

**CORPORATE GOVERNANCE
AND OWNERSHIP STRUCTURE REPORT 2019**

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



Brembo S.p.A.

www.brembo.com,

section Company/Corporate Governance/Corporate Governance Reports
2019

Approved by the Board of Directors of Brembo S.p.A. on 9 March 2020



GLOSSARY	4
1. COMPANY PROFILE	5
1.1. 2019 REPORT'S MAIN NEW CONTENTS	5
1.2. Governance Model	6
1.3. Company Key Highlights	8
1.4. 2015-2019 Stock Performance	9
2. INFORMATION ON OWNERSHIP STRUCTURE AT 31 DECEMBER 2019	10
2.1. Structure of share capital	10
2.2. Significant shareholdings	10
2.3. Increased Voting Right	11
2.4. Change of control clauses	12
2.5. Power to increase the share capital	12
2.6. Authorisation to repurchase own shares	12
2.7. Direction and coordination	13
3. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (pursuant to Article 123-bis, paragraph 2, letter a, of TUF)	14
4. BOARD OF DIRECTORS	15
4.1. Appointment and replacement of Company Directors	15
4.2. Succession plans	16
4.3. Composition of the Board of Directors for the three-year period 2017-2019	17
4.4. Board of Directors' Diversity Policies and Criteria and ensuing application	22
4.5. Maximum number of positions held at other companies	25
4.6. Induction Programme	25
4.7. Role of the Board of Directors	26
4.8. Delegated Bodies	32
4.9. Other Executive Directors	34
4.10. Independent Directors	34
4.11. Lead Independent Director	35
4.12. 2019 Board Performance Evaluation	35
5. HANDLING OF CORPORATE INFORMATION	38
5.1. The new EU provisions on market abuse	38
5.2. Procedure for Handling Inside and Relevant Information	38
5.3. Internal Dealing Procedure	39
5.4. Procedure for Handling the Insider Register and the Relevant Information List (RIL)	40
6. BOARD COMMITTEES	41

7. REMUNERATION & APPOINTMENTS COMMITTEE	41
8. REMUNERATION OF DIRECTORS	43
9. AUDIT, RISK & SUSTAINABILITY COMMITTEE	44
10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	46
10.1. Appropriateness of the Internal Control and Risk Management System	49
10.2. The Internal Control and Risk Management System as it relates to the financial reporting process	50
10.3. Executive Director in charge of the Internal Control and Risk Management System	51
10.4. Chief Internal Audit Officer	51
10.5. Organisational Model pursuant to Legislative Decree No. 231/2001	53
10.6. Independent Auditors	57
10.7. Manager in charge of the Company's financial reports	58
10.8. Coordination between parties involved in the Internal Control and Risk Management System	58
11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS	59
11.1. Conflict of interests	59
11.2. Related Party Transactions Procedure	59
11.3. Activities of the Related Party Transactions Committee carried out in 2019	61
12. APPOINTMENT OF STATUTORY AUDITORS	62
13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS	63
13.1. Composition of the Board of Statutory Auditors	63
13.2. Board of Statutory Auditors' Diversity Policies and Criteria and ensuing application	65
13.3. Board of Statutory Auditors' Duties and Activities	66
13.4. Activities carried out in 2019	67
13.5. Self-assessment process of the Board of Statutory Auditors carried out in 2019	68
14. RELATIONS WITH SHAREHOLDERS	68
15. GENERAL SHAREHOLDERS' MEETINGS	69
16. FURTHER CORPORATE GOVERNANCE INITIATIVES (pursuant to Article 123-bis, paragraph 2(a) of TUF)	70
16.1. Assignment of sustainability tasks and functions to the Audit & Risk Committee	70
16.2. Whistleblowing System	70
17. CHANGES AFTER 31 DECEMBER 2019	70
18. REMARKS ON THE LETTER FROM CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE OF 19 DECEMBER 2019	71



GLOSSARY

Brembo/Issuer/Company: Brembo S.p.A., with registered offices in Curno (Bergamo), via Brembo 25, tax code and VAT code No. 00222620163, listed on the Milan stock exchange.

Corporate Governance Code: the Code of Corporate Governance for Listed Companies promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, approved in its most recent edition in July 2018 by the Corporate Governance Committee. It is available at: <https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovernance.en.htm>

Civil Code: the Italian Civil Code.

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

Financial year: the financial year which the Report refers to, specifically the financial year ending 31 December 2019.

Group: the Brembo Group.

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

Brembo's Corporate Governance Manual: the document defining Brembo's corporate governance rules, fully incorporating the Corporate Governance Code, including the amendments introduced in November 2019. The latest version is available on Brembo's website (www.brembo.com, Company section, Corporate Governance, Governance Documents).

Brembo's 231 Model: the Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001 of Brembo S.p.A. – Fifth Edition (last update: November 2019), available on Brembo's website in its latest update (www.brembo.com, Company section, Corporate Governance, Codes and Policies).

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

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

SC: Brembo S.p.A.'s Supervisory Committee;

Regulations of the BoD: the Regulations of the Board of Directors governing its formation, composition and functioning, adopted for the first time by the Board of Directors on 3 March 2017, after having heard the opinion of the Remuneration & Appointments Committee and subsequently amended in accordance with the laws and regulations from time to time in force.

Rules of Borsa Italiana: the Rules of Markets organised and managed by Borsa Italiana S.p.A., as amended and extended.

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

Market Regulations: the market regulations established by Consob with Resolution No. 20249 of 2017.

Report: the Corporate Governance and Ownership Structure Report pursuant to Articles 123-*bis* of TUF and 89-*bis* of the Rules for Issuers, approved on 9 March 2020 by the Board of Directors of Brembo and available on Brembo's website (www.brembo.com, Company section, Corporate Governance, Corporate Governance Reports).

By-laws: the By-laws of Brembo S.p.A., in the current applicable version, amended by the Extraordinary Shareholders' Meeting of 18 April 2019, available on Brembo's website (www.brembo.com, Company section, Corporate Governance, Governance Documents).

ICRMS: Internal Control and Risk Management System.

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

1. COMPANY PROFILE

Brembo is a world leader in the design, development and manufacture of braking systems and components for cars, motorbikes and industrial vehicles in the original equipment, aftermarket and racing sectors. It is capable of offering the highest levels of security, comfort and product performance thanks to the integration of its processes and optimisation of its entire production cycle, from design to iron or aluminium casting, assembly and tests and simulations — in the laboratory, on the track and on the road. The company's drive to innovation extends to new technologies, new materials, new forms and new markets. Product performance goes hand-in-hand with the search for a unique style, in keeping with the design of the

vehicles in which the company's products are used. Lastly, the increasing use of environmentally friendly technologies, recycling of all materials used during production and thorough prevention of all forms of pollution are further evidence of Brembo's commitment to the environment.

The Group currently operates in **14 countries in 3 continents, with a staff of over 10,800**, and supplies high performance brake systems, as well as clutches and other components for racing, to the most important manufacturers of cars, motorbikes and commercial vehicles worldwide.

1.1. 2019 REPORT'S MAIN NEW CONTENTS

This Report, approved by the Board of Directors on 9 March 2020, provides a general description of the corporate governance system adopted by the Group, its ownership structure and quantitative and qualitative information on the functioning of the Board of Directors, its committees and its Internal Control

and Risk Management System. This Report is available on the Company's website (www.brembo.com, section Company, Corporate Governance, Corporate Governance Reports) and through the authorised storage mechanism (www.1info.it).

2019 HIGHLIGHTS	Paragraph Reference
Materiality Matrix and Disclosure of Non-Financial Information pursuant to Legislative Decree No. 254/2016	1.2
Company Bodies Diversity Policies and Criteria	3 4.4 13.2
Professional profile of the Directors and Statutory Auditors currently in office	4.3 13.1
Succession plans	4.2
Induction Programme	4.6
Description of the Board of Directors' activities in 2019	4.7.3
2019 Board Performance Evaluation and ensuing results	4.12
Description of the Committees' activities in 2019	7 9 11
Remarks on the Letter from the Chairman of the Corporate Governance Committee of 19 December 2019	18



1.2. Governance Model

Governance system	<p>Brembo S.p.A. has adopted a traditional form of administration and control as provided for by Italian laws: the company's management is attributed to the Board of Directors, the supervisory functions to the Board of Statutory Auditors, and the statutory and accounting audit of the Company's accounts to the Independent Auditors appointed by the General Shareholders' Meeting.</p> <p>The Corporate Governance System of Brembo S.p.A. is inspired by and fully implements the recommendations of the Corporate Governance Code of Borsa Italiana in force from time to time; the Company's Board of Directors incorporated said recommendations into Brembo's Corporate Governance Code.</p> <p>In order to promote a corporate governance model that devotes constant attention to all stakeholders, and in particular to institutional investors and the financial market, while also anticipating new needs and the most impactful trends, Brembo:</p> <ul style="list-style-type: none">• constantly monitors governance principles and models generally adopted at the European and international level that represent best practices in the area of corporate governance;• reviews the results of the analyses and most authoritative observers on the subject of corporate governance, in Italy and abroad, and compares them with its own structural and organisational elements, for purposes of ongoing improvement.
Company Bodies Diversity Policies and Criteria	<p>With reference to Article 123-bis, paragraph 2, letter d-bis), of TUF on the diversity rules for the Corporate Bodies of listed companies, on 3 March 2017, Brembo's Board of Directors approved the "Regulations of the Board of Directors", applicable with effect from the Board's 2017-2019 term of office, which provide additional criteria — not only with regard to gender, but also experience, professionalism, age and other relevant aspects — in addition to those established by applicable laws and regulations. These criteria aim at governing the optimal formation/composition and functioning of the Board of Directors, including in terms of diversity, and are deemed adequate to the Group's size, position, complexity and the specific nature of its business sector and strategies.</p> <p>Following the recommendations introduced to the Borsa Italiana Corporate Governance Code in July 2018, the Board of Directors examined the foregoing criteria (as provided for in the Regulations of the BoD), finding them to be already consistent with the new recommendations. The Board of Directors then approved the amendments to the Corporate Governance Code of Brembo S.p.A. on 7 November 2018, adopting the recommendations on diversity and adapting them to the nature and complexity of the Company's activity and the specific characteristics of the Group's business areas, with the aim of ensuring the competency and professionalism of directors and statutory auditors through an integrated approach to diversity and in accordance with current legal and regulatory obligations. They relate to:</p> <ul style="list-style-type: none">• the introduction of (qualitative and quantitative) diversity criteria, not only in terms of gender, but also experience, professionalism, age and other relevant aspects, with respect to the composition of the Board of Directors. These are criteria of as an objective a nature as possible for the formation/composition of the governing body intended to ensure that the members of the Board of Directors possess an ideal mix of competencies and that the Company's Board of Directors is appropriate to the Group's size, position, complexity, specific nature of its business sector and strategies;• the introduction of (qualitative and quantitative) diversity criteria, not only in terms of gender, for the composition of the Board of Statutory Auditors, with the aim of ensuring that the control body's composition is appropriate to the Group's size, position, complexity, specific nature of its business sector and strategies. <p>The Company has acknowledged the change introduced with Law No. 160 of 27 December 2019 (2020 Budget Law, which is applied from the first renewal of the governing and control bodies of companies listed in regulated markets after its entry into force, namely after 1 January 2020), adapting its internal governance documents appropriately and already implementing them through the proposal drawn up by the outgoing governing body for the renewal of Brembo's corporate bodies provided for at the Shareholders' Meeting to be held on 23 April 2020. The details of these corporate body diversity policies and criteria are provided in sections 4.4 and 13.2.</p>

Sustainability and Corporate Social Responsibility

Brembo recognises the growing importance of non-economic aspects to creating the Company's value and therefore began in the late 1990s — when it issued its first Intangible Capital Report — to set up a sustainability system inspired by the main Italian and international reference documents, such as: the Corporate Governance Code, the UN Universal Declaration of Human Rights, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises.

Brembo has a Corporate Social Responsibility Steering Committee which, supported by a team consisting of representatives from the various company functions, is responsible for defining guidelines and adopting Corporate Social Responsibility policies, approving and supervising the projects proposed by the Chief CSR Officer, overseeing the stakeholder engagement process, drawing up a draft Materiality Matrix to be submitted to the Board of Directors, and assessing the draft Disclosure of Non-Financial Information. In order to oversee and coordinate the performance of these activities, the position of "CSR Officer" was created in 2013 and was subsequently renamed Chief CSR Officer. This role is filled by the Director in charge of the Internal Control and Risk Management System, with the aim of:

- coordinating and implementing the CSR Steering Committee's activities;
- coordinating the communication streams required to collect data and prepare the draft Disclosure of Non-Financial Information;
- interfacing periodically with the Audit, Risks and Sustainability Committee as liaison to the CSR Steering Committee;
- proposing CSR projects and initiatives;
- monitoring external best practices by managing relations with stakeholders.

At its meeting on 20 April 2017, the Board of Directors also identified the Audit and Risks Committee as the governance committee to be tasked with supervising all sustainability issues and interactions with all stakeholders (in line with the recommendations set forth by the Borsa Italiana S.p.A. Corporate Governance Code), changed its name into Audit, Risks & Sustainability Committee and updated the list of its tasks as described in the Committee's Rules (see sections 9 and 16.1).

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

Brembo's commitment includes a series of voluntary actions and social interest initiatives, inspired by the standard ISO 26000 and exceeding the legal obligations, in the following areas: governance; sound management practices; people; the environment; supply chain; and community engagement and development.

For further information see the Company's website (brembo.com, Sustainability section).

Brembo's first Sustainability Report (2016 edition) was presented to the Shareholders' Meeting held on 20 April 2017 and then published on the Company's website (brembo.com, Sustainability, Report and Presentations section), one year before the publication became mandatory by law. It was drawn up in accordance with the guidelines issued by the Global Reporting Initiative (G4) following a materiality analysis process aimed at identifying the areas of greatest interest and with the greatest risks and opportunities for the purposes of business development and value creation from the perspective of long-term sustainability. On the basis of this, priority indicators were identified for use in monitoring and communicating the Group's sustainability performance.

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



2019 Materiality Matrix and Disclosure of Non-Financial Information

To define the structure and contents of the Consolidated Disclosure of Non-Financial Information pursuant to Legislative Decree 254 of 30 December 2016 (hereinafter also “NFD”) — implementing Directive No. 2014/95/EU as regards disclosure of non-financial and diversity information — Brembo conducted a materiality analysis aimed at identifying the topics that are deemed relevant — in relation to its business profile, strategies, stakeholders’ expectations and business environment — to report the Company’s economic, environmental and social impacts and that can influence the decisions of the Group’s stakeholders.

Materiality corresponds to the threshold above which the Material Aspects become sufficiently important as to be included in the NFD (Disclosure of Non-Financial Information). Above this threshold, not all the Material Aspects have the same importance and the significance attributed in the NFD must reflect the priority of such Material Aspects in the Group’s different activities.

The analysis was carried out according to the guidelines published by the Global Reporting Initiative (GRI) and is valid for three years, with a periodic revision of the assessments of the individual Aspects.

For 2019, the materiality analysis process was carried out identifying the new material topics based on the reports made in 2018, the main trends identified through benchmarks and the topics that emerged during interviews with Management.

The methodology used to identify the materiality topics of the 2019 matrix also involved both internal and external stakeholders, in particular:

- top management through an online questionnaire;
- a sample of about 200 suppliers (selected based on the location and significance of the turnover) through an online questionnaire and a more restricted sample through a telephone interview;
- a group of customers through a telephone interview.

The 2019 Materiality Matrix was reviewed by the CSR Steering Committee on 5 December 2019, audited by the Audit, Risks & Sustainability Committee on 12 December 2019 and then approved by the Board of Directors on 18 December 2019. The Matrix emphasises the topics that Brembo has identified for disclosure in 2019 in its NFD for the said reporting year.

The NFD for 2019 was examined and approved by the Board of Directors of Brembo at its meeting of 9 March 2020, after being examined by the Audit, Risks & Sustainability Committee during its meeting of 25 February 2020, and it was then submitted to the control bodies (Board of Statutory Auditors and Independent Auditors) for the activities within their remit. The NFD was also subject to limited assurance by the same auditing firm commissioned to audit the financial statements (EY), who verified that it conforms to Legislative Decree No. 254/2016 and complies with the principles and methodologies of the reporting standard used (GRI). The related report, which is separate from the independent auditors’ report, is appended to and published together with the NFD. The 2019 NFD is available on the Company’s website (www.brembo.com, Sustainability, Report and Presentations section).

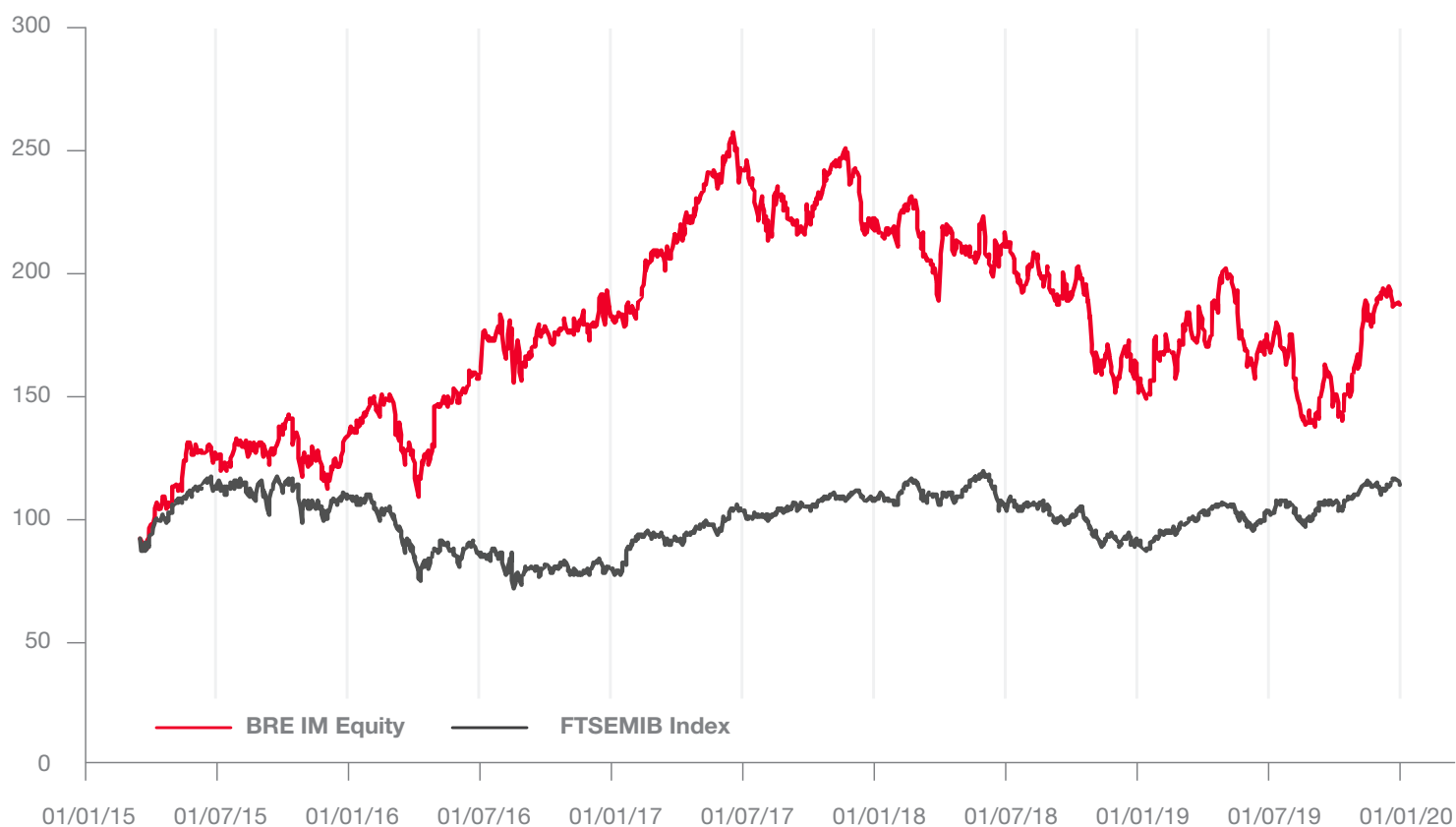
1.3. Company Key Highlights

(euro million)	2018	2019	Change
Sales	2,640.0	2,591.7	-1.8%
EBITDA	500.9	515.2	+2.9%
Profit	238.3	231.3	-3.0%
Net financial position	136.9	346.2 *	- *
Market capitalisation at 31 December	2,969	3,693	-
Workforce (headcount)	10,634	10,868	+2.2%

*€ 150.2 for the same accounting standards (excluding IFRS16 effect)

1.4. 2015-2019 Stock Performance

Brembo vs FTSEMIB Index 2015-2019





2. INFORMATION ON OWNERSHIP STRUCTURE AT 31 DECEMBER 2019

2.1. Structure of share capital

Brembo S.p.A.'s subscribed and fully paid-up share capital amounted to €34,727,914 and was divided into 333,922,250 ordinary shares, without nominal value. Following the launch of the plan for the buy-back of own shares, authorised by the

General Shareholders' Meeting on 18 April 2019 and disclosed on 30 July 2019, as of today Brembo holds 10,035,000 own shares.

Share Ownership at 31 December 2019

Feature	Yes/No	Share capital %
Presence of syndicate agreements	No	--
Presence of increased voting right	Yes	--
Restrictions on the transfer of securities	No	--
Securities carrying special rights	No	--
Employee share ownership scheme	No	--
Restrictions on voting rights	No	--
Minimum shareholding required for the submission of lists	Yes	1%
Shareholding held by Italian institutional investors	Yes	16,4%
Shareholding held by international investors	Yes	27,1%

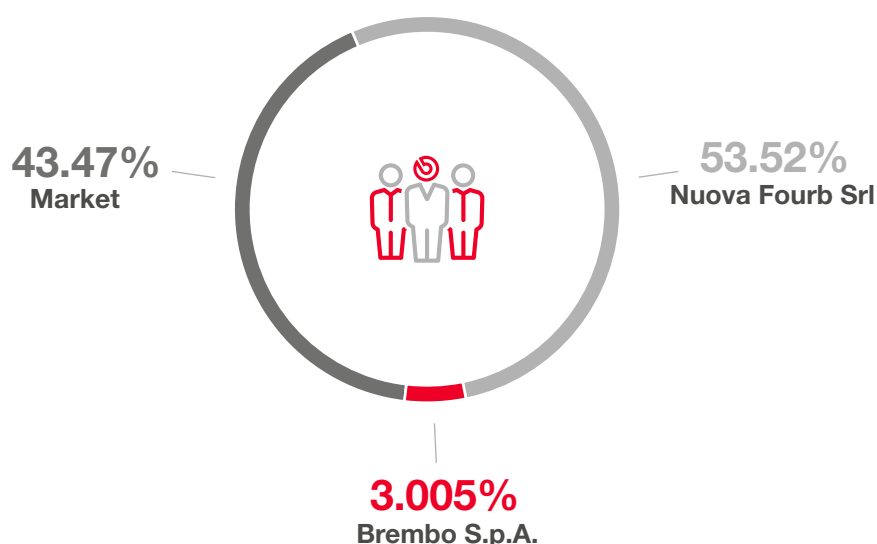
2.2. Significant shareholdings

Number of ordinary shares outstanding: 333,922,250

(Figures taken from the Shareholders' Register at 31 December 2019 and included in Consob notices)

	Declarant	Direct shareholder	Nationality	No. of shares	% of share capital with right to vote
Significance Threshold as per Article 117 of the Rules for Issuers					
1	BOMBASSEI ALBERTO	NUOVA FOURB SRL	ITALIAN	178,723,765	53.523
2		BREMBO SPA	ITALIAN	10,035,000	3.005
Below the Significance Threshold as per Article 117 of the Rules for Issuers					
3		SMALLCAP WORLD FUND INC	U.S.	5,087,000	1.523
4		COLUMBIA ACORN INTERNATIONAL	U.S.	3,710,346	1.111
5		PUBLIC PENSION AGENCY	ARAB	3,173,989	0.951
6		GROUPAMA AVENIR EURO (F)	FRENCH	2,587,331	0.775
7		STICHTING BEWAARDER JUNO	DUTCH	2,326,500	0.697
8		VANGUARD TOTAL INTERNATIONAL STOCK INDEX	U.S.	2,311,978	0.692
9		BROWN BROTHERS HARRIMAN & CO.	U.S.	2,173,276	0.651
10		FRANKLIN TEMPLETON INVESTMENT FUNDS	LUXEMBOURG	2,156,541	0.646

Ownership Structure at 31 December 2019²



2.3. Increased Voting Right

The Shareholders' Meeting on 18 April 2019 approved the amendment to Article 6 of the By-laws, introducing — pursuant to Article 127-*quinquies* of TUF — the increased voting right mechanism. The amendment aims to foster stable and loyal ownership by promoting medium/long-term investment in Brembo's share capital in order to support the Group's organic and non-organic growth.

Stable share ownership is a strategic factor to the success of the Company's growth projects, since these are projects that, in light of the characteristics of the Group's business, are to be developed over a medium-to-long term time horizon, and therefore require the support of shareholders whose investment rationale and return expectations are oriented accordingly.

The company's By-laws thus provides for the allotment of two votes for each share belonging to the shareholder requesting to be registered in the Special List — maintained and updated by the Company — provided that the said share is held for a

period of no less than 24 subsequent months starting from the date of its registration in such Special List.

All details relevant to the procedure for the registration, maintenance and updating of the Special List, complying with the applicable laws, the By-laws and the market practice, are described in the Increased Voting Right Regulations approved by the Board of Directors of Brembo on 18 April 2019.

At 31 December 2019, only a few shareholders were registered in the Special List for the entitlement to increased voting right; to date, none of these benefited from the entitlement, since 24 months had not yet elapsed since the date they were registered in the same List.

For further information please refer to the Increased Voting Right Regulations available on the Company's website (brembo.com, section Investors, For Shareholders, Increased Voting Right).

² Figures taken from the Shareholders' Register at 31 December 2019.



2.4. Change of control clauses

As part of their business, Brembo and its direct or indirect subsidiaries are parties to various joint venture, supply, cooperation and financing agreements. As is customary at the international level and in negotiating practice for such

agreements, they include clauses that if applied grant each of the parties the power to terminate and/or amend such agreements in the event of a direct and/or indirect change of control of one of the parties.

2.5. Power to increase the share capital

In accordance with Article 2443 of the Civil Code, on 18 April 2019 the General Shareholders' Meeting again vested the Board of Directors (until 18 April 2024) with delegated powers to increase the paid share capital — on one or more occasions, also in several tranches, pursuant to Article 2439, paragraph 2, of the Civil Code, while excluding the option right pursuant to Article 2441, paragraph 4(2), of the Civil Code — for an overall maximum value of €3,472,791.40 and no more than 33,392,225³ shares without nominal value, or — if fewer — of the number of shares that, at each date such delegated powers are exercised (and taking due account of any and all the shares that may already have been issued pursuant to said powers), represents 10% (ten percent) of the Company's total shares at such date⁴.

To this end, the Board of Directors is additionally empowered to:

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

2.6. Authorisation to repurchase own shares

After revocation of the previous Resolution dated 20 April 2018, which was not implemented, the General Shareholders' Meeting of Brembo S.p.A. held on 18 April 2019 approved a plan for the buy-back of own shares ending on 18 October 2020, thus a maximum period of 18 months.

This authorisation entails:

- the purchase of a maximum of 8,000,000 treasury shares for up to €144,000,000 and the sale of all treasury shares held, in one or more tranches, for a maximum period of 18 months, at a minimum price of no more than 10% below the reference price of the shares during the trading session on the day before each purchase transaction is undertaken and a maximum price of no more than 10% above the reference price of the shares during the trading session on the day

before each individual purchase transaction is undertaken, by drawing on unrestricted reserves;

- with reference to the disposal of own shares for a maximum term of 18 months, granting the Board of Directors the power to define, from time to time, all the criteria to set the relevant consideration and/or methods, terms and conditions to use own shares in portfolio, taking due account of the realisation methods applied and the price trend of the stock in the period before the transaction, acting in the best interest of the Company;
- granting the Chairman and Executive Deputy Chairman full powers, to be exercised severally and/or delegated to third parties, to implement the Resolutions as per the points above, even availing of attorneys-in-fact, in accordance with applicable laws and as requested by relevant authorities.

³ The number of shares reported herein accounts for the stock split approved by the General Shareholders' Meeting on 29 April 2017.

⁴ Please refer to Article 5 of the By-laws.

As part of the own shares buy-back programme authorised by the General Shareholders' Meeting on 18 April 2019, the start of which was announced on 30 July 2019, Brembo purchased own shares in July, August and September through an appointed intermediary (from 31 July 2019 to 4 September 2019) for a total of 1,300,000 own shares at an average price of €8.71425, thus exceeding the 3% significance threshold (notice of this was sent

to Consob in Form 120 within the time limits and in the manner specified in regulatory provisions in force).

Own Shares in Portfolio at 31 December 2019

No. of own shares	% of share capital	Average book value
10,035,000	3.005%	Euro 1.543

2.7. Direction and coordination

Brembo S.p.A. is not subject to the direction and coordination of any company or entity pursuant to Article 2497-*bis* of the Civil Code, despite it being controlled by another company. This is because, in accordance with the provisions of the Corporate Governance Code, decisions that result in the following are subject to the collective examination of and exclusive approval by the Board of Directors of Brembo S.p.A. which as of 31 December 2019 includes five independent Directors:

- the preparation of the Group's business, strategic and financial and budget plans;
- the issuance of directives on matters of financial and credit policy and the centralisation of functions such as treasury management, administration, finance and control; and
- the definition of the strategies for the growth, strategic and market positioning of the Group and its individual Companies,

particularly where policies may influence and determine their practical implementation by the Company's management.

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

Brembo S.p.A. is responsible for coordination and control of its Subsidiaries pursuant to Article 2497 of the Civil Code, and sets the company and Group strategies aimed at long-term sustainability in terms of financial performance, business objectives, investments and sales and marketing policies. The requirements pursuant to Article 2497-*bis* of the Civil Code have been complied with.



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

Brembo endorses the recommendations of the Corporate Governance Code for listed companies of Borsa Italiana S.p.A., through the adoption of its own Corporate Governance Code. Neither Brembo S.p.A. nor any of the companies it directly or indirectly controls, is subject to any foreign or international regulations that could potentially affect Brembo's Corporate Governance Structure.

With the aim of ensuring best governance in terms of Board composition and functioning, also in line with best practices, Brembo S.p.A.'s Board of Directors, with the favourable opinion of the Remuneration & Appointments Committee, had already adopted back in 2017 a special Regulations of the Board of Directors, which also defines the additional criteria (both qualitative and quantitative) to the gender diversity criteria already included in the By-laws, for the formation/composition of the Board of Directors and Board of Statutory Auditors. These criteria were then incorporated into Brembo's Corporate Governance Code (with Board resolution of 7 November 2018) thereby adopting the diversity recommendations introduced by Borsa Italiana's Corporate Governance Code in July 2018 and supplementing the diversity policies pursuant to Article 123-bis, paragraph 2, lett. d-bis) of the TUF.

In light of evolving statutory and regulatory provisions and the need to maintain ever higher levels and skills in the governing body, in 2019 the Board of Directors re-examined the aforesaid Regulations, particularly with regard to the diversity criteria, in view of the renewal of the corporate offices planned for the General Shareholders' Meeting called to approve the 2019 financial statements (23 April 2020).

In light of the analyses carried out, Brembo's Board of Directors, with the favourable opinion of the Remuneration & Appointments

Committee, confirmed that the Regulations of the Board of Directors are in line with best practices, ruling:

- the raising of the age limit for Independent Director candidates to 75, also in order to broaden the selection base to candidates with skills and standing recognised both at national and international level and particularly qualified in the professional, managerial and business world;
- adjustment of the minimum quota reserved to the less represented gender in the corporate bodies introduced by Law No. 160⁵ of Law 27 December 2019, whose Article 1, paragraphs 302-303, provides for:
- the three-year term of office to be extended to a longer term of six years (without however specifying whether the latter includes the first three already spent or not);

Consequently, the above-mentioned criteria constitute the basis of the orientation by the outgoing Board of Directors for the managerial and professional candidates to be nominated for the incoming company officers during the Shareholders' Meeting called to approve the 2019 Financial Statements (23 April 2020), with the aim of ensuring an ideal mix of skills among the members of the Board of Directors and an adequate composition of the Board of Statutory Auditors.

As for 2017-2018-2019, in order to apply the Corporate Governance Code in an increasingly consistent and substantial manner, the Executive Directors, the Lead Independent Director and Independent Directors have examined the recommendations made by the Governance Committee in its Letter sent to issuers, following the analysis carried out in the Seventh Report on the Application of the Corporate Governance Code, indicating a sound level of application at Brembo (see paragraph 18).

5 2020 Budget Law – which applies from the first renewal of the governing and control bodies of companies listed in regulated markets after the law enters into force, i.e. after 1 January 2020

4. BOARD OF DIRECTORS

4.1. Appointment and replacement of Company Directors

The Company is governed by a Board of Directors made up of a minimum of five and a maximum of eleven members, as determined by a resolution of the General Shareholders'

Meeting. Directors are appointed by the ordinary Shareholders' Meeting on the basis of lists with a minimum threshold of 1% of share capital.

Summary of the Company's By-laws Provisions

<p>Composition (Article 15 of the By-laws)</p>	<p>The Board of Directors consists of:</p> <ul style="list-style-type: none"> a minimum of five and a maximum of 11 members (executive and non-executive Directors), who may be re-elected and, unless otherwise resolved by the General Shareholders' Meeting, shall hold office for the period specified in the General Shareholders' Meeting appointment resolution, up to a maximum of three years; they shall expire at the date set for the General Shareholders' Meeting called to approve the Financial Statements for their last year of office, subject to the causes for termination and forfeiture provided for by law and the By-laws; at least one (1) Board member, or two members if the Board is made up of more than seven members, meeting the independence criteria pursuant to laws and the Corporate Governance Code of Borsa Italiana, endorsed by the Company; its composition must reflect gender balance, in accordance with the laws and regulations from time to time in force. <p>The new Brembo's Corporate Governance Code, which incorporates the provisions of the Board of Directors' Regulations, establishes additional quantitative and qualitative criteria for the formation of the Board of Directors, so that its composition is suited to the Group's size, positioning, complexity, specific industry and strategies. These criteria also represent and include the diversity policies in the composition of the governing body pursuant to Article 123-bis, paragraph 2, letter d-bis, of the TUF (see paragraph 4.4).</p>
<p>List voting (Article 15-bis of the By-laws)</p>	<p>With regard to the lists of candidates, duly signed by the Shareholders submitting the same, or the Shareholder delegated to do so, together with all the other related documents as required under the By-laws:</p> <ul style="list-style-type: none"> the lists containing a number of candidates equal to or greater than three must include candidates of both genders (male or female); these lists must include a number of candidates of the under-represented gender such as to ensure that the composition of the Board of Directors complies with the laws and regulations on gender balance from time to time in force, it being understood that where the application of the distribution criterion between genders results in a non integer number, this must be rounded up to the next higher unit; the lists must be filed with the Company's registered offices at least 25 calendar days prior to the scheduled date of the General Shareholders' Meeting at first calling and they must be made available to the public at the Company's registered offices, on the corporate website and in the other manners and forms specified under statutory and regulatory provisions, at least 21 calendar days prior to the scheduled date of the General Shareholders' Meeting; the lists shall be numbered in serial order according to the date of their filing with or submission to the company; the filing of voting lists pursuant to the provisions of Article 15-bis of Brembo S.p.A.'s By-laws shall also be valid for General Shareholders' Meetings held at subsequent callings, if any; in this latter case, new voting lists may be submitted and the aforementioned terms set forth for the filling of lists are reduced to 15 and 10 days, respectively.



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

With reference to the procedures regulating the voting process to appoint the Governing Body:

- all the Board members to be appointed as determined by the General Shareholders' Meeting, save one (1), shall be drawn from the list obtaining the highest number of the votes cast by Shareholders, in the same serial order in which they appear on the said list;
- the remaining seat on the Board shall be awarded to the first candidate on the list that obtained the second highest number of votes and that is not linked in any way, whether directly or indirectly, with the Shareholders who submitted or voted in favour of the list that obtained the highest number of votes;
- the positions of Independent Directors, who must meet the requirements of independence, pursuant to article 15 of these By-laws as mentioned above, will be filled from the list that obtained the highest number of the votes cast, or if this is not possible, from the list that obtained the second highest number of votes;
- for the intents and purposes of appointments to the Board of Directors, no account must be taken of lists that failed to obtain a number of votes representing at least half the aforementioned percentage established under Article 15-bis of the By-laws for the submission of voting lists (for instance, half of 1 % of share capital);
- should only one list be submitted, all the members of the Board of Directors must be drawn from the said list, it being understood that in the event no list is submitted, the General Shareholders' Meeting shall pass related resolutions by majority vote, in accordance with applicable laws and regulations, and provisions concerning gender balance (including the rounding-up to the next higher unit in the event the application of the distribution criterion between genders results in a non integer number);
- should be presented two or more lists, the Board of Directors members shall be drawn: (i) from the list obtaining the highest number of the votes cast by shareholders, in the same serial order in which they appear on the said list, all the Board members to be appointed save one (1), without prejudice to provisions concerning gender balance and pursuant to applicable laws and regulations; (ii) the remaining seat on the Board shall be awarded to the first candidate on the list that obtained the second highest number of votes and that is not linked in any way, whether directly or indirectly, with the Shareholders who submitted or voted in favour of the list that obtained the highest number of votes.

4.2. Succession plans

On 6 June 2011, the Board of Directors of Brembo S.p.A. approved the Brembo Group's current organisational structure reinforcing the Company's governance model in order to strengthen the top management team and gradually initiate internal succession mechanisms. Within this proven organisational structure and in accordance with the delegated powers assigned by the Board of Directors, Matteo Tiraboschi holds the position of Executive Deputy Chairman, Daniele Schillaci⁶ that of Chief Executive Officer, and Chairman Alberto

Bombassei has taken on a more strategic, less operational role, while maintaining executive powers.

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

⁶ As announced in the press release issued on 3 May 2019, following the resignation of Andrea Abbati Marescotti from his position as Chief Executive Officer and the ensuing waiver of all related powers as of 1 July 2019, the Board of Directors held on 28 June 2019, in compliance with Article 2386 of the Civil Code, co-opted Daniele Schillaci as member of the Board 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 General Shareholders' Meeting called to approve the 2019 Financial Statements.

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

The General Shareholders' Meeting held on 20 April 2017 confirmed the number of Board of Directors' members at 11 and appointed the Board of Directors for the three-year period 2017-2019, i.e., until the General Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019, based on the list submitted by the majority shareholder Nuova FourB S.r.l. and the candidate proposed by a group of Shareholders (holding 0.515% of the share capital, overall).

It should be noted that the candidates for the three-year period 2017-2019 were nominated on the basis of opinions expressed by the then outgoing Board of Directors regarding its size and composition and the types of professionals and managers (number, number of independent directors, length of term, gender⁷, professional background), as described in the Directors' report on the appointment of the Board of Directors, made available on the Company's website along with additional pre-shareholders' meeting disclosure documentation.

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 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 as member of the Board, pursuant to Article 2386 of the Civil Code, 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 General Shareholders' Meeting called to approve the 2019 Financial Statements.

With the aim of ensuring an ideal mix of skills, experience and professionalism among the members of the Board of Directors, the above-mentioned criteria also constitute the basis of reference for the orientation by the outgoing Board of Directors for the managerial and professional candidates to be nominated for the incoming company officers for the three-year term 2020-2022 during the General Shareholders' Meeting called to approve the 2019 Financial Statements (23 April 2020).

⁷ In accordance with laws and regulations in force at the time of appointment for the three-year period 2017-2019 (Golfo – Mosca Law: 1/3).



Composition of the Board of Directors and Board Committees at 31 December 2019

BOARD OF DIRECTORS													AUDIT RISK & SUSTAINABILITY COMMITTEE		REMUNERATION & APPOINTMENTS COMMITTEE	
Office held	Name and surname	Year of birth	Seniority of service ¹	In office from	In office until	List ²	Exec.	Non exec.	Indep. as per Code	Indep. as per TUF	Attendance rate at 2019 meetings ³	Other offices held ⁴	Member	Attendance rate at meetings ³	Member	Attendance rate at meetings ³
Chairman	Alberto Bombassei	1940	21.12.84	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	x				100%	–				
Executive Deputy Chairman	Matteo Tiraboschi	1967	24.04.02	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	x				100%	–				
Chief Executive Officer	Daniele Schillaci	1964	28.06.19 (coopt.)	01.07.2019	Approval of the Financial Statements at 31.12.2019	M	x				100%	–				
Director	Cristina Bombassei	1968	16.12.97 (coopt.)	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	x				100%	-				
Director	Giovanni Canavotto	1951	20.04.17	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		x ⁶			100%	-				
Director	Barbara Borra	1960	29.04.14	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		x	x	x	100%	2	x	100%	x(Chair)	100%
Director	Laura Cioli	1963	20.04.17	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		x	x	x	100%	3	x(Chair)	100%		
Director	Nicoletta Giadrossi	1966	20.04.17	20.04.2017	Approval of the Financial Statements at 31.12.2019	m ⁵		x	x	x	100%	3	x	100%	x	75%
Director	Umberto Nicodano	1952	03.05.00	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		x			100%	3			x	75%
Director (LID)	Valerio Battista	1957	20.04.17	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		x	x	x	90%	2				
Director	Gianfelice Rocca	1948	29.04.11	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		x	x	x	70%	9				
DIRECTORS WHO LEFT OFFICE IN 2019																
Chief Executive Officer	Andrea Abbati Marescotti	1964	06.06.11 (coopt.)	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	x				86% ⁷	-				
Number of meetings held during the year of reference						(2019)		BoD: 10					Audit, Risk & Sustainability Committee: 7		Remunerations & Appointments Committee: 4	

NOTES

¹ This column shows the date on which the Director was appointed by the General Shareholders' Meeting as a Director of Brembo for the first time; 'co-option' means the date of co-option by the Board of Directors.

² This column indicates the list from which each Director was appointed ("M": majority list; "m": minority list).

³ This column shows the Directors' attendance rate at the meetings held by the BoD or Board Committees in 2019 (No. of times attended/No. of meetings held during the Director's actual term of office).

⁴ This column shows the number of Directorships or Auditorships held in other relevant companies (thus excluding Brembo) listed on regulated markets, including foreign markets, financial companies, banks, insurance companies and large companies.

Said information can be obtained from their respective statements.

⁵ The candidature of Director Nicoletta Giadrossi was submitted by a group of Shareholders representing 0.515% of the share capital, directly during the General Shareholders' Meeting held on 20 April 2017.

⁶ 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.

⁷ Attendances refer to the period when the Director was in office during 2019, namely from 1 January 2019 to 30 June 2019.

It must be pointed out that:

- all the appointed Directors meet the requirements of personal integrity, professionalism and respectability imposed by applicable statutory and regulatory provisions;
- the Non-executive Directors and those who can qualify as Independent Directors meet the requirements set by Article 148, paragraph 3, of TUF, and/or by the Corporate Governance Code, as indicated in the table on page 18, The table also specifies the Directors' respective roles within the company, their attendance rate at the Board of Directors' meetings held in 2019, their seniority of service, and the number of positions held with other relevant companies;
- at least one-third⁸ of the Board of Directors consists of the less-represented gender;
- no Directors reported circumstances requiring the submission of a report by them under Article 1.C.4 of Brembo's Corporate Governance Code (Departure from the competition principle);
- no members of the Board of Directors of Brembo S.p.A. are Directors of any of its subsidiaries.

Professional Profile of the Directors Currently in Office

A short professional profile of each Director, with his/her personal and professional features, is included hereinafter⁹, and is also available on the Company's website.

ALBERTO BOMBASSEI

Chairman

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

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

From 2001 to 2004, he served as President of Federmeccanica. In 2003, the University of Bergamo awarded him an honorary degree in Mechanical Engineering.

In 2004, he received the Order of Merit for Labour award from Italian President Carlo Azeglio Ciampi.

From 2004 to 2012, he was Vice President of Confindustria in charge of Industrial Relations, Social Affairs and Social Security. In 2014, Spain's Ambassador to Italy bestowed on him the title of Commander of the Order of Isabel the Catholic for his extraordinary contributions to civil society and promotion of friendly relations between Spain and Italy.

He has been Member of the Board of Directors of ISPI – Institute for International Political Studies since 2016.

In June 2017, he was named a member of the Executive Board of Assonime, an association of Italian joint-stock companies.

In July 2017, he was included into the Automotive Hall of Fame, the global automotive industry's highest honour, reserved for those who have had a decisive impact and a positive influence on automotive history.

In keeping with his extensive history of involvement in Confindustria, in 2018 he became a member of the association's Advisory Board.

In June 2018, he was elected President of the Italy-China Foundation, on whose Board of Directors he had already sat since 2016. The Foundation is a leading non-profit organisation that aims to promote economic and cultural exchange between the two countries.

In June 2018, he was also appointed Vice-President of Aspen Institute Italy.

In October 2018, he was appointed to the Leonardo Committee's Executive Board.

In April 2019, he was appointed President of FROM (Bergamo Hospital Research Foundation), whose Board of Directors he had joined in November 2018 as a founding member.

Over the years he received several awards, including: the Leonardo "Qualità Italia" Award bestowed on him in 2003 by Italian President Carlo Azeglio Ciampi for having brought Italian craftsmanship to the world; the "Amerigo Vespucci" Prize in 2007 for contributing to the development of Italy-Brazil relations; the "Premio Tiepolo 2012" bestowed on him by the Italian Chamber of Commerce and Industry for Spain and the Chamber of Commerce and Industry of Madrid; the Ernst & Young Prize as "Entrepreneur of the Year 2012"; the Leonardo Award, given to him in March 2017 by Italian President Sergio Mattarella for his significant contribution to the promotion of Italy in the world; the Capo d'Orlando Award – section Science and Industry, bestowed on him in April 2019, for being for many years at the helm of one among

⁸ Minimum quota of the less-represented gender in the corporate bodies of listed companies (Law Golfo-Mosca), in force at the date of appointment of the Board of Directors for the three-year term 2017-2019.

⁹ www.brembo.com, section Company, Corporate Governance, Governing Boards and Committees



tech companies symbol of Italian craftsmanship in the world; the “Marketer of the Year” Award given to him in June 2019 by the Italian Marketing Society for creating an Italian brand that has become a global leader through a new marketing which, starting from qualitative excellence, gave birth to braking systems with a unique style, in line with the design of vehicles on which they are installed.

MATTEO TIRABOSCHI

Executive Deputy Chairman

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

DANIELE SCHILLACI

Chief Executive Officer

Chief Executive Officer of the company since 1 July 2019. Daniele Schillaci was born in Sicily, Italy in 1964. After graduating in Industrial Technologies Engineering at the Polytechnic University of Milan in 1993, he has gained a 25-year experience in the automotive sector covering increasingly complex roles at an international level. After his initial experience at Renault and then as Alfa Romeo Brand Manager at Fiat Auto, Schillaci joined Toyota covering positions of increasing responsibility in Spain and France until he was appointed Senior Vice President, Sales & Marketing Toyota Europe. Since July 2015 he has worked in Japan in the role of Executive Vice President and Executive Committee

Member of Nissan Motor Corporation, with responsibility as Head of Global Sales & Marketing and Electric Vehicles for all the Constructor’s brands — Nissan, Datsun, Infiniti — focusing specifically on car production and market positioning. He also served as President of Japan & Asia Region with responsibility for production, engineering, development, sales and marketing, as well as administration and finance and led Nissan’s “Zero Emission Vehicles” project.

CRISTINA BOMBASSEI

Director in charge of the Internal Control & Risk Management System

Director of the company since 1997. She has been executive Director in charge of the Internal Control & Risk Management System since 2008. In 2013, she was appointed Chief CSR Officer and tasked with promoting Brembo Group’s commitment to Corporate Social Responsibility.

She is a Director of Kilometrorosso S.p.A., as well as Vice President of Confindustria Bergamo in charge of Education. Since 2019 she has been member of the Executive Committee of AIDAF, the Italian Association of Family Businesses. In 2018, she was included in the list of “100 successful Italian women” drawn up by Forbes.

GIOVANNI CANAVOTTO

Non-executive Director¹⁰

Born in Brescia in 1951, after completing the secondary school (classical studies), he obtained a university degree in Electrotechnical Engineering in Padua and was admitted to the professional association. He is a member of the Bergamo Engineers Association. In 1978, he joined SACE Brown Boveri, a leading designer and manufacturer of low and medium-voltage circuit-breakers and switchboards, where he served in important roles instrumental for his professional development, in particular with regard to Quality (Quality Assurance and Total Quality) and Project Management. He joined Brembo in 1985. As the Group’s Quality and Environment Director, he set up the company’s Quality and Environment System, defining its system of procedures (Quality and Environment Manual) and led the company to obtain certification from all major customers and ISO. In 2000, he served in management and business development roles at worldwide level at various units of the Group, including, in particular, the Commercial Vehicles Business Unit and Discs Division. He served as Chief Operating

¹⁰ 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, and he was then qualified as a Non-Executive Director.

Officer of the Car and Light Commercial Vehicles Braking Systems Division from 2014 to April 2019. He became a member of the Board of Directors of Brembo in April 2017.

BARBARA BORRA

Independent Director

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

LAURA CIOLI

Independent Director

A Director of Brembo S.p.A. since 2017, she currently holds the position of Chief Executive Officer at GEDI Gruppo Editoriale S.p.A. Previously, she has served in various executive roles at leading global companies operating in telecommunications, media, energy, financial services and management consulting. In particular, she has been: (i) Chief Executive Officer of Rcs Mediagroup, (ii) Chief Executive Officer of CartaSi, (iii) Chief Operating Officer of Sky Italia (News Corporation Group), (iv) Senior Vice President of ENI Gas & Power, (v) Executive Director of Vodafone Italia, member of the Executive Committee in various roles, including Head of Strategy and Business Development, Head of Operations and Head of the Business Division, and (vi) partner at Bain & Company. She has acted as Non-Executive Director on the boards of various companies, such as Telecom Italia, Salini-Impregilo, World Duty Free Group, Cofide, Ansa and Visa Italia (as chairwoman). She is currently a member of the Board of Directors, the Audit, Risks & Sustainability Committee and Remuneration

Committee of Pirelli S.p.A. and a member of the Board of Directors and Remuneration Committee of Sofina S.A. After graduating with honours in Electronic Engineering from the University of Bologna, she earned a master's degree in Business Administration from Milan Bocconi and is a member of the International Advisory Board of SDA Bocconi.

NICOLETTA GIADROSSI

Independent Director

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

VALERIO BATTISTA

Independent Director

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



UMBERTO NICODANO

Non-executive Director

Director since 2000, he is also a member of the Remuneration & Appointments Committee of the company.

A partner in the law firm Bonelli Erede since its foundation, he deals primarily with extraordinary finance transactions and matters of corporate governance and succession.

He sits on the Board of Directors and on internal board committees of various companies including Cerved S.p.A. and Valentino S.p.A.

GIANFELICE ROCCA

Independent Director

Chairman of the Techint Group; President and Founder of the Humanitas Clinical Institute and the Humanitas University.

In Italy, he sits on the Boards of Directors of Brembo S.p.A. and Buzzi Unicem S.p.A. He also serves as a Board member of the Luigi Bocconi Business School, member of the Board of Directors of the Leonardo Da Vinci National Museum of Science

and Technology and member of the Advisory Board of Milan Polytechnic.

From 2013 to 2017 he was President of Assolombarda, while from 2004 to 2012 he served as Vice President of Confindustria, where he was responsible for Education.

At the international level, he is Vice President of the ASPEN Institute and also a member of its Executive Board, in addition to being a member of the European Advisory Board of the Harvard Business School, of the Trilateral Commission and, finally, a member of the International Cancer Center Board of Advisory of Beth Israel Deaconess Medical Center, and of the ERT (European Round Table of Industrialists).

In 2007, he was granted the Italian honorary title of “Cavaliere del Lavoro” and in 2009 he was awarded an honorary degree in Management Engineering from the Polytechnic of Milan.

In 2010, he was awarded the “2009 Leonardo Prize”, and in 2018 the title of “Commendatore”.

He graduated with honours in Physics from the University of Milan and completed a PMD at the Harvard Business School in Boston.

4.4. Board of Directors' Diversity Policies and Criteria and ensuing application

Brembo's Board of Directors approved the Board of Directors' Diversity Policies and Criteria, applicable with effect already from the Board's 2017-2019 term of office, which provide for new criteria, based on as objective a foundation as possible, in addition to those established by applicable laws and regulations, relating to the professionals to propose as candidates in order to ensure that the composition of the Board of Directors is adequate to the Group's size, position, complexity and the specific nature of its business sector and strategies.

These criteria, included in the Regulations of the Board of Directors and incorporated in the Brembo S.p.A.'s Corporate Governance Code, and as described below, aim at ensuring the appointment of Board members who have an optimal combination of skills and professional background and form the diversity policies for the Governing Body's composition not only with regard to gender, but also experience, professionalism, age and other relevant aspects, as mandated by Article 123-bis, paragraph 2, letter d-bis), of TUF, in addition to being in line with the recommendations introduced in July 2018 by the Corporate Governance Code of Borsa Italiana.

In light of evolving statutory and regulatory provisions and the need to maintain ever higher levels and skills in the governing body, and in view of the renewal of the corporate offices planned for the General Shareholders' Meeting called to approve the 2019 financial statements (23 April 2020), in 2019 the Board of Directors re-examined the aforesaid Regulations, particularly with regard to the diversity criteria, and confirmed, with the favourable opinion of the Remuneration & Appointments Committee, that the Regulations of the Board of Directors are in line with best practices, ruling:

- the raising of the age limit for Independent Director candidates to 75, also in order to broaden the selection base to candidates with skills and standing recognised both at national and international level and particularly qualified in the professional, managerial and business world;
- adjustment of the minimum quota reserved to the less represented gender in the corporate bodies introduced by Law No. 160¹¹, of Law 27 December 2019, whose Article 1, paragraphs 302-303, provides for:
- the three-year term of office to be extended to a longer term

¹¹ 2020 Budget Law – which applies from the first renewal of the governing and control bodies of companies listed in regulated markets after the law enters into force, i.e. after 1 January 2020.

of six years (without however specifying whether the latter includes the first three already spent or not);

The above-mentioned criteria also constitute the basis of reference for the orientation by the outgoing Board of

Directors for the managerial and professional candidates to be nominated for the incoming company officers during the General Shareholders' Meeting called to approve the 2019 Financial Statements (23 April 2020).

Additional Criteria for diversity in the Composition of the Board of Directors (Article 2, paragraph 3, of Brembo S.p.A. Corporate Governance Code)

Quantitative Features¹²

AGE	<i>Independent Directors:</i> a maximum age of 75 and a minimum age of 35 (at the date of submission of the lists for the purpose of a potential candidacy). Reaching the maximum age limit will not be considered during the term of office and, if reached, will not cause expiry of the term.
OVERALL NUMBER	11
No. OF NON-EXECUTIVE DIRECTORS	At least seven (7)
No. OF INDEPENDENT DIRECTORS	At least five (5)
No. OF MINORITY DIRECTORS	At least one (1) (or more than one (1), where required by the By-laws).
GENDER	Percentage of seats reserved to the less represented gender in accordance with legislation applicable from time to time ¹² .
ALTERNATION	Change of a maximum of three (3) Directors each time the Board is elected, in order to ensure continuity of management, while also providing an incentive for the progressive re-election of Directors.
SENIORITY OF SERVICE	<i>Independent Directors:</i> persons who have already served three terms on the Company's Board of Directors cannot stand as candidates for the office of Director.
NO CROSS-DIRECTORSHIPS	<i>Executive Directors:</i> they cannot be directors of another company (not belonging to the same Group) of which a company director is the Chief Executive Officer.

Qualitative Features

SKILL SET <i>Background</i>	<ul style="list-style-type: none"> At least four (4) positions must be filled by entrepreneurs or managers who have an international background and/or are from a geographical area where Brembo's business has a significant presence. A maximum of two (2) positions may be filled by academics and/or professionals.
PROFESSIONALISM	<ul style="list-style-type: none"> Record of honouring shared ethical principles. Knowledge of business mechanisms, strategies, risk assessment and management techniques and sustainability profiles. Ability to interpret industry scenarios and trends, performance of competitors and development of enterprises in the medium-to-long term and to assess alternative strategic guidelines and options with a view towards strategic orientation. Managerial, entrepreneurial, business and organisational experience. Understanding of the dynamics of the global financial system. Experience as director or auditor, or as executive or manager, of listed or medium-to-large enterprises. Managerial, professional or university lecturer experience in legal, economic, business or technical disciplines.

¹² For the three-year term 2017-2019, the Law Golfo-Mosca: 1/3, applies. For the three-year term 2020-2022, the 2020 Budget Law: 2/5, applies.



PERSONAL APTITUDES	<ul style="list-style-type: none"> • Sufficient time available in view of the complexity of the assignment (see also “Maximum number of positions” below). • Full understanding of the powers and obligations inherent in the position and the functions to be performed. • Ability to stand up for and defend his or her own ideas and take a stand for the interest of Brembo and its stakeholders. • Collaboration, involvement and ability to influence (knowing how to instil and contribute to professionalism and the development of opinions and taking a part in resolving conflicts). • A result-oriented approach and encouragement of colleagues in focusing constructively on the goals to be achieved. • Business judgement and decision-making ability (encouraging behaviour and ensuring evaluation and decision-making skills focused on developing the business).
NO COMPETITION	Candidates for the office of Director cannot have or accept consulting assignments from competing firms.
MAXIMUM NUMBER OF POSITIONS	<p>The commitment required of Directors does not consist solely of participation in Board meetings, but also extends to an analysis of the documentation sent in view of each meeting, participation in Board Committees and participation in informal and/or induction sessions. It is therefore essential that Directors have sufficient time to carry out their duties.</p> <p>Directors may not have more than four (4) simultaneous positions at listed companies (positions at listed companies in which the Director also holds a significant equity interest do not count).</p> <p>The Board of Directors conducts an assessment based on the declarations made by the Directors (or candidates for the position of Director) and the following criteria:</p> <ul style="list-style-type: none"> • professional competence and independence of judgment; • verification of their commitment, active and constant participation in the meetings of the Board of Directors, Board Committees and various management activities of the Company, also in light of their professional commitments; • any relationship that may be or appear such as to compromise the independence of judgment of the Director.

At the Board meeting on 9 March 2020, including in light of the assessments expressed with regard to individual positions by the Remuneration & Appointments Committee convened on 3 March 2020, it was assessed whether the current Board met/continued to meet the above requirements. It was found that the Board of Directors currently in office¹³ represents a combination of professional skills and managerial expertise, including at an international level, that meets the requirements of integrity, independence and gender balance established in applicable laws, regulations, and the By-laws.

All the above is borne out by the findings of the 2019 Board Performance Evaluation (discussed in detail in section 4.12 below), which were examined during the session of 21 January

2020 and in relation to which the Directors highlighted that:

- the current number of 11 Directors is adequate to allow an effective collegial work capacity;
- the size of the Board is assessed positively by all the Directors, with a few open to eventually increasing the number of independents;
- skills that currently characterise the composition of the Board of Directors are highly satisfying since they constitute an adequate mix, including in terms of diversity of skills, age groups and seniority of service, size, positioning, complexity, the specific nature of the Group’s sector and strategies, which, additionally, represent fundamental requirements for effective, competent management of the business.

¹³ Appointed by the General Shareholders’ Meeting on 20 April 2017; it will remain in office until the Shareholders’ Meeting called to approve the Financial Statements for the year ending 31 December 2019.

4.5. Maximum number of positions held at other companies

At the time of appointment and annually thereafter, within a Board session the Board of Directors verifies the compatibility of the positions held by Directors in other companies based on examination and discussion of the Directors' individual statements, as well as in accordance with the Board of Directors' Regulations and Brembo's Corporate Governance Code.

With regard to concurrent positions, Brembo provides as follows:

- a maximum of four positions at listed companies. Positions at listed companies in which the Director also holds a significant equity interest do not count;
- the commitment required of Directors does not consist solely of participation in Board meetings, but also extends to an analysis of the documentation sent in view of each meeting, participation in Board Committees and participation in informal and/or induction sessions. It is therefore essential that Directors have sufficient time to carry out their duties;

- Board of Directors' assessment based on the declarations made by candidates for the position of Director and the following criteria:
 - professional competence and independence of judgment;
 - verification of their commitment, active and constant participation in the meetings of the Board of Directors, Board Committees and various management activities of the Company, also in light of their professional commitments;
 - any relationship that may be or appear such as to compromise the independence of judgment of the Director.

In 2019, the Board of Directors confirmed, based on the criteria set out above, that the positions held by Directors in other companies met the necessary requirements and were compatible with effectively discharging their duties. The number of positions held by each director is indicated in the table on page 18.

4.6. Induction Programme

With the aim of providing an adequate understanding of the business industry in which Brembo operates, its products, organisational structure, company trends and their evolution, the ICRMS, applicable laws and regulations and major trends that may have an impact on the Group's current performance and its short-, medium- and long-term growth strategy, Brembo organises an Induction Programme through.

- specific meetings with management;
- visits to the Group's production facilities in Italy or abroad;
- thorough inquiries on specific subjects during sessions of the Board.

It is also possible to conduct personalised follow-up sessions tailored to suit the particular interests or responsibilities that the individual Director may assume in Board Committees and to organise specific sessions based on needs and requirements for additional information identified during the previous term, either during meetings of the Independent Directors or on the basis of the results of the Board Performance Evaluation.

The 2019 Induction sessions (third and last year of the Board's current term of office) were held during the Board meetings and focused on topics, also illustrated in the 2018 Board Performance Evaluation, such as a detailed analysis of the Company's strategic market positioning and the new trends concerning products, process, production development, digital transformation and the automotive sector. The sessions were conducted directly by the Chief Operating Officers and Chief Central Department Officers, as summarised in the following table. Detailed reports on new legislation and regulations of interest for Brembo, supported by specific documentation prepared by the Legal and Corporate Affairs Department, were provided for induction purposes in Board meetings, and included in the Work files of each meeting (responsibility of the Chief Legal and Corporate Affairs Officer).

Regarding the Induction scheme, the 2019 Board Performance Evaluation revealed that the Directors were very appreciative of the initiatives implemented during the three-year period



which, on the one hand, facilitated their onboarding process and understanding of the Brembo world and, on the other,

helped with the analysis of topics such as strategy, product diversification and cyber risk.

INDUCTION SESSIONS IN THE BOARD'S 2017 – 2019 TERM OF OFFICE

Induction Programme	Number and duration of sessions	Activities Description
2017	Ad-hoc sessions	<ul style="list-style-type: none"> 23 May 2017: Business and Product (Part I). 12 June 2017: Business and Product (Part II). 26 September 2017: Management Systems — Quality, Safety and Environment. 29 November 2017: Business Plan and Corporate Social Responsibility
	Thorough inquiries during sessions of the Board	<ul style="list-style-type: none"> 9 November 2017: Industry 4.0 18 December 2017: organic and non-organic growth strategies and M&A transactions.
	Visits to the Group's production facilities	<ul style="list-style-type: none"> 26 September 2017: visits to the Curno and Mapello plants, for a deeper understanding of the development processes for Brembo products.
2018	Thorough inquiries during sessions of the Board	<ul style="list-style-type: none"> 9 February 2018: Remuneration Policies 10 May 2018: People strategy & future trends 26 July 2018: Cybersecurity and GDPR Risk Matrix 7 November 2018: organic and non-organic growth strategies and M&A transactions
2019	Thorough inquiries during sessions of the Board	<ul style="list-style-type: none"> 4 March 2019: Trends in the automotive sector + M&A activities 29 July 2019: Crisis Code, SHRD II and Modern Slavery Act 7 November 2019: Update of organic and non-organic growth strategies and M&A transactions. 18 December 2019: Update of organic and non-organic growth strategies

4.7. Role of the Board of Directors

In order to ensure a transparent account of the functioning of the Board of Directors and its committees, the following paragraphs contain a detailed description, including qualitative information, of the activities performed by the Board of Directors and the resolutions passed by it during the reporting year.

4.7.1 Tasks

The Board of Directors plays a key strategic guidance role that is not limited to defining the Company's strategic plans and determining its organisational structure, values and standards,

but also constantly focuses on the creation of value in the long term. In this light, the Board:

- promotes sustainable growth in the medium-to-long term which takes into due consideration social and environmental aspects affecting its activity, through an adequate control and risk management system, including risks having an impact on sustainability;
- ensures utmost transparency towards the market and investors; and
- places a particular emphasis on material changes in business

prospects and situations of risk to which the company is exposed.

The Board of Directors is also responsible for verifying the adequacy of the organisational, administrative and accounting structure and the appropriateness of the controls necessary to monitor the performance of the company and the Group, as well as for performing the tasks set out in Article 1 of the Corporate Governance Code.

4.7.2 Meetings of the Board of Directors

In 2019, the Board of Directors met on ten occasions, of which four according to the company calendar published. The average length of meetings was approximately three hours. The meetings involved the regular participation of the various directors and the attendance of the Board of Statutory Auditors. The Directors' attendance rate at meetings was very high, as shown in the table reproduced on page 18. The heads of the company functions were regularly invited to participate in the meetings of the Board of Directors to provide appropriate clarification for the various items on the agenda.

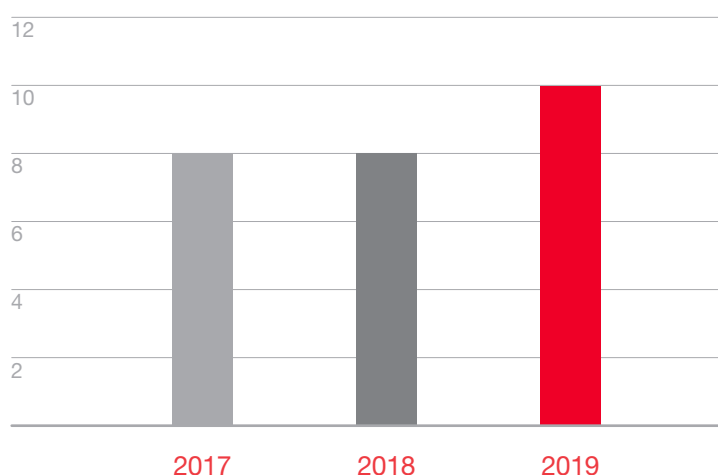
2020 Meeting Calendar

The 2020 calendar approved by the Board of Directors on 7 November 2019 and then published calls for four meetings to review interim financial data. These were in addition to ad hoc meetings, such as that called to review the findings of the 2019 Board Performance Evaluation and the strategic Industrial Plan. A light lunch is always provided at the end of the various Board meetings, with the aim of encouraging opportunities for informal, individual or collegial gatherings to facilitate the exchange of ideas and consolidate relationships between Directors.

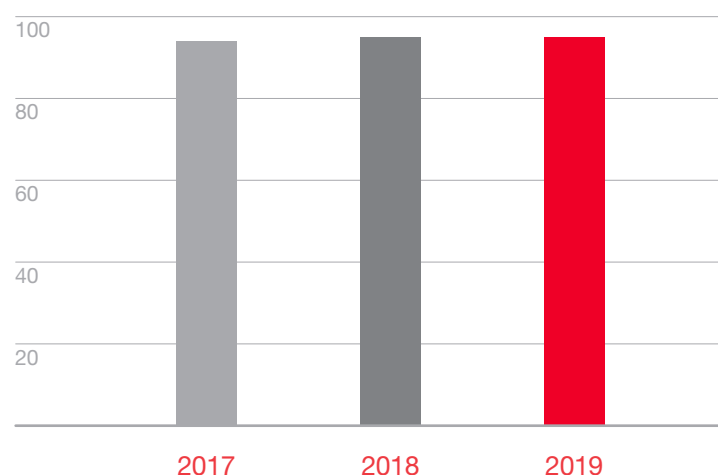
At the date of publication of this Report, two Board meetings have already been held:

- on 21 January 2020, with the aim of examining the outcome of the 2019 Board Performance Evaluation (see paragraph 4.12);
- on 9 March 2020, with the aim of examining and discussing the 2019 Annual Report, the 2019 Disclosure of Non-Financial Information, and the 2020 Remuneration Policies, as well as documents and proposals to be submitted to the Shareholders' Meeting convened on 23 April 2020.¹⁴

Number of Board Meetings and Attendance Rate



Three-Year Period 2017-2019



¹⁴ Please refer to the Notice of Calling and the Illustrative Reports: www.brembo.com, Investors section, For Shareholders, Shareholders' Meeting, 2020.



Content of additional periodic reporting

After Brembo's exit from the STAR segment of Borsa Italiana effective 3 May 2017, the Company decided that it will continue to publish — on a voluntary basis — its interim financial reports, as previously announced, and in a manner consistent with the information made available until now, and until otherwise provided for by the Board of Directors. Content, timescales and methods of voluntary periodic financial reporting are also published on the Company's website (www.brembo.com, section Investors, Calendar).

Calling and holding the BoD Meetings

The Board of Directors' Meetings:

- are convened by the Chairman, or, if the Chairman is absent or otherwise unable to act, by the Executive Deputy Chairman, through an e-mail notice with confirmation of receipt, sent to the members of the Board of Directors and the Board of Statutory Auditors by the Secretary of the Board of Directors, at least five days before — or, in urgent circumstances, at least two days before — the scheduled date of the meeting;
- are valid, as well as the related resolutions, even without a formal call, when all the Directors and Statutory Auditors in office are present;
- may be held by telecommunication means that allow participation in the discussion and provide the same information to all those in attendance;
- may be held in Italy or a foreign country in which the Company operates, directly or through subsidiaries or investees.

Amongst the subjects brought to the Board's attention considered when setting the Agenda, the following matters were always regarded as of primary importance due to their perceived level of priority:

- financial and periodic reporting aspects;
- strategic aspects (such as: strategies, product diversification, digital transformation, automotive sector evolution, as well as acquisitions, investment in assets, Subsidiaries' projects, etc.);
- sustainability, materiality, ESG factors, and risk aspects
- governance and compliance aspects;

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

- prepared by the Secretary of the Board, with brief overviews of each subject on the agenda, accompanied by detailed, in-depth reports illustrating the elements to be assessed (in descriptive and numerical terms) required to make the decisions concerned in a fully informed manner;
- made available to the Directors and Statutory Auditors at least five days before each meeting, except in particularly urgent cases, when it is made available two days in advance, through the app "Portale CdA by Brembo" (an application for mobile devices that allows materials to be made available for consultation solely to current Directors and Statutory Auditors, before and during sessions of the Board, through access with a username and password). The notice period is normally observed. The documentation concerning financial performance data for the period and certain strategic projects is presented directly during the meeting, and is made available to the Directors and Statutory Auditors in a protected format to ensure the confidentiality of the data it contains. In such cases, thorough inquiries are conducted during sessions of the Board.

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

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

- organises and coordinates the proceedings;
- facilitates dialogue between the executive and non-executive members of the Board of Directors and ensures the balance of powers between the Executive Deputy Chairman and Chief Executive Officer and the other executive Directors, in order to permit constructive debate;
- invites the Company's Executives to participate in the meeting to provide the appropriate clarification of the specific issues submitted for the Board's examination and approval;
- coordinates with the Delegated Bodies and requests the necessary information/reports for the Board.

In this regard, it should be noted that the findings of the 2019 Board Performance Evaluation were as follows:

- confirmed the Directors' satisfaction in absolute terms about

- the quality of the agendas for meetings and the number of items on each agenda, deemed compatible with the time available to discuss them. In particular, a positive view was taken of their structure, which permitted time to be devoted to further discussion and debate of strategic and business issues;
- the documentation prepared by the structures and reports are considered to be clear and sent promptly, with a level of precision and timeliness that is generally appreciated;
 - proceedings during Board meetings are well-organised, determined by the disciplined behaviour on the part of the Directors, who take active part in the discussion in order to provide their contributions;
 - the flow of information to the Board on the investigations carried out and the quality of the contribution made by the Committees to the Board of Directors is assessed positively by the Directors who are not Committee members.

4.7.3 Activities carried out in 2019

During 2019, the Board of Directors exercised its powers and performed its duties. The main activities performed are summarised below.

Operations and Delegated powers	<p>During its meetings of 4 March 2019, 25 March 2019, 18 April 2019, 9 May 2019, 29 July 2019, and 7 November 2019, the Board of Directors examined, assessed and monitored:</p> <ul style="list-style-type: none"> • the performance and foreseeable evolution, including through information received from the Delegated Bodies, when presenting and approving the interim results; • the adequacy of the organisational structure of the Group and its administrative and accounting system, after receiving the opinions of the Governance Committees and the Board of Statutory Auditors, while constantly receiving information regarding the main organisational changes and the administrative and accounting standards observed; • the transactions with a significant strategic, operating, capital and/or financial impact carried out by the Company and/or its subsidiaries, assessing the relating risks and monitoring their progress, as well as authorising — for certain Group companies — the discontinuation of industrial activities for the purposes of the subsequent placement in liquidation, before providing the necessary capital and financial support, of Brembo Argentina S.A. and the release of parent guarantees instrumental to the issuing of credit lines in favour of the Group's Chinese companies; • the state of progress of the activities performed in the exercise of the delegated powers and of material transactions and transactions in potential conflict of interest.
Strategic projects, industrial Plan and related risks (including those linked to ESG-related factors)	<p>In terms of strategic projects and industrial plans, at the meeting held on 25 March 2019 (which lasted about 7 hours), after hearing the main Managers in the company's business and management areas, the Directors discussed and unanimously approved the 2019-2021 Strategic Three-Year Plan with a view on 2022-2023. Concurrently, on the basis of the rolling plan approved by the Board, the related Plan risks (including those linked to ESG-related factors) were analysed with the participation of the Head of Risk Management in the meeting, and these risks were found to be compatible with the Plan's objectives and sustainable in the medium-to-long term. On that occasion, Brembo's product and process research, development, digitalisation and innovation projects and initiatives were subject to further review, as always in a manner consistent with the risk profiles of the various projects and initiatives.</p>
Group's growth strategies and related risks	<p>With the participation of the various Chief Operating Officers and the Chief Business Development Officer, the Board of Directors also periodically discussed and reviewed the Group's organic and non-organic growth strategies, including mergers and acquisitions, and analysed the related risks (meetings of 4 March 2019, 7 November 2019 and 18 December 2019).</p>
Materiality Matrix and Disclosure of Non-Financial Information	<p>With reference to Sustainability, the Board examined, assessed and approved:</p> <ul style="list-style-type: none"> • at the meeting on 18 December 2019, the proposed 2019 Materiality Matrix drawn up taking into account the outcome of the survey conducted with internal and external stakeholders (customers and suppliers); • at the meeting on 9 March 2020, the 2019 Disclosure of Non-Financial Information made available to the public along with this Report on 23 March 2020, as discussed in paragraph 1.3 above.



Remuneration Policies	<p>In the area of remuneration policies, the Board of Directors reviewed and approved during different sessions, with the attendance of the Chief Human Resources & Organisation Officer, the subjects indicated below:</p> <ul style="list-style-type: none">• 4 March 2019:<ul style="list-style-type: none">– the closing results of the short-term annual Incentive Plan (MBO 2018) and their consistency with the short-term policies adopted previously, and defined the proposals of the short-term annual Incentive Plan (MBO 2019);– the closing results of the Incentive Plan for Executive Directors and Top Managers (LTIP 2016-2018), and their consistency with the long-term policies adopted previously;– the proposals for new long-term remuneration policies, including the new Three-Year Incentive Plan for Top Managers (2019-2021 LTIP), incorporated into the Remuneration Report pursuant to Article 123-ter of the TUF (Section I) and the related Regulations;– the 2019 Remuneration Report (Sections I and II), assessing and confirming the effective implementation of the 2018 remuneration policies;• 3 May 2019: the proposals concerning the remuneration policies related to the Leaving Package of Abbati Marescotti at the time in office and to the Remuneration package of the new Chief Executive Officer Daniele Schillaci (after having heard the opinions of the Audit, Risk & Sustainability Committee in its capacity as the Related Party Transactions Committee and of the Remuneration & Appointments Committee);• 28 June 2019: the proposal for the modification of the Remuneration package of the Executive Deputy Chairman and the proposal concerning the increase of the overall remuneration to be awarded to the BoD, to be submitted to the General Shareholders' Meeting of 29 July 2019 (after having heard the opinions of the Audit, Risk & Sustainability Committee in its capacity as the Related Party Transactions Committee and of the Remuneration & Appointments Committee).• 29 July 2019: the proposal concerning the allocation of the overall remuneration to be awarded to the Board of Directors as approved by the General Shareholders' Meeting (after having heard the opinions of the Audit, Risk & Sustainability Committee in its capacity as the Related Party Transactions Committee and of the Remuneration & Appointments Committee). <p>The main aspects of the new short- and long-term remuneration policies for 2020, approved by the Board during the meeting held on 9 March 2020, after having heard the opinion of the Remuneration & Appointments Committee, are illustrated in the 2019 Remuneration Report, in accordance with Article 123-ter of TUF, which is available on Brembo's website¹⁵.</p>
Adequacy of the Internal Control and Risk Management System	<p>With regard to the ICRMS, the Board constantly monitored the main aspects associated with the System in the context of the various improvement/development plans of the different processes. Monitoring activities included the periodic reports received during the meetings of 4 March 2019, 29 July 2019 and 9 March 2020 from the Executive Director in charge of the ICRMS, the Audit, Risk & Sustainability Committee, the Supervisory Committee and the Chief Internal Audit Officer, thus confirming the adequacy of the Internal Control and Risk Management System to the company's characteristics and risk profile, assessing its efficacy and consistency with established corporate objectives.</p>
Internal Audit	<p>The Board of Directors met the Chief Internal Audit Officer in order to examine, respectively:</p> <ul style="list-style-type: none">• at the meeting on 4 March 2019, the 2019 -2021 Audit Plan for the Internal Audit function;• at the meeting on 9 May 2019 the internal audit activities carried out in 2018 and to verify the progress of the 2019-2021 Audit Plan, adopting the measures deemed necessary;• at the meeting on 18 December 2019, the 2020 Budget for the Internal Audit function.
Key Audit Matters	<p>During its meeting of 25 March 2019, the Board of Directors was informed by the Board of Statutory Auditors of the significant matters indicated in the Independent Auditors' Report pursuant to Articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010, as amended by Legislative Decree No. 135/2016.</p>
Health & Safety	<p>At its meeting of 4 March 2019, the Board of Directors analysed the 2018 Safety Performance and the related Group indicators, further exploring the programmes launched at the global level to constantly increase Group security levels.</p>

¹⁵ www.brembo.com, section Company, Corporate Governance, Remuneration Policies

Legal Compliance System¹⁶	<p>On the matter of compliance, the Board of Directors has constantly monitored the compliance system in order to maintain its effectiveness, also through the following means</p> <ul style="list-style-type: none"> • 231 Model: in the meetings of 18 April 2019, 29 July 2019 and 7 November 2019 it acknowledged the updated list of underlying offences in relation to the new legislation introduced¹⁷ and redrafted the actual autonomy and independence requirements for Supervisory Committee members, with the aim of maintaining ever higher levels of knowledge and experience of that body in respect of the business in which Brembo operates. • Modern Slavery: in the meeting of 29 July 2019 the Board approved, in accordance with the contents of the British Modern Slavery Act 2015, the Modern Slavery Statement for Brembo S.p.A. and some Group's Companies concerned by the requirements specified in the legislation (Brembo Poland Sp.z o.o. and Brembo Czech s.r.o.).¹⁸ This describes the organisation, sensitive areas and actions/measures adopted by the Company to ensure the absence of any form of "Modern slavery, forced labour and human trafficking" both in respect of its own employees and those of the supply chain (identified by the same legislation as areas exposed to risk). • Data Protection and GDPR: at its meeting of 7 November 2019, the Board of Directors acknowledged the contents of the Annual Report of the Group's DPO, which emphasised the absence of significant risk profiles and the substantive adequacy of the GDPR compliance system, including the tools and protective measures implemented by Brembo as integrated security and protection safeguards for its company IT systems
Tax Control Framework	<p>As part of the project launched by Brembo in 2019 to implement the Tax Control Framework of Brembo S.p.A. (set of rules, procedures, organisational structures and safeguards to allow the risk arising from the tax variable to be reported, measured, managed and controlled), the Board of Directors examined and approved the following:</p> <ul style="list-style-type: none"> • the Global Tax Strategy and Tax Strategy of Brembo S.p.A in the meeting of 7 November 2019; • the Group Tax Compliance Model (System Manual that defines, at Group level, the operation of the Tax Control Framework) and the Interpretative Tax Risk Management Policy of Brembo S.p.A. (Procedure applicable to Brembo S.p.A. defining the correct management of the interpretative tax risk) in the meeting of 21 January 2020.
Board Performance Evaluation	<p>During its meeting on 29 July 2019, the Board of Directors examined and discussed the activity calendar related to the 2019 Board Performance Evaluation with the firm Spencer Stuart.</p> <p>The findings of the 2019 Board Performance Evaluation were examined and discussed by the Board of Directors at its meeting of 21 January 2020.</p> <p>For a detailed description of activities and related results, see paragraph 4.12.</p>
Significant Transactions	<p>With regard to significant transactions, the company acts in accordance with the in-structions for managing the requirements relating thereto included in the Corporate Governance Manual. Significant Transactions are the transfers of resources, services or obligations that by purpose, payment, procedures, or execution time may have an impact on the integrity of company assets or the completeness and fairness of infor-mation, including accounting information. These instructions also envisage quarterly disclosures of these transactions, as well as transactions involving potential conflicts of interest carried out by Brembo S.p.A. or its subsidiaries pursuant to Article 2359 of the Civil Code, by Brembo's internal entities to the Board of Directors and by the Board of Directors to the Board of Statutory Auditors. An examination of the significant trans-actions carried out in 2019 led to the conclusion that they were all consistent with the resolutions taken by the Board of Directors.</p>
Budget 2020	<p>During the meeting of 18 December 2019, the Board of Directors analysed Brembo's 2020 budget, finding the targets set in it to be compatible with the nature and levels of the risk identified, and adequate in view of the sustainability of Brembo's business in the medium and long term. It also reviewed the 2020 budget figures of the Group's In-ternal Audit function, which it found to be adequate to the performance of the related responsibilities.</p>

¹⁶ www.brembo.com, section Company, Corporate Governance, Remuneration Policies

¹⁷ "Provisions implementing the delegation principle of reservation of criminal law" (published in March 2018 - entered in force on 6 April 2018). Law No. 3 of 9 January 2019 (published in the Official Journal No. 13 of 16 January 2019 and effective as of 31 January 2019), which introduced the offence of influence peddling. Law No. 39 of 3 May 2019, which introduced the offence of fraud in sporting competitions.

¹⁸ It should be noted that the Company AP Racing, wholly controlled by Brembo S.p.A., has already prepared and approved its own Statement for 2018 and published it on its own website.



4.8. Delegated Bodies

Based on the organisational model (including with a view to succession planning) approved on 6 June 2011, the Board confirmed, also following the appointment of the new Chief Executive Officer, Daniele Schillaci — effective from 1 July 2019—, the allocation of powers (registered with the Companies Register) granted respectively to the Chairman, Executive Deputy Chairman, and Chief Executive Officer, as specified in the table below.

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

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

Authority to delegate powers is vested solely in the Chairman of the Board, the Executive Deputy Chairman, and Chief Executive Officer (exclusively in relation with powers concerning safety and environment), on the basis of specific powers vested in the

latter by the Board of Directors, without prejudice to specific Board resolutions.

The Division and Business Unit Chief Operating Officers — and other Division/Business Unit Chief Operating Officers —, who have been assigned specific company functions (generally coinciding with the first reports to the Chairman, the Deputy Chairman of Brembo S.p.A. and the Chief Executive Officer – C-Suite), have been granted limited powers for ordinary management in relation to the performance of their respective offices and powers, regularly registered with the Company Register of Bergamo, to be exercised in accordance with company authorisation processes.

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

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

Summary of the Executive Directors' Powers

CHAIRMAN OF THE BOARD OF DIRECTORS

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

In addition, within the framework of the broadest powers of direction, coordination and control according to the position filled, the Chairman is assigned the following tasks:

- setting guidelines for compliance and the internal control and risk management system;
- planning and managing external communications, with the broadest powers;
- setting and proposing to the Board of Directors the Group's medium- and long-term development strategies;
- setting guidelines for business development, property development and corporate development;
- designing general policies for the organisation and human resource management;
- approving the engagement of employees classified to the first organisational levels (first-level reports to the Executive Deputy Chairman and Chief Executive Officer, as well as the Directors and General Managers of the subsidiaries).

EXECUTIVE DEPUTY CHAIRMAN

The Executive Deputy Chairman was granted the authority to legally represent the company. In addition to the tasks of direction, guidance, communication and control, he was also granted powers for the Group strategic direction, the development and proposal of guidelines concerning its international development and its financial and re-organisation policies. The Executive Deputy Chairman was also granted broad responsibility for the ordinary operations of the company and its business, as well as powers, subject to specific limitations, for the purchase and sale of real estate, representation in trade union matters, the issuance of letters of patronage, comfort letters, sureties and guarantees (subject to the periodic reporting to the Board of Directors), as well as the power to take out mortgage loans, loans or finance leases in the different existing forms and to manage the company.

In addition, without prejudice to the authority delegated to the Chief Executive Officer pursuant to Article 2381 of the Civil Code with regard to workplace health and safety, environmental protection, fire prevention and waste management, the Executive Deputy Chairman has general duties of direction, guidance, communication and control; in the area of compliance and internal control, in accordance with the guidelines promoted by the Chairman, the Executive Deputy Chairman ensures the implementation and constant updating of the Organisation and Control Model provided for in Legislative Decree No. 231/2001 and the implementation of the legislation in the foreign countries in which investees operate. Within this framework, the Executive Deputy Chairman will ensure that all necessary training and awareness-raising activities are carried out as required to create a culture of compliance in Italy and at all investees. In the area of external communications activities, on the basis of the guidelines promoted by the Chairman, the Executive Deputy Chairman will be responsible in particular for financial reporting, with the collaboration, where necessary, of the Chief Executive Officer.



CHIEF EXECUTIVE OFFICER

The Chief Executive Officer has been given specific powers to manage the company and its business, powers relating to organisation, representation in trade union matters and the mandate pursuant to Article 2381 of the Civil Code for the implementation, improvement and supervision of safety in the workplace, accident prevention and the protection of workers' health (environmental protection inside and outside the company, waste management, including the power to identify the person/s who is/are to be considered as Employer pursuant to Article 2, paragraph 1, letter B, of Legislative Decree No. 81/2008 for Brembo's different manufacturing units).

Moreover, he has been given the power to ensure the implementation, at all levels in Italy and abroad, of the provisions set forth by the Law, the By-laws, the internal procedures, the Corporate Governance Code and the Corporate Governance Manual, the Code of Ethics and, more generally, the compliance in force in the Company and its investee companies; in this regard, specific reference is made to the provisions of Legislative Decree 231/2001 and similar provisions in force in foreign countries where the investee companies carry out their operations.

In the area of strategic guidelines, the CEO has the following powers and functions:

- the power to design and propose operating plans and projects for the implementation of the strategic development guidelines proposed by the Chairman and/or the Executive Deputy Chairman and/or the Board of Directors, including market and product development plans.
- The power to design and propose corporate restructuring and/or reorganisation plans necessary for the concrete implementation of the operating plans and projects presented.
- The power to collaborate with the Executive Deputy Chairman in preparing the Group's medium- and long-term strategic plans.

In accordance with laws and regulations, and the By-laws, the Delegated Bodies (Executive Directors) report on the activities carried out in the performance of their respective delegated

powers, at least on a quarterly basis and in any case in the subsequent meeting. During 2019, these activities were always carried out consistently with the Board's resolutions.

4.9. Other Executive Directors

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

- Matteo Tiraboschi, Executive Deputy Chairman (whose powers are described in the previous paragraph 4.8);
- Daniele Schillaci, CEO¹⁹ (whose powers are described in the previous paragraph 4.8);
- Cristina Bombassei, Director with responsibilities for the Internal Control and Risk Management System, as well as

CSR Officer (whose powers are described in paragraph 10.3).

In April 2019, Giovanni Canavotto left the office of Systems 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, and was then qualified as a Non-Executive Director.

4.10. Independent Directors

The Board of Directors adopted the independence criteria for assessing the Directors' independence contained in the Corporate Governance Code. Satisfaction of the aforesaid requirements is verified by the Board of Directors, upon appointment and, subsequently, on an annual basis by examining and discussing the individual situation during a

Board meeting (through the statement issued by each Director), after the preliminary review of the individual positions by the Remuneration & Appointments Committee.

For financial year 2019, the list of Directors who met all the said independence requirements included: Barbara Borra,

¹⁹ Following the resignation of Andrea Abbati Marescotti from his position as Chief Executive Officer, and the ensuing waiver of all related powers as of 1 July 2019, as announced on 3 May 2019, the Board of Directors, in compliance with Article 2386 of the Civil Code, co-opted Daniele Schillaci and appointed him Chief Executive Officer, vesting him with all related powers. Subsequently, the 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 General Shareholders' Meeting called to approve the 2019 Financial Statements.

Laura Cioli, Nicoletta Giadrossi, Valerio Battista and Gianfelice Rocca, as they satisfy the requirements set forth by law and the Corporate Governance Code.

The Independent Directors, coordinated by Lead Independent Director, Valerio Battista, met twice (average length was 1 hour):

- (i) on 29 July 2019 for a prior examination of the Work Programme for the 2019 Board Performance Evaluation proposed by Spencer Stuart and for sharing any proposals/considerations to be submitted to the Board of Directors based on the Company's activities, illustrating the objectives achieved in the meantime following the results of the various BPEs carried out in recent years.
- (ii) On 20 January 2020 for the advance examination and discussion of:
 - the findings of the 2019 Board Performance Evaluation conducted by Spencer Stuart, and in particular to further discuss evidences identified, analyse current operating practices and best practices, as well as, on the basis of these:

- the recommendations expressed by the Governance Committee on the basis of the Seventh Edition of the Annual Report concerning the application of the Borsa Italiana Corporate Governance Code and to assess its level of implementation within Brembo (see paragraph 18). During this meeting, the Legal and Corporate Affairs Department also presented its study of the best practices in the area of governance, drafted on the basis of the main reports issued by specialised consultants. All with the aim of formulating suggestions/proposals on the composition and functioning of the Board of Directors and development guidelines on the matter of governance by the LID and Independent Directors for the Board meeting of 21 January 2020, in view of the renewal of the corporate offices planned for the 2020 General Shareholders' Meeting.

The Board Secretary participated in both meetings and prepared the minutes for each, as well as submitted to Executive Directors the suggestions and proposals put forward.

4.11. Lead Independent Director

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

The Lead Independent Director function is regulated by its own Rules approved by the Board of Directors, fully incorporating the recommendations set forth in the Corporate Governance Code. More specifically, he is tasked with:

- serving as a point of reference for and coordinator of the petitions and contributions of Non-executive Directors and, in particular, Independent Directors, within the Board of Directors;
- collaborating with the Chairman of the Board of Directors in

order to ensure that members of the latter receive complete and timely information flows regarding operations;

- convening, at least on annual basis, the Independent Directors to discuss issues deemed of interest in regards to the functioning of the Board of Directors or the company's management;
- carrying out any and all additional duties that may be assigned from time to time by the Board of Directors and the Chairman;
- conducting, at the request of the Chairman, the Board Performance Evaluation on the functioning, size and composition of the Board of Directors and its Committees pursuant to the provisions of the Corporate Governance Code of Brembo S.p.A.

4.12. 2019 Board Performance Evaluation

In line with the provisions of the Corporate Governance Code and the Regulations of the Board of Directors of Brembo, Brembo's Board of Directors initiated the 2019

Board Performance Evaluation (hereunder in brief BPE 2019) of the Board and its Committees, for 2019. This activity forms part of a process that accompanied the



Board serving throughout the 2017-2019 three-year term of office and uses a variety of tools and methodologies. The company Spencer Stuart, an advisor that can be classified as independent, was appointed for this process that developed in three phases:

- 2017 – Snapshot of the current situation.
- 2018 – Specific assessment, BoD culture analysis, relationship dynamics and style.
- 2019 – Term of office progress report and future direction of the BoD.

The objective of the self-evaluation work for 2019, which hence represents the last year of the term of office, was to produce an “end-of-term report”, namely an analysis of how the Board’s operation evolved during the three-year period and identification of further areas for possible improvement for use by the Board to be appointed.

The 2019 BPE was conducted through direct interviews with Directors on the efficacy, size, composition and functioning of the Board and Board Committees, carried out by the advisors. Meetings were held not only with Directors but also with the Chairwoman of the Board of Statutory Auditors and the Chief Legal & Corporate Affairs Officer – the Secretary of the Board of Directors.

The interviews were conducted using an “Interview Guide”, in which each point required a quantitative evaluation and, where

possible, a qualitative comment on the topic examined. The analysis started by examining the efficacy of the actions taken during the past year in respect of the important topics that emerged during the previous BPE. The interview guide was sent to the Directors before the interview with a request to return the completed document, so that the individual discussion could be dedicated to the most important aspects highlighted by each Director.

An analysis of the best practices was also carried out on the functioning of the Board of Directors and a comparison made with the operating practices adopted by the Brembo Board.

Lastly, account was taken of the recommendations of the Italian Corporate Governance Committee contained in its “2019 Report on the Evolution of the Corporate Governance of Listed Companies” regarding the “Main Areas of Improvement Identified in 2019”, included in a specific letter to the chairmen of listed companies.

The results of the evaluation, included in a report drafted by the advisor also indicating areas with room for improvement and proposed ways of achieving such improvement were summarised in a special document provided to the Directors and examined during the meeting of the Independent Directors on 20 January 2020 and, subsequently, during the Board of Directors’ plenary meeting held on 21 January 2020.

Board Evaluation Process	Operating methods	Evaluation method	Advisor	General comments
2019 Board Performance Evaluation	Individual questionnaires and face-to-face meeting with the advisor	Independent	Spencer Stuart	<ul style="list-style-type: none"> • Directors: with reference to financial year 2019 and the end-of-term evaluation, they confirmed their satisfaction and appreciation of the size, composition and functioning of Brembo’s Board of Directors and its Committees. • Advisor: the Board acts in accordance with the Corporate Governance Code and best practices at both the Italian and the international level.

In short, the Directors indicated that they were fully satisfied with and appreciated the size, composition and functioning of Brembo’s Board of Directors and Board Committees. Thanks also to intensive work actually carried out during the

year in question, the Board has reinforced the knowledge and awareness of governance principles and is working in substantial compliance with the Corporate Governance Code and best practices, at both Italian and international level.

SUMMARY OF BPE 2019 RESULTS

Areas of Excellence	<p>The following areas of excellence were confirmed:</p> <ul style="list-style-type: none"> • Attention and openness to all opinions, even conflicting opinions, by the management; • Involvement in the main business decisions, including extraordinary transactions. • possibility for Directors to challenge the senior management's proposals; • the sessions dedicated to the Board's examination of the strategies and Plan, an integral part of the Top Management strategic planning process. Highly appreciated the so-called Strategy Day, when the Group's strategic lines were illustrated and shared, allowing significant analyses and insights; • the work carried out by the Board on the matter of Sustainability and the analysis carried out regarding the Materiality Matrix examination; • in general, the collaborative climate and constructive spirit shared by Board members.
Sustainability	<p>A section dedicated to Sustainability issues has been included in this year's analysis, given the Company's important commitment in this area.</p> <p>Brembo has established an active and constant dialogue with its internal and external stakeholders, based on values of transparency, trust and consensus in decisions. The adoption of an effective and transparent Governance system is one of the three basic elements of Brembo's sustainability model, together with the creation of sustainable long-term economic value and constant attention to statutory and regulatory compliance. The analysis reveals that Brembo's Board is fully aware of the importance of the issues relating to sustainability, safety and the environment, and there is a good level of sharing of initiatives launched by the competent management structure responsible.</p> <p>The Board process for these issues has in any event been started and the Board is provided complete information about it.</p> <p>The next step, as desired by some Directors, is for the Board to become proactive on these initiatives and oversee the work started with greater awareness, particularly in the areas of diversity & inclusion, innovation and talent attraction, and further involvement of stakeholders external to the company.</p>
Efficacy of actions taken in light of the indications provided in 2018	<p>With regard to the efficacy of the actions taken by the Company to put into practice the indications provided by the Directors during the 2018 Board Performance Evaluation, the results of which were analysed at the Board meeting of 29 July 2019, it was found that the proposed actions were taken into consideration and implemented by the Company, confirming its satisfaction with the Board's functioning.</p>
2019 Recommendations of the Italian Corporate Governance Committee	<p>With regard to the four recommendations formulated by the Italian Corporate Governance Committee in its "2019 Report on the Evolution of the Corporate Governance of Listed Companies" regarding the "Main Areas of Improvement Identified in 2019", generally speaking, a sound level of implementation of the Code by Brembo is reported, thanks to compliance with the provisions of the Corporate Governance Code and the adoption of appropriate practices.</p> <p>All the four recommendations identified by the Corporate Governance Committee in its Letter of 19 December 2019 — (i) sustainability; (ii) quality of the flow of information to board members; (iii) quality of independence assessments; (iv) adequacy of the remuneration of non-executive directors and members of the controlling body — are found to be implemented and improvement activities are being constantly performed in particular with regard to the management of sustainability issues in the company's business and its capacity to pursue value creation in the long term.</p> <p>For further details, refer to paragraph 18.</p>
Composition and Size of the Board of Directors	<p>Useful suggestions emerged with regard to the forthcoming renewal of the Board, in terms of its composition and size.</p> <p>Taking into account the outcomes of the evaluation, orientation for the professional profiles of the governing body's future members has been drafted, in line with the position already adopted by the Board during its term of office in terms of the criteria and procedures followed for Board composition, which are completely adequate for the size, positioning, complexity, specific characteristics of the sector and strategies of the Brembo Group.</p>



5. HANDLING OF CORPORATE INFORMATION

In accordance with current legislative and regulatory provisions, Brembo has for some time adopted specific in-house procedural provisions to ensure the highest level of propriety, accuracy

and timeliness in the corporate information handling process, in addition to the utmost transparency and accessibility in the market's favour.

5.1. The new EU provisions on market abuse

Following the entry into force, on 3 July 2016, of the European Market Abuse Rules as per Regulation (EU) No. 596/2014 ("MAR"), the Company has taken appropriate steps to adapt — also in light of the current temporary national regulatory framework — its own internal regulations regarding both the handling of Inside²⁰ /Relevant²¹ Information and the provisions on Internal Dealing, as well as the related public disclosure. The related documents are available on Brembo's website: www.brembo.com, section Company, Corporate Governance, Governance Documents.

Procedures with regard to the handling of Inside/Relevant Information, the maintenance of the Register of persons with access to inside information ("Insider Register") and the management of disclosure obligations for Relevant Persons and Persons Closely Associated with them ("Internal Dealing") were updated on several occasions by the governing body so as to implement the legal and regulatory changes introduced over time, including those relating to the above mentioned European

Regulation, as well as the guidance provided by Consob in its Guidelines for the Management of Inside Information of 13 October 2017 (the "2017 Guidelines").

In its updating activity Brembo conducted an analysis and examination of its flows and processes, with the aim of providing the Company with tools based on best practices, such as:

- the assignment to the Business Development Committee (composed of the Chairman, Executive Deputy Chairman, Chief Executive Officer, Chief Business Development & Marketing Officer, Chief Legal and Corporate Affairs Officer and Deputy Head of M&A) of the Inside Information Management Function, with the Chief Legal and Corporate Affairs Officer acting as point of contact for the formal adoption of the relevant decisions;
- identification of the members of the C-Suite as Organisational Functions Responsible for Inside Information;
- setting up of the RIL — Relevant Information List.

5.2. Procedure for Handling Inside and Relevant Information

Brembo's Procedure for Handling Inside and Relevant Information or Price-sensitive Information, updated by the Board of Directors on 8 May 2018, fully reflects not only the provisions of the Market Abuse Regulation ("MAR"), but also the indications provided in the 2017 Consob Guidelines. The Procedure is available on Brembo's website: www.brembo.com, section Company, Corporate Governance, Governance Documents.

The purpose of this Procedure is to define the principles and

rules governing the internal management and the disclosure of information pertaining to the operations of Brembo and the Group, with specific regard to Inside and Relevant Information. This is to ensure compliance with applicable statutory requirements in force from time to time and guarantee that Inside and Relevant Information is treated with the utmost confidentiality in order to prevent the selective disclosure of documents and information pertaining to Brembo and the Group, and that is to say, the divulgation of data to certain persons, including, without limitation, shareholders, journalists

²⁰ information of a precise nature, which has not been made public, relating, directly or indirectly, to Brembo or a Group company, or to one or more Financial Instruments of the Company, and which, if it were made public, would be likely to have a significant effect on the prices of those Financial Instruments or derivatives linked thereto.

²¹ Company information that is not yet precise, even though one may reasonably presume that it has all the characteristics to become Inside Information under current Laws.

or analysts, prior to the public disclosure thereof, or otherwise, any form of untimely, incomplete or inadequate disclosure of the said data.

In keeping with the provisions of Brembo's Code of Ethics, the Procedure is therefore a preventive measure aimed at detecting and interdicting the abuse of Inside Information, market manipulation and improper circulation of Inside Information within the meaning of Articles 31 and 54 of Directive No. 2014/65/EU, Articles 8, 10 and 12 of MAR, and Articles 184 et seq. of TUF, all of which constitute offences that, pursuant to Legislative Decree No. 231/2001, could potentially give rise to corporate administrative liability. Accordingly, the Procedure forms an integral part of Brembo's 231 Model and Corporate Governance Code.

The Procedure must be observed by Directors, Statutory Auditors, Company Executives and all employees of Brembo and the Group, as well as by any person (whether they are

natural or legal persons) afforded access on a regular or occasional basis to Brembo's Inside or Relevant Information relating to Brembo and/or the Group by virtue of his/her professional activity.

Assessing if and to what extent specific events could be deemed to give rise to Relevant or Inside Information, as well as whether or not to apply for authorisation to delay public disclosure of the Inside Information, is undertaken on a case-by-case basis and is the responsibility of the Business Development Committee, viewed as the organisational function charged with assessing whether information regarding the Company and other Group companies qualifies as Relevant or Inside Information and with taking the relevant market-disclosure decisions.

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

5.3. Internal Dealing Procedure

Brembo's new Internal Dealing Procedure, adopted pursuant to and for the intents and purposes of Article 19 of MAR (the Market Abuse Regulation) and in compliance with all rules and regulations in force at the time of its issuance, regulates internal dealing, i.e., transactions involving shares or share-related instruments effected directly or through intermediaries, by Insiders or persons closely associated therewith. The Procedure is available on Brembo's website: www.brembo.com, section Company, Corporate Governance, Governance Documents.

This procedure regulates the disclosure and dissemination of information pertaining to transactions in Brembo S.p.A.'s financial instruments by persons exercising management, control and direction functions (Managers and persons closely associated therewith, insofar as they are potentially in possession of inside information, and Shareholders). The procedure, *inter alia*, sets forth the ban for persons exercising management, control and direction functions (Managers) to carry out such transactions commencing on the 30th day

immediately preceding Brembo's Board Meetings convened for the approval of the annual or interim financial results that the company discloses to the market, also on a voluntary basis, and expiring upon public disclosure of the press release on the results (so-called Black-out Period).

In line with the provisions of Brembo's Code of Ethics, the Internal Dealing Procedure constitutes a direct measure aimed at promoting parity of information and at deterring the misuse of advantages arising from information asymmetry to garner undue gains through insider trading transactions which, *inter alia*, could entail corporate administrative liability for related criminal offences pursuant to Legislative Decree No. 231/2001. Accordingly, this procedure forms an integral part of the 231 Model. The Head of Investor Relations is responsible for maintaining and periodically updating the list of insiders, as well as complying with public disclosure obligations in respect of transactions reported by Insiders.



5.4. Procedure for Handling the Insider Register and the Relevant Information List (RIL)

The Register and RIL Procedure (lastly updated through Board resolution of 8 May 2018) is designed to ensure compliance with all the obligations pertaining to the maintenance and timely updating of the Insider Register mentioned in Article 18 of MAR. The Register and RIL Procedure is also compliant with the requirements and recommendations set out in the 2017 Guidelines regarding the keeping and updating of the RIL, i.e. the list of parties with whom the issuers have professional collaborative relationships, including employment relationships, and who have access to the Relevant Information in the course of certain of their duties.

This Register and RIL Procedure lays down the methods to be used to draft and update the Registers in accordance with the precise instructions given in Commission Implementing Regulation (EU) No. 2016/347 with regard to the Insider Register, extended, where possible and/or advisable, to the RIL. In particular, this Register and RIL Procedure:

- identifies the requirements the Insider Register and the RIL must meet;
- determines the data to be recorded in the Insider Register and the RIL;
- outlines the structure of the Insider Register and the RIL;
- regulates the updating of the Insider Register and the RIL.

This Register and RIL Procedure applies to Brembo in its capacity as an Italian company whose shares are traded on the Italian regulated market, and to any and all persons and parties afforded access to Inside or Relevant Information by virtue of

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

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

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

The Insider Register is maintained electronically using specific management software (RAP – *Registro Accesso alle Informazioni Privilegiate*) designed and licenced by Computershare S.p.A. to ensure full regulatory compliance. The Legal & Corporate Affairs Department is tasked with maintaining and updating the Insider Register and the RIL.

6. BOARD COMMITTEES

Brembo established all its Committees in accordance with the Corporate Governance Code. The composition, duties and functioning of all Committees are defined in specific Regulations fully implementing the principles and criteria of the

Corporate Governance Code. These Regulations are available on the Company's website and are included in Brembo's Corporate Governance Manual.

Number of Committee Meetings and Attendance Rate of Directors

COMMITTEES	NUMBER OF MEETINGS	ATTENDANCE RATE	PRESENCE OF INDEPENDENT MEMBERS
REMUNERATION & APPOINTMENTS COMMITTEE	4	83.33%	66.7%
AUDIT RISK & SUSTAINABILITY COMMITTEE	7	100%	100%
LID + INDEP. DIRECTORS	2	90%	100%

7. REMUNERATION & APPOINTMENTS COMMITTEE

The Remuneration & Appointments Committee²², appointed on 20 April 2017 by the Board of Directors meeting convened after the General Shareholders' Meeting, will remain in office until the General Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019, and is made up of 3 members:

Members	Position
BARBARA BORRA	Independent Director - Chairwoman
NIOLETTA GIADROSSI	Independent Director
UMBERTO NICODANO	Non-executive Director

The professional profile of the members of the Remuneration & Appointments Committee (available on Brembo's website, www.brembo.com, section Company, Corporate Governance, Governing Boards and Committees) meets the experience requirements imposed by the Corporate Governance Code in order to ensure an efficient performance of the Committee's duties.

The Remuneration & Appointments Committee operates in accordance with its Regulations, that distinguish its respective

remuneration and appointments functions as follows.

Remuneration function: ensuring that the remuneration policies applicable to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer, the Executive Directors, the Directors holding special offices and Key Management Personnel, as well as the Non-executive Directors, are formulated by a Body in the absence of conflicts of interest.

Appointments function: 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 the succession plan for Executive Directors.

The meetings of the Remuneration & Appointments Committee:

- are always attended by the Chairman of the Board of Statutory Auditors or another Statutory Auditor as required by the Chairman; the other members of the Board of Statutory Auditors may also attend the meetings;
- may also be attended by persons, other than Committee members, who have been specifically invited and are part of the Company's management and/or management structures, in relation to specific needs or items on the Agenda;
- are not attended by Executive Directors.

²² Brembo implemented the recommendation to set up the Appointments Committee in 2012, entrusting such function to the Remuneration Committee and accordingly changing its name to Remuneration & Appointments Committee.



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 definition of variable remuneration payouts; drafting of the Remuneration Report; analysis of variable incentive plan targets; and assessment of main executive compensation elements. In addition, individual and collective meetings were held with members of the Remuneration & Appointments Committee for preliminary discussion of the 2019 remuneration policies, and in particular of the contents and characteristics of the new three-year Incentive Plan for Top Managers (LTIP 2019-2021).

In particular, the Remuneration & Appointments Committee held four meetings in 2019 (average length of session: approximately 1.5 hours) during which it analysed the following matters:

1. Meeting held on 25 February 2019:

i) with reference to Appointments (Composition of the Board of Directors and the Combination of skills and professional backgrounds):

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

ii) with regard to Remuneration Policies:

- 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;
- 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;
- it examined the 2019 Remuneration Report, pursuant to Article 123-ter of TUF, including the General Policies for the Remuneration of Executive Directors, other Directors holding special positions and Key Management Personnel, also assessing and confirming the effective implementation of the 2018 remuneration policies.

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

2. Meeting held on 3 May 2019 (held jointly with the Audit, Risk & Sustainability Committee in its capacity as the Related Party Transactions Committee): the Remuneration & Appointments Committee was informed of Andrea Abbati Marescotti's decision to leave its role for personal reasons and the ensuing appointment of Daniele Schillaci. This meeting then 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 change to the Remuneration Package for the Executive Deputy Chairman for examination and approval by the Board of Directors.

3. Meeting held on 21 June 2019 (held jointly with the Audit, Risk & Sustainability Committee in its capacity as the Related Party Transactions Committee): the Remuneration & Appointments Committee examined and evaluated the change to the overall remuneration to be allocated 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.

4. Meeting held on 28 October 2019: the Remuneration & Appointments Committee 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.

5. Finally, as of the date of approval of this Report, the Remuneration & Appointments Committee held an additional meeting on **3 March 2020** to conduct an advance assessment of the matters to be put before the Board of Directors and then the General Shareholders' Meeting convened on 23 April 2020. In addition to the Secretary (Chief Legal & Corporate Affairs Officer), the Chief Human Resources and Organisation Officer was invited to attend the meeting to explain the matters within his remit. On that occasion, the Remuneration & Appointments Committee:

i) *with regard to the Composition of the Board of Directors and the Combination of skills and professional backgrounds:*

- assessed the individual declarations of the Directors, Statutory Auditors and members of the Supervisory Committee for periodic verification of continuing satisfaction of the requirements set for the different positions in the applicable laws and regulations in force, as well as in Brembo's Corporate Governance Code.
- assessed the combination of professional backgrounds and managerial skills in light of Brembo's diversity policy pursuant to Article 123-bis, paragraph 2, letter d-bis of TUF defined by the Regulations of the Board of Directors and Brembo's Corporate Governance Code.

- formulated proposals about candidates' professional profiles for the future composition of the Company's bodies.

ii) *with reference to Remuneration:*

- evaluated the closing results of the short-term annual Incentive Plan (MBO 2019) and defined the proposals of the short-term annual Incentive Plan (MBO 2020);
- examined the 2020 Report on Remuneration Policy and Remuneration Paid (Section I and Section II), drawn up in accordance with Article 123-ter of TUF, assessing and confirming the effective implementation of the 2019 remuneration policies.

8. REMUNERATION OF DIRECTORS

Please refer to the 2020 Report on Remuneration Policy and Remuneration Paid, pursuant to Article 123-ter of TUF, which is available on Brembo's website (www.brembo.com, section Company, Corporate Governance, Remuneration Policies).

In 2019, Brembo analysed the impacts of Legislative Decree No. 49 of 10 May 2019 that incorporates into Italian law the provisions of EU Directive 2017/828 ("so-called Shareholders' Rights II") and particularly the changes introduced on matters of directors' remuneration (amendment of Article 123-ter of the TUF), applicable from the shareholders' meetings called to approve the financial statements for the years starting 1 January 2019 (regulatory reference Legislative Decree 49/2019, Article 3), as well as the regulatory provisions formulated by Consob in a document available for consultation on 31 October 2019 regarding the changes to Annex 3A, Scheme 7-bis, to the Rules for Issuers. The latter, under a temporary regime, will be applied to the remuneration reports to be published at the Shareholders'

Meetings called to approve the financial statements for the years starting 1 January 2020.

The information required by Article 123-bis, paragraph 1, letter (i), of TUF ("*agreements between the Company and the Directors ... providing for compensation in case of resignation or dismissal without just cause or if their employment ceases as a result of a public tender offer*") are contained in the 2020 Remuneration Report in accordance with Article 123-ter of TUF, which is available on Brembo's website (www.brembo.com, section Company, Corporate Governance, Remuneration Policies).

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



9. AUDIT, RISK & SUSTAINABILITY COMMITTEE

The Audit, Risk & Sustainability Committee²³, which also acts as the Related Party Transactions Committee²⁴, was appointed by the Board of Directors at the meeting held on 20 April 2017, following the General Shareholders' Meeting, and will remain in office until the General Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019.

The Committee is composed by 3 members:

Members	Position
LAURA CIOLI	Independent Director - Chairwoman
BARBARA BORRA	Independent Director
NICOLETTA GIADROSSI	Independent Director ²⁵

The professional profile of the members of the Audit, Risk & Sustainability Committee (available on Brembo's website, www.brembo.com, section Company, Corporate Governance, Governing Boards and Committees) meets the experience requirements imposed by the Corporate Governance Code in order to ensure an efficient performance of the Committee's duties.

The duties and functioning of the Audit, Risk & Sustainability Committee are defined in its Regulations, approved by the Board of Directors during its meeting on 20 April 2017, along with the appointment of the Committee, and contained in the Brembo's Corporate Governance Manual.

The following persons are always invited to the Committee meetings:

- the Chairman of the Board of Statutory Auditors or another Acting Auditor delegated by the Chairman;
- the Director in charge of the Internal Control and Risk Management System and the CSR Officer;
- the Chief Executive Officer;
- the Chief Internal Audit Officer;
- the Manager in charge of the Company's financial reports, or

a person delegated by the said Manager, for matters falling within his remit;

- the Head of Risk Management;
- the Corporate & Compliance Manager, also serving as Committee permanent secretary.

Members in charge of the so-called second-level control functions are also specifically invited to participate so that they can illustrate the main risk factors and risk mitigation plans/actions, each to the extent of his or her competence.

Given the similarity of the subjects addressed, the sessions of the Audit, Risk & Sustainability Committee often included agenda items that were discussed jointly with the Board of Statutory Auditors and the Supervisory Committee, in accordance with the specific functions and duties of each, in order to ensure an immediate discussion and timely information flows.

In 2019, the Audit, Risk & Sustainability Committee held seven meetings, duly recorded in the minutes, lasting about 4 hours each on average, on the following dates: 25 February, 3 May, 21 June²⁶, 23 July, 26 July²⁵, 28 October, 12 December. In addition, as at the date of the approval of this Report, the Committee held one meeting on 25 February 2020, during which it reported on the Internal Audit's activity until the end of the financial year and the final periodic reports for 2019.

In its functions of support to the Board of Directors, the Audit, Risk & Sustainability Committee issued opinions on certain aspects regarding the identification of the main corporate risks — including those linked to ESG-related factors —, as well as the design, implementation and management of the Internal Control and Risk Management System. It also examined the reports submitted by the Director in charge of the Internal Control and Risk Management System and the Chief Internal Audit Officer when the 2019 Financial Statements were approved, and expressed opinions on the adequacy of that System for 2019

²³ Starting with its term beginning on 20 April 2017, for the first time the Board of Directors assigned the Committee responsibility for supervising sustainability issues, resulting in the change of the Committee's name from the Audit and Risks Committee to the Audit, Risk & Sustainability Committee, and its tasks as set out in the related regulation were updated accordingly. This decision was made in accordance with the suggestion contained in the comment on Article 4 of the Corporate Governance Code of Borsa Italiana S.p.A.

²⁴ Due to the fact that the Audit, Risk & Sustainability Committee is wholly composed by Non-executive and Independent Directors, pursuant to Article 2.2.3, paragraph 3, of the Rules of Borsa Italiana S.p.A., and Brembo S.p.A.'s Corporate Governance Manual (Article 3), the Committee also acts as the Related Party Transactions Committee.

²⁵ Directly elected during the General Shareholders' Meeting of 20 April 2017 from the list submitted by a group of Shareholders holding 0.515% of the share capital.

²⁶ Meeting held exclusively in the capacity as Related Party Committee, whose activity is illustrated in paragraph 11.3. below.

through specific reports submitted by the Committee's Chair, by means of which it periodically reports to the Board on the meetings held and subjects discussed.

In supervising the *Internal Control and Risk Management System*, the Audit, Risk & Sustainability Committee:

- oversaw the effectiveness of the audit process, and assessed and expressed its opinion on the proper use of the accounting standards and their consistency within the Group for the purposes of preparing the Consolidated Financial Statements, based on the information provided by the Manager in charge of the Company's financial reports, and their consistency for preparing the Financial Statements;
- was informed by the Chief Administration and Finance Officer of the main points of attention identified by the Independent Auditors during their activity in the field (that do not represent significant deficiencies in the internal control system), in addition to the activities carried out in accordance with Law 262/05 and its extension to Group companies;
- examined the reports regularly provided by the Chief Administration and Finance Officer on significant transactions and transactions entailing a potential conflict of interests within the meaning of corporate regulatory framework currently in force; it determined that the transactions fell within the scope of the authority delegated by the Board of Directors;
- was constantly updated by the Head of Risk Management on the following matters:
 - periodic Enterprise Risk Management process, and its integration with ESG factors, reviewing the update to Brembo's Risk Report of 31 December 2019 and the Heat Map of the Group's risk profiles (including ESG-related risks) and the action/mitigation plans prepared and launched by the management;
 - new insurance cover for the Brembo Group, with follow-ups on renewals relating to the property and liability insurance programmes;
 - ongoing recall;
 - focus on the impact and risks of coronavirus for the Brembo Group.
- was constantly updated by the Chief Internal Audit Officer on the following matters:
 - the progress of audit plans (with an average opinion per audit and staffing situation to complete the plan), verifying its implementation according to the Audit Plan approved by the Board of Directors in 2019;

- the results of audit activities during the period, with an opinion of residual risk once the Plan is implemented;
- an analysis of reports of violations of laws, procedures and regulations received and/or identified in the course of ethics audits;
- the findings of the audit of compliance;
- the 2020 Audit Plan and related Budget.

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

The Internal Audit function also presented its Quality Assurance Review project, involving certification by an independent third-party consultant to determine the level of compliance with the relevant standards.

With the aim of further analysing specific risks and monitoring the improvement plans launched by the management, the Committee conducted specific inquiries into specific issues, meeting directly with top managers of the Company:

- the Chief Legal & Corporate Affairs Officer provided an update on Brembo's litigation, with a focus on the most important cases, and presented the Brembo Compliance System implemented at the worldwide level;
- the IPR Manager illustrated the tools used by Brembo at the worldwide level for active and passive intellectual property protection at Brembo;
- the Chief Human Resource & Organization Officer provided an update on the actions taken with regard to succession to the position of Chief Executive Officer;
- the Chief Environment and Energy Officer provided the traditional Annual Report on the Management System (ISO 14001:2015 certified) and performed a follow-up on the existing safeguards for the prevention of Legislative Decree 231 environmental offences, with a focus on the waste management process;
- the Chief Purchasing Officer provided an update on Supply Chain Risks, focusing on those deemed most critical, and on the state of progress of open plans of action with regard to cases of non-compliance identified in audits;
- the Chief Administration and Finance Officer presented the "Tax Control Framework" Project and illustrated the contents of the Global Tax Strategy and Tax Strategy of Brembo S.p.A.;
- the Chief Information Technologies Officer presented the 27001 IT Systems Certification project, which is expected to be concluded in the first half of 2020;



- the Chief Quality Officer provided an update on the Risks of the Quality function and conducted a follow-up on the company procedure relating to recall campaigns and safeguards in use at Brembo to prevent the Legislative Decree 231 offence of fraud in commerce;
- the Chief Human & Organization Officer reported on the new organisational model introduced with effect from 3 February 2020, designed to balance interactions between global business units (GBUs), global central functions (GCFs) and regions/countries in view of best management of the complexity and size of the company in the future, in order to provide the Group with global processes.
- during its meeting on 12 December 2019 the Chief CSR Officer presented:
 - the proposed Materiality Matrix for the three-year period, subsequently approved by the Board of Directors on 18 December 2019, and the activities carried out for defining said Matrix and which involved the participation of internal and external stakeholders (customers and suppliers);
 - timetable of the process of collecting and preparing the NFD for 2019 (including the assurance activities plan by the firm commissioned).
- Finally, during its meeting of 25 February 2020 the Committee conducted an advance examination of the 2019 NFD, prepared in accordance with Legislative Decree No. 254/2016 for reporting year 2019, finding it to be consistent with the provisions of the Decree.

With regard to the topics of *Sustainability and the Disclosure of Non-financial Information pursuant to Legislative Decree No. 254/2016*:

- Brembo's Modern Slavery Statement, drafted pursuant to the Modern Slavery Act 2015 – Section 54 in accordance with international best practices, was presented at the meeting of 23 July 2019²⁷.

For further information on the activities performed by the Committee in its capacity as *Related Party Transactions Committee*, see paragraph 11.3.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

Effective risk management is a key factor in maintaining the Group's value over time. The Internal Control and Risk Management System (hereinafter for brevity, "System" or "ICRMS") defined by Brembo:

- complies with the principles set out in Article 7 of the

Corporate Governance Code and, more generally, with the best national and international practices;

- represents the set of rules, procedures and organisational structures that allow the main business risks within the Group to be identified, measured, managed and monitored;

²⁷ This document describes the measures adopted and implemented by the Company to ensure the absence of all forms of modern slavery, forced labour and human trafficking with respect to both its employees and its supply chain.

- helps the company to be run in a manner that is sound, correct and consistent with the objectives defined by the Board of Directors, favouring the adoption of informed decisions consistent with the risk profile, as well as dissemination of a proper understanding of risks, legality and corporate values.

The ICRMS is therefore an essential component of the Corporate Governance System of Brembo S.p.A. and the Group's subsidiaries. It was set up to share ethical business principles and values, reflects Brembo's Code of Ethics and seeks to establish over time a fully-fledged culture of corporate controls aimed at ensuring legality, correctness and transparency in all company operations, involving the whole organisation in developing and applying methods to identify, measure,

manage and monitor any kind of risk, including risks relating to sustainability in the medium-long term.

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

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

The System is organised as shown in the organisational chart.

Institutional Steering Bodies		Board of Directors				Third Level Internal Audit	Board of Statutory Auditors	Independent Auditors	Audit, Risks & Sustainability Committee	Supervisory Committee
Governance	Chairman	Executive Deputy Chairman	CEO	Executive Director responsible for ICRMS						
Second Level Operating Bodies	Corporate functions that through specific persons: <ul style="list-style-type: none">• are responsible for the process of identifying, assessing, managing and controlling risks relating to company operations, ensuring that they meet company objectives and satisfying segregation criteria that permit effective monitoring;• ensure compliance with certain regulations;• monitor the risk of regulatory non-compliance;• steer, coordinate and supervise first level bodies in carrying out the directives imparted to them									
Risk & Control Drivers										
First Level Operating Bodies	Company persons or functions that define and manage risks through the so-called ‘line controls’ included in operating processes. Line controls are procedural, automated, financial and behavioural controls performed by those who engage in a given activity and those responsible for supervising that same activity, requiring specific skills relating to the business, risks and/or relevant regulations.									
Risk & Control Owners										

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

The Board of Directors is aware that the control processes

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

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



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

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

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

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

The key roles to mention are:

- the Executive Directors, generally charged with defining further policies for effective implementation of these Guidelines, referring to models of best practice; these policies will be approved by Top Managers and reported to the Audit, Risk & Sustainability Committee;
- the Audit, Risk & Sustainability Committee, tasked with

supporting the Board of Directors on internal control and risk management issues, including those relevant from the standpoint of sustainability;

- the Executive Director in charge of the Internal Control and Risk Management System, tasked with identifying the main corporate risks by executing risk management Guidelines and verifying their adequacy;
- the Managerial Risk Committee, responsible for identifying and weighing the macro-risks and working with the system parties to mitigate them;
- the Head of Risk Management, tasked with ensuring, together with the management, that the main risks relating to Brembo and its subsidiaries are correctly identified, adequately measured, managed, monitored, and integrated within a corporate governance system consistent with the strategic objectives.

The Internal Audit function evaluates the effectiveness and efficiency of the overall Internal Control and Risk Management System on a regular basis and reports the results to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer, the Board of Statutory Auditors, the Audit, Risk & Sustainability Committee and the Supervisory Committee of Brembo S.p.A. with reference to specific risks connected with compliance with Legislative Decree No. 231/2001). On an annual basis, it also reports to the Board of Directors.

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

The Risk Management Policy applies to Brembo S.p.A. and its subsidiaries, and is addressed in particular to Governing and Control Bodies, Directors with delegated powers, company management and all employees of the organisation, with respect to the aspects falling within the purview of each of them. Risk management must be integrated into organisational processes and incorporated into all of the organisation's practices and

processes in a pertinent, effective and efficient manner. In fact, it must be an integral part of decision-making and business management processes, including strategic and operational planning, the management of new business initiatives and the associated change.

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

- the Brembo risk model that classifies risks into the following macro families: external risks, strategic risks, financial risks and operating risks;
- the metric to be used in risk assessment, both quantitative (EBIT/Cash Flow) and qualitative (Operating/Reputational), and the likelihood of occurrence;
- the format containing the data required to identify, evaluate, weight and manage the risks, which will form Brembo's risk register.

The Enterprise Risk Management process relating to the

strategic objectives is carried out annually, as is monitoring of the risk management activities.

For further information about risk families, reference should be made to the Risk Management Policy included in 2019 Annual Report²⁸.

The Internal Control System is involved in the broader Risk Management System, through the control activities designed to mitigate business risks. Brembo's Internal Control System refers to the CoSO Framework (Committee of Sponsoring Organizations), which represents the best international practice for company Internal Control Systems. The CoSO hence represents the reference model for implementing the Control System and assessing the efficacy of the same.

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

Brembo adopted the new 2013 CoSO framework as of 2015.

10.1. Appropriateness of the Internal Control and Risk Management System

With reports dated 26 July 2019 and 25 February 2020, the Chairman of the Audit, Risk & Sustainability Committee informed the Board of Directors of the activities undertaken by the Committee, and expressed a favourable opinion as to the adequacy of the ICRMS, taken as a whole, and its appropriateness for containing risks and efficiently ensuring compliance with the company's rules of conduct and operating procedures, whilst leaving it up to the Board of Directors to draw its own conclusions in such regard.

The Board of Directors examined the reports of the Chairman of the Audit, Risk & Sustainability Committee and the Executive Director in charge of the Internal Control and Risk Management

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

²⁸ www.brembo.com, section Investors, Reports.



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

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

The process for identifying and assessing such risks is reviewed yearly. The Manager in charge of the company's financial reports, in collaboration with the Compliance Officer, is responsible for updating the process to reflect any changes during the year that might influence the risk assessment process (i.e., significant organisational changes, business changes, amendments or updates of accounting principles, etc.). Control measures taken to minimise risks identified during the risk assessment process are outlined using the appropriate formats (flow charts and control matrices). Key control measures have been identified from among these.

In determining whether the administrative and accounting procedures are being effectively applied, the Manager in charge of the company's financial reports relies on the support of the Internal Audit function (through the performance by the latter of effectiveness tests on controls pursuant to Law 262) or the Compliance Officer (through the review and validation by the latter of effectiveness tests pursuant to Law 262 carried out by process owners for the processes within their respective remit). The Manager in charge of the company's financial reports, by agreement with the Internal Audit function and the Compliance Officer, draws up a three-year Audit plan that is carried out through scheduled annual test activities and conducted at all Group companies within the scope of application of Law 262.

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

The corrective plan is used by the Company to address any missing key control measures, existing control measures that

following a test have been found not to have been properly applied, or existing control measures that are not entirely adequate. When this document has been defined and shared, the Compliance Officer and/or Internal Audit (in this latter case through a specific follow-up on site) verify that the Improvement Plan has actually been implemented.

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

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

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

On a half-yearly basis, the Manager in charge of the Company's financial reports, supported by the Compliance Officer, also requests each Group company falling within the scope of Law No. 262 to submit an attestation, duly signed by the BU Controller/Manager (for each Brembo S.p.A.'s BU/Division) or the local CFO and CEO/Country Manager (for Group companies falling within the scope of Law No. 262). Through this attestation each Company certifies that as at the date of reference, all financial reporting processes currently in force are reliable and have been properly applied, and that the financial data in the reporting package are correct and complete.

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

On 20 April 2017, the Board of Directors confirmed Cristina Bombassei in her role as Executive Director in charge of the Internal Control and Risk Management System, vesting her with the functions set forth in Article 7.C.4 of the Corporate Governance Code. Said function acts on the basis of the Guidelines issued by the Board of Directors and the Policies for implementing the ICRMS, issued by the function itself in July 2015.

In 2019, the Executive Director in charge of the Internal Control and Risk Management System coordinated the activities aimed at updating the assessment of risks, including sustainability risks, using measurement criteria in line with the Group's risk

management methodology. Moreover, she kept communication channels open, coordinating with the Chief Internal Audit Officer, the Head of Risk Management and the Audit, Risk & Sustainability Committee during the performance of her activities (she is responsible for identifying the main company risks and monitoring the body of procedures and rules that comprise the Internal Control and Risk Management System, including in light of operating conditions and the legislative and regulatory situation).

The Executive Director in charge of the Internal Control and Risk Management System submitted the annual report to the Board of Directors at the meeting held on 9 March 2020.

10.4. Chief Internal Audit Officer

Pursuant to the Corporate Governance Code, on the proposal of the Audit, Risk & Sustainability Committee and the Executive Director in charge of the Internal Control and Risk Management System, Alessandra Ramorino was confirmed in the position of Chief Internal Audit Officer by the Board of Directors on 17 December 2012. In addition, in December 2019 the Board of Directors confirmed the related organisational structure for 2020, which it deemed adequate to the performance of the tasks set out in Article 7.C.5 of the Corporate Governance Code.

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

Upon proposal of the ICRMSD, and after obtaining a favourable opinion from the Audit, Risk & Sustainability Committee and the Remuneration & Appointments Committee, as well as consulting with the Board of Statutory Auditors, the Board of

Directors determines the Chief Internal Audit Officer's (fixed and variable) remuneration in accordance with company policies and current laws. It also ensures that the Chief Internal Audit Officer has access to resources suited to the fulfilment of her responsibilities.

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

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

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



In particular, this takes place through:

- an understanding of the risks and the assessment of the adequacy of the means used to manage them;
- an assessment of the adequacy and efficacy of the Internal Control and Risk Management System, while promoting effective control, at reasonable costs, with special regard to:
 - the reliability and integrity of accounting, financial, management and non-financial information;
 - the efficiency and efficacy of company processes and the resources allocated to them;
 - the compliance of processes and transactions with laws, supervisory regulations, rules, policies, plans and internal procedures;
 - safeguarding the value of the company's business and assets.

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

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

During 2019, Internal Audit operated based on the approved Three-year Audit Plan, which is updated on a yearly basis in light of the changed risk scenarios, and which provides for: audits of compliance with Law No. 262/05 and Legislative Decree No. 231/2001, IT audits, audits on relevant compliance activities, ethics audits based on specific reports received and operational audits.

The Chief Internal Audit Officer checked the reliability of the Company's IT systems, with specific emphasis on the

accounting systems, as contemplated under the Audit Plan, coordinating her activity with the independent auditors.

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

Throughout 2019, the Internal Audit function continued its monitoring of management of the top risks, including through follow-ups of the improvement plans defined by the management. It also provided information and training regarding the Internal Control and Risk Management System to Brembo's management.

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

At its meeting on 25 February 2020, the Audit, Risk & Sustainability Committee was provided with appropriate information on the results of Chief Internal Audit Officer's activities for 2019 through the annual Report on the adequacy of the Internal Control and Risk Management System.

The Manager in charge of the Company's financial reports was also given due notice of activities carried out by the Chief Internal Audit Officer relating to Law No. 262/05 for 2019, during periodic meetings and through the Annual Report on the adequacy of the control model implemented for the purposes of Law No. 262/05 and the results of the tests in this area conducted by the Internal Audit function.

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

Brembo adopted an Organisation, Management and Control Model to fulfil all the legal requirements and comply with all principles that inspired the Legislative Decree No. 231/2001, with the aim to rely on an effective instrument of corporate management, able to create and protect the value of the company. Through the adoption of this Model, Brembo formalised a structured and organic system of control

procedures and activities — already existing within the company — in order to prevent and monitor the risk that 231 Offences might be committed.

The 231 Model (Fifth Edition, updated in November 2019) is made up of:

General Section	A General Section illustrating the company's profile, the regulations of reference, underlying principles and the elements making up the Model (Corporate Governance System, Internal Control System, Principles governing the system of delegated powers, Code of Ethics), the function of the Model, the ways in which the Model is constructed and structured, the recipients of the Model, relations with Group companies, as well as the disciplinary system and the measures to be implemented in terms of training, circulation, amendment and updating. In 2019, the company updated the list of underlying offences to reflect the legal developments in the interim ²⁹ and reformulated the requirements of autonomy and independence applicable to members of the Supervisory Committee in order to ensure constantly ever higher levels of knowledge and experience among members of this body with regard to the business in which Brembo operates and to allow the Committee to continue to perform its duties effectively and adequately.
Special Sections	The Special Sections and relevant Sensitive Activity Analysis Sheets (the latter of which are intended for the Company's exclusive internal use) focusing on specific types of 231 Offences which — in light of Brembo's profile and business operations — could, in the abstract, be committed within the company. Following the introduction of the offence of Influence Peddling, deemed applicable to Brembo, in 2019 the Special Section – Corruption and Inducement Offences was updated.
Code of Ethics	It forms an integral part of the Model, laying down the general principles and values that must inspire and inform the professional conduct of any and all the persons serving or acting on behalf of Brembo in any capacity whatsoever, also for the benefit of all Stakeholders even with reference to intentional crimes and negligent manslaughter or personal injury committed in violation of accident-prevention and occupational health and safety regulations.
Brembo Compliance Guidelines	These summarise the main rules of conduct and main control principles indicated in the Special Sections of the 231 Model which the Subsidiaries are required to adopt to prevent crimes within the meaning of Legislative Decree No. 231/2001 from being committed. They prevent from criminal liability being transferred to Brembo S.p.A. and its subsidiaries and corporate liability being transferred from the Subsidiaries to the Parent Company. They are approved by the Board of Directors.
Antibribery Code of Conduct	<p>Code of Conduct that, in line with the principles entrenched in the Code of Ethics and international best practices, is aimed at:</p> <ul style="list-style-type: none"> • ensuring transparency; clearly delineating the bounds of permitted behaviour and ensuring compliance with anti-bribery regulations in force in all the jurisdictions in which Brembo operates, by any and all persons serving Brembo in any capacity whatsoever; • ensuring the highest levels of integrity by defining, <i>inter alia</i>, Brembo's policy regarding the acceptance and offer of gifts, hospitality and entertainment (i.e., the free provision of goods and/or services for promotional or public relations purposes). <p>The Code defines each party's responsibilities in order to ensure the observance of the highest standards of integrity and avoid any suspicion of inappropriate motivations underlining the offer or acceptance of a gift or act of hospitality, or an undue influence exercised on or by the recipient who accepts such an offer. The second edition of the Code, approved by the Board of Directors on 27 July 2017, raises the maximum limit on Brembo merchandising gifts (intended to promote the brand), while also requiring that subsidiaries adopt a merchandising catalogue similar to that of the Parent.</p>

²⁹ "Provisions implementing the delegation principle of reservation of criminal law" (published in March 2018 - entered in force on 6 April 2018). Law No. 3 of 9 January 2019 (published in the Official Journal No. 13 of 16 January 2019 and effective as of 31 January 2019), which introduced the offence of influence peddling. Law No. 39 of 3 May 2019, which introduced the offence of fraud in sporting competitions.



Rules governing the proceedings of the Supervisory Committee	Regulation revised and approved by the Supervisory Committee itself on 11 May 2017, to reflect its renewed composition, which no longer calls for the involvement of members of the Board of Statutory Auditors.
Group compliance system	<p>This system entails the adoption of the 231 Model, as well as the setting up of a Supervisory Committee tasked with constantly monitoring the functioning, appropriateness and effectiveness of the Model in question:</p> <ul style="list-style-type: none"> • the adoption by each subsidiary of a compliance programme designed in light of the local regulatory framework governing corporate administrative/criminal liability; • the implementation by all subsidiaries of the general rules of conduct imparted by the Parent (Brembo Corporate and Compliance Tools) with a view to ensuring compliance with the highest ethical standards throughout the Group. In fact, if local regulations are less stringent than those of the Parent, then the latter's compliance principles will prevail (principle of prevalence). As well as the Antibribery Code of Conduct and Brembo Compliance Guidelines, the following instruments are also to be taken into account: <ul style="list-style-type: none"> – the Brembo's Code of Basic Working Conditions that codifies the principles underlying Brembo's relationships with its employees, intended exclusively for Internal use within the Company; – the Supplier Code of Conduct, – the Brembo Policy on Non-discrimination and Diversity; – Brembo's Operating Procedures, Instructions and related Internal Authorisation Matrixes, available for consultation on the Company's webportal, and duly referenced in the Sensitive Activity Sheets, in that they serve the preventive purposes contemplated in Legislative Decree No. 231/2001; other management systems and/or procedures applicable in specified corporate areas, in compliance with specific regulatory requirements, but also serving the preventive goals contemplated in Legislative Decree No. 231/2001.
OTHER TOOLS OF BREMBO'S COMPLIANCE SYSTEM	
Brembo Antitrust Code of Conduct	<p>In 2017, in order to raise awareness among company departments of compliance with competition rules, in accordance with the principles enshrined in its Code of Ethics³⁰, Brembo prepared and adopted an Antitrust Code of Conduct, in addition to the other compliance documents already issued. It represents a practical guide, tailored to Brembo's business, that provides a simple, accessible explanation of:</p> <ul style="list-style-type: none"> • the restrictions imposed by antitrust rules; • the cases in which such restrictions may most frequently be breached; • the most common areas/situations of risk of violations of antitrust rules; • the proper behaviour to be adopted to ensure full compliance with antitrust legislation in the various countries in which Brembo operates. <p>Brembo Antitrust Code of Conduct applies to employees of Brembo S.p.A. and its subsidiaries in the EU and forms a model of reference for the compliance programmes.</p> <p>The Code is a point of reference for the Company's compliance programmes and applies to employees of both the Parent and the European subsidiaries. In 2019, the local boards of directors of the European subsidiaries implemented the Brembo Antitrust Code of Conduct with an Addendum (translated into the local language) with the aim, inter alia, of indicating and modifying (where necessary) employees' behaviour in accordance with local legislation.</p>

³⁰ Available from the website www.brembo.com, in the section Company, Corporate Governance, Codes & Policies, on the basis of which Brembo acts in accordance with the principles established by national and international legislation safeguarding free competition in view of the promotion of fair competition.

<p>Privacy Policy and other Operating Procedures</p>	<p>The Privacy Policy was approved by the Board of Directors of Brembo S.p.A. on 8 May 2018 to set out the most important principles for the protection of personal data and how such principles are to be implemented, including in the light of the new European General Data Protection Regulation (Regulation No 679/2016/EU – GDPR), applicable in all Member States of the European Union with effect from 25 May 2018.</p> <p>The Privacy Policy applies to Brembo S.p.A. and the Group’s various subsidiaries based in the European Union. At the end of 2019, the DPO’s Annual Report (November 2018 - November 2019) was submitted to the Board of Directors. Said Report was drawn up taking account of: (i) internal and external (supplier) control activities performed; (ii) statistics regarding any Personal Data breaches that have occurred; (iii) number of requests received from data subjects; (iv) training activity carried out and planned; (v) number of requests for information received from local supervisory/judicial Authorities; (vi) Personal Data processing impact assessments conducted during the period. Based on the findings of this year’s Report, the DPO deemed appropriate the level of adequacy to the GDPR.</p> <p>In addition, operating procedures such as the following have been issued in execution of the Policy:</p> <ul style="list-style-type: none"> • Data Breach Management Procedure; • Procedure for the Exercise of the Rights of Data Subjects; • Procedure Privacy by Design – Privacy By Default; • Procedure for the Exercise of the Right to Data Portability.
<p>Modern Slavery Statement</p>	<p>In accordance with the contents of the British Modern Slavery Act 2015, Brembo S.p.A. published its Modern Slavery Act in July 2019. Said Statement:</p> <ul style="list-style-type: none"> • was adopted for Brembo S.p.A. and for some of the Group Companies concerned by the requirements specified in the legislation (Brembo Poland Sp.z o.o. and Brembo Czech s.r.o.). It should be noted that the Company AP Racing, wholly controlled by Brembo S.p.A., has already prepared and approved its own Statement for 2018 and published it on its own website. • describes the organisation, sensitive areas and actions/measures adopted by the Company to ensure the absence of any form of “Modern slavery, forced labour and human trafficking” both in respect of its own employees and those of the supply chain (identified by the same legislation as areas exposed to risk).
<p>Global Tax Strategy and Brembo S.p.A.’s Tax Strategy</p>	<p>In 2019, Brembo started the implementation of the Tax Control Framework of Brembo S.p.A. (set of rules, procedures, organisational structures and safeguards to allow the risk arising from the tax variable to be reported, measured, managed and controlled) in order to ensure that tax management (for both the Group and Brembo S.p.A.) ensures the pursuit of the following objectives over time:</p> <ul style="list-style-type: none"> • long-term growth of company assets and protection of the Brembo Group’s reputation and the interests of its shareholders; • proper, timely calculation and payment of taxes due by law and fulfilment of the related obligations; • containment of tax risk, understood as the risk of violating national and international tax laws or the abuse of the principles and purposes of the tax system. <p>In particular, during the meeting held on 7 November 2019 the BoD approved the Global Tax Strategy and Brembo S.p.A.’s Tax Strategy.</p> <p>There are multiple benefits resulting from implementing the Tax Control Framework (such as mitigation of the responsibilities of company bodies, reduction of situations of conflict with revenue authorities due to preventive risk management, prevention of violations of tax laws and a potential reduction of the penalties applied to the Group, etc.) and they all contribute to informed, scrupulous and effective management of the tax variable.</p>



Supervisory Committee

The Supervisory Committee, made up of 3 members, was appointed in the General Shareholders' Meeting on 20 April 2017 called upon to appoint the new Corporate Bodies and will continue to serve until the end of the term of office of the Board of Directors. The Committee's term of office will hence end on the date of approval of 2019 Financial Statements.

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

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

As regards the specific activities within its remit, the Supervisory Committee met on 25 February 2019, 5 June 2019, 26 July 2019, 28 October 2019, 12 December 2019. The Chairman of the Committee also attended the Audit, Risk & Sustainability Committee meetings for the matters within his responsibility and interest. On 25 February 2020, a meeting was held to discuss the final periodic reports for 2019.

In 2019, the Chairman of the Supervisory Committee consulted independently with the Internal Audit Department to examine certain risk-assessment analyses made by the 231 Team, as well as to analyse the investigations carried out as a result of some reports.

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

omissions that were critical in respect of compliance with the requirements of the 231 Model.

In order to check that the 231 Model was implemented effectively, audit activities were carried out with the support of the Internal Audit function, based on the Supervisory Committee's action plan. Oversight of the 231 Model was performed through the following activities:

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

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

Whistleblowing Channel

In accordance with industry-wide compliance-oriented best practices, Brembo has adopted a specific "Whistleblowing Procedure" aimed at setting up and managing reporting channels with a view to ensuring adequate information flows towards and within the Company (through the Supervisory Committee) focusing on irregularities and/or breaches of the 231 Model, the Code of Ethics or other provisions set forth in Brembo's internal rules and regulations. The reporting channel established by the Company is already in line with laws and regulations in force on Whistleblowing.

The principles underlying the management of input from whistleblowers include:

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

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

- oral reports to the Supervisory Committee;
- ordinary post (Organismo di Vigilanza di Brembo S.p.A. - Viale Europa, 2 - 24040 Stezzano (BG) - Italy);
- e-mail (organismo_vigilanza@brembo.it);
- voice mail (+39 035-6055295);

- Internet (Corporate Governance section of the website www.brembo.com);
- facsimile transmission (+39 035-6055203).

In addition to the above reporting channels, local information channels have also been set up at the various Group companies in order to better reach all persons covered by the procedure who for reasons of language or access to IT instrument might experience difficulties. Their functioning is governed by ad hoc procedures inspired by those of Corporate and they provide for coordination rules to ensure an adequate, timely flow of information to the Parent's Supervisory Committee.

10.6. Independent Auditors

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

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

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

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

The award of assignments to the Independent Auditors is subject to two procedures, drafted in accordance with the changes introduced by Legislative Decree No. 135/2016 and the auditing of the Disclosure of Non-Financial Information pursuant to Legislative Decree No. 254/2016, examined and approved by the Board of Statutory Auditors during its meeting of 18 July 2017, which govern:

- the process for selecting and awarding the statutory auditing assignment to Independent Auditors, as required by law, with the aim of safeguarding the independence of the external auditors — a fundamental guarantee of the reliability of accounting information;
- the process of granting assignments other than independent auditing, with the aim of:
 - i) avoiding the granting of assignments for services included in the catalogue of those banned by law;
 - ii) regularly monitoring that the fees paid for independent auditing are proportional to the fees for Other Services, in accordance with laws and regulations in force.

The current Independent Auditors were assigned responsibility for verifying the preparation of the Disclosure of Non-Financial Information drafted in accordance with Legislative Decree No. 254/2016, and were granted an assignment to conduct limited assurance on the Disclosure of Non-Financial Information according to an assessment of the appropriateness and efficiency of its approach and activity.



In reporting year 2019, the Independent Auditors met regularly with the Board of Statutory Auditors for updates on ongoing audit activities and to discuss the significant matters raised in

the Independent Auditors' Report pursuant to Articles 14 and 16 of Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016.

10.7. Manager in charge of the Company's financial reports

Pursuant to Article 27-*bis* of the By-laws, on the basis of a non-binding opinion from the Board of Statutory Auditors, on 5 March 2018 the Board of Directors appointed the Chief Administration & Finance Officer, Andrea Pazzi, as the Manager in charge of the Company's financial reports, inasmuch as his function at Brembo involves managing the entire accounting information cycle, from the administrative and accounting procedures for the production of the data included in the financial statements to the preparation of the draft financial statements, and also because the Group's entire finance structure, i.e. all subsidiaries of Brembo S.p.A., report to him.

Upon appointment, also with the favourable opinion of the Board of Statutory Auditors, the Board verified the satisfaction of the established professionalism requirements and granted him the pertinent powers for the performance of the function.

The Manager in charge of the Company's financial reports is responsible for defining and assessing the adequacy and efficacy of the specific administrative and accounting procedures, as well as of the related control system, safeguarding against the risks inherent in the process of preparing financial information. The assignment is set to expire on the date of the General Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.

The Manager in charge of the Company's financial reports is invited to all meetings of the Audit, Risk & Sustainability Committee and Board of Statutory Auditors in order to provide the information for which he is responsible and report with half-yearly frequency on monitoring obligations and activities for the purposes of the certifications envisaged in Article 154-*bis* of TUF.

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

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

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

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

- identifying the main business risks, taking into account the characteristics of the activities carried out by the Issuer and its subsidiaries, and submitting them periodically for review to the Board of Directors;
- implementing the guidelines established by the Board of Directors, supervising the planning, implementation and management of the Internal Control and Risk Management System, as well as constantly verifying its adequacy and efficacy;
- bringing the System into line with the current operating conditions, and legislative and regulatory scenario;
- requesting the Internal Audit function to carry out audits of specific operating areas, as well as audits of compliance with internal rules and procedures in the performance of company transactions, in addition to informing the Chairman

of the Board of Directors, Chairman of the Audit, Risk & Sustainability Committee and Chairwoman of the Board of Statutory Auditors thereof concurrently;

- timely reporting to the Audit, Risk & Sustainability Committee (or to the Board of Directors) regarding problems and critical issues brought to light in performing her activities or of which she has otherwise become aware, so that the Committee (or the Board) may take the appropriate initiatives;
- coordinating the Managerial Risk Committee and relying upon the support of the Head of Risk Management and Internal Audit as the guarantors of the Internal Control and Risk Management System (assurance).

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

- a constant information flow between the different parties involved in the ICRMS;
- participation of the various parties concerned in joint meetings for discussion of ICRMS-related issues;
- dissemination of the Internal Audit reports to the various ICRMS parties;
- circulation of the minutes, the work files and reports of the Chairman of the Audit, Risk & Sustainability Committee to the Chairman of the Board of Statutory Auditors and of the Supervisory Committee

11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

11.1. Conflict of interests

The Company's Board of Directors did not deem it necessary to adopt special operating solutions suitable to facilitate the identification and adequate handling of situations in which a Director is the bearer of an interest on his or her own behalf or on behalf of third parties. The Board found that current rules and procedures implemented pursuant to the provisions of Article 2391 of the Civil Code ("Directors' Interests") are amply adequate insofar as they require each Director to *"notify all the other Directors and the Board of Statutory Auditors of any and*

all interests that he or she may bear, on his or her own behalf or on behalf of third parties, in any transaction effected by the Company, specifying the nature, terms, origins and extent of any and all such interests." As a result, the company adopts from time to time any and all measures it deems fit in such regard, in compliance with applicable regulations (including, without limitation, the disqualification from voting on matters pertaining thereto, or requesting to leave the meeting while the relevant resolution is being taken).

11.2 Related Party Transactions Procedure³¹

The purpose of the Procedure, as also specified in the Code of Ethics, is to ensure the transparency and the substantive and procedural propriety of any Related Party Transactions, with a view to safeguarding the company's higher interests. As a general rule, the said transactions may be concluded only when strictly necessary in the company's interest, without prejudice to the foregoing provisions. The Procedure indicates the rules for evaluating the moderately and highly significant transactions undertaken directly by Brembo or through subsidiaries and

establishes the organisational safeguards and information flows deemed fit to ensuring that the competent bodies enjoy complete, timely access to all information useful in evaluating such transactions.

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

³¹ Adopted on 12 November 2010, in accordance with Consob Regulations (Resolution No. 17221 of 12 March 2010 and Resolution No. 17389 of 23 June 2010), in light of the unanimous and favourable opinion of the Audit & Risk Committee (appointed for that purpose, being composed of three Independent Directors).



Brembo has assessed the impact of legislative Decree No. 49 of 10 May 2019 which transposed into Italian law the Directive EU 2017/828 (the so called “Shareholders’ Rights II”) on related parties and is expecting implementing regulations to be issued

by Consob to implement any necessary amendments to the Procedure (reference legislation — Legislative Decree 49/2019, Article 1).

Main aspects of the Related Party Transactions Procedure

Related Party Transactions Committee	This function is performed by the Audit, Risk & Sustainability Committee, as it consists of three non-executive and independent Directors.
Scope of Application	<p>Parties set forth in Attachment 1 to the Consob Regulations (which refers to IAS 24 at the date of publication of Regulations):</p> <ul style="list-style-type: none"> • Brembo S.p.A.’s Directors, both executive or non-executive; • Acting Auditors; • Key Management Personnel (in the case of Brembo: Chairman, Executive Deputy Chairman, CEO of Brembo S.p.A.); • close members of the family of Directors and Acting Auditors, who could influence, or be influenced by, that individual in their dealings with Brembo; • Entities in which one of the individuals or entities mentioned above exercises sole or joint control or significant influence, or in which the said individual or entity directly or indirectly holds a significant stake bearing no less than 20% of the voting rights.
Low Value Transaction Threshold	€250,000 (subject to annual review). This threshold was approved by the Board of Directors on 11 May 2017, inasmuch as it was decided that transactions below said threshold cannot constitute a risk for the Company.
Moderately Significant Transaction Thresholds	Transactions whose value ranges from €250,000 and the Highly Significant Transaction threshold.
Highly Significant Transaction Thresholds/Indices	Identified on the basis of the last Financial Statements, subject to annual review in accordance with the financial statements results approved by the General Shareholders’ Meeting. The last update was made by the Board of Directors on 8 May 2018 based on 2017 Financial Statements data.
Exclusions / Exemptions	<p>Resolutions (other than those passed pursuant to Article 2389, paragraph 3, of the Civil Code) concerning the remuneration of Directors and Members of Committees with special tasks, as well as Key Management Personnel, inasmuch as such resolutions also involve the Remuneration & Appointments Committee, which consists solely of non-executive Directors and a majority of Independent Directors. For instance:</p> <ul style="list-style-type: none"> • Remuneration of BoD and Board of Statutory Auditors; • Remuneration of Key Management Personnel; • Remuneration Policies; • Stock option plans. <p>Low Value Transactions. Ordinary Transactions (as per Consob’s definition). Intercompany Transactions, including exclusively intra-Group transactions or transactions with or among subsidiaries and associates which carry out activities — as per their respective company’s objects — similar to those of Brembo S.p.A.</p>

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

approval procedures, consistently with the Guidelines set forth by the procedure adopted by Brembo S.p.A.

In addition, the Company periodically requires local senior

personnel/high-level executives (other than Directors and Statutory Auditors) and/or those with the power to bind the Company in relations with third parties and/or who by virtue of their function/role are required to engage in relation with public offices, to report entities or persons related to them who might,

even in the abstract, give rise to conflicts of interests between the Company's activities and personal and family economic activities, in order to prevent situations in which a conflict of interest may arise or that may interfere with the ability to make decisions impartially in the Company's best interest.

11.3. Activities of the Related Party Transactions Committee carried out in 2019³²

During the meetings held in 2019 (25 February 2019, 3 May 2019, 23 July 2019, 28 October 2019, 12 December 2019) the Audit, Risk & Sustainability Committee in its capacity as Related Parties Transactions Committee:

- was regularly updated regarding Brembo's List of Related Parties;
- received ongoing information on 'Ordinary' Related Party Transactions carried out both at arm's length and otherwise, with Brembo Group companies, and considered as 'exempt' from the application of the procedural arrangements provided for in the Brembo Procedure;
- at the meeting of 3 May 2019, examined the company's proposals and expressed its favourable opinion on the update of the Significance Indices for the identification of Highly Significant Transactions on the basis of data from the 2018 Financial Statements, and confirmed the amount of €250,000.00 as the 'threshold' for determining Low Value Transactions.

Moreover, the Committee held three meetings (duly recorded in the minutes) to examine specific matters concerning related party transactions:

- **Meeting held on 3 May 2019** (held jointly with the Remuneration & Appointments Committee): the Audit, Risk & Sustainability Committee was informed of Andrea Abbati Marescotti's decision to leave its role for personal reasons and the ensuing appointment of Daniele Schillaci. On that occasion, the Committee conducted an advance examination of the proposals concerning the Leaving Package of the previous Chief Executive Officer (Andrea Abbati Marescotti) and the content of the Remuneration package of the new

Chief Executive Officer for the issue of an opinion on the adequacy and correctness of the related conditions, in view of their review and approval by the Board of Directors.

- **Meeting of 21 June 2019** (meeting held jointly with the Remuneration & Appointments Committee): the Audit, Risk & Sustainability Committee examined and assessed the following for the purposes of formulating proposals to be submitted to the Board of Directors (in view of the General Shareholders' Meeting of 29 July 2019):
 - modifications to the remuneration package for the Executive Deputy Chairman, as well as modification to the overall remuneration to be allocated to the BoD and its allocation to the members of the BoD for the purposes of the issue of the opinion, in view of examination and approval by the BoD;
 - the key elements of the settlement agreements between the Brembo Group's companies and the Termigas Group's companies (under composition with creditors procedure);

for the issue of an opinion on the adequacy and correctness of the related conditions, in view of their review and approval by the BoD.

- **Meeting of 26 July 2019:** the Audit, Risk & Sustainability Committee examined and assessed the contents of the settlement agreements between the companies of the Brembo Group and the Termigas Group (in composition), prior to the formalisation of the Irrevocable Offers to be submitted for the prior approval by the competent bodies of the Termigas composition with creditors procedure.

³² Adopted on 12 November 2010, in accordance with Consob Regulations (Resolution No. 17221 of 12 March 2010 and Resolution No. 17389 of 23 June 2010), in light of the unanimous and favourable opinion of the Audit & Risk Committee (appointed for that purpose, being composed of three Independent Directors).



12. APPOINTMENT OF STATUTORY AUDITORS

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

Composition (Article 22 of the By-laws)	<ul style="list-style-type: none">the Board of Statutory Auditors of Brembo S.p.A. is made up of three Acting Auditors and two Alternate Auditors, all appointed by the General Shareholders' Meeting based on list voting procedures;those who are not in possession of the eligibility, integrity and professionalism requirements laid down by law cannot be appointed as Auditors (and if already appointed shall be removed from their office); the Acting Auditors shall be chosen from persons who qualify as independent under the provisions of the Corporate Governance Code;Auditors are appointed for a term of three years and are eligible for re-appointment; their remuneration is determined by the General Shareholders' Meeting.
List voting (Article 22 of the By-laws)	<p>The lists for the appointment of Statutory Auditors:</p> <ul style="list-style-type: none">must include at least one candidate for the office of Acting Auditor and, in any case, a number of candidates not exceeding the Statutory Auditors to be elected, progressively numbered; each person may be a candidate in one list only, under penalty of ineligibility;the lists containing a number of candidates equal to or greater than three, considering both sections, must include a number of candidates in the Acting Auditors' section such as to ensure that the composition of the Board of Statutory Auditors, in respect of its acting members, complies with the laws and regulations on gender balance from time to time in force, it being understood that where the application of the distribution criterion between genders results in a non integer number, this must be rounded up to the next higher unit. <p>Lists may be submitted by any number of Shareholders who, on their own or together with other Shareholders, represent at least the minimum percentage of shares bearing voting rights at the ordinary General Shareholders' Meeting pursuant to applicable laws and Consob regulations, and at present equivalent to 1% of the share capital. In particular, each Shareholder holding voting rights may submit, directly or through third-party intermediaries or trust companies, a single list of candidates, under penalty of inadmissibility of the list. A single list of candidates may also be submitted by:</p> <ol style="list-style-type: none">Shareholders belonging to a single group, where the latter term is understood to mean a party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and all subsidiaries controlled by, or under the common control of, that same party;Shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of TUF;Shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and regulatory framework. <p>The lists of candidates, duly signed by the Shareholders submitting the same, or the Shareholder delegated to make the submission, together with all the other related documents as required under the By-laws, must be filed with the Company's registered offices at least 25 calendar days prior to the scheduled date of the General Shareholders' Meeting at first calling and public disclosure must be made both on the Company's website and at its registered offices, in the manner and form specified under statutory and regulatory provisions, at least 21 calendar days prior to the scheduled date of the General Shareholders' Meeting.</p> <p>On 21 April 2016, the General Shareholders' Meeting of Brembo S.p.A. approved the inclusion of the provisions of Article 126 of TUF in the statutory instructions concerning the submission of lists for the appointment of the Board of Statutory Auditors. According to these provisions:</p> <ul style="list-style-type: none">the lists submitted are also valid for any callings of ordinary sessions of the General Shareholders' Meeting after the first, even if a new notice of calling is published;in such cases, Shareholders may submit new lists, and the terms provided for in Article 147-ter of TUF (25 days for submission and 21 days for public disclosure) are reduced to 15 and 10 days, respectively.
Election (Article 22 of the By-laws)	<p>For the purposes of election of the Board of Statutory Auditors, the majority list elects two Acting Auditors and one (1) Alternate Auditor; consequently, the first two candidates for Acting Auditor and the first candidate for Alternate Auditor presented on that list are elected. The following are elected from the list with the second-highest number of votes, considering the sequential order in which the candidates are indicated on the list: (a) the first candidate for Acting Auditor, who will also be elected Chairman of the Board of Statutory Auditors, and (b) the first candidate for Alternate Auditor, where available, failing which, the first candidate for Alternate Auditor on the next list by number of votes will be elected to that position.</p>

13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

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

a group of Asset Management Companies and other institutional investors (holding 0.523% of the share capital, overall). Pursuant to Article 22 of the By-laws, the following Statutory Auditors were elected from the minority list:

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

13.1. Composition of the Board of Statutory Auditors

Board of Statutory Auditors - Composition at 31 December 2019

BOARD OF STATUTORY AUDITORS										
Office held	Name and surname	Year of birth	Date of first appointment ¹¹	In office from	In office until	List ²	Indep. as per Code	Attendance to Board of Statutory Auditors' meetings in 2019 ³	Attendance to Board of Directors' meetings in 2019 ⁴	Weight of other offices held ⁵
ACTING AUDITORS										
Chairwoman	Raffaella Pagani	1971	29.04.2014	20.04.2017	Approval of the Financial Statements at 31.12.2019	m	x	100%	90%	4,71
Acting Auditor	Alfredo Malguzzi	1962	20.04.2017	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	x	100%	90%	N.A. ⁶
Acting Auditor	Mario Tagliaferri	1961	20.04.2017	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	x	100%	100%	4,51
ALTERNATE AUDITORS										
Alternate Auditor	Myriam Amato	1974	29.04.2014	20.04.2017	Approval of the Financial Statements at 31.12.2019	m	x	-	-	-
Alternate Auditor	Marco Salvatore	1965	29.04.2014	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	x	-	-	-
TOTAL NUMBER OF MEETINGS										
Number of meetings held during the year of reference				2019		Board of Statutory Auditors: 10		Board of Directors: 10		

NOTES

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

² This column shows the list from which each Auditor was elected ("M": majority list; "m": minority list, submitted by a group of shareholders representing 0.523% of share capital).

³ This column shows the percentage of Board of Statutory Auditors' meetings attended by Statutory Auditors in 2019 (No. of meetings attended/No. of meetings held by the Board during the Auditor's actual term of office); preparatory meetings and induction sessions are not included.

⁴ This column shows the percentage of Board of Directors' meetings attended by Statutory

Auditors in 2019 (No. of meetings attended/No. of meetings held by the Board during the Statutory Auditor's actual term of office).

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

⁶ Pursuant to Article 144-*terdecies*, paragraph 2, it should be noted that the maximum number of positions held shall not apply to Auditor Alfredo Malguzzi, as he is member of the Supervisory body within one issuer only (Brembo S.p.A.).



Professional Profile of the Statutory Auditors

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

RAFFAELLA PAGANI

Chairwoman

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

ALFREDO MALGUZZI

Acting Auditor

Born in 1962 in Lerici, Italy, he earned a degree in Business Administration, with a specialisation in self-employed accounting services, from Luigi Bocconi University; he is a member of the Milan Accountants Association and is registered with the Register of Auditors (section B). Areas of activity: tax and corporate consultancy, with a specialisation in M&A tax and corporate aspects, private equity, venture capital, IPOs,

international taxation, the tax treatment of share-based incentive plans and tax litigation. He is a published author of works on tax matters. He sits on the boards of directors of Borgo Scopeto e Tenuta Caparzo S.r.l., Società Agricola, First Course ss, and LaGare S.p.A., as well as on the boards of statutory auditors of BNL Leasing S.p.A., BNP PARIBAS Lease Group S.p.A., Brembo S.p.A., Cubogas S.r.l., IES Biogas S.r.l., and Snam 4 Mobility S.p.A.

MARIO TAGLIAFERRI

Acting Auditor

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

In accordance with the provisions of the Corporate Governance Code, the Board of Statutory Auditors assesses the independence of its members at the first appropriate meeting following their appointment, as well as on an annual basis during preparation of this Report. With reference to the independence requirements of Statutory Auditors, the Board has adopted the same criteria as those defined in the Corporate Governance Code for Directors. The results of the checks are submitted to the Board of Directors which discloses the same, following

the appointment of the members of the Board of Statutory Auditors, through a press release disseminated to the market and thereafter within this Report.

Satisfaction of these requirements was verified most recently during the meeting held on 25 February 2020, when the respective statements issued by the Statutory Auditors were analysed and assessed, and it was confirmed that all members of the Board of Statutory Auditors satisfy the integrity, professionalism and independence requirements laid down

by the law and Brembo's Corporate Governance Code, which has endorsed the independence requirements set forth in the Corporate Governance Code. With regard to the maximum number of positions held at other companies, the Company assessed the Statutory Auditors' compliance both upon their

appointment and, subsequently, on the basis of the statements of each member of the Board of Statutory Auditors issued pursuant to Attachment 5-*bis* to the Rules for Issuers. The outcome of the checks for the year 2019 is given in the table on page. 63.

13.2. Board of Statutory Auditors' Diversity Policies and Criteria and ensuing application

When company boards were renewed for the period 2017-2019, the outgoing Board of Directors expressed its position to the Shareholders on the managerial and professional figures deemed as key or relevant, to be valued together, and therefore in the lists of candidates for the Supervisory Body in order to ensure adequate diversity of the members of the Governing Body pursuant to Article 123-*bis*, paragraph 2, letter d-*bis*, of TUF.

It should be noted that, in addition to the applicable statutory and regulatory requirements, by updating Brembo S.p.A.'s Corporate Governance Code on 7 November 2018, the Board of Directors also approved diversity-based criteria, including related to gender issues, in addition to those established by applicable laws and regulations. These criteria aim at ensuring the composition of a governing body that is adequate to the Group's size, positioning, complexity and the specific nature of its business sector and strategies.

ADDITIONAL DIVERSITY CRITERIA FOR THE COMPOSITION OF THE BOARD OF STATUTORY AUDITORS (Article 8, Paragraph 3, of Brembo S.p.A.'S Corporate Governance Code)

GENDER	<ul style="list-style-type: none"> • minimum quota reserved to the less represented gender determined in accordance with the laws and regulations in force at the time of approval³³.
PROFESSIONALISM	<ul style="list-style-type: none"> • Record of honouring shared ethical principles³⁴. • Overall experience of at least three years in professional or academic endeavours closely related to the Company's business. • Governance or control activities or executive or managerial duties in listed or medium-large enterprises in closely related sectors and of the size of Brembo for a suitable period. • Knowledge of business mechanisms, strategies, risk assessment and management techniques. • Understanding of the dynamics of the global financial system.
PERSONAL APTITUDES	<ul style="list-style-type: none"> • Sufficient time available in view of the complexity of the assignment. • Full understanding of the powers and obligations inherent in the position and the functions to be performed. • Collaboration, involvement and ability to influence (knowing how to instil and contribute to professionalism and the development of opinions and taking a part in resolving conflicts).

In the self-assessment process of the Board of Statutory Auditors, carried out during the meeting held on 25 February 2020 (the content of which is illustrated in paragraph 13.5 below), it was found that:

- all statutory auditors meet the qualitative and quantitative

Additional Criteria set out in New Article 8.C.3 of Brembo S.p.A.'s Corporate Governance Code;

- at least one third³⁵ of its members consists of the less-represented gender.
- from a qualitative perspective, the control body is composed

³³ For the three-year term 2017-2019, the Golfo-Mosca Law applies: 1/3. For the three-year term 2020-2022, the 2020 Budget Law applies: 2/5, it being understood that where the application of the distribution criterion between genders results in a non integer number, this must be rounded down to the next lower unit.

³⁴ See Brembo's Code of Ethics.

³⁵ Minimum quota for the less-represented gender in the bodies of listed companies, pursuant to Articles 147-ter, paragraph 1-ter, 147-quater, paragraph 1-*bis*, and 148, paragraph 1-*bis*, of Legislative decree No. 58 of 24 February 1998 (Consolidated Law or TUF) as introduced through Law No. 120 of 12 July 2011 (Golfo-Mosca Law), in force at the date of appointment of the Board of Statutory Auditors in office.



of individuals deemed to possess adequate professional characteristics, with varied, diversified skills, strong experience in the Company's sector of operation, awareness of their powers and obligations, capable of devoting time and resources adequate to the complexity of their positions and who orient their actions to the pursuit of the company's overall interest;

- professional refresher training: members of the control body attend conventions and training courses, some organised by the relevant professional associations, including in accordance with provisions on ongoing professional training;
- the adequacy of appointment processes and selection criteria are governed by the By-laws and the Regulations for Shareholders' Meetings adopted by the Company, clearly and transparently, avoiding references to or citations of agreements, organisations or entities external to the Company.

The Company acknowledged the amendment introduced by Law No. 160 of 27 December 2019 (the 2020 Budget Law), which applies with effect from the first renewal of the governance and control bodies of companies listed on regulated markets after its date of entry into force, i.e. after 1 January 2020, Article 1, paragraphs 302-303, of which provides for:

- the three terms of office (as originally set out in the Golfo-Mosca Law) to be extended to a longer term of six terms of office (without however specifying whether the latter includes the first three already spent or not);
- at least 2/5 (no longer at least 1/3) of the members of the relevant governing or control body to be reserved for the less represented gender, it being understood that where the application of the distribution criterion between genders results in a non integer number, this must be rounded down to the next lower unit.³⁶

13.3. Board of Statutory Auditors' Duties and Activities

The Board of Statutory Auditors discharges the supervisory duties entrusted to it under applicable laws and regulations and supervises compliance with the law and By-laws, observance of the principles of sound management and, in particular, the adequacy and the material operation of the organisational, administrative and accounting structures adopted by the Company, as well as the concrete approach to implementing the corporate governance rules set forth in applicable laws. The Board of Statutory Auditors also monitors the independence of the Independent Auditors³⁷.

The Board of Statutory Auditors has been identified with the "Internal Control and Audit Committee" pursuant to Legislative Decree No. 39/2010 (as amended by Legislative Decree No.

135/2016), which assigns functions of supervision of the financial reporting process, the efficacy of internal control systems, internal auditing and risk management, the statutory auditing of the annual and consolidated accounts and the independence of the statutory auditors.

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

Lastly, the Board of Statutory Auditors reports in relation to its supervisory activities through a specific Report to the General Shareholders' Meeting, drawn up pursuant to Article 153 of TUF, disclosed in conjunction with the Annual Report.

³⁶ The proposal takes account, pending an amendment of the regulations, of Consob Communication No. 1/20 of 30 January 2020), in which the supervisory authority confirms that it will consider the rounding-up criterion provided for in paragraph 3 of Article 144-undecies. 1 ("Gender balance"), of the Consob Regulation adopted by Resolution No. 11971 of 14 May 1999, as amended ("Rules for Issuers"), inapplicable to company bodies composed of three members due to arithmetic impossibility. Accordingly, with regard to the latter, Consob will consider rounding-down to be in line with the new rules, without prejudice to the rounding-up criterion provided for in paragraph 3 of the cited Article 144-undecies.1 of the Rules for Issuers in the case of company bodies composed of more than three members.

³⁷ As required pursuant to Article 2409-bis of the Civil Code, auditing of Company's accounts was entrusted to Independent Auditors, subject to auditing activities regulations set forth for companies with listed shares, as well as to Consob's supervisory activity.

13.4. Activities carried out in 2019

In 2019, the Board of Statutory Auditors:

- performed 10 assessment meetings and attended all the General Shareholders' Meetings and the meetings of the Board of Directors (10 Board of Directors' meetings and 2 General Shareholders' Meetings); in addition, in the person of its Chairwoman, it attended the meetings of the Audit, Risk & Sustainability Committee (7 meetings) and Remuneration & Appointments Committee (4 meetings). The meetings of the Board of Statutory Auditors lasted about 3.5 hours on average;
- participated in thorough inquiries organised by the Company during meetings by way of induction targeted to Directors and Statutory Auditors (further details are provided in paragraph 4.6);
- reported to the Board of Directors on the significant matters indicated in the Independent Auditors' Report pursuant to Articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010, as amended by Legislative Decree No. 135/2016;
- in most cases, held its meetings on the same day as the Audit, Risk & Sustainability Committee and the Supervisory Committee, with a section dedicated to joint discussion of areas of common interest in order to facilitate the exchange of information between parties with significant powers in the field of internal controls;
- constantly received from Directors exhaustive and detailed information on business performance and outlook, operations carried out and the most significant economic, financial and equity transactions performed by the Parent or its subsidiaries, as well as the status of activities and strategic projects underway;
- regularly met and coordinated with the relevant Company's functions (in particular with the Chief Internal Audit, the Manager in charge pursuant to Law No. 262/05, the Head of Risk Management, the Chief Legal & Corporate Affairs Officer) and the Independent Auditors to examine and discuss the issues falling within their respective remit, including the impact arising from the application of the new accounting standards at Group level;
- was regularly informed by the Chief CSR Officer of the materiality analysis process carried out by the Company to define areas of non-financial information of a social and environmental nature deemed important to the Group for the purposes of collecting (through an IT platform — denominated "CSR 365" — based on the GRI and CDP international standards and certified for GRI purposes) and validating data at a global level in order to prepare the Disclosure of Non-Financial Information pursuant to Legislative Decree No. 254/2016;
- supervised the process of awarding contracts for services other than independent auditing on the basis of periodic statements in order to monitor the ratio of auditing fees to fees for other services for the purpose of continuing satisfaction of the independence requirement and so as to maintain an appropriate balance, in accordance with applicable laws and regulations in force;
- received the necessary operational support from the Chief Internal Audit Officer for the execution of its checks, obtained all the Audit Reports and examined the Annual Audit Plan;
- supervised the process of monitoring the system implemented by Brembo S.p.A. and the Group's European companies for the purpose of ensure compliance with Regulation (EU) No. 2016/279 on the protection of personal data (GDPR) and received a copy of the DPO's Annual Report to the Board;
- was constantly updated by the Chief Administration and Finance Officer and the Group's Tax Manager on tax issues, as well as on the progress and status of implementation of the "Tax Control Framework";
- met with the Chief Information Technologies Officer to further analyse the 27001 IT Systems Certification project, which is expected to be concluded in the first half of 2020;
- with the aim of identifying specific risks and monitoring the improvement plans launched by the management, the Board of Statutory Auditors conducted specific inquiries into specific issues, meeting directly with top managers of the Company.

For further information on the activities performed by the Board of Statutory Auditors, reference should be made to the Statutory Auditors' Report included in the 2019 Annual Report.



13.5. Self-assessment process of the Board of Statutory Auditors carried out in 2019

The Board of Statutory Auditors undertook, for the first time in 2018, a self-assessment on its own composition and functioning also in accordance with the “Principles of conduct for the Boards of Statutory Auditors of listed companies” drawn up by Italy’s National Council of Chartered Accountants and Accounting Experts, provision Q.1.1. of April 2018.

In 2019 as well the Board of Statutory Auditors made the said self-assessment and the related results were submitted in the form of a written Report to the Board of Directors, which acknowledged it during the meeting held on 9 March 2020. The activity was carried out through a questionnaire submitted to each of the acting auditors to collect the information necessary and appropriate for the purpose of the self-assessment. The analysis and assessment of the results of the questionnaire and the related discussions were conducted within the framework

of a specific meeting of the Board of Statutory Auditors, as obviously indicated in the related minutes.

The Board of Statutory Auditors of Brembo S.p.A. concluded that it had not identified deficiencies relating to the fitness of its members or the adequate composition and functioning of the Board. In particular, in view of the renewal of the company bodies at the upcoming General Shareholders’ Meeting (23 April 2020), it reiterated its view that constant attention must in any event continue to be devoted to progressively improving its activities in accordance with the company’s increasing size and complexity, including with regard to its general competitive and economic context, and also with regard to the development of the primary and secondary regulations governing listed companies, corporate governance rules and the related best practices.

14. RELATIONS WITH SHAREHOLDERS

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

The management of relations with shareholders and the financial community in general is entrusted to the Investor Relations function, which is under the responsibility of Matteo Tiraboschi, Executive Deputy Chairman. Dialogue with the financial community is maintained in collaboration with the Chief Executive Officer, Daniele Schillaci.

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

The Executive Deputy Chairman and the Chief Executive Officer periodically hold a conference call with the financial analysts who cover the Company following the approval of accounting results by the BoD. The conference call is held in English;

afterwards, a transcript is made available on the Company’s website.

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

All Investors’ requests may be sent to Brembo via the following channels: e-mail ir@brembo.it and phone 035-6052145.

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

For the disclosure and filing of regulated information, Brembo S.p.A. has availed of the Consob-authorised system 1INFO (www.1info.it), managed by Computershare S.p.A.

15. GENERAL SHAREHOLDERS' MEETINGS

The By-laws govern the calling and conduct of the General Shareholders' Meetings as illustrated here below.

Calling of General Shareholders' Meetings	<p>Under Article 10, the By-laws establish that the General Shareholders' Meeting shall be called by the Board of Directors by notice of calling containing an indication of the date, time and venue of the scheduled meeting, the items placed on the agenda, as well as further information required by applicable laws and regulations. The notice of calling shall be published on the Company's website and in compliance with and within the terms set forth by laws and regulations in force at that time.</p> <p>The Ordinary General Shareholders' Meeting must be called by the Governing Body at least once a year within 120 days following the end of the Company's financial year, or within 180 days from such date in the case where the Company is required to draw up consolidated financial statements, or where warranted by specific reasons pertaining to the Company's corporate purpose and structure, such reasons being indicated in the Directors' Report on Operations as per Article 2428 of the Civil Code.</p>
Addition of items to the Agenda and submission of New Motions	<p>Article 10-<i>bis</i> establishes that Shareholders individually or collectively representing at least one fortieth of share capital may submit a written application, according to the terms and conditions set forth in applicable laws and regulations, to add items to the Agenda for the General Shareholders' Meeting, indicating the proposed additional items in the application, or to submit motions on items already on the agenda.</p>
Right to pose questions prior to the General Shareholders' Meeting	<p>The amendments to Brembo S.p.A.'s By-laws, approved by the Extraordinary Shareholders' Meeting of 21 April 2016, introduced a new Article 10-<i>ter</i>, establishing that those entitled to vote during General Shareholders' Meetings may pose questions regarding the items on the Agenda even before the General Shareholders' Meeting, in accordance with the procedures and terms set in the Notice of Calling.</p>
Participation in and representation at the General Shareholders' Meeting	<p>Pursuant to Article 11, also partially amended by the Extraordinary Shareholders' Meeting on 21 April 2016, the voteholders may participate in the meeting and cast their votes provided that the Company has received an appropriate notice certifying their standing, issued by the intermediary participating in the centralised financial instrument management system, by the third trading day prior to the date for which the General Shareholders' Meeting is scheduled (or within other term as provided for under applicable law). Any party entitled to participate in a Shareholders' Meeting may be represented by another person, not required to be a shareholder, through proxy granted pursuant to the procedures prescribed by applicable laws and regulations and indicated in the notice of calling. Proxies may be also granted electronically and notified to the Company by e-mail sent to the certified e-mail address specified in the notice of calling. Proxies may be issued only for a specific General Shareholders' Meeting and shall be valid even for subsequent callings of such General Shareholders' Meeting, pursuant to applicable statutory provisions. The Chairman of the General Shareholders' Meeting shall declare the validity of proxies, and in general, the right to participate in the Meeting.</p>
Quora and resolutions of the General Shareholders' Meeting	<p>Pursuant to Article 13, also amended by the Extraordinary Shareholders' Meeting on 21 April 2016, Ordinary and Extraordinary Shareholders' Meetings are normally held following a single calling. The quorum requirements for constituting a session and passing resolutions set out in applicable current provisions of law shall apply to this end. However, should the Board of Directors deem it appropriate, it may decide that the Ordinary or Extraordinary Shareholders' Meeting be held following multiple callings, expressly specifying this information in the notice of calling. The Ordinary and Extraordinary Shareholders' Meeting at first, second or third calling shall be validly constituted and pass resolutions with majorities established under law applicable case by case.</p>
Documentation of General Shareholders' Meetings	<p>All documentation related to General Shareholders' Meeting, including reports focusing on the items placed on the Agenda and motions raised in respect of the said items, is made available for public consultation at the Company's registered office and on the corporate website, as well as through the authorised data storage system (www.1info.it), within the terms established by current applicable regulations. During the Meeting, Shareholders are provided with the documents regarding items on the Agenda (the relevant Board of Directors' recommendations, as disclosed to the public in accordance with laws and regulations in force) and the Annual Financial Statements. As a general rule, attending Shareholders are provided with the Group's economic and financial highlights and market performance, as well as analyses about trends in the markets in which the Group operates, the state of completion of main investment projects and the business outlook.</p> <p>The General Shareholders' Meeting Regulation designed to regulate the proper and efficient functioning of the General Shareholders' Meetings (most recently updated on 29 April 2011) is available on the website: www.brembo.com, section Investors, For Shareholders, Shareholders' Meeting.</p>



Two General Shareholders' Meetings were held in 2019 (on 18 April 2019 and 29 July 2019). Both were attended by the majority of the members of the Board of Directors and of the Board of Statutory Auditors currently in office.

The notice of calling for the next General Shareholders' Meeting,

convened on 23 April 2020, is available on the Company's website, www.brembo.com, in the section Investors, For Shareholders, Shareholders' Meeting, 2020, from the authorised storage system (www.1info.it), and has been published in summary version in the daily newspaper *Sole24Ore*.

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

16.1. Assignment of sustainability tasks and functions to the Audit & Risk Committee

When appointing the new company officers on 20 April 2017, the Board of Directors assigned responsibility for supervising sustainability issues to the Audit & Risk Committee, resulting in the change of the Committee's name to the Audit, Risks & Sustainability Committee, and its specific duties were updated accordingly. On the basis of the best practices in this area, and in light of the new Legislative Decree No. 254/2016 on the Disclosure of Non-Financial Information, the Company decided to assign this function to the Audit & Risk Committee, considering, among other factors, the related nature of its duties. Said approach will be maintained also in view of the reappointment of the company bodies to occur during the Shareholders' Meeting called to approve the 2019 Financial Statements (23 April 2020)

The tasks and functioning of the Audit, Risk & Sustainability Committee were therefore expanded and incorporated into

a new version of the Regulations, approved by the Board of Directors during its meeting on 20 April 2017. In particular, the main sustainability tasks relate to:

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

See section 9 for information on the Committee's composition and work in 2019.

16.2. Whistleblowing System

With regard to the Internal Control and Risk Management System, the Company has implemented an internal system for employees to report any irregularities or violations of applicable legislation and internal procedures, which already

satisfies the requirements established by applicable laws, the characteristics of which are described in section 10.5, concerning the Organisation, Management and Control Model Pursuant to Legislative Decree No. 231/2001.

17. CHANGES AFTER 31 DECEMBER 2019

There were no changes after 31 December 2019.

18. REMARKS ON THE LETTER FROM CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE OF 19 DECEMBER 2019

The notice sent by the Chairman of the Corporate Governance Committee to all issuing companies and the Annual Report – Seventh Edition – on the state of application of the Borsa Italiana Corporate Governance Code were first circulated to the Executive Directors, Chairwoman of the Board of Statutory Auditors and subsequently examined by the Lead Independent Director together with the Independent Directors during their meeting on 20 January 2020.

In general, a sound level of implementation of the Code by Brembo is reported, thanks to compliance with the provisions of the Corporate Governance Code and the adoption of

appropriate practices. All the four recommendations identified by the Corporate Governance Committee in its letter of 19 December 2019 – (i) sustainability; (ii) quality of the flow of information to board members; (iii) quality of independence assessments; (iv) adequacy of the remuneration of non-executive directors and members of the controlling body – are found to be implemented and improvement activities are being constantly performed in particular with regard to the management of sustainability issues in the company's business and its capacity to pursue value creation in the long term.

Recommendations identified by the Corporate Governance Committee in its Letter of 19 December 2019

IMPLEMENTATION WITHIN BREMBO ALSO ON THE BASIS OF THE 2019 BPE'S RESULTS

Reference within the Report

1. SUSTAINABILITY

The BoD must integrate the sustainability of company activity into the formulation of remuneration strategies and policy, including on the basis of an analysis of the relevance of factors that may affect the generation of value in the long term.

Brembo S.p.A. is constantly committed to creating sustainable value so that it may simultaneously increase its savings and social and environmental value in order to generate positive externalities for the benefit of the whole community.

- The sustainability issue is now fundamental to the Company's strategic decisions. Accordingly, projects, initiatives, etc. are circulated between the various departments at various times during the year so as to establish shared goals and actions.
- The Company has also created a specific committee, the CSR Committee, which is constantly responsible for these issues, reporting thoroughly and precisely on all matters, projects or initiatives to the Audit, Risk & Sustainability Committee and the Board of Directors.
- Starting from 2018, the Company provided for within its remuneration policy a process of 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 (MBO) to be assigned to the Group's top management.
- In 2019, it developed a project for assessing an integrated 'GRC' (Governance, Risk and Compliance) IT system in order to combine risk assessment in areas such as the following in a single assessment tool: Risk Management, Internal Audit, Quality, Environment, Energy, Safety and Health, Compliance (231, 262, etc.) and Sustainability.
- In addition, both internal and external stakeholders (a significant sample of customers and suppliers) were involved in identifying the material topics of the 2019 Materiality Matrix.
- Finally, bearing witness to Brembo's commitment in considering the sustainability as an element central to its strategies is also the fact that the results of the 2019 BPE (prepared by Spencer Stuart, the consultant engaged) show that the Board of Directors is well aware of the importance of matters relating to sustainability, safety and the environment and enjoys a sound level of participation in the initiatives launched by the competent management structure.

Para 1.2
Para 4.7.3



<p>2. QUALITY OF THE FLOW OF INFORMATION TO BOARD MEMBERS</p> <p>Including in regulations for Board proceedings, the Company is required to guarantee adequate management of information flows to the Board of Directors, ensuring that confidentiality needs are safeguarded without compromising the completeness, useability and promptness of information</p>	<p>In order to ensure that pre-session information is timely, complete and adequate, the supporting documentation is:</p> <ul style="list-style-type: none"> • prepared by the Secretary of the Board of Directors, with brief overviews of each subject on the agenda, accompanied by detailed, in-depth reports illustrating the elements to be assessed (in descriptive and numerical terms) required to make the decisions concerned in a fully informed manner; • made available to the Directors and Statutory Auditors at least five days before each meeting through the app “Portale CdA by Brembo” (an application for mobile devices that allows materials to be made available for consultation solely to current Directors and Statutory Auditors, before and during sessions of the BoD, through access with a username and password). <p>The Regulations of the Board of Directors also specify the methods of storing and retrieving documentation, which depend on the confidentiality level assigned to each document.</p> <p>The results of the 2019 BPE indicated a good degree of satisfaction of directors and statutory auditors with the documentation prepared, clear and prompt information, and an appreciated level of precision and punctuality.</p>	<p>Para 4.7.2</p>
<p>3. INDEPENDENCE OF THE DIRECTORS</p> <p>The Committee invites to apply with more stringency the independence criteria defined by the Code and control bodies to monitor the proper application of these criteria. In addition, issuers are invited to devote greater attention to assessing the significance of the relationships subject to assessment. Boards of directors therefore need to formulate the quantitative and/or qualitative criteria to be used to assess the significance of the relationships examined on an ex ante basis.</p>	<p>Brembo's current BoD does not present any cases of failure to apply the independence criteria. The Company defined its own qualitative and quantitative criteria to assess independence both in Brembo S.p.A.'s Corporate Governance Code and the Regulations of the Board of Directors.</p>	<p>Para 4.4</p>
<p>4. REMUNERATION OF NON-EXECUTIVE DIRECTORS AND MEMBERS OF THE CONTROLLING BODY</p> <p>It must be verified that the amount of the remuneration paid to the non-executive directors and members of control bodies is adequate to the competence, professionalism and commitment required by their assignments. To this end, the Committee suggests that reference be made to remuneration practices commonly adopted in sectors and companies of similar size, also having regard, where appropriate, to comparable foreign experience.</p>	<ul style="list-style-type: none"> • 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, including with support from specialists in the field such as Mercer and Willis Towers Watson. • The remuneration of non-executive directors and members of control bodies (with respect to the commitment required and taking account of remuneration practices commonly adopted in the relevant sectors and comparable foreign experience) was found to be adequate to the competence, professionalism and commitment required by their assignment in respect of the three-year term of office 2017-2019. 	<p>Para 8</p>