



Organizational structure

# Resilience and dynamism.

Building an organisation able to adapt to a changing context. Value creation stems from an harmonious balance of an increasingly open global vision, a strong and effective governance and a solid structure.





# 3. Organisational structure

## 3.1 Corporate Governance Model

Brembo has structured a sound Corporate Governance Model based on the recommendations of the 2020 Corporate Governance Code and best international practices, through which it meets the interests of all its stakeholders effectively. Over the years, the Group has paid particular attention to ensuring that its corporate structure always complies with best international practices, that its own reference Codes are kept up to date and its processes for managing both operating and sustainability risks are improved.



**4,501**

Number of people trained on ethical topics



**45%**<sup>13</sup>

Proportion of women on the BoD



**63.6%**

of the BoD members with ESG-related skills:



**7**

Annual meetings of the Audit, Risk & Sustainability Committee (ARSC)

## The new Corporate Governance Code

As of March 2020, the Group has monitored the developments and interpretative discussions relating to the New Corporate Governance Code in effect since 1 January 2021. To this end, Brembo participated actively in the many alignment and/or analysis meetings organised by Assonime for detailed

exploration of all aspects of the New Corporate Governance Code (hereafter referred to as “2020 CGC”).

In 2021, Brembo thus prepared a new Brembo’s Corporate Governance Code, which was circulated in preliminary

<sup>13</sup> Minimum quota of the less-represented gender in the corporate bodies of listed companies is 40% (Law No. 160 of 27 December 2019), in force at the date of appointment of the Board of Directors (General Shareholders’ Meeting of 23 April 2020) for the three-year term 2020-2022.



consultation on 15 October 2021 to the members of the Audit, Risk & Sustainability Committee and Board of Statutory Auditors – along with comparative details, underscoring the proposals for deviations and reasons for the same – and then to all Directors.

The new Brembo’s Corporate Governance Code was then expanded to include some formal suggestions, and on 25 October 2021 once again forwarded, in its final version, to the members of the Audit, Risk & Sustainability Committee and Board of Statutory Auditors, who gave their approval on 9 December 2021.

Following the above in-depth analysis, on 17 December the Board of Directors of Brembo S.p.A. thus approved the final text of the Brembo’s Corporate Governance Code (hereafter referred to as “Brembo’s CGC”), which incorporates all the principles and recommendations of the 2020 CGC, examined and evaluated by the Board of Directors on the basis of the principle of the prevalence of substance over form and also of the comply-or-explain principle.

The concrete application of the principles and recommendations provided for by the 2020 CGC is illustrated in the 2021 Corporate Governance and Ownership Structure Report (in the official website of the Group, section Company, Corporate Governance, Corporate Governance Reports).





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.

On the basis of the definitions provided by the 2020 CGC and ownership structure, Brembo qualifies as:

- a large Company, whose capitalisation was greater than €1 billion on the last Exchange business day of each of the previous three calendar years before the adoption of the 2020 CGC and approval of Brembo's CGC;
- a Company with concentrated ownership since its majority

shareholder directly holds the majority of the votes that may be exercised in the ordinary shareholders' meeting.

#### ► Shareholders' Meeting.

It is the body through which corporate intentions are forged and expressed for subsequent implementation by the Board of Directors 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.

### Main shareholders

	Declarant	Direct shareholder	Nationality	No. of shares	% of share capital with right to vote	No. of voting rights	% on total voting rights
1	Bombassei Alberto	NUOVA FOURB SRL	ITALIAN	178,729,705	53.527	357,463,370	69.688
2		BREMBO SPA	ITALIAN	10,035,000	3.005	10,035,000*	1.956
3		STATE STREET BANK AND TRUST CO	U.S.	8,105,963	2.428	8,105,963	1.580
4		MAWER GLOBAL SMALL CAP FUND	CANADIAN	6,765,451	2.026	6,765,451	1.319
5		CITY OF NEW YORK GROUP TRUST	U.S.	5,026,584	1.505	5,026,584	0.980
6		VANGUARD INTERNATIONAL VALUE FUND	U.S.	4,513,767	1.352	4,513,767	0.880
7		BANK OF ITALY	ITALIAN	3,354,123	1.004	3,354,123	0.654
8		MAWER GLOBAL EQUITY FUND	CANADIAN	3,058,396	0.916	3,058,396	0.596
9		GOVERNMENT OF NORWAY	NORWEGIAN	2,593,985	0.777	2,593,985	0.506
10		BNP PARIBAS SMALLCAP EU-ROLAND	FRENCH	2,024,014	0.606	2,024,014	0.395

\* Treasury shares are not included in voting rights





## Share capital

Brembo S.p.A.'s subscribed and fully paid-up share capital amounted to €34,727,914 and was divided into 333,922,250 ordinary shares, without nominal value.

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

The company's By-laws thus provides for the allotment of two votes for each share belonging to the shareholder requesting to be registered in the Special List — maintained and updated by the Company — provided that the said share is held for a period of no less than 24 subsequent months starting from the date of its registration in such Special List.

Following the application of the increased voting right mechanism as of the date of publication of the NFI:

- the overall number of voting rights that may be exercised is 512,947,515;
- shares entitling to the increased voting right mechanism are 179,025,265 out of a total of 333,922,250 shares;
- the overall voting rights are 358,050,530.

For further details on the Increased Voting Right Mechanism and the Shareholders which, following the application of the increased voting right mechanism, exceeded the relevance threshold, please refer to the Increased Voting Right Regulations and the Company's website [www.brembo.com](http://www.brembo.com), section [Investors, For Shareholders, Increased Voting Right](#).

### ► Executive Chairman.

Appointed directly by the Shareholders' Meeting, the Chairman ensures balanced oversight of the Board's proceedings, playing a role of liaison between Executive Directors and Non-Executive Directors, in addition to ensuring the necessary balancing for effective, balanced management of meetings and the decision-making process, while also promoting the effective and adequate functioning of the corporate governance system and proceedings. His duties are regulated by the Regulations of the Board of Directors, whose most recent update was approved during the BoD's meeting of 17 December 2021.

### ► Board of Directors (BoD).

This is the governing 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, pursuing its Sustainable Success, as provided for by the Company's purpose. The Board of Directors is responsible for providing strategic and organisational guidance for the company and the Group, verifying the adequacy of the organisational structure and 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 2020 CGC and Brembo's CGC 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 analysing, sharing, approving and monitoring 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 risks having 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 BoD 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.

The BoD adopted its Regulations, for the first time in November 2017, to identify the criteria for its optimal composition and the rules and procedures for its functioning, in particular to ensure effective management of Board reporting. The most recent update was approved on 17 December 2021.





The activities performed by the BoD in 2021, also with the aim of pursuing the Sustainable Success, are illustrated in the 2021 Corporate Governance and Ownership Structure Report (in

the official website of the Group, section Company, Corporate Governance, Corporate Governance Reports).

## Members of the Board of Directors

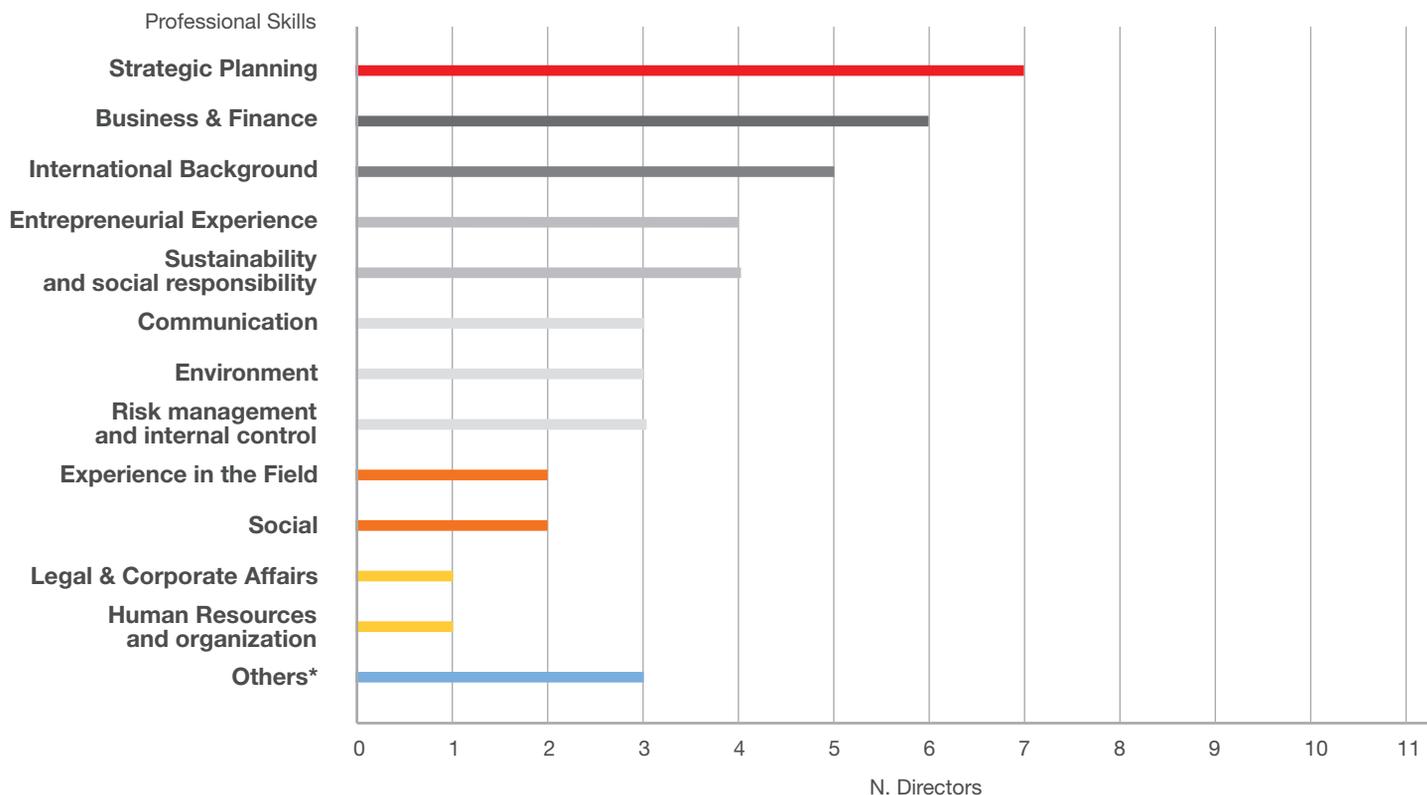
The current BoD, which was appointed by the Shareholders' Meeting held on 23 April 2020, is made up of 11 members will remain in office for the 2020-2022 three-year period, i.e. until the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2022. All the appointed Directors meet the requirements of personal integrity, professionalism and respectability imposed by applicable statutory and regulatory provisions. The Non-executive Directors and those who can qualify as Independent Directors meet the requirements set by Article 148, paragraph 3, of TUF, and those indicated by the 2020 CGC and Brembo's CGC, as indicated in the table on page 84. It should be noted that, following the resignation of Alberto Bombassei from his role as Chairman, the Shareholders' Meeting of 17 December 2021, on the proposal of

the Board of Directors, appointed Matteo Tiraboschi Chairman of the Board of Directors of Brembo. In accordance with the 2020 CGC, the powers attribute the Executive Chairman, *inter alia*, a more strategic and institutional role than in the past, identifying him as the liaison between the Company and its stakeholders.

On that same date, through an amendment to the By-laws on 17 December 2021, the role of Chairman Emeritus was introduced. Said role was attributed to Alberto Bombassei. A director or person external to the Board of Directors may be appointed Chairman Emeritus, provided that he or she has contributed to the Company's prestige and development notably and for a significant period of time.

## BoD's skill Matrix 2021

Members of the BoD's skills - BPE 2021



\* Others include the additional skills not listed above that each Director has declared independently.





## Diversity policies and criteria for the Board of Directors

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

These criteria take account of the adjustment of the minimum quota reserved to the less represented gender in the corporate bodies introduced by Law No. 160, of Law 27 December 2019<sup>14</sup>.

The Board of Directors' Diversity Policies and Criteria, indicated in the Corporate Governance Code of Brembo S.p.A. and the Regulations of the Board of Directors (and in line with the 2020 Corporate Governance Code), aim at ensuring the appointment of Board members who have an optimal combination of skills and professional background and form the diversity policies for the administrative body's composition not only with regard to gender, but also experience, professionalism, age and other relevant aspects. Within these criteria, qualitative and quantitative criteria have also been formulated to be used to assess the significance of the relationships being examined for the purposes of assessing the independence of the Directors.

In particular, Diversity policies and criteria for the Board of Directors:

- ▶ reserve a minimum quota to the less represented gender in accordance with the provisions in force from time to time: at the date of approval of this document, law provides for a quota of 2/5;
- ▶ formulate qualitative and quantitative criteria to be used to assess the significance of the relationships being examined for the purposes of assessing the independence of the Directors.

The above-mentioned criteria constituted, *inter alia*, the basis for the orientation by the outgoing Board of Directors for the managerial and professional candidates to be nominated for the incoming company officers during the General Shareholders' Meeting of 23 April 2020 and the integration of the same during the Shareholders' Meeting of 17 December 2021.

For more information about the diversity criteria for the Board of Directors as defined by Brembo please refer to the 2021 Corporate Governance and Ownership Structure Report (<https://www.brembo.com/en/company/corporate-governance/corporate-governance-reports>).

<sup>14</sup> 2020 Budget Law – which applies from the first renewal of the governing and control bodies of companies listed in regulated markets after the law enters into force, i.e. after 1 January 2020. Article 1, paragraphs 302 and 303, provides that: i) the three terms of office be extended to six terms; ii) at least 2/5 (no longer at least 1/3) of the members of the relevant governing or control body be reserved for the less represented gender.



## Composition of the Board of Directors and of Board Committees - 2021

Office held	Name and surname	Year of birth	Date of first appointment <sup>1</sup>	In office from	In office until	List <sup>2</sup>	Exec.	Non. exec.	Indep. as per Code	Indep. as per TUF	Attendance rate at 2021 meetings <sup>3</sup>	Other offices held <sup>4</sup>	Attendance rate at Shareholders' Meetings of 22.04.2021 and 17.12.2021	Audit Risk & Sustainability Committee/ Related Party Transactions Committee	Remuneration & Appointments Committee
														Member	Member
Executive Chairman	Matteo Tiraboschi	1967	24.04.2002	23.04.2020	Approval of the Financial Statements at 31.12.2022	Ma	x				100%	-	100%		
Chief Executive Officer	Daniele Schillaci	1964	28.06.2019 (coopt.)	23.04.2020	Approval of the Financial Statements at 31.12.2022	Ma	x				100%	-	100%		
Director	Cristina Bombassei	1968	16.12.1997 (coopt.)	23.04.2020	Approval of the Financial Statements at 31.12.2022	Ma	x				100%	-	100%		
Director	Elisabetta Magistretti	1947	23.04.2020	23.04.2020	Approval of the Financial Statements at 31.12.2022	Ma		x	x	x	87.5%	2	100%	x (100%)	
Director	Elizabeth M. Robinson	1956	23.04.2020	23.04.2020	Approval of the Financial Statements at 31.12.2022	Ma		x	x	x	100%	3	100%		x (100%)
Director	Laura Cioli	1963	20.04.2017	23.04.2020	Approval of the Financial Statements at 31.12.2022	Ma		x	x	x	87.5%	3	100%	x (Chair) 100%	x (100%)
Director	Gianfelice Rocca	1948	29.04.2011	23.04.2020	Approval of the Financial Statements at 31.12.2022	Ma		x	x <sup>5</sup>	x	100%	8	50%		
Director	Umberto Nicodano	1952	03.05.2000	23.04.2020	Approval of the Financial Statements at 31.12.2022	Ma		x			100%	-	100%		
Director (LID)	Valerio Battista	1957	20.04.2017	23.04.2020	Approval of the Financial Statements at 31.12.2022	Ma		x	x	x	87.5%	2	100%		
Director	Nicoletta Giadrossi <sup>6</sup>	1966	20.04.2017	23.04.2020	Approval of the Financial Statements at 31.12.2022	Mi		x	x	x	100%	3	50%	x (100%)	x (Chair) 100%
Director	Roberto Vavassori	1959	17.12.2021	17.12.2021	Approval of the Financial Statements at 31.12.2022	Ma	x				100%	-	100%		
Number of meetings held during the year of reference (2021)												BoD: 8	Shareholders' Meetings: 2	Audit, Risk & Sustainability Committee: 7	Remuneration & Appointments Committee: 4

### Directors who left office in 2021

Chairman Emeritus	Alberto Bombassei	1940	21.12.1984	23.04.2020	17.12.2021	Ma	x				100%	-	100%		
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### NOTES

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

<sup>2</sup> This column indicates the list from which each Director was appointed ("Ma": majority list; "Mi": minority list). It should be noted that Brembo's By-laws does not provide for the possibility for the outgoing Board of Directors to submit its own list.

<sup>3</sup> This column shows the Directors' attendance rate at the meetings held by the BoD or Board Committees in 2021 (No. of times attended/No. of meetings held during the Director's actual term of office).

<sup>4</sup> This column shows the number of Directorships or Auditorships held in other companies listed on regulated markets, including foreign markets, financial companies, banks, insurance companies and large companies. Said information can be obtained from their respective

statements. It should be noted that the maximum number of Directorships and Auditorships in listed companies is set at four. Positions at listed companies in which the Director also holds a significant equity interest should not be considered. The positions of each Director are indicated in his or her respective Professional profile.

<sup>5</sup> It should be noted that Gianfelice Rocca qualified as independent due to the consolidated principle of the prevalence of substance over form (since the renewal of his appointment as Director of Brembo follows nine years of completed service in office). This was also in light of the professionalism and dedication that he has always shown and his active, punctual participation in Board meetings, and to his speeches and thoughts that have enriched and instilled quality into debate within the Board towards the resolutions passed while also maintaining complete independence of judgement.

<sup>6</sup> The candidature of Director Nicoletta Giadrossi was submitted by a group of Shareholders representing 2.27836% of the share capital - General Shareholders' Meeting held on 23 April 2020.



## Remuneration policies

The BoD, through a transparent procedure in which the Remuneration & Appointments Committee of Brembo is involved, defines on annual basis the Remuneration Policy of Executive Directors, the other Directors holding special offices and the Key Management Personnel and is also tasked with ensuring that the effective remuneration is consistent with the principles and criteria defined in the Policy.

Brembo's 2021 Remuneration Policy 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.

The 2021 Policy<sup>15</sup>, incorporated into the Remuneration Policy and Remuneration Paid, was examined by the BoD on 4 March 2021, on the proposal of the Remuneration & Appointments Committee, and subsequently disclosed to the public in accordance with the terms established by law for the approval by the General Shareholders' Meeting to be held on 22 April 2021<sup>16</sup>.

The Report, prepared in compliance with Attachment 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, consists of two sections:

► 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 2021 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 part 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.

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 2021 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.

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

<sup>15</sup> <https://www.brembo.com/en/company/corporate-governance/remuneration-policies>

<sup>16</sup> In 2019, regulations governing the Remuneration Policy, included in Article 123-*ter* of TUF, was partially amended to be brought in line with changes to the law. The most relevant changes include the introduction of two distinct types of voting: a binding vote on the Remuneration Policy (Section I) and a vote on Remuneration Paid in the previous year (Section II).





- ▶ defining a remuneration system based on ethics, quality, proactivity, belonging and enhancement, and able to both attract and retain human resources who, thanks to their excellent professional skills, can successfully manage and operate within the Company;
- ▶ motivating those resources to achieve increasingly challenging performance targets aiming at 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-to-long term and aligning the management’s interests and shareholders’ expectations.

Finally, 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 Long Term Incentive Plan (LTIP).

### Governance Committees

As required under the 2020 CGC, 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 2020 CGC.

COMMITTEES	NUMBER OF MEETINGS	ATTENDANCE RATE	PRESENCE OF INDEPENDENT MEMBERS
Remuneration & appointments committee	4	100%	100%
Audit risk & sustainability committee (Which also acts as the related party transactions committee)	7	100%	100%
Lid (Lead Independent Director) + independent directors	3	100%	100%

The Committees’ composition and duties and the activities performed in 2021 are illustrated in the 2021 Corporate Governance and Ownership Structure Report ([www.brembo.com](http://www.brembo.com),

[www.brembo.com](http://www.brembo.com), section Company, Corporate Governance, Corporate Governance Reports).



## Induction Programme

With reference to training and development of the skills of Directors, Brembo defined a dedicated induction programme, structured in several sessions, specifically designed for newly appointed Directors and Statutory Auditors. This initiative is aimed at providing an adequate understanding of the Company and the business industry in which the Group operates, its products, company dynamics and their evolution, including in a view of Sustainable Success, as well as organisational structure, the principles of proper risk management, applicable laws and regulations and major trends that may have an impact on the current performance and 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. All newly appointed Directors receive the "Director's Manual", which contains all of the Codes, Regulations and Governance Procedures adopted by the Company. As part of these initiatives, particularly important is the Board meeting dedicated to the review of the Industrial Plan and the related risks. Convened on an annual basis and with the support of the Company's top management, such meeting is focused on the analysis and investigation of the Group's medium/long-term strategies.

Induction activities performed in 2021, during Board or Board Committees' meetings, referred to law and regulatory changes relating to tax offences within the scope of the 231 Model; the automotive market performance; the recent non-financial reporting standardisation trends and the evolution of the sustainability reporting context, as well as the new European Directive on Taxonomy; the analysis of the results of voting with regard to the Reports on Remuneration Policy; and Brembo's Succession Plan & Talent Management Process.

Moreover, in order to promote and foster that also non-executive members of the Company's Board of Directors and Statutory

Auditors have a more direct knowledge of the different entities in which the Group's business is structured and the specific features of each entity, a plan of visits at the Group's plants is regularly defined. It should be noted that, in 2021 as well, the Company decided to postpone plant visits until the end of the Covid-19 emergency, in compliance with the established safety measures and protocols.

### ► 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 auditing firm.

The General Shareholders' Meeting held on 23 April 2020 appointed the new Board of Statutory Auditors for the three-year period 2020-2022 that will remain in office through to the date of the General Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2022. The Board of Statutory Auditors is composed as shown in the table below, and was appointed based on the two lists presented respectively by the Majority Shareholder Nuova FourB S.r.l. and a group of Asset Management Companies and other institutional investors (holding 2.27836% of the share capital, overall).

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 2020 CGC.





## Board of Statutory Auditors - Composition at 31 December 2021

Office held	Name and surname	Year of birth	Seniority of service appointment <sup>1</sup>	In office from	In office until	List <sup>2</sup>	Indep. as per Code	Weight of other offices held <sup>3</sup>	Attendance to Board of Statutory Auditors' meetings in 2021 <sup>4</sup>	Attendance to Board of Directors' meetings in 2021 <sup>4</sup>	Attendance to the Shareholders' Meetings <sup>4</sup>
<b>Acting Auditors</b>											
Chairwoman	Raffaella Pagani	1971	29.04.2014	23.04.2020	Approval of the Financial Statements at 31.12.2022	Mi	x	4.39	100%	100%	100%
Acting Auditor	Mario Tagliaferri	1961	20.04.2017	23.04.2020	Approval of the Financial Statements at 31.12.2022	Ma	x	5.95	100%	100%	100%
Acting Auditor	Paola Tagliavini	1968	23.04.2020	23.04.2020	Approval of the Financial Statements at 31.12.2022	Ma	x	5.45	100%	100%	100%
<b>Alternate Auditors</b>											
Alternate Auditor	Stefania Serina	1984	23.04.2020	23.04.2020	Approval of the Financial Statements at 31.12.2022	Ma	x	-	-	-	-
Alternate Auditor	Myriam Amato	1974	29.04.2014	23.04.2020	Approval of the Financial Statements at 31.12.2022	Mi	x	-	-	-	-
									Board of Statutory Auditors: 10	Board of Directors: 8	Shareholders' Meeting: 2
<b>Number of meetings held during the year of reference (2021)</b>											

## NOTES

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

<sup>2</sup> This column shows the list from which each Auditor was elected ("Ma": majority list; "Mi": minority list, submitted by a group of shareholders representing 2.27836% of share capital).

<sup>3</sup> This column shows the number of other Directorships or Auditorships held by the Auditor within the meaning of Article 148-bis of TUF and relevant implementing

provisions set forth in Consob Rules for Issuers, in addition to the weight calculated on the basis of Article 144-*duodecies* of these Rules. The full list of Directorships and Auditorships held is published on the Consob website pursuant to Article 144-*quinquiesdecies* of the Consob Rules for Issuers.

<sup>4</sup> This column shows the percentage of the Board of Statutory Auditors' and Board of Directors' meetings, as well as Shareholders' Meetings attended by Statutory Auditors in 2021 (No. of meetings attended/No. of meetings held during the Auditor's actual term of office); preparatory meetings and induction sessions are not included.





## Diversity policies for the Board of Statutory Auditors

When company boards were renewed for the period 2020-2022, the outgoing Board of Directors expressed its position to the Shareholders on the managerial and professional figures deemed as key or relevant, to be valued together, and therefore in the lists of candidates for the control body in order to ensure adequate diversity of the members of the administrative body.

It should be noted that, in addition to the applicable statutory and regulatory requirements, by updating Brembo S.p.A.'s Corporate Governance Code on 7 November 2018, the Board of Directors also approved diversity-based criteria, including related to gender issues, in addition to those established by applicable laws and regulations. These criteria aim at ensuring the composition of a control body that is adequate to the Group's size, positioning, complexity and the specific nature of its business sector and strategies. These criteria were also confirmed in the Brembo's Corporate Governance Code approved on 17 December 2021.

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

Minimum quota reserved to the less represented gender determined in accordance with the laws and regulations in force, that at the time of approval of the document is 1/3<sup>17</sup>;

For more information about the diversity criteria for the control Body as defined by Brembo please refer to the 2021 Corporate Governance and Ownership Structure Report (<https://www.brembo.com/en/company/corporate-governance/corporate-governance-reports>).

17 For the three-year term 2020-2022, the 2020 Budget Law applies, with the following exception: it being understood that where the application of the distribution criterion between genders results in a non-integer number, this must be rounded down to the next lower unit. Therefore, the rounding-down criterion and the 1/3 quota applies for the Board of Statutory Auditors.



### ► 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. Given the imminent end of the term of the current Independent Auditing Firm, the General Shareholders' Meeting convened on 22 April 2021 granted the mandate for auditing the accounts of Brembo S.p.A.<sup>18</sup> to Deloitte & Touche S.p.A. for a 9-year term, i.e. for the years ended 31 December 2022-2030, on the basis the recommendation expressed by the current Board of Statutory Auditors.

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.

### 1. 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.

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.

On the basis of the new top management organisational structure approved by the Shareholders' Meeting on 17 December 2021, the Board of Directors granted new powers to Matteo Tiraboschi as Executive Chairman and to Daniele Schillaci as Chief Executive Officer.<sup>19</sup> The changes in powers were necessary to

implement the new governance structure, which, in any event, did not entail a significant change in the structure of powers granted (including those regarding workplace health and safety, which continue to be responsibility of the CEO).

Authority to delegate powers is vested solely in the Executive Chairman, and Chief Executive Officer (exclusively in relation with powers concerning safety and environment), on the basis of specific powers vested in the latter by the Board of Directors, without prejudice to specific Board resolutions.

The new structure is focused on the diversification of the duties and responsibilities of the delegated bodies (the Executive Chairman and CEO) and is intended to make the most of the respective professional and personal aptitudes, competencies and characteristics of the delegated bodies, while also being inspired by the need to create a clear, precise division of competencies functional to avoiding overlapping and/or situations of decision-making impasse and to enabling the rapid identification of those responsible for individual management decisions, both within the company and by stakeholders. In addition, in accordance with the 2020 CGC, adopted by the Company, the powers attribute the Executive Chairman a more strategic and institutional role than in the past, identifying him as the liaison between the Company and its stakeholders.

It should be noted that, on the basis of the Brembo Group's organisational and corporate structure (company with concentrated ownership), the BoD has decided to assign also an executive role to the Chairman to ensure optimal use of the wealth of knowledge, experience, values and skills gained over time by the founder of Brembo, that will be able to continue its growth and development without interruption, in accordance and harmony with its past and identity.

### 2. 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's "traditional" structure.

<sup>18</sup> Mandate for auditing the accounts of Brembo S.p.A., pursuant to Legislative Decree No. 39 of 27 January 2010, of (EU) Regulation No 537/2014 of the European Parliament and of the Council of 16 April 2014.

<sup>19</sup> Until 17 December 2021, on the basis of the succession plan approved on 6 June 2011, the Board of Directors had split these powers between the Chairman, Executive Deputy Chairman and Chief Executive Officer. Until that date, authority to delegate powers was vested solely in the Chairman of the Board, the Executive Deputy Chairman, and Chief Executive Officer (exclusively in relation with powers concerning safety and environment), on the basis of specific powers vested in the latter by the Board of Directors, without prejudice to specific Board resolutions.





## BLGIS – Legal, Governance, Legal-Compliance and IPR System

To ensure compliance with all applicable laws and regulations in an increasingly complex legal framework, Brembo's Legal and Corporate GCF has developed a system called "Legal, Governance, Legal-Compliance and IPR System (BLGIS)", characterised by a common language and standards and by clear and shared objectives.

The Legal and Corporate GCF shares, adopts, promotes and ensures — within the BLGIS system — a culture of lawfulness, respect of the Group's values, openness to diversity, and the principles entrenched in Brembo's Code of Ethics and Antibribery Code of Conduct.

Moreover, the Legal and Corporate GCF avails of Legal Advisers/external Consultants for the BLGIS system full implementation and ongoing improvement in the context in which the Group operates with special attention to developing specialist, business-oriented know-how and soft skills required to contribute excellent support during negotiations and in managing critical situations.

Legal activities cover all contractual and litigation activities involving the knowledge and use of all legal aspects as levers for:

- ▶ **prevention of legal and/or reputational risk**, which is one of the cornerstones of Brembo's Code of Ethics;
- ▶ **dynamic management of the business** through the analysis, negotiation and drafting of several contracts and contractual Standards, capable of protecting Brembo's interests and/or preventing the risks and/or losses arising from non-performance or partial performance of those contracts and standards;
- ▶ **management of disputes** that may involve the Group, with the exception of those relating to the management of labour relations, which are the sole responsibility of the HRO function.

Noteworthy is also the use of Brembo Compliance Guidelines, which 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. Compliance with said guidelines prevents from criminal liability being transferred to Brembo S.p.A. and its subsidiaries and corporate liability being transferred from the Subsidiaries to the Parent. They are approved by the Board of Directors.

## 3.2 Responsible business management system

Brembo considers that transparent, ethical and compliant conduct, under all aspects, is essential for the company's activities to be managed correctly. 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>20</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 No. 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.

<sup>20</sup> The Brembo Codes of Conduct and Policies are available for public consultation at <http://www.brembo.com/en/company/corporate-governance/codes-policies>





► **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. The document encourages 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. In 2021, the Code of Ethics was also extended to the Danish company SBS Friction A/S acquired in the same year, and its content was translated into the local language and disseminated to employees. Moreover, an e-learning course on the principles and values defined in the Code was organised.

► **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 submitted for approval to the Audit, Risk & Sustainability Committee, the Supervisory Committee and approval by 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 of Conduct and introduces further specific rules, in compliance with local legislation and practices. As was the case for the Code of Ethics, in 2021 the Anti-bribery Code of Conduct as well was extended to the Danish company acquired in the same year and its content was disseminated to employees.

Moreover, in addition to this information activity, the Legal and Corporate Affairs GCF provided training sessions reserved to employees.

► **Organisation, Management and Control Model pursuant to Legislative Decree 231/2001.** Brembo 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, and 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 the company; these sections define the principles of conduct 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.

As part of the Model 231 update, carried out in 2021, a check was performed of the existence of any new prevention protocols put in place by the Company and the progress of improvement actions arising from audit activities that impact on the control protocols contained in the various reference reports. These activities also included the start of an evaluation of any impacts on processes sensitive for the category of both public and private corruption offences, taking into account the update of the Confindustria Guidelines issued in July 2021. As this analysis did not reveal any variances and the protocols/measures indicated in the reports were found to be adequate, the existing paragraphs required minimal additions, including a reference to the Brembo Group's IT 27001 certification. It should also be noted that a comparison was made with the "Assonime Notes and Studies 10/2021" regarding the composition and functioning



of Brembo's Supervisory Committee, which indicated that Brembo S.p.A.'s Supervisory Committee is in line with the best practices highlighted in the survey.

In 2021, the work on controlling, monitoring and preventing 231 offences continued steadily throughout the year and no impacts/effects caused by the continuing health emergency were detected.

► **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. It remains understood that Brembo's Corporate and Compliance Tools are an integral part of the local compliance model.

► **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, unless they are 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 communicated 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. On 10 May 2021, the Board of Directors approved an update to Brembo S.p.A.'s Related Party Transactions Procedure, with the favourable opinion of the Audit, Risk & Sustainability Committee of 4 May 2021, incorporating the amendments to

the RPT Regulation introduced by Consob by Resolution No. 21624 of 10 December 2020 (in implementation of Legislative Decree No. 49/2019 transposing the SHRD – Directive EU No. 2017/828).

► **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 light of the provisions of its own Code of Ethics, providing appropriate monitoring tools. The Code 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 is a point of reference for the Company's compliance programmes and applies to employees of both the Parent and the European subsidiaries. In 2019, the local Boards of Directors of the European subsidiaries implemented the Brembo's Antitrust Code of Conduct with an Addendum (translated into the local language) with the aim, *inter alia*, of indicating and modifying (where necessary) employees' behaviour in accordance with local legislation. In reference to the Covid-19 emergency, on the basis of the analysis and assessments conducted with regard to Brembo's compliance with the antitrust safeguards established in the code, the Company does not believe that there have been any particular impacts, in the sense that, thanks in part to the training activity performed and the progressive monitoring carried out within the framework of ordinary legal activities, the application of preventive provisions and measures continued constantly and positively. During this emergency phase, M&A activity was also carried out in accordance with the legislation and safeguards, for example through the formation of clean teams and the establishment of clean team protocols before launching any due diligence activity. During this emergency phase, the Company and its personnel acted in full accordance with the rules, proving full, concrete maturity in understanding and applying them.

In line with 2020, in 2021 as well no legal action relating to unfair competition, antitrust and monopolistic practices were reported.





► **Privacy Policy.** The Group ensures coordinated management of privacy obligations in Brembo S.p.A. and in Group Companies through the Privacy Supervisory Committee, Data Protection Officer, and the Privacy Officers identified by specific company area and through specific procedures aimed at regulating the various issues, obligations, any new processing and reporting in accordance with the regulatory requirements on the protection of personal data.

Approved by Brembo's Board of Directors on 8 May 2018, the privacy policy outlines the fundamental 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). This email address is also one of the main channels for data subjects to exercise their rights. The dedicated email is present in each European country where Brembo has a subsidiary; in any case, only the DPO and authorised personnel has access to it. The Data Protection Officer (DPO), according to the privacy procedures in force, reports every year to the Audit, Risk & Sustainability Committee, the Board of Statutory Auditors and the Supervisory Committee and finally with the Board of Directors based on the main activities carried out during the year in terms of personal data protection. The matters cover, in particular, the main legislative innovations on the subject, the internal and external control activities carried out, any breaches of Personal Data that have occurred, the number of requests received from interested parties, the training activity carried out and planned and any requests received from the Supervisory Authorities.

During the COVID health emergency, the regulatory framework was constantly monitored by the main functions involved (specifically, the Legal and Corporate Affairs GCF - Compliance Area-, the HRO GCF, the DPO, the Privacy Oversight Board) on an ongoing basis, and all data processing provisions and measures (including the specific documentation implemented) were implemented in full compliance with the rules. The training and awareness-raising

activities progressively carried out on these issues involving the various privacy contact persons and all employees contributed to this result.

In 2021, there were no reported instances of data protection breach or customer data leaks at Brembo.

► **Code of Basic Working Conditions.** Introduced in 2011, 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 attention and commitment to employee protection and local development, has enabled the Company to involve its own supply chain and disseminate its own way of doing business ethically in accordance with the values set out in Brembo's Code of Ethics. In 2019, the Code was updated to include the issues associated with *human trafficking and modern slavery*.

► **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.

► **Modern Slavery Statement.** In accordance with the contents of the British Modern Slavery Act 2015, Brembo S.p.A. publishes its Modern Slavery Act annually (lastly amended in May 2021). Said statement was adopted for Brembo S.p.A. and for some of the Group Companies concerned by the requirements specified in the legislation (Brembo Poland Sp.zo.o. and Brembo Czech s.r.o.). It should be noted that the Company AP Racing, wholly controlled by Brembo S.p.A.,



prepares and approves its own Statement and publishes it on its own website. The Statement describes the organisation, sensitive areas and actions and measures adopted by the Company to ensure the absence of any form of “Modern slavery, forced labour and human trafficking” both in respect of its own employees and those of the supply chain.

- ▶ **Supply Chain Policy.** Issued and published at the end of 2017 on the company’s website, the new version of the Supply Chain 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.
- ▶ **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. In fact, Brembo includes in contracts with its business partners specific references to the Code of Ethics, the Anti-bribery Code, the 231 Model and the Supplier Code of Conduct, mentioning the ethical and anti-bribery principles adopted by the Group and including withdrawal clauses should the other party be accused of predicate offences contemplated by Legislative Decree No. 231/2001. During 2021, Brembo embarked on a path to define the Brembo Sustainable Procurement Policy, incorporating the Purchasing Policy and the Supplier Code of Conduct, in order to formalise the



## Principles of Health and Safety at Work

- ▶ Health, individual and collective safety are essential prerequisites: they steer the company’s decision-making processes and individual behaviour.
- ▶ Brembo pursues sustainable development through integrated planning of the development phases and/or modification of each process in order to minimise any significant health and safety risk.
- ▶ Prevention of risks to workers is implemented through appropriate management of the processes and substances combined with correct operation, maintenance and control of machinery and equipment.
- ▶ The identification, dissemination across the Group and implementation of best practices and/or opportunities for improvement are the cornerstone of prevention.
- ▶ Training and information are the basic ways in which to inform workers about the principles, guidelines of the Management System for Workplace Health and Safety, and ways in which it is implemented.
- ▶ Brembo’s propensity to reduce the residual risks of its business is also demonstrated by its directly communications with people and interested parties.
- ▶ Suppliers and contractors need to be involved with the Management System in order to reduce the risks of operations carried out at industrial plants.
- ▶ When evaluating its suppliers, Brembo carefully considers those who have a certified Management System.
- ▶ Brembo believes that the consultation and participation of its workers, or their representatives, are among the fundamental requirements for pursuing the ongoing improvement of health and safety aspects.
- ▶ Each worker must take care of their own health and safety and of that of the other persons in the workplace, also in accordance with the training received.
- ▶ Brembo encourages a widespread culture of safety involving all stakeholders.



principles that the Procurement function promotes in the field of Sustainability within its organisation and in the relationship with its supply chain.

- ▶ **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.
- ▶ **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.
- ▶ **Quality Policy.** It expresses 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, 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.

- ▶ **Occupational Health and Safety Management System Manual.** Issued as of 2020 by the Parent Company, 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 & Safety 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.
- ▶ **Global Tax Strategy and Brembo S.p.A.'s Tax Strategy.** Brembo Group adopted a Tax Strategy to bring Group companies in line with best practices with regard to tax management, both at global and local level. Both documents became effective as of 2020, after approval by Brembo S.p.A.'s Board of Directors, and are available to the public on the Group's website: <http://www.brembo.com/en/company/corporate-governance/codes-policies>.

The Global Tax Strategy and Brembo S.p.A.'s Tax Strategy have been approved by the Board of Directors of Brembo S.p.A., which is therefore responsible for defining the guidelines included in the Tax Control Framework and are reviewed periodically by the Group Tax Department.

## Brembo's actions to combat corruption

As described in the preceding paragraph, Brembo has adopted various rules of conduct and general principles of behaviour that are contained in the Group's documents, in order to prevent the occurrence of bribery offences and monitor the risk of such offences being committed. The anti-corruption actions pursued by Brembo vary according to the type of counterparty and take various elements into consideration when assessing whether or not to include "231 Clauses" (as described below). These elements include the relationship developed over the years or the counterparty's commitment to compliance matters: the more consolidated the relationship and the more the counterparty shares and implements CSR and Compliance principles similar to those of Brembo, the more the latter is willing to accept "231

Clauses", thus allowing the Ethical and Informative purpose of such clause to be considered implied and achieved. With reference with joint ventures, Brembo shall ensure that the latter promote the principles and contents of the Model and Brembo's Corporate e Compliance Tools within the respective spheres of competence.

In regards to dealings with Business partners, Brembo has decided to give concrete application to the principles set forth in the Code of Ethics and 231 Model by adopting different measures according to the type of partner. These include:

- the undertaking of an ethics-specific due diligence on suppliers, to the sole exclusion of intellectual service providers



through the Supplier Pre-assessment Questionnaire;

- the inclusion in the General Supply Terms and contractual specifications applicable worldwide, of compliance clauses<sup>21</sup> providing for:
  - the inclusion of clauses requiring compliance with Brembo's Code of Basic Working Conditions in agreements with suppliers;
  - the inclusion of "231 Clauses" in its contracts, including purchase orders, to emphasise the importance that Brembo attaches to the conduct of parties with whom it deals (ethical purpose); informing its counterparties of the Group's ethical values and principles of conduct, as set forth in its Code of Ethics and as provided for in Model 231, which underpins Brembo's conduct (information purpose); protecting its reputation; entitling Brembo to suspend for precautionary reasons or terminate the contract/relationship if the counterparty is charged (even only in "interim" proceedings) with one of the "predicate offences" envisaged by Legislative Decree 231/2001 (precautionary purpose)<sup>22</sup>;
  - the inclusion in intellectual service agreements of the ability to withdraw on a discretionary basis, i.e., the ability to withdraw for compliance-related or other reasons. In addition, whenever the Client proposes contractual clauses that refer to ethical values, Brembo requires that both parties assume an obligation to comply with its Code of Ethics.

The other principles pursued by the Group include:

- prohibition (i) to engage in conduct aimed at exerting pressure or undue influence in the management of relations with the Public Administration and (ii) to submit untruthful statements to national, EU or foreign public bodies;
- prohibition of any conduct that is intended to induce, or actually induces, any person to render false testimony before any judicial authority whatsoever;
- on the occasion of M&A transactions all related due diligence activities are completed in accordance with best practices, including without limitation, counterparty reliability assessments, especially with a view to verifying the appropriateness of the investment;

- the "Gadget Catalogue" section which is constantly updated by the Communications Department, and includes an indication of the cost of each give-away. The Give-away Catalogue was set up to allow each employee to book corporate give-aways, specifying the intended beneficiaries;
- all payments made to third parties must be compliant with applicable prevailing corporate procedures and may in no event be made in cash. The Company does not make or accept payments in cash from customers;
- Pursuant to the provisions of Legislative Decree 231/2007, as amended by Decree-Law No. 78 of 31 May 2010, the Company requires the use of non-transferable bank drafts for payments to third-party suppliers (who are very few in number), as well as for withdrawals effected to cover business operations (cash disbursements to employees seconded on missions, as well as for postal services, etc.);
- any and all forms of payments or donations to political parties or organisations or leaders of the same must be made with a view to ensuring the utmost traceability and transparency of the payment, as well as in strict compliance with applicable regulations;
- the power to authorise specific donations or contributions to charitable organisations, business dealings with consultants and brokers, sponsorships is invested in a small number of persons, in accordance with Brembo's system of delegated powers, tasks and authorisations.

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.** The current Supervisory Committee is made up of three members, and was appointed by the Board of Directors on the occasion of the renewal of corporate offices by the Shareholders' Meeting held on April 23, 2020. It will continue to serve until the end of the term of office of the BoD, thus until the approval of the 2022 Financial Statements.

In accordance with Brembo's 231 Model concerning the requirements for members of the Supervisory Body (autonomy, independence, integrity and professionalism),

<sup>21</sup> Brembo also requires its suppliers to comply with applicable regulations and the relevant provisions of Brembo's Model and the internal rules, but also submission to audits aimed at verifying that the supplier also properly fulfils its compliance obligations.

<sup>22</sup> It is understood that, regardless of the inclusion of the "231 Clause," protection is nonetheless always considered achieved when Brembo is granted a discretionary withdrawal option in a contract.





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 Chairperson

is external to the company's organisation. 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.

Office held	Members	Attendance rate at meetings (6 meetings in 2021, in addition to preliminary meetings)	Position within the Audit, Risk & Sustainability Committee
External Director	Giovanni Canavotto	100%	Chairman
Independent Director	Elisabetta Magistretti	100%	Member
Brembo's Chief Internal Audit Officer	Alessandra Ramorino	100%	Member

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 No. 231/01 by Brembo S.p.A., as well as breaches of the Code of Ethics and Anti-corruption Code of Conduct, which apply across the Group. During the year, no violations of laws subject to the penalties provided for in Legislative Decree No. 231/2001 were reported.

The Supervisory Committee submits periodically, and at least once a year, a written report on the activities undertaken, together with a reasoned statement of account of any and all expenses, where applicable, to the Chairman of the Board of Directors, the Executive Director in charge of the internal control and risk management system, the Chairman of the Board of Auditors and the Chairman of the Audit, Risk & Sustainability Committee. In addition, the Supervisory Committee implements ad hoc information flows, irrespective of the periodic flow forecast, if circumstances exist that make it necessary or, in any case, appropriate to provide information.

Bodies (collegial or single-member) with a similar function have been set up in both the Italian company Lacam S.r.l. and in the Spanish company Corporación Upwards '98 S.A. (by virtue of the Spanish legislation on corporate liability). These meet at least once a year with Brembo S.p.A.'s Supervisory Committee for an exchange of information on the activities carried out in the reference period.

- ▶ **Internal Audit GCF.** It ensures the performance of independent, objective assurance and financial advice activities aimed at improving the organisation's efficacy and efficiency. Internal Audit GCF 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.

- ▶ **Legal & Corporate Affairs GCF.** 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.
- ▶ **Human Resources & Organisation GCF.** 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 whistleblower and of the information received, as well as the validity of such information. More specifically, the Supervisory Committee 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. Under the Whistleblowing Procedure, any breaches, behaviours or practices not complying with the requirements of the Anti-bribery Code of Conduct must be reported directly to the Supervisory Committee, using one of the channels made available by the Procedure itself. All stakeholders have the option to report any cases of breach and irregularity through the dedicated email [organismo\\_vigilanza@brembo.it](mailto:organismo_vigilanza@brembo.it) without fear of potential reprisals that such a report or any further related investigations could generate.

In line with previous year, in 2021 as well 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. A presentation is available on the corporate Intranet detailing Brembo's Governance and Compliance System. This is meant to be used during training activities across all Group companies. Brembo's Training Catalogue also includes courses on the Anti-bribery Code of Conduct and the Antitrust Code, to which employees can register. The training campaign on the corruption 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 of Conduct – November 2013).

The training campaign, which includes topics on ethics, antitrust, anti-bribery, compliance with Model 231/01 and GDPR, continued steadily in remote mode in 2021 as well, involving 38.62% of group employees (in particular, training at Group companies in Mexico, Czech Republic and Poland increased). Following the recent acquisition, the employees of

the new SBS Company were provided with training on ethics and integrity issues in order to disseminate the company's values within the entire Group. In particular, the total number of resources who have received Anti-corruption training is 1,359, i.e. 11.66% of the entire workforce (including 7.31% managers, 15% employees and 10.82% blue-collar workers). The script of the basic online course relating to Model 231 was updated during 2021. The programme will be disseminated to all employees as of January 2022.



## 4,501

**Brembo People** (S.p.A and Group) that received training in 2021 regarding Ethics, business integrity, Antitrust, Anti-bribery, compliance with the 231 Model, and privacy.

As far as Board members are concerned, the basic compliance training (including the Anti-bribery Code of Conduct) is carried out routinely at the start of the term of office and specific matters are examined in subsequent years of the three-year term. In 2021, these focused on regulatory changes within the scope of the 231 Model (tax offences and updates to the 231 Model in light of the new Confindustria Guidelines).

The e-learning course on regulatory principles under the new General Data Protection Regulation (GDPR) and on the implementation of these principles in Brembo continues to be active. This course is addressed to all Authorised Personnel of Brembo S.p.A. and La. Cam. S.r.l. The course has been extended to all the Group's European companies, who are implementing it from time to time it with the necessary local adjustments.

Antitrust training is an integral part of the company training scheme that is planned on an annual basis (Brembo Academy) and is constantly updated based on any requirements and needs that might arise. To this end, specific training sessions are organised periodically, usually in class and sometimes with external experts.



The Brembo Academy proposes a selection of courses pertaining to Model 231 issues dedicated to specific roles involved in 231 processes.





### 3.3 Fiscal responsibility

An organisation's tax approach defines how it balances tax compliance with business activities and with ethical, social and sustainable development expectations.

In accordance with the principle of "corporate responsibility", Brembo acts in accordance with the values of honesty and integrity in the management of its tax activities, being aware that tax revenues are one of the main sources of the Group's contribution to the economic and social development of local communities. Therefore, Brembo's conduct is oriented towards compliance with the tax rules applicable in the Countries in which it conducts business, managing tax risk responsibly, while protecting its image and reputation. In this regard, Brembo considers taxes as a cost of doing business, which must be managed as such, with the aim of safeguarding the company's assets and pursuing the primary interest of creating value for stakeholders over the medium to long term.

To ensure tax compliance, Brembo has adopted a Tax Strategy at both global Group and local level through the Global Tax Strategy and the Tax Strategy of Brembo S.p.A. The goal is to pursue:

- ▶ long-term growth of company assets and protection of the Brembo Group's reputation;
- ▶ proper, timely calculation and payment of taxes due by law and fulfilment of the related obligations;
- ▶ containment of tax risk, understood as the risk of violating tax laws or the abuse of the principles and purposes of the tax system.

The Tax Strategy, whose principles and guidelines draw inspiration from the Group's Code of Ethics, was approved in 2019 by Brembo S.p.A.'s Board of Directors and is available on the Company's website<sup>23</sup>.

Furthermore, the Group has a Group Tax Compliance Model, which identifies the roles and responsibilities of those involved in tax management, defining the information flows between these parties and the related processes to achieve an effective and, where possible, preventive control of tax risk; a policy is also in place to manage the risk of interpretation of tax provisions.

In order to translate this Strategy into daily business activities, Brembo has set up a Group Tax Department, which is responsible for implementing the guidelines on this matter established by the Top Management; ensuring compliance with local and international tax obligations; monitoring the most recent updates and developments in tax matters; promoting a culture of compliance with tax regulations by providing training to all personnel, including those not involved in the Tax Function; assessing and monitoring the risk arising from the interpretation of new laws and/or tax provisions that create uncertainty; and updating the Tax Strategy.

The Group maintains a cooperative and transparent relationship with the tax authority, making sure that the latter can gain full understanding of the events underlying the application of tax rules. With a view to consolidating transparency in relations with the authorities, Brembo ensures the correct application of local national tax laws and regulations and of the OECD Transfer Pricing Guidelines. Brembo does not carry out transactions without valid economic reasons merely to obtain tax advantages, nor does it exploit privileged tax jurisdictions for tax avoidance purposes.

Moreover, Brembo actively participates in the technical debate on new tax policies, through dedicated working tables and trade associations, such as Confindustria and Assonime.

There are multiple benefits resulting from implementing the Tax Control Framework (such as mitigation of the responsibilities of company bodies, reduction of situations of conflict with revenue authorities due to preventive risk management, prevention of violations of tax laws and a potential reduction of the penalties applied to the Group, etc.) and they all contribute to informed, scrupulous and effective management of the tax variable. Moreover, the Tax Control Framework forms part of Brembo's Corporate and Compliance Tools and it is thus to be considered as an essential component of Brembo's 231 Model.

With regard to the management of reports of unethical or illegal conduct in tax matters, the appropriate information channels are the same as those provided by Brembo S.p.A. Supervisory Board to ensure the reporting of irregularities or breaches of the

<sup>23</sup> Brembo S.p.A.'s Tax Strategy is available on the following website: <https://www.brembo.com/en/company/corporate-governance/codes-policies>.



Code of Ethics, the Anti-Corruption Code of Conduct and the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001. These communication channels are

also available from the following website: <https://www.brembo.com/en/company/corporate-governance/whistleblowing-to-supervisory-committee>.



## Tax Control Framework

The Tax Strategy is a fundamental element of the Tax Control Framework adopted by Brembo, which not only defines procedures for the sound and prudent management of taxation, but is also one of the instruments used to prevent offences that could give rise to corporate criminal liability, as enshrined in Italian law by Legislative Decree No. 231 of 8 June 2001, and the associated reputational risks. In this respect, the Tax Control Framework ensures the controls prescribed by the Organisation, Management and Control Model and, through a set of rules, procedures and organisational structures, it allows for the identification, measurement and management of tax risk, defined as the risk of infringing tax regulations or acting in a way that is in conflict with the principles and purposes of the law.

The Tax Control Framework, implemented as of 2020, is now fully in line with the OECD guidance, as implemented by the Revenue Agency.

The framework rests on four pillars:

- ▶ **Fiscal Strategy**
- ▶ **Risk assessment:** through appropriate checks to detect tax risks and mitigate their effects
- ▶ **Governance:** identification of the roles and responsibilities of those involved in tax management, definition of information flows between these parties and related processes
- ▶ **Monitoring:** periodic activities to assess the effectiveness of the Tax Control Framework.

In addition, the Tax Control Framework includes a General Report to inform the Top Management team, on an annual basis, on the performance of tax risk management.

The Tax Control Framework was adopted also by Brembo Czech in 2021 and by Brembo Poland in 2022.



## The IT contribution to Brembo's renewed strategy

*Turning Energy into Inspiration* is Brembo's strategic vision. The new IT strategy leverages the latest technologies to embrace inspiration and put "data" at the heart of every product, service and operation. To activate the strategy and ensure that we achieve our goals, Brembo focuses on the crucial success factors to create a safer and more sustainable world. We are committed to a better connected community where Brembo employees can easily collaborate with customers, partners and suppliers at global level.

### More sustainable

Brembo is, clearly, committed to becoming carbon-neutral by 2040. The contribution of ICT GCF is to allow the business to achieve these objectives over time with the Green IT principles.

The ICT GCF applies these principles in all contracts and, in the process of selecting new IT suppliers, ensures that it only works with partners and suppliers who share Brembo's vision and are committed to achieving measurable sustainability goals.

Brembo has launched a digital transformation programme throughout the company, to streamline business processes and workflows, increasing the level of automation where possible. One of the key objectives is to create paperless processes by leveraging the latest technologies to increase efficiency and at the same time reduce the use of natural resources. Moving the energy-intensive on-premises infrastructure to a greener cloud and Software-as-a-Service environment will be a key priority for the IT providers selected, in order to help Brembo achieve its ambitious goals.

### Seamless connect people

The ICT GCF is investing significantly in upgrading infrastructure globally. "Digital Workplace Anywhere" is one of the fundamental pillars of the new IT strategy. Brembo aims to connect people around the world using the latest technology, so that everyone can utilise their skills efficiently to collaborate, regardless of location, time or device.

### More secure

As the world moves rapidly in a direction where products and services are becoming "smarter" and technologies like artificial intelligence will become the new normal, we need to make sure that everything we do, create or use is secure by design. Therefore, Brembo is continuously improving the practice of CyberSecurity, protecting corporate assets and proactively monitoring potential threats, to anticipate and react appropriately, if necessary. The Group complies with industry security standards and is ISO 27001 certified, as well as being constantly committed to increasing its experience in the field. In addition, Brembo is clearly committed to going further and is promoting additional automotive industry standards — such as TISAX — to ensure that the entire ecosystem of customers, partners and suppliers is certified throughout the supply chain.

In addition to its desire to ensure security for Brembo, its customers and partners, the Group recognises that one of its top priorities is to create a secure digital workplace for employees by using effective solutions to protect data.



### 3.4 Internal Control and Risk Management System

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

- ▶ the **Executive Directors**, generally charged with defining further policies for effective implementation of Guidelines on risk management;
- ▶ the **Audit, Risk & Sustainability**, tasked with supporting the Board of Directors' evaluations and decisions on internal control and risk management issues, including those relevant from the standpoint of sustainability;
- ▶ the **Executive Director** in charge of the Internal Control and Risk Management System is tasked with identifying the main corporate risks by executing risk management Guidelines and verifying their adequacy;
- ▶ the **Management Risk Committee**, which is responsible for identifying and weighing the macro-risks and working with the system parties to mitigate such risks;



#### Brembo and the governance systems excellence index

On the 17<sup>th</sup> edition of the annual Corporate Governance Workshop, the European House - Ambrosetti presented the results of the **Governance Systems Excellence Index (EG Index)**, a tool that monitors the health of governance systems according to a set of qualitative and quantitative indicators. The EG Index 2021, which refers to the 2020 financial year and is based on public sources, shows the continuous improvement over time in the governance quality of the main companies listed on Borsa Italiana, especially large and medium-sized firms.

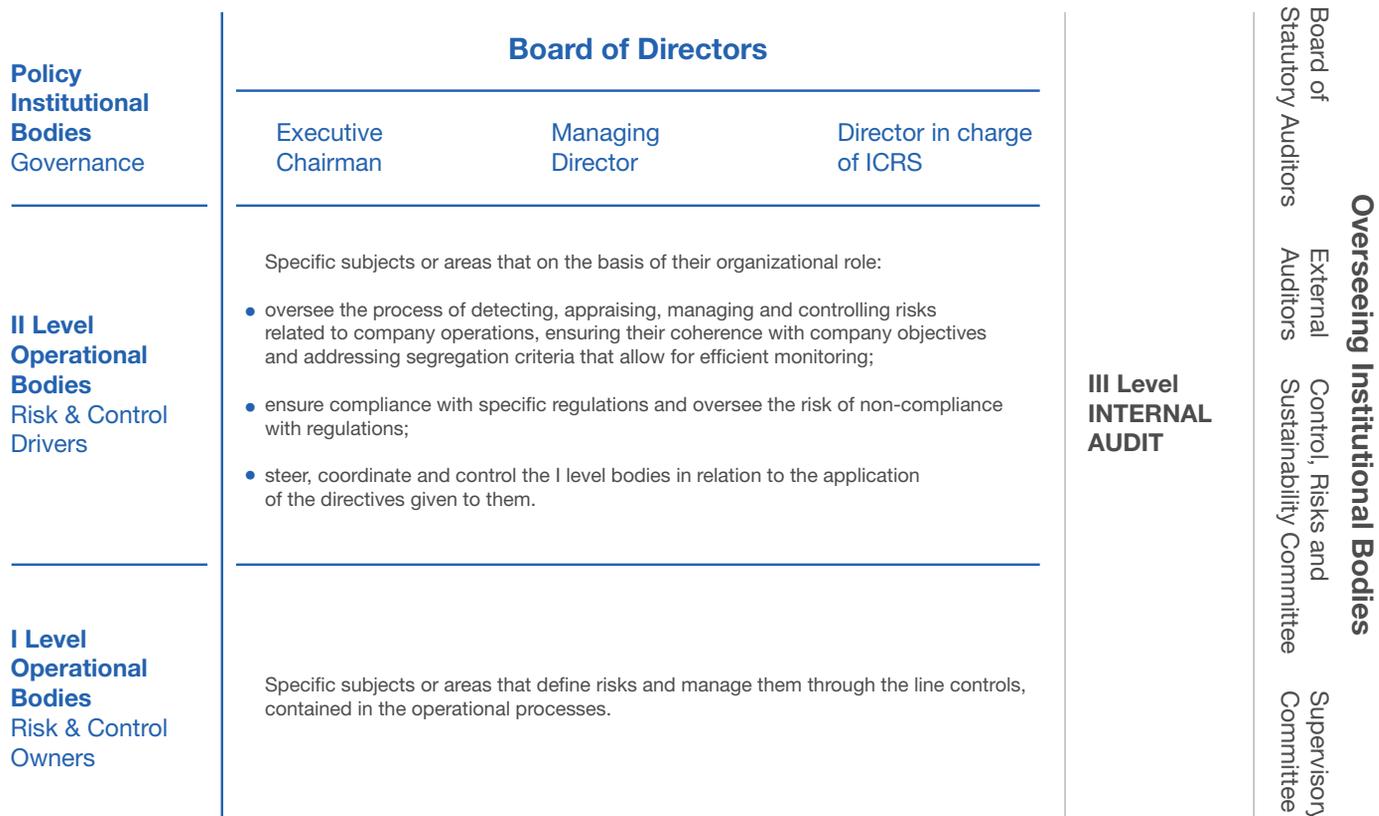
The topics addressed during the event ranged from the application of the principles of the new Corporate Governance Code compared to best practices in other international arenas, to the challenges raised by the economic-health emergency and its impact on companies and on organisational and decision-making processes, including for example the operating methods adopted by listed companies for holding their GM in 2021.

Brembo achieved excellent scoring in the EG Index, as it ranked among the top 5 companies in the FTSE ITALIA MID-CAP segment for the industrial sector out of a sample of 50 analysed companies. More specifically, it ranked **first** for its Control and Risk Management System, which takes into account factors such as the number of Control and Risk Committee meetings, the presence of independent Directors, the Statutory Auditors' participation rate, the average number of offices held by Statutory Auditors, Risk Management and the definition of Succession Plans for the Top Management.



- ▶ the **Head of Risk Management**, tasked with ensuring, together with the management, that the main risks relating to Brembo and its subsidiaries are correctly identified, adequately measured, managed, monitored, and integrated within a corporate governance system consistent with the strategic objectives;
- ▶ the **Internal Audit GCF**, which evaluates the effectiveness

and efficiency of the overall Internal Control and Risk Management System on a regular basis and reports the results to the Executive Chairman, the Chief Executive Officer, the Board of Statutory Auditors, the Audit, Risk & Sustainability Committee and the Supervisory Committee of Brembo S.p.A. On an annual basis, it also reports to the Board of Directors.



The Board of Directors (BoD) of Brembo S.p.A. on 20 January 2022, after consulting the Audit, Risk & Sustainability Committee, approved the new edition of the “Guidelines for the Internal Control and Risk Management System”; the new document reaffirms the principles and general vision of the Company on the subject of ICRMS, the overall and final examination of which is the responsibility of the Board of Directors annually, focusing on Brembo’s risk management policy and the objectives that guide the Internal Control System.

At the same time, the Policies for the implementation of the Internal Control and Risk Management System were also updated. These identify the overall design of Brembo’s Internal Control and Risk Management System, taking into account the

changes made to Brembo’s Corporate Governance Code, the evolution of Brembo’s organisational structure with new second- and first-level control roles, the new corporate strategy and sustainability objectives, changes in the legislative and regulatory landscape, as well as international best practices and reference standards such as ISO 31000 and the Coso framework.

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 specific reports for stakeholders. With reference to risk management, Brembo has defined the following Guidelines and procedures:



## Risk management policy

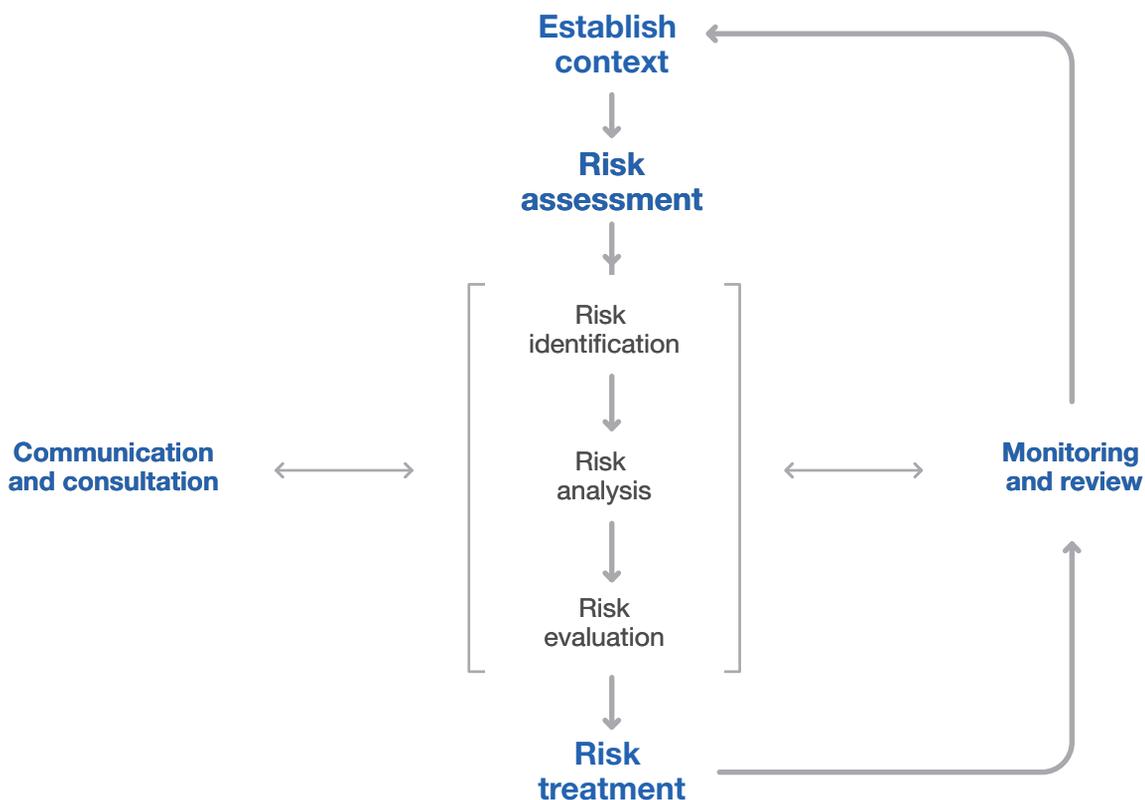
A **Risk Management Policy** based on **ISO standard 31000**, which establishes the Group’s general direction and policies relating to risks, risk management and harmonisation of processes. The risk management policy pursues a variety of aims, including: increasing the likelihood that company

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 improving 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 No. 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;
- **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, also as a result of the effects of the Covid-19 emergency, 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, sustainability and management of relations with stakeholders in general;

- **operating risks**: connected to inefficient and ineffective processes, with negative consequences for Brembo's value creation. 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.

For further information about risk families, reference should be made to the Risk Management Policy included in 2021 Annual Report<sup>24</sup>.

## Legislative Decree No. 254/2016

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During 2021, 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 No. 254/2016. Brembo has updated the risk assessment in the Sustainability area, using the assessment criteria aligned with the Group's risk management methodology, also taking account of any implications relating to the spread of the pandemic. 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.** Brembo pays particular attention to compliance with the environmental requirements specified in legislation of countries where it operates, with a particular focus on atmospheric emissions, waste management and water discharges. It participates in local committees, through membership of trade associations and uses 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. The Group adopted an Environmental Risk Management System, an integral part of the Environmental Management System certified to ISO 14001:2015. In 2020, Brembo adopted ORME, a new software developed for the purpose of strengthening this management system. The software in its compliance module was made fully operational during 2021 while the implementation of a second module is planned for 2022 to facilitate the management of the risk assessment process.

It is deemed appropriate to include in the range of environmental risks suffered the Group's acquisition of land for production purposes, or existing businesses, with contaminated subsoil caused by events prior to purchase. To monitor such risk, Brembo carries out environmental due diligence work to identify any critical issues within the acquisition process.

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<sup>24</sup> [www.brembo.com](http://www.brembo.com), section Investors, Reports.



Recent years have seen an increase in the importance and likelihood of occurrence of risks related to climate change and the consequent worsening of extreme atmospheric events 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 monitors emerging studies on the matter, above all in terms of assessment of such risks. Brembo has also mapped the current exposure of its production sites to the risk of natural disasters and the resulting risk profile is generally low: the peaks of exposure are in fact at an intermediate level and concern the risk of hail in Italy, tornadoes in the USA and floods in Poland (Niepolomice) and China (Nanjing). In order to assess the evolution of current exposures, during the year Brembo started an assessment of the risks deriving from climate change inspired by the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), demonstrating a deep interest in managing its exposure to climate-related risk. A further risk related to environmental issues concerns possible non-compliance with the regulations on chemical products, which are becoming increasingly more stringent worldwide. These regulations mainly relate to product end of life, with the aim of ensuring correct product recycling and disposal; Brembo is subject to these regulations both as a producer and as a consumer. The management of this risk is coordinated by the Environmental & Energy area through dedicated resources.

**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, such as respect for human rights — including issues relating to *human trafficking and modern slavery* — environmental protection, safeguarding workplace health and safety and the fight against corruption.

Furthermore, in the second half of 2021, Brembo started to use a dedicated platform that allows the monitoring of potential risks inherent in the supply chain also through the use of Artificial Intelligence. Thanks to this tool, Brembo is able to receive real-time alerts from the web that notify the presence of a risk event or situation impacting its supply base.

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, also through a dedicated IT tool. 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 14001 standards and to base their own conduct on the main international declarations and guidelines on humankind and human rights. In 2021, the percentage of Direct Material suppliers that completed the self-assessment questionnaire was 70.6%.

Brembo selects partners who share its values and gets them actively involved in the risk prevention process, launching a pilot project that involves the use of an artificial intelligence platform, thanks to which it is possible to intensify and automate controls on the supply chain.

In addition, one should note the peculiar regulatory context in China, where the existence of more stringent environmental requirements, in line with the implementation of the China Blue Sky anti-pollution Plan, could generate a risk for Brembo regarding interrupted supplies from some companies located in those areas. In this regard, the Group continued to implement specific supplier monitoring activities with regard to compliance with the ISO 14001 standard and updating to the most recent local legislation, as well as diversification, measures to mitigate this risk, identifying and selecting alternative suppliers.

Within the area of human rights, Brembo also assesses the potential risk involving 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 loss of personal data relating to the Group's main stakeholders. To safeguard against this risk, Brembo has adopted and disseminated special policies containing data protection principles, acquired a Processing Record and defined an organisational structure with suitable privacy-related roles and responsibilities, also providing for continual training activities devoted both to a specific target of workforce and to all employees. Moreover, the Group has updated the clauses contained in the contracts, forms and documents about privacy. As far as the newly acquired companies are concerned, Brembo provides for the definition of dedicated compliance programmes in order to bring them in line with the Group's standards.





**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, as described in the relevant section, through a continual analysis of the critical issues and adoption of a preventive approach. The Group is putting into place numerous mitigation measures. These include testing of automatic systems within the sites; the dissemination of the LOTO (Lock Out Tag Out) procedure, and research into new load handling 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 2021 as well, one of the company's priorities concerned the management of the risk associated with the Covid-19 emergency, both in terms of safeguarding people, as described in the special section, and its potential repercussions in terms of production continuity. In fact, quarantine situations, including preventive quarantine, and/or generalised confinement in certain geographical areas can result in a slowdown in activities. In line with last year, Brembo continued to promote the management of working from home for all those tasks where this was possible, continuing to monitor the evolution of the pandemic phenomenon.

A new risk that emerged as a result of the Covid-19 emergency situation concerns management of the so-called "new normal" which, in the event of delays or errors in defining suitable internal policies, may lead to repercussions for the wellbeing of the workforce, with potential consequences in terms of productivity and increased staff turnover. In 2021, the Group launched a global engagement survey and constantly monitors its positioning compared to its competitors.

In some areas in which the Group operates, difficulties have occurred over the years in the personnel recruitment and retention processes. As a result of the spread of the "Great Resignation" phenomenon marking the post-pandemic labour market, this risk has, to all intents and purposes, become global. 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 also employs specialist companies, as well as structured and strategic partnerships with the academic world, local research bodies and educational

institutions, within a broader context of talent attraction and retention policies. Finally, targeted communication campaigns with a particular focus on selected professional profiles have been implemented for the Brembo brand to maintain a high level of attractiveness as an employer.

To tackle the risk related to the growing automation of the industrial processes introduced by technological innovation, 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. The Group is carrying out training campaigns which aims to promote new skills and accustom the company's workforce with the new issues considered necessary for the digitalisation process. In order to expand the depth and reach of the training activities organised in the context of the Professional Academies, there is provision for the training offer in the technical-specialist area to be renewed constantly.

**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, as well as integrated with a special Addendum for China; the Supervisory Committee; and, finally, an entities' administrative and criminal liability compliance programme in accordance with applicable local legislation of countries where it operates through subsidiaries. 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. The 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. 2021 reconfirmed Brembo's commitment to monitoring, updating and refining the compliance system in order to ensure maximum adherence to the regulatory changes in the countries in which it operates. It should be noted that next year compliance programmes dedicated to the recently acquired companies will be organised in order to align them with the Group's standards.

**Social risks.** The very nature of the sector in which Brembo operates makes the quality and safety of products one of the major risks pertaining to the social sphere, with particular regard to 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 the current context, the risk associated with a production shutdown scenario, regardless of the cause (e.g. natural event, fire, machine downtime etc.) may have repercussions for Brembo's stakeholders, such as suppliers, consultants, etc. Therefore, although this is a risk scenario that is typically assessed from the point of view of the financial and operational impact, this risk is considered to have an impact also from an ESG standpoint.