

**REPORT ON THE REMUNERATION  
POLICY AND  
REMUNERATION PAID  
OF THE BREMBO GROUP**

**Annex 1**

English Translation for convenience – Only the Italian version is authentic





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## Introduction

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**Brembo's Remuneration Policy is defined taking into account the Group's medium/long-term strategic direction, in order to assure attraction and retention for all the key roles with the necessary credentials and skills to ensure that value is created for all stakeholders, including shareholders, employees, customers and suppliers.**

The positive performance and continual growth path experienced by the Group in recent years is a factor that also confirms the adequacy of the remuneration tools adopted in pursuit of company goals. In this process of consolidation, 2019 saw a change in the composition of the Board of Directors following the resignation for personal reasons of Andrea Abbati Marescotti from his position as Chief Executive Officer and General Manager. As of 1 July 2019, the Board of Directors co-opted Daniele Schillaci, pursuant to Article 2386 of the Civil Code, as Director and appointed him Chief Executive Officer, vesting him with all related powers. Subsequently, the Ordinary General Shareholders' Meeting held on 29 July 2019 confirmed his appointment through to the end of the term of the current Board of Directors.

The identification of such a high-calibre profile as that of Daniele Schillaci demonstrates Brembo's intention

to continue to have a Board of Directors featuring a broad mix of expertise and a variety of top-level professional skills, just like the Board currently in office, that can continue to support the Group on its own growth path.

In light of what has happened, the Remuneration & Appointments Committee has continued its mandate seeking to give continuity to the aims, principles and tools of the Group's Remuneration Policy, choosing to work with a view to developing an ongoing dialogue with stakeholders, aware that this key element is central to the Group's remuneration policy. In fact, Brembo attaches great importance to constant interaction, throughout the year, with the main beneficiaries of its remuneration policies and with its investors, in order to ensure ongoing improvement in the adoption of market best practices, drawing helpful inspiration from various stakeholders.

In line with Brembo's values and business strategy, and in keeping with the past, a Remuneration Policy has been drawn up aimed at:

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- 1** **Ensuring the sustainable growth of our Group**  
The ability to report performance that remains above the reference market average, in a contest of persistently significant huge uncertainty in the global automotive market.
  - 2** **Creating value for our Shareholders**  
During 2019, in light of a consolidation of business fundamentals, Brembo guaranteed its investors a value increase of the Brembo stock.
  - 3** **Balancing decisions against their social and environmental impact**  
Brembo has always paid particular attention to the development of global policies in the areas of ethics, responsibility, and sustainability, considering these values to be the foundation of the precious 'intangible' heritage formed by its brand, and the set of principles that characterise the way in which a socially responsible company acts.
  - 4** **Promoting the Guiding Principles that characterise the Group**  
Ethics, quality, acknowledgement, proactivity and belonging are the five guiding principles that make up the wealth of Brembo's shared culture, as well as a benchmark for conducting the Company's business and operations in full respect for all the Group's stakeholders.
  - 5** **Making the company attractive on the market**  
Brembo's Remuneration Policy provides for an overall remuneration suited to attracting and retaining high-profile candidates, constantly recognising the performances achieved.

This Report on the Remuneration Policy and Remuneration Paid is the result of the efforts devoted to providing with a transparent, complete account of the criteria adopted to compensate the Group's personnel and recognise their contribution in the achievement of corporate targets, by ensuring that it has the tools needed for a thorough assessment of the Company and for the informed exercise of rights.

In addition, Brembo has always complied with applicable laws, regulations and recommendations of the Corporate Governance Code for Listed Companies, which it has fully adopted in order to ensure that its Corporate Governance mechanisms function properly.

In particular, the Report on Remuneration Policy and Remuneration Paid is structured as follows:

- **SECTION I:** this section refers to the members of the Governing Bodies, General Managers and Key Management Personnel and contains information about the principles and guidelines according to which Brembo S.p.A. sets its remuneration policy, in addition to information about the procedures used

to adopt and implement that policy. This section describes in a clear, transparent and intelligible way, the general principles and purposes pursued, information regarding the governance of the process aimed at defining Brembo's Remuneration Policy with details of the main Bodies and Parties involved, as well as information on the purposes, tools and recipients of the said policy.

Section I of the Report on Remuneration Policy and remuneration paid, in accordance with the provisions of Legislative Decree No. 49 of 10 May 2019, is subject to the binding vote of the Ordinary Shareholders' Meeting, called to approve the 2019 Financial Statements.

- **SECTION II:** organised into two parts and audited, in accordance with the provisions of Legislative Decree No. 49 of 10 May 2019, by the firm EY S.p.A., appointed to perform the audit. The first of these contains an illustration of each of the components of remuneration paid to the members of the Board of Directors, the members of the Board of Statutory



Auditors and Key Management Personnel in 2019, in accordance with the Remuneration Policy adopted for that year. The second provides a detailed account of the compensation paid during the reporting year, in any capacity and form, by the Company and its subsidiaries and associates, using the tables annexed to the Report, which are an integral part thereof.

Section II of the Report on Remuneration Policy and remuneration paid, in accordance with the provisions of Legislative Decree No. 49 of 10 May 2019, is subject to the advisory vote of the Ordinary Shareholders' Meeting, called to approve the 2019 Financial Statements.

The two Sections are supplemented with additional context-related information to enable the market and Investors to read the remuneration information contained in the Report together with the Group's strategic guidance and sustainability, with a view to understanding the main drivers that allow Brembo's

Remuneration Policy to contribute more fully to the pursuit of long-term value creation for all its stakeholders.

It should be noted that, since at the date of this report Consob has not yet issued the implementing provisions provided for by Article 123-ter of TUF, the content of said Report has been defined in accordance with Attachment 3A - Scheme 7-bis of the Rules for Issuers introduced by Consob Resolution No. 18049 of 23 December 2011.

This Report, pursuant to Article 123-ter of TUF (Article introduced into Legislative Decree No. 58/1998 through Legislative Decree No. 259/2010 as amended by Legislative Decree No. 49/2019), was approved by the Board of Directors, on the proposal of the Remuneration & Appointments Committee, during the meeting held on 9 March 2020 and has been made available to the public at Brembo's registered offices and on the Company's website (<https://www.brembo.com/en/company/corporate-governance/remuneration-policies>).

## Section I

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The main objective of the Group's Remuneration Policy is to ensure the active engagement of Directors, particularly Directors with executive powers, and of the top managers, by favouring the alignment of their individual interests with those of stakeholders from a medium-to-long-term perspective. The goal remains to support growth and create value through a constant assessment of individual and company performance,

with the aim of contributing to keeping profitability and productivity levels high for the entire Group. In addition, Brembo has always paid particular attention to designing its Policies so that they are in line with the business values and strategies and are, at the same time, able to ensure a competitive position in respect of the reference market and fairness for all its employees.

### 1. Information on the Procedures Applied for the Adoption and Implementation of the Remuneration Policy

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#### 1.1. Scope and recipients

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As in previous years, the Remuneration Policy continues to be in line with corporate values and consistent with regulations and stakeholders' expectations, and has the dual objective to:

- define a remuneration system based on ethics, quality, proactivity, belonging and enhancement, and able to both attract and retain human resources who, thanks to their talent and excellent professional skills, can successfully manage and operate within the Company;
- motivate those resources to achieve increasingly challenging performance targets in view of a constant improvement, also through the adoption of incentive schemes designed to orient them towards the fulfilment of strategic business objectives, hence creating value in the medium/long term and

contributing to align the management's interests and shareholders' expectations.

To facilitate this alignment, the Policy envisages that part of the Management's remuneration be linked to the achievement of performance objectives — which are set and established in advance — through a Management by Objectives (MBO) annual Incentive Plan and a Medium/Long Term Incentive Plan (LTIP).

The Policy is defined through a formalised process (see section 1.6) involving the Remuneration & Appointments Committee, the Board of Directors, Key Management Personnel, the Group's Human Resources & Organisation Department, the General Shareholders' Meeting and the Board of Statutory Auditors.



In detail, areas of responsibility are as follows:

Recipient	Decision-making body	Proposing body	Technical body	Advisors, if any
Chief Executive Officer	GSM, BoD	Remuneration & Appointments Committee	Human Resources & Organisation Dept.	Mercer
Executive Directors				
Key Management Personnel				
Non-Executive Directors				
Board of Statutory Auditors	GSM	Shareholders	Administration & Finance Dept.	

## 1.2. Remuneration & Appointments Committee

Pursuant to the provisions set forth in Borsa Italiana's Corporate Governance Code, which Brembo S.p.A. fully complies with, in February 2001 the Company's Board of Directors established the Remuneration Committee, which later became the Remuneration & Appointments Committee, **made up of a majority of non-executive, independent Directors and chaired by an Independent Director.** The Board of Directors also defined its tasks and powers.

The Committee's composition, meetings, objectives, tasks and activities illustrated hereunder **are fully compliant with the recommendations of the 2018 version of the Corporate Governance Code.**

Pursuant to Article 2389, paragraph 3, of the Italian Civil Code, the Remuneration & Appointments Committee

is vested solely with **recommendatory functions.** The power to determine the remuneration of Directors holding special offices is in any event entrusted to the Board of Directors, in concert with the Board of Statutory Auditors and in compliance with the overall remuneration established by the General Shareholders' Meeting.

**The current Committee, appointed during the Shareholders' Meeting held on 20 April 2017, will remain in office until the approval of Financial Statements for the year ending 31 December 2019.** The Chairwoman of the Board of Statutory Auditors, R. Pagani, is permanently invited to participate in all the meetings of the Remuneration & Appointments Committee.



### Composition and meetings



#### Barbara Borra

Chairwoman  
Non-Executive and Independent  
Director

#### Nicoletta Giadrossi

Non-Executive and Independent  
Director. Committee member with  
appropriate financial expertise and  
experience.

#### Umberto Nicodano

Non-Executive and Non-Independent  
Director

In 2019, the Committee met 4 times. As of the date of approval of this Report, it held a further meeting focused on the definition of remuneration policy for 2019 and the start of the new Group's Remuneration Policy.

### Objectives

With reference to Remuneration: 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 potential conflicts of interest.

With reference to Appointments: identifying the optimal composition of the Board, in terms of the combination of skills, by indicating the professional roles that may promote its proper and effective functioning and contributing to the preparation of the succession plan for Executive Directors.

### Responsibility areas

Periodically assessing, as indicated by the Chairman of the Board of Directors, the adequacy, overall consistency and practical application of the Remuneration Policy for Directors and Key Management Personnel (including any possible stock option or stock granting plans, three-year incentive plans, etc.). With regard to the latter, it draws on the information provided by the Directors responsible for this task.

Submitting proposals or expressing opinions to the Board of Directors regarding the remuneration of Executive Directors and other Directors holding special offices, and the performance objectives associated with the variable component of such remuneration.

Monitoring the implementation of decisions adopted by the Board of Directors by verifying, specifically, the actual achievement of performance objectives.

Formulating motions to the Board of Directors regarding the Report on Remuneration Policy and Remuneration Paid that they are required to submit to the General Shareholders' Meeting to illustrate the Remuneration Policy for Directors and Key Management Personnel.

Performing all additional tasks that, from time to time, it may be assigned by the Board of Directors, as well as examining all issues that the Chairman, Executive Deputy Chairman, and the CEO and General Manager deemed appropriate to submit to the Committee for the aspects falling within its remit.

Reporting to Shareholders regarding the way in which its duties are discharged.

With reference to appointments: formulating opinions and recommendations for the Board of Directors in regards to its size and composition, the presence of specific professional figures, the number of other positions deemed compatible with the role held within Brembo, the exceptions to the non-competition agreement, the cases of co-option, and the succession plans.

In 2019, the Remuneration & Appointments Committee carried out its activity as part of an ongoing process, made up of the following chronological macro-phases: focus on performance assessment and the final evaluation of variable remuneration systems; the annual review of the Report on Remuneration Policy and

Remuneration Paid, analysis of the level of challenge of variable incentive plan targets; assessment of main Executive Compensation elements, and all that is required to define the remuneration package of the new Chief Executive Officer.



The following is the activity calendar of the Remuneration & Appointments Committee, in particular with regard to the matters discussed within the framework of meetings:

2020 →

MEETING OF 25 FEBRUARY 2019	MEETING OF 3 MAY 2019	MEETING OF 21 JUNE 2019	MEETING OF 28 OCTOBER 2019
<p><b>With reference to Appointments:</b></p> <p>a) it assessed the composition of the Board of Directors and</p> <p>b) the combination of professional backgrounds and managerial skills.</p> <p><b>With reference to Remuneration:</b></p> <p>a) it evaluated the closing results of the short-term annual Incentive Plan (MBO 2018) and the Long-Term Incentive Plan (2016-2018 LTIP) which ended in 2018;</p> <p>b) it assessed and defined the content and features of the annual Short-term Incentive Plan (MBO 2019), the new Long-Term Incentive Plan (2019-2021 LTIP) and the related Regulation;</p> <p>c) it analysed the 2019 Remuneration Report, including the General Policies for the Remuneration of Executive Directors, other Directors holding special offices and Key Management Personnel, also assessing and confirming the proper implementation of the 2018 remuneration policies.</p>	<p><b>With reference to Appointments:</b></p> <p>(meeting held jointly with the Audit, Risk &amp; Sustainability Committee in its capacity as the Related Party Transactions Committee): the Remuneration &amp; Appointments Committee was informed of Andrea Abbati Marescotti's decision to leave its role for personal reasons and the ensuing appointment of Daniele Schillaci.</p> <p><b>With reference to Remuneration:</b></p> <p>a) it carried out a preliminary review of the remuneration policy proposals for the Leaving Package of the CEO serving at that time, the Remuneration Package for the new CEO and the proposal of change to the Remuneration Package for the Executive Deputy Chairman for examination and approval by the Board of Directors.</p>	<p>(meeting held jointly with the Audit, Risk &amp; Sustainability Committee in its capacity as the Related Party Transactions Committee).</p> <p><b>With reference to Remuneration:</b></p> <p>a) it examined and evaluated the change to the overall remuneration to be awarded to the Board of Directors and its allocation within the Board for purposes of drafting proposals to be submitted to the Board, in view of the General Shareholders' Meeting of 29 July 2019.</p>	<p><b>With reference to Appointments:</b></p> <p>it examined the proposal to raise the maximum age of candidates for the office of Independent Director in view of its approval by the Board of Directors.</p>

For further information concerning the Remuneration & Appointments Committee's activities in 2019, the Committee's functioning and its specific activities in respect of Appointments, reference should be made

to paragraph 7 of the 2019 Corporate Governance and Ownership Structure Report, published concurrently with this Report.

### 1.3. Board of Directors

The Board of Directors currently in office was appointed at the General Shareholders' Meeting called to approve the 2016 Financial Statements (20 April 2017) and is made up of 11 Directors.

2019 saw a change in the Board of Directors' composition: following the resignation of Andrea Abbati Marescotti from his position as Chief Executive Officer and General Manager, and the ensuing waiver

of all related powers, as announced on 3 May 2019. As of 1 July 2019, the Board of Directors, in compliance with Article 2386 of the Civil Code, co-opted Daniele Schillaci as Director and appointed him Chief Executive Officer, vesting him with all related powers. Subsequently, the Ordinary General Shareholders' Meeting held on 29 July 2019 confirmed his appointment through to the end of the term of the

current Board of Directors, i.e., until the approval of the 2019 Financial Statements.

Its composition and tasks, which are detailed hereunder, are fully compliant with the recommendations of the 2018 version of the Corporate Governance Code.

**The current Board of Directors will remain in office for the three-year period 2017-2019, i.e., until the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019.**

## Composition



### **Alberto Bombassei**

Chairman and Executive Director

### **Matteo Tiraboschi**

Executive Deputy Chairman and Executive Director

### **Daniele Schillaci**

Chief Executive Officer and Executive Director

### **Cristina Bombassei**

Executive Director

### **Giovanni Canavotto**

Non-Executive and Independent Director

In April 2019, Giovanni Canavotto left the office of System Division Chief Operating Officer, although retaining his role within the Company's Board of Directors until the natural end of his term of office. The management powers connected with his Executive role have therefore been revoked, which qualified him as a Non-Executive Director.

### **Valerio Battista**

Non-Executive and Independent Directors

### **Barbara Borra**

Non-Executive and Independent Directors

### **Laura Cioli**

Non-Executive and Independent Directors

### **Nicoletta Giadrossi**

Non-Executive and Independent Directors

Directly elected by the General Shareholders' Meeting of 20 April 2017 based on the candidature submitted by a group of Shareholders (0.515% of the share capital)

### **Umberto Nicodano**

Non-Executive Directors

### **Gianfelice Rocca**

Non-Executive and Independent Directors

## Responsibility areas

Within the framework of the remuneration policies adopted, establishing the remuneration for Directors holding special offices in concert with the Board of Statutory Auditors and the Remuneration & Appointments Committee. Such remuneration is established in accordance with the resolutions of the General Shareholders' Meeting, which determines the overall remuneration for all Directors.

Examining and approving the strategic, operational and financial plans of the issuer and the Group it heads, periodically monitoring the implementation thereof.

Defining the Company's Corporate Governance system (without prejudice to the powers entrusted to the General Shareholders' Meeting) and the Group's structure.

Defining the nature and level of risk compatible with the Company's strategic objectives.

Assessing the adequacy of the organisational, administrative and accounting structure of the issuer and its subsidiaries having strategic relevance, especially with reference to the Internal Control and Risk Management System.

Assessing the general performance of operations, taking into particular account the information received from the Delegated Bodies, and periodically comparing the results achieved with those planned.

Resolving upon the transactions carried out by the Company and its subsidiaries, should these transactions have a significant strategic, operating, capital and/or financial impact for the issuer. To this end, the Board establishes general criteria to identify highly significant transactions.

Performing at least annually an evaluation of the performance of the Board of Directors and its Committees, as well as their size and composition, taking also into account aspects such as the professional expertise, experience (including managerial experience), gender and seniority of service of their members.

In light of the assessment mentioned in the previous point, expressing its opinion before the appointment of the new Board, so as to inform Shareholders on professionals whose presence in the Board is deemed appropriate.



## 1.4. General Shareholders' Meeting

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The role of the General Shareholders' Meeting pursuant to the By-laws, insofar as matters related to this Report is to:

- appoint and remove the members of the Board of Directors, appoint the Board of Statutory Auditors and its Chairman and Deputy Chairman;
- establish the overall remuneration for the Board of Directors and the Board of Statutory Auditors;
- express a binding vote on Section I of the Report on Remuneration Policy and Remuneration Paid (Remuneration Policy);
- express an advisory vote on Section II of the Report on Remuneration Policy and Remuneration Paid (Implementation of the previous year's Remuneration Policy).

## 1.5. Possible Attendance of Independent Experts

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Brembo also establishes its policies and verifies its remuneration structure based on the analyses conducted with the support of consultants on market benchmarks consisting of a group of comparable peers operating in the same industry that are deemed comparable in terms of both size and business activity.

In addition, Brembo monitors trends and best practices on the Italian market.

Mercer and Willis Towers Watson advised Brembo by providing methodological support and market benchmarks on compensation and executive compensation.

## 1.6. Process for the Policy Definition and Approval

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The Remuneration & Appointments Committee submits the motion on Remuneration Policy to the Board of Directors for approval. The Group's Human Resources & Organisation Department supports the Remuneration & Appointments Committee in drafting the Report by providing market information about practices, policies and benchmarks to help improve the policy and to involve relevant independent experts, if needed.

Upon proposal from the Remuneration & Appointments Committee, which in turn can ask for the support of the Group's Human Resources & Organisation Department, the Board of Directors prepares and adopts the Remuneration Policy, making it part of internal company rules and regulations. It specifically determines the contents of the paragraphs regarding the Remuneration Policy for members of the Board of Directors (paragraph 2.2), the members of the Board of Statutory Auditors (paragraph 2.3), and the Group's incentive plans (paragraph 2.4). Pursuant to the By-laws, as concerns the Remuneration Policy for Directors holding special offices, the Board of

Directors takes into account not only the proposals from the Remuneration & Appointments Committee, but also the opinion of the Board of Statutory Auditors. Once the Board of Directors has examined and approved the Remuneration Policy, the latter is submitted to the General Shareholders' Meeting and is made available by publishing the Report on Remuneration Policy and Remuneration Paid at least 21 days prior to the date on which the General Shareholders' Meeting is convened.

This complete Report and specifically Section II was previously examined by the Remuneration & Appointments Committee on 3 March 2020 and subsequently approved by the Board of Directors on 9 March 2020.

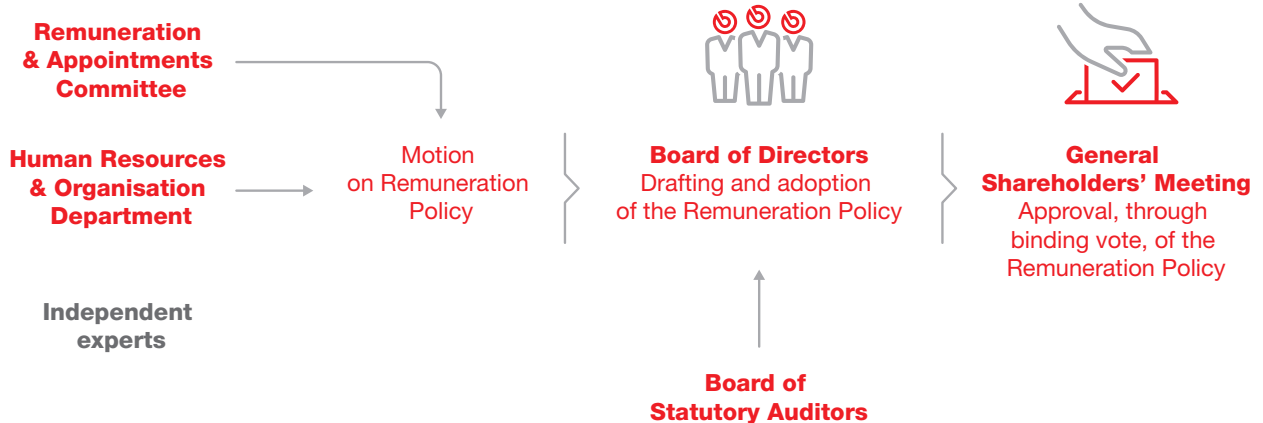
In accordance with the provisions of Legislative Decree No. 49 of 10 May 2019, Brembo has also adopted a process for the temporary exemption from its Remuneration Policy, in the event of exceptional circumstances, where such an exemption is required

in order to pursue the Group’s long-term interests and sustainability as a whole, or to ensure its ability to remain on the market.

The Remuneration & Appointments Committee, supported by the Human Resources & Organisation Department, is the body tasked with verifying whether such exceptional situations exist and formulating the proposals for temporary exemption from the Remuneration Policy to the Board of Directors, which has been identified as the body delegated to approve such temporary exemption.

Any exemptions, which may concern one or more Remuneration Policy elements, described in this Report, will be disclosed in the subsequent Report on Remuneration Policy and Remuneration Paid, together with the reasons that led the Company to avail itself of such an exemption.

The Related Party Transactions Procedure<sup>1</sup>, in its most recently version approved by the Board of Directors on 10 May 2016, does not apply to the decisions of the General Shareholders’ Meeting pursuant to Article 2389, paragraph 1, of the Italian Civil Code concerning the remuneration for members of the Board of Directors and the Executive Committee (if appointed), decisions concerning remuneration for Directors holding special offices that fall within the scope of the total amount set in advance by the General Shareholders’ Meeting in accordance with Article 2389, paragraph 3, of the Italian Civil Code, and the decisions adopted by the General Shareholders’ Meeting pursuant to Article 2402 of the Italian Civil Code concerning Statutory Auditors’ remuneration. Moreover, the Related Party Transactions Procedure also does not apply to decisions on share-based remuneration plans approved by the General Shareholders’ Meeting of Brembo S.p.A. pursuant to Article 114-*bis* of TUF and the related implementation measures.



<sup>1</sup> On 12 November 2010, Brembo adopted a Related Party Transactions Procedure that, as required, is updated and approved in accordance with applicable statutory and regulatory provisions in force.



## 2. Details of the Company's Remuneration Policy

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### 2.1. Contents of the Policy

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The Board of Directors has defined a Remuneration Policy for Executive Directors, other Directors holding special offices and Key Management Personnel (Principle 6.P.4 of the Corporate Governance Code), taking into account market practices, especially those adopted by Italian multinationals with reference to Executive Compensation.

In order to enhance its market competitiveness and potential for staff retention, the Company seeks to align its executive compensation practices by comparing its position with those of companies that are similar in terms of value creation.

#### **Operational Criterion 6.C.1. of the Corporate Governance Code (2018 version)**

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**In defining the Policy, the Board of Directors took into account the following principles and criteria (Operational Criterion 6.C.1 of the Corporate Governance Code):**

- The fixed component and the variable component shall be adequately balanced as a function of the Issuer's strategic objectives and risk management policy, also considering the issuer's business segment and the characteristics of the business activity conducted in actual practice.
  - Maximum limits shall be set for the variable components.
  - The fixed component shall be sufficient to compensate Directors for their services in the event that the variable component is not paid due to failure to meet the performance objectives set by the Board of Directors.
  - The performance objectives – i.e., the economic performance and any other specific objectives to which the payment of variable components is linked – are pre-determined, measurable and linked to the creation of value for Shareholders in the medium/long term.
  - Payment of a significant portion of the variable remuneration shall be deferred for an adequate period of time after it accrues; the amount of that portion and the term of deferral shall be consistent with the characteristics of the business activity conducted and the related risk profiles.
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The information provided below indicates the main features of the Remuneration Policy, in terms of elements of the remuneration package and their definition, for the following groups:

- Directors not holding special offices;
- Directors holding special offices;
- Key Management Personnel;
- Members of the Board of Statutory Auditors.

## 2.2. Remuneration of Members of the Board of Directors

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On 20 April 2017, the General Shareholders' Meeting, in keeping with previous practice, approved an overall remuneration for the Board of Directors of €4,000,000.

Following the resignation of Andrea Abbati Marescotti from his position as Chief Executive Officer and General Manager and the ensuing waiver of all related powers as of 1 July 2019, as announced on 3 May 2019, the Board of Directors co-opted Daniele Schillaci, pursuant to Article 2386 of the Civil Code, as Director and appointed him Chief Executive Officer, vesting him with all related powers.

Subsequently, the Ordinary General Shareholders' Meeting held on 29 July 2019 confirmed his appointment and approved the increase of the overall annual remuneration of the governing body, inclusive of the remuneration of Directors holding special offices, pursuant to and for the intents and purposes of Article 2389, paragraph 3, of the Italian Civil Code, up to an annual maximum amount of €9,500,000.00 for the remainder of the Board's term of office.

It should be noted that said change had no material impact on individual compensations of Non-Executive directors and statutory auditors currently in office.

The underlying reasons for the increase are set out below:

- to ensure overall remuneration consistent with the reference remuneration market for positions similar to that of Executive Director suited to attracting and retaining high-profile candidates such as that of the new Chief Executive Officer Director Schillaci;
- in view of the reappointment of Company Boards and Officers (set to occur with the General Shareholders' Meeting called to approve the 2019 Financial Statements), to establish a Board of Directors

offering a strong mix of competencies and a wide range of high-profile professional skills, comparable to those offered by the Directors currently in office;

- to reserve a residual unused amount to consolidate Governance activities dedicated to the Board of Directors such as, for example, carrying out the Board Performance Evaluation and development of further elements in line with national and international best practices (concerning "engagement" and "stewardship"), with the aim of maintaining Governance in line with stakeholders' expectations.

On the same day, the Board of Directors resolved on the related allocation, after its advance examination by the Remuneration & Appointments Committee and the Audit, Risk & Sustainability Committee on 21 June 2019. In accordance with Article 21 of its By-laws, at its meeting on 29 July 2019, Brembo's Board of Directors allocated said remuneration as described below.

The session of the General Shareholders' Meeting convened for 23 April 2020 to approve the financial statements for the year ended 31 December 2019 will be called upon, among other business, to appoint a new Board of Directors, and thus to approve the overall remuneration of its members pursuant to Article 21 of the By-laws, on the basis of the proposal submitted by the outgoing Board of Directors, including in light of the information and recommendations provided by the Remuneration & Appointments Committee, which expects to confirm the overall remuneration approved by the General Shareholders' Meeting of 29 July 2019 in the sum of €9,500,000.00 per year of their term of office, in line with the policy followed to date and also including the emoluments of Directors holding special offices.



## 2.2.1. Directors Not Holding Special Offices

<b>Board of Directors</b>	Directors were allocated an annual emolument of €55,000 plus emoluments for any positions held on Board Committees.
<b>Audit, Risk &amp; Sustainability Committee</b>	The Chairwoman of the Audit, Risk & Sustainability Committee was allocated an emolument of €30,000 and Committee members €25,000.
<b>Remuneration &amp; Appointments Committee</b>	The Chairwoman of the Remuneration & Appointments Committee was allocated an emolument of €20,000 and Committee members €15,000.

The Board of Directors further confirmed to pay an additional emolument of €15,000 to Cristina Bombassei for her role as Director in charge of the Internal Control and Risk Management System (ICRMS).

Lastly, the Board of Directors approved an additional emolument of €10,000 for Director Laura Cioli for her role as member of the Supervisory Committee.

It should also be recalled that Director Cristina Bombassei, as Executive of the Company, collects a salary and participates in incentive systems, in accordance with the company policies applicable to respective roles, in addition to the emolument for seating in the Board of Directors.

Director Giovanni Canavotto left the office of System Division Chief Operating Officer in April 2019,

although retaining his role on the Company's Board of Directors until the natural end of his term of office. The management powers connected with his executive role have therefore been revoked, which qualified him as a Non-Executive Director.

Following the best market practices, Directors not holding special offices do not receive any form of variable remuneration. There is, however, a Directors & Officers (D&O) Liability policy to cover the risk of third-party claims arising from their actions in performance of their duties. This policy also extends to any legal expenses.

Lastly, it should be noted that, as of 2017, the Audit & Risk Committee has changed its name into "Audit, Risk & Sustainability Committee".



## 2.2.2. Directors Holding Special Offices and Key Management Personnel

In preparing the Policy, the Board decided that Directors holding special offices should be subject to a Remuneration Policy in which a significant part of their remuneration is linked to achieving specific performance objectives since they are Executive Directors — with the exception of the Chairman, whose remuneration package only includes the emolument. Such performance objectives are identified and determined in advance, consistently with the guidelines of the general Remuneration Policy drawn up by the Board of Directors (Principle 6.P.2 of the Corporate Governance Code).

It should be recalled that at the meetings held on 6 June 2011 and 10 November 2011, the Board of Directors also identified and again confirmed (during the meeting held on 29 July 2019) the Directors holding special offices as Key Management Personnel in the following positions: the Chairman, the Executive Deputy Chairman, the Chief Executive Officer.

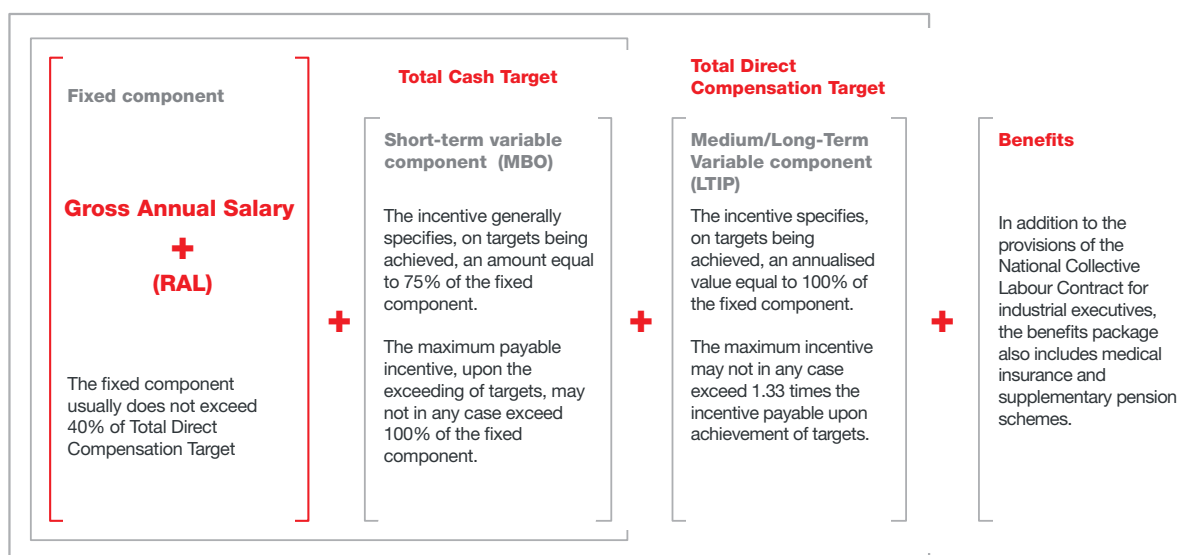
For the Chairman of the Board of Directors, the package resolved on is made up as follows:

- an annual emolument of €1,300,000.

For the other Directors holding special offices and Key Management Personnel the Remuneration Policy provides for a fixed annual remuneration consisting of:

Position	Gross Annual Salary (RAL)	Emolument for the office held	Non-competition Agreement	Fixed component
Executive Deputy Chairman	€1,000,000	€250,000	-	€1,250,000
Chief Executive Officer	-	€1,000,000	€200,000	€1,200,000

In particular, for these positions the Board resolved on a remuneration package as follows<sup>2</sup>:



<sup>2</sup> It should be recalled that the Chief Executive Officer is a party to a non-competition agreement, consideration for which is paid over the course of the employment relationship. This amount is hence included in total fixed remuneration.



The Board of Directors is required to assess the performance levels used in the variable remuneration plans, as per the Remuneration & Appointments Committee's proposals.

On the instructions of the Chairman of the Board of Directors, the Remuneration & Appointments Committee must also periodically assess the adequacy, overall consistency and actual application of the general policy adopted for remuneration for Executive Directors, Directors holding special offices and Key Management Personnel (including any Three-Year Incentive Plans, etc.).

The Remuneration & Appointments Committee also monitors the implementation of the decisions taken by the Board, focusing especially on the actual achievement of performance objectives and evaluating the proposed assignment and quantification of variable incentive schemes where objectives are achieved.

The positioning, the composition of the various compensation elements and external competitiveness were analysed based on a study commissioned to Mercer by Brembo's Human Resources & Organisation Department on current remuneration practices and policies for Top Management (especially the role of CEO) that took into account, in particular, the remuneration practices adopted by multinational Italian companies that are comparable with Brembo in terms of value creation.

The remuneration packages for the C-Suite follow the same rationale and philosophy as that used to build the remuneration packages for Directors holding special offices and Key Management Personnel. In practice, these entail a fixed component (RAL), a short-term variable incentive (MBO), a possible medium/long-term component (LTIP) in accordance with the position held, and a benefits package, based on the relevant National Collective Labour Contract and company practices.

## 2.3. Remuneration of Members of the Board of Statutory Auditors

At the date of preparation of this Report, the Board of Statutory Auditors is composed of the following members:

- Chairwoman: Raffaella Pagani<sup>3</sup>;
- Acting Auditors: Alfredo Malguzzi and Mario Tagliaferri;
- Alternate Auditors: Marco Salvatore and Myriam Amato<sup>4</sup>.

On 20 April 2017, the General Shareholders' Meeting resolved, also in light of the Decree of the Ministry of Justice's No. 169, dated 2 September 2010 ("Regulation on compensation, indemnities and criteria of expense reimbursements criteria for professional services of certified accountants and bookkeepers") regarding remuneration for Statutory Auditors, to allocate to the Board of Statutory Auditors an overall annual

remuneration of €196,000.00 to be divided among the Chairwoman and Acting Auditors:

- Chairwoman: €84,000
- Acting Auditors: €56,000

The Statutory Auditors are, like the Directors, covered by a Directors & Officers Liability insurance policy. The General Shareholders' Meeting convened on 23 April 2020 to approve the Financial Statements for the year ending at 31 December 2019 will also be called upon to renew the Board of Statutory Auditors and therefore to redefine, also in light of the indications relating to the quantification of the commitment required that the outgoing Board of Statutory Auditors will ensure to the Board of Directors, the related overall remuneration, that is expected to be in line with that of the previous three-year term of office.

<sup>3</sup> Elected from the minority list submitted by a group of Shareholders representing 0.523% of share capital.

<sup>4</sup> Elected from the minority list submitted by a group of Shareholders representing 0.523% of share capital.

## 2.4. Variable Remuneration - MBO and LTIP – Allocated to Certain Members of the Board of Directors and other Executives

### 2.4.1. MBO

The Annual Incentive System (MBO) was designed to motivate its beneficiaries to achieve challenging targets, by recognising individual contributions to the Group's results on an annual basis.

Moreover, as of 2018 the Brembo Group has continued its process aimed at emphasising and focusing on issues relating to sustainability, with the goal of including the key drivers of ESG (Environmental, Social and Governance) factors among the objectives to be assigned to the Group's Top Management.

The 2020 MBO plan was approved by the Board of Directors on 9 March 2020, upon proposal submitted by the Remuneration & Appointments Committee. Its beneficiaries include the Executive Deputy Chairman and the Chief Executive Officer.

Purely quantitative objectives were identified and broken down for eligible employees to encourage the creation of absolute and relative profitability, and the organic growth of the Group. In detail, the following criteria were selected: EBITDA, EBIT, Total Sales and ROI (for the Group); a sustainability indicator (CDP Carbon Score) was also identified with the aim of promoting the application of a long-term sustainable business model. In line with the values that underpin the Remuneration Policy, the focus on environmental and sustainability topics is a strength of the whole Group. This vision is guaranteed by "ESG" metrics in the objectives record and has led Brembo to being recognised by the CDP (Carbon Disclosure Project) as one of the world's leading companies in terms of its commitment and ability to respond to climate change and water resource management.

Failure to achieve the minimum quantitative objectives results in no incentives being paid (proportional to the weight of the quantitative objectives for the beneficiary of the MBO in question). Where better than expected results are achieved, the bonus is increased (proportional

to the weight of the quantitative component for the beneficiary of the MBO in question) using a 4 to 1 ratio, i.e., for every 1% improvement on forecast results, an additional 4% bonus is paid out.

The Group sets a maximum limit for the bonus — at 150% — where target objectives are exceeded. Similarly, project performance bonuses are also subject to a 150% limit.

More specifically, for the MBO established for Brembo's Directors holding special offices and Key Management Personnel, the overall bonus payable may not in any case exceed the 133% on-target bonus.

The MBO is paid based on the Group's consolidated results.

The Company may provide for an option to pay Executive Directors and Key Management Personnel, in exceptional circumstances, entry or retention bonuses during the recruitment phase in order to foster the acquisition and retention of resources possessing specific expertise and top-level professional skills considered necessary to achieve Group objectives.

### 2.4.2. LTIP

In 2018, the Remuneration & Appointments Committee drew up the new LTIP and on 4 March 2019 the Board of Directors, having consulted the Remuneration & Appointments Committee, approved the 2019-2021 Incentive system and the related Rules<sup>5</sup>.

The structure of the plan for the 2019-2021 period is based on that for the previous three-year period, since the Board of Directors deemed it to be fully consistent with the new challenges to be faced by the Group over the next three years. In line with the Company's long-term strategies, the Plan seeks to further align the interests of its beneficiaries with those of the Company by allowing the former to benefit from the

<sup>5</sup> It should be recalled that the long-term Plan adopted is a closed, non-rolling plan. Therefore, no new beneficiaries can have access to the Plan until the closure of the same and the bonus is paid in full at the end of the Plan. To compare it with a rolling plan, the overall value should be split for the vesting years (3 years).



desired success of Brembo over the three-year period in question. The number of beneficiaries has been increased compared with the previous system, in view of the Group's goal of focusing on people and securing their engagement. Accordingly, the Plan's beneficiaries include, in addition to the Executive Deputy Chairman and the new Chief Executive Officer, Daniele Schillaci, a set of members of the management population, consistent with the complexity and responsibilities managed by each, for a total of approximately 45 individuals.

This is a pure cash plan that allows participants to accrue a Long-Term Incentive if the Plan objectives are met. The incentive is determined as a percentage of Gross Annual Salary (RAL), calculated based on the strategic and critical importance of the role, the impact of the role on Company results and the degree of challenge in finding replacement candidates on the market. The maximum incentive for the Executive Deputy Chairman and the Chief Executive Officer cannot exceed 1.33 times the amount payable in case the target objectives are achieved.

The reward component of the pay-out curve is offset by the fact that, for values falling below the entry point, no payment (proportional to the share for the performance objective) shall be paid.

If objectives are not reached for one or two of the three performance targets, beneficiaries are still entitled to payment of the bonus in proportion to the objective(s) actually achieved.

The LTIP costs are included in the Three-Year Business Plan objectives so that the LTIP is "self-financed" by the attainment of the objectives themselves.

Achieving the incentive is tied to 3 key performance indicators:

- Economic Added Value (EVA), used to measure the

growth in value during the 2019-2021 three-year period;

- Free Operating Cash Flow, stripped of the effects of institutional, regulatory and other factors that are completely beyond control on the part of the Management, as compared to the 2019-2021 three-year period target;
- the ratio between net financial debt and EBITDA (NFP/EBITDA), compared to the targets set for the individual years 2019, 2020 and 2021.

The Incentive Plan targets are designed to reward the Group's financial and capital soundness, in line with the industrial plan and the results achieved over recent years in terms of stronger financial performance and productivity recovery.

The following people are responsible for all assessments of the Plan, and are likewise responsible for all related decisions, as well as the implementation of the Plan Rules: a) the Chairman, where delegated by the Board of Directors, for the part of the Plan related to Brembo's Executive Deputy Chairman and the Chief Executive Officer; and b) the Chairman, the Executive Deputy Chairman and the Chief Executive Officer or another Director, severally, where delegated by the Board of Directors, for the part of the Plan related to Managers other than Brembo's Executive Deputy Chairman and the Chief Executive Officer.

The long-term incentive is paid, based on the Group's consolidated results, in a single payment at the end of the plan.

The Plan also has retention purposes: in addition to achieving performance targets, the entitlement of beneficiaries to receive the pay-out on the appointed date is conditional upon their ongoing employment or management role within Brembo or one of its Subsidiaries.

## 2.5. Indemnity in the Event of Resignation, Dismissal or Termination of Employment

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The current contract between the new CEO in office, Daniele Schillaci, and the Brembo Group sets out specific rules for termination that provide for, in the event of:

- removal or non-renewal at the end of the Term of Office and/or Delegated powers without just cause (interpreted as per the law);
- resignation from the Office and waiver of the Delegated powers by Daniele Schillaci necessitated by such a serious reason as to make his continuation impossible;
- resignation from the Office and waiver of the Delegated powers by Daniele Schillaci following a change of control pursuant to Article 2359 of the Civil Code that has resulted in a substantial change in his position and/or his powers, occurring in the thirty days thereafter

payment of a one-off indemnity equal to 18 months of an amount corresponding to the sum of the Fixed Emolument for the Office, the non-competition agreement payment and the maximum amount payable by way of short-term variable component (MBO). The total amount allocated in the event of one of the aforementioned circumstances may not in any case be less than €3,600,000 gross.

The Brembo Group does not have agreements with other Directors holding special offices and Key Management Personnel to determine entitlements in the event of their leaving office or the termination of employment save those set down by the applicable legal and/or contractual requirements as per the National Collective Labour Contract.

## 2.6. Non-Competition Agreements

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The Group may enter into non-competition agreements with its Directors, Key Management Personnel, Executives of Brembo S.p.A. and other roles requiring strategic or specific professional skills or expertise. Such agreements can stipulate the payment of a fixed amount or a proportion of Gross Annual Salary (RAL) in relation to the duration and scope of the limitation set forth in the agreement.

Such limitations vary according to trade sectors (and in any case those sectors in which the Group operates at the time of entering into the agreement) and territorial coverage. Additional variations can also relate to the role held at the time of finalising the agreement and can be extended to cover all those countries in which the Group operates.

## 2.7. Clawback/Malus

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With effect from 2016, the short-term incentive system (MBO) and long-term incentive system (2019-2021 LTIP), in line with the provisions of the previous 2016-2018 LTIP, include a clawback clause, as required by Article 6.C.1 (f) of the Corporate Governance Code. In particular, the clause allows the Company to request the refund of part or all of the variable components of

remuneration (or to withhold deferred components), the award of which was determined on the basis of data or information that subsequently prove manifestly incorrect or determined in the presence of fraudulent behaviour or gross negligence on the part of the beneficiaries.



## Section II

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### Foreword

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This section has two parts. In the tables attached to Part Two, it provides details of the specific remuneration paid to individual members of the Board of Directors,

the Board of Statutory Auditors, and Key Management Personnel.

### Part One

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The details of the remuneration paid out in the year of reference (2019) are illustrated below. Details of the various items and additional data can be found in Section I of this Report.

The 2019 Remuneration Policy was assessed by the Remuneration & Appointments Committee as part of the periodic evaluations required by the 2018 version of the Corporate Governance Code (3 March 2020). The Committee confirmed that the Policy was consistent and compliant with the decisions previously taken by the Board of Directors. The Committee's assessment also confirmed the consistency of the 2019 Remuneration Policy with the available market data, both in terms of overall positioning and pay mix. More specifically, the 2019 Remuneration Policy was implemented through payment, where applicable, of the following items:

- emolument as member of the Board of Directors;
- emolument as Director holding special offices;
- Gross Annual Salary (RAL) and non-competition agreement, if any;
- emolument as member of Committees;
- a variable annual component based on the achievement of pre-set corporate objectives (so called MBO);
- a Medium/Long-Term variable component (so-called LTIP);
- benefits included in the National Collective Labour Contract and based on company practices.

For purposes of defining its Remuneration Policy, Brembo held a meeting with its main proxy advisors, with the aim

of assessing the opportunity of applying any suggestions that emerged during the discussion. This dialogue provided a valuable contribution on the perspective of the Shareholders and, more generally, of the market on how the characteristics of the Remuneration Policy adopted are perceived.

The General Shareholders' Meeting of 20 April 2017 approved the overall remuneration for the Board of Directors and the Board of Statutory Auditors. On that same date, the BoD approved the emoluments for the 2017-2019 term for the various governing and control functions, and for participation in Board committees and the Supervisory Committee, in accordance with market practice.

Following the resignation of Andrea Abbati Marescotti from his position as Chief Executive Officer and General Manager and the ensuing waiver of all related powers as of 1 July 2019, as announced on 3 May 2019, the Board of Directors co-opted Daniele Schillaci, pursuant to Article 2386 of the Civil Code, as Director and appointed him Chief Executive Officer, vesting him with all related powers. Subsequently, the Ordinary General Shareholders' Meeting held on 29 July 2019 confirmed his appointment through to the end of the term of the current Board of Directors, i.e., until the approval of the 2019 Financial Statements, and accordingly also reconfirmed the powers. On the same occasion the General Shareholders' Meeting approved the increase of the overall annual remuneration of the governing body, inclusive of the remuneration of Directors holding special offices, pursuant to and for the intents and purposes of Article 2389, paragraph

3, of the Italian Civil Code, up to an annual maximum amount of €9,500,000.00 for the remainder of the Board's term of office. On 29 July 2019, the Board of Directors therefore resolved on the related allocation, after its advance examination by the Remuneration & Appointments Committee and the Audit, Risk & Sustainability Committee on 21 June 2019. It should be noted that the change had no material impact on the emoluments for the 2017-2019 term of office for the different governing and control functions, as well as for participation in Committees and the Supervisory Committee of the members currently in office.<sup>6</sup>

The tables in Part Two of this Section provide the details of the remuneration granted to newly appointed members, re-elected members and outgoing members for the months of actual service.

In particular, the Board of Directors convened on 29 July 2019 did not approve any change with reference to the emoluments of the Chairman and the Executive Deputy Chairman, while a new emolument was set for the new Chief Executive Officer, Daniele Schillaci compared to that of the CEO who preceded him, Andrea Abbati Marescotti. The emoluments referring to 2019 are therefore on an annual basis:

- Chairman: €1,300,000;
- Executive Deputy Chairman: €250,000;
- Chief Executive Officer: €1,200,000.

The amounts for the above emoluments are detailed in the related items reported in Table 1, with regard to each beneficiary. The MBO incentive for the 2019 performance year shall be paid in 2020. The results for the 2019 financial year submitted to the Board of Directors upon proposal by the Remuneration & Appointments Committee at the meeting of 9 March 2020 determined a performance score for top management roles of 127.45%, using the percentage scale adopted.

More specifically, the amount to be paid out in 2020 as regards the short-term incentive is 127.45% (according to the definitive figures approved by the BoD of 9 March 2020) of the value envisaged by the objective, based on the relevant corporate performance evaluation in

relation to the achievement of the key performance indicators — Group EBITDA as an absolute value, Group EBIT %, Group ROI %, Group total sales, and Group sustainability index — for both the Executive Deputy Chairman and the Chief Executive Officer for the portion of the year during which Daniele Schillaci served in his position.

The application of this score resulted in the following pay-outs:

- for the Executive Deputy Chairman, a bonus of €916,046.88, equal to 73.28% of the annual fixed remuneration, taking into account the assigned (100%) and maximum (133%) incentive target levels;
- for the Chief Executive Officer, a bonus of €573,525.00 (six-month pro-rated value of the 2019 MBO), equal to 47.79% of the annual fixed remuneration, taking into account the assigned (100%) and maximum (133%) incentive target levels.

Lastly, it should be noted that in April 2019 Giovanni Canavotto left the office of System Division Chief Operating Officer, although retaining his role on the Company's Board of Directors until the natural end of his term of office. The management powers connected with his executive role have therefore been revoked, which qualified him as a Non-Executive Director.

Further details are provided under the "Variable non-equity remuneration/Bonuses and other incentives" item in Table 1, with relevant details in Table 3b.

Table 1 also illustrates the benefits awarded in 2019, valued in terms of tax liability. More specifically, these values relate to the following benefits: i) annual contribution to the supplementary pension fund; ii) annual contribution to the supplementary health insurance; iii) allocation of a car for business and personal use for at least three years (value net of the contribution from the beneficiary); iv) other supplementary care plans.

Finally, a non-competition agreement is currently in place with the Chief Executive Officer, with payment during his employment within the company.

<sup>6</sup> Refer to Section I for the details of the new policies approved.



Part Two

**Table 1: Remuneration paid to members of the Board of Directors, members of the Board of Statutory**

A	B	C	D
Name and Surname	Role	Term of office	Expiry of office
<b>Alberto Bombassei</b>	Chairman	01/01/2019 - 31/12/2019	Until date of approval of Financial Statements
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Matteo Tiraboschi</b>	Executive Deputy Chairman	01/01/2019 - 31/12/2019	Until date of approval of Financial Statements
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Daniele Schillaci</b>	Chief Executive Officer	01/07/2019 - 31/12/2019	Until date of approval of Financial Statements
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Cristina Bombassei</b>	Director	01/01/2019 - 31/12/2019	Until date of approval of Financial Statements
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Valerio Battista</b>	Director	01/01/2019 - 31/12/2019	Until date of approval of Financial Statements
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Barbara Borra</b>	Director	01/01/2019 - 31/12/2019	Until date of approval of Financial Statements
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Giovanni Canavotto</b>	Director	01/01/2019 - 31/12/2019	Until date of approval of Financial Statements
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Laura Cioli</b>	Director	01/01/2019 - 31/12/2019	Until date of approval of Financial Statements
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Nicoletta Giadrossi</b>	Director	01/01/2019 - 31/12/2019	Until date of approval of Financial Statements
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Umberto Nicodano</b>	Director	01/01/2019 - 31/12/2019	Until date of approval of Financial Statements
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Gianfelice Rocca</b>	Director	01/01/2019 - 31/12/2019	Until date of approval of Financial Statements
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Raffaella Pagani</b>	Chairwoman Board of Statutory Auditors	01/01/2019 - 31/12/2019	Until date of approval of Financial Statements
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Alfredo Malguzzi</b>	Acting Auditor	01/01/2019 - 31/12/2019	Until date of approval of Financial Statements
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Mario Tagliaferri</b>	Acting Auditor	01/01/2019 - 31/12/2019	Until date of approval of Financial Statements
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Directors / Statutory Auditors who left office in 2019</b>			
<b>Andrea Abbati Marescotti</b>	Chief Executive Officer	01/01/2019 - 30/06/2019	
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			



**Auditors, General Managers and other Key Management Personnel**

	1	2	3		4	5	6	7	8
			Bonuses and other incentives	Profit sharing					
	Fixed remuneration	Remuneration for participation in committees	Variable non-equity		Non-cash benefits	Other remuneration	TOT	Fair Value equity remuneration	End of office/ termination of employment indemnity
as at 31/12/2019	1,300,000.00						1,300,000.00		
	1,300,000.00						1,300,000.00		
as at 31/12/2019	1,250,000.00		916,046.88		63,055.37		2,229,102.25		
							0.00		
as at 31/12/2019	1,250,000.00		916,046.88		63,055.37		2,229,102.25		
	650,000.00		1,073,525.00		91,111.14		1,814,636.14		
							0.00		
as at 31/12/2019	650,000.00		1,073,525.00		91,111.14		1,814,636.14		
	187,936.53		33,885.52		10,411.67	15,000.00	247,233.72		
as at 31/12/2019	187,936.53		33,885.52		10,411.67	15,000.00	247,233.72		
	55,000.00						55,000.00		
as at 31/12/2019	55,000.00						55,000.00		
	55,000.00	45,000.00					100,000.00		
as at 31/12/2019	55,000.00	45,000.00					100,000.00		
	180,000.00				10,870.24		190,870.24		
as at 31/12/2019	180,000.00				10,870.24		190,870.24		
	55,000.00	40,000.00					95,000.00		
as at 31/12/2019	55,000.00	40,000.00					95,000.00		
	55,000.00	40,000.00					95,000.00		
as at 31/12/2019	55,000.00	40,000.00					95,000.00		
	55,000.00	15,000.00					70,000.00		
as at 31/12/2019	55,000.00	15,000.00					70,000.00		
	55,000.00						55,000.00		
as at 31/12/2019	55,000.00						55,000.00		
	84,000.00						84,000.00		
as at 31/12/2019	84,000.00						84,000.00		
	56,000.00						56,000.00		
as at 31/12/2019	56,000.00						56,000.00		
	56,000.00						56,000.00		
	25,500.00						25,500.00		
	81,500.00						81,500.00		
	579,699.52				48,607.49		628,307.01		635,080.85
	579,699.52				48,607.49		628,307.01		635,080.85

**Alberto Bombassei**

- Fixed remuneration: emolument of €1,300,000.00

**Matteo Tiraboschi**

- Fixed remuneration: Gross Annual Salary (RAL) of €1,000,000.00; emolument of €250,000.00
- Bonuses and other incentives: MBO 2019 €916,046.88 (according to the definitive figures approved by the Board of Directors' meeting of 9 March 2020)

**Daniele Schillaci (co-opted with effect from 1 July 2019)**

- Fixed remuneration: €500,000.00; non-competition agreement of €100,000.00; housing allowance of €50,000.00
- Bonuses and other incentives: MBO 2019 (six-month pro-rated value) 573,525.00€ (according to the definitive figures approved by the Board of Directors' meeting of 9 March 2020); entry bonus of €500,000.00

**Cristina Bombassei**

- Fixed remuneration: Gross Annual Salary (RAL) of €132,936.53; emolument of €55,000.00
- Bonuses and other incentives: MBO 2019 €33,885.52 (according to the definitive figures approved by the Board of Directors' meeting of 9 March 2020)
- Remuneration for Responsibility for Internal Control System and Risk Management (column 5): €15,000.00

**Giovanni Canavotto**

- Fixed remuneration: Gross Annual Salary (RAL) of €125,000.00; emolument of €55,000.00

**Valerio Battista**

- Fixed remuneration: emolument of €55,000.00

**Barbara Borra**

- Fixed remuneration: emolument of €55,000.00
- Remuneration & Appointments Committee: as Chairwoman 20.000,00€
- Audit, Risk & Sustainability Committee: as a member 25,000.00

**Laura Cioli**

- Fixed remuneration: emolument of €55,000.00
- Audit, Risk & Sustainability Committee: as Chairwoman €30,000.00
- Supervisory Committee: as a member €10,000.00

**Nicoletta Giadrossi**

- Fixed remuneration: emolument of €55,000.00
- Remuneration & Appointments Committee: as a member €15,000.00
- Audit, Risk & Sustainability Committee: as a member €25,000.00

**Umberto Nicodano**

- Fixed remuneration: emolument of €55,000.00
- Remuneration & Appointments Committee: as a member €15,000.00

**Gianfelice Rocca**

- Fixed remuneration: emolument of €55,000.00

**Raffaella Pagani**

- Fixed remuneration: emolument of €84,000.00

**Alfredo Malguzzi**

- Fixed remuneration: emolument of €56,000.00

**Mario Tagliaferri**

- Fixed remuneration: emolument of €56,000.00; emolument from subsidiaries and associates €25,500.00

**DIRECTORS / STATUTORY AUDITORS WHO LEFT OFFICE IN 2019****Andrea Abbati Marescotti**

- Fixed remuneration: Gross Annual Salary €500,000.02; emolument of €50,000.00; housing allowance 29.699,50€
- End of office/termination of employment indemnity: leaving bonus 635,080.85

**Table 3b - Cash Incentive Plans for Members of the Board of Directors,  
General Managers and other Key Management Personnel**

A	B	1	2A	2B	2C	3A	3B	3C	4
Name and Surname	Role	Plan	Bonus for the year			Bonus for previous years			Other bonuses
			Payable/ Paid*	Deferred**	Deferral period	No longer payable	Payable/ Paid	Still deferred	
<b>Matteo Tiraboschi</b>	Executive Deputy Chairman								
(I) Remuneration in company drawing up financial statements		MBO 2019	916,046.88						
		LTIP (2019-2021)		1,125,000.00					
(II) Remuneration from subsidiaries and associate companies									
(III) Total			916,046.88	1,125,000.00					
<b>Daniele Schillaci</b>	Chief Executive Officer								
(I) Remuneration in company drawing up financial statements		MBO 2019	573,525.00						
		LTIP (2019-2021)		600,000.00					
(II) Remuneration from subsidiaries and associate companies									
(III) Total			573,525.00	600,000.00					
<b>Cristina Bombassei</b>	Director								
(I) Remuneration in company drawing up financial statements		MBO 2019	33,885.52						
		LTIP (2019-2021)		44,312.00					
(II) Remuneration from subsidiaries and associate companies									
(III) Total			33,885.52	44,312.00					

\* Based on the final figures approved by the BoD on 9 March 2020.

\*\* The amount in column 2B is the face value for the reference year of the 2019-2021 LTIP against the achievement of the target objectives set. Moreover, it should be noted that the 2019-2021 LTIP is a closed, non rolling plan. The figure in column 2B thus represents the value allocated for the year of reference and not the overall plan value.

**Illustration 7-ter of Table 1****Shareholdings of Members of the Board of Directors and the Board of Statutory Auditors, General Managers and other Key Management Personnel**

<b>Name and Surname</b>	<b>Role</b>	<b>Shareholding in</b>	<b>Number of shares held at end of previous financial year</b>	<b>Number of shares acquired</b>	<b>Number of shares sold</b>	<b>Number of shares held at end of financial year (2019)</b>
Alberto Bombassei	Chairman	Brembo S.p.A.	178,723,765			178,723,765
Giovanni Canavotto	Director	Brembo S.p.A.	32,160			32,160

**Directors / Statutory Auditors who left office in 2019**

Andrea Abbati Marescotti	Chief Executive Officer	Brembo S.p.A.	36,300			36,300*
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In 2017, Brembo performed a stock split. The number of shares reported in the table above takes into account the effect of this transaction.

\* Shares held at the date he left office (30 June 2019).

# Attachments

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## Reconciliation of Regulatory Requirements With the Report on Remuneration Policy and Remuneration Paid

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### SECTION I

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**For the members of the Board of Directors, the General Managers and other Key Management Personnel this section contains at least the following information:**

**a)** The bodies/parties involved in preparing and approving the Remuneration Policy, indicating the respective roles, and the bodies/parties responsible for the correct implementation of the Policy;  
**Page 7-13**

**b)** Any involvement of a Remuneration Committee or another relevant Committee, indicating the composition (identifying the Non-executive and Independent Directors), the areas of competence and the operational methods;  
**Page 8-10**

**c)** The names of any independent experts involved in preparing the Remuneration Policy;  
**Page 8; 12**

**d)** The purposes of the Remuneration Policy;  
**Page 5; 7; 14**

**d)** Underlying principles and any changes to the Remuneration Policy from the previous year;  
**Page 7; 14-15; 22-23**

**e)** A description of the policies for fixed and variable remuneration, specifically noting the weight of each as a part of total remuneration and differentiating short and medium/long-term variable remuneration;  
**Page 15-20**

**f)** Policy adopted for non-cash benefits;  
**Page 16-18; 22-23; 26**

**g)** For variable components, a description of the performance objectives used for such compensation, differentiating between short and medium/long-term variable remuneration and providing information on how variations in results influence variations in compensation;

**Page 19-20; 22-23; 26**

**h)** Criteria adopted to assess the performance targets used to allocate shares, options and other financial instruments or other variable components of remuneration;

**Page 19-20; 22-23**

**i)** Information showing that the Remuneration Policy is consistent with the company's long-term interests and the risk management policy, where formalised;

**Page 4-7; 17-20**

**j)** Vesting period, deferred payments, if any, including details on the period and criteria used to determine such periods, and the ex-post correction methods, where envisaged;

**Page 19-20**

**k)** Details about any clauses on keeping financial instruments in a portfolio following their acquisition, with an indication of the period required and the criteria adopted to determine such a period;

**N/A**

**l)** Policy on the treatment adopted for the termination of office/employee relationship, indicating in what cases such rights are valid and any links between such treatment and company performance;

**Page 21**



**m)** Information about any insurance, social security, health or pension coverage provided, other than required by law;

**Page 16-18; 23**

**n)** The remuneration policy adopted for: (i) Independent Directors, (ii) participation in Committees and (iii) holding special roles (Chairman, Deputy Chairman etc.);

**Page 15-18; 23**

**o)** Details as to whether the Remuneration Policy was defined considering the remuneration policies of other companies, including information about how such companies were selected.

**Page 12; 14**

## SECTION II – Part One

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**The first part contains details of each of the remuneration items, including the approach adopted when a term of office/employee relationship is terminated, showing how this is consistent with the relevant remuneration policy.**

The companies have provided the following details about any indemnities when a term of office/employee relationship is terminated ahead of time:

- Any agreements currently into force, including expressly stating if such agreements do not exist;  
**Page 21**
- Criteria for determining the indemnity owed to each individual. Where the indemnity is expressed as a function of yearly payment, details must be provided of the components of that yearly payment;  
**Page 21**
- Any performance criteria to which the allocation of an indemnity is linked;  
**N/A**
- The implications of the termination of the period of office/employee relationship on the rights allocated

as part of share-based incentive plans or to be paid out in cash;

**Page 26**

- The cases in which an indemnity becomes due;  
**Page 21**
- Any agreements that allow non-cash benefits to be allocated or maintained by parties who have ceased their period in office or consultancy agreements for a period subsequent to the termination of the period in office/employee relationship;  
**N/A**
- Any agreements that establish compensation for non-competition agreements;  
**Page 21-23; 26**
- For Directors who have terminated their period in office during a mandate, details about any cases where the contractual conditions were not applied with regards to the determination of indemnities;  
**N/A**
- Where no specific agreements exist, indicate the criteria used for determining end of service indemnities earned.  
**N/A**

## Regulatory Framework

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This document was drawn up in accordance with Article 123-*ter* of Legislative Decree No. 58 of 24 February 1998 (the so-called “Consolidated Law on Finance” or “TUF”), in its most recent version as amended by Legislative Decree No. 49 of 10 May 2019, which establishes that “at least twenty-one days prior to the date of the General Shareholders’ Meeting [...] listed companies shall disclose to the public their Remuneration Report and make it available at the Company’s registered offices, on the corporate website and according to the procedures provided for by Consob’s regulation.”

This Remuneration Report was also drawn up in compliance with Consob Resolution No. 18049 of 23 December 2011, which amended Article 84-*quater* of Consob’s Rules for Issuers enacting the aforementioned TUF.

Article 123-*ter*, paragraph 3-*ter*, of TUF, as amended by Legislative Decree No. 49 of 10 May 2019, sets out that the Shareholders’ Meeting shall pass a favourable or unfavourable resolution on Section I of the report on Remuneration Policy and remuneration paid and that resolution as per paragraph 3-*bis* is binding.”

Article 123-*ter*, paragraph 6, of TUF, sets out instead that the Shareholders’ Meeting, convened pursuant

to Article 2364, paragraph 2, or Article 2364-*bis*, paragraph 2, of the Civil Code, shall pass a favourable or unfavourable resolution on Section II of the report established by paragraph 4. Said resolution “is not binding”, but the “outcome of voting is made available to the public.” This rule is designed to provide the market with comprehensive, prompt information as to the remuneration policies and emoluments adopted by the Company.

The Report on Remuneration Policy and Remuneration Paid included in this document was defined on the basis of the principles and application criteria established by Article 6 (“Directors’ Remuneration”) of the Corporate Governance Code issued by Borsa Italiana (version of July 2018), that the Company has adhered to by adopting its own Corporate Governance Code, whose latest update was approved by the Board of Directors on 18 December 2015.

Lastly, it bears also noting that this Report on Remuneration Policy and Remuneration Paid was drawn up in accordance with Article 4.4.3, paragraph ii), of the Related Party Transactions Procedure approved by Brembo S.p.A.’s Board of Directors on 12 November 2010, as most recently amended on 10 May 2016, as required and in full compliance with regulations in force.



## Glossary

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**Chief Executive Officer (CEO):** this is the member of the Board of Directors whom the Board has vested with management functions and powers by resolution adopted on 6 June 2011, as subsequently confirmed on 20 April 2017. As of 1 July 2019, Daniele Schillaci has been the Chief Executive Officer of Brembo S.p.A.

**Executive Directors:** Alberto Bombassei, Matteo Tiraboschi, Daniele Schillaci and Cristina Bombassei.

**Directors holding special offices:** Alberto Bombassei, Matteo Tiraboschi and Daniele Schillaci.

**Annual Total Direct Compensation on target:** total guaranteed fixed remuneration plus the annual variable remuneration for the short-term plan upon achievement of the objectives and the portion of variable remuneration for the long-term remuneration on reaching target values.

**General Shareholders' Meeting:** this is the Company's collective decision-making body. All voteholders are represented at the GSM, directly or by proxy. It holds the powers allocated to it by law and the By-laws. The main among such powers are to approve the Financial Statements, and appoint and remove Directors, the Board of Statutory Auditors and its Chair. With reference to the Remuneration Policy, it expresses a binding opinion on Section I and a non-binding opinion on Section II of the Report on Remuneration Policy and Remuneration Paid.

**C-Suite:** all holders of officer-level positions reporting to the Chairman, the Deputy Chairman and the Chief Executive Officer of Brembo S.p.A.

**Clawbacks:** these are contractual agreements that allow the Company to claim the return of all or part of variable remuneration components paid based on results subsequently found to be incorrect due to the recipient's negligent or grossly negligent conduct or conduct in breach of the relevant standards (company, legal, regulatory, etc), without which the results would not have been achieved.

**Corporate Governance Code:** this is the Corporate Governance Code issued by Borsa Italiana S.p.A., approved in December 2011 (the latest edition available is that updated in 2020) by the Corporate Governance Committee. The Code is promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria. The document includes a series of indications about the best practices for the organisation and functioning of Italian listed companies. These recommendations are not binding, although listed companies "must inform the market and their shareholders about their governance structure and the degree to which the Code is adopted."

**Board of Statutory Auditors:** this is the control body within the Company responsible for the monitoring and control functions required by applicable laws and regulations. It expresses an opinion during the definition process of the Remuneration Policy for Directors holding special offices in conjunction with the Remuneration & Appointments Committee.

**Audit, Risk & Sustainability Committee:** this is a Board committee set up in accordance with Principle 7 of the Corporate Governance Code. It consists of independent Directors or, alternatively, of Non-executive directors, with a majority also being independent. Its role is to support the Board of Directors, on the basis of an adequate control process, in its evaluations and decisions concerning the internal control and risk management system, and the approval of the periodic financial reports (Corporate Governance Code, 2018 version, Principle 7.P.3).

**Remuneration & Appointments Committee:** this is a Board Committee charged with, *inter alia*, submitting a proposal to the Board of Directors on a general Remuneration Policy for executive Directors, Directors holding special offices and Key Management Personnel.

**Board of Directors (Board; BoD):** this is a collective body that is entrusted with managing the Company. The Board of Directors of Brembo S.p.A. in office for



the period 2017-2019 is comprised of 11 Directors: Alberto Bombassei (Chairman), Matteo Tiraboschi (Executive Deputy Chairman), Daniele Schillaci (CEO), Cristina Bombassei, Giovanni Canavotto, Valerio Battista, Barbara Borra, Laura Cioli, Nicoletta Giadrossi, Umberto Nicodano and Gianfelice Rocca. It is in charge of approving the Remuneration Policy submitted by the Remuneration & Appointments Committee.

**Key Management Personnel:** individuals who are granted specific powers and responsibilities by the Board of Directors to, directly or indirectly, plan, direct and control the company's activities, including the Directors (executive and otherwise) of the entity and the members of the Board of Statutory Auditors. From the four positions identified as falling into this category, Brembo S.p.A. has identified three persons listed in this document.

**EBITDA:** the Group's result before interest, taxes, depreciation and amortisation.

**EC:** Executive Compensation.

**ECONOMIC VALUE ADDED - EVA:** this indicates the economic growth of a company over time, defined as NOPAT – (Invested Net Capital \*WACC%).

**Entry Gate:** this is the minimum level to reach, below which the plan does not allow the pay-out of any incentives.

**ESG:** acronym for Environmental, Social, Governance.

**Free Operating Cash Flow:** Group's Operating Cash Flow as approved by the Board of Directors and determined by EBITDA + Net Investments + Changes in Working Capital.

**LTIP:** Long Term Incentive Plan. This plan gives participants the opportunity to earn a multi-year cash bonus based on objectives set for the Company.

**Objective target:** this is the standard level for an objective or goal to be achieved and to receive 100% of the incentive (without changing the multiplying or discretionary parameters). For the minimum acceptable objective target, see "Entry Gate".

**Net Financial Position:** the difference between financial payables and receivables, including the Group's cash and cash equivalents.

**Chairman:** the Chairman of the Board of Directors of Brembo S.p.A., appointed by the General Shareholders' Meeting and whose management powers attributed by resolution dated 6 June 2011 were confirmed by the Board of Directors on 20 April 2017. The Chairman of Brembo S.p.A. is Alberto Bombassei.

**Gross Annual Salary (RAL):** this is the fixed annual amount received, including taxes and social security contributions by the employee, without any annual bonuses, other bonuses, indemnities, fringe benefits, expense refunds and any other form of variable or one-off remuneration.

**Rules for Issuers:** Consob Regulation No. 11971 of 14 May 1999, containing the rules governing issuers of financial instruments.

**Regulation for Related Party Transactions:** this is Consob Regulation No. 17221 of 12 March 2010, which identifies the rules for related party transactions (as defined in Attachment 1 of the said document).

**Report:** Brembo Group's Report on Remuneration Policy and remuneration paid.

**Shareholder:** an individual or entity holding shares in the Company.

**Annual Incentive System or MBO (Management by Objectives):** this is the Plan that grants the plan beneficiaries the opportunity to receive an annual cash incentive, based on the objectives set for each employee and the annual incentive Plan in place.

**Stakeholder:** any party that has an interest in a company.

**Consolidated Law on Finance (TUF):** this is Legislative Decree No. 58 of 24 February 1998, as amended. It introduced a series of principles ("general guidelines"), with the specific regulations issued by the Regulator (Consob).

**Executive Deputy Chairman:** this is the member of the Board of Directors whom the Board has vested with management functions and powers by resolution adopted on 6 June 2011, as subsequently confirmed on 20 April 2017. The Executive Deputy Chairman of Brembo S.p.A. is Matteo Tiraboschi.