

# Values and principles

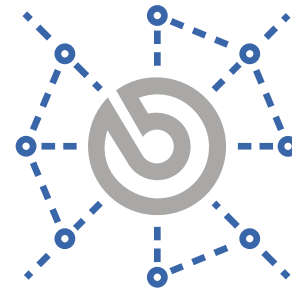
mirrored in the  
organisational structure



## Values and principles mirrored in the organisational structure

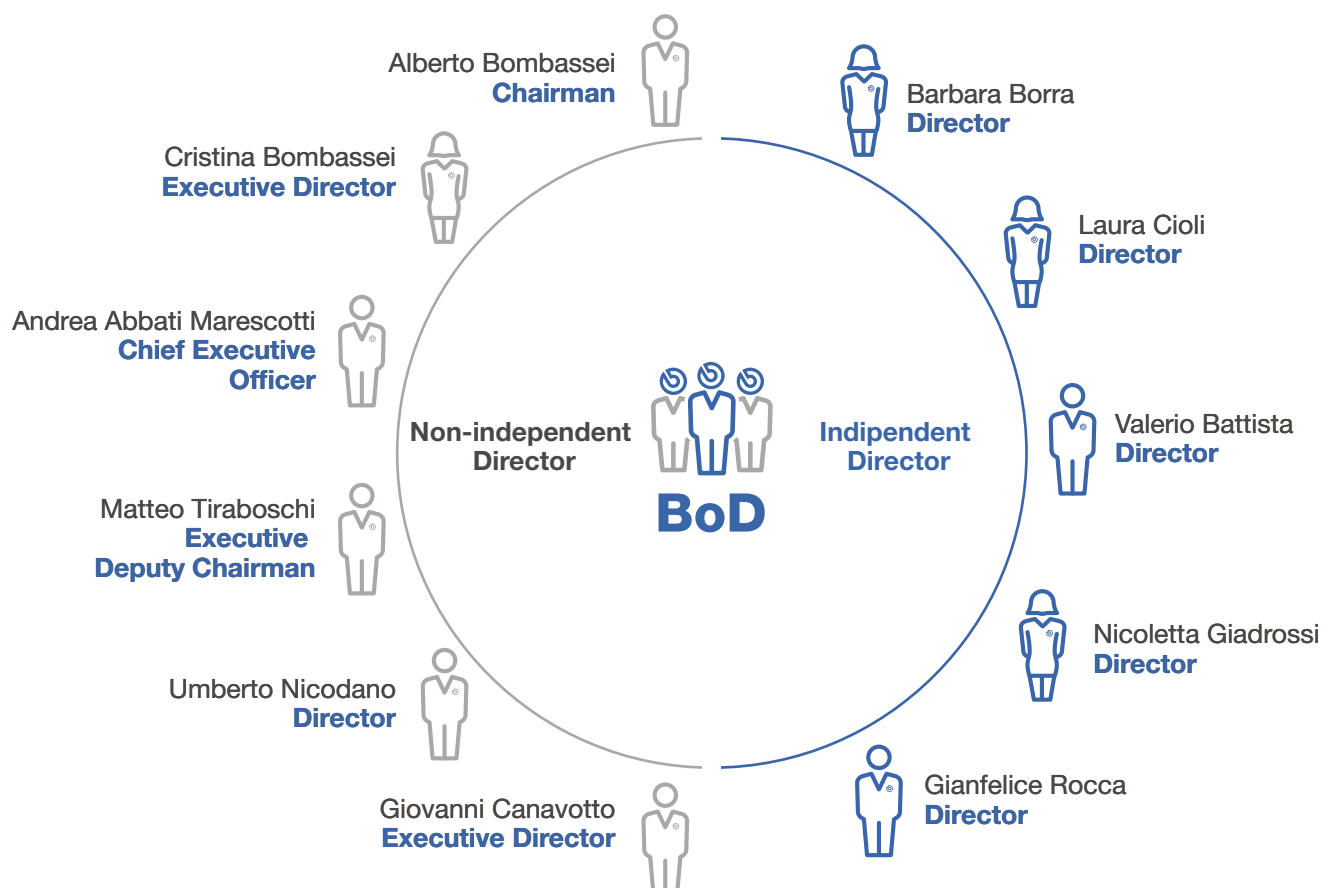
### 3.1 Corporate Governance Model

Brembo has structured a sound Corporate Governance Model based on the recommendations of Borsa Italiana's Corporate Governance Code, including those introduced in July 2018 — which the Board of Directors integrated in Brembo's Corporate Governance Code on 7 November 2018 — and international best practices, through which it effectively meets the interests of all of its stakeholders.



Over the years, the Group has paid particular attention to ensuring that its corporate structure always complies with international best practices, that its own reference Codes are kept up to date and its processes for managing both operating and sustainability risks are improved.

Brembo S.p.A. has adopted a traditional governance and control system. Consequently, the Board of Directors is responsible for managing the Company, the Board of Statutory Auditors is responsible for supervisory functions, and the Independent Auditors appointed by the General Shareholders' Meeting are responsible for auditing and accounting control.



### ► Shareholders' Meeting.

It is the body through which corporate intentions are forged and expressed for subsequent implementation by the Board of Directors. It comprises Brembo's shareholders and meets regularly to pass resolutions according to the formalities and on matters defined by the law, as well as by the Company's By-laws; the most important duties of the Shareholders' Meeting include selecting members of the Board of Directors and the Board of Statutory Auditors, as well as approving the Financial Statements for the year.

### ► Board of Directors (BoD).

It is the administrative body that steers the Group and is responsible for managing the Company, except for any matters that fall within the scope of the duties fulfilled by the Shareholders' Meeting. The Board of Directors is responsible for the strategic and organisational guidelines of the Group's companies, the assessment of the organisational structure's soundness, as well as the fitness of the checks needed to monitor the company's and the Group's progress. The functions and duties described in Article 1 of the Corporate Governance Code also fall into the BoD's remit and include assessing the types and levels of risk that are compatible with Brembo's strategic goals, including from the point of view of the mid-to-long-term sustainability of the company's activities. The Board of Directors is also responsible for providing strategic and organisational guidance for the Company and the Group, analyses, shares, approves and monitors the annual budgets and strategic, business and financial plans. It is also tasked with ensuring sustainable growth in the medium-to-long term through an adequate control and risk management system, including the risks that have an impact on sustainability, in addition to the utmost transparency towards the market and investors, with a particular emphasis on material changes in business prospects and situations of risk to which the company is exposed.

Every quarter, the Board of Directors examines, assesses and monitors the management performance, the Group's strategic operations, the report of powers granted, the strategic projects and industrial plans, the Group's growth strategies with related risks, as well as the suitability of the Internal Control and Risk Management System, the Governance and Compliance System and Brembo's significant operations.

Moreover, the Board of Directors defines annually a general policy for the remuneration of Executive Directors, Directors holding special offices and Key Management Personnel.

In line with corporate values and consistent with company's regulations and stakeholders' expectations, the Remuneration Policy, like previously, is structured so as to achieve a twofold objective:

- defining a remuneration system based on ethics, quality, proactivity, belonging and acknowledgment, and that is able to both attract and retain human resources who, thanks to their talent and excellent professional skills, can successfully work and operate within the Company;
- motivating 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 medium-/long-term value and aligning the management's interests and Shareholders' expectations.

The current Board of Directors, which was appointed by the Shareholders' Meeting held 20 April 2017, is made up of 11 members and will remain in office for the 2017-2019 three-year period.





## Diversity policies and criteria for the Board of Directors

Individual competence and a diverse ‘team’ mix within the BoD constitute one of Brembo’s governance system’s main performance indicators. For this reason, ensuring a high level of quality and complementarity in the Directors’ professional skillset and personalities is deemed necessary.

Thus, on 7 November 2018, Brembo’s Board of Directors approved a new version of the company’s Corporate Governance Code, which implements the recommendations found in Borsa Italiana’s Corporate Governance Code in relation to the application of diversity standards, including those about gender, to the Board of Directors’ composition, based on the “comply or explain” formula.

The updated version of the Corporate Governance Code takes up and reinforces the diversity standards defined by Brembo’s Board of Directors in the “Board of Directors’ Regulations”, approved in 2017. More specifically, the Regulations are an integral part of the Corporate Governance Code, and their aim is to provide the market with additional standards besides the existing legal and regulatory ones, that are as unbiased as possible, about the procedures for the formation and the working methods of the Board itself. These are commensurate to the size, positioning, complexity and peculiarities of the industry and to the Group’s strategies. Among other things, these standards constitute the policies in matters of diversity in the composition of the Board of Directors, and indeed reflect the guidelines issued by the Board, which were based on the reports of Board Committees regarding its optimal composition. Through these criteria, the Group also sets itself the goal of guaranteeing the presence on the Board of Directors of an ideal mix of skills and competencies that fully meets market expectations and enables more detailed analysis, debate and fuller understanding of the topics being discussed.

The Board of Directors’ Regulations explicitly includes the additional qualitative and quantitative criteria that must be met to hold the position of Director, as well as those to be applied in the

formation/composition of the Board of Directors. For instance, among quantitative standards aimed at ensuring diversity of skills, Brembo states that at least four posts have to be held by entrepreneurs or managers with an international background and/or coming from a geographical area where Brembo has a significant presence. The quantitative requirements identified by the Board of Directors’ Regulations include the age of the Independent Directors, who may not be younger than 35<sup>5</sup> and older than 70,<sup>6</sup> and the provision of a quota reserved to the less represented gender according to current legislation as well as the identification of qualitative elements relating to Directors’ skills and professionalism.

In respect of these criteria, it should be noted that the routine self-assessment activities performed by the Board of Directors showed that all Directors fulfil the current legal and regulatory requirements for their role, as well as those of the Additional Criteria — both qualitative and quantitative — laid down in the New Article 2.C.3 of Brembo’s S.p.A.’s Corporate Governance Code. Specifically:

- at least one third of the Board of Directors consists of members of the least represented gender;
- the size of the Board of Directors is appropriate and allows the effective conduct of proceedings, also enhancing the quality of the debate;
- the composition of the Board of Directors is deemed a suitable mix, also in terms of diverse skills, age groups and role seniority, especially considering the size, positioning, complexity, industry peculiarities and the Group’s strategies. By itself this constitutes a prerequisite to run the business in an effective and competent manner, contributing advice and challenge into corporate strategies.

More information about the diversity standards for the Board of Directors as defined by Brembo is available in Brembo’s Corporate Governance Code (Article 2.C.3), available at [https://www.brembo.com/en/PrincipiCodici/Corporate%20Governance%20Manual\\_XI%20November%202018.pdf](https://www.brembo.com/en/PrincipiCodici/Corporate%20Governance%20Manual_XI%20November%202018.pdf).

5 As at the date of submission of the lists

6 As at the date of submission of the lists

As required under the Corporate Governance Code, Brembo set up, within the Board of Directors, the Remuneration & Appointments Committee and the Audit Risk & Sustainability Committee. The roles, composition and functioning of all Committees are defined in specific Regulations fully implementing the principles and criteria set forth in the latest edition of the Corporate Governance Code of Borsa Italiana.

With reference to training and development of the skills of Directors, Brembo defined a dedicated induction programme, structured in several sessions, with the aim of providing all Directors and Statutory Auditors with a proper understanding of the Company and the industry in which the Group operates, its products, its organisation, business dynamics and trends, the principles of proper risk management and the relevant regulatory, as well as the main trends that could generate an impact on the current performance and on the Group's short-, medium- and long-term growth strategy.

At the end of its induction period Brembo offers to the members of the Board of Directors the option to engage in personalised in-depth training activities centred on each Director's specific interest areas or remits, as well as the opportunity to focus on specific subject matters prompted by new requests for more in-depth information arisen from Independent Directors' meetings or as a consequence of the Board Performance Evaluation. In this respect, the induction programme sessions carried out in 2018 dealt with the analysis of topics highlighted by Directors and Statutory Auditors in the 2017 Board Performance Evaluation. More specifically, 4 in-depth sessions led by the Group's Chief Operating Officers and by the Chief Central Department Officers took place over the year. They covered the following topics: Remuneration Policies, People Strategy & Future Trends; Cybersecurity and the Risk Matrix related to GDPR, the organic and non-organic growth strategies and M&A transactions.

### Board of Directors

Position	Members	Year of birth	Seniority in office	In office since	In office until	List	Exec.	Non-exec.	Indep. as per Code	Indep. as per TUF	Attendance to meetings 2018	No. of other offices held
Chairman	Alberto Bombassei	1940	21.12.84	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	X				100%	–
Executive Deputy Chairman	Matteo Tiraboschi	1967	24.04.02	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	X				100%	–
Chief Executive Officer	Andrea Abbati Marescotti	1964	06.06.11 (coopt.)	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	X				100%	–
Director	Cristina Bombassei	1968	16.12.97 (coopt.)	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	X				100%	–
Director	Giovanni Canavotto	1951	20.04.17	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	X				100%	–
Director	Barbara Borra	1960	29.04.14	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		X	X	X	88%	1
Director	Laura Cioli	1963	20.04.17	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		X	X	X	100%	3
Director	Nicoletta Giadrossi	1966	20.04.17	20.04.2017	Approval of the Financial Statements at 31.12.2019	m		X	X	X	100%	3
Director	Umberto Nicodano	1952	03.05.00	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		X			88%	5
Director (LID)	Valerio Battista	1957	20.04.17	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		X	X	X	100%	1
Director	Gianfelice Rocca	1948	29.04.11	20.04.2017	Approval of the Financial Statements at 31.12.2019	M		X	X	X	75%	10
<b>No. of meetings held during the year of reference (2018)</b>						<b>Board of Directors: 8</b>						



### Audit, Risk & Sustainability Committee

Position	Members	Member	Attendance to meetings
Director	Barbara Borra	X	100%
Director	Laura Cioli	X(Chairwoman)	100%
Director	Nicoletta Giadrossi	X	100%
Director	Umberto Nicodano		
Director	Gianfelice Rocca		
No. of meetings held during the year of reference (2018)		Audit, Risk & Sustainability Committee: 6	

### Remuneration & Appointments Committee

Position	Members	Member	Attendance to meetings
Director	Barbara Borra	X(Chairwoman)	100%
Director	Laura Cioli		
Director	Nicoletta Giadrossi	X	100%
Director	Umberto Nicodano	X	100%
Director	Gianfelice Rocca		
No. of meetings held during the year of reference (2018)		Remuneration & Appointments Committee: 1	

### ► Board of Statutory Auditors.

It is the body in charge of supervising compliance with the law and corporate By-laws, observance of the principles of sound management and adequacy of the organisational, administrative and accounting structures adopted by the Company.

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

annual and consolidated accounts and the independence of the statutory auditors.

The Board of Statutory Auditors of Brembo S.p.A. is made up of three Acting Auditors and two Alternate Auditors, all appointed by the Shareholders’ Meeting on 20 April 2017, based on list voting procedures; the Chairman of this Board is drawn from the minority list. All members of the Board of Statutory Auditors satisfy the eligibility, integrity and professionalism requirements laid down by the law. In addition, the Acting Auditors shall be chosen from persons who qualify as independent as per provisions of the Corporate Governance Code.

### Board of Statutory Auditors

Position	Members	Year of birth	Date of first time appointment	In office since	In office until	List	Indep. as per Code	Attendance to Board of Statutory Auditors’ meetings in 2018	Attendance to Board of Directors’ meetings in 2018	Weight of other offices held
<b>Statutory auditors</b>										
Chairwoman	Raffaella Pagani	1971	29.04.2014	20.04.2017	Approval of the Financial Statements at 31.12.2019	m	X	100%	100%	4,31
Acting Auditor	Alfredo Malguzzi	1962	20.04.2017	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	X	100%	88%	N.A.
Acting Auditor	Mario Tagliaferri	1961	20.04.2017	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	X	92%	100%	4.51
<b>Alternate auditors</b>										
Alternate Auditor	Myriam Amato	1974	29.04.2014	20.04.2017	Approval of the Financial Statements at 31.12.2019	m	X	–	–	–
Alternate Auditor	Marco Salvatore	1965	29.04.2014	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	X	–	–	–
No. of meetings held during the year of reference 2018						Board of Statutory Auditors: 13	Board of Directors: 8	Audit, Risk & Sustainability Committee: 6	Remuneration & Appointments Committee: 1	

## Diversity policies for the Board of Statutory Auditors

When the Company's Boards were renewed for the period 2017-2019, the outgoing Board of Directors provided the guidelines to the Shareholders for the assessment of the new members of the Board of Statutory Auditors, with reference to the experience and professionalism of candidates, in order to ensure an adequate diversity within the Control Body.

In addition to current legal and regulatory requirements, with the update of Brembo S.p.A.'s Corporate Governance Code as of 7 November 2018 Brembo's Board of Statutory Auditors introduced new diversity standards, including gender-related ones, aimed at ensuring that the composition of the Board of Statutory Auditors is suitable for the Group's size, positioning, complexity, industry-related aspects and strategies.

In detail, the prerequisites for candidates to the position of Statutory Auditor include the following:

- at least 1/3 of acting and alternate Auditors shall belong to the least represented gender;
- acknowledged observance of shared ethical principles;
- overall experience of at least three years in professional or academic endeavours closely related to the Company's business; or

### ► Independent Auditors.

It is an external entity in charge of the statutory audit appointed by the Shareholders' Meeting. The audit firm EY S.p.A. has been appointed for the years 2013 to 2021.

The management and development of the governance system is founded on a number of responsibilities, related to a system of procedures, practices and activities designed not only to meet legal requirements, but also to make the governance system effective as a whole. For this purpose the following tools are also in place at Group level:

### ► Delegation of powers.

Brembo has established a system of delegated powers and powers of attorney to ensure that powers are segregated and the related flows and processes improved, for regulatory compliance purposes.

- experience gained in an executive position at bodies operating in sectors closely related to the Company's business; or
- experience gained in a governance or control role at companies in Brembo's sector and of the same size for a suitable period.

With reference to the current composition of the Board of Statutory Auditors, its self-assessment activity showed that:

- all the statutory auditors meet the regulatory and legal requirements for the membership of the Board of Statutory Auditors, and also meet both qualitative and quantitative Additional Criteria established by the new Article 8.C.3 of Brembo S.p.A.'s Corporate Governance Code;
- the composition of the Board of Statutory Auditors is an adequate mix of competences and at least one third of its members belongs to the less represented gender.

For more information about the Board of Directors' diversity standards as defined by Brembo, please refer to Brembo's Corporate Governance Code (Article 8.c.3), at [https://www.brembo.com/en/PrincipiCodici/Corporate%20Governance%20Manual\\_XI%20November%202018.pdf](https://www.brembo.com/en/PrincipiCodici/Corporate%20Governance%20Manual_XI%20November%202018.pdf).

It is an integral part of Brembo's Internal Control and Risk Management System and is used as a tool for management, oversight and supervision, including with regard to Legislative Decree No. 231/2001, because it permits:

- (i) the identification of persons whose actions may potentially be, or already are, externally relevant and may give rise to the commission of an offence;
- (ii) distribution of decision-making and commitments, including commitments to spend money, on the Company's behalf;
- (iii) prevention of the abuse of the powers assigned.

### ► Governance model of subsidiaries.

Brembo has fixed additional internal rules, in accordance with regulations applicable in each country, based on the size and complexity of each subsidiary, to define the corporate structure of subsidiaries so that this is compatible with the Parent Company's "traditional" structure.



## 3.2 Responsible business management system

For Brembo a correct management of company's activities means keeping a transparent, ethical and compliant conduct, under all aspects. This means not only observing the current laws and regulations, but also considering the expectations and aspirations of the various stakeholders.

In order to promote a Group's prevention policy, Brembo has implemented an integrated global compliance system, adopting a system of tools which apply to the entire Group (Brembo Corporate and Compliance Tools)<sup>7</sup> designed to ensure a high ethical standard. The Code of Ethics is the mainstay of this system, but the Code must be read and interpreted together with the documents considered essential for the development and dissemination of the Group's core values. These include the Anti-bribery Code of Conduct, the Code of Basic Working Conditions, Brembo's Policy on non discrimination and diversity and other codes of conduct, policies, procedures, guidelines and organisational provisions existing today. These documents meet the requirements of Legislative Decree 254/2016, which requires information to be provided on the policies implemented by the business for managing the impact of its activity in non-financial environments.

► **Code of Ethics.** This Code sets out the behavioural standards that must be adhered to by all those who, for whatsoever reason, work on behalf of Brembo, in order to support sustainable growth and protect the company's reputation, in compliance with the principles shared on a Group level, applicable laws and best practice, encouraging the understanding of and respect for diversity in countries where Brembo operates, and fostering a real culture of integrity with all the company's stakeholders. The third edition of the Code of Ethics, approved by the Board of Directors in December 2016, is available in the local languages of the Countries where Brembo operates.

► **Anti-bribery Code of Conduct.** This Code is aimed at maximising transparency, clarifying permissible behaviour, ensuring strict compliance with anti-bribery regulations in force in all countries in which Brembo operates and by any person who, in any capacity, work for Brembo; maintaining the highest standards of integrity. It also defines, inter alia, Brembo's policy on giving and receiving of gifts, hospitality and entertainment, the free provision of goods and services for promotional or public relations purposes, financing to political parties, donations to charitable organisations. Any amendments to the Anti-bribery Code is shared with the Audit, Risk & Sustainability Committee, the Supervisory Committee and the Board of Directors.

The second edition of the Code was approved by Brembo S.p.A.'s Board of Directors in July 2017 and circulated to all Group employees.

For China-based Group companies a China Anti-bribery Addendum has been adopted, which supplements Brembo's Anti-bribery Code and introduces further specific rules, in compliance with local legislation and practices.

► **Organisation, Management and Control Model pursuant to Legislative Decree No. 231.** Brembo S.p.A. adopted its own Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001 (hereinafter "231 Model"), approved by the Board of Directors and applied to Brembo S.p.A., compliant with Confindustria's Guidelines on Organisational Models, which is an integral part of the Internal Control and Risk Management System. The 231 Model is made up of:

- a General Section illustrating the Company's profile, the regulations of reference, the purpose of the 231 Model and the ways in which it is constructed, the recipients, the Regulation of the Supervisory Committee, as well as the disciplinary system and the measures to be implemented in terms of staff training, dissemination, amending and updating processes;
- several Special Sections focusing on specific types of offences which — in light of Brembo's profile and business operations — could, in the abstract, be committed within

<sup>7</sup> The Brembo Codes of Conduct and Policies are available for public consultation at <http://www.brembo.com/en/company/corporate-governance/codes-policies>.



the company; these sections define the principles of conducts and preventive measures that the Company has adopted;

- Sensitive Activity Analysis Sheets that can be broken down by offence and sensitive area, and provide the following information: (i) description of the underlying Offence; (ii) description of the Sensitive Area at risk of commission of the aforesaid underlying Offence; (iii) persons involved in the Sensitive Activity; (iv) Control Environment; (v) description of the Controlling & Prevention Measures in force.

In 2018, Brembo published an updated version of the Organisational, Management and Control Model, which integrates the regulatory changes introduced during the year. More specifically, following the introduction of Law No. 179 of 30 November 2017 on whistleblowing, the Model was updated in order to include, on the one hand, the management instruments and any penalties for the infringement of the measures to protect whistleblowing parties and, on the other hand, the definition of the instruments for the control and management of the formal communication channels to be used to report any infringements to the Supervisory Committee.

- ▶ **Brembo Compliance Guidelines.** These summarise the main rules of conduct and main control principles indicated in the Special Sections of the 231 Model, which the Subsidiaries are required to adopt to prevent crimes within the meaning of Legislative Decree No. 231/2001 from being committed. They prevent criminal liability from being transferred to Brembo S.p.A. and its subsidiaries and corporate liability being transferred from the Subsidiaries to the Parent Company. They are approved by the Board of Directors.
- ▶ **Local Compliance Programmes.** These are the compliance programmes (summarised in a specific document) implemented in each subsidiary (in Italy this occurs through the 231 Model) to prevent or mitigate corporate liability in accordance with local legislation, through a risk assessment process, a mapping of sensitive areas and preparing of the most suitable control protocols, which form part of each subsidiary's Risk Control and Management System. Each Country General Manager with responsibility for the operation of each company's Risk Control and Management System acts as the contact person for implementation and monitoring

of the local compliance programme project, with the support of the various officers responsible for process and the related organisational structure.

- ▶ **Procedure for Related Party Transactions – Conflicts of interest.** The purpose of the Procedure is to ensure the transparency and the substantive and procedural propriety of Related Party Transactions that are not concluded at arm's length, with a view to safeguarding the company's higher interests. In fact, a conflict of interest exists when a personal interest or activity interferes or could interfere with Brembo's task. According to the Group's Code of Ethics, any situation that could generate a potential or actual conflict of interest must be reported to the immediate superior of the person concerned. The Guidelines set out procedures to ensure that decisions taken at any level are not influenced by personal interests and/or relationships, but are in the exclusive interest of Brembo; similarly, commercial agreements are to be signed or continued solely on the basis of objective criteria, including quality, price and reliability of the business partner in question.
- ▶ **Antitrust Code of Conduct.** This Code was approved by Brembo S.p.A.'s Board of Directors on 9 November 2017, to reinforce the business structure's sensitivity and culture regarding compliance with competition rules, also in view of the provisions of its own Code of Ethics, providing appropriate monitoring tools. It supplements the Antitrust Compliance programme already implemented in the company and provides a practical guide, focused on the Group's business, that clearly illustrates the prohibitions imposed by antitrust legislation, the most widespread areas or situations where there is a risk of violations, as well as the correct conduct to be adopted to ensure full compliance with antitrust legislation in the various countries in which Brembo operates. The Code applies to employees of Brembo S.p.A. and EU subsidiaries and represents a model on which during the year the compliance programmes have been built and implemented at Group companies based outside the European Union. The training activities carried out in 2018 to disseminate within the entire Group the application scope of the Code was particularly important.

No legal action relating to unfair competition, antitrust and monopolistic practices were reported in 2018.



▶ **Privacy Policy.** Approved by Brembo's Board of Directors on 8 May 2018, this policy outlines the core principles for the protection of Personal Data. More specifically, the Policy provides detailed instructions directed at all the Group's employees and contractors in relation to the handling of personal data, in compliance with the European General Data Protection Regulation 679/2016/EU. This document also identifies the parties and functions involved in the processing of Personal Data, their specific roles and responsibilities. Furthermore, the Group has established the dedicated email address [privacy.italy@brembo.it](mailto:privacy.italy@brembo.it), which stakeholders can use to bring any policy breach or any request for additional information relating to Personal Data protection to the attention of the Group's Data Protection Officer (DPO).

In 2018, there were no reported instances of data protection breach or customer data leaks at Brembo.

▶ **Code of Basic Working Conditions.** Introduced in 2011 and updated in 2016, this Code highlights Brembo's commitment to the recognition that its most important asset is the workforce in all its worldwide sites. It sets out the underlying principles assuring a respect for workers' human rights. When defining this Code, the Group was inspired by the main international sources and standards, including the United Nations Universal Declaration of Human Rights, the Tripartite Declaration of Principles concerning Multinational Enterprises, the ILO's Social Policy and the Guidelines for OECD Multinational Enterprises.

The publication of this document, which expresses Brembo's commitment to employee protection and local development, has enabled the Company to involve its own supply chain in this process and disseminate its own way of doing business ethically in accordance with the values set out in Brembo's Code of Ethics.

▶ **Policy on Non Discrimination and Diversity.** Through this policy, Brembo recognises and promotes the positive value of diversity and demonstrates its commitment to combating any form of discrimination, based on gender, race, colour, religion, creed, age, ethnic origin, national origin, civil status, pregnancy, disability, sexual orientation or any other characteristic or personal condition, within the context of all working relations. In particular, Brembo undertakes to ensure that all people have an equal opportunity to access

work, services and programmes irrespective of personal characteristics not related to performance, competence, knowledge or qualifications.

▶ **Supply Chain Policy.** Issued and published at the end of 2017 on the company's website, the new version of the supply chain management policy expresses Brembo's commitment to selecting potential suppliers that are able to supply products and services in line with the Group's approach to quality and customer satisfaction. The criteria and methods of selecting and interacting with the suppliers are designed to ensure that components purchased are of adequate levels of quality and reliability, and also that the related environmental aspects are managed correctly.

▶ **Environmental Policy.** It constitutes a statement by Brembo of its full endorsement of sustainable development principles, substantiated by its commitment towards minimising the use of non-renewable resources, and keeping the use of renewable ones within the limits of their regeneration capability. In its capacity as a global and responsible corporation and by means of its Environmental Policy, Brembo wants to direct its activities through tangible steps towards a development model which strikes the right balance between economic and financial objectives and social and environmental responsibility, across the entire value chain.

▶ **Supplier Code of Conduct.** Published in 2017, it summarises the principles contained in Brembo's sustainability policy, with which the Group's suppliers are required to comply. The signing of the Code is an essential prerequisite to register onto the "Brembo Supplier Portal". This entails for suppliers a commitment towards adopting the same sustainability behaviours defined by the Group, and to transpose them into their own supply chain. Additionally, the Code contains the guidelines for the control and monitoring of the implementation of sustainability principles by suppliers. In 2018, the Supplier Code of Conduct was published in the suppliers' section of the Group's website: <https://www.brembo.com/en/company/suppliers/supplier-policy>. Moreover, the Supplier Code of Conduct has replaced the Code of Basic Working Conditions in the list of annexes to the General Terms & Conditions of Purchasing that Brembo requires all suppliers to observe and that are included in every purchase order it issues.

► **Quality Manual.** This constitutes an important tool to guide and direct corporate processes towards quality improvements. It describes the general organisational criteria and the corporate policies towards quality by laying down the core operational principles of every process involved. The Quality Policy, a document expressing Brembo's commitment towards Customer Satisfaction and continual improvement, constitutes an integral part of the Quality Manual. It lays down the main quality goals which, besides customer satisfaction and continual improvement, include constant product, service and internal process innovation, furthering the development and the engagement of suppliers into innovation and continual improvement

processes, as well as the satisfaction of all employees by promoting the development of skills and encouraging professional growth.

► **Health, Safety and Environment Manual.** This sets out Brembo's commitment to a continual improvement in performance in the health and work safety area within the Group. It contains the principles, which are made public on the company's website, through the Safety & Environment policy and the main goals related to these aspects, such as improving workplace health and safety, through integrated planning of the phases of each individual process, with the goal of minimising all risks for workers.

## Principles for safety and environment management

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- Prevention of risks to workers is implemented through appropriate management of the substances and processes combined with correct operation, maintenance and control of machinery and equipment.
- Training and information are the main ways in which to inform workers about the principles, guidelines for the Management System for Workplace Health and Safety, and ways in which it is implemented.
- Brembo's propensity to reduce residual risks of its business is also demonstrated by its open, effective communications with people and organisations outside the company.
- Suppliers and contractors need to be involved with the Safety Management System in order to reduce the risks of operations carried out at industrial plants.
- Health, individual and collective safety are essential prerequisites: they steer the company's decision-making processes and individual behaviour.
- Involvement of all employees on a wider scale is an essential factor in continuing to improve processes and services concerning workplace Health and Safety.



Brembo is served by the following **Bodies** to ensure that the founding principles, expressed in the Code of Ethics and other codes of conduct, are observed and that the control system set out in the 231 Model is implemented effectively:

▶ **Supervisory Committee.** Made up of 3 members, the current Supervisory Committee was appointed in the General Shareholders' Meeting on 20 April 2017 called upon to appoint the new Corporate Bodies. It will continue to serve until the end of the term of office of the Board of Directors, thus until the approval of the 2019 Financial Statements. In accordance with Brembo's 231 Model concerning the requirements for members of the Supervisory Body (autonomy, independence, integrity and professionalism), best practices and case law on this subject, the Supervisory Committee's members

were identified amongst persons complying with the above mentioned requirements, as well as with specific inspective and advisory skills. Its Chairman is external to the company's organisation. The task of the Supervisory Committee is to monitor, receive and report to the Board any irregularity or breach of the Organisation, Management and Control Model, adopted pursuant to Legislative Decree 231/01 by Brembo S.p.A and La.Cam S.r.l., as well as breaches of the Code of Ethics and Anti-bribery Code of Conduct, which apply across the Group. A Body with a similar function has also been set up in the Spanish company Corporación Upwards 98 S.A. in accordance with local legislation. All members meet the requirements of autonomy, independence, integrity and professionalism aimed at ensuring continuity of action and an effective and efficient implementation of the Model.

#### Supervisory Committee

Position	Members	Year of birth	Date of first appointment	In office since	In office until	Indep. as per Brembo S.p.A. 231 Model	Attendance to Supervisory Committee's meetings
Chairman	Alessandro De Nicola	1961	20.04.2017	20.04.2017	Approval of the Financial Statements at 31.12.2019	X	100%
Independent Director	Laura Cioli	1963	20.04.2017	20.04.2017	Approval of the Financial Statements at 31.12.2019	X	100%
Internal Audit Director of Brembo	Alessandra Ramorino	1968	29.04.2008	20.04.2017	Approval of the Financial Statements at 31.12.2019	X	100%

▶ **Internal Audit.** It ensures the performance of independent, objective assurance and financial advice activities aimed at improving the organisation's efficacy and efficiency. Internal Audit is tasked with assisting the Group in achieving its objectives through a systematic professional approach oriented towards providing value-added services in all areas within its purview, to achieve ongoing improvement. It is also charged with verifying and assessing the operability and suitability of the Group's Internal Control and Risk Management System, in a manner consistent with the implementing Guidelines and Policies approved by Brembo's Board of Directors.

▶ **Group Legal and Corporate Affairs Department.** It draws up and executes programmes for preventing and mitigating the Group's administrative and criminal liability, also with reference to anti-bribery and antitrust issues.

▶ **Group Human Resources and Organisation Department.** It receives and ensures that reports about the Code of Basic Working Conditions and the Policy on Non Discrimination and Diversity are analysed and handled correctly.



In addition, the Group has implemented the following **tools to assure that the compliance culture is disseminated** and the rules of conduct developed are implemented effectively.

- ▶ **Whistleblowing procedure.** Designed to establish and properly manage direct communication channels for the timely reporting of any breaches or irregularities concerning the Organisation, Management and Control Model, the Code of Ethics or other provisions of Brembo's codes of conduct. In line with Whistleblowing Law 179 dated 30 November 2017, the Group's whistleblowing procedure is structured in such a way as to guarantee the confidentiality of the reporting person and of the information received, as well as the validity of such information. More specifically, the Supervisory Body ensures suitable levels of protection against anyone whistleblowing in bad faith, banning this type of behaviour, and informing the individuals or organisations involved in instances of proven bad faith. Furthermore, the procedure states that anonymous whistleblowing complaints will be taken into consideration only when properly substantiated and supported by facts. Based on the Whistleblowing Procedure, violations, or behaviour or practices that do not comply with the provisions of the Anti-bribery Code of Conduct must be reported directly to the Supervisory Body, using one of the channels made available by the Procedure itself. All stakeholders can report any cases of violation or irregularity by writing to the dedicated email address [Organismo\\_Vigilanza@brembo.it](mailto:Organismo_Vigilanza@brembo.it). In 2018, there were no corruption-related complaints reported within the Group.
- ▶ **Training schemes.** Special training schemes for the Group staff are also provided to ensure compliance with and adherence to the principles of the Code of Ethics, the Anti-bribery Code of Conduct, the Antitrust compliance programme and the 231 Model. The training initiatives,

which include classroom lessons and e-learning tools, are tailored to the role covered and the level of risk to which individuals are exposed. In particular, the use of specific Corporate Governance and compliance tools (**Brembo Corporate and Compliance Tools**), available and downloadable from the company website, is important. In addition, a copy of the Code of Ethics is distributed to all those who work for Brembo and to all new recruits. In 2018, the company posted a presentation onto the corporate Intranet detailing Brembo's Governance and Compliance System. This is meant to be used during training activities across all Group companies.

The training campaign on the bribery theme was launched in January 2012 (through an on-line course on Model 231/01, which includes a special part dedicated to this subject) and included classroom sessions (following adoption of the first edition of the Anti-bribery Code – November 2013); it continued into 2018 involving 8% of the company's workforce, most of whom were new recruits and employees of Group's foreign companies.

Moreover, during 2018 Brembo promoted the delivery of two class-based training sessions held by the Data Protection Office about the new regulatory principles established by the new General Data Protection Regulation (GDPR). These courses saw the participation of Brembo's Privacy reference persons, in their capacity as key players in the practical and operational handling of Personal Data processing across the different functions and companies within the Group. In 2018, Brembo also provided specific training to ICT Department employees on the subject of privacy and data protection. Finally, in December 2018 the Group launched an e-learning course module about GDPR open to all the Authorised Personnel.

With reference to anti-trust issues, Brembo has organised specialised training sessions for the Performance Group and Aftermarket sales functions, with a particular focus on distribution contracts.

Lastly, in 2018 Brembo added a specific mention to business partner contracts about the new Supplier Code of Conduct, which reasserts the ethical and anti-corruption principles adopted by the Group.



**1,606**

**Brembo People**

received training in 2018 regarding Ethics, Antitrust, Anti-bribery and compliance with the 231 Model.



### 3.3 Internal Control and Risk Management System

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A company's ability to manage corporate risks effectively serves to maintain its value in the interest of long-term sustainability. It is for this reason that Brembo has defined a precise Internal Control and Risk Management System (ICRMS), which forms an integral part of the Group's Corporate Governance system. This system has been defined in accordance with best national and international practices and includes specific rules, procedures and organisational responsibilities for identifying and managing corporate risks correctly.

The Internal Control and Risk Management System reflects Brembo's Code of Ethics as it was set up to share ethical business principles and values, and seeks to establish over time a fully-fledged culture of corporate controls aimed at ensuring legality, correctness and transparency in all company operations, involving the whole organisation in developing and applying methods to identify, measure, manage and monitor risks. More specifically, the organisational structure designed to manage business risks is as follows:

#### Organisational structure

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- The **Audit, Risk & Sustainability Committee** has the task of supporting the Board of Directors' decisions and assessments regarding the Internal Control and Risk Management System and the sustainability aspects related to Brembo's activity and the dynamics of its interactions with all stakeholders;
- the **Executive Director** in charge of the Internal Control and Risk Management System is tasked with identifying the main corporate risks by executing risk management Guidelines and verifying their adequacy;
- the **Risk Manager** is tasked with ensuring, together with the management, that the main risks relating to Brembo and its

subsidiaries are correctly identified, adequately measured, managed, monitored, and integrated within a corporate governance system consistent with the strategic objectives;

- **Internal Audit** has the task of ensuring, on the one hand, that Brembo carries out the risk assessment and management procedures adopting a risk-based approach; on the other, it serves to identify, manage and control possible negative events, in order to provide reasonable certainty about the achievement of the Group's objectives.

With reference to risk management, Brembo has defined the following Guidelines and procedures:

#### Risk Management Policy

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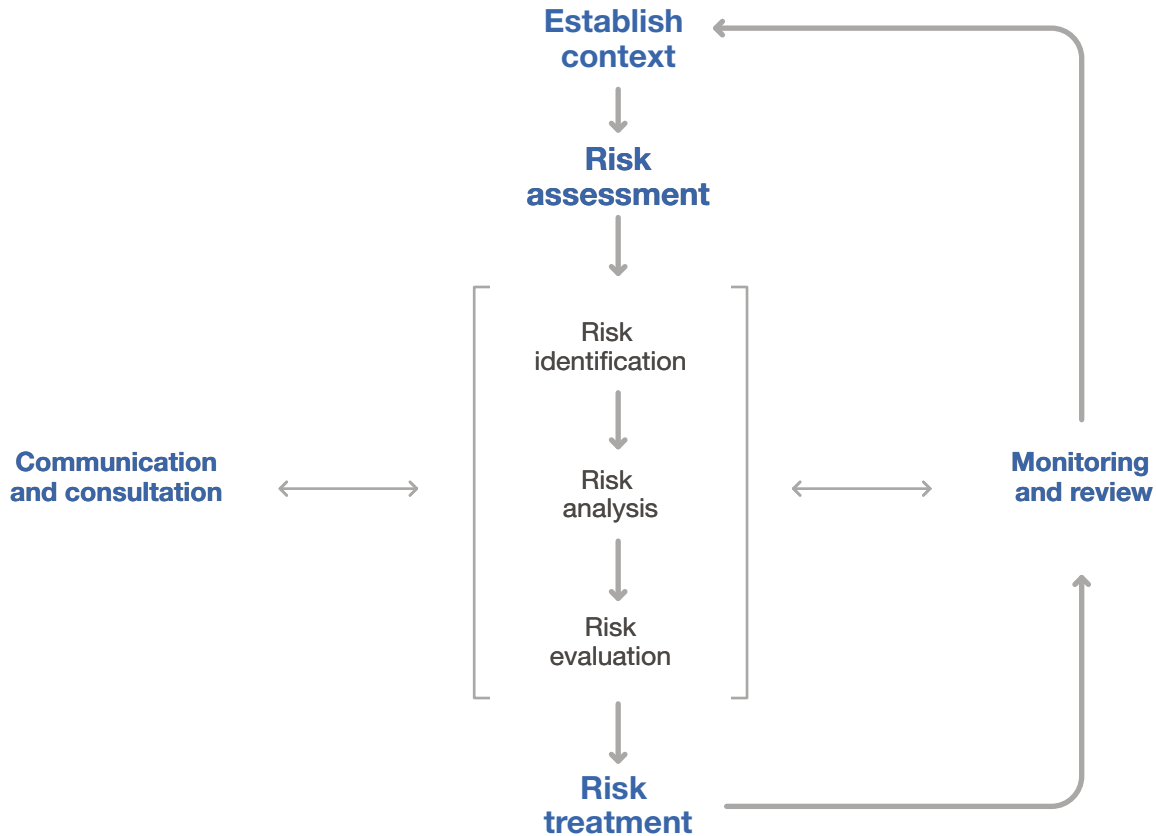
A **Risk Management Policy** based on **ISO standard 31000**, approved by the Board of Directors, which establishes the Group's general direction and policies relating to risks, risk management and harmonisation of processes. The risk management policy pursues a variety of aims, including:

increasing the likelihood that company objectives will be met, improving the identification of threats and opportunities, setting up a reliable base for the decision-making process and strategic planning, improving loss prevention and incident management, as well as organisational resilience.

## Risk Management Procedure

A **Risk Management Procedure**, designed to provide Guidelines in terms of methodology and operating guidance to support the

risk management process, organised into the following series of consecutive phases:



- **Risk identification:** designed to identify the sources of risk, events and their causes, identifying the respective areas of impact and potential consequences, to create a complete risk catalogue including those in the areas covered by Italian Legislative Decree 254/2016: relating to environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, relevant for and pertaining to the Company’s activities and characteristics.
- **Risk analysis:** designed to assess the risks by determining the likelihood of occurrence and the impact, using exercises

- and simulations identifying possible scenarios, causes and potential consequences, considering any cascading (domino effect) and/or cumulative effects.
- **Evaluation:** designed to support the decision-making processes by identifying risks that need to be treated and the related priorities for action or implementation.
- **Treatment:** designed to select one or more options for changing risk exposure, both in terms of impact and probability of occurrence, and to implement such options through specific action plans.



## Risk Model

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A risk management process founded on a **Risk Model** consisting of the following **risk families**:

- **external risks:** connected to the occurrence of external events that are difficult (or partly difficult) to predict or can be influenced by Brembo; based on its international footprint, the Group is exposed to the country risk, which is however mitigated by the adoption of a policy of business diversification by product and geographical area so that the risk can be balanced at Group level. In addition, Brembo constantly monitors the development of political, financial and security risks associated with countries in which the general political and economic climate and tax system could prove unstable in the future, so as to take any measures suited to mitigating the potential risks;
- **strategic risks:** connected to events that could influence strategic policies or the organisational and business model adopted by Brembo. This family includes risks related to the business model adopted, target markets, innovation,

investments, sustainability and management of relations with stakeholders in general;

- **operating risks:** connected to inefficient and ineffective processes, with negative consequences for the creation of Brembo value. This family includes risks concerning personnel, production, product quality, environment, health and safety, supply chain, information technologies, business interruption (linked to production sites being unavailable and their operating continuity), planning and reporting processes, as well as legal and compliance aspects;
- **financial risks:** connected to ineffective and inefficient management of events arising in key financial markets: market risk, commodity risk, liquidity risk and credit risk.

Risk management is an integral part of decision-making and business management processes, including strategic and operational planning, the management of new business initiatives and the associated change, as well as the preparation of adequate reports for stakeholders.

## Leg. Decree 254/2016

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During 2018, Brembo continued along its development path designed to reinforce its Sustainability Model and comply with the non-financial statutory disclosure requirements, introduced with Legislative Decree 254/2016. With the support of a specialist consultancy firm, Brembo has updated the risk assessment in the Sustainability area, using the assessment criteria aligned with the Group's risk management methodology. Set out below are the main risks identified by Brembo, as well as the mitigation measures put in place to date and the future objectives for managing them.

**Environmental risks.** The range of environmental risks suffered includes the Group's acquisition of land for production purposes, or existing businesses, with contaminated subsoil caused by events prior to purchase. Brembo carries out thorough environmental due diligence work in relation to this situation to identify any critical issues.

Environmental risks are also linked to possible non-conformities regarding the environmental requirements specified in current

local legislation or any new obligations resulting from changes in the reference regulatory framework, with a particular focus on atmospheric emissions, waste management and water discharges. To mitigate such risks the Group engages in constant monitoring of developments in the regulatory context of the countries where it operates by participating in local committees, through membership of trade associations and using specialist consultancy services, so as to identify new regulatory trends and comply promptly with the new regulations. Brembo also carries out regular audits to check that its production sites are in compliance with environmental requirements. In 2018, this work intensified further. An important innovation during the year was the update of the Environmental Risk Management System, an integral part of the Environmental Management System certified to ISO14001:2015 and which is due to be adopted in all the Group's plants in 2019.

Finally, recent years have seen an increase in the importance of risks related to climate change and the consequent worsening of extreme atmospheric events (for example floods and tornados)



which may affect the Group's production sites and cause not only material damage and implications for production continuity, but also the potential dispersion of hazardous substances into the environment. To safeguard against such critical issues the Group is committed to starting a thorough monitoring of emerging studies on the matter and analysing the existing methodologies for assessing risks resulting from climate change.

**Risks relating to supply chain management and protection of human rights.** These risks concern any failure on the part of suppliers to comply with Brembo's Code of Conduct regarding the sustainability issues, including respect for human rights, environmental protection, safeguarding workplace health and safety and the fight against corruption.

In this regard Brembo requires its Direct Material suppliers to complete a self-assessment questionnaire about its commitment to the aforementioned topics. The completed questionnaires are then analysed by the Company Departments involved with the aim of ensuring a consistent assessment of suppliers and the related sustainability risk profile. In addition, Brembo involves a number of Direct Material suppliers, selected based on the critical issues of the country and production process, in on-site sustainability audits. Finally, the Group requires its suppliers to develop and maintain an environmental management system compliant with ISO standards:14001 and to base their own conduct on the main international declarations and guidelines on mankind and human rights.

In addition, one should note the evolving regulatory context in China, where the introduction of more stringent environmental requirements could generate a risk for Brembo regarding interrupted supplies from some companies located in those areas. In this regard, the Group has started specific diversification measures to mitigate this risk, identifying and selecting alternative suppliers.

**Risks relating to human resources.** Brembo identifies and monitors both risks relating to health and safety and risks relating to human resource management.

- Brembo's commitment to safeguarding and promoting workplace **health and safety** translates into a thorough risk management process, through a continual analysis of the critical issues and adoption of a preventive approach. The risk of accidents and/or permanent disability as a result of workplace accidents and the risk of occupational diseases fall within this area. Regarding the risk of accidents and/or

permanent disability, with particular reference to exposure to high-temperature materials and the use of lift trucks, the Group is putting into place numerous mitigation measures. These include research into new load handling systems featuring greater effectiveness, reliability and safety; testing of automatic systems within the sites in order to optimise the handling of materials and systems that reduce the possibility of man/truck and truck/truck contact; the regular assessment of the risks associated with exposure to high-temperature materials; carrying out specialist training for personnel working in the foundries; and the physical segregation of areas where molten metal is present, restricting access to a limited number of employees. To safeguard against risks linked to occupational diseases, the Group assesses the operations carried out by its employees in order to measure the associated musculoskeletal load. In particular, with reference to the operations that present major critical issues in this area, Brembo promotes the adoption of new innovative automated systems. The ongoing training and promotion of a culture of safety, health and ergonomics in all work environments is also key in the health and safety area.

- In the **personnel management** field some areas in which the Group operates feature a risk related to the availability of direct and indirect labour. Brembo constantly monitors the job market in the geographical areas of interest and periodically reviews the salary entry levels for the most critical roles. To help with the personnel search and selection process, the Group employs specialist companies, as well as structured and strategic partnerships with the academic world, local research bodies and educational institutions. Finally, ad hoc communication campaigns with a particular focus on certain reference markets have been implemented to keep the attractiveness of the Brembo brand high.

To tackle the risk related to the growing automation and robotisation of the industrial processes introduced by Industry 4.0, Brembo carries out a periodic mapping of the skills of the professional manufacturing family, so as to identify the areas that, regarding the Industry 4.0 implementation plan, will be involved in targeted training pathways or will see development through the introduction of skills from outside. During the year the Group launched a training campaign dedicated to all manual and clerical workers in the Italian production sites, which aims to promote and accustom the company's workforce with the new issues and skills considered necessary for the industrial digitalisation process.



**Risks connected to corruption and regulatory compliance.** This area includes risks related to the **entity's corporate liability** in the event of breaches of anti-corruption regulations with particular reference to the countries considered to be most critical. To mitigate this risk, Brembo has adopted instruments such as: the Organisation, Management and Control Model (pursuant to Legislative Decree No. 231/2001), which ensures transparent, ethical behaviour by employees and promotes a preventive Group policy; the Anti-Bribery Code of Conduct, adopted for the first time in November 2013 (approved and circulated to employees) and updated, in its second edition, in July 2017; the Supervisory Board; and, finally, an administrative and criminal liability compliance programme in accordance with applicable local legislation. Brembo promotes the implementation of the general principles of conduct at all subsidiaries through the Brembo Corporate and Compliance Tools. The system of delegation of power and authority, which is based on the separation of powers and ensures the full traceability and transparency of behaviour, in particular in cash transactions, is also an integral part of this system. This risk of corruption is also constantly monitored through regular audits. In addition, in order to spread and promote a culture of compliance and ensure the optimal dissemination and adoption of ethical values, specific training plans are conducted for all employees (in Italy and internationally) on general principles of conduct.

During the year, an additional risk was added, in abstract terms, involving potential non-conformity with the General Data Privacy Regulation (**GDPR**), which came into force on 25 May 2018, with implications both in terms of possible administrative sanctions and the leaking of personal data relating to the Group's main stakeholders. To safeguard against this risk, Brembo has adopted and disseminated new policies containing data protection principles, acquired a Processing Record and defined suitable privacy-related roles and responsibilities within its own

organisational structure, also providing for specific continual training activities. Finally, the Group has updated the **clauses** contained in the contracts, forms and documents about privacy.

**Social risks.** The very nature of the sector in which Brembo operates makes the **quality and safety of traditional products** one of the major risks pertaining to the social sphere. In fact, any manufacturing defects could compromise the reliability and safety of the end product and, as a result, the user's personal safety. Additional risks relate to the **quality and safety of new and innovative products** that require specific know-how both during the supplier selection and assessment phase and during the production process. To best tackle such risks the Group has acquired a Quality Management System, featuring Guidelines common to all plants, in order to manage all phases of the production process (design, development and production) based on homogenous quality standards and indicators. Again in order to ensure maximum safety, Brembo carefully controls the supplier selection and monitoring process through supplier site visits to check their ability to meet the quality and process requirements.

In addition, Brembo has defined a structured process to monitor internal and supplier performance with the aid of specific KPIs, through which the Group is able to measure any deviations from the objectives defined and/or areas for improvement. Finally, as far as managing the **quality and safety of new and innovative products** is concerned, during the year the Group reinforced its structure responsible for managing work connected with developing new solutions in the area of mechatronics. Particular attention was paid to improving the quality of mechatronic products purchased from suppliers and identifying any non-conformities during the production processes. In particular, Brembo has developed a common **Quality Management Model** for **mechatronic products** at Group level, conforming to ASPICE certification and consistent with ISO – 26262.