

Travelling together.

It is an evolving bond, one that becomes more close-knit, based on trust, growth and shared objectives. In the automotive world, each swift change needs to be understood and shared: it is essential to count on one's partners.



5. The Supply Chain

5.1 Ancillary companies and supplier network

The Group relies on the contribution of more than 6,700 businesses located in more than 15 countries throughout the world to carry out its own activities. These provide essential goods and services for Brembo's industrial processes.



1,977 € million
Procurement value



88%
Local supplies, i.e.,
supply from supplier
located in the same
countries where the
Group operates



70.6%
Suppliers of direct
materials involved in
socio-environmental
audits
(in terms of value
of supplies)

During 2021 the total number of raw materials, components, materials and auxiliary production services processed and integrated in Brembo products generated a purchasing value of more than **€1,803** million, in addition to about €173 million for machinery and industrial plant. In 2021 as well, the scope of the analysis, in line with previous years, also include services not closely linked to production, such as costs of ICT, cleaning, security, canteen and other outsourced services, so as to provide as comprehensive view as possible of the total value

managed by the Procurement function.

The supply of raw materials, such as ferrous scrap (amounting to more than 400 thousand tonnes), aluminum (about 48 thousand tonnes), cast iron goods, binders and refining agents directly used in the Group's foundries are fundamental to the Group and accounted for an overall purchase value of nearly €570 million during the year.

Equally significant, worth a total of more than €755 million, are components and outsourced processing.



Value of supplies* by category (€)

	2019	2020	2021
Raw materials and cast iron goods	477,100,854	387,680,031	569,247,032
Components and outsourced processing	637,224,059	555,096,440	754,713,751
Ancillary products and services	417,749,405	380,926,578	479,527,436
Total	1,532,074,318**	1,323,703,048	1,803,488,219
Industrial assets	154,620,841	117,701,757	173,589,519
Total	1,686,695,159	1,441,404,805	1,977,077,738

* This includes the costs of purchasing goods and services directly involved in the manufacturing of finished products, namely purchases of: raw materials, components, semi-finished and finished products, ancillary materials and services (mostly transport, utilities, packaging and MRO).

The scope of analysis was expanded to also include the provision of services not closely associated with production, such as the costs of ICT and telephony, cleaning, security and canteen services. Tax and legal advice, insurance, sponsorships, business travel, recruitment and training activities and building leases are excluded.

** In 2019, Brembo Argentina S.A. was not included for the Company's months of operation.

Value of supplies by geographical area (€)

	2019	2020	2021
Europe	885,417,700	747,028,764	1,023,421,591
North America	275,773,880	237,376,285	316,636,567
South America	34,183,929	21,024,009	25,848,759
Asia	334,770,342	315,020,934	444,685,424
Other*	1,928,467	3,252,957	2,895,877
Total	1,532,074,318	1,323,703,048	1,803,488,219

* The item "Other" includes Russia, Australia, United Arab Emirates and Libya.

Brembo pursues an international development strategy with a central focus on the local area and a commitment to create stable relations with local communities. This is proved by the high percentage of purchases received from local suppliers in the same country where the Group operates, equal to 88% of purchases³¹.

	2019	2020	2021
Europe	87%	87%	87%
North America	86%	83%	83%
South America	99%	99%	99%
Asia	92%	93%	96%

31 This percentage is only calculated with regard to the purchase categories of raw materials and cast iron goods, components and outsourced processing, ancillary products and services (excluding industrial assets).

5.2 Promoting sustainable business models through responsible purchasing practices

For Brembo, supply chain management is a priority and is essential to ensuring responsible supplies, with a focus on environmental protection and the rights of workers and local communities. For this reason, over the years, the Group has established a structured supplier management process that seeks to promote the development of stable relations with its partners, as well as ensuring continuous innovation and improved quality and sustainability matters throughout the supply chain.

This process is structured into three main phases:

1. Clear communication of the standards that Brembo expects from its business partners in terms of product and service quality, respect for human rights and employee protection and, more generally, attention to ESG issues.
2. Assessment of suppliers' capacity to meet ESG-related technical specifications and requirements both during the qualification phase and during the business relationship and monitoring of the risk relating to supply.
3. Supporting suppliers in their continuous improvement activities of their performances and in the strengthening of the ability to innovate.



Clear communication of what the Group expects from suppliers



In light of the complexity of the production and technological sector in which Brembo operates, it asks the Group main suppliers to adopt the Supplier Code of Conduct which summarises the guidelines set out in the Group's sustainability policy, the rules and principles that Brembo's suppliers are required to uphold. Up to now, about 700 suppliers have adhered to the Supplier Code of Conduct.

In particular, Brembo asks:

- to base their conduct on the Universal Declaration of Human Rights, the ILO's Tripartite Declaration on the Principles Concerning Multinational Enterprises and Social Policy, as well as the OECD Guidelines for Multinational Enterprises;
- to implement a quality management system certified by independent accredited bodies, promoting where possible, the use of Automotive IATF standard 16949 among the suppliers of direct materials;
- to develop and maintain an ISO 14001-compliant environmental management system, preferably obtaining third-party certification;
- to apply an effective safety management system in accordance with ISO 45001 standards or equivalent, preferably obtaining third-party certification.

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

Selection, assessment and monitoring



NEW SUPPLIER SELECTION AND ASSESSMENT

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

- The first phase of the process involves inviting suppliers to register with Brembo's Supplier Portal and asking them to complete a pre-assessment questionnaire (the questionnaire is also available online on the website <https://www.brembo.com/en/company/suppliers/criteria-for-selection>). The questionnaire also includes a CSR section, intended to assess aspects relating to safeguard workers' rights, counter corruption and minimise the risks for the environment. During 2021, 33% of the new suppliers activated were evaluated on ESG issues by completing the pre-assessment questionnaire. This first analysis phase enables Brembo not to establish commercial relationships with suppliers who do not comply with the minimum requirements and allows it to identify in advance any critical issues regarding new potential suppliers and to implement corrective actions. The questionnaires are analysed by the Purchasing, Administration & Finance, Quality & Corporate Social Responsibility GCFs with the aim of assessing the operating, financial and sustainability risk profiles.
- Once the pre-assessment phase is concluded positively, all potential suppliers of direct materials receive onsite visits from the Quality GCF to check that the quality and process requirements are met effectively.
- Once the pre-assessment and approval process has been completed, the supplier becomes part of the supplier base to which Brembo can award orders. The assignment of a specific supply takes place by benchmarking the various offers received on the basis of the following assessment criteria:
 - A. Compliance with technical specifications
 - B. Technological and innovation capabilities
 - C. Quality and service
 - D. Economic competitiveness

MONITORING AND RISK MANAGEMENT

- In pursuit of a virtuous process of continuous improvement in product quality and risk management, Brembo regularly monitors indicators relating to supply quality and cost, assessing the risks inherent in the supply chain, such as the increase of supplier's dependency on Brembo and Brembo's dependency on the supplier, and financial solidity, thus highlighting any critical situations.

Moreover, where a situation considered at risk were to threaten business continuity, Brembo has planned the establishment of Crisis Committee composed of an inter-functional team to take the measures needed to minimise the impact.

During 2021, 29 risk events were monitored and, thanks to the actions taken, seven of these were fully mitigated.

In the second half of the year, Brembo activated the use of a platform dedicated to the analysis of online information to monitor potential risks inherent in the supply chain. Through the use of AI, Brembo is able to receive real-time alerts from the web that notify the presence of an event or a risk situation impacting its supply base.

In addition, with regard to ESG issues, in consultation with experts, Brembo has conducted third-party audits of suppliers for the past several years with the specific goal of assessing compliance with the sustainability standards mandated by the Group.

In 2018, Brembo issued the Procedure for Managing CSR Audits, which defines the procedures for selecting suppliers involved in audits, the processes for managing third party-audits, related follow-ups and any corrective actions. The parameters for selecting suppliers involved in CSR audits are: the country of origin of the supplies, the turnover with the Brembo Group and the type of production process.

The objective of the third-party assessment is to identify critical issues affecting areas such as: working conditions, related remuneration and working hours, health, safety and the environment.

The Supplier is required, for each non-conformity reported, to develop corrective action plans, which are then monitored by Brembo using the same third-party assessment body.

To date, Brembo has involved 99 suppliers in sustainability-related audits, of which 7 in 2021.

The percentage of the turnover monitored further increased by 1.5%, reaching 70.6% of the overall purchase costs for direct materials.

A particular focus in the selection of suppliers to be audited





in 2021 was applied to contract work suppliers, which Brembo evaluates from a safety point of view, just like its own production processes, in compliance with the requirements of ISO 45001 certification.

The pandemic has had a significant impact on the number of CSR audits and follow-up activities, particularly as regards

on-site audits, in view of the Covid-19 containment measures put in place.

Periodically, the Purchasing GCF gives an update in the CSR Meeting of work in progress relating to the supply chain with regard to the assessment activities concerning suppliers, carbon neutrality and sustainability in general.



Engagement and awareness raising

In the area of supply chain engagement and transparency, the main surveys conducted in 2021 were:

- the **Engagement Survey “Materiality Matrix”**, which saw the participation of 173 relevant suppliers;
- **Engagement Survey “Conflict Minerals”**: conducted on a panel of 200 relevant suppliers with a response rate of 90%; in 2021 suppliers belonging to the Friction Materials, Raw Materials and Mechatronics product categories were also involved in the Conflict Minerals Survey as these components are potentially at risk of using these materials;
- **Engagement Survey “Cobalt”**: unlike the Conflict Minerals Survey, for the analysis of Cobalt use in Brembo components, the product categories that use this material in the production process were defined and the suppliers belonging to these categories involved. The survey was conducted on 96 suppliers with a redemption rate of 93%.

The Purchasing GCF together with the CSR GCF has created an area dedicated to sustainability available on the home page of the Brembo Supplier Portal to encourage effective communication, share best practices and develop greater sensitivity to sustainability issues through detailed thematic reports, such as sharing a brochure dedicated to Conflict Minerals and another one to Cobalt.

With a view to raising awareness of the importance of sustainability issues, during 2021 the CSR team organised a training course, which saw the participation of the entire Purchasing function located in China and India, focused on:

- understanding of the meaning of “Corporate Social Responsibility/Sustainability” in today’s world;
- introduction to “Corporate Social Responsibility” in Brembo and the growing interest of stakeholders;
- in-depth analysis of Corporate Social Responsibility activities applied to the Supply Chain.

In 2022, the same training course will involve the Purchasing function in Europe and America.

Development and capacity building



Brembo promotes the continuous improvement of its suppliers’ performance and their involvement in product innovation processes, with a view to strategic partnerships.

In order to ensure the maximum safety and quality of its products, Brembo is committed to involving suppliers from the early stages of the development of a project, adopting a preventive and proactive approach, which allows any critical issues identified to be anticipated and resolved.

The Group also promotes opportunities for supplier development,

through collaborative initiatives that encourage direct discussion and the sharing of best practice.

Examples include the projects, coordinated by Brembo’s Supplier Quality function which provides for the involvement of suppliers in tutoring activities in order to improve the quality performance: in 2021 as well, activities were carried out to provide with remote support suppliers through “improvement plans” and “quality workshops”.

These projects aim to support the development of Quality competencies in managing production processes, by analysing the processes themselves, sharing experiences and approaches with the aim of identifying the improvement solutions to be implemented.



In addition, during 2021 the outsourcing supplier management process was further refined with regard to Health and Safety aspects.

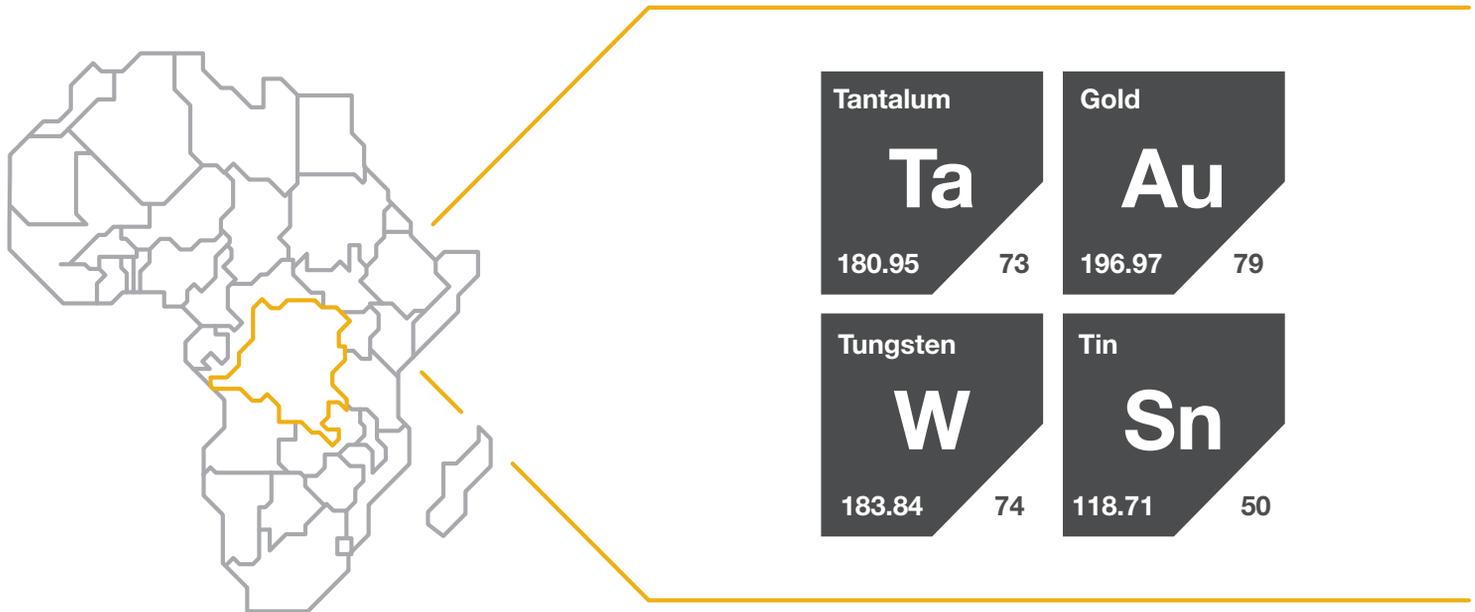
Brembo applies a structured process, shared with the suppliers,

with the aim of raising their awareness and supporting them in the effective management of workplace Health and Safety aspects, in order to prevent or mitigate any impacts caused by the activities outsourced by Brembo.

Combating the use of conflict minerals

“Conflict minerals” are metals such as gold, coltan, cassiterite, wolframite and their derivatives such as tantalum, tin and tungsten coming from Conflict-Affected and High-Risk Areas (CAHRAs). These minerals are subject to international regulations, including section 1502 of the Dodd-Frank Act, a

2010 U.S. federal law and EU Regulation No 2017/821 which discourages their use because their trading could fund conflicts in risk areas, where there are reports of serious violations of human rights.



Promoting the full protection of human rights in its own supply chain as set out in the Group’s Code of Ethics, Code of Basic Working Conditions and Supplier Code of Conduct, Brembo does not directly purchase minerals from conflict zones and requires its suppliers and commercial partners to declare the presence and provenance of Conflict Minerals for Brembo Group supplies to verify their possible origin from countries at risk.

To this end, Brembo investigates its supply chain, in compliance with the provisions of the Organisation for Economic Co-operation and Development (OECD), which specify the due diligence activities required.

As of 2021, the Brembo Group decided to launch an investigation also on the origin of cobalt, other high-risk material that comes from conflict zones.