

**ANNUAL REMUNERATION REPORT  
OF BREMBO GROUP 2019**

English Translation for convenience – Only the Italian version is authentic





<b>Introduction</b>	4
<b>Section I</b>	5
<b>1. Information on the Procedures Applied for the Adoption and Implementation of the Remuneration Policy</b>	5
1.1. Scope and recipients	5
1.2. Remuneration & Appointments Committee	6
1.3. Board of Directors	8
1.4. General Shareholders' Meeting	9
1.5. Possible Attendance of Independent Experts	9
1.6. Process for the Policy Definition and Approval	9
<b>2. Details of the Company's Remuneration Policy</b>	11
2.1. Contents of the Policy	11
2.2. Remuneration of Members of the Board of Directors	12
2.2.1. Directors Not Holding Special Offices	12
2.2.2. Directors Holding Special Offices and Key Management Personnel	13
2.3. Remuneration of Members of the Board of Statutory Auditors	14
2.4. Variable Remuneration - MBO and LTIP – Allocated to Certain Members of the Board of Directors and other Executives	14
2.4.1. MBO	14
2.4.2. LTIP	15
2.5. Indemnity in the Event of Resignation, Dismissal or Termination of Employment	16
2.6. Non-Competition Agreements	17
2.7. Clawback/Malus	17
<b>Section II</b>	18
<b>Foreword</b>	18
<b>Part One</b>	18
<b>Part Two</b>	20
<b>Table 1</b> - Remuneration paid to members of the Board of Directors, members of the Board of Statutory Auditors and Key Management Personnel	20
<b>Table 3b</b> - Cash incentive plans for Members of the Board of Director and Key Management Personnel	23
<b>Illustration 7-ter of Table 1</b> - Shareholdings of Members of the Board of Directors and the Board of Statutory Auditors, General Managers and other Key Management Personnel	24
<b>Attachments</b>	25
Reconciliation of Regulatory Requirements With the Remuneration Report	25
<b>Regulatory Framework</b>	27
<b>Glossary</b>	28



## Introduction

---

In 2018, Brembo Group continued to pay close attention to remuneration-related issues, particularly in light of the definition of the new 2019-2021 Long-Term Incentive Plan (LTIP) for the top management. In keeping with the past, and in view of the constant growth and consolidation process undertaken by the Group, Brembo pursues the design of its incentive systems aimed at ensuring the constant recognition of the performance achieved with respect to strategic objectives, while also building on the value, transparency and shared, sustainable behaviour that have always characterised the entire Group.

The Remuneration & Appointments Committee has been committed to maintaining a constant dialogue with stakeholders, driven by an awareness of the central role played by this key factor in 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 furtherance of the goal of focusing on people and securing their engagement, the number of beneficiaries of the new LTIP was increased, thereby continuing to reinforce a sustainable remuneration policy oriented towards creating value for the Group's stakeholders.

This Annual Remuneration Report is the result of the efforts devoted to ensuring a transparent, comprehensive account of the policies introduced for 2019 and of the remuneration accorded to top managers in 2018, intended to serve as the basis for a thorough assessment of the Company and for the informed exercise of rights.

The principles and guidelines followed in setting and implementing the Company's remuneration policies comply with and respect Brembo's cultural values, as enshrined in its Code of Ethics, such as quality, pro-activeness in anticipating changes and promoting innovative solutions, attention towards sustainability issues, a sense of belonging and the value of individual contributions to achieve company goals.

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. Through this document, the Group's Directors intend to seek the shareholders' advisory approval for a report that describes the remuneration policy for 2019, covering the members of the Governing Bodies, the General Managers and Key Management Personnel, in addition to illustrating the actual application of the policy adopted for 2018, approved during the session of the Board of Directors held on 16 February 2018.

In particular, the Report is divided into the following sections:

- **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 for 2019, in addition to information about the procedures used to adopt and implement that policy;
- **SECTION II:** this section is further divided into two parts. The first of these contains an illustration of each of the components of remuneration. 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.

The Annual Remuneration Report pursuant to Article 123-ter of the Consolidated Law on Finance “TUF” (an article added to Legislative Decree No. 58/1998 by Legislative Decree No. 259/2010) was approved by the Board of Directors, on the proposal of the

Remuneration & Appointments Committee, during the session of 4 March 2019. Section I will be submitted to the Shareholders’ Meeting scheduled for 18 April 2019, in single call.

## Section I

---

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. Brembo has also always devoted particular attention to designing its policies and incentive systems in a way that ensures that resources crucial to the Company’s success are properly recruited, motivated, satisfied and retained.

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

---

#### 1.1. Scope and recipients

---

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
CEO and General Manager	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 non-executive, mostly 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 Corporate Governance Code (latest available version: 2018)**.

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 31 December 2019.**

The Chairman 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 2018, the Committee met once.  
As of the date of approval of this  
Report, it has held a further meeting  
focussed on the end of the 2018  
remuneration policy and the start  
of the 2019 remuneration policy.

## Activities performed

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 definition of variable remuneration pay-outs; drafting of the Remuneration Report; analysis of variable incentive plan targets; and assessment of main executive compensation elements.

At the date of approval of this Report, the Committee has already held one meeting for the year 2019 to: examine the actual results of the annual Short-term Incentive Plan (MBO 2018) and the Long-Term Incentive Plan (2016-2018 LTIP) ended in 2018; define the content and features of the Short-Term Incentive Plan (2019 MBO) and the new Long-Term Incentive Plan (2019-2021 LTIP); and review this Report and subsequently submit it to the Board of Directors for approval.

For further information concerning the Remuneration & Appointments Committee's activities in 2018, the Committee's functioning and its specific activities in respect of Appointments, reference should be made

to paragraph 7 of the 2018 Corporate Governance and Ownership Structure Report, published concurrently with this Report.

## 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, by indicating the professional roles that may promote its proper and effective functioning and contributing to the preparation of any 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 Remuneration Report 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, 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.



## 1.3. Board of Directors

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

Its composition and tasks, which are detailed hereunder, are fully compliant with the recommendations of

**the Corporate Governance Code (latest available version: 2018).**

**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 - Executive Director

#### **Matteo Tiraboschi**

Executive Deputy Chairman - Executive Director

#### **Andrea Abbati Maressotti**

CEO and General Manager - Executive Director

#### **Cristina Bombassei**

Executive Director

#### **Giovanni Canavotto**

Executive Director

#### **Valerio Battista**

Non-Executive and Independent Director

#### **Barbara Borra**

Non-Executive and Independent Director

#### **Laura Cioli**

Non-Executive and Independent Director

#### **Nicoletta Giadrossi**

Non-Executive and Independent Director  
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 Director

#### **Gianfelice Rocca**

Non-Executive and Independent Director

### 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

---

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 an advisory vote on the Report.

## 1.5. Possible Attendance of Independent Experts

---

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 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

---

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.

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 Policy, the latter is submitted to the Shareholders' Meeting for an advisory vote and is made available by publishing the Remuneration Report at least 21 days prior to the date on which the General Shareholders' Meeting is convened.

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 for Directors holding special offices, the Board of Directors takes into

The complete Remuneration Report, and specifically Section II, was previously examined by the Remuneration & Appointments Committee on 25 February 2019 and subsequently approved by the Board of Directors on 4 March 2019.

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

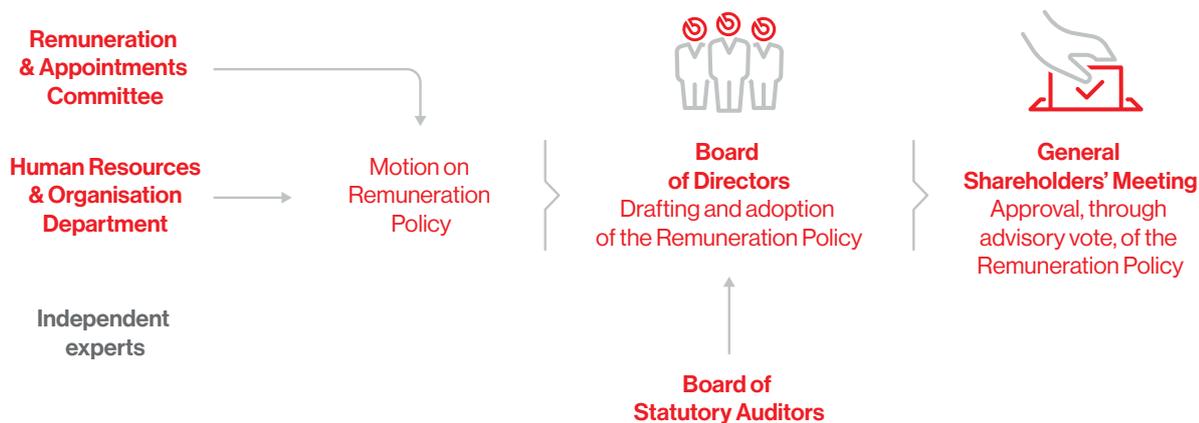
---

<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.



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.



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

---

### 2.1. Contents of the Policy

---

The Board of Directors has defined a general policy for the remuneration of Executive Directors, Directors holding special offices and Key Management Personnel (Principle 6.P.4 of the Corporate Governance Code) also for 2019.

This remuneration policy was defined taking into account market practices, especially those adopted by

Italian multinationals as regards 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

---

**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 – is 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.
- 

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

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<sup>2</sup>.

In accordance with Article 21 of its By-laws, at its meeting on 20 April 2017, Brembo's Board of Directors allocated said remuneration as described below.

### 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, Risks &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 resolved to pay an additional emolument of €15,000 to Director Cristina Bombassei for her role as Director in charge of the Internal Control and Risk Management System (ICRMS).

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

Lastly, it should be recalled that Director Cristina Bombassei and Director Giovanni Canavotto, as Executives of the Company, collect a salary and participate in incentive systems, in accordance with the company policies applicable to their respective

roles, in addition to their emoluments for seating in the Board of Directors.

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.

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

<sup>2</sup> The overall remuneration for the Board of Directors also includes emoluments for the Chairman, the Executive Deputy Chairman and the CEO and General Manager; further details are provided in Section II.

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

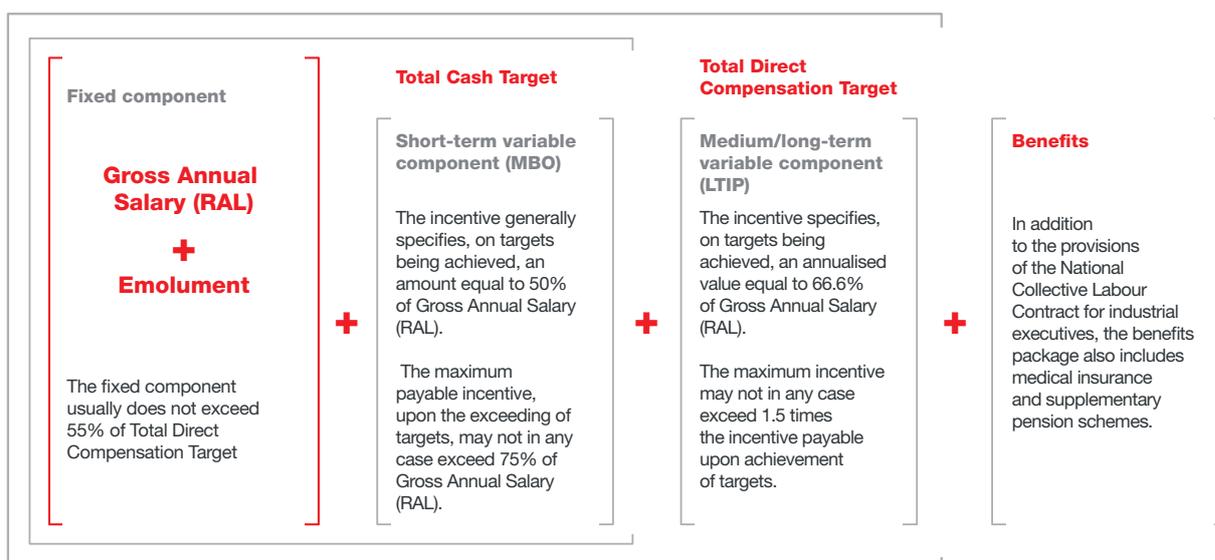
In preparing the Policy, the Board decided that Directors holding special offices should be subject to a policy in which a significant part of their remuneration is linked to achieving specific performance objectives since they are Executive Directors – with the exception of the Chairman, whose remuneration 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).

At the meetings held on 6 June 2011 and 10 November 2011, the Board of Directors also identified and confirmed (after the renewal of company boards on 20 April 2017) the Directors holding special offices as Key Management Personnel in the following positions: the Chairman, the Executive Deputy Chairman, the CEO and General Manager.

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 Board resolved on a remuneration package as follows<sup>3</sup>:



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

<sup>3</sup> It should be recalled that the CEO and General Manager 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.



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, the General Manager 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>4</sup>;
- Acting Auditors: Alfredo Malguzzi and Mario Tagliaferri;
- Alternate Auditors: Marco Salvatore and Myriam Amato<sup>5</sup>.

On 20 April 2017, the General Shareholders' Meeting resolved, also in light of the Decree of the Ministry of

Justice No. 169 dated 2 September 2010 ("Regulation on fees, indemnities and criteria of expense reimbursements 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, to be divided among the Chairwoman and Acting Auditors.

The Statutory Auditors are, like the Directors, covered by a Directors & Officers Liability insurance policy.

## 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.

In 2018, the Brembo Group also forged ahead with a 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 2019 MBO plan was approved by the Board of Directors on 4 March 2019, upon proposal submitted by the Remuneration & Appointments Committee. Its beneficiaries include the Executive Deputy Chairman and the CEO and General Manager. 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 was also identified with the aim of promoting the application of a long-term sustainable business model.

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

<sup>5</sup> Elected from the minority list submitted by a group of Shareholders representing 0.523% of share capital.

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.p.A.'s Directors holding special offices and Executives, the overall bonus payable may not in any case exceed the 150% on-target bonus.

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

## 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>6</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 desired success of Brembo over the three-year period in question. The number of beneficiaries has been increased compared with the previous system, in light 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 CEO and General Manager, a set of members of the management population, consistent with the complexity and responsibilities managed by each, for a total of approximately 45 people.

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 CEO and General Manager cannot exceed 1.5 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 similar 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 position and EBITDA

<sup>6</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).



(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 CEO and General Manager; and b) the Chairman, the Executive Deputy

Chairman and the CEO and General Manager 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 CEO and General Manager.

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

---

The Brembo Group does not have agreements with Directors, General Manager 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.

For Directors holding special offices that do not have executive employment agreements with the Group, the company does not provide for the pay-out of any indemnity or extraordinary compensation linked to the ending of their term of office.

## 2.6. Non-Competition Agreements

---

The Group may enter into non-competition agreements with its Directors, Key Management Personnel and other Brembo S.p.A.'s Executives or others 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

---

With effect from 2016, the short-term incentive system (MBO) and the new 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 due to cases of fraudulent behaviour or gross negligence on the part of the beneficiaries..



## Section II

---

### Foreword

---

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

Directors, the Board of Statutory Auditors, and Key Management Personnel.

### Part One

---

The details of the remuneration paid out in the year of reference (2018) are illustrated below. Details of the various items and additional data can be found in Section I of this Report.

The 2018 Remuneration Policy was assessed by the Remuneration & Appointments Committee as part of the periodic evaluations required by the Corporate Governance Code (25 February 2019). The said 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 2018 Policy with the available market data, both in terms of overall positioning and pay mix.

More specifically, the 2018 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.

On 20 April 2017, the Shareholders' Meeting 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 term of 2017-2019 for the various administrative and control functions, and for participation in Board committees and the Supervisory Committee, in accordance with market practice<sup>7</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.

The Board of Directors' meeting held on 20 April 2017 did not approve any changes to the emoluments of the Chairman, the Executive Deputy Chairman and the CEO and General Manager compared to their previous terms in office. The emoluments received in 2018 were therefore as follows:

- Chairman: €1,300,000;
- Executive Deputy Chairman: €250,000;
- CEO and General Manager: €100,000.

The amounts for the above emoluments are detailed in the related items reported in Table 1. The MBO incentive for the 2018 performance year and the LTIP incentive for the 2016-2018 performance years shall be paid in 2019. The results for the 2018 financial year submitted to the Board of Directors upon proposal by

---

<sup>7</sup> Refer to Section I for the details of the new policies approved.

the Remuneration & Appointments Committee at the meeting of 4 March 2019 determined a performance score for top management roles of 145.42%, using the percentage scale adopted.

More specifically, the amount to be paid out in 2019 as regards the short-term incentive is 145.42% (figure as at 31 January 2019, subject to change according to the definitive figures approved by the BoD of 4 March 2019) 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 CEO and General Manager.

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

- for the Executive Deputy Chairman, a bonus of €727,100.03, equal to 72.71% of Gross Annual Salary (RAL), taking into account the assigned (100%) and maximum (150%) incentive target levels;
- for the CEO and General Manager, a bonus of €727,100.03, equal to 72.71% of Gross Annual Salary (RAL), taking into account the assigned (100%) and maximum (150%) incentive target levels.

The 2016-2018 LTIP incentive will also be paid out in 2019.

The results of the plan, approved by the Board of Directors upon proposal of the Remuneration & Appointments Committee during its session of 4 March 2019, resulted in the disbursement of a total amount equal to 300% of gross annual remuneration for the Executive Deputy Chairman, Chief Executive Officer

and General Manager, equivalent to achievement of the maximum expected performance, in view of the assessment of company performance based on the achievement of the indicators underlying the instrument, consisting of economic value added (EVA), free operating cash flow and the ratio of net financial position to EBITDA (PFN/EBITDA).

In detail, the performance led to:

- the Executive Deputy Chairman receiving a disbursement of €2,850,000.00, equivalent to the sum of 100% of gross annual remuneration in each of the three years;
- the CEO and General Manager receiving a disbursement of a bonus of €2,900,000.00, equivalent to the sum of 100% of gross annual remuneration in each of the three years.

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 2018, 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 and General Manager, with payment during his employment within the company.



Part Two

**Table 1 - Remuneration paid to members of the Board of Directors, members of the Board of Statutory Auditors and Key Management Personnel**

A	B	C	D
Name and Surname	Role	Term of office	Expiry of office
<b>Alberto Bombassei</b>	Chairman	01/01/2018 - 31/12/2018	Until date of approval of Financial Statements as at 31/12/2019
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Matteo Tiraboschi</b>	Executive Deputy Chairman	01/01/2018 - 31/12/2018	Until date of approval of Financial Statements as at 31/12/2019
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Andrea Abbati Marescotti</b>	Chief Executive Officer	01/01/2018 - 31/12/2018	Until date of approval of Financial Statements as at 31/12/2019
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Cristina Bombassei</b>	Director	01/01/2018 - 31/12/2018	Until date of approval of Financial Statements as at 31/12/2019
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Valerio Battista</b>	Director	01/01/2018 - 31/12/2018	Until date of approval of Financial Statements as at 31/12/2019
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Barbara Borra</b>	Director	01/01/2018 - 31/12/2018	Until date of approval of Financial Statements as at 31/12/2019
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Giovanni Canavotto</b>	Director	01/01/2018 - 31/12/2018	Until date of approval of Financial Statements as at 31/12/2019
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Laura Cioli</b>	Director	01/01/2018 - 31/12/2018	Until date of approval of Financial Statements as at 31/12/2019
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Nicoletta Giadrossi</b>	Director	01/01/2018 - 31/12/2018	Until date of approval of Financial Statements as at 31/12/2019
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Umberto Nicodano</b>	Director	01/01/2018 - 31/12/2018	Until date of approval of Financial Statements as at 31/12/2019
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Gianfelice Rocca</b>	Director	01/01/2018 - 31/12/2018	Until date of approval of Financial Statements as at 31/12/2019
(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	01/01/2018 - 31/12/2018	Until date of approval of Financial Statements as at 31/12/2019
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Alfredo Malguzzi</b>	Acting Auditor	01/01/2018 - 31/12/2018	Until date of approval of Financial Statements as at 31/12/2019
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			
<b>Mario Tagliaferri</b>	Acting Auditor	01/01/2018 - 31/12/2018	Until date of approval of Financial Statements as at 31/12/2019
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associate companies			
(III) Total			

1	2	3		4	5	6	7	8
Fixed remuneration	Remuneration for participation in committees	Variable non-equity		Non-cash benefits	Other remuneration	TOTAL	Fair Value equity remuneration	End of office/ termination of employment indemnity
		Bonuses and other incentives	Profit sharing					
1,300,000.00						1,300,000.00		
1,300,000.00						1,300,000.00		
1,250,000.00		3,577,100.03		44,990.91		4,872,090.94		
1,250,000.00		3,577,100.03		44,990.91		4,872,090.94		
1,138,331.35		3,627,100.03		45,579.52		4,811,010.90		
1,138,331.35		3,627,100.03		45,579.52		4,811,010.90		
177,420.10		35,604.66		9,790.83	15,000.00	237,815.59		
177,420.10		35,604.66		9,790.83	15,000.00	237,815.59		
55,000.00						55,000.00		
55,000.00						55,000.00		
55,000.00	45,000.00					100,000.00		
55,000.00	45,000.00					100,000.00		
430,000.00		1,052,835.22		21,244.96		1,504,080.18		
430,000.00		1,052,835.22		21,244.96		1,504,080.18		
55,000.00	40,000.00					95,000.00		
55,000.00	40,000.00					95,000.00		
55,000.00	40,000.00					95,000.00		
55,000.00	40,000.00					95,000.00		
55,000.00	15,000.00					70,000.00		
55,000.00	15,000.00					70,000.00		
55,000.00						55,000.00		
55,000.00						55,000.00		
84,000.00						84,000.00		
84,000.00						84,000.00		
56,000.00						56,000.00		
56,000.00						56,000.00		
56,000.00						56,000.00		
23,375.00						23,375.00		
79,375.00						79,375.00		

**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 2018 €727,100.03 (figure as at 31 January 2019, subject to change according to the definitive figures approved by the BoD of 4 March 2019);
  - LTIP 2016-2018 €2,850,000.00 (figures submitted to the BoD on 4 March 2019)

**Andrea Abbati Marescotti**

- Fixed remuneration: Gross Annual Salary (RAL) of €1,000,000.00, of which €60,000.00 as non-competition agreement; emolument of €100,000.00; housing allowance €38,331.35
- Bonuses and other incentives:
  - MBO 2018 €727,100.03 (figure as at 31 January 2019, subject to change according to the definitive figures approved by the BoD of 4 March 2019)
  - LTIP 2016-2018 €2,900,000.00 (figures submitted to the BoD on 4 March 2019)

**Cristina Bombassei**

- Fixed remuneration: Gross Annual Salary (RAL) of €122,420.10; emolument of €55,000.00
- Bonuses and other incentives: MBO 2018 €35,604.66 (figure as at 31 January 2019, subject to change according to the definitive figures approved by the BoD of 4 March 2019)
- Remuneration for Responsibility for Internal Control System and Risk Management (column 5): €15,000.00

**Giovanni Canavotto**

- Fixed remuneration: Gross Annual Salary (RAL) of €375,000.00; emolument of €55,000.00
- Bonuses and other incentives:
  - MBO 2018 €209,085.04 (figure as at 31 January 2019, subject to change according to the definitive figures approved by the BoD of 4 March 2019)
  - LTIP 2016-2018 €843,750.18 (figures submitted to the BoD on 4 March 2019)

**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 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 of €23,375.00 from subsidiaries and affiliates

**Table 3b - Cash incentive plans for Members of the Board of Director and 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 2018	727,100.03						
		LTI P (2016-2018)	2,850,000.00						
(II) Remuneration from subsidiaries and associate companies									
(III) Total			3,577,100.03						
<b>Andrea Abbati Marescotti</b>	Chief Executive Officer								
(I) Remuneration in company drawing up financial statements		MBO 2018	727,100.03						
		LTI P (2016-2018)	2,900,000.00						
(II) Remuneration from subsidiaries and associate companies									
(III) Total			3,627,100.03						
<b>Cristina Bombassei</b>	Director								
(I) Remuneration in company drawing up financial statements		MBO 2018	35,604.66						
(II) Remuneration from subsidiaries and associate companies									
(III) Total			35,604.66						
<b>Giovanni Canavotto</b>	Director								
(I) Remuneration in company drawing up financial statements		MBO 2018	209,085.04						
		LTI P (2016-2018)	843,750.18						
(II) Remuneration from subsidiaries and associate companies									
(III) Total			1,052,835.22						

\* Figures as at 31 January 2019, subject to change based on the final figures approved by the BoD on 4 March 2019.

**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 (2018)</b>
Alberto Bombassei	Chairman	Brembo S.p.A.	178.723.765			178.723.765
Andrea Abbati Marescotti	Chief Executive Officer	Brembo S.p.A.		36.300		36.300
Giovanni Canavotto	Director	Brembo S.p.A.	32.160			32.160

In 2017, Brembo performed a stock split. The number of shares reported in the table above takes into account the effect of this transaction.

# Attachments

---

## Reconciliation of Regulatory Requirements With the Remuneration Report

---

### SECTION I

---

**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 05-10**
- 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 06-07**
- C** The names of any independent experts involved in preparing the Remuneration Policy  
**Page 09**
- D** The purposes of the Remuneration Policy  
**Page 05-06; 11**
- D** Underlying principles and any changes to the Remuneration Policy from the previous year  
**Page 05-06; 11**
- 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 09-16**
- F** Policy adopted for non-cash benefits  
**Page 12-14; 18-21**
- 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 14-16; 18-19**
- H** Criteria adopted to assess the performance targets used to allocate shares, options and other financial instruments or other variable components of remuneration  
**Page 14-16; 18-19**
- I** Information showing that the Remuneration Policy is consistent with the company's long-term interests and the risk management policy, where formalised  
**Page 04-05; 13-16**
- J** Vesting period, any 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 14; 16**
- 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  
**Not applicable**
- 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 16**



**M** information about any insurance, social security, health or pension coverage provided, other than required by law

**Page 12-14; 19**

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

**Page 12-13**

**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 9; 13**

## SECTION II – Part One

---

**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 16**
- 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  
**Not applicable**
- Any performance criteria to which the allocation of an indemnity is linked  
**Not applicable**
- 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  
**Not applicable**

- The cases in which an indemnity becomes due  
**Not applicable**
- 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  
**Not applicable**
- Any agreements that establish compensation for non-competition agreements  
**Page 17; 19; 22**
- 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  
**Not applicable**
- Where no specific agreements exist, indicate the criteria used for determining end of service indemnities earned  
**Not applicable**

## Regulatory Framework

---

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”), 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 6, of TUF sets out that “the Shareholders’ Meeting [...] shall pass a favourable or unfavourable resolution on the section of the remuneration report established by paragraph 3” (i.e., in Section I of this document).

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 2019 Remuneration Policy 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 (as amended in 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 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 updated on 10 May 2016, as required and in full compliance with regulations in force.



## Glossary

---

**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. The CEO of Brembo S.p.A. is Andrea Abbati Marescotti.

**Executive Directors:** Alberto Bombassei, Matteo Tiraboschi, Andrea Abbati Marescotti, Cristina Bombassei and Giovanni Canavotto.

**Directors holding special offices:** Alberto Bombassei, Matteo Tiraboschi and Andrea Abbati Marescotti.

**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 annual portion of variable remuneration for the long-term remuneration Plan 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 non-binding opinion on Section I of the Remuneration Report.

**C-Suite:** all holders of officer-level positions reporting to the Chairman, the Deputy Chairman and the CEO and General Manager of Brembo S.p.A.

**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 2018) 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 system and risk management, and the approval of the periodic financial reports (Corporate Governance Code, 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), Andrea Abbati Marescotti (CEO and General Manager), 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 – (Net Invested Capital \*WACC%).

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

**Free Operating Cash Flow:** the Group's operating cash flow approved by the Board of Directors, defined as Operating Cash Flow determined by EBITDA + Net investments + Changes in Net 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 A. 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 Remuneration Report.

**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.