

**REPORT ON THE  
REMUNERATION POLICY FOR 2021  
AND REMUNERATION PAID IN 2020  
OF THE BREMBO GROUP**

English Translation for convenience – Only the Italian version is authentic





<b>Letter from the Chairwoman of the Remuneration &amp; Appointments Committee</b>	4
<b>Introduction</b>	6
<b>Executive Summary</b>	10
<b>SECTION I</b>	11
<b>1. Information on the Procedures Applied for the Adoption and Implementation of the Remuneration Policy</b>	11
1.1. Scope and Recipients	11
1.2. Remuneration & Appointments Committee	12
1.3. Board of Directors	15
1.4. General Shareholders' Meeting	16
1.5. Possible Attendance of Independent Experts	16
1.6. Process for the Policy Definition and Approval	16
<b>2. Details of the Company's Remuneration Policy</b>	19
2.1. Contents of the Policy	19
2.2. Remuneration of Members of the Board of Directors	21
2.2.1. Directors Not Holding Special Offices	21
2.2.2. Directors Holding Special Offices and Key Management Personnel	22
2.3. Remuneration of Members of the Board of Statutory Auditors	24
2.4. Variable Remuneration – MBO and LTIP – Allocated to Certain Members of the Board of Directors and other Executives	25
2.4.1. MBO	25
2.4.2. LTIP	26
2.5. Indemnity in the Event of Resignation, Dismissal or Termination of Employment	28
2.6. Non-Competition Agreements	29
2.7. Clawback/Malus	29

<b>SECTION II</b>	30
<b>Foreword</b>	30
<b>Part One</b>	30
Exemption from the Remuneration Policy for 2020	31
Implementation of the Remuneration Policy for 2020: Fixed Remuneration	32
Implementation of the Remuneration Policy for 2020: Variable Remuneration	33
Comparative Information Regarding the Remuneration of the Board of Directors, the Group's Results and the Average Remuneration of Brembo's Employees	34
Further Relevant Information	37
<b>Part Two</b>	38
<b>Table 1</b> - Remuneration paid to members of the Board of Directors, members of the Board of Statutory Auditors, General Managers and other Key Management Personnel	38
<b>Table 3b</b> - Cash incentive plans for Members of the Board of Directors, General Managers and other Key Management Personnel	42
<b>Scheme 7-ter of Table 1</b> Shareholdings of Members of the Board of Directors and the Board of Statutory Auditors, General Managers and other Key Management Personnel	43
<b>Attachments</b>	44
Reconciliation of Regulatory Requirements with the Report on Remuneration Policy and Remuneration Paid	44
<b>Regulatory Framework</b>	48
<b>Glossary</b>	49



## Letter from the Chairwoman of the Remuneration & Appointments Committee

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Dear Shareholders,

It is my pleasure, as the Chair of the Remuneration & Appointments Committee, to present to you the Report on the Remuneration Policy for 2021 and on Remuneration Paid in 2020, structured as per Article 123-ter of TUF and approved by the Board of Directors on 4 March 2021.

The Report was drafted following a particularly challenging year, 2020, characterised by the spread of Covid-19, which had severe repercussions on the global economy and on the automotive industry in particular, with strong implications for all our stakeholders.

At a time of such great uncertainty, Brembo's priority was above all focused on people — our human capital— through numerous initiatives taken to stand with businesses and households and protect the health and wellbeing of the Group's people and the local area. In fact, Brembo made itself available to the local community immediately, both in Italy and internationally, believing it to be extremely important not only to respond swiftly to the day-to-day emergency relating to treating patients, but also to work on scientific research to find an effective solution to the difficult situation, through the numerous initiatives undertaken by the Group, as thoroughly described in the section dedicated to the Consolidated Disclosure of Non-Financial Information.

Within this framework, the 2021 Policy is a continuation of that of previous years, confirming the adequacy of the instruments used. Our policy has been designed to remunerate our management and employees for sustainable growth and remains valid even at a such an extraordinary time as this.

To ensure consistency with the overall experience of our employees, internal fairness measures have been taken for 2020 with regard to the managerial population, such as reduction of the bonus opportunity of 20% for the 2020 MBO and of 20% for the 2019-2021 LTIP for

the year 2020. We regarded this decision as consistent with the reduction of the purchasing power of the rest of the company population, as well as with the impacts on the Bergamo area, with which Brembo S.p.A. has historically identified itself.

Yet, the challenges posed by Covid-19 relate above all to the future: the pandemic has expedited the ongoing transition within the automotive industry, which is facing unprecedented challenges such as electrification, autonomous driving, and digitalisation. These challenges require our Company to act thoroughly so as to be able to continue to create value for all of our stakeholders.

Brembo therefore aims at achieving the new targets imposed by this new scenario. The product innovation programmes are thus focused on reducing environmental impacts and fall within the broader new environmental, social and governance (ESG) context, which the Group has continued to pursue through a process of continuous improvement, aimed at concrete achievement of the UN Agenda SDGs for sustainable development, to which Brembo has decided to subscribe, prioritising some of them and therefore launching specific initiatives over time.

In addition, the "We Support SDGs" information campaign targeting all our personnel is designed to spread awareness of these goals and support the tangible actions that each of us may take to achieve them: from defeating poverty to the fight against climate change. The challenge is achieving the 17 Sustainable Development Goals, by remaining constantly committed to promoting tangible initiatives.

Within this framework, our annual incentive system is closely tied in with these topics through the use of a KPI based on the rating assigned by CDP (Carbon Disclosure Project) for Brembo's commitment to the fight against climate change and to the energy efficiency. Our KPIs also include "S" goals tied to

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workplace safety and the wellbeing of our personnel.

CDP has indeed rewarded Brembo for its leadership in the area of sustainability by making it one of the few companies to have achieved a double-A rating. In CDP's view, Brembo has proved itself a global leader through its demonstrated, significant and transparent action against climate change and in the management of water resources.

Among the initiatives taken in 2020 in the "E" area, I would like to underline the completion of development of the Brembo Energy Platform, a tool that will enable constant monitoring of the energy consumption of all the Group's facilities, as well as the launch in the second half of 2020 of an experimental phase of replacement of certain raw materials with others from the waste recovery process.

In confirmation of our focus on innovation and sustainability and the alignment between these topics

and our corporate strategy, on 7 January 2021 we announced the acquisition of 100% of SBS Friction, a Danish company that develops and manufactures brake pads from particularly environmentally-friendly sintered organic materials for motorbikes. The acquisition, in line with Brembo's new mission of becoming an authoritative Solution-Provider, will make it possible to integrate a strategic component such as brake pads, strengthening the positioning of Brembo's offering within the sustainable automotive product sector.

Finally, I would like to take the opportunity to thank you in advance for the interest that you show each year in our Remuneration Policy, and I am pleased to reiterate, in the name of all my fellow Directors, our utmost commitment to the future, confident that, as Brembo shareholders, you will find the information provided in this document exhaustive and useful, in the hope that we will have your positive support during the General Shareholders' Meeting.

*Best regards,*

**The Chairwoman of the Remuneration  
& Appointments Committee**  
**Nicoletta Giadrossi**



## Introduction

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**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, the aftermarket and racing sectors. It supplies the world's most important manufacturers, operating in 19 industrial sites, 6 commercial sites and 5 Research & Development Centres.**

In performing its activities, the Group can count on over 6,700 companies located in more than 16 countries worldwide, pursuing an international development strategy that places the local area at the centre, alongside a commitment to creating stable relations with the communities.

To support its growth, Brembo has adopted a new vision, *“Turning Energy into Inspiration”*, through which the Group intends to increase its long-term competitiveness by embarking on a journey aimed at turning the Company into a solution provider by integrating its products into increasingly sustainable high value-added solutions.

In support of its new vision, the Group confirms its commitment to innovation, a characteristic that has set it apart since it was founded and that has resulted in the filing of over 1,598 patents, fundamental to protecting the technological leadership it has developed over the years.

This philosophy continues to the present day, in terms of investments in both financial and human resources. In 2020, Brembo was involved in various events pertaining to innovation:

- the implementation of a new organisational model that, in addition to being based on customer relations, product development at the global level and an agile organisation, expands the Advanced R&D area to complement long-term product innovation with a focus on artificial intelligence and digital transformation applied to products and processes;
- the testing of mass production of Brake-By-Wire technology (currently adopted in Formula One), an

automotive revolution that involves shifting from hydraulic to electric brake systems;

- the partnership with Polestar, which resulted in the creation of a new aluminium brake calliper specifically designed for the Polestar 2 (a full-electric vehicle), distributed to contribute to increasing battery mileage and life;
- the receipt of the prestigious ADI Compasso D'Oro prize for the Formula E brake calliper, the outcome of Brembo's 40 years of experience in the motor sport arena in pursuit of innovation.

The Group also had an important year in 2020 from the standpoint of initiatives taken in the ESG area:

- health and security: the first half of 2020 was severely impacted by the Covid-19 pandemic. The extended lockdown resulted in the prolonged absence of the workforce from facilities, but it however allowed the Group to implement the measures required for safe resumption of business to be prepared. To this end, Brembo has designed company protocols to combat the spread of the virus and established plant Committees for constant updating, verification and circulation of the protocols, drawing up a fortnightly audit plan to verify compliance with and application of the established measures;
- despite the pandemic, the Company continued to focus its efforts on designing training activities for the Group personnel through online catalogues. “Knowledge Management” is a project that focuses on certification of employees with specific types of expertise, after a specific training and mentoring process, are able to spread their knowledge within the organisation,

- Brembo Academy: some of Brembo's employees, like the external professionals, became trainers at the Brembo Academy and appointed as real *domain experts* in addition to the 50 trainers already certified and active for a considerable institutional, managerial and technical section of the internal catalogue.

Within this context, Brembo's Remuneration Policy for 2021 mainly aims at giving a tangible contribution to the Group's corporate strategy and sustainability, taking into account its medium-long term strategic direction, in order to assure attraction and retention for all the key roles with the necessary credentials and skills to ensure that value is created for all stakeholders, including shareholders, employees, customers and suppliers.

To this end, the Remuneration & Appointments Committee<sup>1</sup> has performed its functions seeking to give continuity to the aims, principles and tools of the Group's Remuneration Policy, choosing to work with a view to developing an ongoing dialogue with stakeholders, aware that this key element is central to the Group's Remuneration Policy. In fact, Brembo attaches great importance to constant interaction, throughout the year, with the main beneficiaries of its remuneration policies and with its investors, in order to ensure ongoing improvement in the adoption of market best practices, drawing helpful inspiration from various stakeholders.

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



<sup>1</sup> Appointed by the Board of Directors held on 23 April 2020, following the appointment of the company boards by the General Shareholders' Meeting on the same date.



## Reconciliation between Strategy, Sustainability and Remuneration Policy

<b>Ensuring the sustainable growth of our Group</b>	The elements of the Remuneration Policy support the achievement of the Group's strategic guidance through an adequate balance of short- and long-term performance parameters
<b>Creating value for our Shareholders</b>	The use of the EVA (Economic Value Added) metric in the objective record of our 2019-2021 LTIP ensures that the interests of our shareholders are aligned to the work of the Group's management
<b>Balancing decisions against their social and environmental impact</b>	The annual incentive system is closely correlated with ESG issues through the use of a KPI based on obtaining recognition from CDP for Brembo's commitment to the fight against climate change, in addition to emphasising the other targets relating to occupational injuries and energy efficiency
<b>Promoting the guiding principles that characterise the Group</b>	Integrity, responsibility and transparency are the drivers adopted in the Group's remuneration schemes; these drivers take the form of elements such as an attention to employees, supply chain sustainability and respect for local communities
<b>Making the company attractive on the market</b>	The Policy's distinctive elements are designed to attract and retain highly capable management personnel and reward their responsibilities, skills and experience

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

In addition, Brembo has always complied with applicable laws, regulations and recommendations of the Corporate Governance Code for Listed Companies<sup>2</sup>.

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

- **SECTION I:** this section refers to the members of the Governing Bodies, General Managers and Key Management Personnel and contains information about the principles and guidelines according to which Brembo S.p.A. sets its remuneration policy, in addition to information about the procedures used to adopt and implement that policy. This section describes in a clear, transparent and intelligible way, the general principles and purposes pursued, information regarding the governance of the process aimed at defining Brembo's Remuneration Policy

with details of the main Bodies and Parties involved, as well as information on the purposes, tools and recipients of the said policy.

Section I of the Report on Remuneration Policy and Remuneration Paid, in accordance with the provisions of Legislative Decree No. 49 of 10 May 2019, is subject to the binding vote of the Ordinary Shareholders' Meeting, called to approve the 2020 Financial Statements;

- **SECTION II:** organised into two parts and audited, in accordance with the provisions of Legislative Decree No. 49 of 10 May 2019, by the firm EY S.p.A., appointed to perform the audit. The first of these contains an illustration of each of the components of remuneration paid to the members of the Board of Directors, the members of the Board of Statutory Auditors and Key Management Personnel in 2020, in accordance with the Remuneration Policy adopted for that year. The second provides a detailed account of the compensation paid during the reporting year, in any capacity and form, by the Company and its subsidiaries and associates, using the tables annexed to the Report, which are an integral part thereof.

<sup>2</sup> The Remuneration Policy for 2021 is consistent and compliant with the provisions of Article 5 – "Remuneration" of the new Corporate Governance Code, which Brembo will soon adopt in 2021.



Section II of the Report on Remuneration Policy and Remuneration Paid, in accordance with the provisions of Legislative Decree No. 49 of 10 May 2019, is subject to the advisory vote of the Ordinary Shareholders' Meeting, called to approve the 2020 Financial Statements.

The two Sections are supplemented with additional context-related information to enable the market and Investors to read the remuneration information contained in the Report together with the Group's strategic guidance and sustainability, with a view to understanding the main drivers that allow Brembo S.p.A.'s Remuneration Policy to contribute more fully to the pursuit of long-term value creation for all its stakeholders.

The Report's contents have been defined in compliance with Annex 3A, Table 7-*bis*, of the Rules for Issuers introduced by Consob Resolution No. 18049 of 23 December 2011, as subsequently amended by Consob Resolution No. 21623 of 10 December 2020.

This Report on Remuneration Policy and Remuneration Paid, pursuant to Article 123-*ter* of TUF (Article introduced into Legislative Decree No. 58/1998 through Legislative Decree No. 259/2010, as amended by Legislative Decree No. 49/2019), applies to financial year 2021 and was approved by the Board of Directors, on the proposal of the Remuneration & Appointments Committee, during the meeting held on 4 March 2021 and has been made available to the public at Brembo's registered offices and on the Company's website (<https://www.brembo.com/en/company/corporate-governance/remuneration-policies>).



# Executive Summary

A summary of the Group's 2021 Remuneration Policy is given in following table:

Elements of Remuneration	Scope and Conditions	Criteria and Parameters	Quantitative References
<b>Fixed Remuneration</b>	Developing the responsibility, expertise and contribution required by the role	Fixed remuneration is set on the basis of the powers granted and role assigned, considering applicable cases on the market for comparable roles and in view of the impact on company results.	<ul style="list-style-type: none"> <li>Executive Chairman: €1,300,000</li> <li>Executive Deputy Chairman (EDC): €1,250,000</li> <li>Chief Executive Officer (CEO): €1,300,000<sup>3</sup></li> </ul> <p>The Chairman, Executive Deputy Chairman and CEO are the three members of Key Management personnel identified by Brembo S.p.A.</p>
<b>Annual Incentive System (MBO)</b>	Assessing and motivating the achievement of the Group's annual objectives and short-term challenges	<ul style="list-style-type: none"> <li>Evaluation metrics: Group EBITDA, Group EBIT, Group sales, ROI, CDP Group Carbon Footprint</li> <li>Performance period: annual, in compliance with the budget targets</li> <li>Payment method: cash</li> </ul> <p>Clawback clauses may be applied.</p>	<p>Bonus target:</p> <ul style="list-style-type: none"> <li>EDC: 75% of fixed component</li> <li>CEO: 75% of fixed component</li> </ul> <p>Bonus cap</p> <ul style="list-style-type: none"> <li>EDC: 100% of fixed component</li> <li>CEO: 100% of fixed component</li> </ul>
<b>Medium-long term Incentive Plan (LTIP)</b>	Promoting the creation of value for shareholders and the Group's sustainability in the long term	<ul style="list-style-type: none"> <li>Evaluation metrics: Economic Value Added (EVA), Free Operating Cash Flow, NFP/EBITDA</li> <li>Vesting period: three-year period 2019-2021 (Closed Plan)</li> <li>Payment method: cash</li> </ul> <p>Clawback clauses may be applied.</p>	<p>Bonus target:</p> <ul style="list-style-type: none"> <li>EDC: 100% of fixed component</li> <li>CEO: 100% of fixed component</li> </ul> <p>Bonus cap</p> <ul style="list-style-type: none"> <li>EDC: 133% of fixed component</li> <li>CEO: 133% of fixed component</li> </ul>
<b>Non-monetary benefits</b>	Complementing economic benefits with components primarily of a social security and pension nature	<i>Primarily social security and insurance benefits, provided per the national collective labour contract standard (for industrial executives)</i>	<ul style="list-style-type: none"> <li>Supplementary pension schemes</li> <li>Health insurance</li> <li>Insurance policy</li> <li>Allocation of a car for business and personal use</li> </ul>
<b>Severance indemnity</b>	Protecting the Group against potential litigation/competition risks	<p>Severance indemnity from the position of CEO and employment relationship – Cases:</p> <ul style="list-style-type: none"> <li>Removal or non-renewal without just cause</li> <li>Resignation from the office and waiver of the delegated powers due to such a serious reason as to make a continuation impossible</li> <li>Resignation from the office and waiver of the delegated powers due to a change of control that has resulted in a substantial change in the position and/or powers</li> </ul> <p>Non-competition agreement with the CEO: paid during the employment within the company.</p>	<ul style="list-style-type: none"> <li>CEO's severance indemnity: A lump-sum one-off indemnity equal to 18 months of an amount corresponding to the sum of the fixed emolument for the office, the non-competition agreement payment and the maximum amount payable by way of short-term variable component (MBO).</li> <li>Non-competition agreement with the CEO: the amount of €200,000 is included in the total fixed remuneration (Total Fixed Remuneration: €1,300,000)</li> </ul>

<sup>3</sup> The fixed compensation assigned to the Chief Executive Officer consists of special compensation of €1,100,000 for the position pursuant to Article 2389, paragraph 3, of the Italian Civil Code, and the payment related to the non-competition agreement over the course of the employment relationship of €200,000. This compensation is also in addition to a housing allowance of €100,000.

## Section I

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

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

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

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#### 1.1. Scope and Recipients

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

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

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

To facilitate this alignment, the Policy envisages that part of the management's remuneration be linked to the achievement of performance objectives – which are set and established in advance – through a Management by Objectives (MBO) Annual Incentive Plan and a medium-long term Incentive Plan (LTIP).

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



In detail, areas of responsibility are as follows:

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

## 1.2. Remuneration & Appointments Committee

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

The Committee's composition, meetings, objectives, tasks and activities illustrated hereunder **are fully compliant with the recommendations of the 2020 version of the Corporate Governance Code**.

Pursuant to Article 2389, paragraph 3, of the Italian Civil

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

**The current Committee, appointed during the Shareholders' Meeting held on 23 April 2020, will remain in office until 31 December 2022.**

The Chairwoman of the Board of Statutory Auditors, R. Pagani, is permanently invited to participate in all the meetings of the Remuneration & Appointments Committee.

## Composition and meetings



### Nicoletta Giadrossi

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

### Laura Cioli

Non-Executive and Independent Director.

### Elizabeth Marie Robinson

Non-Executive and Independent Director.

In 2020, the Committee met twice. As of the date of approval of this Report, it has held a further meeting focused on the definition of Remuneration Policy for 2020 and the launch of the Group's new Remuneration Policy.

## Objectives

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

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

## Responsibility areas

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

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

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

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

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

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

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

In 2020, the activity of the Remuneration & Appointments Committee focused mainly on (i) verifying that the members of the Board of Directors, Board of Statutory Auditors and Supervisory Committee meet the relevant requirements; (ii) the proposals to be submitted to the Board of Directors in view of the appointment of the new Corporate Bodies for the 2020-2022 term, including the proposal concerning the Board of Director's overall remuneration, and (iii) the remuneration policies and the related amendments introduced due to the Covid-19 pandemic. In detail, the Remuneration & Appointments Committee met twice in 2020 and the average length of

the meetings was 2 hours and 30 minutes, integrated by some meetings by way of *induction*<sup>4</sup>: the main items on the agenda included the performance assessment and the final evaluation of the Group's variable remuneration systems, the annual review of the Report on Remuneration Policy and Remuneration Paid, the analysis of the level of challenge of variable incentive plan targets, the assessment of main executive compensation elements, as well as the measures to address the impact of the Covid-19 emergency on the Group's short and medium-long term remuneration systems.

4 In view of the meeting of July 2020, 4 induction and preparatory meetings were held (on 26 and 29 June 2020 and on 2 and 13 July 2020).



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

<b>2020</b>	
<b>MEETING OF 3 MARCH 2020</b>	<b>MEETING OF 23 JULY 2020</b>
<p><b>with reference to Appointments</b></p> <p><b>a)</b> as regard the Board of Directors in charge for the 2017-2019 term, it assessed the individual declarations of the Directors, Statutory Auditors and members of the Supervisory Committee for periodic verification in view of the assessment and self-assessment, as well as verification of continuing satisfaction of the requirements and implementation of the criteria of diversity and compatibility of the positions held by them, as set for the different positions in the applicable laws and regulations in force, as well as in Brembo's Corporate Governance Code;</p> <p><b>b)</b> it assessed the combination of professional backgrounds and managerial skills in light of Brembo's Diversity Policy pursuant to Article 123-<i>bis</i>, paragraph 2, letter d-<i>bis</i>, of TUF defined by the Regulations of the Board of Directors and Brembo's Corporate Governance Code;</p> <p><b>c)</b> with regard to the reappointment of company bodies and officers for the 2020-2022 term, it assessed the Board of Directors' proposals concerning composition and size, as well as its recommendations on the candidates' profiles for the future composition and the cumulations of offices</p> <p><b>with reference to Remuneration:</b></p> <p><b>a)</b> it assessed the closing results of the annual short-term incentive plan (2019 MBO);</p> <p><b>b)</b> it assessed and defined the content and features of the annual short-term incentive plan (2020 MBO);</p> <p><b>c)</b> it examined the proposal regarding the total remuneration/ for each year of the term of office of the administrative body and the Board Committees and allocation thereof;</p> <p><b>d)</b> it examined the proposal regarding the total remuneration for Brembo S.p.A.'s Board of Statutory Auditors, taking also into account the opinion expressed by the outgoing Board of Statutory Auditors in its report drawn up pursuant to Article Q 1.6 of "Principles of conduct for the Boards of Statutory Auditors of listed companies";</p> <p><b>e)</b> it examined the Report on the Remuneration Policy and Remuneration Paid for 2020 (Sections I and II), assessing and confirming the effective implementation of the 2019 remuneration policies.</p>	<p><b>with reference to Remuneration:</b></p> <p><b>a)</b> it examined the proposals to review the 2020 remuneration policies, with a particular focus on the short-term incentive system (2020 MBO) and long-term incentive system (2019-2021 LTIP), in light of the situation generated by the Covid-19 emergency. Before submitting the proposals to the Board of Directors held on 29 July 2020 for its examination and approval, they had been priorly shared with the Audit, Risk &amp; Sustainability Committee in its function of Related Party Transactions Committee</p>

For further information concerning the Remuneration & Appointments Committee's activities in 2020, the Committee's functioning and its specific activities in respect of appointments, reference should be made

to paragraph 7 of the 2020 Corporate Governance and Ownership Structure Report, published<sup>5</sup> concurrently with this Report.

<sup>5</sup> <https://www.brembo.com/en/company/corporate-governance/corporate-governance-reports>

## 1.3. Board of Directors

The Board of Directors currently in office was appointed at the General Shareholders' Meeting called to approve the 2019 Financial Statements (23 April 2020) and is made up of 11 Directors.

Its composition and functions, as described below, fully comply with the recommendations of the 2020

version of the Corporate Governance Code, which Brembo will soon adopt in 2021.

**The current Board of Directors will remain in office for the three-year period 2020-2022, i.e., until the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2022.**

### Composition



#### Alberto Bombassei

Chairman and Executive Director

*The Chairman is the Company's legal representative and has powers of ordinary management, within the limits of the law.*

#### Matteo Tiraboschi

Executive Deputy Chairman and Executive Director

*The Executive Deputy Chairman is the Company's legal representative and is vested by the Board of Directors with specific powers to manage it.*

#### Daniele Schillaci

Chief Executive Officer - CEO and Executive Director

*The Chief Executive Officer is vested by the Board of Directors with special powers to manage the Company, as well as powers, pursuant to Article 2381 of the Italian Civil Code, with reference to occupational health and safety (as per Legislative Decree No. 81/2008, as amended by Legislative Decree No. 106/2009), environmental protection and waste management.*

#### Cristina Bombassei

Executive Director

#### Valerio Battista

Non-Executive and Independent Directors

This Director also holds the position of Lead Independent Director.

#### Laura Cioli

Non-Executive and Independent Directors

#### Nicoletta Giadrossi

Non-Executive and Independent Directors

*The candidature of Director Nicoletta Giadrossi was submitted by a group of shareholders representing 2.27836% of the share capital during the General Shareholders' Meeting held on 23 April 2020.*

#### Umberto Nicodano

Non-Executive Directors

#### Elisabetta Magistretti

Non-Executive and Independent Directors

#### Elizabeth Marie Robinson

Non-Executive and Independent Directors

#### Gianfelice Rocca

Non-Executive and Independent Directors

### Responsibility areas

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

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

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

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

Assessing the adequacy of the organisational, administrative and accounting structure of the issuer and its subsidiaries having strategic relevance, especially with reference to the internal control and risk management system.

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

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

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

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



## 1.4. General Shareholders' Meeting

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

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

## 1.5. Possible Attendance of Independent Experts

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

Remuneration policy guidelines are prepared and the policies implemented are assessed in view of the context in which the Group operates: since Brembo does not have many closely comparable peer companies from a business standpoint at the domestic level, various panels have been considered for the purposes of remuneration policies in order to have a vision of both the labour market and business practices:

Benchmark peer group	Companies
European Industry Panel (13 companies)	Autoneum Holding, Autoliv, Continental, ElringKlinger, Faurecia, Leoni, Michelin, Nokian, Pirelli, SKF, Sogefi, TomTom, Valeo
Global Automotive Panel (11 companies)	Audi, BMW, CNH Industrial, Daimler, Ferrari, Fiat Chrysler Automobiles, Ford, General Motors, Renault, Peugeot, Volvo
Panel of Other Businesses (20 companies)	ABB, Amplifon, Atlantia, Autogrill, Biesse, Campari, De Longhi, Elica, F.I.L.A., Geox, I.M.A., Interpump, Moncler, Prysmian, Salvatore Ferragamo, STMicroelectronics, Technogym, Tenaris, Tod's, Whirlpool

Mercer and Willis Towers Watson advised Brembo by providing methodological support and market

benchmarks on compensation and executive compensation.

## 1.6. Process for the Policy Definition and Approval

The Remuneration & Appointments Committee submits the motion on Remuneration Policy to the Board of Directors for approval. The Group's Human Resources & Organisation Department supports the Remuneration & Appointments Committee in drafting the Report by providing market information about practices, policies

and benchmarks to help improve the policy and to involve relevant independent experts, if needed.

Upon proposal from the Remuneration & Appointments Committee, which in turn can ask for the support of the Group's Human Resources & Organisation



Department, the Board of Directors prepares and adopts the Remuneration Policy, making it part of internal company rules and regulations. It specifically determines the contents of the paragraphs regarding the remuneration policy for members of the Board of Directors (paragraph 2.2), the members of the Board of Statutory Auditors (paragraph 2.3), and the Group's incentive plans (paragraph 2.4). Pursuant to the By-laws, as concerns the Remuneration Policy for Directors holding special offices, the Board of Directors takes into account not only the proposals from the Remuneration & Appointments Committee, but also the opinion of the Board of Statutory Auditors. Once the Board of Directors has examined and approved the Remuneration Policy, the latter is submitted to the General Shareholders' Meeting and is made available by publishing the Report on Remuneration Policy and Remuneration Paid at least 21 days prior to the date on which the General Shareholders' Meeting is convened.

This complete Report on Remuneration Policy and Remuneration Paid, and specifically Section II, was previously examined by the Remuneration & Appointments Committee on 23 February 2021 and subsequently approved by the Board of Directors on 4 March 2021.

In accordance with the provisions of Legislative Decree No. 49 of 10 May 2019 and of the new Article 123-ter of the Consolidated Law on Finance, Brembo has also adopted a process for the temporary exemption from its Remuneration Policy, in the event of exceptional circumstances, where such an exemption is required in order to pursue the Group's long-term interests and sustainability as a whole, or to ensure its ability to remain on the market.

To this end, the cases identified by the Remuneration Policy as exceptional circumstances include, but are not limited to:

- the need to replace, due to unforeseen events, a person in a strategically relevant role for the Group and to negotiate a remuneration package in short

order, where the constraints imposed in the improved policy could limit the ability to attract managers with the professional skills best suited to achieving the Group's objectives;

- the occurrence of significant changes in the scope of business activity while the Policy is in effect, for example the acquisition of a significant business not included within the Policy, the impact of which was not foreseeable on an *ex-ante* basis;
- an option to pay entry or retention bonuses in order to foster the acquisition and retention of resources possessing specific expertise and top-level professional skills considered necessary to achieve the Group's objectives.

The Remuneration & Appointments Committee, supported by the Human Resources & Organisation Department, is the body tasked with verifying whether such exceptional situations exist and formulating the proposals for temporary exemption from the Remuneration Policy to the Board of Directors, which has been identified as the body delegated to approve such temporary exemption. As provided for in the Related Party Procedure of Brembo S.p.A., this process also requires the contribution of the Control, Risks & Sustainability Committee — which also acts as Related Party Transactions Committee — in case of amendments concerning the remuneration of Directors, Statutory Auditors and Key Management Personnel<sup>6</sup>. It should be noted that all interested parties refrain from participating in board discussion and resolutions relating to their remuneration.

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

The elements of Brembo's Remuneration Policy for 2021 that, in case of exceptional circumstances, may be subject to exemption, without prejudice to the

<sup>6</sup> On 12 November 2010, Brembo adopted a Related Party Transactions Procedure that, as required, is updated and approved in accordance with applicable statutory and regulatory provisions in force.

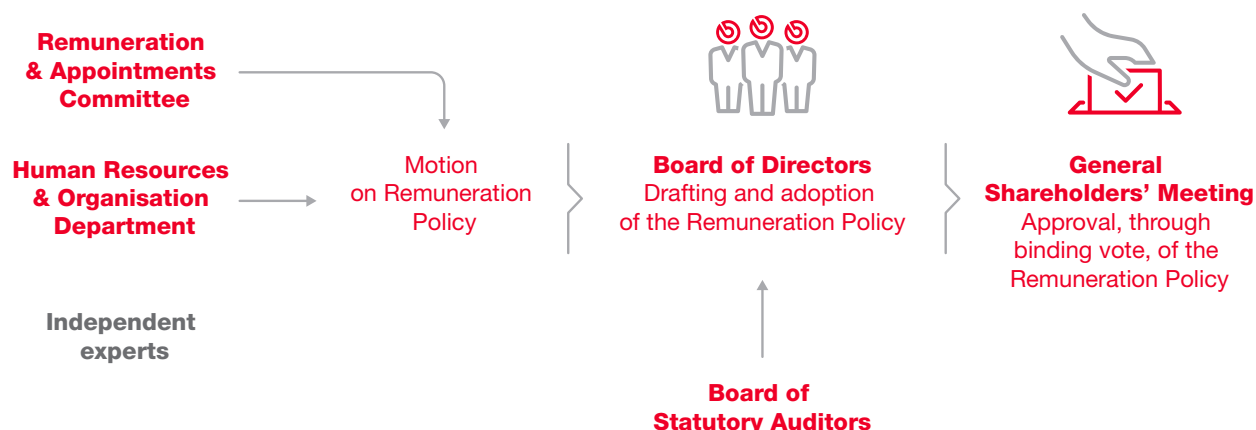


provisions of Regulation No. 17221 of 12 March 2010, are:

- fixed component;
- short-term variable component (MBO);
- medium-long term variable component (LTIP);
- benefits;
- severance indemnity.

The Related Party Transactions Procedure<sup>7</sup>, does not apply to the decisions of the General Shareholders' Meeting pursuant to Article 2389, paragraph 1, of the Italian Civil Code concerning the remuneration for members of the Board of Directors and the Executive

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



<sup>7</sup> Brembo S.p.A.'s Related Party Transaction Procedure is available on Brembo's website ([www.brembo.com](http://www.brembo.com), section Company, Corporate Governance, Governance Documents). New developments introduced by Consob Resolution No. 21624 of 10 December 2020 are currently being analysed and examined with a view to updating the Procedure and introducing all new provisions by 30 June 2021.

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

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### 2.1. Contents of the Policy

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The Board of Directors has defined a Remuneration Policy for Executive Directors, other Directors holding special offices and Key Management Personnel (Article 5, paragraph 27, of the Corporate Governance Code), taking into account market practices, especially those adopted by Italian multinationals with reference to executive compensation.

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

#### Article 5, paragraph 27, of the Corporate Governance Code

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**In drawing up the Policy, the Board of Directors has taken into account the following principles and criteria (Article 5, paragraph 27, of the Corporate Governance Code) stating that *the remuneration policy for executive directors and the top management defines:***

- a balance between the fixed and the variable component which is consistent with the company's strategic objectives and risk management policy. Consistency is assessed taking into consideration the business' characteristics and the industry of the company. The variable component has in any case a significant weight on the overall remuneration;
  - caps to the variable components;
  - performance objectives, to which is linked the payment of the variable components, that are predetermined, measurable and predominantly linked to the long-term horizon. They are consistent with the company's strategic objectives and with the aim of promoting its sustainable success and includes non-financial parameters, where relevant;
  - an adequate deferral of a significant part of the variable component that has been already accrued. Such a deferral period is consistent with the company's business activity and its risk profile;
  - provisions that enable the company to recover and/or withhold, in whole or in part, the variable components already paid out or due, where they were based on data which subsequently proved to be manifestly misstated. The company can identify other circumstances in which such provisions are applied;
  - clear and predetermined rules for possible termination payments, establishing a cap to the total amount that might be paid out. The cap is linked to a certain amount or a certain number of years of remuneration. No indemnity is paid out if the termination of the office is motivated by director's objectively inadequate results.
- 

The information provided below indicates the main features of the remuneration policy, in terms of elements of the remuneration package and their definition, for the following groups:

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

The Remuneration Policy for the various groups of individuals has been drafted in continuity with the past, since it was deemed to be in line with the Company's values and consistent with the prescriptions and expectations of the Company's stakeholders.



The Remuneration & Appointments Committee assessed the soundness of the contents of the Remu-

neration Policy considering various elements, such as:

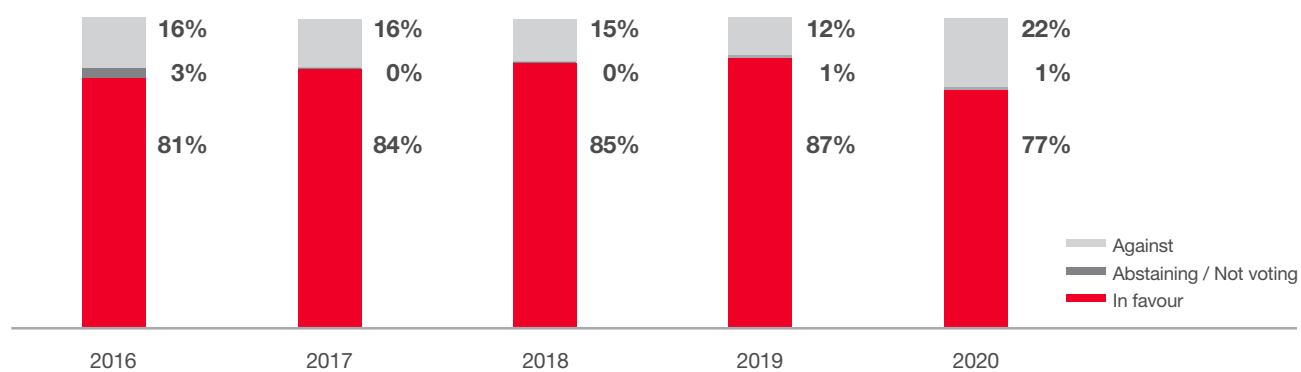
### REMUNERATION POLICY



The Remuneration & Appointments Committee also devoted particular attention to the findings of the analysis and further examination relating to the results of the vote by the Shareholders' Meeting and the feedback received from the shareholders, as well as to the results of the engagement activity with the proxy advisors. Within this framework, considerable importance was also attached to continuous interaction

with all company stakeholders, reflecting on all potential development ideas in order to constantly improve the adoption of market best practices.

The following are the outcomes of the votes<sup>8</sup> on the Remuneration Reports published from 2016 to 2019 and on the Report on Remuneration Policy published in 2020:



General Shareholders' Meeting	21 April 2016	20 April 2017	20 April 2018	18 April 2019	23 April 2020
In favour	81.36939%	83.713928%	85.190359%	86.512285%	76.974849%
Abstaining / Not voting	2.55781%	0.471699%	0.325561%	0.996482%	1.147419%
Against	16.0728%	15.814373%	14.484079%	12.491234%	21.877773%

<sup>8</sup> % of the ordinary shares with voting rights/entitled to vote in the Shareholders' Meeting.

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

The General Shareholders' Meeting of 23 April 2020 confirmed, following the appointment of the corporate bodies, the Board of Directors' overall remuneration at €9,500,000, setting the number of Board members at 11, and appointed the Board of Directors for the three-year period 2020-2022, i.e., until the General Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2022. The candidates for the three-year period 2020-2022 were nominated on the basis of opinions expressed by the then outgoing Board of Directors regarding its size and composition and the types of professional and managerial profiles 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 reporting documents.

With the aim of ensuring an ideal mix of skills, experience and professionalism among the members of the Board of Directors for the 2020-2022 term, the outgoing Board of Directors formulated this orientation taking into account the indications of the Remuneration & Appointments Committee in its meeting of 3 March 2020, including with regard to overall remuneration, and the recommendations of the Independent Directors, as well as the 2019 Board Performance Evaluation (end-of-term assessment for 2017-2019).

The overall remuneration approved by the General Shareholders' Meeting was allocated by Brembo's Board of Directors on 23 April 2020 pursuant to Article 21 of the By-laws, as illustrated below.

### 2.2.1. Directors Not Holding Special Offices

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

The Remuneration Policy for Brembo's Non-executive Directors provides for compensation adequate to their duties, professionalism and commitment required of their assignments within the Board of Directors and internal board committees. As recommended by Article 5, paragraph 29, of the Corporate Governance Code, this compensation is not tied to financial performance objectives.

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

Furthermore, the Board of Directors established an additional emolument of €10,000 to Director Elisabetta Magistretti for her role as member of the Supervisory Committee.

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

Following the best market practices, Directors not holding special offices do not receive any form of



variable remuneration. There is, however, a Directors & Officers (D&O) Liability policy to cover the risk of third-party claims arising from their actions in performance of their duties. This policy also extends to any legal expenses.

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

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

In preparing the Policy, the Board decided that Directors holding special offices should be subject to a remuneration policy in which a significant part of their remuneration is linked to achieving specific performance objectives since they are Executive Directors – with the exception of the Chairman, whose remuneration package only includes the emolument. Such performance objectives are identified and determined in advance, consistently with the guidelines of the general remuneration policy drawn up by the Board of Directors (Article 5, paragraph 27, of the Corporate Governance Code).

It should be recalled that at the meetings held on

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

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

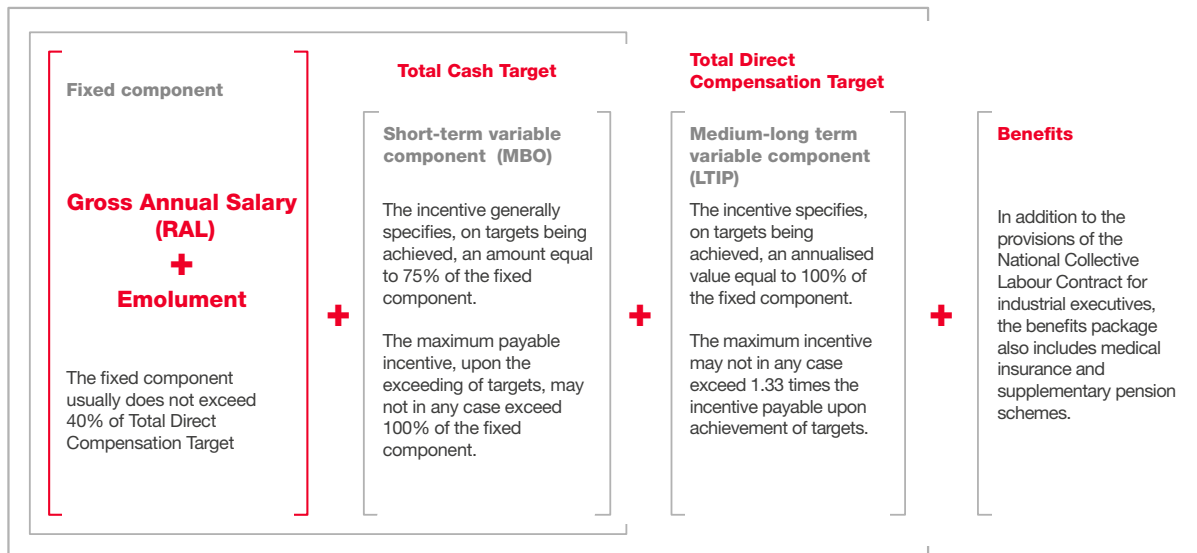
- an annual emolument of €1,300,000.

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

Position	Gross Annual Salary (RAL)	Emolument for the office held	Non-competition agreement	Fixed component
Executive Deputy Chairman	€1,000,000	€250,000	-	€1,250,000
Chief Executive Officer	-	€1,100,000	€200,000	€1,300,000 <sup>9</sup>

<sup>9</sup> A €100,000 housing allowance shall be added to this amount.

In particular, for these positions the Board resolved on a remuneration package as follows:



The composition of the compensation packages of the Executive Deputy Chairman and Chief Executive Officer present some variations in terms of the relative

weight of the various remuneration components as a function of achievement of performance objectives, as indicated below:





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

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

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

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

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

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

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

- Chairwoman: Raffaella Pagani<sup>10</sup>;
- Acting Auditors: Mario Tagliaferri, Paola Tagliavini;
- Alternate Auditors: Stefania Serina and Myriam Amato<sup>11</sup>.

On 23 April 2020, the General Shareholders' Meeting resolved, also in light of the Decree of the Italian Ministry of Justice's No. 169 dated 2 September 2010 ("Regulation on compensation, indemnities and criteria of expense reimbursements for professional services of certified accountants and bookkeepers") regarding remuneration for Statutory Auditors, to allocate to the Board of Statutory Auditors an overall annual remuneration of €196,000 to be divided among the Chairwoman and Acting Auditors:

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

In accordance with principle Q.1.6 ("Remuneration") of the Rules of Conduct for the Boards of Statutory Auditors of Listed Companies (the most recent version issued on 26 April 2018 by the National Council of Accountants and Accounting Experts), this compensation was deemed appropriate in light of the determination criteria represented by the outgoing Statutory Auditors and the related indications on quantifying the commitment required to carry out the assignment.

In this regard, the remuneration established for the Board of Statutory Auditors by the Shareholders' Meeting of 20 April 2017 was deemed essentially adequate by the outgoing Statutory Auditors, considering the activity performed by the Statutory Auditors during the three-year period, the circumstances of performance of the work and the support provided by the various company functions, as well as participation in the meetings of the Board Committees. The outgoing Board of Statutory

<sup>10</sup> Elected from the minority list submitted by a group of Shareholders representing 2.27836% of share capital.

<sup>11</sup> Elected from the minority list submitted by a group of shareholders representing 2.27836% of share capital.



Auditors also observed that the remuneration was in line with the findings for the average remuneration of the statutory auditors of comparable large listed companies not included in the FSTE MIB index.

In light of these considerations, the remuneration of the members of the Board of Statutory Auditors was confirmed, since the compensation was deemed by the

Board of Directors to be adequate to the competency, professionalism and commitment required by the importance of the role filled and Brembo's size and sector characteristics, in accordance with the provisions of Article 5, paragraph 30, of the Corporate Governance Code.

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

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

### 2.4.1. MBO

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

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

The 2021 MBO plan was approved by the Board of Directors on 4 March 2021, upon proposal submitted by the Remuneration & Appointments Committee. Its beneficiaries include the Executive Deputy Chairman and the Chief Executive Officer.

Purely quantitative objectives were identified and broken down for eligible employees to encourage the creation of absolute and relative profitability, and the organic growth of the Group. In detail, the following criteria were selected: EBITDA, EBIT, Total Sales and ROI (for the Group); a sustainability indicator (CDP Carbon Score) was also identified with the aim of promoting the application of a long-term sustainable business model. In line with the values that underpin the Remuneration Policy, the focus on environmental and sustainability topics is a strength of the whole Group. This vision is guaranteed by ESG metrics in

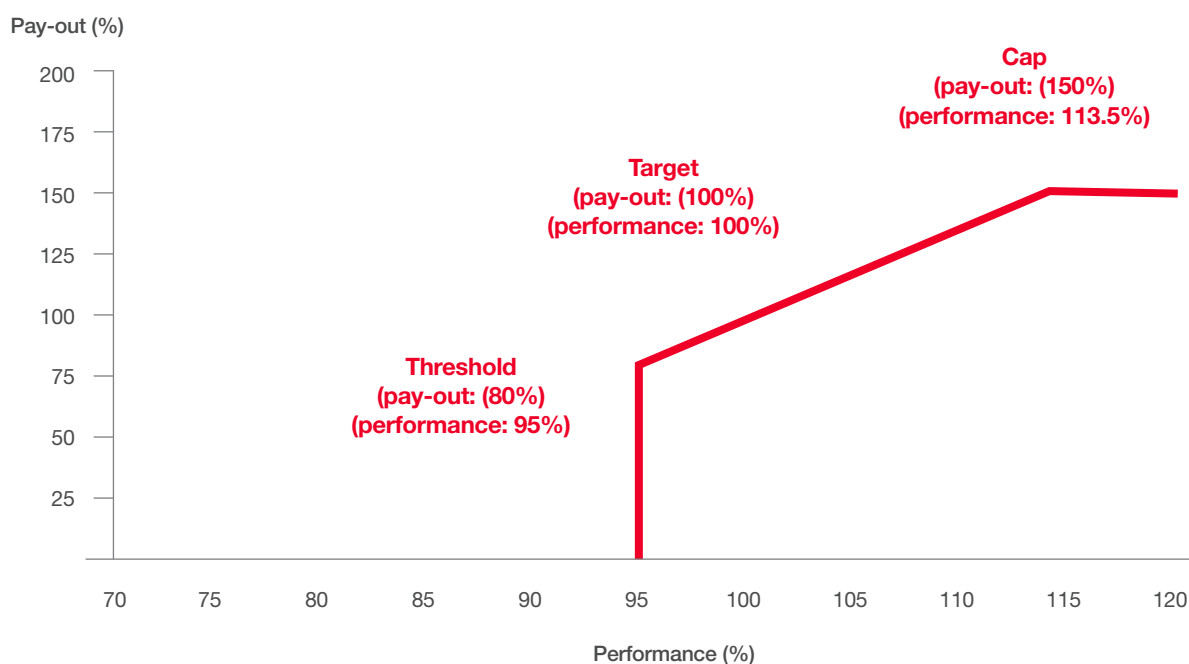
the objectives record and has led Brembo to being recognised by the CDP (Carbon Disclosure Project) as one of the world's leading companies in terms of its commitment and ability to respond to climate change and water resource management.

It bears remarking in this connection that for the purposes of verifying the performance targets with which the actual pay-out of the incentive system is associated, reference will be made to the financial statement figures approved by the Board of Directors, without the use of results adjusted for extraordinary components.

Failure to achieve the minimum objectives results in no incentives being paid (proportional to the weight of the objectives for the beneficiary of the MBO in question). Where better than expected results are achieved, the bonus is increased (proportional to the weight of the quantitative component for the beneficiary of the MBO in question) using a 4 to 1 ratio, i.e., for every 1% improvement on forecast results, an additional 4% bonus is paid out.

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

The amount of the incentive actually paid varies according to the degree of achievement of the targets assigned to the individual objectives, as illustrated below:



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

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

Brembo has exercised the right to protect the confidentiality of additional information deemed commercially sensitive, while also not disclosing forecast figures the release of which could harm the Group's interests.

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

#### 2.4.2. LTIP

In 2018, the Remuneration & Appointments Committee drew up the new LTIP and on 4 March 2019 the Board of Directors, having consulted the Remuneration & Appointments Committee, approved the 2019-2021 Incentive system and the related Rules<sup>12</sup>.

The structure of the plan for the 2019-2021 period is based on that for the previous three-year period, since the Board of Directors deemed it to be fully consistent with the new challenges to be faced by the Group over the next three years. In line with the Company's long-term strategies, the Plan seeks to further align the interests of its beneficiaries with those of the Company by allowing the former to benefit from the desired success of Brembo over the three-year period in question. The number of beneficiaries has been increased compared with the previous system, in view of the Group's goal of focusing on people and securing their engagement. Accordingly, the Plan's beneficiaries include, in addition to the Executive Deputy Chairman and the new Chief Executive Officer, Daniele Schillaci, a set of members of the management population, consistent with the

<sup>12</sup> It should be recalled that the long-term Plan adopted is a closed, non-rolling plan. The pay out is awarded in full at the end of the Plan. To compare it with a rolling plan, the overall value should be split for the vesting years (3 years).

complexity and responsibilities managed by each, for a total of approximately 45 individuals.

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

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

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

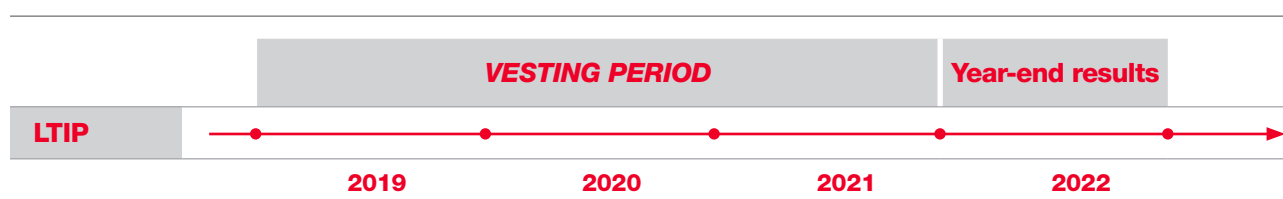
The LTIP costs are included in the Three-Year Business Plan objectives so that the LTIP is “self-financed” by the attainment of the objectives themselves.

Achieving the incentive is tied to three key performance indicators:

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

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

## 2019-2021 LTIP Timeline



The following people are responsible for all assessments of the Plan, and are likewise responsible for all related decisions, as well as the implementation of the Rules:

- a) the Chairman, where delegated by the Board of Directors, for the part of the Plan related to Brembo’s Executive Deputy Chairman and the Chief Executive Officer;
- b) the Chairman, the Executive Deputy Chairman and the Chief Executive Officer or another Director, severally, where delegated by the Board of Directors, for the part of the Plan related to Managers other than Brembo’s Executive Deputy Chairman and the Chief Executive Officer.

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

Brembo has exercised the right to protect the confidentiality of additional information deemed commercially sensitive, while also not disclosing forecast figures the release of which could harm the Group’s interests.

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



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

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

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

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

No non-monetary benefits are to be granted or maintained for such cases and no consulting contracts

are to be entered into for a period after termination of the relationship.

The effects of termination of employment on the rights granted within the framework of the existing medium-long term incentive plan are described in the relevant Regulation. In particular, the 2019-2021 medium-long term incentive plan (LTIP) includes clauses designed to promote the retention of resources by providing that in all cases of termination of employment or directorship prior to the date of payment of the incentive, as well as of termination with notice or notification of a disciplinary proceeding, no bonus be paid to the beneficiaries.

LTIP beneficiaries will retain the right to payment of the bonus when their employment or directorship relationship ceases due to death, retirement or established mental or physical disability due to an illness or injury that entails the inability to continue the directorship relationship for more than six months.

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

## 2.6. Non-Competition Agreements

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

Such limitations vary according to trade sectors (and in any case those sectors in which the Group operates at the time of entering into the agreement) and territorial

coverage. Additional variations can also relate to the role held at the time of finalising the agreement and can be extended to cover all those countries in which the Group operates.

It should be recalled that the Chief Executive Officer is a party to a non-competition agreement, consideration for which is paid over the course of the employment relationship. This amount is hence included in total fixed remuneration and is valid for a period of 18 months subsequent to the termination of office for any reason whatsoever.

## 2.7. Clawback/Malus

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With effect from 2016, the short-term incentive system (MBO) and long-term incentive system (2019-2021 LTIP), in line with the provisions of the previous 2016-2018 LTIP, include a clawback clause, as required by the Corporate Governance Code (Article 5, paragraph 31, point c). In particular, the clause allows the Company to request the refund of part or all of the variable

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



## Section II

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### Foreword

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

In compliance with Consob Resolution No. 21263 of 10 December 2020 amending Scheme 7-*ter* of Annex 3A the Rules for Issuers, Section II of the Report on Remuneration Policy and Remuneration Paid consists specifically of a first part that describes in a clear, adequate and intelligible way the items of the remuneration paid in 2020 and their compliance with

the Remuneration Policy for 2020, and a second part that provides a detailed account of the compensation paid.

It also sets out the 2020 performance results accrued on the basis of the objectives set by Brembo's Board of Directors and which will determine the incentives that will be paid in 2021. In continuity with the past and in accordance with the new guidance provided in the new Scheme 7-*bis* of Annex 3A to the Rules for Issuers, the amounts presented relating to the incentive systems are thus understood to be stated on an accrual and not a cash basis.

### Part One

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The details of the remuneration paid out in the year of reference (2020) are illustrated below. Details of the various items and additional data can be found in Section I of this Report.

The Remuneration Policy for 2020 was assessed by the Remuneration & Appointments Committee as part of the periodic evaluations required by the 2020 version of the Corporate Governance Code (23 February 2021)<sup>13</sup>. The Committee confirmed that the Policy was consistent and compliant with the decisions previously taken by the Board of Directors. The Committee's assessment also confirmed the consistency of the Remuneration Policy for 2020 with the available market data, both in terms of overall positioning and pay mix.

More specifically, the Remuneration Policy for 2020 was implemented through payment, where applicable, of the following items:

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

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<sup>13</sup> The 2021 Remuneration Policy is consistent and compliant with the provisions of Article 5 – “Remuneration” of the new Corporate Governance Code, which Brembo will soon adopt in 2021.

## Exemption from the Remuneration Policy for 2020

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In accordance with the provisions of Legislative Decree No. 49 of 10 May 2019, in 2020 Brembo adopted a process for the temporary exemption from its Remuneration Policy, implemented in the event of exceptional circumstances, where such an exemption concerning the contents of the said Policy is required in order to pursue the Group's long-term interests and sustainability as a whole.

The Remuneration & Appointments Committee, in collaboration with the Human Resources & Organisation Department, verified whether such an exceptional circumstance exist that could prevent the Group from pursuing its long-term interests and sustainability. In its meeting on 23 July 2020, the Remuneration & Appointments Committee therefore examined the proposals to review the 2020 remuneration policies, with a particular focus on the short-term incentive system (2020 MBO) and long-term incentive system (2019-2021 LTIP), in light of the situation generated by the Covid-19 emergency.

Following the content analysis conducted by the Audit, Risks & Sustainability Committee in its function of Related Party Transactions Committee, in concert with the Board of Statutory Auditors, the Remuneration & Appointments Committee submitted to the Board of Directors a proposal to review the 2020 remuneration policies.

The proposal formulated was primarily designed to maintain the engagement and retention targets deemed necessary to continuing to motivate the Group's key personnel in responding to the challenging scenario created by the pandemic by calling for containment of overall costs, including those of the incentive systems, in keeping with the difficult situation, while also considering the need for internal fairness in light of the efforts made by a part of the company population, to whom redundancy schemes were applied in 2020.

This initiative, regarded as consistent with the impacts on all company stakeholders, including the shareholders, was formulated by the Board of Directors at its session

of 29 July, which was identified by the procedure laid down in the Remuneration Policy for 2020 as the body tasked with approving such temporary exceptions.

The update to the 2020 Forecast (5+7 Forecast) was examined during that same session of the Board of Directors in light of the effects of the epidemiological emergency on Brembo's target market. This new estimate, in consultation with the Board of Statutory Auditors, was unanimously approved by Brembo's Board of Directors in Resolution No. 705.

On 29 July 2020, the Board of Directors passed Resolution No. 708, after obtaining a favourable opinion, as far as each was concerned, from the Remuneration & Appointments Committee and the Audit, Risks & Sustainability Committee, in the function of Related Party Committee, approving by majority vote, with the directly affected Executive Directors abstaining, the proposals to modify the 2020 annual incentive system (MBO) and the 2019-2021 medium-long term incentive plan (LTIP).

The revision of the annual incentive system approved includes the following elements:

- a revision of incentive levels: a reduction of the bonus opportunity by 20% for all beneficiaries of the system compared to the values set in the Remuneration Policy for 2020;
- a revision of several operating mechanisms: the introduction, for all beneficiaries of the system, of an on/off qualifying gate, equal to a minimum Group EBITDA in absolute value, in order to render the instrument financially sustainable, with the result that failure to reach the threshold would have precluded the payment of any bonuses;
- a revision of target settings: use of the economic indicators of the annual incentive system (EBITDA, EBIT, Revenues and ROI) of the approved 5+7 Forecast and no longer those of the 2020 Budget as the point of reference for the target values.

The proposal to modify the 2019-2021 medium-long term incentive plan (LTIP) approved by that same



session of the Board on 29 July 2020, in connection with the Covid-19 pandemic situation, includes the following elements:

- a revision of incentive levels: a reduction of the bonus opportunity by 20%, not only for 2020, for all beneficiaries of the system compared to the values set in the Remuneration Policy, to an extent consistent with the 2020 annual incentive system;
- no changes to the plan's structure, leaving the originally established bonus-performance mechanism unchanged;
- a subsequent assessment as to whether to set any new targets associated with the financial performance indicators established in the Plan (EVA, Free Operating Cash Flow and the ratio of Net Financial Position to EBITDA).

With the support of the Human Resources Department, on the basis of the approved 2021 budget and the results for the year ended 31 December 2020, conditional upon their approval by the Board of Directors on 4 March 2021, during its session on 23 February 2021 the Remuneration & Appointments Committee decided not to change the provisions of the original medium-long term incentive plan relating to the financial performance targets for the years 2019 and 2020, proposing that the new 2021 budget figures be taken as the points of reference for the third year of vesting.

On 4 March 2021, by Resolution No. 722, the Board of Directors — which has been identified as the body delegated to approve such temporary exemption, on the basis of a favourable opinion from the Remuneration & Appointments Committee and the Audit, Risk & Sustainability Committee in its function of Related Party Transactions Committee — approved by majority vote, with the directly affected Executive Directors abstaining, the proposal to use the new 2021 budget figures as the points of reference for the third year of vesting, with no amendments to the provisions of the original medium-long term Incentive Plan relating to the financial performance targets for the years 2019 and 2020, as it deemed the said proposal consistent with the new prospects that will characterise the global automotive market and able to continue to support the performance and leadership of its management.

This proposal was deemed necessary to pursue the Company's long-term interests and sustainability as a whole, as it aims at ensuring the retention and engagement of Brembo's key resources in order to protect the Group's business continuity in a highly uncertain context and allow it to best position itself to grasp the recovery opportunities in the coming years.

## Implementation of the Remuneration Policy for 2020: Fixed Remuneration

Following the appointment of the corporate bodies, the General Shareholders' Meeting of 23 April 2020 confirmed the Board of Directors' overall remuneration at €9,500,000, setting the number of Board members at 11, and appointed the Board of Directors for the three-year period 2020-2022, i.e., until the General Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2022.

On the same date, the Board of Directors approved the emoluments for the 2020-2022 term of office for the different administrative and control functions, as well as for participation of the members in Committees and

the Supervisory Committee, confirming the allocation set forth for the previous 2017-2019 term of office.

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

The emoluments received in 2020 were therefore as follows:

- Chairman: €1,300,000;
- Executive Deputy Chairman: €250,000;
- Chief Executive Officer: €1,250,000<sup>14</sup>.

<sup>14</sup> Effective July 2020, the fixed remuneration of €1,200,000 for Daniele Schillaci has been increased to €1,300,000.



In this regard, it should be noted that, to date, the fixed remuneration for the Executive Deputy Chairman also includes a Gross Annual Salary (RAL) of €1,000,000, whereas the Chief Executive Officer received, in addition to the emolument for the office held — which includes a non-competition agreement with payment during

his employment within the Company — a housing allowance of €100,000.

The amounts for the above emoluments are detailed in the related items reported in Table 1, with regard to each beneficiary.

## Implementation of the Remuneration Policy for 2020: Variable Remuneration

The MBO incentive for the 2020 performance year shall be paid in 2021. The results for the 2020 financial year submitted to the Board upon proposal by the Remuneration & Appointments Committee at the meeting of 4 March 2021 determined a performance score for top management roles of 133.00%, using the percentage scale adopted.

as regards the short-term incentive is 133.00% of the value of the objective, based on the pay-out curve envisaged by the system and the relevant corporate performance evaluation in relation to the achievement of the key indicators — Group EBITDA as an absolute value, Group EBIT %, Group ROI %, Group total sales, and Group Sustainability Index — for both the Executive Deputy Chairman and the Chief Executive Officer, as illustrated below:

More specifically, the amount to be paid out in 2021

### Year-end results of 2020 MBO objectives

KPIs	Degree of achievement of objectives
Group EBITDA	↗
Group EBIT %	↗
Group ROI %	↗
Group total sales	↗
Group Sustainability Index	↗
<b>Performance score</b>	<b>133.00%</b>

↘ Below target      → In target      ↗ Above target

Brembo has exercised the right to protect the confidentiality of additional information deemed commercially sensitive, while also not disclosing forecast figures the release of which could harm the Group's interests.

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

- for the Executive Deputy Chairman, a bonus of €997,500.03, equal to 79.80% of the annual fixed remuneration, taking into account the assigned target (100%) and maximum (133%) incentive

levels. In this regard, it should be noted that, following the Board of Directors' Resolution No. 708 of 29 July 2020, the short-term incentive for the Executive Deputy Chairman, originally envisaging a bonus opportunity target equal to 75% of fixed remuneration, was subsequently reduced to 60% of the fixed remuneration;

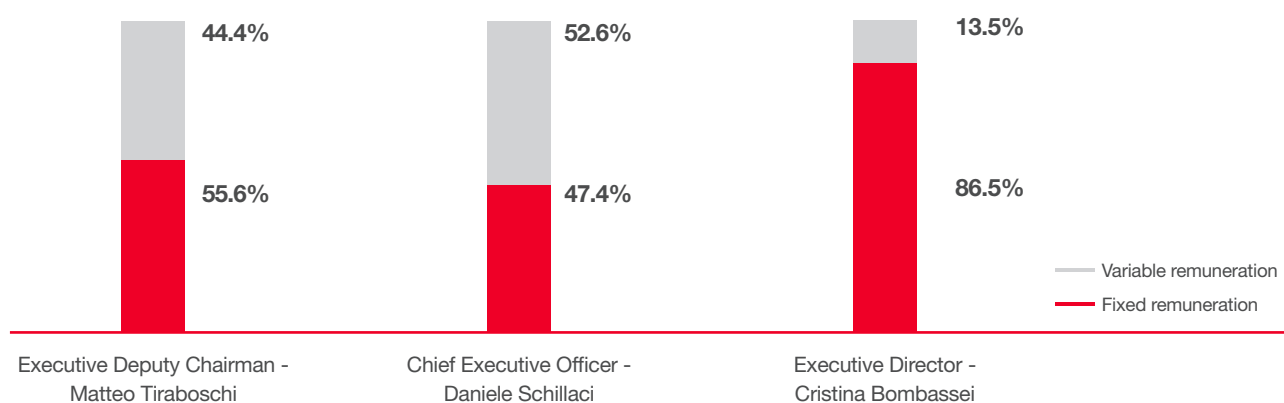
- for the Chief Executive Officer, a bonus of €997,500.03, equal to 79.80% of the annual fixed remuneration, taking into account the assigned target (100%) and maximum (133%) incentive levels. In this regard, it should be noted that, following the Board of



Directors' Resolution No. 708 of 29 July 2020, the short-term incentive for the Chief Executive Officer, originally envisaging a bonus opportunity target equal to 75% of fixed remuneration, was subsequently reduced to 60% of the fixed remuneration.

In addition, the Chief Executive Officer has been also granted a retention bonus of €500,000 for 2020.

The percentage of fixed to variable remuneration with respect to total remuneration paid to the beneficiaries of the 2020 Annual Incentive System<sup>15</sup> is given below. Table 1 shows emoluments on an individual basis:



The table does not include non-monetary benefits for 2020. It should also be noted that the 2019-2021 Long-Term Incentive Plan (LTIP) is a closed, non-rolling plan, whose payment, conditional upon the achievement of the relevant performance indicators,

will only be disbursed at the end of 2021. Further details are provided under the “Variable non-equity /Bonuses and other incentives” item in Table 1, with relevant details in Table 3b.

## Comparative Information Regarding the Remuneration of the Board of Directors, the Group's Results and the Average Remuneration of Brembo's Employees

The table below shows a comparison between the remuneration paid to Directors and Statutory Auditors who as at 31 December 2020 were members of Brembo's Board of Directors and/or the Board of Statutory Auditors, the Group's financial performance in terms of EBITDA, the value of Brembo's shares and the average gross annual remuneration of Brembo's employees. Each figure is provided for a period of two years (2019-2020), since the Group has adopted

the transitional scheme introduced by the new Rules for Issuers upon initial application. Once four financial years have elapsed from the entry into force of the provision, the required information will be provided regarding the entire five-year period, in keeping with the guidance provided on the matter by the European Commission in its draft Guidelines on the preparation of remuneration reports<sup>16</sup>:

<sup>15</sup> The short-term incentive linked to the 2020 performance will be effectively paid in May 2021.

<sup>16</sup> The figures included in the table are stated on an accrual and not a cash basis, in compliance with Annex 3A, Scheme 7-bis, of the Rules for Issuers introduced by Consob Resolution No. 18049 of 23 December 2011, as subsequently amended by Consob Resolution No. 21623 of 10 December 2020.

<b>Director / Auditor (Role)</b>	<b>2020</b>	<b>2019</b>
Alberto Bombassei (Chairman)	€1,300,000	€1,300,000
Matteo Tiraboschi (Executive Deputy Chairman)	€2,247,500	€2,166,047
Daniele Schillaci (Chief Executive Officer)	€2,847,500	€1,723,525 <sup>17</sup>
Cristina Bombassei (Executive Director)	€241,422	€236,822
Valerio Battista (Independent Director)	€55,000	€55,000
Laura Cioli (Independent Director)	€98,333	€95,000
Nicoletta Giadrossi (Independent Director)	€98,333	€95,000
Umberto Nicodano (Non-executive Director)	€60,000	€70,000
Gianfelice Rocca (Independent Director)	€55,000	€55,000
Elizabeth Marie Robinson (Independent Director)	€46,667	---
Elisabetta Magistretti (Independent Director)	€60,000	---
Raffaella Pagani (Chairwoman of the Board of Statutory Auditors)	€84,000	€84,000
Mario Tagliaferri <sup>18</sup> (Acting Auditor)	€81,500	€81,500
Paola Tagliavini (Acting Auditor)	€37,333	---
<b>Corporate Performance</b>	<b>2020</b>	<b>2019</b>
Group EBITDA	€361,324	€515,169
Value of Brembo stock	€10.80 <sup>19</sup>	€11.06 <sup>20</sup>
<b>Brembo employees</b>	<b>2020</b>	<b>2019</b>
Average Gross Annual Salary	€42,540.73	€42,026.07

The table shows, net of non-monetary benefits, the remuneration paid to the members of the Board of Directors and Board of Statutory Auditors, as per

Table 1, to which reference should be made for further details. It bears noting that the table does not include the medium-long term Incentive Plan (LTIP), whose

17 As of 1 July 2019, the Board of Directors co-opted Daniele Schillaci, pursuant to Article 2386 of the Civil Code, as Director and appointed him Chief Executive Officer, vesting him with all related powers. 2019 figures account for a six-month pro-rated value of fixed and variable remuneration paid to Daniele Schillaci.

18 Of which emolument for subsidiaries and associates €25,500.00.

19 Closing price of Brembo stock Brembo BRE.MI at 30 December 2020.

20 Closing price of Brembo stock Brembo BRE.MI at 30 December 2019.



payment, conditional upon the achievement of the relevant performance indicators, will only be disbursed at the end of 2021, as it is a closed, non-rolling plan.

The Average Gross Annual Salary was calculated taking into account Brembo S.p.A.'s employees only (3,140 Full-Time Equivalents - FTEs in 2019 and 3,039 FTEs in 2020). The compensation elements used in the calculation are the Fixed Remuneration, the short-term incentive (MBO) and the Performance Bonus (based on the offer defined for each category of the corporate population). It should be noted that this value expresses the breakdown by corporate categories of Brembo S.p.A., where blue-collar workers accounted for approximately 55% of workforce in 2019 and 54% in 2020.

Brembo is a multinational company that operates on three continents, with locations in 13 different countries apart from Italy (Brazil, China, Germany, Japan, India, Mexico, Poland, the United Kingdom, Czech Republic, Russia, Spain, the United States and Sweden). Since these are countries in which the different cost of living would not have provided a consistent picture of the average remuneration and working conditions of Brembo employees, it was decided to present gross average annual remuneration, based on full-time employees, for Brembo S.p.A. only.

The figures presented do not consider the measures taken by the Group in 2020 to contain personnel costs, such as the redundancy schemes applied and other forms of public support obtained to protect workers in each country. In this regard, in the first half of 2020, all Group's plants were subject to lockdown periods, whose length varied from one country to the next: China (from 24 January 2020 to 13/16 February 2020), Italy (from 16 March 2020 to 27 April 2020), the United

States (from 23 March 2020 to 17 May 2020), Brazil (from 24 March 2020 to 24 May 2020), the United Kingdom (from 25 March 2020 to 14 April 2020), India (from 25 March 2020 to 4 May 2020), Poland (from 27 March 2020 to 2 April 2020), Czech Republic (from 28 March 2020 to 3 April 2020) and Mexico (from 6 April 2020 to 18 May 2020).

In view of the production sites' reopening, the Group has defined all necessary measures aimed at combating the virus and protecting the health of employees and contractors such as: rearrangement of production layouts, sanitisation of the premises, purchases of personal protective equipment, temperature measurement with heat scans, circulation of hygiene rules and social distancing, and extended remote working.

On the basis of the overall experience of the Group's employees, internal fairness measures were taken for the management population, such as reducing the bonus opportunity by 20% for the 2020 MBO and by 20% for the 2020 year of the 2019-2021 LTIP. This decision was deemed consistent with the reduction in the purchasing power of the remainder of the company population, as well as with the impacts on the Bergamo community, with which Brembo S.p.A. has historically identified itself.

To this end, in 2020, after an initial donation of €150,000 in support of treatment facilities at Bergamo's Ospedale Papa Giovanni XXIII, Brembo decided to support research into combating Covid-19 by donating €1 million to three première Bergamo institutions: Ospedale Papa Giovanni XXIII, the Bergamo Hospital Research Foundation (FROM) and the Mario Negri Institute, which have been committed to the area most severely affected by the pandemic, through a combination of clinical and pharmacological research.

## Further Relevant Information

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For purposes of defining its Remuneration Policy, Brembo had a dialogue with some proxy advisors, with the aim of assessing the opportunity of applying any suggestions that emerged during the discussion. This dialogue provided a valuable contribution on the perspective of the shareholders and, more generally, of the market on how the characteristics of the Remuneration Policy adopted are perceived.

In implementing the Remuneration Policy for 2020, the Remuneration & Appointments Committee took account of the vote and assessments expressed at the Shareholders' Meeting of 23 April 2020 regarding Section II of the Remuneration Policy concerning the Remuneration Policy and Remuneration Paid for 2020, which received the vote in favour of 76.545397% of the ordinary shares represented.

In particular, the main issues that emerged from the discussion with the main proxy advisors underscored the criterion of continuity, net of the impact of Covid-19, which the Group has sought to follow in implementing its remuneration policies.

In response to the inputs received, the disclosure provided in the Report on Remuneration Policy and Remuneration Paid for 2021 is believed to be extensive, thorough and detailed. With regard to the incentive systems in place, the values of the targets that form the structure of both the short-term (MBO) and medium-long term (LTIP) incentive system are highly confidential information for Brembo since they reveal its future strategies. To complement the considerable detailed information presented in this document on the nature

of the MBO and LTIP targets, it should be noted that the threshold for access to satisfaction of the targets is challenging, set at 95% for the MBO and 100% for LTIP. This striving for over-performance therefore constitutes one of the distinctive elements of Brembo's remuneration philosophy, consolidated by the positive track-record achieved by the Group prior to the arrival of Covid-19.

In addition, the section regarding severance benefits and indemnities has also been expanded. In this section, in addition to the mandatory information required by the Consob Rules for Issuers, a description has been provided of the effects of the termination of employment on the 2019-2021 long-term incentive plan (LTIP).

It should also be noted that in 2020 Brembo did not apply any *ex-post* corrective mechanism to the variable component (malus, i.e. clawback of variable remuneration). In addition, no indemnities and/or other benefits were awarded for leaving office or termination of employment during the year for any of the individuals whose remuneration is specifically illustrated in Table 1.

Table 1 illustrates the benefits awarded in 2020, valued in terms of tax liability. More specifically, these values relate to the following benefits: i) annual contribution to the supplementary pension fund; ii) annual contribution to the supplementary health insurance; iii) allocation of a car for business and personal use for at least three years (value net of the contribution from the beneficiary); iv) other supplementary care plans.



Part Two

**Table 1 - Remuneration paid<sup>21</sup> to members of the Board of Directors, members of the Board of Statutory**

A	B	C	D
Name and Surname	Role	Term of office	Expiry of office
<b>Alberto Bombassei</b>	Chairman	01/01/2020 31/12/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Matteo Tiraboschi</b>	Executive Deputy Chairman	01/01/2020 31/12/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Daniele Schillaci</b>	Chief Executive Officer	01/01/2020 31/12/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Cristina Bombassei</b>	Director	01/01/2020 31/12/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Valerio Battista</b>	Director	01/01/2020 31/12/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Laura Cioli</b>	Director	01/01/2020 31/12/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Nicoletta Giadrossi</b>	Director	01/01/2020 31/12/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Umberto Nicodano</b>	Director	01/01/2020 31/12/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Gianfelice Rocca</b>	Director	01/01/2020 31/12/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Elizabeth M. Robinson</b>	Director	23/04/2020 31/12/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Eisabetta Magistretti</b>	Director	23/04/2020 31/12/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Raffaella Pagani</b>	Chairwoman of the Board of Statutory Auditors	01/01/2020 31/12/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Mario Tagliaferri</b>	Acting Auditor	01/01/2020 31/12/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Paola Tagliavini</b>	Acting Auditor	23/04/2020 31/12/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			

21 The figures included in the table are stated on an accrual and not a cash basis, in compliance with Annex 3A, Scheme 7-bis, of the Rules for Issuers introduced

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

	1	2	3		4	5	6	7	8
			Bonuses and other incentives	Profit sharing					
	Fixed remuneration	Remuneration for participation in committees	Variable non-equity		Non-cash benefits	Other remuneration	TOTAL	Fair Value equity remuneration	End of office/ termination of employment indemnity
ents as at 31/12/2022	1,300,000.00						1,300,000.00		
	1,300,000.00						1,300,000.00		
ents as at 31/12/2022	1,250,000.00		997,500.03		92,797.18		2,340,297.21		
	1,250,000.00		997,500.03		92,797.18		2,340,297.21		
ents as at 31/12/2022	1,350,000.00		1,497,500.03		186,482.99		3,033,983.02		
	1,350,000.00		1,497,500.03		186,482.99		3,033,983.02		
ents as at 31/12/2022	193,713.90		32,707.63		12,505.40	15,000.00	253,926.93		
	193,713.90		32,707.63		12,505.40	15,000.00	253,926.93		
ents as at 31/12/2022	55,000.00						55,000.00		
	55,000.00						55,000.00		
ents as at 31/12/2022	55,000.00	43,333.33					98,333.33		
	55,000.00	43,333.33					98,333.33		
ents as at 31/12/2022	55,000.00	43,333.33					98,333.33		
	55,000.00	43,333.33					98,333.33		
ents as at 31/12/2022	55,000.00	5,000.00					60,000.00		
	55,000.00	5,000.00					60,000.00		
ents as at 31/12/2022	55,000.00						55,000.00		
	55,000.00						55,000.00		
ents as at 31/12/2022	36,666.67	10,000.00					46,666.67		
	36,666.67	10,000.00					46,666.67		
ents as at 31/12/2022	36,666.67	23,333.33					60,000.00		
	36,666.67	23,333.33					60,000.00		
ents as at 31/12/2022	84,000.00						84,000.00		
	84,000.00						84,000.00		
ents as at 31/12/2022	56,000.00						56,000.00		
	25,500.00						25,500.00		
ents as at 31/12/2022	81,500.00						81,500.00		
	37,333.33						37,333.33		
	37,333.33						37,333.33		



A	B	C	D
Name and Surname	Role	Term of office	Expiry of office
<b>Directors / Statutory Auditors who left office in 2020</b>			
<b>Barbara Borra</b>	Director	01/01/2020 23/04/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Giovanni Canavotto</b>	Director	01/01/2020 23/04/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			
<b>Alfredo Malguzzi</b>	Acting Auditor	01/01/2020 23/04/2020	Until date of approval of Financial Statement
(I) Remuneration in company drawing up financial statements			
(II) Remuneration from subsidiaries and associates			
(III) Total			

#### Alberto Bombassei

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

#### Matteo Tiraboschi

- Fixed remuneration: Gross Annual Salary (RAL) of €1,000,000.00; emolument of €250,000.00
- Bonuses and other incentives: 2020 MBO €997,500.03

#### Daniele Schillaci

- Gross Annual Salary (RAL) of €1,050,000.00; non-competition agreement of €200,000.00; housing allowance of €100,000.00
- Bonuses and other incentives: 2020 MBO €997,500.03; retention bonus of €500,000.00

#### Cristina Bombassei

- Fixed remuneration: Gross Annual Salary (RAL) of €138,713.90; emolument of €55,000.00
- Bonuses and other incentives: 2020 MBO €32,707.63
- Remuneration for Responsibility for Internal Control System and Risk Management (column 5): €15,000.00

#### Valerio Battista

- Fixed remuneration: emolument of €55,000.00

#### Laura Cioli

- Fixed remuneration: emolument of €55,000.00
- Audit, Risk & Sustainability Committee: as Chairwoman €30,000.00
- Remuneration & Appointments Committee: as a member €10,000.00 (eight-month pro-rated value of the emolument for the 2020-2022 term amounting to €15,000.00)
- Supervisory Committee: as a member €3,333.33 (four-month pro-rated value of the remuneration

granted as member of the Supervisory Board for the 2017-2019 term amounting to €10,000.00)

#### Nicoletta Giadrossi

- Fixed remuneration: emolument of €55,000.00
- Remuneration & Appointments Committee: as Chairwoman €13,333.33 (sum of the four-month pro-rated value of the emolument granted as member for the 2017-2019 term amounting to €15,000.00 and the eight-month pro-rated value of the emolument granted as Chairwoman for the 2020-2022 term amounting to €20,000.00)
- Audit, Risk & Sustainability Committee: as a member €25,000.00

#### Umberto Nicodano

- Fixed remuneration: emolument of €55,000.00
- Remuneration & Appointments Committee: as a member €5,000.00 (four-month pro-rated value of the emolument for the 2017-2019 term amounting to €15,000.00)

#### Gianfelice Rocca

- Fixed remuneration: emolument of €55,000.00

#### Elizabeth M. Robinson

- Fixed remuneration: emolument of €36,666.67 (eight-month pro-rated value of the emolument for the 2020-2022 term for participation in the Board of Directors amounting to €55,000.00)
- Remuneration & Appointments Committee: as a member €10,000.00 (eight-month pro-rated value of the emolument granted as member for the 2020-2022 term amounting to €15,000.00)



	1	2	3		4	5	6	7	8
	Fixed remuneration	Remuneration for participation in committees	Bonuses and other incentives	Profit sharing	Non-cash benefits	Other remuneration	TOTAL	Fair Value equity remuneration	End of office/ termination of employment indemnity
ents as at 31/12/2019	18,333.33	15,000.00					33,333.33		
	18,333.33	15,000.00					33,333.33		
ents as at 31/12/2019	18,333.33				1,191.04		19,524.37		
	18,333.33				1,191.04		19,524.37		
ents as at 31/12/2019	18,666.67						18,666.67		
	18,666.67						18,666.67		

#### Elisabetta Magistretti

- Fixed remuneration: emolument of €36,666.67 (eight-month pro-rated value of the emolument for the 2020-2022 term for participation in the Board of Directors amounting to €55,000.00)
- Audit, Risk & Sustainability Committee: as a member €16,666.67 (eight-month pro-rated value of the emolument for the 2020-2022 term amounting to €25,000.00)
- Supervisory Committee: as a member €6,666.67 (eight-month pro-rated value of the remuneration granted as member of the Supervisory Board for the 2020-2022 term amounting to €10,000.00)

#### Raffaella Pagani

- Fixed remuneration: emolument of €84,000.00

#### Mario Tagliaferri

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

#### Paola Tagliavini

- Fixed remuneration: emolument of €37,333.33 (eight-month pro-rated value of the emolument for the 2020-2022 term as member of the Board of Statutory Auditors amounting to €56,000.00)

### DIRECTORS / STATUTORY AUDITORS WHO LEFT OFFICE IN 2020<sup>22</sup>

#### Barbara Borra

- Fixed remuneration: emolument of €18,333.33 (four-month pro-rated value of the emolument for the 2017-2019 term for participation in the Board of Directors amounting to €55,000.00)
- Remuneration & Appointments Committee: as Chairwoman €6,666.67 (four-month pro-rated value of the emolument for the 2017-2019 term amounting to €20,000.00)
- Audit, Risk & Sustainability Committee: as a member €8,333.33 (four-month pro-rated value of the emolument for the 2017-2019 term amounting to €25,000.00)

#### Giovanni Canavotto<sup>23</sup>

- Fixed remuneration: emolument of €18,333.33 (four-month pro-rated value of the emolument for the 2017-2019 term for participation in the Board of Directors amounting to €55,000.00)

#### Alfredo Malguzzi

- Fixed remuneration: emolument of €18,666.67 (four-month pro-rated value of the emolument for the 2017-2019 term as member of the Board of Statutory Auditors amounting to €56,000.00)

<sup>22</sup> Office left upon the General Shareholders' Meeting that approved the 2019 Financial Statements (23 April 2020).

<sup>23</sup> Giovanni Canavotto was appointed Chairman of the Supervisory Committee by the Board of Directors on 23 April 2020 as External Advisor; his remuneration amounts to €55,000.00



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

A	B	1	2A	2B	2C	3A	3B	3C	4
Name and Surname	Role	Plan	Bonus for the year			Bonus for previous years			Other bonuses
			Payable/ Paid	Deferred*	Deferral period	No longer payable	Payable/ Paid	Still deferred	
<b>Matteo Tiraboschi</b>	Executive Deputy Chairman								
(I) Remuneration in company drawing up financial statements		2020 MBO	997,500.03						
		2019-2021 LTIP		1,000,000.00				1,125,000.00	
(II) Remuneration from subsidiaries and associates									
(III) Total			997,500.03	1,000,000.00				1,125,000.00	
<b>Daniele Schillaci</b>	Chief Executive Officer								
(I) Remuneration in company drawing up financial statements		2020 MBO	997,500.03						
		2019-2021 LTIP		1,000,000.00				600,000.00	
(II) Remuneration from subsidiaries and associates									
(III) Total			997,500.03	1,000,000.00				600,000.00	
<b>Cristina Bombassei</b>	Director								
(I) Remuneration in company drawing up financial statements		2020 MBO	32,707.63						
		2019-2021 LTIP		36,990.00				44,312.00	
(II) Remuneration from subsidiaries and associates									
(III) Total			32,707.63	36,990.00				44,312.00	

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

\*\* It should be noted that the amounts in column 2B correspond to 80% of the original bonus opportunity target set in the 2019-2021 LTIP for 2020, following the Board of Directors' Resolution No. 708 of 29 July 2020.

**Scheme 7-ter of Table 1**

**Shareholdings of Members of the Board of Directors and the Board of Statutory Auditors, General Managers and other Key Management Personnel**

<b>Name and Surname</b>	<b>Role</b>	<b>Shareholding in</b>	<b>Number of shares held at end of previous financial year</b>	<b>No. of shares acquired</b>	<b>No. of shares sold</b>	<b>Number of shares held at end of financial year (2019)</b>
Alberto Bombassei	Chairman	Brembo S.p.A.	178,723,765			178,723,765



## Attachments

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

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#### SECTION I – Remuneration Policy

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

**a)** the bodies or parties involved in the preparation, approval and possible revision of the remuneration policy, specifying the respective roles and the bodies or parties responsible for correctly implementing said policy;

**Pages 11-18**

**b)** any intervention of a remunerations committee or other committee competent on the matter, describing its members (differentiating between non-executive and independent directors), its competences and its operating methods, and any other measures aimed at avoiding or managing any conflict of interests;

**Pages 12-14**

**c)** how the company has kept into account the compensation and the work conditions of its own employees in the determination of the remuneration policy;

**Page 20**

**d)** the name of any independent experts who may be involved in preparing the remunerations policy;

**Pages 12; 16; 24**

**e)** the purposes pursued with the remuneration policy, the principles underlying it, the duration and, in case of revision, the description of the changes with respect to the last remuneration policy submitted to the shareholders' meeting and how this revision keeps into account the votes and the evaluations of the shareholders expressed in the course of such meeting or afterwards;

**Pages 7; 11; 16-22**

**f)** the description of policies concerning fixed and variable components of remuneration, with specific regards to the indication of the related weight under the scope of total salary and distinguishing between short and medium-long term variable components;

**Pages 21-28**

**g)** the policy applied with regard to non-monetary benefits;

**Pages 22-25**

**h)** with reference to the variable components, a description of the financial and non-financial performance objectives, if appropriate, keeping into account criteria of social corporate responsibility on which base they are assigned, distinguishing between short and medium-long term variable components, and information on the connection between the variation of results and the variation of remuneration;

**Pages 23; 25-28**

**i)** the criteria used to evaluate achievement of the performance objectives underlying the assignment of shares, options, other financial instruments or other variable components of remuneration, specifying the variable remuneration portion that is assigned on the basis of the level of objectives achieved;

**Pages 25-27**

**j)** information aimed at highlighting the contribution of the remuneration policy and, in particular, of the policy on the variable components of remuneration, to the company strategy, the pursuit of the company's long-term interests and the company sustainability;

**Pages 6-9; 20**

**k)** the terms for the maturity of rights (“vesting period”), any deferred payment systems, indicating the period of deferral and the criteria used to determine such periods and, if applicable, ex post correction mechanisms of the variable component (*malus* or reimbursement of variable components, “claw-back”);

**Pages 26-29**

**l)** information on any provision of clauses for holding financial instruments in the portfolio after purchase, with the indication of the periods for which such may be held and the criteria used to determine such periods;

**Not applicable**

**m)** the policy relating to treatments established in the event of termination of office or employment, specifying:

**i)** the duration of any employment contracts and other agreements, the notice period, if applicable, and what circumstances determine the onset of the right;

**ii)** the criteria to determine the remuneration of the members of the board of directors, general managers and, at aggregate level, the executives with strategic responsibilities, differentiating, if applicable, the components assigned in reference to a director’s office from those assigned in reference to an employment position, as well as the components assigned in consideration of any non-competition commitments. Where these compensations are expressed in yearly amounts, indicate in a detail manner the components of such annual compensations (fixed, variable, etc.);

**iii)** any connections between these compensations and the company performance levels;

**iv)** any effects of employment termination on the rights assigned within the context of financial instrument-based incentive plans or to be disbursed as cash;

**v)** any possibility of assignment or maintenance of non-monetary benefits in favour of the parties concerned or stipulation of consulting contracts for a period subsequent to the termination of the employment contract;

**Pages 22; 28-29**

**n)** information on the presence of any insurance coverage or social security or pension plans, other than compulsory ones;

**Pages 22; 26**

**o)** any remuneration policy applied with reference: (i) to independent directors; (ii) to committee membership; and (iii) to the carrying out of specific duties (chairman, deputy chairman, etc.);

**Pages 21-24**

**p)** if the remuneration policy has been defined using the salary policies of other companies as reference and, if so, the criteria used for the choice and selection of such companies;

**Pages 16; 20; 24**

**q)** the elements of the remuneration policy which, if exceptional circumstances occur, can be departed from and, without prejudice to Regulation No. 17221 of 12 March 2010, any other procedural conditions based upon which the departure can apply.

**Pages 17-18**

In reference to the members of control bodies, without prejudice to the provisions of Article 2402 of the Italian Civil Code, the section describes any criteria for the determination of compensation.

If, in view of the preparation by the shareholders, for submission to a general meeting, of proposals on the compensation to the control body, the outgoing control body has transmitted to the company detailed information on the quantification of the commitment required for the performance of the office, the section contains a summary of such detailed information.

**Pages 24-25**



## SECTION II – Remuneration Paid - Part one

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**Part one provides a suitable, clear and comprehensible representation of each of the items comprising remuneration, including treatment provided for in the event of cessation of office or termination of employment, highlighting the coherence with the relevant remuneration policy and the modalities by which the remuneration contributes to the company's long-term results.**

With regard to the variable components, information is provided on the modalities by which the performance objectives of the relevant remuneration policy are applied. In particular, for the subjects whose compensation components are indicated individually, as represented at the preceding paragraph 1, letters a) and b), of this Section, information is provided on the objectives achieved in respect of those planned, without prejudice to the right of the companies to omit such information if necessary in order to protect the confidentiality of commercially sensitive information or unpublished provisional data, specifying the reasons for this choice. Furthermore, information is provided on the percentage of the fixed and variable remuneration components in respect of the total remuneration, specifying the elements considered in the calculation, including by means of referral to the Tables in the second part of this Section. With regard to financial instrument-based incentive plans, detailed information may also be provided by means of referral to the information contained in the compensation plans established by Article 114-*bis* of the Consolidated Law.

In case of assignment of indemnities and/or other benefits in the event of termination of office or employment in the course of the year, the companies specify:

- The circumstance giving rise to their maturity;  
**Not applicable**
- The end-of-office or end-of-employment compensations, differentiating the portion paid upfront from the portion possibly subject to deferral mechanisms, and

the components assigned in reference to a director's office from those assigned in reference to an employment position, as well as the components assigned in consideration of non-competition commitments;

**Not applicable**

- any presence of performance criteria to which the assignment of indemnity is linked;  
**Not applicable**
- any effects of the termination of employment on rights assigned as part of financial instrument-based incentive plans or to be disbursed as cash;  
**Not applicable**
- any existence of agreements providing for the assignment or maintenance of non-monetary benefits in favour of parties who have ceased their office or the stipulation of consulting contracts for a period subsequent to the termination of employment, specifying the related amount;  
**Not applicable**
- any other compensation assigned on any ground and in any form whatsoever;  
**Not applicable**
- the compliance of the indemnity and/or other benefits with the indications of the relevant remuneration policy.  
**Not applicable**

The companies provide information on departures from the remuneration policy in case of exceptional circumstances, indicating (for each instance):

- the specific elements departed from and the relevant remuneration policy that provided for the right to depart;  
**Pages 31-32**
- information on the nature of the exceptional circumstances, including an explanation of how the departure is necessary to pursue the company's long-term interests and sustainability as a whole or to protect its ability to stay in the market;  
**Pages 31-32**

- information on the procedure followed and the confirmation of the compliance of such procedure with the conditions indicated in the relevant remuneration policy;

**Pages 31-32**

- information on the remuneration paid in such exceptional circumstances.

**Pages 31-34**

The companies provide information on any application of *ex post* correction mechanisms of the variable component (*malus* or reimbursement of variable components, clawback), indicating in summary the reasons, the amount being corrected and the relevant financial year of the compensations subject matter of the measures. The aforementioned information is provided on an individual basis in relation to the subjects indicated at the preceding paragraph 1, letters a) and b), of this Section, and at aggregate level for the key management personnel other than those indicated in letter b), paragraph 1, of this Section.

**Not applicable**

The companies provide comparison information, in relation to the last five financial years, or shorter period of listing of the company or office of the subjects concerned, on the annual variations:

- in the total remuneration of each subject in relation to whom the information referred to in this section of the Report is provided on an individual basis;

**Pages 34-36**

- in the company results;

**Pages 34-36**

- in the average annual gross salary, for full-time employment, of the employees other than those whose remuneration is indicated on an individual basis in this section of the Report.

**Pages 34-36**

The companies provide information on how they have kept into account the vote cast by the shareholders' meeting on the second section of the Report of the previous financial year.

**Page 37**



## Regulatory Framework

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

This Report on the Remuneration Policy was also drawn up in compliance with Consob Resolution No. 21263 of 10 December 2020, which amended Article 84-*quater* of Consob’s Rules for Issuers enacting the aforementioned TUF.

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

Article 123-*ter*, paragraph 6, of TUF, sets out instead that the Shareholders’ Meeting, convened pursuant to Article 2364, paragraph 2, or Article 2364-*bis*, paragraph 2, of the Civil Code, shall pass a favourable or unfavourable Resolution on Section II of the Report established by paragraph 4. Said resolution “is not binding”, but the “outcome of voting is made available to the public.” This rule is designed to provide the market with comprehensive, prompt information as to the remuneration policies and emoluments adopted by the Company.

The Report on Remuneration Policy and Remuneration Paid included in this document was defined on the basis of the principles and application criteria established by Article 5 (“Remuneration”) of the Corporate Governance Code issued by Borsa Italiana (version of January 2020).

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



## Glossary

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**Chief Executive Officer (CEO):** this is the member of the Board of Directors whom the Board has vested with management functions and powers by resolution adopted on 6 June 2011, as subsequently confirmed on 23 April 2020 upon the most recent renewal of the corporate bodies. Since 1 July 2019, Daniele Schillaci has been the Chief Executive Officer of Brembo S.p.A

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

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

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

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

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

**Clawbacks:** these are contractual agreements that allow the Company to claim the return of all or part of variable remuneration components paid based on results subsequently found to be incorrect due to the recipient's negligent or grossly negligent conduct or

conduct in breach of the relevant standards (company, legal, regulatory, etc.), without which the results would not have been achieved.

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

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

**Audit, Risk & Sustainability Committee:** this is a Board committee set up in accordance with Article 6 of the Corporate Governance Code. It consists of independent Directors or, alternatively, of Non-executive Directors, with a majority also being independent. Its role is to support the Board of Directors, on the basis of an adequate control process, in its evaluations and decisions concerning the internal control system and risk management, and the approval of the periodic financial reports.

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



**Board of Directors (Board; BoD):** this is a collective body that is entrusted with managing the Company. The Board of Directors of Brembo S.p.A. in office for the period 2020-2022 is comprised of 11 Directors: Alberto Bombassei (Chairman), Matteo Tiraboschi (Executive Deputy Chairman), Daniele Schillaci (Chief Executive Officer), Cristina Bombassei, Valerio Battista, Laura Cioli, Nicoletta Giadrossi, Umberto Nicodano, Gianfelice Rocca, Elizabeth M. Robinson and Elisabetta Magistretti. It is in charge of approving the Remuneration Policy proposed by the Remuneration & Appointments Committee and submitting it to the General Shareholders' Meeting for examination and passing of all the relevant resolutions pursuant to Article 123 of TUF.

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

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

**EC:** Executive Compensation.

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

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

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

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

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

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

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

**Chairman:** the Chairman of the Board of Directors of Brembo S.p.A., appointed by the General Shareholders' Meeting and whose management powers attributed by Resolution dated 6 June 2011 were confirmed by the Board of Directors on 23 April 2020 upon the most recent renewal of the corporate bodies. The Chairman of Brembo S.p.A. is Alberto Bombassei.

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

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

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

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

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

**Annual Incentive System or MBO (Management by Objectives):** this is the Plan that grants the plan

beneficiaries the opportunity to receive an annual cash incentive, based on the objectives set for each employee and the annual incentive Plan in place.

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

**Consolidated Law on Finance (TUF):** this is Legislative Decree No. 58 of 24 February 1998, as amended. It introduced a series of principles (“general guidelines”),

with the specific regulations issued by the Regulator (Consob).

**Executive Deputy Chairman:** this is the member of the Board of Directors whom the Board has vested with management functions and powers by resolution adopted on 6 June 2011, as subsequently confirmed on 23 April 2020 upon the most recent renewal of the corporate bodies. The Executive Deputy Chairman of Brembo S.p.A. is Matteo Tiraboschi.