries in which Brembo operates.

The Antitrust Brembo Code applies to employees of Brembo S.p.A. and its subsidiaries in the EU and forms a model of reference for the compliance programmes that must be implemented starting in 2018 at Group companies based outside the European Union.

The document was presented to the Audit, Risks & Sustainability Committee, Supervisory Committee and Board of Statutory Auditors during the meeting on 26 October 2017, and was distributed to the Business Management Committee during the meeting on 30 October 2017.

The reporting channel set up by the Company with regard to the changes brought on by the new “Whistleblowing” law (bill 2208 approved by the Chamber of Deputies on 15 November 2017) already meets the legal requirements. In addition, the new predicate offences added, such as the following, are currently being assessed:

- addition to Article 25-*duodecies* of Legislative Decree No. 231/2001 of paragraphs 1-*bis*, 1-*ter* and 1-*quater* of Article 12, Provisions aimed at combating illegal immigration (Legislative Decree No. 286/1998 – Consolidated Immigration Act);
- new Article 25-*terdecies* of Legislative Decree No. 231/2001, on racism and xenophobia (bill 2886, approved by the Chamber of Deputies on 8 November 2017).

Supervisory Committee

The Supervisory Committee, made up of 3 members, was appointed in the General Shareholders’ Meeting on 20 April 2017 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 2019 Financial Statements²⁰.

Members	Position
ALESSANDRO DE NICOLA	Chairman
LAURA CIOLI	Independent Director
ALESSANDRA RAMORINO	Brembo’s Chief Internal Audit Officer

In accordance with Brembo’s Legislative Decree 231 Model concerning the requirements for members of the Supervisory Committee (autonomy, independence, integrity and professionalism), best practices and case law on this subject, the function of Supervisory Committee was entrusted to a collegial body, made up of three members identified amongst persons complying with the professional and independence requirements, as well as with specific inspective and advisory skills and whose Chair is external to the company’s organisation.

²⁰ Until the Shareholders’ Meeting of 20 April 2017 the Supervisory Committee – mixed composition – was composed by: Raffaella Pagani - Chairwoman, Milena Motta and Sergio Pivato (member of the Board Statutory Auditor for the years 2014-2017), Alessandra Ramorino and two external members Marco Bianchi and Mario Tagliaferrì.

As regards the specific activities within its remit, the Supervisory Committee met on 27 February 2017, 11 May 2017, 18 July 2017, 26 October 2017, and 14 December 2017. The Chair of the Committee also attended the Audit, Risks & Sustainability Committee meetings for the matters within her responsibility and interest. On 26 February 2018, a meeting was held to discuss the final periodic reports for 2017.

During the meetings held in 2017, the Chair of the Supervisory Committee consulted independently with the Internal Audit Department to examine certain risk-assessment analyses made by the 231 Team, as well as to analyse the investigations carried out as a result of some reports.

In acknowledging the updating of the Model and its protocols and in keeping with the opinions expressed in previous reports, the Supervisory Committee confirmed that the general structure of the 231 Model remains intact, and that the Internal Audit’s assurance and monitoring activities, the 231 Risk Assessment and the various reports submitted revealed no facts, acts, events or omissions that were critical in respect of compliance with the requirements of the 231 Model.

In order to check that the Model was implemented effectively, audit activities were carried out with the support of the Internal Audit function, based on the Supervisory Committee’s action plan. Oversight of the Model was performed through the following activities:

- an analysis of the reports received by the Supervisory Committee;
- an analysis of the flow of information contained in the half-yearly report submitted to the Supervisory Committee by the internal functions of Brembo S.p.A. and relevant personnel of Group companies;
- meetings with the managers of sensitive areas and/or functions within the meaning of Legislative Decree No. 231/2001.

Considering the new composition of the Committee announced by the Board of Directors following the renewal of company boards by the Shareholders’ Meeting on 20 April 2017, the Supervisory Committee approved the new edition of its Rules at its meeting on 11 May 2017.

During the year, no violations of laws subject to the penalties provided for in Legislative Decree No. 231/2001 were reported.

Whistleblowing Channel

In accordance with industry-wide compliance-oriented best practices, Brembo has adopted a specific “Whistleblowing Procedure” aimed at setting up and managing reporting channels with a view to ensuring adequate information flows towards and within the Company (through the Supervisory Committee) focusing on irregularities and/or breaches of the Model, the Code of Ethics or other provisions set forth in Brembo’s internal rules and regulations.

The reporting channel established by the Company is already in line with the provisions of the New Whistleblowing Law (DDL 2208 approved on 15 November 2017 by the Chamber of Deputies).

The principles underlying the management of input from whistle-blowers include:

- **Assurance of anonymity and confidentiality:** all of Brembo S.p.A.’s functions/executives in charge of receiving and processing reports must ensure the utmost anonymity of the person or persons making the report, whose identity may be revealed only to the Supervisory Committee;
- **Bad faith reports:** the Supervisory Committee shall ensure adequate protection against bad faith reports, taking action against any such conduct and/or informing the interested parties/companies targeted by reports found to have been made in bad faith;
- **Anonymous reports:** anonymous reports shall be taken into consideration only if appropriately detailed and supported by facts.

Reports may be made by any person or party whatsoever, including: company employees, members of Corporate Bodies (Board of Directors and Board of Statutory Auditors), as well as the Independent Auditors, customers, suppliers, consultants, outside collaborators, shareholders and partners of Brembo S.p.A. and its subsidiaries, and third parties.

Reports shall be submitted to the Supervisory Committee as follows:

- Oral reports to the Supervisory Committee;

- Ordinary post (Supervisory Committee of Brembo S.p.A. — viale Europa 2 — 24040 Stezzano (Bergamo, Italy);
- E-mail (organismo_vigilanza@brembo.it);
- Voice mail (+39 035-6055295);
- Internet (Corporate Governance section of the website www.brembo.com);
- Facsimile transmission (+39 035-6055203).

10.6 Independent Auditors

On 23 April 2013, the contract to provide legal auditing of the accounts was awarded by the General Shareholders’ Meeting to Reconta Ernst & Young S.p.A. for financial years 2013-2021, according to the terms and conditions proposed by the Board of Statutory Auditors.

The financial statements of subsidiaries, deemed significant as defined in the Consob Regulation, Article 151, paragraph 1, are subject to legal auditing of their accounts by the firm that audits Brembo’s financial statements.

In conducting their activity, the engaged Independent Auditors have free access to the information, print and electronic documents, archives and assets of the Parent and its subsidiaries.

The Board of Statutory Auditors, with which the Internal Control & Audit Committee is identified, pursuant to Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016, and the Independent Auditors periodically exchange information and data about their respective areas of supervision and control. The Board of Statutory Auditors periodically verifies assignments other than auditing, in order to assess whether they are compatible with the statutory auditing assignment for the purposes of continuing satisfaction of the independence requirement, and monitors the ratio of auditing fees to fees for other services, to ensure that an appropriate balance is always maintained, in accordance with applicable laws and standard practice.

At its meeting on 18 July 2017, the Board of Statutory Auditors reviewed and approved the creation of two separate procedures governing the granting of assignments to the Independent Auditors. These procedures were drafted while taking account of the changes brought on by Legislative Decree No.

135/2016 and the process of revising the Statement of Non-Financial Information pursuant to Legislative Decree No. 254/2016:

- the former procedure governs the process of granting the external auditing assignment and represents a means of supporting the Board of Statutory Auditors in selecting the Independent Auditors, as required by law, so as to ensure the independence of the external auditors from the entities requesting the performance of external auditing assignments, which represents a fundamental safeguard for the reliability of accounting information;
- the latter relates to the process of granting assignments other than independent auditing, with the aim of:
 - i) avoiding the granting of assignments for services included in the catalogue of those subject to categorical bans by law;
 - ii) regularly monitoring that the fees paid for independent auditing are proportional to the fees for Other Services, which must not exceed the limit of 70%.

On the basis of this latter procedure, the current Independent Auditors were assigned responsibility, with the approval of the Board of Statutory Auditors given at its meeting on 26 October 2017, for verifying the preparation of the Statement of Non-Financial Information drafted in accordance with Legislative Decree No. 254/2016²¹, and were granted an assignment to conduct limited assurance on the Statement of Non-Financial Information according to an assessment of the appropriateness and efficiency of its approach and activity.

In 2017, the Independent Auditors met regularly with the Board of Statutory Auditors to discuss changes to external auditing laws as a result of Regulation (EU) No 537/2014 and Legislative Decree No. 135/2016, focusing in particular on the structure of the information — including additional information — to be presented in the new audit report pursuant to the new Article 14 of Legislative Decree No. 39/2010.

²¹ Legislative Decree No. 254 of 30 December 2016 transposed European Directive 2014/95/EU introduced an obligation for listed companies to arrange and disclose a statement at the individual or consolidated level containing a series of information on environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. This information can be contained in the Annual Financial Report or in separate documents. The Body in charge for the arrangement and the disclosure of such statement is the Board of Directors. It is also provided the control by the Board Statutory Auditors and by the Independent Auditor on such statement.

10.7 Manager in charge of the Company's financial reports

Pursuant to Article 27-*bis* of the By-laws and in light of the non-binding opinion of the Board of Statutory Auditors, on 5 March 2018 the Board of Directors appointed Andrea Pazzi, Chief Administration and Finance Officer, as Manager in charge of the Company's financial reports, granting him the relevant powers. This appointment is effective for the purposes of attesting the accounting data of Brembo S.p.A. and of the Group at 31 December 2017. He will remain in office through to the end of the term of the current Board of Directors, i.e., until the General Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019.²²

Upon appointment, the Board verified the satisfaction of the established professionalism requirements and granted him the pertinent powers for the performance of the function. The Manager in charge of the Company's financial reports is responsible for defining and assessing the adequacy and efficacy of the specific administrative and accounting procedures, as well as of the related control system, safeguarding against the risks inherent in the process of preparing financial information.

The Manager in charge of the Company's financial reports is invited to all Board meetings discussing matters within his function, and participates in the meetings of the Audit, Risks & Sustainability Committee and the Board of Statutory Auditors, directly or through a proxy, in order to provide the information for which he is responsible and report with half-yearly frequency on monitoring obligations and activities for the purposes of the certifications envisaged in Article 154-*bis* of TUF.

10.8 Coordination between parties involved in the Internal Control and Risk Management System

By drafting and approving the "Guidelines for the Internal Control and Risk Management System", the Board of Directors not only indicates the objectives of the System, but also describes its participants and Bodies — both inside and outside the Company — and illustrates their responsibilities and methods of interaction.

²² Until the previous year, this function was attributed to Matteo Tiraboschi.

With a view to practical implementation of these guidelines, the Executive Director in charge of the Internal Control and Risk Management System defined the “Policies for the Management of the Internal Control and Risk Management System” with the aim of tracing its overall integrated structure, so as to permit the main company risks to be identified and managed and to design the System in light of the current organisational structure, the legislative and regulatory framework and best practices.

In detail, the Director in charge of the Internal Control and Risk Management System is tasked with:

- identifying the main business risks, taking into account the characteristics of the activities carried out by the Issuer and its subsidiaries, and submitting them periodically for review to the Board of Directors;
- implementing the guidelines established by the Board of Directors, supervising the planning, implementation and management of the Internal Control and Risk Management System, as well as constantly verifying its adequacy and efficacy;
- bringing the System into line with the current operating conditions, and legislative and regulatory scenario;
- requesting the Internal Audit function to carry out audits of specific operating areas, as well as audits of compliance with internal rules and procedures in the performance of company transactions, in addition to informing the Chairman of the Board of Directors, Chairman of the Audit, Risks & Sustainability Committee and Chairwoman of the Board of Statutory Auditors thereof concurrently;
- timely reporting to the Audit & Risk Committee (or to the Board of Directors) regarding problems and critical issues brought to light in performing her activities or of which she has otherwise become aware, so that the Committee (or the Board) may take the appropriate initiatives;
- coordinating the Managerial Risk Committee and relying upon the support of the Risk Manager and Internal Audit as the guarantors of the Internal Control and Risk Management System (assurance).

From a strictly operative point of view, coordination is also ensured through:

- a constant information flow between the different parties involved in the ICRMS;
- participation of the various parties concerned in joint meetings for discussion of ICRMS-related issues;

- dissemination of the Internal Audit reports to the various ICRMS parties;
- circulation of the minutes, the work files and reports of the Chairman of the Audit, Risks & Sustainability Committee to the Chairman of the Board of Statutory Auditors and of the Supervisory Committee.

11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

11.1 Conflict of interests

The Board of Directors did not deem it necessary to adopt special operating solutions suitable to facilitate the identification and adequate handling of situations in which a Director is the bearer of an interest on his or her own behalf or on behalf of third parties. On this specific point, the Board found that current rules and procedures implemented pursuant to the provisions of Article 2391 of the Civil Code (“Directors’ Interests”) are amply adequate insofar, as they require each Director to “notify all the other Directors and the Board of Statutory Auditors of any and all interests that he or she may bear, on his or her own behalf or on behalf of third parties, in any transaction effected by the company, specifying the nature, terms, origins and extent of any and all such interests.” As a result, the company adopts from time to time any and all measures it deems fit in such regard, in compliance with applicable regulations (including, without limitation, the disqualification from voting on matters pertaining thereto, or requesting to leave the meeting while the relevant resolution is being taken).

11.2 Related Party Transactions Procedure ²³

The purpose of the Procedure, as also specified in the Code of Ethics, is to ensure the transparency and the substantive and procedural propriety of Related Party Transactions that are not concluded at arm’s length, with a view to safeguarding the company’s higher interests. As a general rule, the said transactions may be concluded only when strictly necessary in the company’s interest, without prejudice to the foregoing provisions. The Procedure indicates the rules for evaluating the moderately and

²³ Adopted on 12 November 2010, in accordance with Consob Regulations (Resolution No. 17221 of 12 March 2010 and Resolution No. 17389 of 23 June 2010), in light of the unanimous and favourable opinion of the Audit & Risk Committee (appointed for that purpose, being composed of three Independent Directors).

highly significant transactions undertaken directly by Brembo or through subsidiaries and establishes the organisational safeguards and information flows deemed fit to ensuring that the competent bodies enjoy complete, timely access to all information useful in evaluating such transactions.

The updated edition of Brembo's Related Party Transactions Procedure is available on Brembo's website (www.brembo.com, section Company, Corporate Governance, Governance Documents) and is summarised in the following table.

Main aspects of the Related Party Transactions Procedure

Related Party Transactions Committee	This function is performed by the Audit, Risks & Sustainability Committee, as it consists of three non-executive and independent Directors.
Scope of Application	<p>Parties set forth in Attachment 1 to the Consob Regulations (which refers to IAS 24 at the date of publication of Regulations):</p> <ul style="list-style-type: none"> • Brembo S.p.A.'s Directors, both executive or non-executive; • Acting Auditors; • Key Management Personnel (in the case of Brembo S.p.A.: Chairman, Executive Deputy Chairman and Manager in charge of the Company's financial reports, CEO and General Manager of Brembo S.p.A.); • close members of the family of Directors and Acting Auditors, who could influence, or be influenced by, that individual in their dealings with Brembo; • Entities in which one of the individuals or entities mentioned above exercises sole or joint control or significant influence, or in which the said individual or entity directly or indirectly holds a significant stake bearing no less than 20% of the voting rights.
Low Value Transaction Threshold	€250,000, subject to annual review; this threshold was approved by the Board of Directors on 11 May 2017, inasmuch as it was decided that transactions below said threshold cannot constitute a risk for the Company.
Moderately Significant Transaction thresholds	Transactions whose value ranges from €250,000 and the Highly Significant Transaction threshold.
Highly Significant Thresholds/Indices	Identified on the basis of the last Financial Statements, subject to annual review in accordance with the financial statements results approved by the General Shareholders' Meeting (most recently updated by the Board of Directors on 11 May 2017 based on 2016 Financial Statements data).
Exclusions / Exemptions	<p>Resolutions (other than those passed pursuant to Article 2389, paragraph 3, of the Civil Code) concerning the remuneration of Directors and Members of Committees with special tasks, as well as Key Management Personnel, inasmuch as such resolutions also involve the Remuneration & Appointments Committee, which consists solely of non-executive Directors and a majority of Independent Directors. For instance:</p> <ul style="list-style-type: none"> • Remuneration of BoD and Board of Statutory Auditors; • Remuneration of Key Management Personnel; • Remuneration Policies; • Stock option plans. <hr/> <p>Low Value Transactions Ordinary Transactions (as per Consob's definition) Intercompany Transactions, including exclusively intra-Group transactions or transactions with or among subsidiaries and associates which carry out activities — as per their respective company's objects — similar to those of Brembo S.p.A.</p>

It should be noted that, regardless of the provisions of applicable laws and regulations, the Group companies implemented a local procedure that sets out the operating processes to identify their Related

Parties and Related Party Transactions, as well as their approval procedures, consistently with the Guidelines set forth by the procedure adopted by Brembo S.p.A.

12. APPOINTMENT OF STATUTORY AUDITORS

In accordance with the provisions of Article 22 of the By-laws:

Composition (Article 22 of the By-laws)

- the Board of Statutory Auditors of Brembo S.p.A. is made up of three Acting Auditors and two Alternate Auditors, all appointed by the General Shareholders' Meeting based on list voting procedures;
- those who are not in possession of the eligibility, integrity and professionalism requirements laid down by law cannot be appointed as Auditors (and if already appointed shall be removed from their office); the Acting Auditors shall be chosen from persons who qualify as independent under the provisions of the Corporate Governance Code;
- Auditors are appointed for a term of three years and are eligible for re-appointment; their remuneration is determined by the General Shareholders' Meeting.

The lists for the appointment of Statutory Auditors:

- must include at least one candidate for the office of Acting Auditor and, in any case, a number of candidates not exceeding the Statutory Auditors to be elected, progressively numbered; each person may be a candidate in one list only, under penalty of ineligibility;
- the lists containing a number of candidates equal to or greater than 3, considering both sections, must include a number of candidates in the Acting Auditors' section such as to ensure that the composition of the Board of Statutory Auditors, in respect of its acting members, complies with the laws and regulations on gender balance 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;

lists may be submitted by any number of Shareholders who, on their own or together with other Shareholders, represent at least the minimum percentage of shares bearing voting rights at the ordinary General Shareholders' Meeting pursuant to applicable laws and Consob regulations, and at present equivalent to 1% of the share capital; in particular, each Shareholder holding voting rights may submit, directly or through third-party intermediaries or trust companies, a single list of candidates, under penalty of inadmissibility of the list. A single list of candidates may also be submitted by:

- i. Shareholders belonging to a single group, where the latter term is understood to mean a party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and all subsidiaries controlled by, or under the common control of, that same party;
- ii. Shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of TUF;
- iii. Shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and regulatory framework.

List voting (Article 22 of the By-laws)

The lists of candidates, duly signed by the Shareholders submitting the same, or the Shareholder delegated to make the submission, together with all the other related documents as required under the By-laws, 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 public disclosure must be made both on the Company's website and at its registered offices, in the manner and form specified under statutory and regulatory provisions, at least 21 calendar days prior to the scheduled date of the General Shareholders' Meeting.

On 21 April 2016, the General Shareholders' Meeting of Brembo S.p.A. approved the inclusion of the provisions of Article 126 of TUF in the statutory instructions concerning the submission of lists for the appointment of the Board of Statutory Auditors. According to these provisions:

- 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.

**Election
(Article 22 of the By-
laws)**

For the purposes of election of the Board of Statutory Auditors, the majority list elects two Acting Auditors and one Alternate Auditor; consequently, the first two candidates for Acting Auditor and the first candidate for Alternate Auditor presented on that list are elected. The following are elected from the list with the second-highest number of votes, considering the sequential order in which the candidates are indicated on the list: (a) the first candidate for Acting Auditor, who will also be elected Chairman of the Board of Statutory Auditors, and (b) the first candidate for Alternate Auditor, where available, failing which, the first candidate for Alternate Auditor on the next list by number of votes will be elected to that position.

13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

The General Shareholders' Meeting held on 20 April 2017 appointed the new Board of Statutory Auditors for the three-year period 2017-2019 that will remain in office through to the date of the General Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019. The Board of Statutory Auditors is composed as shown in the table below, and was appointed based on the two lists

presented respectively by the Majority Shareholder Nuova FourB S.r.l. and a group of Asset Management Companies and other institutional investors (holding 0.523% of the share capital, overall).

Pursuant to Article 22 of the By-laws, the following Statutory Auditors were elected from the minority list:

- the first candidate for Acting Auditor, Raffaella Pagani, who was also appointed Chairwoman of the Board of Statutory Auditors pursuant to law and the company's By-laws;
- the first candidate for Alternate Auditor.

13.1 Composition of the Board of Statutory Auditors

BOARD OF STATUTORY AUDITORS - COMPOSITION AT 31 DECEMBER 2017²⁴

Office held	Name and surname	Year of birth	Date of first appointment ¹	In office from	In office until	List ²	Indep. as per Code	Attendance to Board of Statutory Auditors' meetings in 2017 ³	Attendance to Board of Directors' meetings in 2017 ⁴	No. of other offices held ⁵
Chairwoman	Raffaella Pagani	1971	29.04.2014	20.04.2017	Approval of Financial Statements at 31.12.2019	m	x	100%	100%	13 weight 3.75
Acting Auditor	Alfredo Malguzzi	1962	20.04.2017	20.04.2017	Approval of Financial Statements at 31.12.2019	M	x	100%	100%	8 weight N.A
Acting Auditor	Mario Tagliaferri	1961	20.04.2017	20.04.2017	Approval of Financial Statements at 31.12.2019	M	x	100%	100%	11 weight 3.63
Alternate Auditor	Myriam Amato	1974	29.04.2014	20.04.2017	Approval of Financial Statements at 31.12.2019	m	x	-	-	-
Alternate Auditor	Marco Salvatore	1965	29.04.2011	20.04.2017	Approval of Financial Statements at 31.12.2019	M	x	-	-	-
No of meetings held during the year of reference (2017) Stat. Aud: 8 BoD: 8 Audit & Risk Com: 5 Remuneration & Appointments Comm: 1										

NOTES

¹ The date of first appointment of each Auditor refers to the date on which the said Auditor was appointed for the first time (ever) as member of Brembo S.p.A.'s Board of Statutory Auditors.

² 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 0.523% of share capital).

³ This column shows the percentage of Board of Statutory Auditors' meetings attended by Statutory Auditors in 2017 (No. of meetings attended/No. of meetings held by the Board during the Auditor's actual term of office); preparatory meetings and induction sessions are not included.

⁴ This column shows the percentage of Board of Directors' meetings attended by Statutory Auditors in 2017 (No. of meetings attended/No. of meetings held by the Board during the Statutory Auditor's actual term of office).

⁵ This column shows the number of other Directorships or Auditorships held by the Auditor within the meaning of Article 148-bis of TUF and relevant implementing provisions set forth in Consob Rules for Issuers, in addition to the weight calculated on the basis of Article 144-duodecies of these Rules. The full list of Directorships and Auditorships held is published on the Consob website pursuant to Article 144-quinquiesdecies of the Consob Rules for Issuers.

²⁴ Until the Shareholders' Meeting of 20 April 2017 the Board of Statutory Auditors was composed of: Barbara Raffaella Pagani (Chairwoman), Milena Motta, Sergio Pivato – Acting Auditor; Myriam Amato and Marco Salvatore – Alternate Auditor.

PROFESSIONAL PROFILE OF THE STATUTORY AUDITORS

The following is a profile of the Chairwoman of the Board of Statutory Auditors and the Acting Auditors.

RAFFAELLA PAGANI

Chairwoman

Chairwoman of Brembo S.p.A.'s Board of Statutory Auditors. With a Bachelor's Degree in Economics and Business from the University Luigi Bocconi in Milan, followed by qualification as a Certified Public Accountant, she was admitted to the Certified Public Accountants Register of Milan in 1996 and the Milan Auditors Register in 1999. She is also enrolled with the Rolls of Technical Consultants of District Court of Milan, the Rolls of Official Receivers of the District Court of Milan, and the Rolls of Auditors of Local Bodies. She practices as a Certified Public Accountant in Milan (Studio Associato Pagani). She currently chairs also the Board of Statutory Auditors of Amplifon S.p.A., Sanofi-Aventis S.p.A., and Nord-Com S.p.A. In addition, she is a member of the Board of Statutory Auditors of E-Distribuzione S.p.A., Enel Italia S.r.l., Dufry Shop Finance Ltd., and other companies. In addition to being member of the Board of Directors of Azimut Holding S.p.A., she audits the accounts of the Municipality of Cremona and certain municipalities near Milan. She serves as sole auditor of Alpa S.p.A.

ALFREDO MALGUZZI

Acting Auditor

Born in 1962 in Lerici, Italy, he earned a degree in Business Administration, with a specialisation in self-employed accounting services, from Luigi Bocconi University; he is a member of the Milan Accountants Association and is registered with the Register of Auditors (section B). Areas of activity: tax and corporate consultancy, with a specialisation in M&A tax and corporate aspects, private equity, venture capital, IPOs, international taxation, the tax treatment of share-based incentive plans and tax litigation. He is a published author of works on tax matters. He sits on the boards of directors of Borgo Scopeto e Tenuta Caparzo S.r.l. Società Agricola, Candy S.p.A., First Course ss, LaGare S.p.A. and Triboo S.p.A., as well as on the boards of statutory auditors of BNP

PARIBAS Lease Group S.p.A., Brembo S.p.A., Gruppo Lactalis Italia S.p.A. and Snam 4 Mobility S.p.A.

MARIO TAGLIAFERRI

Acting Auditor

Born in Milan on 9 October 1961, he graduated in Economics and Business from the State University of Bergamo in 1987. He is registered with the Cremona Accountants Association, the Register of Technical Advisors to the Judges of the Civil and Criminal Court of Cremona and the Register of Auditors. He was President of the Crema Accountants Association for eleven years and has been coordinator of the accountants associations in Lombardy. He is a published author on taxation and corporate affairs. He is a founding partner of the firm LEXIS – Dottori Commercialisti Associati and practices from its Crema and Milan offices, primarily providing tax and corporate consultancy to SMEs and large enterprises, with a particular focus on corporate and business reorganisation through mergers and acquisitions. He is currently Chairman of the Board of Directors of Banca Cremasca e Mantovana Credito Cooperativo S.C.R.L., Coats Thread Italy S.r.l, Guarniflon S.p.A., Nerviano Medical Sciences S.r.l., SCRIP S.p.A., Sipral Padana S.p.A. and Crema Diesel S.p.A., as well as statutory auditor at Brembo S.p.A., Brembo SGL Carbon Ceramic Brakes S.p.A., Marsilli S.p.A. and Fondazione Nazionale Commercialisti.

13.2 Board of Statutory Auditors' Diversity Policies

When company boards were renewed for the period 2017-2019, the outgoing Board of Directors expressed its position to the shareholders on the identification of candidates for control bodies, referring to the experience and professionalism of candidates in order to ensure adequate diversity of the members of the governing body pursuant to Article 123-bis, paragraph 2, letter d-bis, of TUF.

In particular, in addition to the current legal and regulatory requirements, and by virtue of the new version of Article 19 of Legislative Decree No.

39/2010, as amended by Legislative Decree No. 135/2016, which transposed Directive No. 2014/56, the following recommendations were made regarding candidates for the position of Statutory Auditor:

- (i) they must be chosen from persons with an overall experience of at least three years in professional or academic endeavours closely related to the Company's business; or
- (ii) they must have served in an executive position at bodies operating in sectors closely related to the Company's business; or
- iii) they must have served in a governance or control role at companies in Brembo's sector and of the same size for a suitable period.

All members of the Board of Statutory Auditors satisfy the integrity, professionalism and independence requirements laid down by the law and Brembo's Corporate Governance Code, which has endorsed the independence requirements set forth in the 2015 Corporate Governance Code. Satisfaction of the said requirements was verified by analysing and assessing the respective statements issued by the Statutory Auditors upon their appointment. Ongoing satisfaction of the same requirements by the Chairwoman and Acting Auditors is subsequently assessed annually. In 2017, it was confirmed. With regard to the maximum number of positions held at other companies, the Company assessed the Statutory Auditors' compliance upon their appointment (20 April 2017) and, subsequently, on the basis of the statements of each member of the Board of Statutory Auditors issued pursuant to Attachment 5-*bis* to the Rules for Issuers. The outcome of the checks for the year 2017 is given in the table on page 58.

13.3 Board of Statutory Auditors' Duties and Activities

The Board of Statutory Auditors discharges the supervisory duties entrusted to it under applicable laws and regulations and supervises compliance with the law and By-laws, observance of the principles of sound management and, in particular, the adequacy and the material operation of the organisational, administrative and accounting structures adopted by the Company, as well as the concrete approach to implementing the corporate governance rules set forth in applicable laws. The Board of Statutory Auditors

also monitors the independence of the Independent Auditors²⁵.

The Board of Statutory Auditors has been identified with the "Internal Control and Audit Committee" pursuant to Legislative Decree No. 39/2010 (as amended by Legislative Decree No. 135/2016), which assigns functions of supervision of the financial reporting process, the efficacy of internal control systems, internal auditing and risk management, the statutory auditing of the annual and consolidated accounts and the independence of the statutory auditors.

As part of its activities, the Statutory Auditors may call upon the Internal Audit function to audit specific operating areas or company transactions.

In 2017 the Board of Statutory Auditors:

- performed 8 assessment meetings and attended all the General Shareholders' Meetings and the meetings of the Board of Directors (8 Board of Directors' meetings and 1 General Shareholders' Meeting); in addition, in the person of its Chairwoman, it attended the meetings of the Audit, Risks & Sustainability Committee (5 meetings) and Remuneration & Appointments Committee (1 meeting); the meetings of the Board of Statutory Auditors lasted about 3 hours on average;
- held two preparatory meetings, one with the Manager in Charge of the Company's financial reports (10 October 2017) and one with the Independent Auditors (29 November 2017) to discuss several issues subsequently reviewed by the statutory auditors;
- participated in the induction programme for newly appointed Directors and Statutory Auditors, but also open to those already in office, as discussed in detail in section 4.6 above;
- in most cases, held its meetings on the same day as Audit, Risks & Sustainability Committee and the Supervisory Committee, with a section dedicated to joint discussion, in order to facilitate the exchange of information between parties with significant powers in the field of internal controls;
- constantly received from Directors exhaustive and detailed information on business performance

²⁵ As required pursuant to Article 2409-*bis* of the Civil Code, auditing of Company's accounts was entrusted to Independent Auditors, subject to auditing activities regulations set forth for companies with listed shares, as well as to Consob's supervisory activity.

and outlook, operations carried out and the most significant economic, financial and equity transactions performed by the Parent or its subsidiaries, as well as the status of activities and strategic projects underway;

- regularly met with the Manager in charge of the Company's financial reports, the Company's Independent Auditors and the Internal Audit Director. The Board of Statutory Auditors and the Audit & Risk Committee constantly and promptly exchange information material to the performance of their respective duties. The Chairwoman of the Board of Statutory Auditors, or another Statutory Auditor designated by the aforementioned Chairwoman, also attended all Audit & Risk Committee's meetings and the meetings of the Remuneration & Appointments Committee;
- monitored the procedures for submitting lists and appointing members of governance and control bodies and the appointment process, in conjunction with the renewal of company boards, to ensure that these activities were carried out in accordance with the applicable rules;
- continued the discussions that began at the end of 2016 on changes to external auditing laws as a result of Regulation (EU) No. 537/2014 and Legislative Decree No. 135/2016, periodically exchanging views with the Independent Auditors on the structure of the information – including additional information – to be presented in the new audit report pursuant to the new Article 14 of Legislative Decree No. 39/2010;
- was regularly informed of the materiality analysis process carried out by the Company to define areas of non-financial information of a social and environmental nature deemed important to the Group for the purposes of preparing the Statement of Non-Financial Information pursuant to Legislative Decree No. 254/2016 and of the procedures implemented by the Company to govern the roles, activities, responsibilities and timescales of the worldwide data collection and validation process, as well as the preparation and approval of the Statement of Non-Financial Statement.

For further information on the activities performed by the Board of Statutory Auditors, reference should be made to the Statutory Auditors' Report included in the Annual Report.

14. RELATIONS WITH SHAREHOLDERS

Brembo takes special care in monitoring relations with shareholders, institutional and private investors, financial analysts, and the financial community, scrupulously respecting mutual roles.

The management of shareholder relations is entrusted to Matteo Tiraboschi, Executive Deputy Chairman of Brembo S.p.A., supported by the Investor Relations function. Dialogue with the financial community is maintained in collaboration with the Chief Executive Officer, Andrea Abbati Marescotti.

The financial community is provided numerous opportunities to meet and engage in dialogue with the Company as part of a constant, transparent and ongoing communication process. The Company also holds events for financial analysts, conference calls and meetings with shareholders and investors at major capital markets or the Company's registered office.

The Executive Deputy Chairman, Chief Executive Officer and IR Manager periodically hold a conference call with the financial analysts who cover the Company following the approval of accounting results by the BoD. The conference call is held in English; afterwards, a transcript is made available on the website.

In order to provide the market with exhaustive and constantly updated financial information, the company publishes a specific Italian-English section on its website (www.brembo.com, section Investors, For Shareholders) with useful information for Stakeholders, including: press releases, Financial Statements and interim reports, presentations to the financial community, stock price trends, By-laws, regulation of Shareholders' Meetings, information regarding Corporate Governance and compliance with relevant Codes and procedures, etc.

All Investors' requests may be sent to Brembo via the following channels: e-mail "ir@brembo.it"; phone +39.035.60.52.145; fax +39.035.60.52.518.

Company-specific information that could be relevant to Shareholders is published on Brembo's website (www.brembo.com, Investors) so as to provide them with the data required to make informed voting decisions.

For the disclosure and filing of regulated information, Brembo S.p.A. has availed of the Consob-authorized system 1INFO (www.1info.it), managed by Computershare S.p.A. with registered office in Milan, at via Lorenzo Mascheroni 19.

15. GENERAL SHAREHOLDERS' MEETINGS

The By-laws, amended by the General Shareholders' Meeting on 21 April 2016, govern the calling and conduct of the General Shareholders' Meetings as illustrated here below.

Calling of General Shareholders' Meetings

Under Article 10, the By-laws establish that the General Shareholders' Meeting shall be called by the Board of Directors by notice of calling containing an indication of the date, time and venue of the scheduled meeting, the items placed on the agenda, as well as further information required by applicable laws and regulations. The notice of calling shall be published on the Company's website and in compliance with and within the terms set forth by laws and regulations in force at that time.

The Ordinary General Shareholders' Meeting must be called by the governing body at least once a year within 120 days following the end of the Company's financial year, or within 180 days from such date in the case where the Company is required to draw up consolidated financial statements, or where warranted by specific reasons pertaining to the Company's corporate purpose and structure, such reasons being indicated in the Directors' Report on Operations as per Article 2428 of the Civil Code.

Addition of items to the Agenda and submission of New Motions.

Article 10-*bis* establishes that Shareholders individually or collectively representing at least one fortieth of share capital may submit a written application, according to the terms and conditions set forth in applicable laws and regulations, to add items to the Agenda for the General Shareholders' Meeting, indicating the proposed additional items in the application²⁶, or to submit motions on items already on the agenda.

²⁶ Pursuant to Article 126-*bis* of TUF (as amended by Legislative Decree No. 91 of 18 June 2012), within ten days following the publication of the notice of calling of the General Shareholders' Meeting or within five days following a calling in accordance with Articles 125-*bis*, paragraph 3, and 104, paragraph 2, Shareholders who, even jointly, represent at least one fortieth of the share capital may apply for additional items to be placed on the agenda or submit motions to be raised on items already on the agenda.

Right to pose questions prior to the General Shareholders' Meeting.

The amendments to Brembo S.p.A.'s By-laws approved by the Extraordinary Shareholders' Meeting of 21 April 2016, introduced a new Article 10-*ter*, establishing that those entitled to vote during General Shareholders' Meetings may submit questions regarding the items on the Agenda even before the General Shareholders' Meeting, in accordance with the procedures and terms set in the Notice of Calling.

Participation in and representation at the General Shareholders' Meeting.

Pursuant to Article 11, also partially amended by the Extraordinary Shareholders' Meeting on 21 April 2016, the voteholders may participate in the meeting and cast their votes provided that the Company has received an appropriate notice certifying their standing, issued by the intermediary participating in the centralised financial instrument management system, by the third trading day prior to the date for which the General Shareholders' Meeting is scheduled (or within other term as provided for under applicable law). Any party entitled to participate in a Shareholders' Meeting may be represented by another person, not required to be a shareholder, through proxy granted pursuant to the procedures prescribed by applicable laws and regulations and indicated in the Notice of Calling. Proxies may be also granted electronically and notified to the Company by e-mail sent to the certified e-mail address specified in the notice of calling. Proxies may be issued only for a specific General Shareholders' Meeting and shall be valid even for subsequent callings of such General Shareholders' Meeting, pursuant to applicable statutory provisions. The Chairman of the General Shareholders' Meeting shall declare the validity of proxies, and in general, the right to participate in the Meeting.

Quora and resolutions of the General Shareholders' Meeting

Pursuant to Article 13, also amended by the Extraordinary Shareholders' Meeting on 21 April 2016, Ordinary and Extraordinary Shareholders' Meetings are normally held following a single calling. The quorum requirements for constituting a session and passing resolutions set out in applicable current provisions of law shall apply to this end. However, should the Board of Directors deem it appropriate, it may decide that the Ordinary or Extraordinary Shareholders' Meeting be held following multiple callings, expressly specifying this information in the notice of calling. The Ordinary and Extraordinary Shareholders' Meeting at first, second or third calling shall be validly constituted and pass resolutions with majorities established under law applicable case by case.

Documentation of General Shareholders' Meetings.

All documentation related to General Shareholders' Meeting, including reports focusing on the items placed on the Agenda and motions raised in respect of the said items, is made available for public consultation at the Company's registered office and on the corporate website, as well as through the authorised data storage system 1info.it, within the terms established by current applicable regulations. During the Meeting, Shareholders are provided with the documents regarding items on the Agenda (the relevant Board of Directors' recommendations, as disclosed to the public in accordance with laws and regulations in force) and the Annual Financial Statements. As a general rule, attending Shareholders are provided with the Group's economic and financial highlights and market performance, as well as analyses about trends in the markets in which the Group operates, the state of completion of main investment projects and the business outlook.

The General Shareholders' Meeting Regulation designed to regulate the proper and efficient functioning of the General Shareholders' Meetings (most recently updated on 29 April 2011) is available on the website: www.brembo.com, section Investors, For Shareholders, Shareholders' Meeting, 2018.

The General Shareholders' Meeting held on 20 April 2017 was attended by the majority of Directors currently in office and all the members of the Board of Statutory Auditors currently in office. The candidates from the list filed by the majority shareholder, Nuova FourB S.r.l., and those proposed by the minority shareholders were also invited to participate.

The notice of calling for the next General Shareholders' Meeting, convened on 20 April 2018, is available on the Company's website www.brembo.com, section Investors, For Shareholders, Shareholders' Meeting, 2018 as well as from the authorised storage system (www.1info.it) and has been published in summary version in the daily newspaper *Il Sole24Ore*.

16. FURTHER CORPORATE GOVERNANCE INITIATIVES (pursuant to Article 123-bis, paragraph 2(a) of TUF)

16.1 Assignment of Sustainability tasks/ functions to the Audit and Risk Committee

Starting with its term beginning on 20 April 2017, the Board of Directors decided to assign responsibility for supervising sustainability issues to the Audit & Risks Committee, resulting in the change of the Committee's name to the Audit, Risks & Sustainability Committee, and its duties as set out in the related regulation were updated accordingly. This decision was made in accordance with the inclusion of Brembo in the FTSE-MIB index and the provisions of Article 4 of the Corporate Governance Code, which suggest that it is appropriate to assess whether to form a specific committee responsible for supervising sustainability issues and its dynamics of interaction with all stakeholders or, alternatively, to vest an existing committee with such responsibilities. On the basis of the best practices in this area, and in the light of the new Legislative Decree No. 254/2016 on the Statement of Non-Financial Information, the Company decided to assign this function to the Audit & Risks Committee, considering, among other factors, the related nature of its duties.

The tasks and functioning of the Audit, Risks & Sustainability Committee were therefore expanded and incorporated into a new version of the Regulations, approved by the Board of Directors during its meeting on 20 April 2017, along with the appointment of the Committee and contained in the Brembo Corporate Governance Manual.

See section 9 for information on the Committee's composition and work in 2017.

16.2 Whistleblowing System

With regard to the Internal control and risk management system, the Company has implemented an internal system for employees to report any irregularities or violations of applicable legislation and internal procedures, which already satisfies the requirements established by the New "Whistleblowing" Law (bill 2208 approved by the Chamber of Deputies on 15 November 2017), the characteristics of which are described in section 10.5, concerning the Organisation, Management and Control Model Pursuant to Legislative Decree No. 231/2001.

17. CHANGES AFTER 31 DECEMBER 2017

There were no changes after 31 December 2017.

18. REMARKS ON THE LETTER FROM CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE OF 13 DECEMBER 2017

The notice sent by the Chairman of the Corporate Governance Committee to all issuing companies on 13 December 2017 and enclosed document (Annual Report – Fifth Edition) on the state of application of the Borsa Italian Corporate Governance Code were first circulated to the Executive Directors, Chairwoman of the Board of Statutory Auditors and Lead Independent Director.

The recommendations as to the aspects to be improved and reinforced identified by the Corporate

Governance Committee were then reviewed by the Lead Independent Director and Independent Directors during the meeting on 9 February 2018 and then

submitted to the Board of Directors, highlighting a good level of implementation by Brembo. The details are provided below:

**5TH ANNUAL REPORT ON THE APPLICATION
OF THE CORPORATE GOVERNANCE CODE OF BORSA ITALIANA**

Areas of improvement/strengthening highlighted by the Corporate Governance Committee

Brembo's implementation

PRE-MEETING INFORMATION

Ensuring full transparency regarding the timeliness, completeness and accessibility of pre-meeting information, with specific indication of observance of the deadlines for sending documentation

The deadlines for providing access to informational materials, including forms and presentations of details, as set by the Bylaws and the Regulations of the Board of Directors, were normally observed.
See section 4.7.2.

CLARITY AND COMPLETENESS OF REMUNERATION POLICIES

Assigning greater weight to long-term variable components in remuneration policies, introducing claw-back clauses and establishing criteria and procedures for assigning any termination indemnities

Aspects described in detail in the Annual Remuneration Report, submitted for the review of the Shareholders' Meeting.
See www.brembo.com, section Company/Corporate Governance/Remuneration Policies

APPOINTMENTS COMMITTEE

Establishing an appointments committee, and, if it is combined with the remuneration committee, reporting separately on the activities performed

The Regulation of Brembo's Remuneration and Appointments Committee draws a clear distinction between the Committee's functions in these two areas, and they are also discussed separately during Committee meetings.
Separate reporting began to be provided starting with the 2016 Corporate Governance and Ownership Structure Report.
See section 7.

SUCCESSION PLANS

Devising concrete succession plans for executive directors, to ensure the continuity and stability of management, and increasing the transparency of the plans adopted

Brembo has adopted succession plans.
See section 4.2.
In the Ambrosetti 2017 Corporate Governance Survey, it is emphasised that Brembo is among the 52% of companies in the FTSE-MIB index that discloses this information.

INDEPENDENCE

Reinforcing assessments of independence by providing adequate explanations in the event of systematic failure to apply the criteria established in the Code

Brembo's current BoD does not present any cases of failure to apply such criteria.
See section 4.10.

BOARD EVALUATION

Designing structured procedures for the Boards' Review process and including the efficacy of their functioning in assessments of the Board of Directors, considering in particular the Board's contribution to defining strategic plans and monitoring operating performance, the adequacy of the internal control system and risk management.

Activities envisaged in the Regulations of the BoD of Brembo and entrusted to an independent external consultant (Spencer Stuart) for the period 2017-2019.
Among other issues, the following are assessed: the functioning, composition (in view of the renewal of boards), efficacy and involvement of the BoD in strategic decisions and evaluation of the internal system.
See section 4.12.