



**€ 1,680 million**  
Value of supplies



**87%**  
Local supplies, i.e., supply from supplier located in the same countries where the Group operates



**52%**  
Suppliers of direct materials involved in socio-environmental audits (in terms of value of supplies)





## 5. The supply chain

**A common  
shared process**  
founded on the same values



## A common shared process founded on the same values

### 5.1 Ancillary companies and supplier network

The Group relies on the contribution of more than 5,300 businesses located in more than 16 countries throughout the world to carry out its own activities. These provide essential goods and services for Brembo's industrial processes.



During 2018 the total number of raw materials, components, materials and auxiliary production services processed and integrated in Brembo products generated a purchasing value of more than €1,400 million, in addition to about €222 million for machinery and industrial plant.

The supply of raw materials, such as ferrous scrap and cast iron goods (amounting to more than 570 thousand tonnes), aluminium (about 37 thousand tonnes), binders and refining

agents directly used in the Group's foundries are fundamental to the Group and accounted for an overall purchase value exceeding €500 million in 2018.

Equally significant, worth a total of more than €600 million, are external components and processes, in addition to the Group's demand for durable goods such as systems and machinery which exceeded €222 million in 2018.

#### Value of supplies\* by category (€)

	2016	2017	2018
Raw materials and cast iron goods	488,058,411	491,810,571	517,712,952
Components and outsourced processing	541,838,745	591,954,970	618,946,043
Ancillary products and services	169,209,841	283,493,387 **	321,047,338
<b>Total</b>	<b>1,199,106,997</b>	<b>1,367,258,928</b>	<b>1,457,706,334</b>
Industrial assets	199,036,000	314,727,000	222,235,816
<b>Total</b>	<b>1,398,142,997</b>	<b>1,681,985,928</b>	<b>1,679,942,150</b>

\* This includes only the costs of purchasing goods and services directly involved in the manufacturing of finished products, namely purchases of: raw materials, components, semi-finished and finished products, ancillary materials and services (mostly transport, utilities, packaging and MRO). Therefore, other purchases such as marketing and consultancy expenses in general are excluded.

\*\* The significant difference from the previous years is attributable to the inclusion of utilities in this item as of 2017.

**Value of supplies by geographical area (€)**

	2016	2017	2018
Europe	642,149,847	740,410,107	795,607,951
North America	277,095,486	273,098,844	267,622,478
South America	44,612,958	44,562,441	38,910,812
Asia	198,512,268	252,842,292	297,901,862
Other	36,736,438	56,345,245	57,663,231
<b>Total</b>	<b>1,199,106,997</b>	<b>1,367,258,928</b>	<b>1,457,706,334</b>

Brembo pursues a strategy of international development centred upon the local area and the commitment to establish stable relations with local communities. This is proved by the high percentage of purchases received from local suppliers in the same country where the Brembo Group operates, equal to 87% of purchases <sup>11</sup>.

**Purchases from local suppliers  
(% on total purchases by geographical area)<sup>12</sup>**

Europe	85%
North America	89%
South America	99%
Asia	90%

**Promoting sustainable business models through responsible purchasing practices**

Over the years the Group has defined a structured process for managing suppliers that allows Brembo to develop strategic relations with a supply chain focused on continual innovation, quality improvement and sustainability. This process is structured into three main phases:

1. Clear communication of the standards that Brembo expects from its business partners in terms of product and service quality, correct environmental management and proper working conditions.
2. Assessment of suppliers' capacity to meet technical specifications and requirements both during the qualification phase and during the business relationship.
3. Providing suppliers with support to continually improve their own performance and strengthen their ability to innovate.



<sup>11</sup> This percentage is calculated only for the category of purchases involving raw materials and cast iron products, components and external processes, products and ancillary services (excluding industrial assets).

<sup>12</sup> It should be noted that, as regards the contents of NFI 2017, the graphic representation of purchases from countries in which the Group operates has been replaced with the information for purchases from local suppliers to provide greater alignment with the requirements of the reference standard (GRI Standards). For the definition of local supplier, only the geographical areas reported in the table are considered. Compared to the other figures provided in the NFI, the indicator regarding purchases from local suppliers is split between North America (United States and Mexico) and South America (Brazil and Argentina).



## Clear communication of what the Group expects from suppliers



In light of the complexity of the production and technological processes featured in the sector in which the Group's main suppliers operate, Brembo asks them:

- to implement a quality management system certified by independent accredited bodies, promoting where possible the use of Automotive IATF standard 16949 amongst direct material suppliers;
- to develop and maintain an ISO 14001-compliant environmental management system;
- to apply an effective safety management system in accordance with OHSAS 18000 standards or equivalent, preferably obtaining a third-party certification;
- to base its own conduct on the Universal Declaration of Human Rights, the ILO's Tripartite Declaration on the Principles Concerning Multinational Enterprises and Social Policy, as well as the OECD Directives for Multinational Enterprises, mentioned in the Code of Basic Working Conditions.

In addition, in 2018 the Group published the Supplier Code of Conduct which summarises the guidelines set out in Brembo's sustainability policy, the rules and principles that Brembo's suppliers are required to uphold.

## Selection and assessment of suppliers



Brembo has defined a structured process for the assessment and approval of new suppliers.

- The first phase of the process consists in asking suppliers to complete a pre-assessment questionnaire (available online on the website <https://www.brembo.com/en/company/suppliers/criteria-for-selection>). The questionnaire also assesses the measures put in place by the supplier to safeguard workers' rights, counter corruption and minimise the risks for the environment. During the year Brembo introduced a new version of the questionnaire which has more detail about the selection parameters related to sustainability. The Group has also added a special section

to the questionnaire dedicated to risk management activities related to supplier management.

- The questionnaires are analysed by the Purchasing, Administration & Finance, Quality & Corporate Social Responsibility Departments with the aim of assessing the operating, financial and sustainability profiles. During the year, Brembo implemented the "Brembo Supplier Portal" to facilitate the exchange of information and documents with Brembo's suppliers. The various functions of this Portal also include the computerisation of the pre-assessment questionnaire, related internal approval and archiving of supporting documents.
- Once the pre-assessment phase is concluded positively, all potential suppliers receive onsite visits from the Quality Department and/or any other Brembo personnel to check that the quality and process requirements are met effectively.
- Once the approval process has been completed, the supplier becomes part of the supplier base to which Brembo can award orders. A specific supply is assigned by benchmarking the different offers received in accordance with the following assessment criteria:
  - A. Compliance with technical specifications
  - B. Technological and innovation capabilities
  - C. Quality and service
  - D. Economic competitiveness.
- Brembo regularly assesses, for the most important suppliers, the quality indicators and risks inherent in the supply chain in order to ensure a virtuous process of continual improvement in terms of product quality and risk management. In addition, with the support of third parties, it carries out regular audits at its suppliers with the specific aim of assessing whether the sustainability standards required by the Group are being met. During 2018 Brembo continued its on-field audit campaigns and also introduced a self-assessment questionnaire, with the aim of increasing the number of suppliers involved in the assessment.

In 2018, Brembo issued the Procedure for Managing CSR Audits, which defines the procedures for selecting suppliers, the processes for managing third party-audits, related follow ups and any corrective actions.

The parameters for selecting suppliers involved in CSR audits are: the country of origin of the supplies, the turnover with the Brembo Group and the type of production process.

The objective of the third-party audits and self-assessment questionnaire is to identify critical factors affecting areas such as: working conditions, related remuneration and working hours, health and safety and the environment. The Supplier is required, for each non-conformity reported, to develop corrective action plans, which are then monitored by Brembo using the same third-party assessment body.

To date, Brembo has involved **62 suppliers** in sustainability-related audits, of which **16 in 2018**, covering 52% of overall direct material purchases in terms of value. In addition to the audits, the Group carried out special follow-up activities involving 7 suppliers which had obtained a score not considered to be sufficiently adequate during the previous assessments. Following on from these activities, all 7 suppliers obtained positive assessments during subsequent audits. Finally, Brembo launched the first online self-assessment campaign involving 21 suppliers.

The Purchasing Department and the Quality Department regularly present an update to the CSR Steering Committee, to which they belong, of work in progress regarding the supply chain and sustainability-related issues.

## Development and capacity building



The continual innovation and quality improvement offered by Brembo require the constant involvement of suppliers, to ensure the development of a supply chain network able to make an active contribution to this goal.

It is for this reason that the Group promotes opportunities for supplier development, through collaborative initiatives that encourage direct discussion and the sharing of best practice.

Examples include the projects, coordinated by Brembo's Supplier Quality function, involving a number of suppliers in programmes for assisted quality performance development: in 2018, projects were run with 3 suppliers on 3 production sites. These projects aim to support the development of Quality competencies in managing production processes, by analysing the processes themselves, sharing experiences and approaches with the aim of identifying the improvement solutions to be implemented.

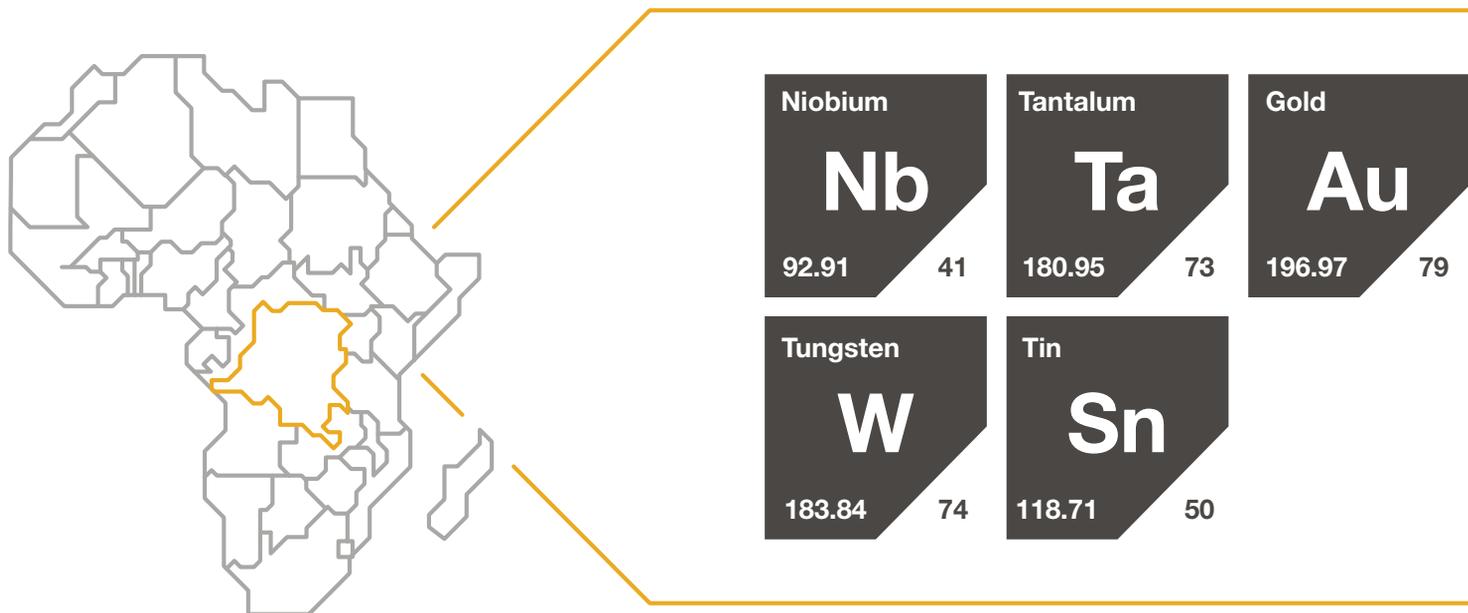




## Combating the use of conflict minerals

“Conflict minerals” are metals such as gold, coltan, cassiterite, wolframite and their derivatives such as tantalum, tin and tungsten coming from the Democratic Republic of the Congo (DRC) or in neighbouring countries. These minerals are subject

to international regulations, including section 1502 of the Dodd-Frank Act, a 2010 U.S. federal law which discourages their use because their trading could fund conflicts in Central Africa, where there are reports of serious violations of human rights.



Promoting the full protection of human rights in its own supply chain as set out in the Group’s Code of Ethics and the Code of Basic Working Conditions, Brembo does not directly purchase minerals from conflict zones and requires its suppliers and commercial partners to declare the presence and provenance of

metals for Brembo Group supplies, so that a check can be made that they do not originate in countries at risk. To this end, Brembo investigates its supply chain, in compliance with the provisions of the Organisation for Economic Co-operation and Development (OECD), which specify the due diligence activities required.