

**CORPORATE GOVERNANCE
AND OWNERSHIP STRUCTURE REPORT 2018**

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 2018

Approved by the Board of Directors of Brembo S.p.A. on 4 March 2019



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GLOSSARY

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

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/codice2018clean.pdf>

Civil Code: the Italian Civil Code.

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

Financial year: the financial year which the Report refers to, specifically the financial year ended 31 December 2018.

Group: the Brembo Group.

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

Brembo's Corporate Governance Manual: the document defining Brembo's corporate governance rules, fully incorporating the Corporate Governance Code, including the amendments introduced in July 2018. 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: March 2018); 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.

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

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

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

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 4 March 2019 by the Board of Directors of Brembo and available on Brembo's website (www.brembo.com, Company section, Corporate Governance, Corporate Governance Reports).

By-laws: the By-laws of Brembo S.p.A., in the current applicable version, amended by the Extraordinary Shareholders' Meeting of 20 April 2017, available on Brembo's website (www.brembo.com, Company section, Corporate Governance, Governance Documents).

ICRMS: Internal Control and Risk Management System.

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

1. COMPANY PROFILE

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

the search for a unique style, in keeping with the design of the vehicles in which the company's products are used. Lastly, the increasing use of environmentally friendly technologies, recycling of all materials used during production and thorough prevention of all forms of pollution are further evidence of Brembo's commitment to the environment. The Group operates in 15 countries in 3 continents, with a staff of over 10,500, 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. 2018 Report's Main New Contents

This Report, approved by the Board of Directors on 4 March 2019, provides a general description of the corporate governance system adopted by the Group, its ownership structure and details, including of a qualitative nature, 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 Report) and through the authorised storage mechanism (www.1info.it).

NEW CONTENTS 2018

	Paragraph Reference
Company Bodies Diversity Policies and Criteria	Paragraph 1.2 Paragraph 3 Paragraph 4.4 Paragraph 13.2
Statement of Non-Financial Information pursuant to Legislative Decree No. 254/2016	Paragraph 1.2
Professional Profile of the Directors and Statutory Auditors currently in office	Paragraph 4.3. Paragraph 13.1
Succession Plans	Paragraph 4.2
Optimal Composition of the Board of Directors	Paragraph 4.4
Induction Programme	Paragraph 4.6
Description of the Board of Directors' activities in 2018	Paragraph 4.7.3
Description of the Committees' activities in 2018	Paragraph 7 Paragraph 9
2018 Board Performance Evaluation and ensuing results	Paragraph 4.12
Privacy Policy (GDPR compliance)	Paragraph 10.5
Remarks on the Letter from the Chairman of the Corporate Governance Committee of 21 December 2018	Paragraph 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, including those introduced in July 2018, which the Board of Directors incorporated into Brembo's Corporate Governance Code on 7 November 2018, and which were already included in the Regulations of the Board of Directors approved by the latter on 3 March 2017.</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 (Corporate Governance Code's new contents – July 2018)	<p>Article 123-bis, paragraph 2, letter d-bis), of TUF requires that companies provide information on the adoption and implementation results of a board diversity policy, not only in respect of gender, but also of experience, professionalism, age and other relevant aspects.</p> <p>On 3 March 2017, Brembo's Board of Directors had already approved the "Regulations of the Board of Directors", applicable with effect from the Board's 2017-2019 term of office, which provide new criteria, based on as objective a foundation as possible, in addition to those established by applicable laws and regulations. These criteria aim at governing the formation/composition and functioning of the Board of Directors and are deemed adequate to the Group's size, position, complexity and the specific nature of its business sector and strategies. The criteria contained therein, as described in paragraph 4.4, make up the above-mentioned diversity policies for the governing body's composition as provided for by TUF, and coincide with the views expressed by the outgoing Board of Directors, also based on Board Committee's reports, regarding the management functions and professionals to be nominated when appointing the new board members and officers as resolved upon by the General Shareholders' Meeting on 20 April 2017 with a view to ensuring the Board's optimal composition – including in terms of diversity – for the 2017-2019 term of office.</p> <p>Following the publication of the new diversity recommendations introduced to the Borsa Italiana Corporate Governance Code in July 2018, the Board of Directors examined the foregoing criteria (of a qualitative and quantitative nature, as provided for in the Regulation), finding them to be already consistent with the new recommendations.</p> <p>The Board of Directors then approved the amendments to the Corporate Governance Code of Brembo S.p.A. on 7 November 2018, adopting 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. The main changes applied relate to:</p> <ul style="list-style-type: none">• the introduction of (qualitative and quantitative) diversity criteria, not only in terms of gender, with respect to the composition of the Board of Directors, as already defined in the Board of Directors Regulation. These are criteria of as an objective a nature as possible for the composition/formation 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, positioning, complexity, specific industry qualities 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, positioning, complexity, specific industry qualities and strategies. <p>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 Statement 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 Non-Financial Statement;
- interfacing periodically with the Audit, Risks and Sustainability Committee as liaison to the CSR Steering Committee;
- proposing CSR projects and initiatives;
- monitoring outside 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 recommendation 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)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 <http://www.brembo.com/en/sustainability>.

Brembo's first Sustainability Report (2016 edition) was presented to the Shareholders' Meeting held on 20 April 2017 and then published on the Company's website (<https://www.brembo.com/en/sustainability/report-and-presentations>), 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.



**2018 Materiality
Matrix and Statement
of Non-Financial
Information**

Legislative Decree No. 254/2016 transposed European Directive 2014/95/EU, which introduced the concept of non-financial disclosure in the framework of periodic reporting, requiring certain large undertakings to prepare and publish, for each financial year, a statement at the individual or consolidated level containing a series of information on environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters, and on diversity policies as they relate to the criteria for choosing members of Corporate Bodies, with an impact on the company's business and capable of affecting its sustainability in the medium-to-long term. To define the structure and contents of the Statement on Non-Financial Information pursuant to Legislative Decree 254/2016 ("NFS"), Brembo conducted a materiality analysis aimed at identifying 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. This analysis was conducted according to the G4 guidelines published by the Global Reporting Initiative (GRI) and led to the approval of the Materiality Matrix by Brembo's Board of Directors on 18 December 2017, after it was examined by the Audit, Risks and Sustainability Committee. With the support of external consultants, the CSR function prepared internal procedures, also approved at the Board of Directors' meeting of 18 December 2017, with the goal of establishing roles, activities, responsibilities and timescales in the information-gathering and validation process at the global level, as well as in drafting and approving the NFS. It was decided that this Matrix would be valid for three years.

For reporting year 2018, the top management was involved in revising the positioning of the material topics and confirmed the importance for Brembo of the topics already present, while also including water management among its priorities. The Materiality Matrix was reviewed by the CSR Steering Committee on 6 December 2018, audited by the Audit, Risks & Sustainability Committee on 13 December 2018 and then approved by the Board of Directors on 17 December 2018. The Matrix emphasises the topics that Brembo has identified for disclosure in 2018 in its NFS for the said reporting year.

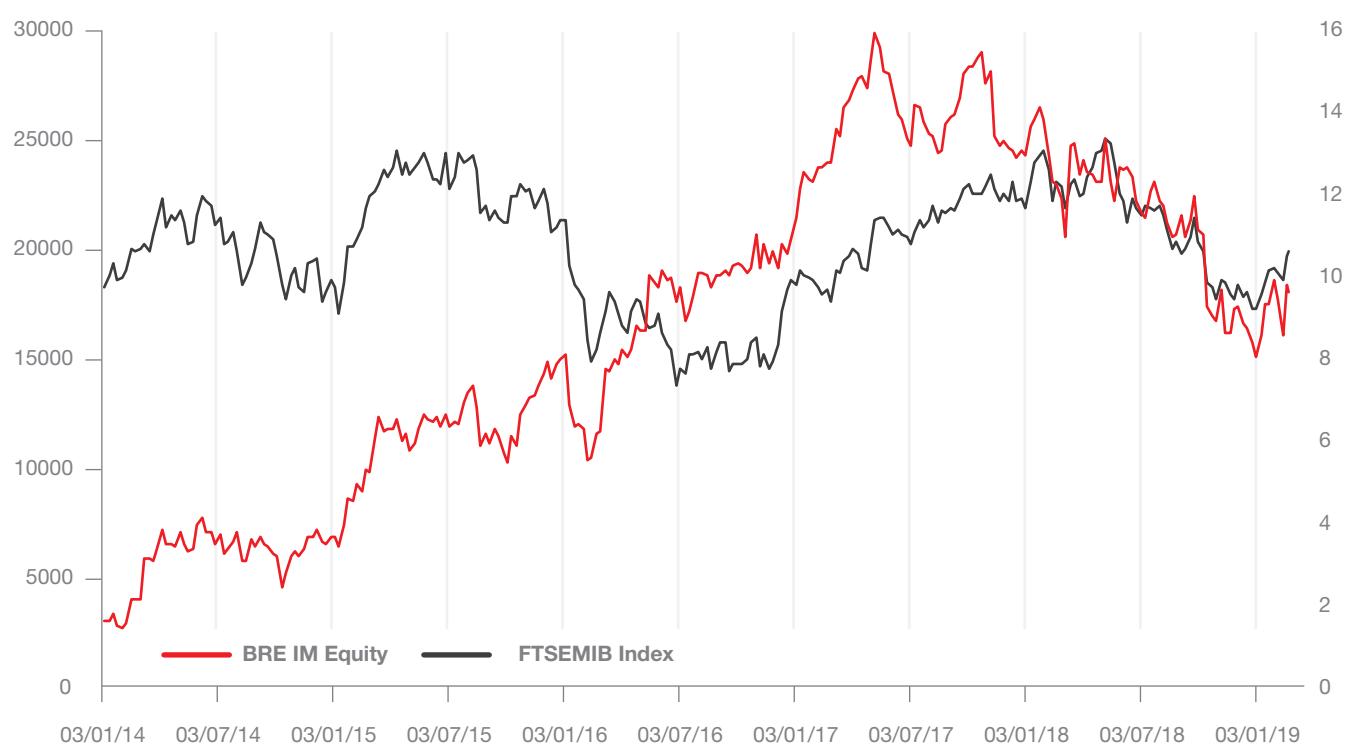
The NFS for 2018 was examined and approved by the Board of Directors of Brembo S.p.A. at its meeting of 4 March 2019, after being examined by the Audit, Risks & Sustainability Committee during its meeting of 25 February 2019, and it was then submitted to the control bodies (Board of Statutory Auditors and Independent Auditors) for the activities within their remit. The NFS was also subject to limited assurance by the same auditing firm commissioned to audit the financial statements (EY), who verified that it conforms to Decree No. 254/2016 and complies with the principles and methodologies of the reporting standard used (GRI). The related report, which is separate from the independent auditors' report, is appended to and published together with the NFS.

1.3. Company Key Highlights

(euro million)	2017	2018	Change
Sales	2,463.6	2,640.0	+7.2%
EBITDA	480.0	500.9	+4.4%
Profit	263.4	238.3	-9.5%
Net financial position	218.6	136.9	-37.4%
Market capitalisation as of 31 December	4,231	2,970	-29,8%
Workforce (headcount)	9,837	10,634	+8.1%

1.4. 2014-2018 Stock Performance

Brembo vs FTSEMIB Index 2014-2018





2. INFORMATION ON OWNERSHIP STRUCTURE AT 31 DECEMBER 2018

2.1. Structure of share capital

Brembo S.p.A.'s subscribed and fully paid-up share capital amounted to €34,727,914 and was divided into 333,922,250 ordinary shares, without nominal value. The total number of shares changed as a result of the stock split effective from 29 May 2017² of the previous 66,784,450 total ordinary shares,

without par value, into 333,922,250 newly issued ordinary shares with the same characteristics as the previously issued ordinary shares, by means of withdrawal of the existing ordinary shares in issue and the assignment of five newly issued shares per each ordinary share withdrawn and cancelled.

Share ownership at 31 December 2018

Feature	Yes/No	Share capital %
Presence of syndicate agreements	No	--
Presence of loyalty shares	No	--
Restrictions on the transfer of securities	No	--
Securities carrying special rights	No	--
Employee share ownership scheme	No	--
Restrictions on voting rights	No	--
Minimum shareholding required for the submission of lists	Yes	1%
Shareholding held by Italian institutional investors	Yes	12.5%
Shareholding held by foreign institutional investors	Yes	31.3%

2.2. Significant shareholdings

Number of ordinary shares outstanding: 333,922,250

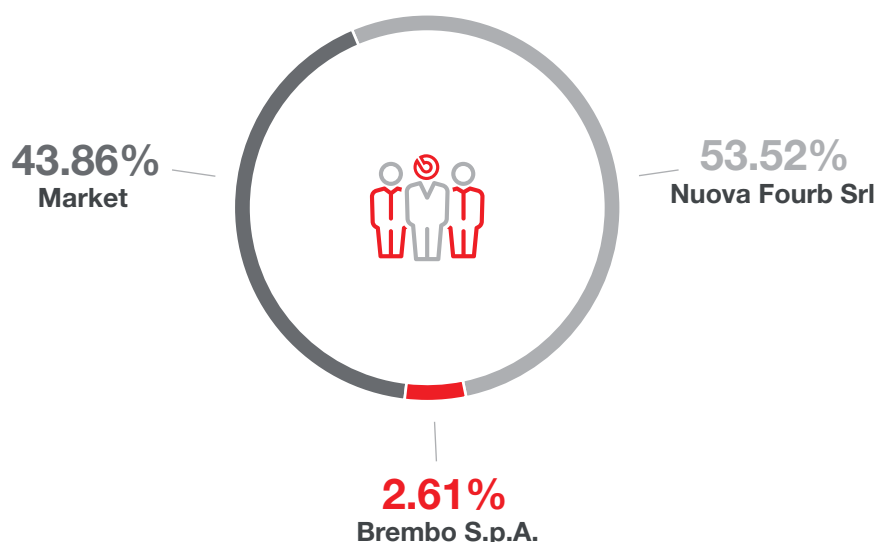
(Figures taken from the Shareholders' Register at 31 December 2018 and included in Consob notices)

	Declarant	Direct shareholder	Nationality	No. of shares	% of share capital with right to vote
1	BOMBASSEI ALBERTO	NUOVA FOURB S.r.l.	ITALIAN	178,723,765	53.523
2		BREMBO S.p.A.	ITALIAN	8,735,000	2.616
3		COLUMBIA ACORN INTERNATIONAL	U.S.	5,509,337	1.650
4		CACEIS BANK SA	FRANCH	4,974,652	1.490
5		GOVERNMENT OF NORWAY	NORWEGIAN	3,486,511	1.044
6		STICHTING BEWAARDER JUNO	DUTCH	2,100,420	0.629
7		VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	U.S.	2,096,199	0.628
8		OPPENHEIMER GLOBAL OPPORTUNITIES FUND	U.S.	2,000,000	0.599
9		BROWN BROTHERS HARRIMAN & CO.	U.S.	1,972,107	0.591
10		KEMPEN INTERNATIONAL FUNDS	LUXEMBOURG	1,960,150	0.587

² The stock split was approved by the General Shareholders' Meeting of 20 April 2017.

Ownership Structure at 31 December 2018

(Figures taken from the Shareholders' Register at 31 December 2018)



2.3. Change of control clauses

In carrying out their business, Brembo and its direct or indirect subsidiaries are involved in 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.

2.4. Power to increase the share capital

In accordance with Article 2443 of the Civil Code, on 29 April 2014 the General Shareholders' Meeting vested the Board of Directors with delegated powers to increase the share capital by issuing new shares no later than 29 April 2019 — on one or more occasions, also in several tranches, pursuant to Article 2439, paragraph 2, of the Civil Code, while excluding the option right pursuant to Article 2441, paragraph 4(2), of the Civil Code — for an overall maximum 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.

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.



2.5. Authorisation to repurchase own shares

After revocation of the previous Resolution dated 20 April 2017, which was not implemented, the General Shareholders' Meeting of Brembo S.p.A. held on 20 April 2018 approved a plan for the buy-back of own shares ending on 20 October 2019. 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, with the concurrent revocation of the previous authorisation granted on 20 April 2017 and never implemented, for a maximum period of 18 months, at a minimum price of no more than 10% below the reference price of the shares during the trading session on the day before each purchase transaction is undertaken and a maximum price of no more than 10% above the reference price of the shares during the trading session on the day before each individual purchase transaction is undertaken, by drawing on unrestricted reserves;
- with reference to the disposal of own shares for a maximum term of 18 months, granting the Board of Directors the power to define, from time to time, all the criteria to set the relevant consideration and/or methods, terms and conditions to use

own shares 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.

At present, the treasury share buy-back programme pursuant to Article 144-*bis* of the Issuers Regulation has yet to be launched.

Own shares in portfolio at 31 December 2018

No. of own shares	% of share capital	Average book value	Total value
8,735,000	2.616%	Euro 1.543	Euro 13,475,897

2.6. Direction and coordination

Brembo S.p.A. is not subject to the direction and coordination of any company or entity pursuant to Article 2497-*bis* of the Civil Code, despite it being controlled by another company. This is because, in accordance with the provisions of the Corporate Governance Code, decisions that result in the following are subject to the collective examination of and exclusive approval by the Board of Directors of Brembo S.p.A., which as of 31 December 2018 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 2018 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. (latest edition: July 2018), 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.

On 7 November 2018, the Board of Directors of Brembo S.p.A. approved and incorporated into its Corporate Governance Code the recommendations introduced by the Borsa Italiana Corporate Governance Code in July 2018 to include further criteria in addition those of gender diversity, already represented in the Articles of Association, for the composition of both the Board of Directors and the Board of Statutory Auditors, 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.

Company Bodies Diversity Policies and Criteria are described at paragraphs 4.4 and 13.2.

As for 2017, 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, *inter alia*, examined the recommendations made by the Governance Committee in its letter of 21 December 2018 sent to issuers, following the publication of the Sixth Report on the Application of the Corporate Governance Code, indicating a sound level of application at Brembo (see paragraph 18).



4. BOARD OF DIRECTORS

4.1. Appointment and replacement of Company Directors

The Company is governed by a Board of Directors made up of 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 5 and a maximum of 11 members (executive and non-executive Directors), who may be re-elected and, unless otherwise resolved by the General Shareholders' Meeting, shall hold office for the period specified in the General Shareholders' Meeting appointment resolution, up to a maximum of three years; they shall expire at the date set for the General Shareholders' Meeting called to approve the Financial Statements for their last year of office, subject to the causes for termination and forfeiture provided for by law and the By-laws; • at least 1 Board member, or 2 members if the Board is made up of more than 7 members, meeting the independence criteria pursuant to laws and the Corporate Governance Code of Borsa Italiana, endorsed by the Company; • Its composition must reflect gender balance, in accordance with the laws and regulations from time to time in force (amendment to the By-laws of 12 November 2012). <div style="background-color: #f0f0f0; padding: 10px; margin-top: 10px;"> <p>The new Brembo's Corporate Governance Code (approved on 7 November 2018), which incorporates the provisions of the Board of Directors' Regulations (approved on 3 March 2017), establishes additional criteria — of as objective a nature as possible — for the formation of the Board of Directors, so that its composition is suited to the Group's size, positioning, complexity, specific industry and strategies. These criteria also represent and include the diversity policies in the composition of the governing body pursuant to Article 123-bis, paragraph 2, letter d-bis, of the TUF (see paragraph 4.4).</p> </div>
<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 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 the 1% of share capital);
- should only one list be submitted, all the members of the Board of Directors must be drawn from the said list, it being understood that in the event no list is submitted, the General Shareholders' Meeting shall pass related resolutions by majority vote, in accordance with applicable laws and regulations, and provisions concerning gender balance (including the rounding-up to the next higher unit in the event the application of the distribution criterion between genders results in a non-integer number);
- should 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, without prejudice to provisions concerning gender balance and pursuant to applicable laws and regulations; (ii) the remaining seat on the Board shall be awarded to the first candidate on the list that obtained the second highest number of votes and that is not linked in any way, whether directly or indirectly, with the Shareholders who submitted or voted in favour of the list that obtained the highest number of votes.

4.2. Succession plans

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

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

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



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

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

It should be noted that the candidates were nominated on the basis of opinions expressed by the outgoing Board of Directors regarding its size and composition and the types of professionals and managers (number, number of independent

directors, length of term, gender, professional background) and their remuneration, 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.

These opinions, formulated on the basis of the suggestions from the Remuneration and Appointments Committee during the session of 24 February 2017, the results of the 2016 Board Performance Evaluation and the recommendations of the Independent Directors expressed during the sessions of 28 July and 12 November 2016, refer to the criteria set out in the said Board of Directors' Regulation approved on 3 March 2017 (which represent Brembo's diversity policies pursuant to Article 123-bis, paragraph 2, letter d-bis of TUF).

Composition of the Board of Directors and Board Committees at 31 December 2018

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	Esec.	Non exec.	Indep. as per Code	Indep. as per TUF	Attendance rate at 2018 meetings ³	Other offices held ⁴	Member	Attendance rate at meetings ³	Member	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	Andrea Abbati Marescotti	1964	06.06.11 (co-opt.)	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	x				100%						
Director	Cristina Bombassei	1968	16.12.97 (co-opt.)	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				100%						
Director	Barbara Borra	1960	29.04.14	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		x	x	x	88%	1	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	100%	
Director	Umberto Nicodano	1952	03.05.00	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		x			88%	5			x	100%	
Director (LID)	Valerio Battista	1957	20.04.17	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		x	x	x	100%	1					
Director	Gianfelice Rocca	1948	29.04.11	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		x	x	x	75%	10					

No. of meetings held during the year of reference: (2018)

Board of Statutory Auditors: 8

Audit, Risk & Sustainability Committee: 6

Remuneration & Appointments Committee: 1

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 2018 (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 companies listed on regulated markets, including foreign markets, financial companies, banks, insurance companies and large companies. Said information can be obtained from their respective statements.

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.

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 above. The table also specifies the Directors' respective roles within the company, their attendance rate at the Board of Directors'



- meetings held in 2018, their seniority of service, and the number of positions held with other relevant companies;
- at least one-third 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 hereinafter⁵, 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.

Over the years he received several awards, including: the Leonardo "Qualità Italia" Award bestowed on him in 2003 by Italian President Carlo Azeglio Ciampi for having brought Italian craftsmanship to the world; the "Amerigo Vespucci" Prize in 2007 for contributing to the development of Italy-Brazil relations; the "ASFOR alla Carriera" prize in 2008; the "Premio Tiepolo 2012" bestowed on him by the Italian Chamber of Commerce and Industry for Spain and the Chamber of Commerce and Industry of Madrid; the Ernst & Young Prize as "Entrepreneur of the Year 2012"; the "Transatlantic Award 2014" given to him by the American Chamber of Commerce in Italy for the investments to expand the plant in Homer, Michigan; the Leonardo Award, given to him in March 2017 by Italian President Sergio Mattarella for his significant contribution to the promotion of Italy in the world; and the Falck Prize, conferred on him in October 2017 by AIDAF, the Italian Association of Family Businesses, to recognise Brembo's extraordinary results. Dekra Road Safety Award 2018 for his significant action and documented results in road safety research.

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

⁵ <https://www.brembo.com/en/company/corporate-governance/governing-boards-and-committees>

Economics and Business from the University of Bergamo, and after being admitted to the Bergamo Accountants Association and the Register of Statutory Auditors in 1995, he began his career at the Milan offices of a major auditing firm, where he remained for approximately four years. He then went into private practice for ten years as a Certified Public Accountant specialising in restructuring of companies undergoing a crisis situation, bankruptcy proceedings, taxation and corporate matters, while also serving as Director and Statutory Auditor in various companies. He has served as Director of two Italian SPACs and he has been a member of the Board of Directors of Milan Polytechnic since January 2017.

ANDREA ABBATI MARESCOTTI

Chief Executive Officer

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

CRISTINA BOMBASSEI

Director in charge of the Internal Control & Risk Management System

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

She is a Director of Kilometrorosso S.p.A., as well as Vice President of Confindustria Bergamo in charge of Education. In 2018, she was included in the list of "100 successful Italian women" drawn up by Forbes.

GIOVANNI CANAVOTTO

Executive Director

Born in Brescia in 1951, after completing the secondary school (classical studies), he obtained a university degree in Electrotechnical Engineering in Padua and was admitted to the professional association. He is a member of the Bergamo Engineers Association. In 1978, he joined SACE Brown Boveri, a leading designer and manufacturer of low and medium-voltage circuit-breakers and switchboards, where he served in important roles instrumental for his professional development, in particular with regard to Quality (Quality Assurance and Total Quality) and Project Management. He joined Brembo in 1985. As the Group's Quality and Environment Director, he set up the company's Quality and Environment System, defining its system of procedures (Quality and Environment Manual) and led the company to obtain certification from all major customers and ISO. In 2000, he served in management and business development roles at the worldwide level at various units of the Group, including, in particular, the Commercial Vehicles Business Unit and Discs Division. He has been Chief Operating Officer of the Car and Light Commercial Vehicles Braking Systems Division since 2014. He became a member of the Board of Directors of Brembo 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 and 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 in Electronic Engineering from the University of Bologna, she also earned a master's degree in Business Administration from Milan Bocconi and is a member of the International Advisory Board of SDA Bocconi

NICOLETTA GIADROSSI

Independent Director

A Director of Brembo S.p.A. since April 2017, she is currently also a member of the boards of directors of Fincantieri S.p.A., Cairn Energy Plc and IHS Markit Ltd, 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 Valentino S.p.A., where he is President.

GIANFELICE ROCCA

Independent Director

He is Chairman of the Techint Group, which includes the companies Tenaris, Ternium, Tenova, Techint E&C, Tecpetrol and Humanitas. A recognised global leader in the iron and steel, energy and infrastructure sectors, last year the Group reported annual revenues of 18.5 billion dollars and a headcount of approximately 55,400. In the 1990s, he founded the Humanitas Clinical Institute, a general hospital among the most renowned in Europe: an international centre of research, teaching and case management Harvard University. From June 2013 to June 2017, he was President of Assolombarda, the largest territorial association of entrepreneurs in Italy. For eight years — from May 2004 to May 2012 — he was Vice President of Confindustria in charge of Education, and from June 2012 to June 2016 he was a member of the Executive Board of EIT (the European Institute

of Innovation and Technology). He is currently an honorary member of the Italian Institute of Technology and sits on the Scientific Committee of the Milan Polytechnic Foundation. He has been a member of the Boards of Directors of the Luigi Bocconi Business School since November 2014 and of LUISS University since September 2016. In July 2017, he was named a member of the Board of Directors of the Leonardo Da Vinci National Museum of Science and Technology Foundation. In Italy, he sits on the Boards of Directors of Allianz S.p.A., Brembo S.p.A. and Buzzi Unicem S.p.A. and is also a member of the Advisory Board of Milan Polytechnic. 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 Advisory Board of Allianz SE, the European Advisory Board of the Harvard Business School, the International Cancer Center Board of Advisory of Beth Israel Deaconess Medical Center,

and, finally, a member of the Trilateral Commission and ERT (European Round Table of Industrialists). Active in social and charity initiatives, he is Chairman of the Fondazione Rocca and the Fondazione Fratelli Agostino ed Enrico Rocca. 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, the President of the Italian Republic, Giorgio Napolitano, awarded him the “2009 Leonardo Prize” for his contribution to the strengthening of the Italian international expansion in the steel, energy and infrastructure industries. In 2018 he was awarded the honorary title of “Commendatore” by President of the Italian Republic Sergio Mattarella for his dedication and contribution to Italy’s economy. 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

On 3 March 2017, Brembo’s Board of Directors had already approved the “Regulations of the Board of Directors”, applicable with effect from the Board’s 2017-2019 term of office, which *inter alia* defined 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 were adequate to the Group’s size, position, complexity and the specific nature of its business sector and strategies.

These criteria, 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.

They are also consistent with the new recommendations on diversity introduced by the Borsa Italiana Corporate Governance Code in July 2018. Following a review of the changes concerned, it was determined that Brembo, by approving its Board of Directors’ Regulation in March 2017, had already introduced and adopted diversity criteria, not only in terms of gender, for the composition of its Board of Directors with the aim of ensuring that its members possess adequate competency and professionalism. Accordingly, on 7 November 2018 the Board of Directors of Brembo S.p.A., believing these criteria already to be consistent with the Borsa Italiana recommendations, incorporated them into the Brembo S.p.A. Corporate Governance Code.



**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 features

AGE	<i>Independent Directors:</i> a maximum age of 70 and a minimum age of 35 (at the date of submission of the lists).
OVERALL NUMBER	11
No. OF NON-EXECUTIVE DIRECTORS	At least 7.
No. OF INDEPENDENT DIRECTORS	At least 5.
No. OF MINORITY DIRECTORS	At least 1 (or more than 1, where required by the By-laws).
GENDER	Percentage of seats reserved to the less represented gender in accordance with applicable legislation.
ALTERNATION	Change of a maximum of three Directors each time the Board is elected, in order to ensure continuity of management, while also providing an incentive for the progressive re-election of Directors.
SENIORITY OF SERVICE	<i>Independent Directors:</i> persons who have already served three terms on the Company's Board of Directors cannot stand as candidates for the office of Director.
NO CROSS-DIRECTORSHIPS	<i>Executive Directors:</i> they cannot be directors of another company (not belonging to the same Group) of which a company director is the Chief Executive Officer.

Qualitative features

SKILL SET <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.
HARD SKILLS <i>Professionalism</i>	<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.
SOFT SKILLS <i>Personal aptitudes</i>	<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 4 March 2019, after having heard the Remuneration & Appointments Committee convened on 25 February 2019, it was assessed whether the current Board met/continued to meet the above requirements⁶.

Based on these criteria, the Board of Directors currently in office⁷ 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, the By-laws and the recommendations of the Corporate Governance Code.

All the above is borne out by the findings of the 2018 Board Performance Evaluation (discussed in detail in section 4.12 below), which were examined during the Board session of 21 January 2019, and also takes account of the evaluations expressed with regard to individual positions by the

Remuneration & Appointments Committee during its meeting of 25 February 2019.

The Directors emphasised that the Board of Directors is formed of individuals of high personal and professional standing and also confirmed that the size of the Board of Directors is adequate and allows work to be performed effectively, adding quality to the debate. In particular, it was found that:

- at least one-third of the Board of Directors consisted of the less-represented gender;
- the composition of the Board of Directors is 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, represents a fundamental requirement for effective, competent management of the business.

⁶ These criteria are set out in the Brembo S.p.A. Board of Directors' Regulation approved on 3 March 2017 and were incorporated into the Brembo S.p.A. Corporate Governance Code on 7 November 2018; they also take account of Brembo's diversity policies pursuant to Article 123-bis, paragraph 2, letter d-bis) of TUF and the diversity criteria laid down in the new Borsa Italiana Corporate Governance Code.

⁷ 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.



Optimal combination of professional skills and managerial expertise for the three-year period 2017-2019

	Director	Age	Gender	Ex.	Non-ex.	Indep.	ARSC	RAC	Strategy	Experience in the field	Finance	Legal/ Risk Management	International background
1	Alberto Bombassei	78	M	X					X	X		X	X
2	Matteo Tiraboschi	51	M	X					X	X	X	X	X
3	Andrea Abbati Marescotti	54	M	X					X	X	X	X	X
4	Cristina Bombassei	50	F	X						X		X	X
5	Giovanni Canavotto	67	M	X					X	X			X
6	Barbara Borra	58	F		X	X	X	X	X		X		X
7	Laura Cioli	55	F		X	X	X		X		X	X	X
8	Nicoletta Giadrossi	52	F		X	X	X	X	X		X	X	X
9	Umberto Nicodano	66	M		X			X	X		X	X	X
10	Valerio Battista	61	M		X	X			X	X	X	X	X
11	Gianfelice Rocca	70	M		X	X			X	X	X	X	X

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 the new Brembo's Corporate Governance Code (as approved on 7 November 2018).

The said documents provide as follows with regard to concurrent positions:

- 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 2018, 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 17.

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.

INDUCTION SESSIONS IN 2018 – Second year of term of office

The induction sessions for 2018 (the second year of the current Board's term of office) focused on exploring the topics emphasised by the Directors and Statutory Auditors themselves during the 2017 Board Performance Evaluation. The sessions

were conducted directly by the Chief Operating Officers and Chief Central Department Officers, as summarised in the following table

Induction Programme	Number of sessions	Activities Description
2018 Thorough inquiries during sessions of the Board	4 (1,5 hours each)	<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

4.7. Role of the Board of Directors

In order to ensure a transparent account of the functioning the Board of Directors and its committees, the following paragraphs contain a detailed description, including qualitative information, of the activities 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 2018, the Board of Directors met on eight occasions, according to the company calendar published. The average length of meetings was 3.5 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 during the year was high, as shown in the table reproduced on page 17. The heads of the company functions responsible for the various items on the agenda were regularly invited to participate in the meetings of the Board of Directors, providing — on the invitation of the Chairman and Executive Directors — appropriate clarification of the matters under discussion.

2019 Meeting Calendar

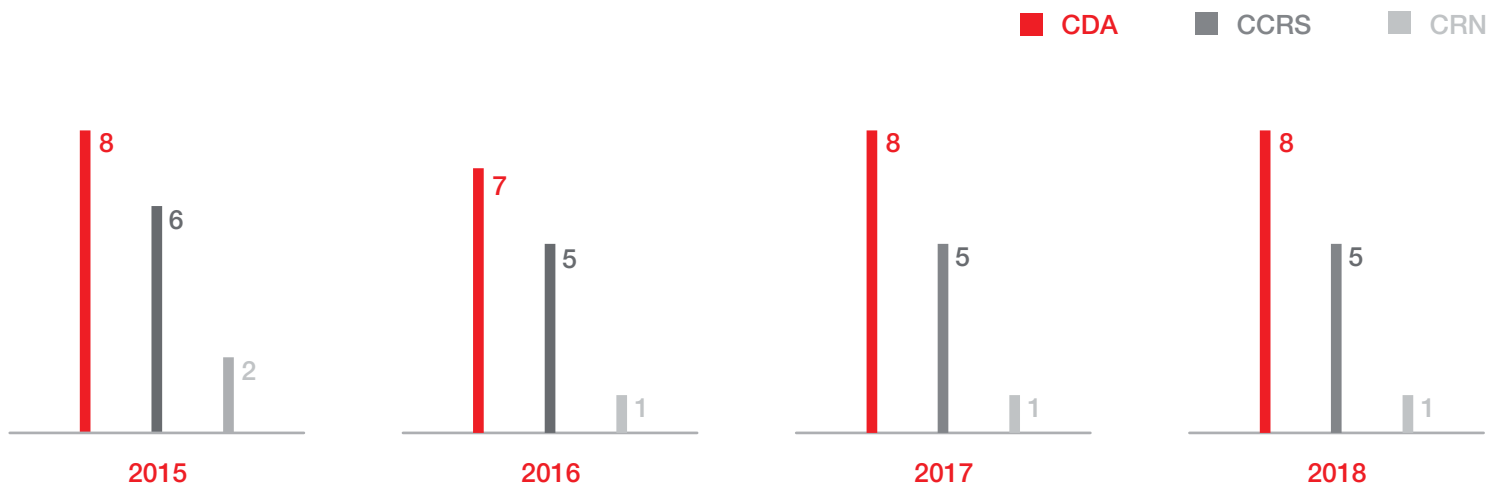
The 2019 calendar approved by the Board of Directors on 7 November 2018 and then published calls for four meetings to

review interim financial data. These were in addition to ad hoc meetings, such as that called to review the strategic Industrial Plan and that called to review the findings of the 2018 Board Performance Evaluation, in addition to informal individual or collegial gatherings with Directors to facilitate the exchange of ideas or foster mutual acquaintance amongst the Board.

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

- on 21 January 2019, with the aim of examining the outcome of the 2018 Board Performance Evaluation (see paragraph 4.12);
- on 4 March 2019, with the aim of examining and discussing the 2018 Annual Report and the Statement of Non-Financial Information, as well as documents, reports and proposals to be submitted to the Shareholders' Meeting convened on 18 April 2019.⁸

Number of Board and Committee Meetings in the period 2015-2018



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, as also

published on the Company's website (www.brembo.com, 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

⁸ Please refer to the notice of calling and the illustrative reports on: www.brembo.com, Investors section, For Shareholders, Shareholders' Meeting.

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 their 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: acquisitions, investment in assets, Subsidiaries' projects, etc.);
- sustainability, materiality 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 2018 Board Performance Evaluation were as follows:

- the culture of Brembo's Board of Directors is characterised by the collegial organisation of its work, which is carefully planned and consistent with corporate governance rules, with clear agendas and thorough, comprehensible supporting documentation;
- the matters on the agenda are effectively illustrated by the management, which is very competent, transparent and available to answer follow-up questions from Directors;
- the documentation provided by the management is detailed and well-structured. It is sent appropriately in advance (except for more confidential materials) using efficient IT channels;
- Meetings of the Board of Directors and its Committees are accurately minuted;
- the decision-making process is sound, characterised by clear, measurable objectives and structured plans of action, with commitments, deadlines and responsibilities. It is clear that



- the company is striving for ongoing improvement and takes heed of the Directors' ideas and experiences;
- the Directors participate in the debate in critical, constructive spirit, bringing their professional expertise to bear on the various matters on the agenda;
- decisions are taken collectively, after due consideration; above all, appreciation is expressed of the information provided regarding business performance;

- most of the Directors consider the frequency and length of meetings to be adequate.

In essence, the Directors believe that well-organised work is a characteristic of the Board of Directors, determined by the disciplined behaviour on the part of the Directors, who take active part in the discussion in order to provide their contributions.

4.7.3 Activities carried out in 2018

During 2018, the Board of Directors exercised its powers and performed its duties.

The main activities performed are summarised below.

<p>Operations Strategic transactions Delegated powers</p>	<p>During its meetings of 5 March 2018, 23 March 2018, 20 April 2018, 8 May 2018, 26 July 2018, and 7 November 2018, 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 necessary capital and financial support (Brembo Argentina S.A.) or the release of parent guarantees instrumental to the issuing of credit lines (Brembo Nanjing Brake Systems Co. Ltd.); the state of progress of the activities performed in the exercise of the delegated powers and of material transactions and transactions in potential conflict of interest.
<p>Strategic projects, industrial Plan and related risks</p>	<p>In terms of strategic projects and industrial plans, at the meeting held on 23 March 2018 (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 2018-2020 Strategic Three-Year Plan with a view on 2021-2022. Concurrently, on the basis of the rolling plan approved by the Board in 2018, the related Plan risks were analysed with the participation of the Risk Manager in the meeting, and these risks were found to be compatible with the Plan's objectives and sustainable in the medium-to-long term. On that occasion, Brembo's product and process research, development and innovation projects and initiatives were subject to further review, as always in a manner consistent with the risk profiles of the various projects and activities.</p>
<p>Group's growth strategies and related risks</p>	<p>With the participation of the various Chief Operating Officers and the Chief Business Development & Marketing Officer, the Board of Directors also periodically discussed and reviewed the Group's growth strategies, including mergers and acquisitions, and analysed the related risks (meetings of 26 July 2018 and 7 November 2018). Within this framework, it also assessed and approved proposals to join investment funds and various Italian and international associations, with the aim of forming partnerships to participate in local and/or European tenders relating to research and development.</p>
<p>Diversity criteria in the composition of Governing bodies and the Corporate Governance Code</p>	<p>On 7 November 2018 the Board of Directors of Brembo S.p.A. approved and incorporated into its Corporate Governance Code the recommendations introduced by the Borsa Italiana Corporate Governance Code in July 2018 on diversity in the composition of boards of directors and boards of statutory auditors. For the details, see paragraphs 4.4 and 13.2.</p>

Sustainability and Statement 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 5 March 2018, Brembo's ongoing process of preparing a Statement of Non-Financial Information, with the aim of providing an accurate, thorough and transparent account of the Group's strategies in view of long-term sustainability, and the 2017 Statement of Non-Financial Information, of which a brief version was presented to the Shareholders' Meeting on 20 April 2018; • at the meeting on 17 December 2018, the proposed 2018 Materiality Matrix and the two internal procedures governing roles, activities, responsibilities and timescales in the worldwide data-collection and validation process, and the preparation and approval of the Statement of Non-Financial Information pursuant to Legislative Decree No. 254/2016; • at the meeting on 4 March 2019, the 2018 Statement of Non-Financial Information made available to the public along with this Report on 18 March 2019, as discussed in paragraph 1.2 above.
Remuneration Policies	<p>In the area of remuneration policies, the Board of Directors reviewed and approved with the attendance of the Chief Human Resources & Organisation Officer:</p> <ul style="list-style-type: none"> • the closing results of the short-term annual Incentive Plan (MBO 2018) 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 short- and long-term policies adopted previously; • the proposals for new short- and 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); • the 2019 Remuneration Report (Sections I and II), assessing and confirming the effective implementation of the 2018 remuneration policies. <p>The main aspects of the new short- and long-term remuneration policies for 2019, approved by the Board during the meeting held on 4 March 2019, 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 website⁹.</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 5 March 2018, 26 July 2018 and 4 March 2019 from the Executive Director in charge of the ICRMS, the Audit, Risks & 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>
Data Protection, GDPR and Cybersecurity	<p>At its meeting on 8 May 2018, the Board of Directors:</p> <ul style="list-style-type: none"> • was informed of Brembo's actions to achieve compliance with Regulation (EU) No 2016/679 on the protection of personal data (GDPR); • examined and approved Brembo's proposed organisational structure and privacy policy (including the appointment of the Group's DPO). See paragraph 10.5. <p>Moreover, at its meeting on 26 July 2018, the Board of Directors reviewed and discussed:</p> <ul style="list-style-type: none"> • the assessment matrix for risks associated with the EU Regulation on the protection of personal data (GDPR), presented by the Chief Information Officer; • the tools and protective measures implemented by Brembo as integrated security and protection safeguards for its company IT systems. <p>These measures were found to be 'appropriate' to ensuring compliance on the basis of the processing carried out and effective at ensuring the security of processing and protecting the Company against cyber-attacks. Finally, at its meeting of 7 November 2018, 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.</p>
Health & Safety	<p>At its meeting of 5 March 2018, the Board of Directors analysed the 2017 Safety Performance and the related Group indicators, further exploring the programmes launched at the global level to constantly increase Group security levels.</p>
Key Audit Matters	<p>During its meeting of 23 March 2018, 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>

⁹ www.brembo.com, section Company, Corporate Governance, Remuneration Policies



Market Abuse Regulation	During the meeting of 8 May 2018, it examined and approved the update to the Procedure for Handling Relevant Information and Inside Information and the Procedure for the Maintenance of the Register of Persons with access to Relevant Information and the Insider Register, formally establishing the Relevant Information List, prepared by the Company in order to comply with the recommendations presented in CONSOB Guidelines 1/2017.
Internal Audit	The Board of Directors met the Chief Internal Audit Officer in order to examine, respectively: <ul style="list-style-type: none"> • at the meeting on 5 March 2018, the 2018 Audit Plan for the Internal Audit function; • at the meeting on 8 May 2018 the internal audit activities carried out in 2017 and to verify the progress of the Plan, adopting the measures deemed necessary; • at the meeting on 17 December 2018, the 2019 Budget for the Internal Audit function; • at the meeting on 4 March 2019 the 2019-2021 Audit Plan of the Internal Audit function, by approving it, finding the same appropriate to the business and Group size.
Significant Transactions	With regard to significant transactions, the company acts in accordance with the instructions for managing the requirements relating thereto included in the Corporate Governance Manual. Significant Transactions are the transfers of resources, services or obligations that by purpose, payment, procedures, or execution time may have an impact on the integrity of company assets or the completeness and fairness of information, including accounting information. These instructions also envisage quarterly disclosures of these transactions, as well as transactions involving potential conflicts of interest carried out by Brembo S.p.A. Or its subsidiaries pursuant to Article 2359 of the Civil Code, by Brembo's internal entities to the Board of Directors and by the Board of Directors to the Board of Statutory Auditors. An examination of the significant transactions carried out in 2018 led to the conclusion that they were all consistent with the resolutions taken by the Board of Directors.
Board Performance Evaluation	During its meeting on 20 April 2018, the Board of Directors examined and discussed the proposed plan of activity in advance and then at its meeting of 8 May 2018 circulated the 2018 activity calendar to the firm Spencer Stuart. The findings of the 2018 Board Performance Evaluation were examined and discussed by the Board of Directors at its meeting of 21 January 2019. For a detailed description of activities and related results, see paragraph 4.12.
Budget 2019	Finally, during the meeting of 17 December 2018 the Board of Directors analysed Brembo's 2019 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 2019 budget figures of the Group's Internal Audit function, which it found to be adequate to the performance of the related responsibilities.

4.8. Delegated Bodies

The General Shareholders' Meeting held on 20 April 2017 confirmed the appointment of Alberto Bombassei as Chairman of Brembo S.p.A. and Matteo Tiraboschi as Deputy Chairman through to the end of the term of the entire Board of Directors, i.e., until the General Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019. Based on the organisational model (including with a view to succession planning) approved on 6 June 2011, the Board confirmed the respective powers (registered with the Companies Register) granted to the Chairman, Executive Deputy Chairman, Chief Executive Officer and General Manager, as specified below.

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

With the favourable opinion of the Remuneration & Appointments Committee, in addition to the Directors not holding special positions and the Acting Auditors, the following were identified and confirmed as Key Management Personnel of the company: the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the General Manager, 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 – who also include Director Giovanni Canavotto – and other Division/Business Unit Chief Operating Officers, who have been assigned specific company functions (generally coinciding with the first reports to the Chairman, Chief Executive Officer and General Manager and Deputy Chairman of Brembo S.p.A. – C-Suite), have been granted limited powers for ordinary management in relation to the performance of their respective

offices and powers, regularly registered with the Company Register of Bergamo, to be exercised in accordance with company authorisation processes.

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

Solely on an exceptional basis (subject to review from time to time by the Executive Deputy Chairman, the Chief Legal & Corporate Affairs 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	<p>The Executive Deputy Chairman was granted the authority to legally represent the company. In addition to the tasks of direction, guidance, communication and control, he was also granted extensive powers for the Group strategic direction, the development and proposal of guidelines concerning its international development and its financial and re-organisation policies. The Executive Deputy Chairman was also granted broad 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.</p> <p>In addition, without prejudice to the authority delegated to the Chief Executive Officer pursuant to Article 2381 of the Italian 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.</p>
CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER	<p>The Chief Executive Officer and General Manager have been given specific powers to manage the company and its business, powers relating to organisation, representation in trade union matters and the mandate pursuant to Article 2381 of the Civil Code for the implementation, improvement and supervision of safety in the workplace, accident prevention and the protection of workers' health (environmental protection inside and outside the company, waste management, including the power to identify the person/s who is/are to be considered as Employer pursuant to Article 2, paragraph 1, letter B, of Legislative Decree No. 81/2008 for Brembo's different manufacturing units). Moreover, they have 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.</p> <p>In the area of strategic guidelines, the CEO has the following powers and functions:</p> <ul style="list-style-type: none">• 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 pursuant to the By-laws, the Delegated Bodies report on the activities carried out in the performance of their respective delegated powers,

at least on a quarterly basis and in any case in the subsequent meeting. During 2018, 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);
- Andrea Abbati Marescotti, CEO and General Manager of

the company (whose powers are described in the previous paragraph 4.8);

- Cristina Bombassei, Director in charge of the Internal Control and Risk Management System, as well as CSR Officer (whose powers are described in paragraph 10.3);

- Giovanni Canavotto, System Division Chief Operating Officer (who reports to the Chief Executive Officer), on whom the Board of Directors has confirmed the conferral — on a par with the other Division/Business Unit Chief Operating Officers

— of limited ordinary management powers relating to the performance of his duties, to be exercised in accordance with company authorisation processes.

4.10. Independent Directors

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

For financial year 2018, the list of Directors who met all the said independence requirements included: Barbara Borra, Laura Cioli, Nicoletta Giadrossi, Valerio Battista and Gianfelice Rocca, as they satisfy the requirements set forth by law and the Corporate Governance Code. The Board of Statutory Auditors verified the proper application of the assessment criteria and procedures adopted by the Board to carry out the above-mentioned assessment of its members' independence.

The Independent Directors met, coordinated by Lead Independent Director Valerio Battista:

- i) on 26 July 2018, for initial discussion and alignment with the aim of soliciting proposals for activities to be submitted to the Board of Directors. In light of the comments made by the Independent Directors, several proposals emerged and were submitted to the Board of Directors during its session of 26 July 2018. Most of these proposals involved further inquiry into and/or exploration of specific subjects viewed as particularly important, and the

Executive Directors implemented them immediately.

- ii) on 17 January 2019 for the advance examination and discussion of the findings of the 2018 Board Performance Evaluation conducted by Spencer Stuart, involving the discussion of the following topics in particular:
 - analysis of Board of Directors' Culture;
 - assessment of the main actions and improvements resulting from the 2017 Board Performance Evaluation;
 - the recommendations contained in the Sixth Edition of the Annual Report of the Corporate Governance Committee concerning the application of the Borsa Italiana Corporate Governance Code, emphasising a sound level of implementation within Brembo. See paragraph 18;
 - the assessment of the size and composition of the Board of Directors;
 - the circulation of the plan of proposed actions in 2019.

During this meeting, the Legal and Corporate Affairs Department also presented its comparative study of the principles contained in the Italy/UK and Italy/US corporate governance codes and data on the composition of the BoD observed by the main corporate governance reports issued by specialised consultants.

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

4.11. Lead Independent Director

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

The Lead Independent Director function is regulated by the Rules approved by the Board of Directors on 17 December 2012, fully incorporating the recommendations set forth in the 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. 2018 Board Performance Evaluation

The Regulations of the Board of Directors approved on 3 March 2017 state that in conducting the annual assessment of the size, composition and functioning of the Board of Directors and its Committees it may also be appropriate to procure the services of independent external advisors. As already recalled last year, the Board of Directors engaged Spencer Stuart to perform the Board Performance Evaluation activity for the period 2017-2019; Spencer Stuart qualifies as an independent advisor from Brembo because it does not have, and has not had, other assignments on the company's behalf. The programme will be divided into three stages:

- 2017 – 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 plan for 2018, the second year of its term, involved a collegial session, facilitated by consultants from Spencer Stuart, divided into two parts, one on 7 November and the other on 17 December 2018, in which the great majority of the Directors currently in office participated. The meeting was structured as follows:

- presentation of the findings of the analysis of the prevalent culture within the Board and the Directors' individual styles; this analysis was conducted on the basis of a Board culture framework prepared by the Spencer Stuart International Board Practice, which summarises the information provided by the Directors through completion of an online questionnaire;
- verification of the efficacy of the actions taken in the previous year, in order to follow up on the Director's comments brought

- to light during the previous Board Performance Evaluation;
- further exploration of some topics of particular relevance and interest to the Directors, on which to reflect collectively within the framework of the annual self-assessment of the BoD's functioning, composition and size; among these, account was taken of the recommendations of the Italian Corporate Governance Committee contained in its "2018 Report on the Evolution of the Corporate Governance of Listed Companies" regarding the "Main Areas of Improvement Identified in 2018", which were the subject of a specific letter to the chairmen of listed companies.

In support of dialogue within the Board, the advisor prepared a specific guide, circulated to all Directors prior to the meeting, and a brief presentation of the results of the aforementioned survey of the prevalent culture within the BoD and the Directors' individual styles; finally, a table with the aforementioned "Main Areas of Improvement Identified in 2018", with an indication of the items implemented within Brembo, was distributed. Before the meeting, all Directors were sent a copy of the "Board Index 2018 Spencer Stuart" containing its findings regarding the boards of directors of the 100 largest listed companies in Italy.

The results of the evaluation, included in a report drafted by the advisor also containing areas with room for improvement and proposed ways of achieving such improvement were summarised in a special document provided to the Directors and examined during the meeting of the Independent Directors on 17 January 2019 and, subsequently, during the Board of Directors' plenary meeting held on 21 January 2019.

Board Evaluation Process	Operating methods	Evaluation method	Advisor	General comments
2018 Board Performance Evaluation	Individual online questionnaires Collegial meeting	Independent	Spencer Stuart	<ul style="list-style-type: none"> Directors: 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 confirmed that they were fully satisfied with and appreciated the size, composition and functioning of Brembo's Board of Directors and Board Committees. In the advisors' opinion, the Board's behaviour is consistent with the Corporate Governance Code and best practices in Italy and internationally.

The 2018 Board Performance Evaluation found a high level of

satisfaction with and appreciation of the size, composition and functioning of Brembo's Board of Directors and its Committees. However, in 2019 the Company intends to continue to introduce additional elements in line with Italian and international best practices (in the areas of engagement and stewardship) with the aim of maintaining governance consistent with the highest expectations of its stakeholders.

Areas of Excellence	<ul style="list-style-type: none"> • Adequate and regular information process concerning the management and performance of the business. • Prompt reporting of important decisions to the Board. • Involvement in the main business decisions (including extraordinary transactions). • Directors' constructive spirit. • Openness to all opinions, even conflicting opinions, by the management. • Combination of traits possessed by Board members (gender, age, experience, culture, etc.) which enhances the quality of the debate.
Board culture	<p>The analysis of the Board's culture emphasised the efficacy of the organisation of its collegial work, the focus on planning and corporate governance rules, clear meeting agendas and thorough, comprehensible supporting documentation. The matters on the agenda are effectively illustrated by the management, which is highly competent, transparent and available to answer follow-up questions from Directors. The decision-making process is sound, characterised by clear, measurable objectives and structured plans of action, with commitments, deadlines and responsibilities. It is clear that the company is striving for ongoing improvement and takes heed of the Directors' ideas and experiences. The Directors participate in the debate in critical, constructive spirit, bringing their professional expertise to bear on the various matters on the agenda. Decisions are taken collectively, after due consideration; above all, appreciation is expressed of the information provided regarding business performance.</p>
Efficacy of actions taken in light of the indications provided in 2017	<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 2017 Board Performance Evaluation, the results of which were analysed at the Board meeting of 9 February 2018, 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>
2018 Recommendations of the Italian Corporate Governance Committee	<p>With regard to the four recommendations formulated by the Italian Corporate Governance Committee in its "2018 Report on the Evolution of the Corporate Governance of Listed Companies" regarding the "Main Areas of Improvement Identified in 2018", the following topics were analysed: a) pre-meeting information; b) clarity and completeness of remuneration policies; c) independence; and d) Board Evaluation. In their collective analysis, the Directors found that the Board of Directors had adopted the recommendations presented in the Corporate Governance Code and implemented appropriate practices. For further details, refer to paragraph 18.</p>
Composition and Size of the Board of Directors	<p>From the standpoint of the composition, functioning and size of the Board of Directors, the Directors confirmed that the Board's size was adequate and permitted its work to be done effectively.</p>



5. HANDLING OF CORPORATE INFORMATION

5.1. The new EU provisions on market abuse

Regulation (EU) No. 596/2014 of 16 April 2014 (the Market Abuse Regulation) and Directive No. 2014/57/EU (the Market Abuse Directive) which imposes criminal sanctions for market abuse offences — that jointly constitute the new EU regulatory framework governing market abuse issues — entered into force on 3 July 2016. With a view to preventing market abuse, the aforesaid statutory instruments require issuers to comply with disclosure obligations, including:

- the obligation to make public disclosure of Inside Information;
- reporting obligations for those who perform administration, control and management functions (managers) and the persons closely associated with them (internal dealing);
- the Black Out Period, extended to 30 days and incumbent on all issuers;
- the obligation to maintain a list of persons with access to Inside Information (Insider Register).

Following the entry into force on 3 July 2016 of Regulation (EU) No 596/2014 on market abuse (“MAR”), at its session of 27 July 2016 Brembo’s Board of Directors approved the appropriate amendments to the relevant Procedures in place within Brembo with regard to the handling of Inside 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).

In accordance with the guidance provided by CONSOB in its Guidelines for the Management of Inside Information of 13 October 2017 (the “Guidelines), Brembo conducted an analysis and examination of its flows and processes, with the aim of implementing a system based on best practices within the Company, an undertaking which resulted, *inter alia*, in updates to the two main company procedures:

- the Procedure for Handling Inside and Relevant Information, which provides for:
 - 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;
- Procedure for Maintaining the Insider Register and the list of persons with access to relevant information, that formalises the 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 following the Board resolution of 8 May 2018, fully reflects not only the provisions of Regulation (EU) No. 596/2014, but also the indications provided in the Consob guidelines of 13 October 2017.

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.

These rules and principles are aimed at ensuring compliance with applicable statutory requirements in force from time to time and guaranteeing 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 divulgence of data to certain persons, including, without limitation, shareholders, journalists or analysts, prior to the public disclosure thereof, or otherwise, any form of untimely, incomplete or inadequate disclosure of the said data.

In keeping with the provisions of Brembo's Code of Ethics, the Procedure is 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 Regulation (EU) No. 596/2014, 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.

5.3. Internal Dealing Procedure

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

This procedure regulates the disclosure and dissemination of information pertaining to transactions in Brembo S.p.A.'s financial instruments by 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 sets forth, *inter alia*, the ban on such transactions commencing on the 30th day immediately preceding Brembo's Board Meetings convened for the approval of the annual or interim financial results that the Company discloses to the market, also on a voluntary basis,

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.

The Procedure is available on Brembo's website: www.brembo.com, section Company, Corporate Governance, Governance Documents.

and expiring upon public disclosure of the press release on the results (so-called Black-out Period).

In line with the provisions of Brembo's Code of Ethics, the Internal Dealing Procedure constitutes a direct measure aimed at promoting parity of information and at deterring the misuse of advantages arising from information asymmetry to garner undue gains through insider trading transactions which, *inter alia*, could entail corporate administrative liability for related criminal offences pursuant to Legislative Decree No. 231/2001. Accordingly, this procedure forms an integral part of the 231 Model, as well as of Brembo S.p.A.'s Corporate Governance Code, and is available on Brembo's website: www.brembo.com, section Company, Governance Documents. 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 the Regulation (EU) No. 596/2014, which requires issuers to draw up a list of any and all persons serving the company in a professional capacity, whether as employees or otherwise, who are afforded access to Inside Information for work-related purposes. The Register Procedure is also compliant with the requirements and recommendations set out in the 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 Procedure therefore 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.

7. REMUNERATION & APPOINTMENTS COMMITTEE

The Remuneration & Appointments Committee¹⁰, appointed on 20 April 2017 by the Board of Directors meeting convened after the Shareholders' Meeting, will remain in office until the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019, and is made up of 3 members:

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

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

The Remuneration & Appointments Committee operates in accordance with its Regulations, that distinguish its respective remuneration and appointments functions as follows.

- (i) *Remuneration function*: ensuring that the remuneration policies applicable to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and General Manager, the Executive Directors, the Directors holding special offices and Key Management Personnel, as well as the Non-executive Directors, are formulated by a Body in the absence of conflicts of interest.
- (ii) *Appointments function*: identifying the optimal composition of the Board, by indicating the professional roles that may promote its proper and effective functioning and 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.

In 2018, the Committee:

- 1 held one meeting on 16 February 2018 after being convened (average length of session: approximately 1.5 hours), during which it:
 - 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 in the Board of Directors' Regulation for the positions in question and the compatibility of the positions held by them;
 - assessed the combination of professional backgrounds and managerial skills in the light of Brembo's diversity policy pursuant to Article 123-bis, paragraph 2, letter d-bis of TUF defined by the Regulations of the Board of Directors;
 - ii) *with reference to Remuneration*:
 - evaluated the closing results of the short-term annual Incentive Plan (MBO 2017);
 - evaluated and defined the proposals of the short-term annual Incentive Plan (MBO 2018);
 - examined the 2018 Remuneration Report (Sections I and II), and in particular 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 2017 remuneration policies.

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

¹⁰ 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.



2. In addition, individual and collective meetings were held with members of the 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).
3. Finally, the Committee held an additional meeting on 25 February 2019 to conduct an advance assessment of the matters to be put before the Board of Directors and then the Shareholders' Meeting. In addition to the Secretary (Chief Legal & Corporate Affairs Officer), the Chief Human Resources and Organisation Officer was invited to attend the meeting to explain the matters within his remit. On that occasion, the Remuneration & Appointments Committee:
 - i) *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 in the new Corporate Governance Code (approved on 7 November 2018) for

- the positions in question;
- 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;
- ii) *with reference to Remuneration:*
 - evaluated the closing results of the short-term annual Incentive Plan (MBO 2018) and defined the proposals of the short-term annual Incentive Plan (MBO 2019);
 - evaluated the closing results of the Incentive Plan for Executive Directors and Top Managers (LTIP 2016-2018), and their consistency with the short- and long-term policies adopted previously;
 - evaluated and defined the proposals of the new short- and long-term remuneration policies, including the new three-year Incentive Plan for Top Managers (LTIP 2019-2021);
 - examined the 2019 Remuneration Report (Sections I and II), assessing and confirming the effective implementation of the 2018 remuneration policies.

8. REMUNERATION OF DIRECTORS

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

The information required by Article 123-bis, paragraph 1(i), of TUF ("*agreements between the Company and the Directors ... providing for compensation in case of resignation or dismissal without juste cause or if their employment ceases as a result of a public tender offer*") are contained in the 2018 Remuneration

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

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

9. AUDIT RISK & SUSTAINABILITY COMMITTEE

The Audit, Risks & Sustainability Committee¹¹, which also acts as the Related Party Transactions Committee¹², was appointed by the Board of Directors at the meeting held on 20 April 2017, following the Shareholders' Meeting, and will remain in office until the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019.

The Committee is composed by 3 members:

Members	Position
LAURA CIOLI	Independent Director - Chairwoman
BARBARA BORRA	Independent Director
NICOLETTA GIADROSSI	Independent Director ¹³

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

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

Members in charge of the so-called second-level control functions are also specifically invited to participate so that they

can illustrate the main risk factors and risk mitigation plans/actions, each to the extent of his or her competence.

Given the similarity of the subjects addressed, the sessions of the Audit, 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 2018, the Audit, Risk & Sustainability Committee held six meetings, duly recorded in the minutes, lasting about 4 hours each on average, on the following dates: 26 February, 3 May, 29 June, 19 July, 25 October, 13 December. In addition, as at the date of approval of this Report, the Committee had held one meeting, on 25 February 2019, during which it reported on the Internal Audit's activity until the end of the financial year, the final periodic reports for 2018 and the 2019-2021 Audit Plan, which it deemed adequate to the Group's size and risk profiles and thus presented for the approval of the Board of Directors on 4 March 2019.

All members of the Committee also participated in the induction programme discussed in detail in paragraph 4.6 above.

In its functions of support to the Board of Directors, the Audit, Risks & Sustainability Committee issued opinions on certain aspects regarding the identification of the main corporate risks and the design, implementation and management of the Internal Control and Risk Management System. It also examined the reports submitted by the Director in charge of the Internal Control and Risk Management System and the Chief Internal Audit Officer when the 2018 Financial Statements were approved, and it expressed opinions on the adequacy of that System for 2018 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.

¹¹ 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, Risks and 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.

¹² Due to the fact that the Audit, Risks & 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 Related Party Transactions Committee.

¹³ Directly elected during the Shareholders' Meeting of 20 April 2017 from the list submitted by a group of Shareholders holding 0.515% of the share capital.



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

- oversaw the effectiveness of the audit process, and assessed and expressed its opinion on the proper use of the accounting standards and their consistency within the Group for the purposes of preparing the Consolidated Financial Statements, based on the information provided by the Manager in charge of the Company's financial reports, and their consistency for preparing the Financial Statements;
- examined the reports regularly provided by the Chief Administration and Finance Officer on significant transactions and transactions entailing a potential conflict of interests within the meaning of corporate regulatory framework currently in force; it determined that the transactions fell within the scope of the authority delegated by the Board of Directors and that the activities undertaken pursuant to Law No. 262/05 were appropriate in light of the structure of Brembo S.p.A. and the Group as a whole;
- was regularly updated by the Risk Manager on the progress of the periodic Enterprise Risk Management process, reviewing the update to Brembo's Risk Report of 31 December 2018 and the Heat Map of the Group's risk profiles and the action/mitigation plans periodically proposed by the management, as well as on ongoing recall;
- 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 2018;
 - the results of audit activities during the period, with an opinion of residual risk once the Plan is implemented;
 - an analysis of reports of violations of laws, procedures and regulations received and/or identified in the course of ethics audits;
 - the findings of the audit of compliance with Law No. 262/2005 and Legislative Decree No. 231/2001 and all other applicable compliance;
 - the 2019-2021 Audit Plan and related 2019 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.

Specifically, with regard to the Internal Audit Function, the Committee was given an explanation of the Metrics used by the Internal Audit Function in its assessment of: the audit findings (priorities and residual risk following the implementation of action plans) and the various observations and follow-up activities, together with the results of the Internal Audit Function's benchmarking process, carried out with the support of the consultancy firm CEB (Audit Leadership Council).

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

- the Chief Administration and Finance Officer explained the application of the new accounting standards that do not have material impacts on Brembo and the main points of attention identified by the Independent Auditors that do not represent significant deficiencies in the internal control system but mere points of attention raised by the auditors during their activity in the field, in addition to the activities carried out in accordance with Law 262/05 and its extension to Group companies;
- the Chief Legal & Corporate Affairs Officer illustrated the actions taken by Brembo to achieve compliance with Regulation (EU) No. 2016/279 on the protection of personal data, the proposed Organisational Structure and Brembo Privacy Policy, subsequently approved by the Board of Directors on 8 May 2018;
- the Chief Purchasing Officer illustrated the operating methods and authorisation flows relating to processes managed by his function and the details of the improvement actions/plans identified and in progress as a result of audits;
- the Chief Information Technologies Officer illustrated the project's architectural and technological characteristics and milestones, with regard to the IT Disaster Recovery Plan, which resulted in the implementation of a full-fledged Business Continuity System (also covering disaster recovery risks). Information was also provided regarding the findings of the assessment of the compliance of the IT governance system with international frameworks (Cobit/ISO) performed by Group companies;
- the Chief Real Estate Development Officer presented his organisational structure, the projects and activities managed by the Real Estate Development Department, and the operating conditions of management of the relevant authorisation processes and flows, in particular for the award of tender and professional service contracts;

- the Chief Human Resources & Organizational Officer explained his relevant processes for the purposes of Legislative Decree No. 231/2001, describing the specific control activities, such as personnel selection, management of expense statements and the use of non-EU workers (with specific activities for employees and temporary workers).

In view of further monitoring of the system implemented at the Group level, the Committee met to verify the progress of the plans at the local level:

- at the meeting of 26 February 2018 the Country General Manager of Brembo Czech s.r.o.;
- at the meeting of 25 October 2018 the Country General Manager of Brembo India;
- at the meeting of 25 February 2019, the Country General Manager of Brembo North America Inc.

With regard to the topics of sustainability and the Non-Financial Statement pursuant to Legislative Decree No. 254/2016:

- during its meeting of 25 October 2018, the Committee examined the plan of activities for the preparation of the 2018 NFS, including the audit activities within the framework of the relevant assurance process, finding it to be consistent and in accordance with the timescales for the preparation of the consolidated financial statements;
- during its meeting of 13 December 2018, the Chief CSR Officer presented the activities carried out for the revision of the positioning of the material topics, confirming the

importance to Brembo of the topics already present and including water management among the priority topics. The proposed Materiality Matrix for 2018 — subsequently approved by the Board of Directors on 17 December 2018 — was then illustrated;

- finally, during its meeting of 25 February 2019 the Committee conducted an advance examination of the 2018 NFS, prepared in accordance with Legislative Decree No. 254/2016 for reporting year 2018, finding it to be consistent with the provisions of the Decree and the Committee has been informed about the main 2018 ESG Risks and the related management actions.

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

- received ongoing information on ‘Ordinary’ Related Party Transactions carried out both at arm’s length and otherwise, with Brembo Group companies, and considered as ‘exempt’ from the application of the procedural arrangements provided for in the Brembo Procedure;
- was regularly updated regarding Brembo’s List of Related Parties;
- at the meeting of 3 May 2018, 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 2017 Financial Statements, and confirmed the amount of €250,000.00 as the ‘threshold’ for determining Low Value Transactions.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Main aspects of the Internal Control and Risk Management System	Yes/No
Existence of a document containing Guidelines for the Internal Control and Risk Management System	Yes
Presence of an Executive Director charged with overseeing the Internal Control and Risk Management System	Yes
Presence of a Committee responsible for supervising risks, including sustainability risks	Yes
Presence of organisational structures responsible for risk management (Risk Management Committee - Risk Manager)	Yes
Existence of an Audit function tasked by the Board of Directors with systematically assessing the efficiency and efficacy of the Internal Control and Risk Management System	Yes
Preparation of specific compliance programmes (Code of Ethics, Model According to Legislative Decree No. 231, Antibribery Code of Conduct, Policy of Non-Discrimination and Diversity, Code of Basic Working Conditions, Antitrust Code of Conduct)	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;
- helps the company to be run in a manner that is sound, correct and consistent with the objectives defined by the Board of Directors, favouring the adoption of informed decisions consistent with the risk profile, as well as dissemination of a proper understanding of risks, legality and corporate values.

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

and values, reflects Brembo’s Code of Ethics and seeks to establish over time a fully-fledged culture of corporate controls aimed at ensuring legality, correctness and transparency in all company operations, involving the whole organisation in developing and applying methods to identify, measure, manage and monitor any kind of risk, including risks relating to sustainability in the medium-long term.

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

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

The System is organised as shown in the organisational chart.



The current edition of the Guidelines for the Brembo S.p.A. Internal Control and Risk Management System (available from the Company’s website at the following link: www.brembo.com, Company, Corporate Governance, Governance Documents) and the Policies for the Implementation of Brembo’s Internal Control and Risk Management System were approved by

the Board of Directors on 30 July 2015, in order to reflect the significant changes in the corporate governance since 2009 (the date of the first edition).

The Board of Directors is aware that the control processes cannot provide absolute assurances that the company objectives will be achieved and the intrinsic risks of business

prevented; however, it believes that the ICRMS may reduce the likelihood and impact of wrong decisions, human errors, frauds, violations of laws, regulations and company procedures, as well as unexpected events.

Monitoring of the adequacy and effective operation of the Internal Control and Risk Management System, as well as any revision thereof, is an essential part of the system's structure. The Internal Control and Risk Management System is therefore subject to regular examination and controls, taking account of developments in the company's operations and reference context. Based on the roles and responsibilities already defined, various control bodies can be identified with responsibility for performing checks and expressing opinions on the Internal Control and Risk Management System.

The overall and final assessment remains with the Board of Directors, which expresses an opinion regularly based on reports produced by the Control and Supervisory Bodies, not only to verify that the system exists and is being implemented within the Group, but also to carry out a regular detailed examination of its fitness and effective and concrete operation. Such an assessment could therefore indicate the need to draw up further policies, processes and rules of conduct allowing the Group to adequately react to new or mismanaged risk situations. Such improvement measures, which are the responsibility of the respective management area, have to be coordinated by the Chief Executive Officer with the supervision of the Director in charge of the Internal Control and Risk Management System.

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

The key roles to mention are:

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

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

Risks are monitored at meetings held on at least a monthly basis, where results, opportunities and risks are analysed for each business unit and geographical region in which Brembo operates. The meetings also focus on determining the actions required to mitigate any risks. Brembo's general risk-management policies and the bodies charged with risk evaluation and monitoring are included in the Corporate Governance Manual, in the Risk Management Policy and Procedure, in the 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 said risks. This methodology provides:

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

weight and manage the risks, which will form Brembo's risk register.

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

For further information about risk families, reference should be made to the Risk Management Policy included in 2018 Annual Report¹⁴.

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;
- assessing the efficacy of the Control System.

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

Brembo adopted the new 2013 CoSO framework as of 2015.

10.1. Appropriateness of the Internal Control and Risk Management System

With reports dated 19 July 2018 and 25 February 2019, the Chairman of the Audit, Risks & Sustainability Committee informed the Board of Directors of the activities undertaken by the Committee, and expressed a favourable opinion as to the adequacy of the ICRMS, taken as a whole, and its appropriateness for containing risks and efficiently ensuring compliance with the company's rules of conduct and operating procedures, whilst leaving it up to the Board of Directors to draw its own conclusions in such regard.

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

System, the activities undertaken and planned by the Company's Internal Audit function, the meetings conducted by the Chief Internal Audit 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, Risks & 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.

¹⁴ 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 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, Risks & Sustainability Committee — carries out a process to identify and assess the risks that might prevent the company from achieving its objectives regarding the reliability of financial reporting.

The process for identifying and assessing such risks is reviewed yearly. The Manager in charge, 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 matrices). Key control measures have been identified from among these.

In determining whether the administrative and accounting procedures are being effectively applied, the Manager in charge of the company's financial reports relies on the support of the Internal Audit function, which, by agreement with the same 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, lastly, existing control measures that are not entirely adequate. When this document has been defined and shared, the Compliance Officer and/or Internal Audit (in this latter case through a specific follow-up on site) verify that the Improvement Plan has actually been implemented.

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

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

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

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



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

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

In 2018, the Executive Director in charge of the Internal Control and Risk Management System coordinated, with the support of an external specialized advisor, the activities aimed at updating the assessment of sustainability risks, using measurement

criteria in line with the Group's risk management methodology, as well as kept communication channels open, coordinating with the Chief Internal Audit Officer, the Risk Manager and the Audit, Risks & Sustainability Committee during the performance of her activities (she is responsible for identifying the main company risks and monitoring the body of procedures and rules that comprise the Internal Control 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 4 March 2019.

10.4. Chief Internal Audit Officer

Pursuant to the Corporate Governance Code, on the proposal of the Audit, Risks & Sustainability Committee and the Executive Director in charge of the Internal Control and Risk Management System, Alessandra Ramorino was confirmed in the position of Chief Internal Audit Officer by the Board of Directors on 17 December 2012. In addition, in December 2017 the Board of Directors also approved the related organisational structure for 2018, which it deemed adequate to the performance of the tasks set out in Article 7.C.5 of the Corporate Governance Code.

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

Upon proposal of the ICRMSD, and after obtaining a favourable opinion from the Audit, Risks & Sustainability Committee and the Remuneration & Appointments Committee, as well as

consulting with the Board of Statutory Auditors, the Board of Directors determines the Chief Internal Audit Officer'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, Risks & Sustainability Committee and consulted with the Board of Statutory Auditors, the Board of Directors assesses and approves the Audit Plan and the Internal Audit function's budget.

The mission of Brembo's Internal Audit function is to ensure the performance of independent, objective assurance and 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 2018, 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 2018, 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, Risks & Sustainability Committee and Supervisory Committee and attended the meetings of the Board of Statutory Auditors.

At its meeting on 25 February 2019, the Audit, Risks & Sustainability Committee was provided with appropriate information on the results of Chief Internal Audit Officer's activities for 2018 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 2018, 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 March 2018) is made up of:

<p>General Section</p>	<p>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.</p> <p>The General Section was updated in March 2018, through the integration/amendment of the following parts:</p> <ul style="list-style-type: none"> • addition to Article 25-<i>duodecies</i> of Legislative Decree No. 231/2001 of paragraphs 1-<i>bis</i>, 1-<i>ter</i> and 1-<i>quater</i> of Article 12, Provisions aimed at combating illegal immigration (Legislative Decree No. 286/1998 – Consolidated Immigration Act); • new Article 25-<i>terdecies</i> of Legislative Decree No. 231/2001, on racism and xenophobia (bill 2886, approved by the Chamber of Deputies on 8 November 2017); • the Whistleblowing System (modification of the penalty system — including for those who make false/ baseless disclosures — and expansion of protection for whistleblowers).
<p>Special Sections</p>	<p>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.</p>
<p>Code of Ethics</p>	<p>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</p>
<p>Brembo Compliance Guidelines</p>	<p>They summarise the main rules of conduct indicated in the Special Sections to be adopted within Brembo in order to prevent the commission of Offences and that represent a means towards increasing the accessibility and immediacy of content of the various Special Sections for the recipients of the Brembo Model. The Second Edition, approved in 2016, features an in-depth restyling of the text, above all, to ensure that it is properly classified in accordance with the Company’s filing system for corporate documents, as well as to incorporate graphics designed to improve dissemination and facilitate training.</p>
<p>Antibribery Code of Conduct</p>	<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>

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 (Brengo 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 Brengo Compliance Guidelines, the following instruments are also to be taken into account: <ul style="list-style-type: none"> – the Brengo's Code of Basic Working Conditions that codifies the principles underlying Brengo's relationships with its employees, intended exclusively for Internal use within the Company; – the Supplier Code of Conduct, – the Brengo Policy on Non-discrimination and Diversity; – Brengo's Operating Procedures, Instructions and related Internal Authorisation Matrixes, available for consultation on the Company's Web portal, 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.
Brengo 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 Ethics¹⁵, Brengo prepared and adopted an Antitrust Code of Conduct, in addition to the other compliance documents already issued. It represents a practical guide, tailored to Brengo'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 Brengo operates. <p>Brengo Antitrust Code of Conduct applies to employees of Brengo S.p.A. and its subsidiaries in the EU and forms a model of reference for the compliance programmes that must be implemented starting in 2019 at Group companies based outside the European Union.</p> <p>The document was presented to the Audit, Risks & Sustainability Committee, Supervisory Committee and Board of Statutory Auditors during the meeting on 26 October 2017, and was distributed to the Business Management Committee during the meeting on 30 October 2017.</p>

¹⁵ Available from the website www.brengo.com, in the section Company, Corporate Governance, Code of Conduct and Policies, on the basis of which Brengo acts in accordance with the principles established by national and international legislation safeguarding free competition in view of the promotion of fair competition.



Privacy Policy and other Operating Procedures

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.

The Privacy Policy applies to Brembo S.p.A. and the Group's various subsidiaries based in the European Union. While upholding the principles and obligations already set out in the previous legislation, the GDPR makes some changes, strongly emphasising the accountability of data controllers and processors – i.e., pro-active behaviour that shows the concrete adoption of measures aimed at ensuring application of the Regulation.

To this end, Brembo S.p.A. has clearly defined and identified the persons involved in processing Personal Data, together with their roles, rights and duties, with the aim of creating an appropriate system for protecting and safeguarding Personal Data, as described below:

Roles envisaged in applicable law:

- the Controller (Brembo S.p.A. and the individual companies of the Group within the EU);
- the Group's Data Protection Officer (DPO), based in Italy and designated on a voluntary basis as the sole DPO for the Group's European subsidiaries. Debora Stella, attorney at the law firm Bird&Bird, was appointed to this role. She acts as the company's primary contact person with regard to matters related to the processing of Personal Data and is required to supervise compliance with Personal Data protection legislation within the Company;
- Personnel Authorised to Process Personal Data (Controller's Employees);
- (External) Processor (External Suppliers who process data on the Controller's behalf). A written agreement with the detailed content required by the Regulation will be necessary. For this purpose, Brembo has approved a standard Personal Data Processing Contract binding the supplier to comply with the privacy legislation in force at the time.

Other organisational roles created within Brembo:

- the Privacy Supervisory Board is responsible for coordination and guidance with regard to the protection of personal data and is composed of the following permanent members: (i) Chief Legal & Corporate Affairs Officer; (ii) Chief Human Resources and Organization Officer; (iii) Chief Information Officer;
- Data Protection Contact. The Data Protection Contacts are internal personnel with a supporting role not required by law and are designated, for organisational purposes, from within each department, division or business unit, and from each Company of the Group within the EU, as a focal point for practical and operational management of personal data processing activities within their remit.

In order to exercise their rights, as set out in the GDPR (Articles 15-21), in respect of the processing of their data by Brembo S.p.A., including the right to request additional information about the policy statement provided to them, data subjects (employees, interns, supplier contact personnel, clients and visitors) may contact the Data Protection Officer (DPO) by sending an e-mail to privacy.italy@brembo.it or by sending a registered letter with return receipt to the Company's registered office at the addresses indicated, for the attention of the DPO.

In addition, operating procedures such as the following have been issued in execution of the Policy:

- 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.

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 Legislative Decree 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 26 February 2018, 29 May 2018, 19 July 2018, 25 October 2018, 13 December 2018. The Chairman of the Committee also attended the Audit, Risks & Sustainability Committee meetings for the matters within his responsibility and interest. On 25 February 2019, a meeting was held to discuss the final periodic reports for 2018.

In 2018, 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 Model and its protocols and in keeping with the opinions expressed in previous reports, the Supervisory Committee confirmed that the general structure of the 231 Model remains intact, and that the Internal Audit's assurance and monitoring activities, the 231 Risk Assessment and the various reports submitted revealed no facts, acts, events or omissions that were critical in respect of compliance with the requirements of the 231 Model.

In order to check that the 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 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 the provisions of the New Whistleblowing Law (bill 2208 approved on 15 November 2017 by the Chamber of Deputies). 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, member of Corporate Bodies (Board of Directors and Board of Statutory Auditors), as well as the Independent Auditors, customers, suppliers, consultants, outside collaborators, shareholders and partners of Brembo S.p.A. and its subsidiaries, and third parties. Reports shall be submitted to the Supervisory Committee as follows:

- oral reports to the Supervisory Committee;

- ordinary post (Supervisory Committee of Brembo S.p.A. - Viale Europa, 2 - 24040 Stezzano (Bergamo, Italy);
- e-mail (organismo_vigilanza@brembo.it);
- voice mail (+39 035-6055295);
- Internet (Corporate Governance section of the website www.brembo.com);
- facsimile transmission (+39 035-6055203).

10.6. Independent Auditors

On 23 April 2013, the contract to provide legal auditing of the accounts was awarded by the General Shareholders' Meeting to 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 Consob Regulation, Article 151, paragraph 1, are subject to legal auditing of their accounts by the firm that audits Brembo's financial statements.

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

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

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 Non-Financial Statement 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, which must not exceed the limit of 70%.

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

In reporting year 2018, 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, 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 Shareholders' Meeting approving the financial statements at and 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, Risks & 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, Risks & Sustainability Committee and Chairwoman of the Board of Statutory Auditors thereof concurrently;
- timely reporting to the Audit, Risks & 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 Risk Manager and Internal Audit as the guarantors of the Internal Control and Risk Management System (assurance).



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

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

11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

11.1. Conflict of interests

The 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 Procedure¹⁶

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

¹⁶ 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).

Main aspects of the Related Party Transactions Procedure

Related Party Transactions Committee	This function is performed by the Audit, Risks & Sustainability Committee, as it consists of three non-executive and independent Directors.
Scope of Application	<p>Parties set forth in Attachment 1 to the Consob Regulations (which refers to IAS 24 at the date of publication of Regulations):</p> <ul style="list-style-type: none"> • Brembo S.p.A.'s Directors, both executive or non-executive; • Acting Auditors; • Key Management Personnel (in the case of Brembo: Chairman, Executive Deputy Chairman, CEO and General Manager of Brembo S.p.A.); • close members of the family of Directors and Acting Auditors, who could influence, or be influenced by, that individual in their dealings with Brembo; • Entities in which one of the individuals or entities mentioned above exercises sole or joint control or significant influence, or in which the said individual or entity directly or indirectly holds a significant stake bearing no less than 20% of the voting rights.
Low Value Transaction Threshold	€250,000, subject to annual review; this threshold was approved by the Board of Directors on 11 May 2017, inasmuch as it was decided that transactions below said threshold cannot constitute a risk for the Company.
Moderately Significant Transaction Thresholds	Transactions whose value ranges from €250,000 and the Highly Significant Transaction threshold.
Highly Significant 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 (most recently updated 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.



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">i. Shareholders belonging to a single group, where the latter term is understood to mean a party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and all subsidiaries controlled by, or under the common control of, that same party;ii. Shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of TUF;iii. Shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and regulatory framework. <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 2018

BOARD OF STATUTORY AUDITORS

Office held	Name and surname	Year of birth	Date of first appointment ¹	In office from	In office until	List ²	Indep. as per Code	Attendance to Board of Statutory Auditors' meetings in 2018 ³	Attendance to Board of Directors' meetings in 2018 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%	100%	4,31
Acting Auditor	Alfredo Malguzzi	1962	20.04.2017	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	x	100%	88%	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	92%	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	-	-	-

Number of meetings held during the year of reference	2018	Board of Statutory Auditors: 13	Board of Directors: 8	Audit, Risks & Sustainability Committee: 6	Remuneration & Appointments Committee: 1
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NOTES

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

2 This column 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 2018 (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 2018 (No. of meetings attended/No. of meetings held by the Board during the Statutory Auditor's actual term of office).

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

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-Aventis S.p.A., Nord-Com S.p.A., Dufry Shop Finance Ltd. and Tata Consultancy Services (Italy). In addition, she is a member of the Board of Statutory Auditors of E-Distribuzione S.p.A., Enel Italia S.r.l., and other companies. In addition to being member of the Board of Directors of Azimut Holding S.p.A. and Azimut Libera Impresa SGR S.p.A., she audits the accounts of certain municipalities near Milan. She serves as sole auditor of Alpa S.p.A.

ALFREDO MALGUZZI

Acting Auditor

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

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 2018 Corporate Governance Code. Satisfaction of these requirements was verified by analysing and assessing the respective statements issued by the Statutory Auditors upon their appointment. Ongoing satisfaction of the same requirements by the Chairwoman and Acting Auditors is subsequently assessed annually. In 2018, it was confirmed. With regard to the maximum number of positions held at other companies, the Company assessed the Statutory Auditors' compliance both upon their appointment (20 April 2017) and, subsequently, on the basis of the statements of each member of the Board of Statutory Auditors issued pursuant to Attachment 5-*bis* to the Rules for Issuers. The outcome of the checks for the year 2018 is given in the table on page 59.

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"> At least one-third of the acting and alternate members of the Board of Statutory Auditors is made up of statutory auditors of the less-represented gender.
HARD SKILLS Professionalism	<ul style="list-style-type: none"> Record of honouring shared ethical principles¹⁷. 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.
SOFT SKILLS 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 it was found that:

- all statutory auditors meet the qualitative and quantitative Additional Criteria set out in New Art. 8.C.3 of Brembo

S.p.A.'s Corporate Governance Code;

- the composition of the Control Body is an adequate mix of skills and at least one-third of its members is of the less-represented gender.

¹⁷ See Brembo's Code of Ethics.



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 Auditors¹⁸.

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

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

In 2018, the Board of Statutory Auditors:

- performed 13 assessment meetings and attended all the General Shareholders' Meetings and the meetings of the Board of Directors (8 Board of Directors' meetings and 1 General Shareholders' Meeting); in addition, in the person of its Chairwoman, it attended the meetings of the Audit, Risks & Sustainability Committee (6 meetings) and Remuneration & Appointments Committee (1 meeting); the meetings of the Board of Statutory Auditors lasted about 3 hours on average;
- participated in the induction programme for newly appointed Directors and Statutory Auditors, but also open to those already in office, as discussed in detail in section 4.6 above;
- in most cases, held its meetings on the same day as the Audit, Risks & Sustainability Committee and the Supervisory Committee, with a section dedicated to joint discussion, in order to facilitate the exchange of information between parties with significant powers in the field of internal controls;
- constantly received from Directors exhaustive and detailed information on business performance and outlook, operations carried out and the most significant economic, financial and equity transactions performed by the Parent or its subsidiaries, as well as the status of activities and strategic projects underway;
- regularly met with the Manager in charge of the Company's financial reports, the Company's Independent Auditors and the Internal Audit Director 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 and validating data at a global level in order to prepare the Statement of Non-Financial Information pursuant to Legislative Decree No. 254/2016;
- 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;
- issued two opinions on the requests for supplementation of the consideration granted to the Independent Auditors for statutory auditing services as a result "of certain changes in the scope of activity and/or the issue of new international accounting standards that introduced and/or entail new obligations for the statutory auditors or the performance of more complex verification activity for the performance of auditing activity";
- supervised the process of achieving compliance with Regulation (EU) No 2016/279 on the protection of personal data (GDPR) by Brembo S.p.A. and by the Group's European companies and received a copy of the DPO's Annual Report to the Board;
- supervised the process of awarding contracts for services other than independent auditing on the basis of periodic statements from the Independent Auditors;

¹⁸ 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.

- met with the Chief Information Technologies Officer to explore the architectural and technological characteristics of the IT Disaster Recovery Plan and the results of the assessment of the IT governance system's compliance with international frameworks (Cobit/ISO) performed by Group companies.

Similar to the self-assessment process of the Board of Directors, the Statutory Auditors carried out an assessment of the composition and functioning of the Board of Statutory Auditors (also in compliance with the "Rules of conduct of the Board of Statutory Auditors of listed companies" issued by the National Council of Doctors Accountants and auditors and published on April 2018, rule Q.1.1.) The "Board of Statutory Auditors review" was in fact carried out on the basis of a

questionnaire followed by a report presented to the Board of Directors. At the end of the process, a general satisfaction resulted on the functioning and on the general contribution, as well as a positive climate within the Board of Statutory Auditors. It also determined an effective relationship with the Board and a high level of collaboration with Brembo's Internal Structures. Among the topics covered by the review, also the application of the diversity policies pursuant to art. 123-bis, paragraph 2, lett. d-bis of the TUF and the relevant criteria for the Board of Statutory Auditors have been analysed.

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

14. RELATIONS WITH SHAREHOLDERS

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

The management of 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, Andrea Abbati Marescotti.

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

The Executive Deputy Chairman 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 035.60.52.145.

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

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



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 submit questions regarding the items on the Agenda even before the General Shareholders' Meeting, in accordance with the procedures and terms set in the Notice of Calling.</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>

19 Ai sensi dell'art. 126-*bis* del TUF (modificato dal Decreto n. 91 del 18.06.2012) i Soci che, anche congiuntamente, rappresentino almeno un quarantesimo del capitale sociale possono chiedere, entro dieci giorni dalla pubblicazione dell'avviso di convocazione dell'Assemblea, ovvero entro cinque giorni nel caso di convocazione ai sensi dell'articolo 125-*bis*, comma 3 o dell'articolo 104, comma 2, l'integrazione dell'elenco delle materie da trattare, indicando nella domanda gli ulteriori argomenti da essi proposti ovvero presentare proposte di deliberazione su materie già all'Ordine del Giorno.

Documentation of General Shareholders' Meetings

All documentation related to General Shareholders' Meeting, including reports focusing on the items placed on the Agenda and motions raised in respect of the said items, is made available for public consultation at the Company's registered office and on the corporate website, as well as through the authorised data storage system (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. 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.

The General Shareholders' Meeting held on 20 April 2018 was attended by the majority of Directors currently in office and all the members of the Board of Statutory Auditors currently in office.

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

convened on 18 April 2019, is available on the Company's website, www.brembo.com, in the Investors section, For Shareholders, Shareholders' Meeting, 2019, from the authorised storage system (www.1info.it), and has been published in summary version in the daily newspaper *Il Sole24Ore*.



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

16.1. Assignment of Sustainability tasks 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. This decision was made in accordance with the inclusion of Brembo in the FTSE-MIB index and the provisions of Article 4 of the Corporate Governance Code of Borsa Italiana S.p.A. On the basis of the best practices in this area, and in light of the new Legislative Decree No. 254/2016 on the Statement of Non-Financial Information, the Company decided to assign this function to the Audit & Risk Committee, considering, among other factors, the related nature of its duties.

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

a new version of the Regulations, approved by the Board of Directors during its meeting on 20 April 2017. 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 2018.

16.2. Whistleblowing System

With regard to the Internal Control and Risk Management System, the Company has implemented an internal system for employees to report any irregularities or violations of applicable legislation and internal procedures, which already satisfies the requirements established by the Whistleblowing Law (bill 2208

approved by the Chamber of Deputies on 15 November 2017), the characteristics of which are described in section 10.5, concerning the Organisation, Management and Control Model Pursuant to Legislative Decree No. 231/2001.

17. CHANGES AFTER 31 DECEMBER 2018

There were no changes after 31 December 2018.

18. REMARKS ON THE LETTER FROM CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE OF 21 DECEMBER 2018

The notice sent by the Chairman of the Corporate Governance Committee to all issuing companies on 21 December 2018 and the Annual Report — Sixth Edition — on the state of application

of the Borsa Italiana Corporate Governance Code (July 2018) were first circulated to the Executive Directors, Chairwoman of the Board of Statutory Auditors and Lead Independent Director.

The four “Committee Recommendations for 2019” indicated in the letter, which concern (i) pre-meeting information, (ii) clarity and completeness of remuneration policies, (iii) independence and (iv) the Board Evaluation, were then examined by the Lead Independent Director and by the Independent Directors during the meeting of 17 January 2019 and then submitted to the

Board of Directors on 21 January 2019, during the examination of the findings of the 2018 Board Performance Evaluation, emphasising the existence of a sound level of implementation of the Code by Brembo and concluding that the Board of Directors has complied with the provisions of the Corporate Governance Code and adopted appropriate practices.

6th Annual Report on the application of the Corporate Governance Code of Borsa Italiana

RECOMMENDATIONS of the Governance Committee in its letter of 21 December 2018

BREMBO'S IMPLEMENTATION

PRE-MEETING INFORMATION

The Committee invites the BOD to express an explicit assessment of the adequacy of pre-meeting information received in the course of the year. In particular, the Chairs of the BoDs are called to promote the evaluation activity and to ensure that the confidentiality issues are protected without compromising the adequacy and timeliness of the flows of information that precede board meetings.

With the aid of the external consultant tasked with the Board Performance Evaluation (Spencer Stuart), questionnaires and interviews were administered to the directors, who were asked to give an opinion of the adequacy and timeliness of pre-meeting information. In this process, it was found that the Directors deem that the Board of Directors has adopted the recommendations of the Corporate Governance Code and implemented appropriate practices. In particular, it was found that the documentation provided by the management is detailed and well organised. It is sent appropriately in advance (except for the most confidential material) using efficient IT systems. See section 4.12.

CLARITY AND COMPLETENESS OF REMUNERATION POLICIES

The Committee invites the BoD and the Remuneration and Appointments Committee to assess the adequacy of the remuneration policy with the pursuit of the goal of the company's sustainability in the medium-to-long term. In particular, the Committee recommends, above all the competent bodies of the medium and large issuers, to strengthen the link of variable remuneration to parameters related to long-term objectives and to limit to exceptional cases, which deserve an adequate explanation, the possibility of paying-out a compensation that is not linked to predetermined parameters (i.e. “ad hoc” bonuses).

Aspects described in detail in the Annual Remuneration Report, submitted for the review of the Shareholders' Meeting.

INDEPENDENCE OF THE DIRECTORS

The Committee invites the BoD to apply with more stringency the independence criteria and control bodies to monitor the proper application of these criteria: the Committee stresses that cases of their non-application should be an exception and, above all, should be adequately disclosed through a comprehensive explanation in the corporate governance report.

Brembo's current BoD does not present any cases of failure to apply such criteria. During previous terms, it was disclosed that the nine-year criterion had only been waived on an exceptional basis, with an express account of the Company's assessments of the waiver of the criterion for the individual position.

BOARD EVALUATION

The Committee invites the BoD to ensure greater transparency in the methodology of the Board Review. The Committee hopes, above all for large issuers, that a board component will supervise the board review process and that issuers adopt the evaluation procedure that will enhance the contribution of each individual director.

The Board Review process is described in section 4.12, where its findings are also presented. It was previously conducted directly by the Lead Independent Director and in 2017 and 2018 the latter, together with the Independent Directors, continued to examine and discuss the plan of activity and findings in advance in order to propose additional improvements to improve and promote a governance model consistent with Italian and international trends.