

SUSTAINABILITY  
REPORT  
2018

2018 CONSOLIDATED DISCLOSURE  
OF NON-FINANCIAL INFORMATION  
IN ACCORDANCE WITH LEGISLATIVE  
DECREE NO. 254/2016





## #sustainability

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A chequered flag waving at the finish line, smiles and embraces on the podium. Each victory is a measure of our performance, the tangible result of the values and principles reflected in our organisational structure, of an ethical approach shared by all our partners, of innovation with an eye to future generations, in which our every action is inspired by our philosophy: thinking responsibly, acting concretely.





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## Letter of the Chief Corporate Social Responsibility Officer

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Dear Stakeholders,

It is with great pride that today I am presenting the Brembo Group's 2018 Consolidated Disclosure of Non-Financial Information. This is a reporting tool which takes forward an important process undertaken by the Group over the past few years with the aim of offering to all of our stakeholders — which include our employees, our shareholders, our customers, our suppliers and the communities in all the territories around the world where we operate — the opportunity to know and assess the Group's conduct, objectives and results related to social responsibility.

The Disclosure that I am presenting has not been prepared just to comply with law requirements: it also stems from our desire to assert those values and principles which guide us towards achieving a sustainable and long-lasting growth. We therefore make it our own commitment to share with you the managerial good practices that we have adopted over time to address crucial environmental and social issues related to the people who work with us and to the respect of human rights, with a view to fighting against corruption and promoting diversity, two fundamental elements for the development of both the company and the communities in which Brembo operates.

Given the constantly changing context in which we operate, often characterised by new sustainability challenges that might affect future generations, Brembo, as a global innovator, maintains a strong commitment in helping achieve the UN SDGs included in the 2030 Agenda for Sustainable Development, which set out the priorities for contributing towards global development, promoting human welfare and protecting the environment.

Today Brembo employs over 10,000 people in 15 countries across 3 continents, with 25 production and sales offices. Brembo has been operating as a socially responsible company since inception, always taking account of and respecting the expectations of its stakeholders and implementing sustainability and legality policies in every country where it operates. Our strategies and policies are the result of work programmes, improvement plans and methods developed over the years, as well as of a programme of strict corporate governance also regarding Sustainability.

The year 2018 witnessed some significant achievements that I am proud to summarise for you and which you will find described more in detail in the next pages.

Our People remain an invaluable asset made up of experience, passion and competence. During the last year we have increased the number of training hours provided on topics such as the environment, health, safety and compliance, clocking up a total of 240,000 hours. This achievement takes us one step further down the path towards greater personal and professional development for our people, while offering them a stimulating and gratifying work environment.

Our strong regard towards environmental protection has led to the development of a new Environmental Management System implemented across all our plants, which helped us obtain the ISO 14001:2015 certification. This great result was accompanied by additional significant achievements in the reduction of energy consumption and emission of gases into the atmosphere, as well as a more rational use of water. As proof of our commitment in this area, in 2018 Brembo was again recognised by the "Carbon Disclosure Project" as one of the world's top green businesses: its inclusion in the "A List" was confirmed particularly in relation to CO<sub>2</sub> emissions (Climate Change). Brembo also obtained a rating improvement from A- to A for water resources management (Water Security).

Great progress has been achieved at supply chain level through the preparation of a Supplier Code of Conduct, which governs the sustainability policies linked to the supply chain. Thus, after many years of good practices, the requirement for all suppliers to comply with the defined standards was formalised.

Brembo's constant commitment towards product and process innovation kept thriving successfully in 2018.

More particularly, our production plants tested eight new technologies in the area of digitised manufacturing, also known in Italy as "Industry 4.0". These solutions go from plant maintenance with augmented-reality-based remote assistance, to the training of new staff through virtual reality, as well as the continuous remote monitoring of activity levels in the production plants in the various countries where Brembo operates. Precision logistics projects are also being tested, which involve supplying production and assembly lines by means of driverless vehicles.

Projects involving the use of artificial intelligence are being implemented with the aim of optimising the lifetime of tools used for mechanical processing. The objectives of process and product innovation always feature the improved sustainability of production activities, with a decrease in specific consumption and emissions, as well as a reduction of any impact linked to the use of our products on the road.

As far as product innovation is concerned, the constant collaboration with our vehicle manufacturing clients has further enhanced Brembo's position in terms of performance and style.

Finally, also worthy of note are Brembo's active involvement in research projects funded within the Horizon 2020 European framework programme and, during 2018, its participation into two European consortia under EIT, one dealing with materials, the other with advanced manufacturing. Furthermore, Brembo is a founding member alongside Kilometro Rosso of the MADE National Competence Center which was created as part of the Industry 4.0 programme.

Brembo's commitment towards corporate social responsibility finds expression also through initiatives of a social nature. Brembo, is a company with strong links within the local areas in which it operates and to which it devotes particular attention by promoting projects and initiatives like "House of Smile" and "I was a Sari" in India and "SOSTeniamoci" in Italy. These activities are part of a wide-ranging programme of support for the local areas covering issues like child protection, education, training and research, but also art, culture and sports. With reference to sports, an important partnership was formed with the nursery team of an Italian premier league football club to emphasise the value of sports in educating young people.

At Brembo sustainability is not limited to past achievements, but is also focused on the challenges that will be facing us in the coming years: not only do we need to be prepared for the future of mobility, we also need to keep contributing to our society's development in a tangible and sustainable way.

**Chief CSR Officer**

**Cristina Bombassei**





## Reader's Guide

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This **Consolidated Disclosure of Non-Financial Information for 2018**, (hereinafter also “**Non-Financial Information**” or “**Disclosure**” or “**NFI**”) in accordance with **Legislative Decree No. 254/2016 of the Brembo Group** (hereinafter also “**Brembo**”, the “**Group**” or the “**Company**”) is intended to provide an accurate, thorough and transparent view of the Group's strategies, actions and results in its pursuit of economic growth and business development, while taking account of the expectations of the stakeholders involved and seeking constant improvement of the environmental and social impacts of its activities.

This document meets the requirements of **Legislative Decree No. 254 of 30 December 2016**, which introduced the obligation for large entities of public interest<sup>1</sup> to draw up and publish a “Consolidated Disclosure of Non-Financial Information”. This includes a description of the company's organisation and management business model, information on the main risks arising from the company's activity and its products and services, information on the policies applied and the results achieved with reference to environmental, social and personnel issues, topics related to human rights and the battle against active and passive bribery, to the degree necessary to ensure an understanding of the company's activity, performance, results and the impact of such activity.

This disclosure therefore contains a description of the company's **business model**, information on the policies applied concerning the aspects mentioned by the Decree and those considered to be important for Brembo, the results arising from such policies, the **main risks** connected to such aspects and the related risk management policies.

The information was selected based on the principle of “materiality” (or “relevance”) that identifies those items of information that provide an understanding of the company's activity regarding the non-financial aspects indicated in the Decree. For this reason, in accordance with the Sustainability Reporting Standards published in 2016 by the Global Reporting Initiative (GRI) (Core Option) adopted as the standard of reference for the preparation of this document, the contents of the Consolidated Disclosure of Non-Financial Information were

determined through a **materiality analysis**. This process resulted in the identification of the areas of concentration of the greatest risks and opportunities to develop the company's business from a long-term perspective and to create value for all stakeholders.

The identification of the indicators on the basis of which to monitor and disclose the Group's sustainability performance is based on the **set of indicators detailed in the GRI Standards**: the section “Methodological note” contains a table that shows the pertinent GRI Aspect — from which the KPIs included herein are derived — for each material Topic identified by Brembo. The table summarising the GRI indicators specifies the precise point in this document where the indicators as per the GRI Standards are illustrated. The reader can thus easily reconstruct the **connection between the Topics identified as material**, the **GRI indicators of reference** and the **page of the document** on which they are described and reported.

All of the figures reported in this document refer to the financial year **1 January – 31 December 2018** and to all **Group's fully consolidated companies that have been included in the Consolidated Financial Statements at 31 December 2018**, as published in the 2018 Annual Report, unless otherwise indicated. Figures for 2016 and 2017 have been added and indicated appropriately if useful for purposes of comparison or contextualisation of the information.

The Consolidated Disclosure of Non-Financial Information was approved by the Board of Directors on 4 March 2019, following examination by the Audit, Risk & Sustainability Committee, in the meeting held on 25 February 2019.

The Consolidated Disclosure of Non-Financial Information is organised into eight sections. The first three illustrate Brembo's vision, business approach and the main features of how it operates responsibly in terms of the Governance, control and risk management system. The sections below focus on reporting the results achieved in the various sustainability areas and on the approach to the most significant aspects for Brembo and for its stakeholders.

For information or comments about this document please send an email to the following address [sustainability@brembo.it](mailto:sustainability@brembo.it).

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<sup>1</sup> Entities of public interest which, at consolidated level, employ at least 500 staff on average during the year and report a total balance sheet value of more than 20 million euros or net income from sales and services of more than 40 million euros.



# Sustainability Highlights

## Our Group



**15**

Number of countries in which the Group is present



**7**

Number of Group brands



**5**

Number of research centres in different countries

## Sustainability



**Goal 4**

Quality education



**Goal 6**

Clean water and sanitation



**Goal 8**

Decent work and economic growth



**Goal 9**

Industry, innovation and infrastructure



**Goal 12**

Responsible consumption and production



**Goal 13**

Climate action

## Organisational structure



**1,606**

Number of people trained on ethical topics



**36%**

Proportion of women on the BoD



**6**

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

## Our People



**+8%**

Year-on-year workforce increase



**Over 240,000**

Training hours provided during the year



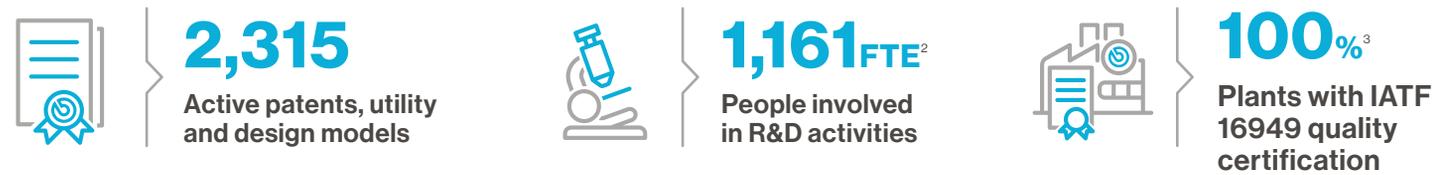
**100%**

OHSAS 18001 certified plants

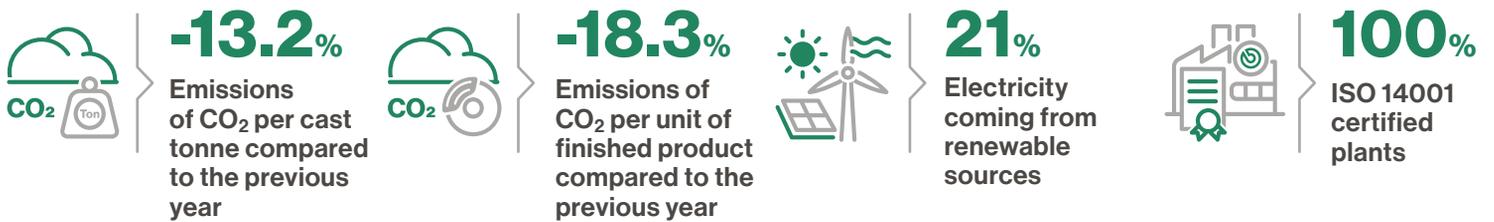
## Our supply chain



## Products and processes



## Environment



## Local areas



<sup>2</sup> Full Time Equivalent – FTE represents the workforce calculated based on the hours actually worked and/or paid by the Company where they are employed.

<sup>3</sup> Net of the Zaragoza plant in Spain which is ISO 9001-certified and the new cast-iron foundry in Escobedo for which the IATF certification is expected to be achieved by the end of 2019.



**15**

No. of countries  
in which the Group  
is present



**5**

No. of research  
centres in  
different  
countries



**7**

No. of Group  
brands





**Designing  
developing  
manufacturing**

**Determined to always  
be one step ahead**



# Designing, developing, manufacturing. Determined to always be one step ahead

## 1.1 Group profile and main applications

The Brembo Group — global leader and recognised innovator in brake disc technology for vehicles — researches, designs, develops, manufactures, assembles and sells braking systems, vehicle wheels and light alloy and metal castings.



It supplies high performance braking systems, as well as clutches and other components for racing, to the most important manufacturers of cars, motorbikes and commercial vehicles worldwide.

The Group currently operates in 15 countries in 3 continents, with a workforce of over 10,600.

### Figures for the three-year period 2016 – 2017 – 2018



**Employees**  
9,042 – 9,837  
**10,634**



**Investments**  
264 – 361  
**288**  
€ million



**Turnover**  
2,279 – 2,464  
**2,640**  
€ million



**Ebitda**  
444 – 480  
**501**  
€ million



**Net debt**  
196 – 219  
**137**  
€ million



**Net profit**  
241 – 263  
**238**  
€ million

## Main applications

### Cars

This is Brembo's main area of operation and includes brake discs, brake calipers, wheel-side modules and complete braking systems, inclusive of the integrated engineering services that accompany the development of new models for car manufacturers. In addition to its Original Equipment Manufacturing (OEM) line, Brembo also serves the aftermarket segment, offering a wide range suited to nearly all vehicles on the road in Europe, including brake discs, pads, drums, brake shoes, drum brake kits and hydraulic components.



**76.5%**  
on total sales

### Commercial vehicles

This segment includes components for original equipment brake systems for manufacturers of commercial and industrial vehicles of all kinds (light and medium) and discs for heavy vehicles. In addition to its OEM line, Brembo offers replacement parts and maintenance products for commercial vehicle brake systems.



**9.7%**  
on total sales

### Racing

This segment includes the design and manufacture of braking systems and clutches for the racing sector, intended for teams participating in major racing competitions. Despite its limited impact on revenues, it is a market of strategic importance for the Group since it is a frontier sector for innovation by Brembo. The most advanced products, technologies, production concepts and development methods are conceived for the racing market and the benefits then trickle down to the production series developed by the Group for its customers. The racing line is rounded out by a range of products intended for enthusiasts, preparers and, more generally, those who wish to improve the look and performance of their vehicles using parts ready for the track.



**4.4%**  
on total sales

### Motorbikes

This area includes brake discs and calipers, but also brake pumps, light alloy wheels and complete braking systems, intended for the models offered by the world's most prestigious manufacturers. Europe, the United States and the Asian countries are the most important markets for Brembo in this sector.



**9.4%**  
on total sales



## 1.2 Brembo's history

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### 1960s - Innovation

---

Brembo is founded in 1961, near Bergamo, by Emilio Bombassei, his sons Sergio and Alberto, and his brother-in-law Italo Breda. The company initially carries out mechanical production for third parties, serving clients such as Alfa Romeo and Pirelli.

However, thanks in part to a fortuitous event, it establishes a winning business model in 1964: producing car brake discs, the first in Italy. In 1965, Brembo has just twenty-eight employees, but it is already focusing on innovation in both materials and production processes.

### 1970s - Performance

---

Brembo invests in research and development, coming up with new solutions, and registers its first patent in 1970. It creates the first highly innovative disc brake system for Moto Guzzi in 1972. The turnaround comes in 1975, when Enzo Ferrari asks Brembo to equip his Formula 1 vehicles. Brembo enters the world of motor sport. This is followed by a partnership with MV Agusta for the MotoGP.

Challenge and innovation: providing better and better performances becomes one of Brembo's distinguishing features.

### 1980s - Comfort

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Brembo devotes itself to studying innovative materials. In 1980, it develops the first aluminium caliper — adopted by Porsche, BMW, Lancia, Nissan and Chrysler among others — followed, in 1984, by the first carbon brake disc for Formula 1.

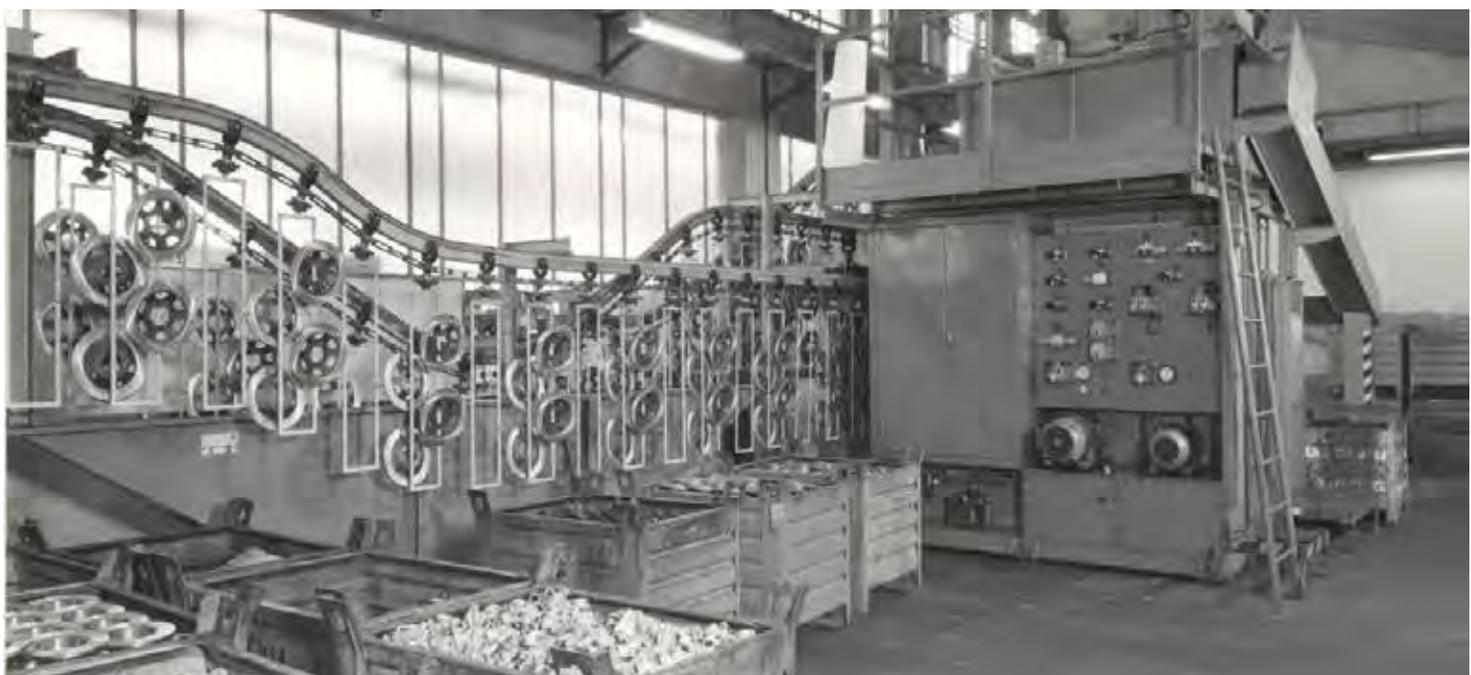
In addition to top performances, clients demand comfort and no noise or vibrations. The company begins to carry out its first tests on a sophisticated dynamic test bench. In 1985, Brembo becomes a strategic supplier for industrial vehicles built by Iveco, Renault and Mercedes.

### 1990s - The world

---

Brembo continues to grow: in 1995 the company is listed on the Milan Stock Exchange. This marks the start of a strategic process that will lay the foundations for market and production globalisation. Brembo starts manufacturing in Spain, Poland and Mexico, and also for the US market, where Chrysler is its first client.

These are years of radical innovation, with the first Monobloc brake calipers for cars and the first radial-mount calipers for motorbikes.



## 2000s - Style

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Brembo continues its expansion, encompassing Brazil, the UK, China, Japan, India and the USA. The braking system with carbon-ceramic discs makes its debut, winning the prestigious Compasso d'Oro in 2004: style and design characterise the world of Brembo more than ever before. The Brembo Research & Development Centre is opened in the Kilometro Rosso Science and Technology Park in 2007.

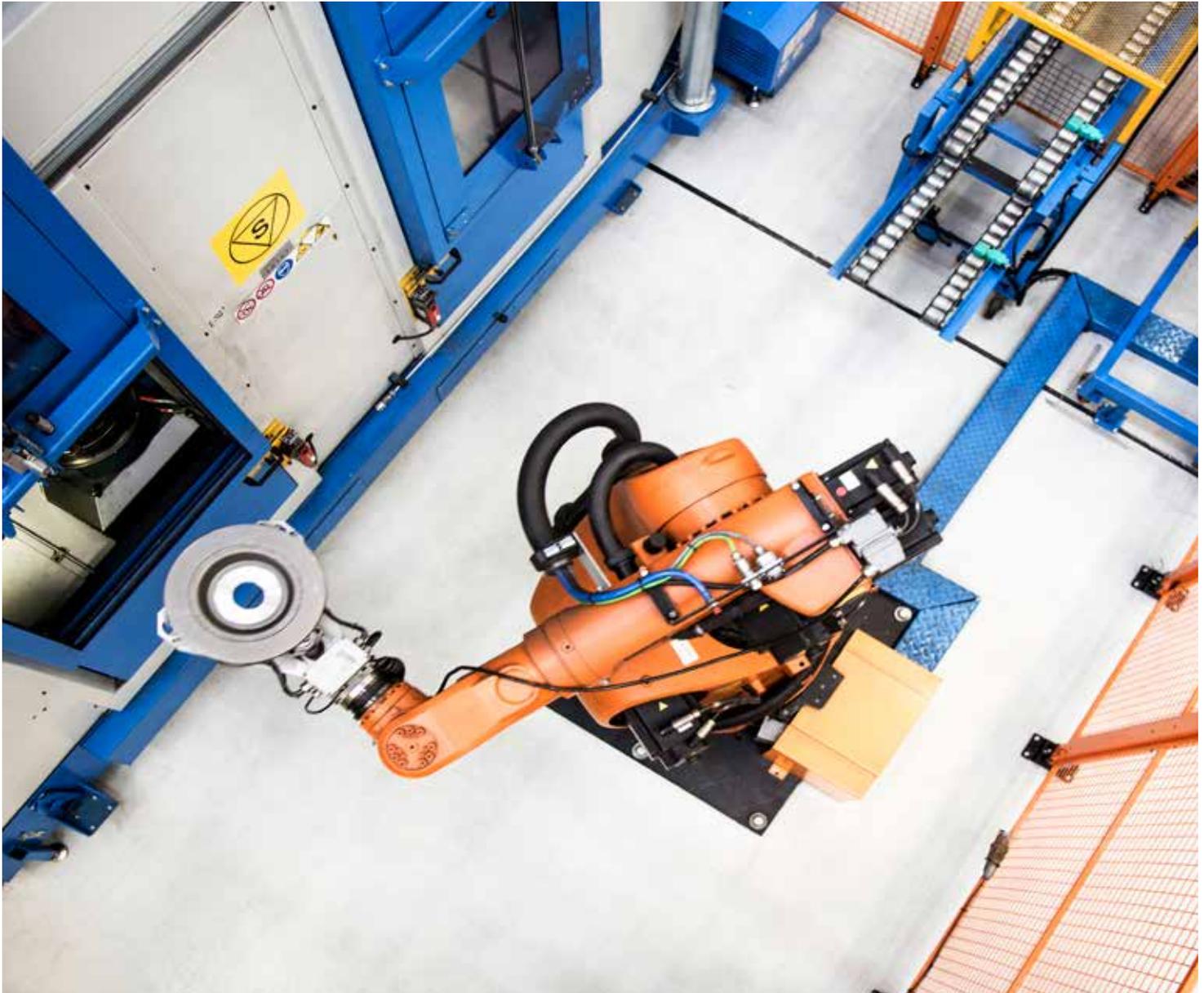
Its success in the world of sport continues: Brembo is world champion in the majority of racing championships.

## Since 2010 - The future

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Brembo looks to the future. The Group complements the launch of new hubs and production lines in the USA, Mexico, China and Poland with the opening of R&D centres also in China and the USA. A milestone honours a history of success: in 2017 Brembo's President Alberto Bombassei is added to Detroit's Automotive Hall of Fame.

Always ready for the next technology challenge, Brembo decisively opts for the world of electric vehicles, and as of 2018 it has become the exclusive supplier of braking systems for the Formula E racing cars.





## 1.3 Global footprint

Brembo S.p.A.'s headquarters are located in Italy, Curno (Bergamo).

### Manufacturing plants

-  **Italy**  
Stezzano, Curno, Mapello, Sellero
-  **Poland**  
Czestochowa, Dabrowa Gornicza, Niepolomice
-  **United Kingdom**  
Coventry
-  **Czech Republic**  
Ostrava-Hrabová
-  **Mexico**  
Apodaca, Escobedo
-  **Brazil**  
Betim
-  **Argentina**  
Buenos Aires
-  **China**  
Nanjing, Langfang
-  **India**  
Pune
-  **United States**  
Homer

### Distribution and sales

-  **Spain**  
Zaragoza
-  **Sweden**  
Göteborg
-  **Germany**  
Leinfelden-Echterdingen
-  **China**  
Qingdao
-  **Japan**  
Tokyo
-  **Russia**  
Moscow





**15**  
Countries  
in the world



**19**  
Manufacturing  
sites



**5**  
Research and  
Development  
centres

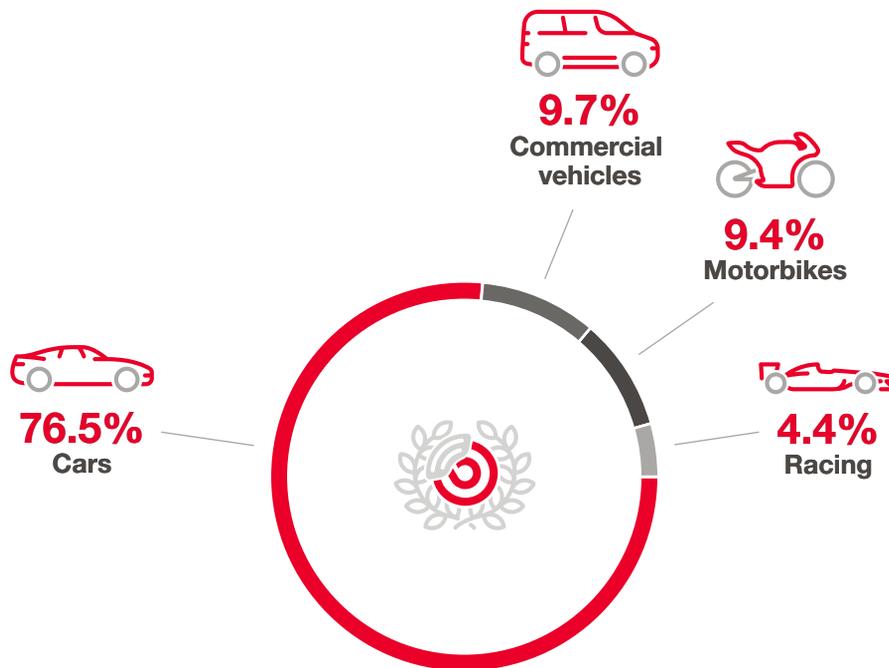


## 1.4 Target markets and brands

Brembo's **reference market** is represented by the most important manufacturers of cars, motorbikes, commercial vehicles and racing cars and motorbikes.

Overall in 2018, Brembo's consolidated net sales amounted to €2,640 million, up 7.2% compared to €2,464 million in 2017.

### Breakdown of net sales by application (% on total)



### Performance of the industry of reference

In 2018, the automotive industry — which generates over three quarters of Brembo's turnover — recorded a 0.5% total decrease in sales worldwide compared to 2017 following a

market downturn in Western Europe and Asia, particularly in China, which was offset by a positive sales performance of light vehicles in Eastern Europe and in the Americas.

Brembo has proven itself more than capable of seizing and exploiting trends in the target markets:

In 2018, the target car market changed compared to the previous year by:

- 0.8%** in Western Europe, with markets growing only in France and Spain. By contrast, Eastern Europe showed a positive trend, with a growth of 8.0% compared to 2017

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- 3.1%** in China, which however is still the world's top car market

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- + 0.6%** in North America, second market after China

In the same period, Brembo's sales reported the following results:

- + 8.3%** in Europe

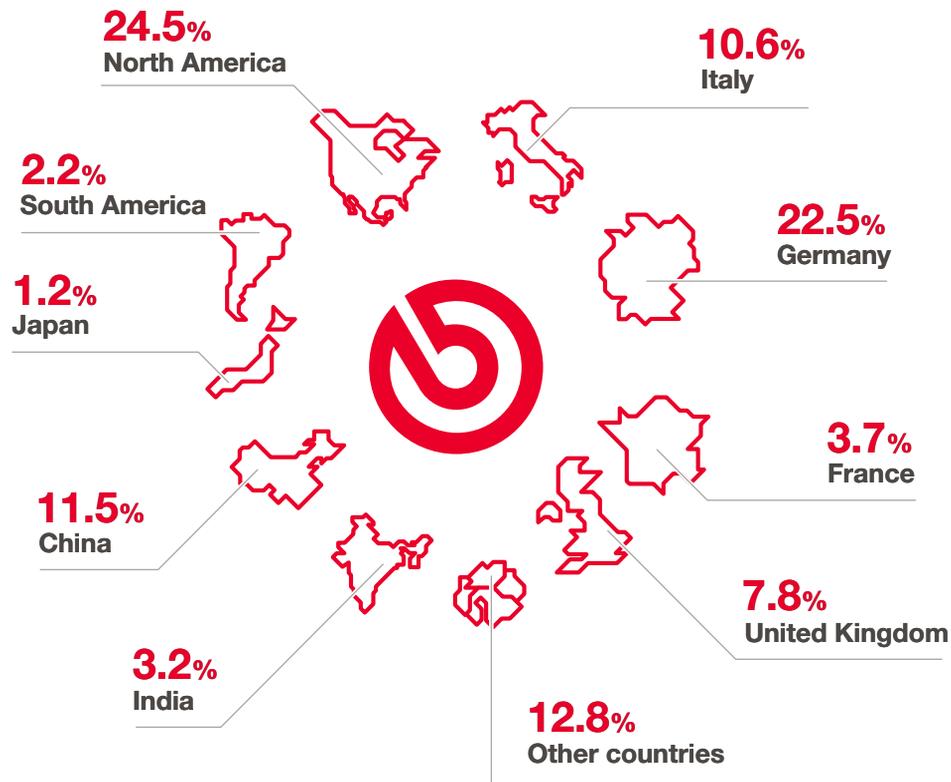
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- + 12.0%** in China

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- + 3.9%** in North America

Net sales breakdown by geographical area (% on total)





## The brands

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Brembo markets its products with the following 7 brands:

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**Brembo** is the leading brand in the design and manufacturing of braking systems for high-performance road and racing cars and motorbikes and for commercial vehicles. Performance, Comfort and Design are the brand's distinctive traits, which make Brembo's products the most prestigious braking systems and components.

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**Brembo Racing** is the Brembo brand for the racing market. It identifies all products bound for the world of car and motorbike racing.

Brembo Racing products are designed to provide maximum performance under the most extreme conditions, and they are used by the best teams in the most prestigious F1, Indy, Nascar, Rally, MotoGP, Superbike, Enduro and Cross championships. Since December 2018, Brembo Racing is the exclusive supplier of braking systems for Spark Racing Technologies, the sole maker of Formula E championship racing cars.

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**AP Racing** is the leading brand in the production of brakes and clutches for racing cars and motorbikes. AP Racing designs, manufactures and assembles its cutting-edge, high technology products for the main Formula 1, GT, Touring and Rally teams.

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**AP** represents a brand of excellence in the world market of car braking systems and components. It embodies a long history punctuated by creativity and achievement, which guarantees top-notch levels of product quality and performance.

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**Marchesini** is the leading brand in the design, production, and marketing of light-alloy wheels for road and racing motorbikes.

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Acronym for "By Brembo", **ByBre** is the brand dedicated specifically to braking systems for scooters and small and mid-power motorbikes.

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**Breco** is the brand dedicated to the sale of discs and drums in the aftermarket channel. Breco discs are certified as original or original-equivalent.

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## The Best Brand award

The Brembo brand keeps winning prestigious accolades cementing its reputation as one of the best-liked, most prestigious and most recognised brands both in Italy and abroad.

In 2018, Brembo was again voted “Best Brand” for braking systems by the readers of the main German industry magazines (including Motorrad, AutoZeitung, Motorsport Aktuell), a position it has held almost every year since 2006. More specifically, the prestigious Auto Motor und Sport fortnightly announced that

Brembo has topped the chart of braking system manufacturers with 70% of the votes.

The brand’s success and recognition are mirrored in Italy where, also in 2018, it came third in the **Best Brands Italia** chart which GFK and Serviceplan prepare every year based on the well-known yearly survey of best Italian brands. For the second year in a row, Brembo asserted itself among the best-liked Italian brands in the “Corporate Brand” category, the only non-consumer brand featuring amongst Italian and foreign giants.





## 1.5 Stock performance

For a listed company, the value of its stock is an important indicator of its credibility and reputation. For this reason over the past few years the Group has paid particular attention to its trust and relational capital. In this regard, since 2017 the Brembo stock has been included into the main Italian stock market index, the FTSE MIB, which lists 40 among the leading companies with a high level of market capitalisation; the Brembo stock is also listed in a new Italian Stock Exchange index known as the FTSE Italia Brands, featuring 22 Italian companies that are considered excellent in terms of brand perception and competitive positioning.

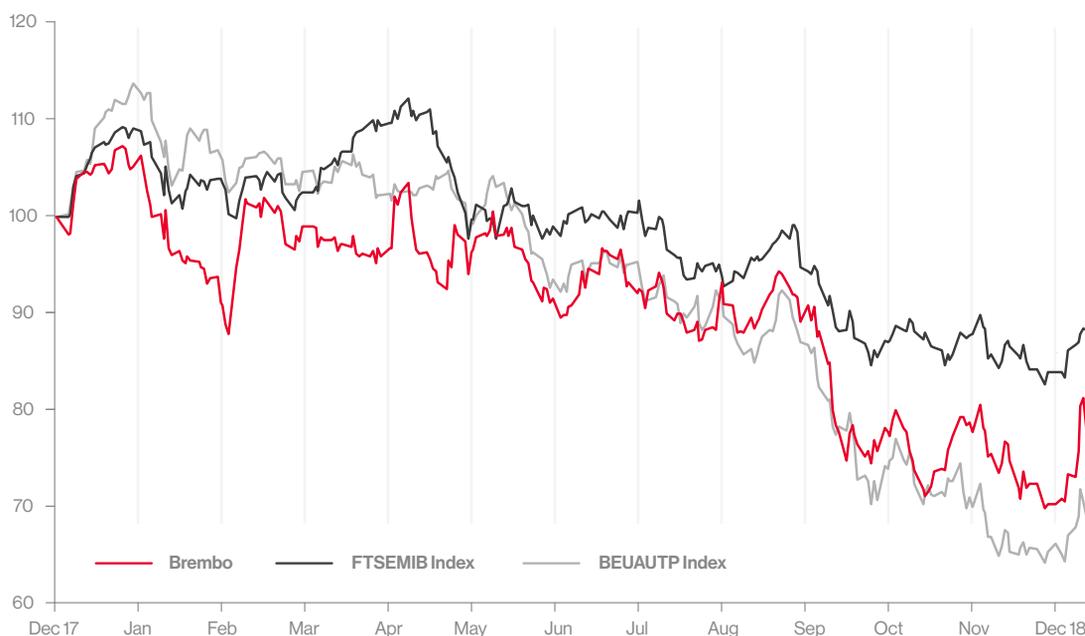
The year 2018 was marked by strong uncertainty linked to higher international trading tensions, concerns about a possible slowdown of global economic growth and a potential downturn in Chinese productivity, all of which bore down on the automotive industry. Against this backdrop Brembo stressed its commitment to monitoring any new developments in its industry, thus guaranteeing the strength of its fundamentals and the dynamic nature of its operations on a global level, allowing it to remain cautiously optimistic about future prospects. For the whole of 2018 the company has resolutely continued on its path to growth and consolidation in both its main markets and in those where Brembo has further strengthened its manufacturing presence over recent years, like North America,

Poland, China and India. Furthermore, R&D has seen growing levels of commitment, both in terms of investment and in the construction of new dedicated facilities to provide the innovation needed to respond to, or even anticipate, the future needs of a rapidly changing automotive industry, as shown by the progressive expansion of electric vehicles.

The macro-economic and industry uncertainties of 2018, especially in the early months, have led to a drop in the stock price for the first time ever, with a **29.8%** fall compared to year-start. In the same period the FTSE MIB index (in which Brembo has been included since 2 January 2017) and the index monitoring European Automotive Components manufacturing (BEUAUTP Index) closed down by **16.2%** and **33.9%**, respectively. Compared to 31 December, the Brembo stock price has increased in value and on 25 January 2019 it was worth €10.32.

Analysing the 2016-2018 figures, the Brembo stock has had a moderate growth of 1.4%, bucking the trend of the main stock indices, which were experiencing negative performances during the same period. More specifically, the FTSE MIB index closed the three-year period with an 11.6% loss, whilst the European Automotive Components index (BEUAUTP Index) dropped by 13.5%.

**Brembo stock Performance in 2018**







## Goal 4

Quality education



## Goal 6

Clean water and sanitation



## Goal 8

Decent work and economic growth



## Goal 9

Industry, innovation and infrastructure



## Goal 12

Responsible consumption and production



## Goal 13

Climate action



THE GLOBAL GOALS  
GLOBAL SUSTAINABLE DEVELOPMENT GOALS

Global Sustainable Development Goals





**Innovating  
and making**  
thinking about  
future generations



## Innovating and making thinking about future generations

### 2.1 Sustainability for Brembo

Corporate social responsibility is not an abstract concept for Brembo, but consists in daily concrete practices, designed to balance economic decisions against an assessment of their social and environmental impact in relation to the expectations of all Group stakeholders.



It is the path through which Brembo has worked to further strengthen the structure of this awareness and commitment, started at the end of the Nineties with an analysis of the value of the intangibles, aimed at measuring the company's ability to create value not only from an economic perspective, but also considering the social and environmental impacts, safeguards for employment, appreciation of human resources, promotion of employee safety and capacity for growth and innovation. In 1999, this analysis work was included in the first Intangible Capital Report which was followed by the publication, from 2004 to 2007, of the Value Report, a document describing the inter-relationship between the Group's economic results and its environmental and social performance.

Over the next few years this reporting approach combining financial and social responsibility information continued with the in-depth analysis, included in the Directors' Report on Operations, of aspects regarding the global macro-economic scenario, safety and environmental risks, company organisation, research and human resources.

Brembo has always paid particular attention to the development of global policies involving all Group companies in the areas of compliance, ethics, responsibility, sustainability and transparency. Brembo considers these values to be the foundation of the precious 'intangible' heritage formed by its brand, its reputation and the set of principles that characterise the way in which a socially responsible company acts.

### The Governance of Sustainability

The Group's willingness to operate in an increasingly responsible manner and to include sustainability in its business practices has prompted the implementation at Brembo of a Governance system which is dedicated to the auditing and management of these topics at Group level.

The key figure at the heart of Brembo's sustainability governance is the **Chief CSR Officer**, a role entrusted to the Director in charge of the Internal Control and Risk Management System. Besides interacting with the Audit, Risk & Sustainability Committee, the Chief CSR Officer is responsible for proposing, coordinating and deploying social responsibility projects and initiatives, monitoring action plans in the various organisational units (also in light of external best practices), analysing information

documents and stakeholders' requests regarding sustainability-related topics, as well as coordinating activities involved in the drafting of the yearly Disclosure of Non-Financial Information.

To support the Chief CSR Officer, Brembo has created a **CSR Steering Committee** consisting of the company's top management and the heads of the departments that are more closely involved with sustainability issues.

The Committee is tasked with determining the Sustainability Guidelines, adopting the relative policies, proposing a plan containing the environmental and social strategic objectives, approving the projects submitted by the Chief CSR Officer and validating the preparatory activities needed to launch the sustainability reporting process.

The CSR Steering Committee is also required to effectively oversee the stakeholder engagement process and the sustainability-related risks, as well as to assess the draft Disclosure of Non-financial Information.

Finally, in accordance with the provisions of Borsa Italiana's Corporate Governance Code, the Group has set up an **Audit, Risk & Sustainability Committee** within the Board of Directors, consisting of 3 Independent Directors, each with a 3 year term expiring upon the General Shareholders' Meeting called to approve the Financial Statements at 31 December 2019.

More specifically the Audit, Risk & Sustainability Committee provides support to the Board of Directors by analysing the sustainability policies and procedures, as well as the guidelines, the company goals with related processes linked to social and environmental topics, and by monitoring sustainability-

related international initiatives and actively involving the Group with such initiatives to raise the company's profile in the international arena. The Audit, Risk & Sustainability Committee is also required to express specialised opinions in relation to the identification of the main corporate risks, particularly those involving sustainability, environmental and social topics. Finally, the Committee analyses and assesses the draft Disclosure on Non-Financial Information, which is submitted for approval to the Board of Directors on a yearly basis.



### Learn more

**“Thinking responsibly, Acting concretely”**

Video on Brembo's Corporate Social Responsibility

## Brembo's sustainability management procedures

Brembo has adopted two procedures aimed at regulating the roles, activities, responsibilities and timetables relating to the preparation process of the Disclosure of Non-financial Information.

The **“Preparation Process of Consolidated Statement on Non-Financial Information”** procedure aims at describing the mechanisms and the operational process used for preparing the disclosure. It describes the stages, activities, roles, responsibilities and timetables of the business functions involved in the planning, information gathering, and control needed to implement

the reliability, consistency, traceability, timeliness, accuracy, comprehensiveness and substance requirements. Finally, it contains details relating to the validation process of data and information of a non-financial nature, as well as the activities underlying the NFI's drafting and its approval and verification.

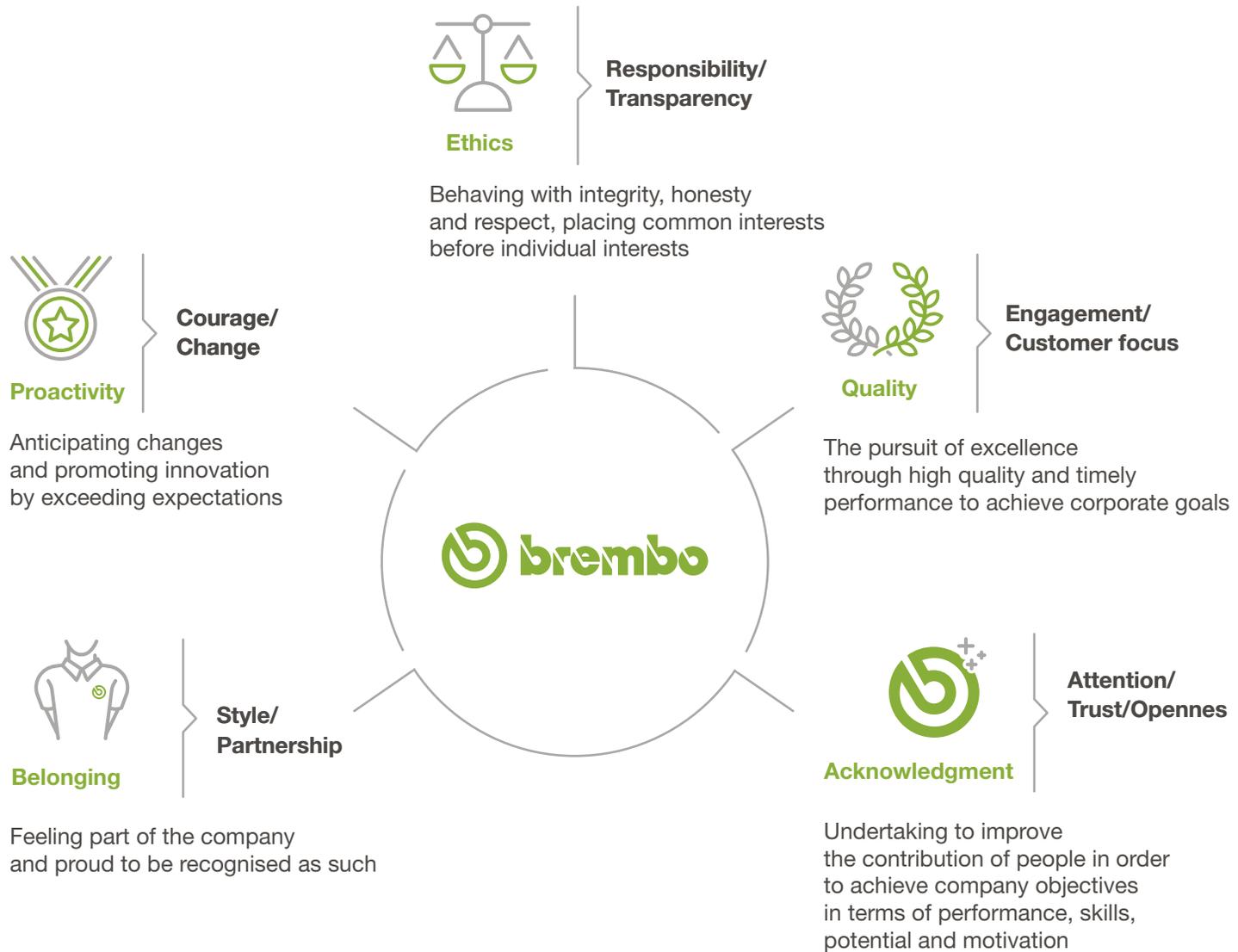
The **“Institutional Bodies involved in Corporate Social Responsibility”** procedure, on the other hand, describes the roles and responsibilities of Brembo's institutional bodies involved in Corporate Social Responsibility issues, regulating their relations and communication flows.



## 2.2 The Group's values

Ethics, quality, acknowledgement, proactivity and belonging are the five guiding values, enshrined in the company's Code of Ethics, that make up the wealth of Brembo's shared

culture, as well as a benchmark for conducting the company's business and operations in full respect for all the Group's stakeholders.



For further information: [www.brembo.com/en/company/corporate-governance/codes-policies](http://www.brembo.com/en/company/corporate-governance/codes-policies)





## 2.3 The history of CSR

Brembo has always been a responsible firm with regard to its employees, the environment, the community and all its stakeholders. By building itself upon solid values, it has always implemented practices and strategies that demonstrate its focus on the impact of its activities on the world around it.



### 1961

#### Origins and values

On January 11 1961, Emilio Bombassei and Italo Breda founded **Officine Meccaniche di Sombreno**, the original progenitor of today's Brembo.



### 1989

#### Associazione Brembo Italo Breda Foundation

Every year, this association awards study grants to Brembo employees and their children who have produced an outstanding academic performance.

### 1999

#### First Intangible Capital Report

This report documents Brembo's ability to create social and environmental value and to produce innovation.

**First automotive Quality certification (QS 9000 – AVSQ 94)**

### 2000

**First ISO 14001 Environmental Certification**

### 2001

**Financial Statements Oscar**  
(listed companies)

### 2003

**Adoption of the Code of Ethics on a Group level**

**First OHSAS 18001 Occupational Health and Safety Certification**

### 2004

#### First Value Report

The report supplements the information in the Group's Financial Report with details about environmental and social performance.

## 2005

Receipt of the National Prize for Corporate Social Responsibility, Città di Rovigo

## 2007

**Publication of the Charter of Values**  
The document identifies and describes behaviours that reflect and express the company's values.  
**Open Day at the Stezzano site in Italy**

## 2010

**The Brembo Kids educational project is launched in Italy**  
Hospitality project for the children of Group employees and during school holidays.

## 2006

First Family Day in Poland

## 2009

**Brembo North America takes part in the National Take Our Daughters And Sons To Work Day for the first time**



## 2011

**Brembo signs up to the Carbon Disclosure Project – Climate Change**

A programme designed to monitor and reduce greenhouse gas emissions.

**First edition of the Code of Basic Working Conditions Brembo hosts the 30th FARO Convention, Raw Materials Monitoring Centre**  
Event dedicated to suppliers.





## 2012

**Ambrogio Lorenzetti award for business governance (listed companies)**

**Launch of the Brembo WHP (Workplace Health Promotion) Project, Italy**

This project, in partnership with local institutions, promotes healthy lifestyles at work and at home.

**Launch of Brembo for Family, Italy**

This project, targeted at employees, offers opportunities for training and reflection on what it means to be a parent.

**Launch of Brembo to You, Italy**

This project aims to make people reflect upon individual wellbeing.

## 2013

**Institution of the CSR Steering Committee and appointment of the Chief CSR Officer**

The Committee aims to promote and coordinate Brembo Group's sustainability efforts.

**Brembo India, Water Saving Project**

Safe reuse of water 2-3 times in the Pune plant thanks to a dedicated system.

**Sustainability Supplier of the Year Award from Fiat-Chrysler**

Brembo is recognised as the best supplier in terms of sustainability in the EMEA.

**Adoption of the Anti-Corruption Code of Conduct, which applies to all Group companies**

## 2014

**The Social and Cultural Sponsorships and Donations Committee is set up**

The Committee aims to guarantee structured sponsorship management on a Group level.

**First Family Day in the Czech Republic**

**First edition of the Policy on non discrimination and diversity**

**Launch of the "Brembo Strong" project in Brembo North America**

The project promotes a healthy lifestyle at work and at home.



## 2015

**Biofilter, Iron Foundry in Mapello**

A natural filtration system for an 85% reduction in odours generated by the production system at the emission point.

**Sustainability audit by BMW, Car Division, Curno plant, in Italy**

**Support for the I Was a Sari Association, in India**

The association aims to improve the quality of life of the most disadvantaged Indian women by teaching them specialist tailoring skills.

**Launch of the Brembo Car Pooling Project**

The project facilitates travel between home and work thanks to an innovative web-based system.



## 2016

### SOSSteniamoci

In partnership with the NGO Cesvi, this project supports a group of unaccompanied foreign minors living in Bergamo, helping them on their way to achieving social and economic independence.

**Brembo signs up to the Carbon Disclosure Project – Water Programme** designed to monitor and reduce water consumption



## 2017

**Publication of the first Sustainability Report** (on a voluntary basis)

**Definition of a CSR Management System for the Group**  
**Sustainability audit by Volkswagen, Dabrowa plant, in Poland**

**Inclusion in the A-list Climate Change 2017 by CDP (CO<sub>2</sub> emissions)**  
 Recognition to Brembo because of its ability to respond to climate change (Carbon Disclosure Project).

### Brembo-CESVI Houses of Smile in India

In partnership with the NGO Cesvi, a services hub and three educational centres for women and children in the slums of Pune.

### House of Smile and I was a Sari receive the Impresa Awards prize

Set up by the Indo-Italian Chamber of Commerce and Industry, in the "Community Development (Society) Awards 2017" category.

## 2018

### Adherence to the sustainable development goals of the 2030 Agenda

Brembo becomes an advocate of the Sustainable Development Guidelines. The Group launches an internal communication campaign to raise awareness about this topic amongst all Brembo employees around the world.

### Worldwide Publication of the Supplier Code of Conduct

### Launch of the Internal Communication Campaign on Safety at Work

### Integrated Governance Index

No.1 manufacturing company amongst those assessed for the integration of sustainability in its company strategies.

### The CDP renews Brembo's inclusion into the Climate Change (CO<sub>2</sub> emissions) A-list for 2017 and includes it into the Water Security A-list

Brembo's capability to respond to climate change and to protect water resources is recognised (Carbon Disclosure Project).



## 2.4 Dialogue with Stakeholders

Over the years Brembo has established an active and constant dialogue with its internal and external stakeholders, based on the values of transparency, trust and consensus in decisions. Thanks to this dialogue the Group has the opportunity to obtain important information about the reference context and receive feedback on its operations, so that it can continually improve the impact of the company's activities on the environment and on society.

Through this process of listening and dialogue, Brembo is able to assess the extent to which it is understanding and satisfying the expectations and interests of its stakeholders and identify

the areas in which to increase its commitment and those in which to confirm the approach adopted.

Establishing ongoing, mutually fruitful dialogue requires:

- the identification of key stakeholders with which to promote periodic dialogue initiatives: to this regard, the map of stakeholders, which includes the associated expectations, has been drawn up thanks to internal investigations within the company structures responsible for the daily management of relations with the respective stakeholder categories;
- the definition of the most appropriate methods of ensuring stakeholder engagement.



The following table sums up the listening and engagement tools and the expectations of all the Group’s stakeholders, illustrating the various interests to which Brembo is required to respond.

Group stakeholders	Feedback and engagement tools	Stakeholders’ expectations and interests with regard to Brembo
<p><b>Investors</b></p> 	<ul style="list-style-type: none"> <li>• General Shareholders’ Meeting</li> <li>• Feedback and support channels offered by the Investor Relations function</li> <li>• Meetings, roadshows (approximately 10 a year) and quarterly conference calls with analysts</li> <li>• Corporate website and dedicated e-mail accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in the value of the Brembo Group’s shares</li> <li>• Reduction of the risks associated with the investment</li> <li>• Transparency of Corporate Governance structures, long-term strategy and objectives, management actions and company performance, as also extended to the environmental and social arena</li> </ul>
<p><b>Customers</b></p> 	<ul style="list-style-type: none"> <li>• Daily activities and reports of the Business Units: Car and Commercial Vehicle Systems Division, Brake Discs Division, Motorbikes, Aftermarket and Performance Group</li> <li>• Joint development programmes</li> <li>• Supplier assessment questionnaires and qualification processes</li> <li>• Customer support channels</li> <li>• Support and training network for Brembo Expert repair professionals</li> <li>• Surveys to identify customers’ needs and expectations for the development of new products</li> <li>• Events with customers</li> </ul>	<ul style="list-style-type: none"> <li>• Product reliability and safety</li> <li>• Reliability and flexibility of production processes to ensure business continuity and delivery times</li> <li>• Constant product innovation, including the improvement of environmental performance and attention to product design</li> <li>• Support for joint development of custom solutions</li> <li>• Technical support for the network of repair and maintenance service professionals in the transfer of know-how</li> <li>• Protection of the value of the Brembo brand as a distinctive element for vehicles and motorbikes</li> </ul>
<p><b>End User</b></p> 	<ul style="list-style-type: none"> <li>• Customer support channels</li> <li>• Monitoring and interaction on social networks</li> <li>• Feedback from vehicle and motorbike manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>• Reliability and safety of Brembo products</li> <li>• Information about proper brake system maintenance</li> <li>• Protection of the value of the Brembo brand as a distinctive element for vehicles and motorbikes</li> </ul>



Group stakeholders	Feedback and engagement tools	Stakeholders' expectations and interests with regard to Brembo
<p><b>Brembo People</b></p> 	<ul style="list-style-type: none"> <li>• Internal climate (every 3 years), job satisfaction and engagement surveys</li> <li>• Trade union roundtables</li> <li>• Daily activities and reports of the Human Resources and Organisation function</li> <li>• Channels for receiving reports of violations of the Code of Ethics, Code of Basic Working Conditions and Policy on Non Discrimination and Diversity</li> <li>• Internal communication activity (Intranet portal, house organ and notice boards)</li> <li>• Training activities concerning organisational behaviour</li> </ul>	<ul style="list-style-type: none"> <li>• Safe work environment, where the health and mental and physical wellbeing of individuals are protected</li> <li>• Job stability</li> <li>• Opportunities for personal and professional growth</li> <li>• Training and skill development processes</li> <li>• Remuneration policies and merit-based incentive systems</li> <li>• Inclusion and appreciation of diversity</li> <li>• Transparency and engagement with regard to company objectives and performance</li> </ul>
<p><b>Suppliers</b></p> 	<ul style="list-style-type: none"> <li>• Daily activities and reports of the Purchasing function</li> </ul>	<ul style="list-style-type: none"> <li>• Timely and proper fulfilment of contractual conditions</li> <li>• Continuity of supply requests</li> <li>• Possibility of developing strategic partnerships to improve activities</li> </ul>
<p><b>Local Communities</b></p> 	<ul style="list-style-type: none"> <li>• Orientation and involvement of secondary school and university students and related recruiting programmes</li> <li>• Roundtables and discussions with the Public Administration</li> <li>• Initiatives involving the opening of Brembo's facilities to visits from workers' families ("open door" days) in various countries where the Group is present</li> <li>• Initiatives in support of the social and cultural development of local communities promoted by the Group</li> <li>• Whistleblowing mechanism for alleged violations of the Code of Ethics</li> <li>• Monitoring through the media (press, specialist publications, TV, Web and social networks)</li> </ul>	<ul style="list-style-type: none"> <li>• Support to the world of schools, also through a willingness to host students on alternating school-work paths</li> <li>• Collaboration with Universities and research centres in the development and spread of engineering, technical and scientific knowledge and skills</li> <li>• Offering of job opportunities and transparent, merit-based recruitment processes</li> <li>• Creation and protection of employment within the Group and its ancillary businesses</li> <li>• Development of production and logistics processes that safeguard environmental conditions and the health of populations near Brembo's production facilities and those of the suppliers</li> <li>• Participation and support by Brembo in cultural development and social inclusion projects</li> </ul>

Group stakeholders	Feedback and engagement tools	Stakeholders' expectations and interests with regard to Brembo
<p><b>Institutions</b></p> 	<ul style="list-style-type: none"> <li>• Roundtables and initiatives involving discussion with institutions, at national and international level</li> <li>• Hearings before parliamentary committees</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring full compliance with and observance of applicable legislation</li> <li>• Contributing to the development of regulations concerning the monitoring of polluting emissions in the automotive sector through the sharing of know-how and of specific industry knowledge</li> <li>• Promotion of local development and the achievement of the objectives established by the international agenda</li> <li>• Monitoring of the process to manage social and environmental risks throughout the value chain</li> </ul>
<p><b>Future Generations</b></p> 	<ul style="list-style-type: none"> <li>• Focus on the awareness campaigns of environmental associations and on analyses of the scientific community</li> </ul>	<ul style="list-style-type: none"> <li>• Fight against atmospheric pollution and global warming</li> <li>• Conservation of natural resources and circularity of the economy</li> <li>• Protection of ecosystems and natural biodiversity</li> <li>• Contribution to the achievement of the UN Sustainable Development Goals</li> </ul>
<p><b>Industry Companies and Competitors</b></p> 	<ul style="list-style-type: none"> <li>• Participation in the proceedings and themed committees of trade associations</li> </ul>	<ul style="list-style-type: none"> <li>• Involvement in the analysis of the industry's performance and needs to define common strategies for improving the sector and developing industry-wide policies</li> <li>• Strengthening industrial relations, including in view of pre-competitive collaboration on certain key aspects, such as improving sector sustainability</li> <li>• Protection of freedom of competition</li> </ul>



## Dialogue with the key players in the automotive industry

Promoting constructive dialogue with institutions and encouraging discussion between the industry’s key players are two important aspects for Brembo to strengthen its brand on the market and increase its competitiveness. The Group is a member of various associations and takes part in working groups at both local and international level. It is committed to

working in partnership with an industry-oriented approach that allows the automotive and motoring sector to grow, innovation to be stepped up and progress achieved in the general interest.

At international level the Group collaborates with the following associations/organisations:

Association	Main objectives
<b>CLEPA - European Association of Automotive Suppliers</b>	Brings together the automotive suppliers at European level, representing their interests in dealings with the European institutions, the United Nations and related organisations, including ACEA, JAMA and MEMA. Brembo is currently holding the Presidency of CLEPA.
<b>CAEF - European Foundry Association</b>	Brings together and represents the foundry sector’s operators at European level.
<b>MADE S.c.a.r.l.</b>	The Competence Centres are highly specialised centres set up by the Italian Ministry of Economic Development. The Competence Center, established in the form of a S.c.a.r.l. with the name of “MADE”, aims to teach SMEs about the digital strategies and technologies dedicated to industry, including collaborative robotics and use of big data, distance maintenance, virtual design and man-machine interaction, cyber-physical production systems (digital technologies supporting the factory).
<b>EIT Raw Materials</b>	EIT Raw Materials represents an innovation community (KIC), part of the European Institute of Innovation and Technology (EIT) — an independent body directly funded by the EU to support the promotion of economic growth and the creation of sustainable jobs – which is committed to ensuring accessibility, availability and sustainable use of raw materials for the economy and citizens.
<b>EIT Manufacturing - MADE BY EUROPE</b>	This innovation community (KIC), part of the European Institute of Innovation and Technology (EIT) — an independent body directly funded by the EU to support the promotion of economic growth and the creation of sustainable jobs — aims to give a fresh boost to the European manufacturing industry’s competitiveness.
<b>SAE - Society of Automotive Engineers</b>	SAE International is a global association of engineers and technical experts employed in the automotive, aerospace and commercial vehicle production industry, which promotes collaboration, sharing of expertise and professional development of its members.
<b>UNECE - United Nations Economic Commission for Europe</b>	Its main aim is to promote economic integration amongst its 56 member states in Europe, North America and Asia.

At national level the Group takes an active part in the initiatives of the following associations and organisations:



## Italy

- **CONFINDUSTRIA:** represents manufacturers and service providers operating in Italy, promoting the protection of their legitimate interests in relations with institutions, public administrations and economic, political, trade union and social organisations. Brembo is the general representative for large enterprises within the association's General Council.
- **AIDAF, Italian Family Business:** founded in 1997 by Alberto Falck and a group of entrepreneurs who share the same principles, AIDAF aims to be a point of reference for Italian family businesses.
- **ANFIA:** brings together more than 260 Italian enterprises operating in the motor vehicle construction, conversion and equipment sectors for the individual and collective transport of people and goods.
- **ANCMA:** represents manufacturers of motorbikes and their components operating in Italy, safeguarding their interests and promoting the resolution of economic, technical and regulatory problems in the industry.
- **ASSOFOND:** represents the Italian foundry sector in its relations with national, European and international economic, political and social institutions, administrations, and organisations.
- **ASSONIME:** an association of Italian joint stock companies. It studies and discusses issues concerning the Italian economy's interests and development. In June 2017, the Brembo's Chairman was appointed a member of the Board of Directors for the 2017-2018 two-year period.
- **AIR:** the Associazione Italian Investor Relations promotes the role of the Investor Relations Officer (IRO) within the financial community.
- **AIRI:** the Italian Association for Industrial Research plays an active role in promoting national and international cooperation in industrial research
- **AODV:** association of Regulatory Body members pursuant to Legislative Decree 231/2001.
- **ACI:** with more than one million members, the Italian Automobile Club (ACI) is the largest free association in Italy that represents and safeguards the interests of the Italian automobile sector, and promotes the sector's development through dissemination of a new mobility culture.
- **Italian-Chinese Chamber of Commerce:** fosters the develop-

ment of economic and commercial relations between Italy and China through information and training initiatives, seeking opportunities for Italian enterprises interested in the Chinese market and Chinese enterprises wishing to operate in Italy.

- **Italian-Russian Chamber of Commerce:** contributes to the development of economic, commercial, technical, legal, scientific and cultural collaboration between Italy, the Russian Confederation and other CIS states.
- **Italian Chamber of commerce and industry for Spain:** promotes economic and commercial relations between Spain and Italy.
- **Lombardy Mobility Cluster:** this is one of the nine Technology Clusters recognised by the Lombardy Region, for which it acts as institutional representative for Research and Innovation; it covers the automotive, nautical, railway, and intermodality sectors (transport and infrastructures).
- **Italian National Transport Cluster:** the National Technology Cluster "Trasporti Italia 2020" (CTN Tra.IT2020) is an association recognised by the Italian Ministry of Education, Universities and Research as a reference for the land and maritime mobility vehicles and systems sector.
- **Italian National Technological Cluster "Fabbrica Intelligente":** an association that includes large and medium-small sized enterprises, universities and research centres, business associations and other stakeholders operating in the advanced manufacturing sector. The association is recognised by the Italian Ministry of Education, Universities and Research as a driver of local sustainable economic growth throughout the entire national economic system, encouraging innovation and specialisation of national manufacturing systems.
- **Sodalitas Foundation:** a network of enterprises, volunteers and colleagues committed to generating shared value, promoting the culture of partnerships seeking to build a future of growth, sustainability, inclusion and development throughout the community.
- **GEO – Green Economy Observatory:** a collaborative platform, promoted by IEFE Bocconi, for businesses and entities in all the sectors interested in the issues of sustainability and the circular economy.

Brembo is also part of the following associations: **IBC (Industrie Beni di Consumo)** for barcodes; **OICA** – Organisation Internationale des Constructeurs d'Automobiles; **ACEA** – Association des Constructeurs Européens d'Automobiles; **CUNA** – Technical Commission for Automobile Standardisation; **Albo Research laboratories;** **AICIP** – Italian association of consultants and experts in business and enterprise intellectual property; **AIPI** – Italian Interior Designers Association; **UNI** – Italian national body for standardisation; **WG 16 ISO 26262**



– Functional Safety Expert Member of TC22/SC3/WG16 “ISO 26262 working group”; **AUTOSAR** (Safety Group) – Automotive Open System Architecture; **ASM** – American Society for Metals; **FIA** – Italian Automobile Federation; **IEEE** Computer Society; **NED COMMUNITY** – Italian association of non-executive and independent directors; **ASFOR** – Italian association for managerial training; **AIGI** – Italian Company Lawyers Association; **Forum** of the Secretaries of the Boards of Directors of FTSE-MIB Companies; **ISPI** – Institute of International Political Studies; **Club FARO** – Organisation for the optimised acquisition of raw materials and non-ferrous materials.

## Poland



- **PKPP Lewiatan**: brings together enterprises operating in the country, encouraging the protection of their legitimate interests in relations with public institutions and trade union organisations.
- **Silesia Automotive & Advanced Manufacturing Association – Katowice Special Economic Zone**: industrial cluster whose goal is to support the development of strategic competencies for the automotive sector.

In Poland Brembo is also a member of the **Foundry Foundation of Krakow University of Science and Technology**.

## Spain



- **SERNAUTO**: brings together enterprises operating in the sector of motor vehicle spare part equipment production, looking after their relations with key national and international organisations.
- **ANCERA**: brings together independent equipment retailers for vehicles, spares, tyres and accessories operating in Spain with the aim of encouraging collaboration and innovation in the automotive sector in order to reinforce safety and improve productivity.
- **FEMZ**: Federation of Metal Societies of Zaragoza. This organisation operates on a provincial level, bringing together entrepreneurs working in the iron and steel industry.
- **CAAR - Aragon Automotive Cluster**: promotes the development of the largest European industrial cluster for the automotive sector.

## United Kingdom



- **MIA - Motorsport Industry Association**: the main world commercial association for the Motorsport, Performance Engineering, Services and Tuning sectors.

## United States



- **OESA - Original Equipment Supplier Association**: brings together the main enterprises operating in the United States automotive sector with the aim of promoting industry supply chain collaboration and safeguarding mutual interests.
- **SAE Brake Executive Board** State Bar of Michigan.
- **MMSDC - Michigan Minority Supplier Development Council**: an organisation committed to developing economic growth among minority communities.
- **AASA - Automotive Aftermarket Suppliers Association**: an association of aftermarket component manufacturers that aims to promote a collaborative environment.
- **Brake Manufacturer’s Council**: a committee dedicated to providing and maintaining communications with legislative or regulatory authorities, whose actions may affect braking system parts around the world.
- **MiX - Modern Industry Expertise**: a consultation council for aftermarket executives with the objective of educating and tackling business concerns from the standpoint of millennials.
- **AMCHAM - US Chamber of Commerce**: promotes encounters between professionals from different companies for the purposes of sharing knowledge and opportunities.
- **MIC - Motorcycle Industry Council**: industry association of manufacturers, distributors and other players in the motorcycle market.
- **SEMA** - Specialty Equipment Market Association.
- **SME** - Society of Manufacturing Engineers.
- **PRSA** - Public Relations Society of America.
- **Women of Auto Care Council**.

Brembo is also a member of various local Chambers of Commerce that encourage the development of economic activities in the state of Michigan, including the **Plymouth Chamber of Commerce and Michigan Chamber of Commerce**.

## Mexico



- **CAINTRA:** represents and promotes the interests of the industrial community in the Nuevo Leon region.
- **CANACINTRA:** represents, defends and promotes the interests of the country's industrial community, with a particular focus on the development, sustainability, innovation, competitiveness and integration of industries.

## Argentina



- **AFAC - Asociacion Fabricantes de Autopartes y Componentes:** an association that brings together manufacturers in the Argentinean car components industry.

## Brazil



- **FIEMG and SINDIPEÇAS:** an association of businesses that promotes the development of trade and mediates collective bargaining with the Trade Unions.

## Japan



- **JSAE - Society of Automotive Engineers of Japan:** Japanese society that promotes the development of automotive science and technology.

## China



- **Italy-China Foundation:** brings together the Italian business world operating in China and Chinese companies operating in Italy with the aim of facilitating flows of people, ideas, capital, goods and services between Italy and China, improving Italy's presence in China and in Chinese institutions so as to foster commercial trade and strengthen cultural and business relations between the two countries; since 2018 Brembo's Chairman has been Chairman of the Foundation's Board of Directors.
- **Nanjing Association of Enterprises with Foreign Investment:** association that promotes foreign business investments.

In addition, Brembo is a member of various industry associations including the **Hebei Machinery Industry Association** and **Langfang Equipment Industry Association**.

## India



- **Society of Indian Automobile Manufacturers:** brings together and represents the main motor vehicle and component manufacturers.
- **Confederation of Indian Industry:** promotes industrial development in India, representing the interests of the business community and fostering collaboration with the Government and civil society.
- **Maharatta Chamber of Commerce & Industries:** an association for the industrial and economic development of the Pune region.
- **International Market Assessment India Pvt. Ltd:** an association offering consultancy services. Brembo participates in the CEO & CFO forum.
- **Indo-Italian Chamber of Commerce and Industry:** promotes trade between India and Italy.
- **Automotive Research Association of India:** industrial research association formed by the automotive industry, the Ministry for Industry and the Indian Government.
- **Automotive Component Manufacturers Association:** association representing the interests of the Indian automotive industry.



## 2.5 The materiality matrix

Brembo is aware of how important it is to identify the topics that are relevant for its stakeholders and to choose the contents of this Disclosure to provide an understanding of the activities carried out by the Group, its performance, its results and the impact produced by them, also considering the principles of the GRI Standards of materiality, inclusiveness, sustainability context and completeness.

For this reason, the Group carries out an annual a materiality analysis process to define the structure and contents of the Disclosure of Non-Financial Information, in order to identify the areas in which the Group’s activities may have the greatest impact on natural ecosystems, as well as on the wellbeing of

the community, individuals and all of the Group’s stakeholders. When applying the sustainability reporting standard set forth by the GRI’s Global Sustainability Standard Board, the material sustainability aspects were evaluated in terms of their capacity to have a significant influence on stakeholder decisions and opinion, as well as in relation to their impact on Group performance.

The analysis process, conducted by the Chief CSR Office, with the involvement of top management and supported by an external consultancy firm specialised in the analysis, monitoring and reporting of the business activity’s social, environmental and economic impact. This process was organised into four main phases:



The phase of identification of sustainability topics that are material for the Group’s industry and situation is based on the assessment of the following different information sources:

- ▶ corporate documents, including, among others, the Group’s Annual Report, the Organisation, Management and Control Model according to Legislative Decree No. 231/2001, presentations, press releases and transcriptions of conference calls with financial analysts, minutes of the Shareholders’ General Meeting, the Code of Ethics, Brembo’s Policy on Non Discrimination and Diversity, the Code of Basic Working Conditions, as well as the Anti-bribery Code of Conduct, the “My Brembo” house organ, Health and Safety, Environment and Energy and Quality performance monitoring reports;
- ▶ external documents such as reports analysing scenario changes, prepared by the World Economic Forum and the GRI amongst others (Sustainability Topics - What Do Stakeholders Want to Know?), questionnaires evaluating Brembo’s sustainability performance sent by the main Customers, benchmarking analysis carried out on the main competitors, Internet searches, Brembo’s press clippings;
- ▶ international standards and multi-stakeholder initiatives, including the Sustainable Development Objectives, the UN

Global Compact, the United Nations “Protect, Respect and Remedy” framework, the OECD Guidelines for Multinational Enterprises, the European Commission’s CSR Agenda for Action, GRI standards 101, 102, 103, 200, 300 and 400, the SASB standard, UNI ISO 26000 Guidance on Social Responsibility of Organisations and the CDP (Carbon Disclosure Project) Climate Change and Water questionnaires.

For the purposes of disclosing the first Sustainability Report for the reporting year 2016, the mapping process had led to the identification of 65 Topics that are potentially significant for the Group. The internal team has selected the 28 amongst them that are deemed most significant based on its own professional judgement and these were then submitted to the company’s top management for their assessment. Three aspects were considered to be a prerequisite at the base of Brembo’s sustainability model and so were not subject to further materiality analyses:

- ▶ the creation of economic value sustainable in the long term;
- ▶ the adoption of an effective and transparent governance system;
- ▶ the constant focus on compliance regarding standards and regulations.

## The materiality matrix

In 2018 Brembo involved representatives of the company's top management in a process aimed at assessing and updating the materiality matrix. In line with the work carried out in 2017, the Group's top management was asked to assess the relevance of the material aspects both in terms of how they represent Brembo, and how they interpret the stakeholders' viewpoint, based on their own professional experience.

In particular, during specific interviews, top management assessed the material topics, prioritising them and updating their positioning within the matrix. These assessments were collected for the 14 topics identified as most material in 2017 with the aim of reviewing the relevance associated with each one, taking into account the way the main industry trends are evolving and

their economic-financial and reputational impact, as well as the strategies defined by Brembo. These meetings also assessed the other 14 topics identified as less relevant during 2017, to identify whether these can be integrated with the company priorities. Following this analysis the topic "responsible use of water resources" was added to the most relevant topics in the 2018 materiality matrix. Top management's involvement was also fundamental for identifying potential new material issues to be included in the materiality analysis process for 2019.

Finally, the interviews were useful for starting the process of identifying potential stakeholders outside the Group to be involved in the process for evaluating material topics in future years.

The discussion with top management revealed how the material topics have to be considered more and more as a way of making sure that business decisions are in line with the aspects considered material by the Group and its stakeholders, as well as for meeting the automotive sector's global challenges. Some of the main megatrends that can substantially influence Group decisions and operations include:

- **Future mobility:** the sector in which Brembo operates is experiencing a profound transformation that reflects the new electric propulsion systems, autonomous driving and integration of different vehicle systems, where the car is increasingly able to carry out independent actions and provide assistance to the driver in real time. In particular, the development of alternative-fuel cars, electric cars and

autonomous driving cars will determine the market's future competitive context. So, it will be essential in this scenario that Brembo fully understands these trends and develops solutions that anticipate market changes;

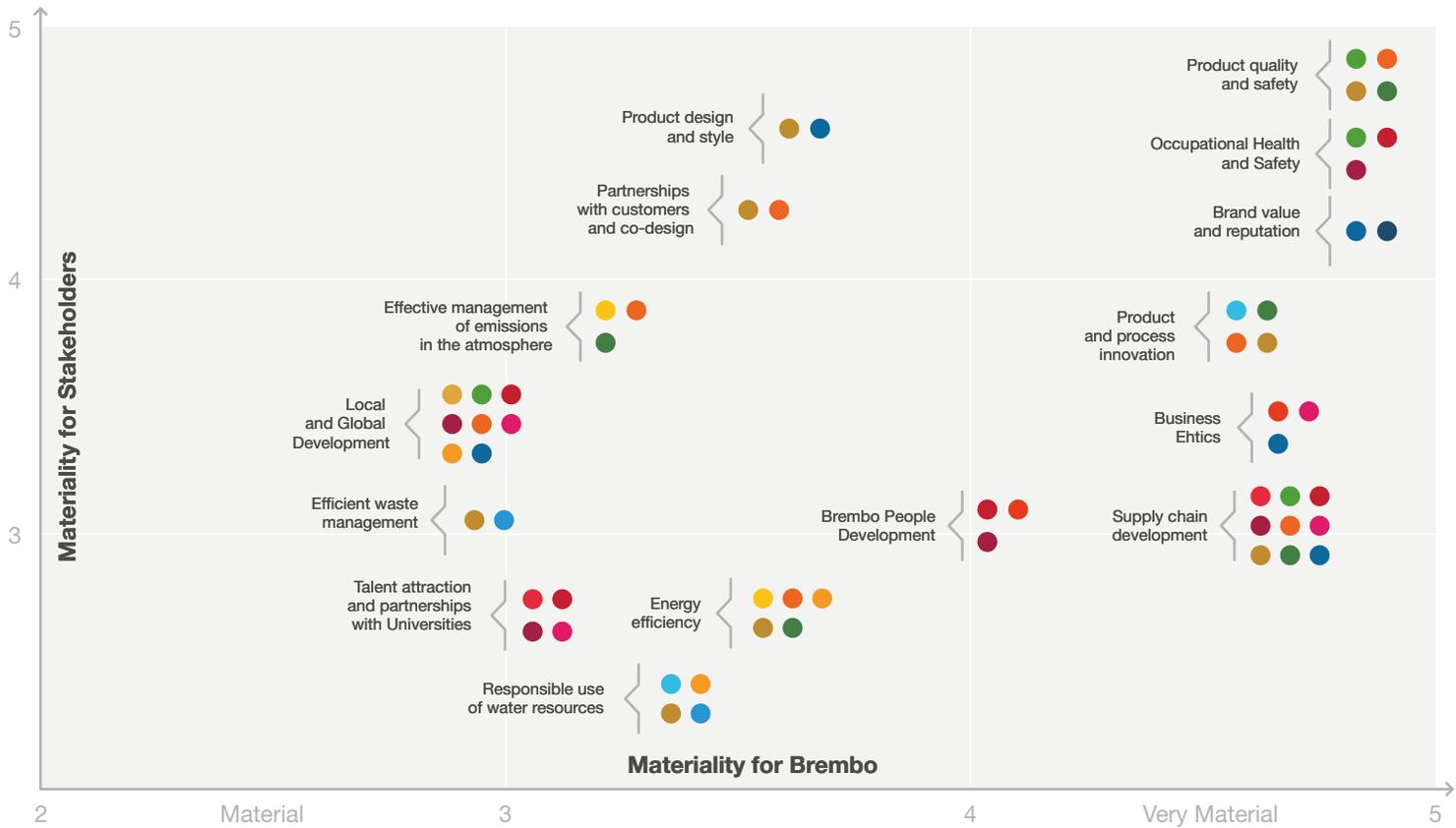
- **Growth of the Sharing Economy:** recent years have seen a gradual change in the type of final user, with an ever decreasing number of car owners alongside a rise in users of car sharing services. In this scenario companies that run large car fleets will be more competitive, with a resultant reduction in the number of customers and a general increase in market competitiveness. In addition, as well as the emergence of ever larger customers, this will also lead to stakeholders seeing the materiality of the topics related to responsible and sustainable supply chain management and ethical business management.



The result of the material topics assessment activities described above is represented graphically in a diagram, indicated below, within which the 15 most significant topics are positioned along two axes:

- ▶ the abscissa axis reflects the materiality of the Topics for Brembo;
- ▶ the ordinate axis reflects the materiality of the Topics for the Group's main stakeholders

The 2018 Matrix was examined and approved by the Board of Directors on 17 December 2018, after examination by the Audit, Risk & Sustainability Committee in the meeting of 6 December 2018. The different colours of the Topics identify the stakeholder category most influenced by the various sustainability aspects.



In 2018, the materiality matrix confirmed once again how the continual promotion of ethical behaviours within the Group is an essential prerequisite for carrying out the company's operations built on the production of a safe and quality product. A product created from a process of continuous innovation, the result of the enhancement and development of the people working for the Group.

In particular, the strong relevance attributed to the **product quality and safety** topics became apparent after the interviews. In fact, these are two fundamental aspects for ensuring Brembo's competitive edge and meeting the numerous customer requirements. The priority attributed to these topics is also the result of a global legal scenario and market trends that emphasise the need for greater attention to be paid by companies such as Brembo to product quality and safety, together with a concrete commitment to the effective management of risks inherent in end consumer safety.

Another very important aspect is **occupational health and safety**. Given how the scenario and trends in the reference sector are evolving, Brembo is aware of the importance of adopting a structured approach to workplace health and safety, in line with the distinctive issues caused by the Group's geographical diversification.

The **Supply Chain development** topic in the 2018 matrix showed a rise in its relevance, as confirmed in the Purchasing Department's and the entire company's commitment to managing purchases responsibly, paying particular attention to the supply chain's impact on the local communities, market choices and customer expectations.

In line with the past year the **Brembo People** development topic occupies a significant position in the materiality matrix. In fact, the personal and professional growth of employees is a key element on which the company's success is based, as well as being an area on which it is important that the Group focuses its attention. In a broader sense people development is a key driver for increasing personal motivation and reinforcing Brembo's reputation as a "best place to work".

Finally, the analysis carried out by the Group's top management added the **Responsible Use of Water Resources** topic to those most relevant for the Group, in consideration both of the impacts of the Group's production processes and the ever greater attention paid at global level to aspects related to the scarcity of water resources.

15 topics identified as material are reported precisely in the document, with an increasing level of detail depending on their relevance for the Group and the stakeholders. A description of these topics is given below, to provide a greater understanding:

### Product quality and safety



Innovation to improve the safety of all product components: mechanical strength, integration with advanced electronics, etc. Maximum safety guarantee for the brake systems marketed. Offering customers products with high-quality standards to ensure excellent performance, consistent with the target market segment (top-range vehicles).

### Occupational Health and Safety



Promotion of working conditions that ensure full compliance with the right to health and the safeguarding of the physical wellbeing of employees through management systems that allow workplace accidents and occupational diseases to be prevented. Promotion of healthy and ergonomically-sound workplaces. Investment in infrastructure and training and in disseminating a safety culture.

### Brand value and reputation



Promotion of the Brembo brand's distinctive features. Protection of Group's reputation and brand value.



### Product and process innovation



Constant process and product innovation to ensure an improvement in product quality, also in order to reduce environmental impacts.

Capacity to grasp the opportunities that digitalisation offers for transforming production and logistic flow planning, supporting the customers' need to be able to rely on an extremely flexible supply chain, able to meet requirements with "just in time" arrangements.

### Business Ethics



Dissemination of and training on the Code of Ethics, the Anti-bribery Code of Conduct, the Antitrust Code of Conduct, the 231 Model and the Local Compliance Programmes.

Controls on effective implementation of the Model according to Legislative Decree No. 231/2001, the Code of Ethics and other codes of conduct, effective management of violation reports and adoption of safeguards against retaliation.

Internal and external mechanisms for reporting behaviours that are unethical, and do not conform to company standards or are illegal.

Incentive systems that promote and recognise the commitment to manage one's own responsibilities/activities with a view to ongoing improvement in business sustainability.

### Supply chain development



Propriety and integrity in all phases of the commercial relationship with suppliers, from their qualification to assignment of supplies up to payment and resolution of any dispute.

Collaboration inside the supply chain through stable commercial relations, assistance with investment and reinforcement of management skills.

### Brembo People Development



Performance management, through the regular appraisal of all staff and definition of structured and formalised career development paths.

Retention and development of critical staff and related skills, planning of their succession.

Programmes for managing skills and promotion of training/life-long learning.

International mobility opportunities for Brembo People.

### Product design and style



Expression of product quality also by focusing on its design and aesthetics.

### Partnership with customers and co-design



Partnerships in the automotive supply chain for product innovation and development.

Capacity to monitor market trends, reactivity in understanding the most promising innovations and quickly adapting its own offer to such developments.

### Effective management of emissions in the atmosphere



Control and reduction of climate-altering gas emissions generated by production processes.

Use of technologies/systems to reduce greenhouse gas emissions.

Purchase of energy from renewable sources and development of renewable energy plants.

Efficiency in the logistics and reduction of greenhouse gas emissions.

Reduction of other noxious emissions (e.g., nitrogen oxides - Nox, sulphur oxides - Sox, fine particulate matter - Pm10, volatile organic compounds, etc.).

## Energy efficiency



Reduction of direct and indirect energy consumption.  
Management of energy performance and energy policies.  
Investment in energy efficiency with a particular focus on innovation and the adoption of the best available technologies.

## Talent attraction and partnerships with Universities



Capacity to attract and retain talents and key expertise within the Group also through relations with Universities.

## Responsible use of water



Reduction of water consumption in the production processes, also by reusing water in multiple processing cycles.  
Thorough monitoring of quantities of water drawn, consumed and recycled.  
Systematic analysis of water discharges re-entering the environment after industrial use.  
Adoption of product treatment technologies and plant that allow water to be replaced with dry alternatives.

## Local and global development



Globalisation strategy and implications for the areas of localization.  
Awareness of the Group's role in developing a local ancillary industry in areas where it operates, contributing to the creation of infrastructures, employment, training and development of the local business fabric.  
Promotion of a local managerial class in the various geographical areas where the Group operates.  
Containment of the industrial site's negative impacts, particularly on the environment and local ecosystems.

## Effective waste management



Reduction of hazardous waste production and proper disposal/recycling.  
Promotion of scrap reduction and recycling initiatives.

The materiality analysis carried out by the Group has led to the identification of the topic (within the 28<sup>4</sup> topics initially analysed), expressly required by Decree 254, "Promotion of diversity and equal opportunity"; although this topic has not been identified by Brembo's top management as being one of the most material topics for the Group, it is reported in this Disclosure, since its social importance is recognised.

<sup>4</sup> The following topics have also been analysed, in addition to the 15 topics shown in the matrix: Benefits and work-life balance for all Brembo's people; protecting trade union freedom and workers' rights; promotion of diversity and equal opportunity; listening and strategic alignment of Brembo's People; customer satisfaction; relationship with local communities and stakeholder engagement; product eco-innovation; Conflict Minerals; protection of soil against polluting leakage and substances; responsible selection of materials; due environmental and social diligence in relations with suppliers and business partners; collaboration with suppliers and promotion of supplier driven innovation; participation in system/sector initiatives.



## 2.6 The 2030 Agenda: the Sustainable Development Goals and priorities for Brembo

### The global Agenda for Sustainable Development and the Sustainable Development Goals (SDGs)

On 25 September 2015, the governments of the 193 United Nations member states signed the 2030 Agenda for Sustainable Development, a programme containing 17 Sustainable Development Goals (SDGs) as a ‘call to action’ to all member states in an effort to steer the world along a sustainable path for the benefit of the people, the planet and prosperity.

Working for people, eradicating poverty in all its forms, working for the planet through conscious consumption and production, and working for prosperity, making sure that all of humanity can benefit from economic, social and technological progress, are the fundamental requirements for sustainable development.

In order to make a tangible contribution to the implementation of the Global Agenda, the UN members states set themselves 17 shared sustainable development goals, with 169 targets to be reached by 2030. “Shared goals” means that all countries and all individuals are called upon to contribute, drawing up their own sustainable development strategy and involving all

components of society: an active role is therefore also required from businesses, which can use their resources and skills to make a fundamental contribution to achieving the SDGs.

Aware of its global innovator role, Brembo decided to endorse the 2030 Agenda, advocating the sustainable development guidelines for all 17 goals. As a first step following the official endorsement and in accordance with international best practice, Brembo has identified the links between the priorities defined in the materiality matrix and analysed their impact on each of the Global Agenda’s goals. For this purpose, the CSR office has identified the SDGs towards which it believes it can contribute the most through its activities, with a deadline for 2030.

Here are 3 SDGs in particular that stood out following a questionnaire submitted to the Group’s top management (SDG 8, SDG 9 and SDG 12), whilst 3 more emerged from the analysis of the main projects and activities carried out by Brembo during the year (SDG 4, SDG 6 and SDG 13).

# SUSTAINABLE DEVELOPMENT GOALS



The result of this activity is summarised in the table below.

	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 RESILIENT INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
Product quality and safety			●						●			●	●				
Occupational Health and Safety			●	●				●									
Brand value and reputation																●	●
Product and process innovation						●			●			●	●				
Business Ethics					●					●						●	
Supply chain development	●		●	●				●	●	●		●	●			●	
Brembo People Development				●	●			●									
Product design and style												●				●	
Partnership with customers and co-design									●			●					
Effective management of emissions in the atmosphere							●		●				●				
Energy efficiency							●		●		●	●	●				
Talent attraction and partnerships with Universities	●			●				●		●							
Responsible use of water						●					●	●		●			
Local and global development		●	●	●				●	●	●	●					●	
Effective waste management												●		●			

In the table there are six SDGs that have been highlighted and identified as Group priorities, towards which initial contributing steps have already been undertaken:

- ▶ **GOAL 4:** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- ▶ **GOAL 6:** Ensure availability and sustainable management of water and sanitation for all.
- ▶ **GOAL 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- ▶ **GOAL 9:** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
- ▶ **GOAL 12:** Ensure sustainable consumption and production patterns.
- ▶ **GOAL 13:** Take urgent action to combat climate change and its impacts.

### Conveying SDGs within Brembo

In full agreement with SDG Compass – the guide for companies on how to implement the Agenda 2030 – Brembo believes that its commitment towards the achievement of the 2030 SDGs should start first and foremost with the dissemination and promotion of SDGs across the entire corporate structure. The communication campaign promoting awareness and

sensitisation towards sustainable development goals was devised namely out of this belief.

The first action in this direction was the creation of the 2019 Brembo calendar explaining the SDGs, which was distributed to the Brembo’s employees worldwide.



**1,606**

Number of people trained on ethical topics



**36%**

Proportion of women on the BoD



**6**

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



# Values and principles

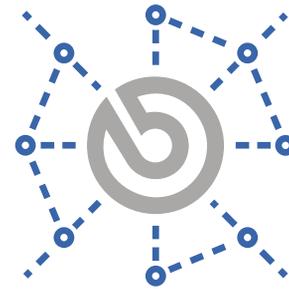
mirrored in the  
organisational structure



# Values and principles mirrored in the organisational structure

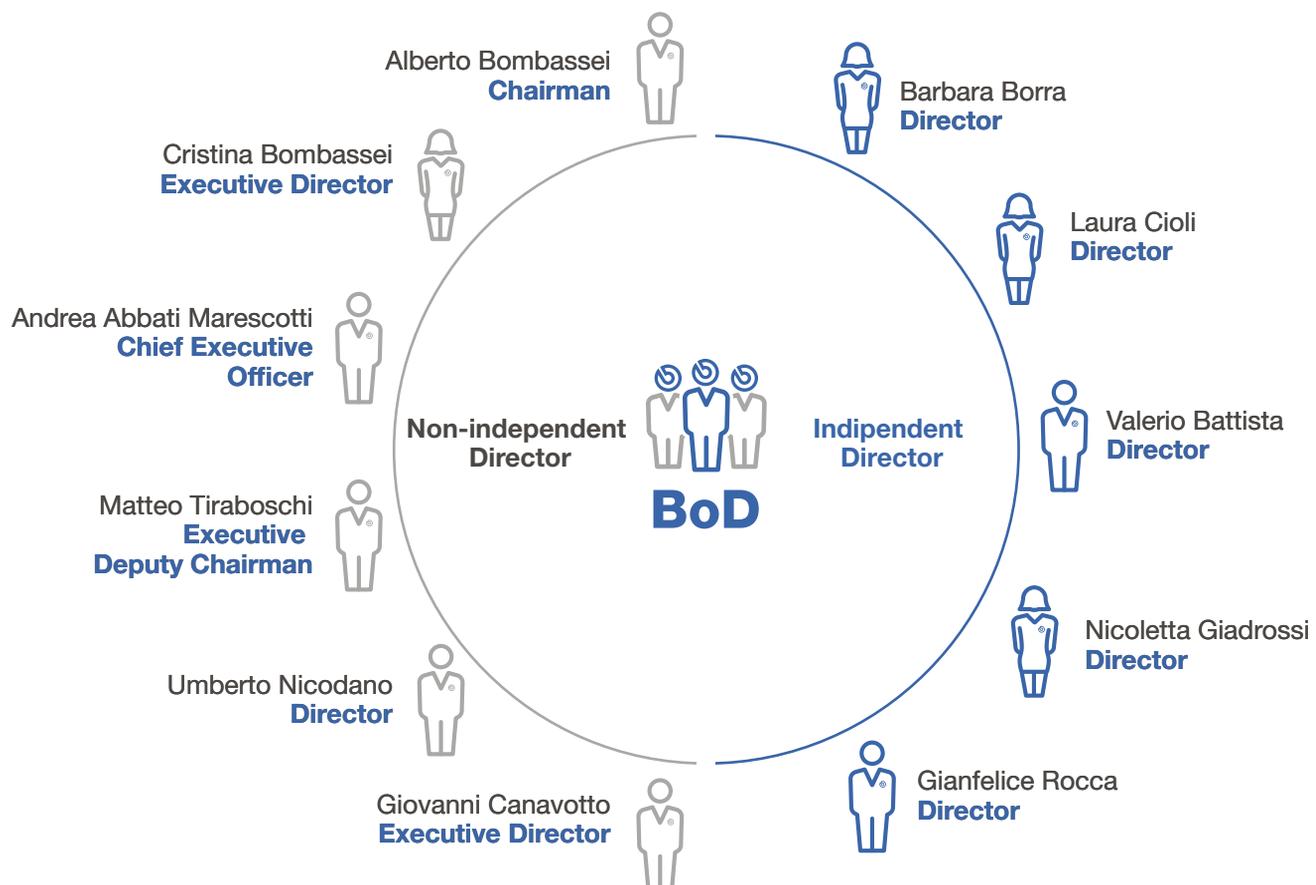
## 3.1 Corporate Governance Model

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



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

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



### ► Shareholders' Meeting.

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

### ► Board of Directors (BoD).

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

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

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

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

- defining a remuneration system based on ethics, quality, proactivity, belonging and acknowledgment, and that is able to both attract and retain human resources who, thanks to their talent and excellent professional skills, can successfully work and operate within the Company;
- motivating those resources to achieve increasingly challenging performance targets in view of a constant improvement, also through the adoption of incentive schemes designed to orient them towards the fulfilment of strategic business objectives, hence creating medium-/long-term value and aligning the management's interests and Shareholders' expectations.

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



## Diversity policies and criteria for the Board of Directors

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

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

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

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

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

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

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

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

5 As at the date of submission of the lists

6 As at the date of submission of the lists

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

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

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

### Board of Directors

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



### Audit, Risk & Sustainability Committee

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

### Remuneration & Appointments Committee

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

### ► Board of Statutory Auditors.

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

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

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

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

### Board of Statutory Auditors

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

## Diversity policies for the Board of Statutory Auditors

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

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

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

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

### ► Independent Auditors.

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

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

### ► Delegation of powers.

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

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

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

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

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

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

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

### ► Governance model of subsidiaries.

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



## 3.2 Responsible business management system

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

## Principles for safety and environment management

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



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

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

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

### Supervisory Committee

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

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

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

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

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

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

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

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

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

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

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



**1,606**

**Brembo People**

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



### 3.3 Internal Control and Risk Management System

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

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

#### Organisational structure

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

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

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

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

#### Risk Management Policy

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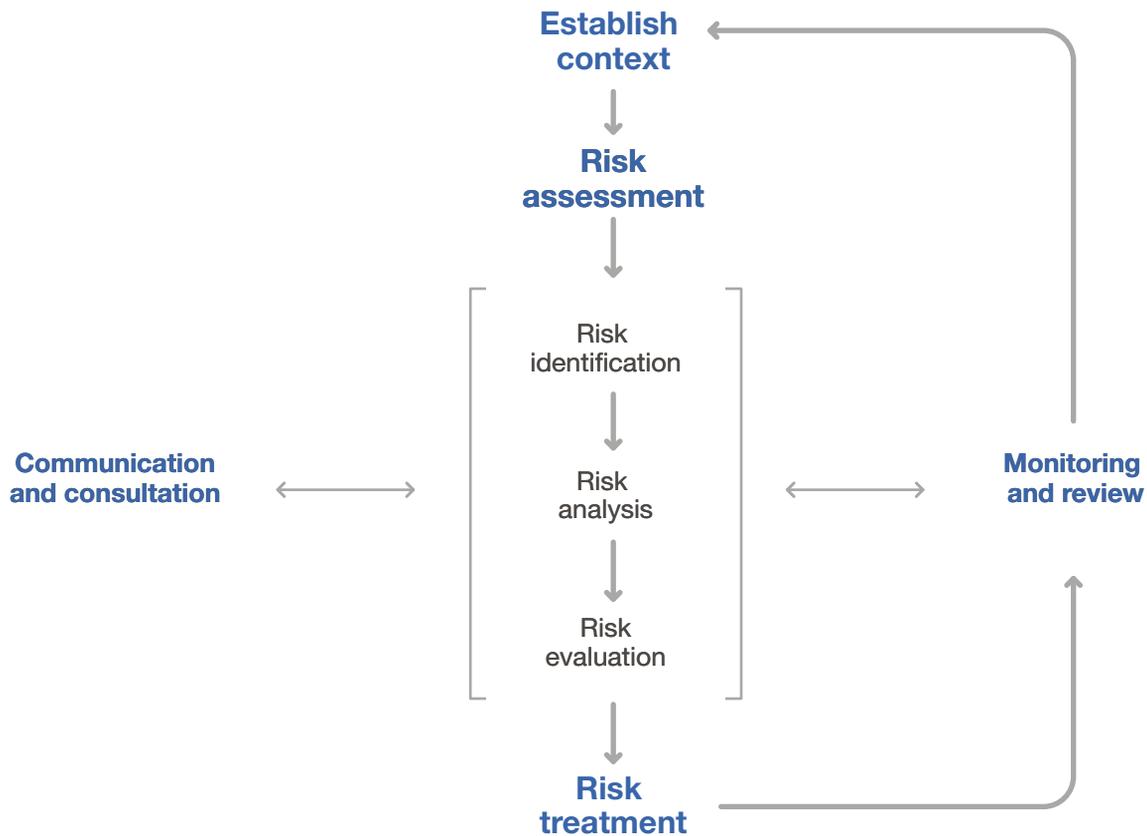
A **Risk Management Policy** based on **ISO standard 31000**, approved by the Board of Directors, which establishes the Group's general direction and policies relating to risks, risk management and harmonisation of processes. The risk management policy pursues a variety of aims, including:

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

## Risk Management Procedure

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

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



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

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



## Risk Model

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

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

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

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

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

## Leg. Decree 254/2016

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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





**+8%**

Workforce increase  
compared to the previous year



**100%**

OHSAS 18001  
certified plants

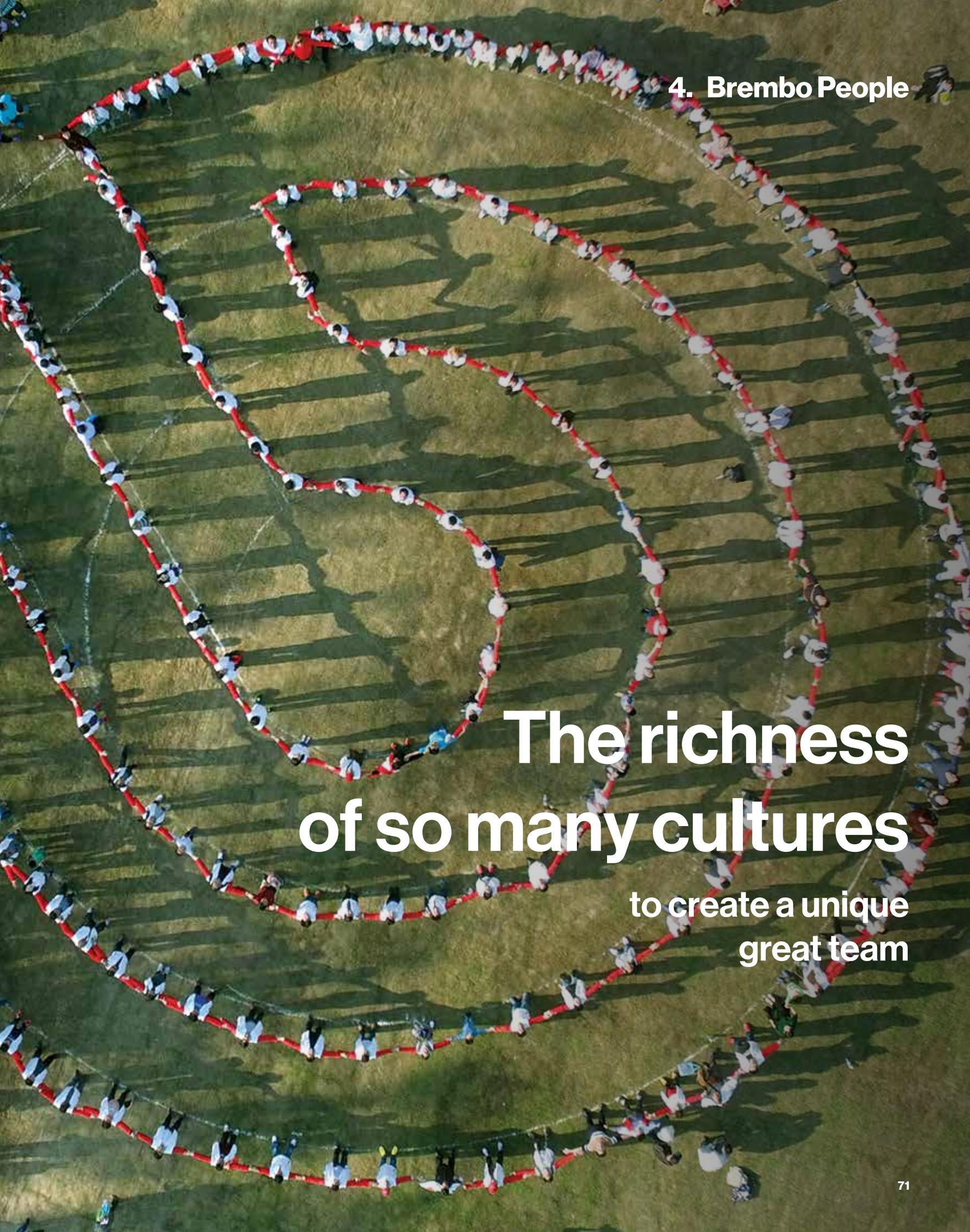


Over

**240,000**

Training hours provided during the year



An aerial photograph showing a large group of people, mostly wearing white shirts and red scarves, holding hands in a large circular formation on a grassy field. The formation is composed of several concentric rings, with the outermost ring being the most prominent. The people are arranged in a way that creates a sense of unity and teamwork. The background is a vast, green, open field under a clear sky.

## 4. Brembo People

**The richness  
of so many cultures**

**to create a unique  
great team**



## The richness of so many cultures to create a unique great team

### 4.1 A Group that grows with talented people, where passion becomes work

The more than 10,600 people who work for Brembo every day with dedication and passion represent the company’s strategic wealth. Their knowledge and skills are the real competitive advantage behind the Group’s ability to innovate and pursue excellence when manufacturing all its products.



Aware of the huge strategic value of People, Brembo works constantly to boost, on the one hand, the sense of belonging and the motivation of everyone who works for the Group and, on the other, to consolidate its image as a “best place to work.”

As proof of this commitment the Group, as well as presenting itself as an “employer of choice” in the various job markets where it operates, has received awards and special recognition in this area. For example, in Italy, it took second place in the Reputation Institute’s annual ranking dedicated to the Italian companies most attractive to those seeking employment; it was named one of the “most attractive employers” in the Universum survey in the “Industrial Engineering and Manufacturing” category and it took first place in the Ranstad Employer Brand 2018, in the “latest technologies” category.

The Brembo brand’s major ability to attract talented people distinguished not only by their professional experience and abilities, but also by their passion, their upholding of the Group’s values and their ability to work very effectively with others, is also reflected in the major growth in the workforce recorded by the company during 2018, with a positive balance of 797 new staff compared to the previous year.

Brembo Group is thus able to rely on a young highly professional and qualified team, with 66% of the workforce having achieved a mid-high level of education and 23% having a university qualification, of whom more than 1,600 People, 15% of employees, trained in engineering or other technical-scientific disciplines.

Brembo is constantly looking for talents who stand out for their ability to make a personal contribution and develop in a continually evolving context, ready to tackle and anticipate the Group’s future challenges. The company has structured a search and selection process, defined within the framework of the Group’s specific Guidelines, also founded on the principles of diversity and equal opportunities, that allows each candidate’s skills and value to be appreciated fully and without discrimination. It also works to offer its people a stimulating work environment with concrete opportunities for professional growth and job stability, also in dialogue with the trade union organisations where present. As proof of this commitment on the matter of employment more than 81% of staff are hired with an indefinite-term contract. In addition, the Group, consistent with the contents of the Code of Basic Working Conditions, applies collective bargaining when the law or social system so require. In particular, as of today, 88% of the workforce is covered by a collective bargaining system.



**10,634**  
Brembo  
People



**39.5**  
years:  
average age



**+797**  
People: headcount  
increase in 2018,  
+ 8% compared to 2017

People hired by geographical area<sup>8</sup> and gender (No.)<sup>9</sup>

Geographical area	2016		2017		2018	
	Men	Women	Men	Women	Men	Women
Europe	472	151	582	144	748	152
America	360	79	454	96	475	113
Asia	202	24	282	59	317	49
<b>Total</b>	<b>1,034</b>	<b>254</b>	<b>1,318</b>	<b>299</b>	<b>1,540</b>	<b>314</b>

People terminated by geographical area<sup>8</sup> and gender (No.)<sup>9</sup>

Geographical area	2016		2017		2018	
	Men	Women	Men	Women	Men	Women
Europe	298	60	347	86	532	99
America	232	36	174	30	333	78
Asia	78	20	110	25	184	34
<b>Total</b>	<b>608</b>	<b>116</b>	<b>631</b>	<b>141</b>	<b>1,049</b>	<b>211</b>

People hired and terminated by age<sup>9</sup> in 2018

Age group	Hired	Terminated
<30	937	484
31-40	602	460
41-50	260	187
>50	55	129
<b>Total</b>	<b>1,854</b>	<b>1,260</b>

8 The three macro-areas include the countries specified below:

**Europa:** including Italy, Poland, United Kingdom, Czech Republic, Spain and other countries;

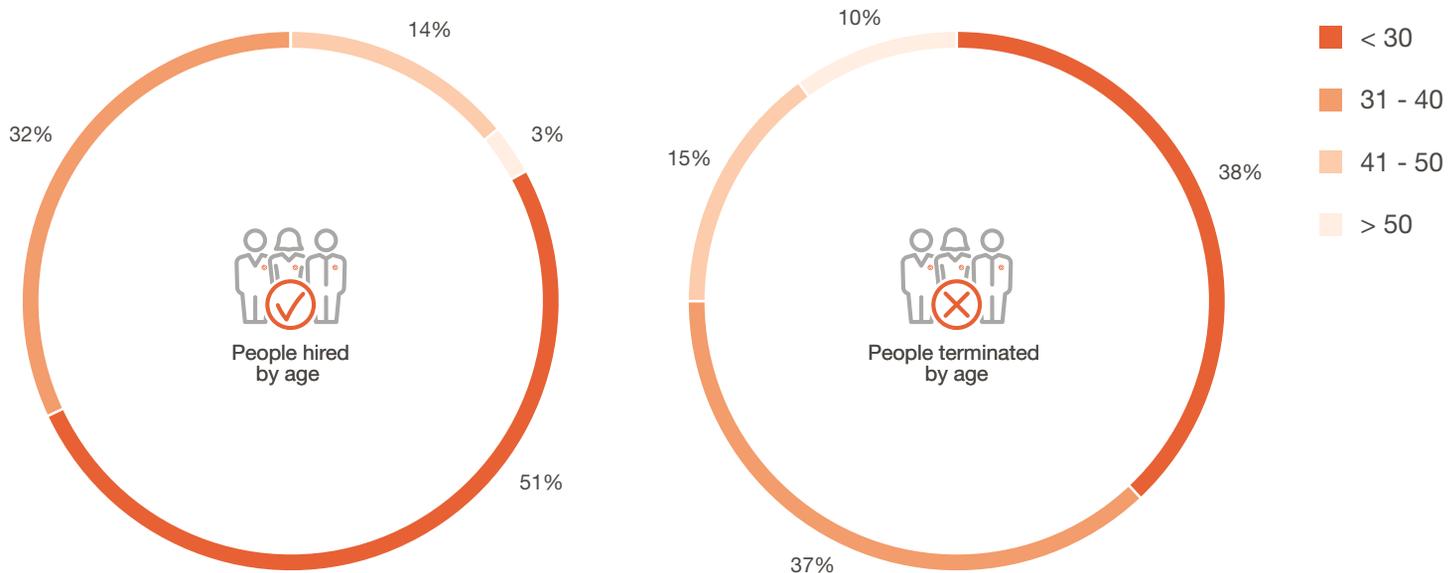
**America:** including Argentina, Brazil, United States and Mexico;

**Asia:** including China, Japan and India.

9 The difference between headcount for the year being analysed/headcount for the previous year and the balance between people hired/terminated for the year being analysed is due to the treatment of terminations at 31/12 each year, in addition to the calculation of some other specific cases according to different national regulations. The figures referring to Brembo People on "International Assignment" are not counted in the number of people hired and terminated, but they are included in the year-end workforce figure. An International Assignment is an overseas posting that may range in length from six months to three years and is governed by a specific letter/contract. Brembo People on these postings are not included in the turnover table, as this is an intercompany transfer.



### People hired and terminated by age



The Group believes that active collaboration with the higher education institutions (for example, including, amongst others, those in the Bergamo province, Italy, and the area of Homer, Michigan in USA), and the university institutions present in the various local areas where it operates, is a key part of its own talent search and selection process. In order to place itself as a point of reference for many talents, Brembo has set up structured and strategic partnerships with more than 30 Universities worldwide (including, amongst others, the most prestigious in Italy, the Bocconi campus in India, Politechnika Częstochowska in Poland, Kettering and Western Michigan in the USA). This heritage is mapped in detail through the annual structured “University Relations Mapping” process involving all the Group’s companies.

Together with many of these Universities, Brembo organises multiple “career days” and “campus recruiting” days to make contact with those about to graduate and new graduates interested in the Group, and inform them about the career opportunities that it offers. Particularly significant during 2018 were the multiple events organised in this regard in China, Italy, Poland, Czech Republic and the United Kingdom.

With reference to the world of work, maintaining these communication channels with the Universities is hence proving to be fundamental, both for promoting a constant interchange of experiences, and for multiplying the occasions for reciprocal knowledge and bringing together valued people interested in the world of Brembo and its wealth of job opportunities.



#### Some of the technical-scientific paths supported by Brembo:

**Accademia del freno** at the Polytechnic University of Milan

**Begonnen: Learn German with Brembo,** at the Polytechnic University of Milan

**Masters in Automotive Engineering** at the University of Modena and Reggio Emilia

**Masters in Motor Racing Engineering**

In this regard, another activity that plays a major role in developing such synergies is the organisation of specific training paths during which Brembo’s professionals and researchers make available their skills and experience to students. They do this both by giving students the opportunity to spend time in the company’s laboratories on thesis, research or internship projects and by providing Brembo specialists to teach as part of certain specific training initiatives, such as the Accademia del Freno organised and run directly at the Polytechnic University of Milan.

Collaboration with training and research Bodies and Institutions is also instrumental to promoting, within the reference areas, the development of essential technical and scientific skills to meet the constant market changes effectively, as well as investing in training and development of competences — and the subsequent employment of qualified resources — also in areas with low unemployment, such as for example in the Czech Republic, Poland and China.

In parallel, the company offers its collaboration in matching job supply and demand, through a series of initiatives. In fact, the Group takes an active part in the policy and management committees for the training offer of various universities, supports specific training programmes (Politechnika Częstochowska in Poland and Northants Engineering in the UK) and puts in place initiatives to support young people in actively approaching the world of work (Spring Arbor University in the USA and the Milan Polytechnic University in Italy).

Brembo has also created the “LIFT” Leaders’ International Fast Track programme, which is now in its third year, to provide young people with a further opportunity, support them in approaching the world of work in the best way and create a bridge with the world of education. This inter-functional training pathway, which is coordinated by the Parent Company, runs for more than two years and represents the opportunity for brilliant new graduates to take part in a job rotation scheme over three positions belonging to different business areas (production plants, platforms, technical and testing areas), including at least one in a non-Italian company. In addition, the young people are shadowed throughout the process by a mentor identified from amongst the line managers, a selected tutor in the Human Resources and Organisation Department and a sponsor belonging to the C-Suite (the Group’s first organisational line).

This Corporate level initiative is supplemented by others carried out at local level including the programmes for “Emerging Leaders” in the USA and Czech Republic, which form part of the general framework of the Group’s Talent Management processes and tools.

Brembo thus offers those embarking on their professional career in the Group — as an integral part of its Employee Value Proposition — a stimulating and positive environment, in which to develop and feel themselves to be leading players. This is confirmed — net of other consultation initiatives — by the results of the Group Engagement Surveys carried out every three years amongst all Brembo’s staff worldwide to collect in an anonymous form opinions on the business culture, level of motivation and engagement resulting from their own professional experience in Brembo.



**+5%**  
increase in the **Engagement Survey response rate**, compared to the previous edition.

For example, the most recent analysis carried out in 2017 and reported in early 2018 saw more than 74% of the workforce take part and highlighted a notable propensity for Brembo People to feel involved in the Group’s objectives and corporate project, consolidating the response rate growth trend for the fourth time running.



**+77%** **Average Engagement Index** at group level, rerecording an increase compared to the figure recorded by the previous edition.

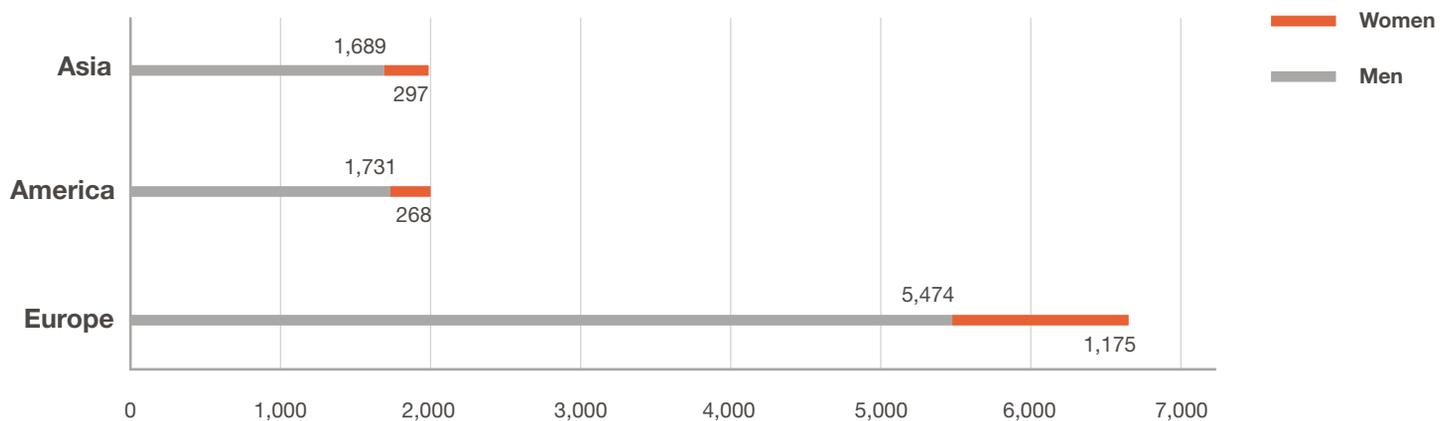


## 4.2 Different ways of being Brembo People

Brembo’s well-established global presence means that the company operates in very different contexts in economic and cultural terms. And it is in the Group’s nature to consider this diversity as one of its strengths. Brembo works daily to promote and enhance a culture that, since recruitment, values internal diversity, fostering an environment in which everyone’s point of view, voice, individuality and specific skills count and where everyone can not only feel an integral part of Brembo, but also contribute to the Group’s success.

An awareness of the value and the opportunities arising on diversity has led Brembo to create a highly multicultural team in which out of 100 Brembo People, 32 work in Italy, 20 in Poland, 15 in China, 9 in the Czech Republic, 9 in Mexico and 7 in the United States, while the remaining 8 are distributed between India, Brazil, the United Kingdom, Argentina, Spain, Japan and other countries.

### Brembo People by geographical area\* and gender (No.)



### Geographical areas with the most significant personnel changes (in absolute terms) compared to 2017

**Europe**  
**+ 330** (from 64% to 62% of the total workforce)

**America**  
**+ 224** (from 18% to 19% of the total workforce)

**Asia**  
**+ 243** (from 18% to 19% of the total workforce)

As far as gender differences are concerned, men make up the predominant percentage of the total workforce. In fact, 84% of employees are men against a female component of 16%, which also reflects some of the intrinsic characteristics of the Automotive jobs market. The female component is in any case in line with the previous year and is more significant amongst

clerical staff, representing 25% of the workforce in this category. Brembo also promotes the integration of different age bands, giving a voice to the young and valuing the competencies of senior staff. More specifically, the distribution of People by age band sees 25% under 30, 33% between 31 and 40, 28% between 41 and 50 and 15% over 50.

\* The three macro-areas include the countries specified below:  
**Europe:** including Italy, Poland, United Kingdom, Czech Republic, Spain and other;  
**America:** including Argentina, Brazil, United States and Mexico;  
**Asia:** including China, Japan and India.

Brembo's focus on diversity and inclusion also takes shape in the recruitment into the company of people with disabilities, in accordance with the rules and practices laid down in applicable legislation. In particular, 157 people with disabilities were working in the company at 31 December 2018.

In brief, the nurturing of gender, generational and ability diversity is a priority for Brembo. In order to make a concrete contribution

in this area, the Group's training programmes train and support people with different types of initiatives, both ad hoc and relating to diversity issues within the broader framework of leadership programmes. Finally, these initiatives are supplemented by social events to disseminate a culture in which diversity is appreciated, such as for example the activities organised in the USA and Mexico to mark Women's Day.

#### People by age and gender (No.)

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
< 30 years	1,878	308	2,186	2,000	351	2,351	2,274	361	2,635
31–40 years	2,532	533	3,065	2,709	555	3,264	2,874	584	3,458
41–50 years	2,041	487	2,528	2,240	553	2,793	2,381	605	2,986
> 50 years	1,115	148	1,263	1,254	175	1,429	1,365	190	1,555
<b>Total</b>	<b>7,566</b>	<b>1,476</b>	<b>9,042</b>	<b>8,203</b>	<b>1,634</b>	<b>9,837</b>	<b>8,894</b>	<b>1,740</b>	<b>10,634</b>

#### People by classification level and gender (No.)

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Manager	450	56	506	475	59	534	467	65	532
White-collar workers	1,690	593	2,283	1,845	653	2,498	2,036	685	2,721
Blue-collar workers	5,426	827	6,253	5,883	922	6,805	6,391	990	7,381
<b>Total</b>	<b>7,566</b>	<b>1,476</b>	<b>9,042</b>	<b>8,203</b>	<b>1,634</b>	<b>9,837</b>	<b>8,894</b>	<b>1,740</b>	<b>10,634</b>



**+91%**  
of **Manager** were born in the country where they are working for Brembo today

A further sign of Brembo's commitment to developing an organisation that is as multicultural and as aware of local issues as possible, as well as deeply-rooted on the local territory, starting with the managerial team, is that the clear majority of local managers at all Group Companies comes from the local area: out of 532 Brembo managers in the different countries, 91% were born in the country where they are working.

In addition, on 21 March 2019 Brembo S.p.A. will be honoured at Assolombarda in Milan, as part of the **“Welcome. Working for refugee integration”** project, an award that the UNHCR, the UN

Refugee Agency, gives out to companies that have distinguished themselves in promoting the employment of refugees and supporting their integration in Italy.

With reference to the protection of diversity and respect for people and workers' human rights, Brembo has formalised, in addition to the provisions set out in the Group's Code of Ethics, the Code of Basic Working Conditions and the Policy on Non Discrimination and Diversity (both of which are available from <https://www.brembo.com/en/company/corporate-governance/codes-policies>). Both documents reflect and represent the universal beliefs of the Group and the foundations of the employer-worker relationship. In detail, they confirm and establish rules of conduct regarding on the one hand child labour, forced labour and the treatment of human beings, harassment, discrimination and corruption; on the



other hand regarding freedom of association and collective bargaining, the right to work, health and safety, working hours, remuneration, environment, sustainability, social commitment and relations with local communities.

In order to monitor the effective implementation and the respect of the Code of Basic Working Conditions and the Policy on Non Discrimination and Diversity, beside the supervision by the Human Resources & Organisation Department and the presence of the institutional Whistleblowing channel, a specific mechanism has been put in place to gather any reports on behaviour that does not comply with company policies, including a dedicated email address [working\\_conditions@brembo.it](mailto:working_conditions@brembo.it), accessible from both inside and outside the company. Another channel for reporting, investigating and/or managing these issues is the usual upward hierarchy within the company, including the meetings provided for by the Brembo Agenda as part of the Brembo Committee System.

To this regard, in 2018 no episodes of discrimination at the workplace, nor violations of working practices were brought to Brembo’s attention.

Finally, the Group has defined more targeted tools for safeguarding diversity that are included in the framework of the local Employee Assistance Programs. For example, In Italy Brembo has for years run a “Sportello di Ascolto” (Listening Service) which offers employees the opportunity to meet and receive support from a professional outside the company, when they are faced with particular situations that present personal and temporary difficulties. In addition, the Group in the USA and the UK has set up structured EAPs that are available to employees in partnership with local operators and/or vendors.

Brembo is also a Group that promotes precise policies to create an inclusive work environment and define organisational tools able to improve people’s work-life balance. In this area the Group offers its employees the option to subscribe to part-time working schemes, which were taken up, in 2018, by 260 employees, of whom 81% were women.

**Brembo People with part-time contracts by gender**

2016			2017			2018		
Men	Women	Total	Men	Women	Total	Men	Women	Total
58	216	274	57	200	257	49	211	260

As far as family support is concerned, over the year Brembo organised “Family Days”, social events for employees, when personnel together with their family members are invited to take part in workplace visits and entertainment. During the year, these events were organised in numerous countries, including China, Poland and Czech Republic. In addition, in Italy Brembo runs the “Brembo Kids” programme for its staff with school-age children. As part of this project the Group has set up a recreational centre on the Stezzano site, which operates during the school summer holidays and offers facilities and services suitable for children aged from 3 to 11. The centre involves the children in fun and educational activities structured around programmes

where they try out different art forms with the aim of stimulating their creativity and teaching them how to share their ideas with others. Finally, in other countries such as the USA and Czech Republic, Brembo organises children’s events outside normal working hours so that employees’ children can get to know and visit their parent’s workplace.

Again regarding improvements in the balance between professional life and personal/family life, Brembo is promoting various initiatives for the benefit of its employees, such as for example revising Saturday work shifts in India, and the “Cafeteria Plan” project in Japan.





### 4.3 Training and development of skills

For Brembo, being able to rely on competent trained people means having the measure of the value that each employee personally contributes to achieving the common goals. It is for this reason that the Group aims to ensure continuous professional training and development with the aim of developing a special portfolio of talent in various geographies or professional families, developing potential and expanding the skills of its employees, whilst respecting the company's values and strategy. The Group also promotes the training of people able to experiment and innovate and tending strongly to the future, able to anticipate market trends, promote continual product and service innovation and offer customers high-quality solutions.

Thus the Group defined training programmes structured so as to respond to the training requirements of the entire corporate population, ensuring a differentiated and inclusive

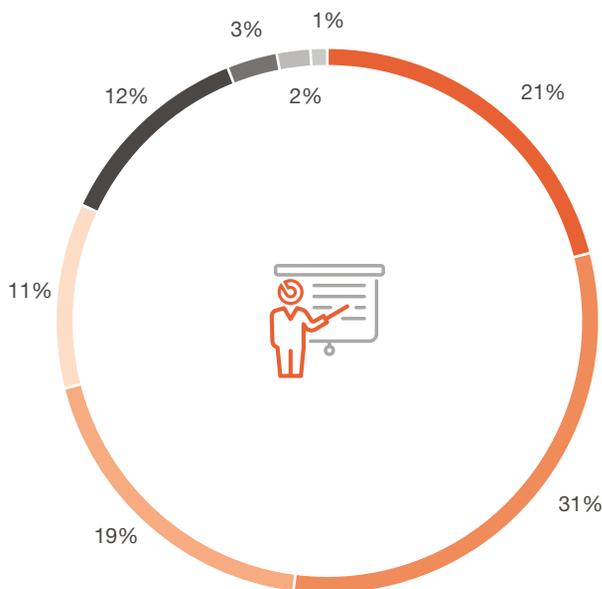
offer, designed to involve the different professional families on all levels. In 2018, each employee received 23 hours of training on average, with this figure reaching an average of 37 hours per year for white-collar workers, around 30 hours for managers and around 17 hours for blue-collar workers. Over the course of the year, 40% of People participated in training about human rights and the associated procedures (Code of Ethics included), for a total of more than 3,200 hours.



**Over 240,000**  
**hours of training**  
provided in 2018.  
In 2017: over 195,000

**over 97%** of training  
hours was delivered  
in classrooms

#### Training provided by type of content (% on total hours)



- Training on product/process quality management and improvement
- Professional training
- Health and Safety training
- Managerial training
- Language training
- Training on environmental management
- Code of Ethics and compliance with Leg. Decree 231/2001
- Other

**Average hours of training by professional classification level**

	2016	2017	2018
Managers	27	29	30
White-collar workers	32	38	37
Blue-collar workers	15	12	17

**Average hours of training by gender**

	2016	2017	2018
Men	21	20	23
Women	17	17	20

**Average hours of training by employee**

	2016	2017	2018
	20	20	23

To control and manage training activities, Brembo defined a specific Group procedure (a pillar of the quality system, together with the Organisation Management Procedure) that

defines the methods and organises the various phases of the process, starting with identifying the annual training needs of the corporate population.

More specifically, Brembo defines the annual training plan based on a survey of the specific areas and topics which individual organisational units believe need to be analysed in more depth, also taking account of the views expressed in the Brembo Managerial Competencies Model and Technical Competencies Libraries, where — such as for example in the case of Manufacturing and ICT functions — the technical competencies required within specific professional families at global level are mapped and formalised, also in the context of other company projects and processes relating to Digital Transformation.

In addition, Brembo offers its employees the opportunity to take part in special coaching, mentoring and tutoring programs, where needed, so as to personalise their own personal and professional development path. Thanks to these programmes the Group aims to nurture and empower its People, involving them proactively in defining their own personal learning and development path.

## Lifelong learning

As proven by numerous university and economic studies and researches, training and learning are fundamental requirements for people's personal and professional development, not only when they start their employment experience, but right through their career. It is for this reason that the Group has promoted various training projects to ensure that employees are kept up to date on given areas of cutting-edge skills and that all employees receive ongoing retraining, including those more experienced.

For example, as far as Italy is concerned, Brembo launched its own Lifelong Learning Hub in 2018, following the entry into force in the National Employment Contract for the Metalworking sector of mandatory "Lifelong Learning" for all workers covered by the contract, through the legal provision of 12 hours training for 2018 and the same number for 2019. This is a dedicated lifelong learning centre which aims to provide the foundations for understanding Industry 4.0 and involving about 1,900 employees every year. The programme during 2018 involved

Italian employees only and the Group is examining the possibility of expanding the programme into other sites worldwide.

2018 already saw some of these sites organise entire weekly intensive training sessions that, as well as touching on specific topics, introduced employees to the actual Lifelong Learning concept and allowed them to see first-hand the importance of each person's proactive attitude in the continual process of learning and employability. Examples of such initiatives are the Learning Weeks in the Czech Republic and the Treinamentos Integrados in Brazil.

Finally, promoting lifelong learning and improving work-life balance is a further action level in this area. The Group is working to facilitate and support Executive Research Doctorates under employment contracts in Italy and On-Site degree programs (in collaboration with Spring Arbor University) in the USA, as well as provide scholarships in Italy and Brazil to employees who, as well as working, are following advanced study programmes on their own behalf.



Passion is one of the elements that influence people's performances and has always been one of the most important features of the Brembo People. For this reason three Leadership Programs centered on passion were provided in China:

**Passion Lead** for the country's Management Team;

**Passion Engine** for the first organisational level (including plant managers);

**Passion Wing** for production oversight personnel.

Over the past three years, the Group's Training and Development catalogue was further enriched (both regarding managerial and technical-specialist topics) through inclusion in the broader framework of personal development and skill enhancement designed to support the talent management and succession planning system in place within the Group for years, focused on several annual phases that, following completion of the Performance Reviews in the different countries worldwide, leads every geography, business area and function to create its own Talent Portfolio, which is later consolidated centrally by the Development Committees attended by Top Management.

## Fostering knowledge sharing among the Brembo Group's competence centres



The Brembo Academy of Brembo S.p.A. was set up to promote the invaluable know-how developed by the various offices and teams in Brembo companies around the world. This authentic corporate training school, with UNI EN ISO 9001 quality certification, draws solely upon the knowledge of teachers from within the company, pursuing the objective of enabling structured sharing of the Brembo expertise across the Group.

Precisely in order to strengthen the ability of Brembo experts to transfer their knowledge, discoveries and best practices, the training path held by trainers of the Brembo Academy was updated and relaunched. The Academy offers numerous courses: from more technical and engineering-related courses, held by R&D Academy experts, to courses focused on the efficient organisation of manufacturing and office processes, with the editions of the "Brembo Lean Office".

What is more, the coverage of the Brembo Production Laboratory System or BPS Lab programme, developed at the Curno site in 2014 for the first time, was expanded on a global level in the past

three years. All the Group personnel were given the opportunity to attend training courses in classrooms located in different countries and created specifically to make it possible to carry out practical experiments that simulate production processes, aimed at improving everyone's technical skills in accordance with the Brembo Production System criteria, with a view to ongoing improvement.

In December 2018, the Academy of Brembo S.p.A. was officially added to the Lombardy Region's register of accredited operators for Professional Education and Training services, and therefore it can now provide such services — also in a publicly recognised manner — in addition to lifelong learning, permanent, qualification and specialisation training programmes.

Finally, December 2018 saw the Brembo Academy of Brembo S.p.A. rank second in the Markets and Competitiveness area — Masters and Academy Mention for the Manufacturing Academy project within the framework of the Fourth year of the Adriano Olivetti Prize organised by AIF (Italian Association of Trainers).

## 4.4 Professional growth through recognition of merit

The individual performance and professional development assessment plans represent important levers for ensuring continual improvement and the permanence in Brembo of talents and skills, providing People on the one hand with well-defined career developments and on the other with the certainty of being able to build their own professional pathway within the Group.

Given the importance attributed by Brembo to the assessment of People's performance and development, the Group has defined special processes at world level, designed to regulate the performance management and assessment flows, as well as define special management tools. These processes are representative of Brembo's Human Resources Management Model, which is based on measures of performance, competencies, potential and motivation.

In addition, the system for professional development and for recognising each person's contribution to the Group's success

is based on the constant sharing of business expectations with employees, defining expected performance and accurately assessing the results achieved during the year.

For the white-collar worker population Brembo's assessment process focuses on the *Brembo Yearly Review*, an opportunity for discussion between managers and employees, during which the year's results are analysed, the future objectives to be pursued are defined, along with the preparation of any improvement plans, and future growth paths are identified.

The performance assessment for employees working along the production lines, on the other hand, falls under the Brembo Production System and is based on a multi-functional and multi-competency analysis of individuals in relation to specific metrics and matrices.

In 2018, 80% of Brembo People (80% of men and 78% of women) were included in a periodical and structured performance assessment process, with a rate varying from 78% for blue-collar workers to 84% for managers.

### Brembo people involved in the regular performance assessment process\* out of the total of the category to which they belong

	Men	% on total men	Women	% on total women	Total	% on total
Managers	396	83%	50	85%	446	84%
White-collar workers	1,567	85%	527	81%	2,094	84%
Blue-collar workers	4,621	79%	702	76%	5,323	78%
<b>Total</b>	<b>6,584</b>	<b>80%</b>	<b>1,279</b>	<b>78%</b>	<b>7,863</b>	<b>80%</b>

\* Data refer to the 2017 performance assessment process ended in April 2018 and to workforce at 31 December 2017.

In order to further promote the personal and professional development of its People, Brembo is encouraging the use of internal mobility tools, allowing employees to access new job opportunities within the Group through the *Internal Job Posting* which, where present, advertises worldwide open positions

currently unfilled and collects applications. This is supplemented by other tools including *Job Rotation* which allows people to express their willingness to change function/role even regardless of the opportunities available at that specific moment.



## 4.5 Safeguarding workers' health and wellbeing

For Brembo safety does not mean just ensuring its braking systems' performance; it is also about promoting the value of safety across all its manufacturing sites. This principle is promoted and supported through general programmes and targeted measures.

To guarantee the highest safety standards for their own People, Brembo has adopted an increasingly structured approach to workplace health and safety, which also takes into account the challenges and peculiarities linked to the company's geographical diversification. This approach is based both on compliance with local legal requirements, and on promoting targeted measures to steadily improve individual and collective workplace health standards. For an effective management of these issues the Group has issued a formal Health and Safety Policy outlining the guidelines followed by Brembo in respect of workplace health and safety. The document, which was approved by Brembo's Chairman, has been distributed to all the Group's employees and contractors and was made available on the corporate Intranet to provide all those interested with detailed information about optimal behaviour in Health and Safety matters.

The Group's approach as part of the Health and Safety Policy entails analysing potential sources of risk for its personnel and putting the most effective solutions into place to prevent, reduce and, where possible, eliminate such risks: from appropriate handling of substances and processes to the correct operation, maintenance and control of machinery, all through an intensive People training. Moreover, Brembo analyses and assesses every instance of an injury or near-miss through a tried-and-tested standard procedure to identify the causes and implement the appropriate corrective measures.

The Health and Safety Policy adopts as its own the principles set out in the OHSAS 18001 standard, which acquires concrete expression both at a Group and local hub level in dedicated manuals and procedures which together constitute Brembo's Workplace Health and Safety Management System. To ensure the full and effective implementation of the policy's provisions, the Group voluntarily submits to regular independent third-

party audits to verify that the employee safety Management System has been effectively implemented at all the different manufacturing sites. Furthermore, at local level all manufacturing sites undergo a third-party statutory yearly audit to verify and ensure compliance with all applicable laws and regulations in every country where the Group operates.



**100%**

of Brembo's plants in full operation is OHSAS 18001:2007 certified

With reference to recently built sites, the implementation of the Management System starts at the same time as the production activity, and certification audits are generally carried out about 12 months after the new plant reaches full production.

Health and Safety audit results and annual performance verification, activity planning and medium-/long-term goal setting are entrusted to the Health & Safety and the Manufacturing committees which meet on a six-monthly and four-monthly basis, respectively. The meetings are also attended by the Chief Executive Officer, top managers and relevant plant managers. Moreover, on a site level, in keeping with rules established by the Group, committees or work groups meet to discuss aspects of health and safety. All the workers are represented in these groups.

The strong attention towards health and safety issues, and the systematic approach used to manage such issues, have led to a generalised decrease compared to the previous year in work-related accidents across the Group. More specifically, the accident frequency rate dropped by 27% compared to 2017, whilst the level of severity was 25.6% lower. The company also measured the absenteeism rate of Brembo S.p.A.'s employees for 2018<sup>10</sup>.

Regrettably, last year Brembo however reported its first ever fatality, which saw the involvement of an employee of the Group's Chinese foundry, brought about by non-compliance with safety procedures on the part of the employee himself.

<sup>10</sup> The absenteeism rate is the percentage of hours of sick leave, strike, accidents and leave hours net of statutory national holidays and annual leave. In 2018, the absenteeism rate was 5.4%.

This event had no major criminal or civil consequences for Brembo. To prevent the occurrence of similar accidents, the Group provided additional health and safety training to all the employees of the involved production plant, and made some technical improvements to the plants.

Finally, in 2018 Brembo reported 14 cases of occupational diseases among its employees, but none directly related to the job performed by them.

#### Accident severity rate, accident frequency rate and occupational disease rate\*

	2017			2018		
	Men	Women	Total	Men	Women	Total
<b>Accident severity rate**</b> (No. of total days of absence due to accident / No. of hours worked) x1,000	0.25	0.11	<b>0.23</b>	0.18	0.09	<b>0.17</b>
<b>Accident frequency rate***</b> (No. of accidents / No. of hours worked) x 200,000	1.63	1.56	<b>1.62</b>	1.28	0.66	<b>1.18</b>
<b>Recorded occupational disease rate</b> (No. of cases of occupational diseases / No. of hours worked) x 200,000	0.14	0.07	<b>0.13</b>	0.09	0.39	<b>0.14</b>

\* The calculation of reported accident rates takes into account only accidents occurred to employee that have taken place at the workplace. The "Appendix" section also provides the rates of accidents involving subcontractors, temporary workers and accidents which occurred while travelling. Compared to the 2017 Disclosure on Non-financial Information, the method used to calculate accident rates has been aligned to GRI Standards requirements. Therefore, as of this year accident rates are calculated in relation to the hours worked.

\*\* The severity rate is not inclusive of the fatality involving a Group employee in 2018 and the days lost to recognised professional illnesses. Absence days are calculated as the calendar days of absence after the day of the accident.

\*\*\* The frequency rate takes into account both accidents with lost days and those without lost days apart from the day on which the incident occurred (e.g., medical treatment or change in work duties).

	2017			2018		
	Men	Women	Total	Men	Women	Total
<b>Workplace accidents by gender (%)</b>	85%	15%	<b>100%</b>	92%	8%	<b>100%</b>

Brembo pays constant attention to the health and safety of all those people who, despite not being Group employees, operate in the company plants or office facilities, and for whom a 0.96

accident rate was reported, down 20% compared to 2017. Finally, last year there were no reported accidents involving contractors working at the Group's premises.



## People training on workplace health and safety

For Brembo, employee training on health and safety matters constitutes an essential part of making the working environment increasingly safer. For this reason, and consistently with current regulations, Brembo has set up some general health and safety training courses for its employees, especially new recruits. Moreover, Brembo provided further training to all employees directly involved in managing and coordinating Health and Safety. Some courses were also held to promote and sensitise employees about safe practices. Additionally, during the same year the Group designed some specialised health and safety courses aimed at meeting the needs of specific categories of employees exposed to different levels of risk, and at transferring appropriate knowledge, skills and values which are needed to “work safely”. More specifically,



**Over 46,000** hours of training regarding Health and Safety provided in 2018

the following training initiatives were carried out by the Group last year:

- ▶ **“10 Life Saving Behaviours”**: consisting of specific training courses across all major sites to raise awareness about, and implement the “10 Life-Saving Behaviours” which all employees must comply with in the workplace.



- ▶ **CMSE - Certified Machinery Safety Expert:** following a pilot project held in Plymouth (USA), the Group kickstarted a training initiative aimed at employees of technologic areas; the initiative's goal was to improve the specialised knowledge and skills on machinery and production plant safety, to then implement them in the design of new facilities.
- ▶ **Course on ergonomics:** as with the previous initiative, last year Brembo also started a training initiative about the principles of ergonomics in the workplace, with the aim of minimising ergonomic risks.

In addition, in the wider, more positive and inclusive sense of Promoting Workplace Health, a number of sensitisation and prevention initiatives regarding specific illnesses were carried out in each site, such as: “Health Week” in the Czech Republic;

“Pink Week” (on breast cancer) and “Blue Week” (on prostate cancer) which ran in Mexico and Brazil respectively, and targeted programmes against tobacco addiction conducted in the United States, Poland and Italy. Moreover, Brembo supports a variety of sports-related initiatives promoting the positive values of physical exercise, including the Brembo Sporting Event in the Czech Republic, Running, Volleyball and Football Teams in Poland, Brembo Ski in Italy. Worthy of note in this context are also “Brembo Strong”, a wellness corporate programme carried out in the USA aimed at encouraging healthy behaviour alongside discounts on medical insurance; and “Agita Betim” in Brazil, a yearly programme conducted with the participation of the local government to promote ergonomic activities, exercise at the workplace, health screenings and health guidance.

## The breast cancer awareness campaign in Mexico

Brembo's commitment to promoting health protection for its employees stretches well beyond the limits of regular company activities and work-related risks. This is what lies behind the various training and awareness-building initiatives undertaken by the Group, as shown by the breast cancer awareness campaign organised last year at the Escobedo and Apodaca plants in Mexico.

At the time of the initiative, the company's medical facility

organised several training sessions to inform women on the subject of breast cancer and to stress the importance of prevention when dealing with this particular illness.

All the women who took part in the initiative had the opportunity to undergo a free medical check and were given a pink T-shirt — the symbol of the initiative — which was also worn on the International Day against Breast Cancer.





## Dialogue and open discussion for continual improvement

The trend for ongoing improvement in the Group’s health and safety performance over the years can certainly also be attributed to the involvement of Brembo People as active players in the accident prevention model.

<b>Local Health &amp; Safety Committees</b>	At all Group sites, the workers and management meet periodically to discuss open health and safety issues and identify specific solutions. The workers involved are the site team representatives.
<b>Prevention through information sharing</b>	In order to encourage information sharing and discussion about problems, an IT portal facilitates the prompt communication and analysis of information regarding incidents, accidents or near misses at the various Group sites, improving management effectiveness and above all efficiency in preventing incidents. In fact, the platform facilitates the analysis of each event and the identification of the root causes, as well as makes it possible to structure the information in a single archive accessible to all Group sites. In this way, the plants not involved in the incident are able to rapidly assess whether what happened could repeat itself at their facility and to implement appropriate preventive actions.
<b>Promoting worker wellbeing</b>	The Group’s commitment to promoting the health and wellbeing of its workers has received recognition from the Associazione Confindustria Bergamo, which rewarded Brembo together with other firms in the area for its participation in the WHP – Workplace Health Promotion project, for which the Group has been one of the main advocates since 2011. This initiative, in partnership with the local health authorities and Bergamo’s entrepreneurial association, is designed to promote healthier lifestyles and eating habits among workers of the companies involved. On the basis of recommendations from the World Health Organisation, Brembo employees (Stezzano plant) have been involved in an awareness-raising process regarding individual behaviours that can have the biggest effect on people’s health and psychological and social wellbeing, such as cigarette and alcohol addition, a sedentary lifestyle, eating habits and driving style.
<b>Safety Improvement Program for the Cast Iron Foundries</b>	During the year Brembo launched a programme to improve safety standards in the Group’s Cast Iron Foundries. A workshop was set up to launch the project, dedicated to the representatives of all the foundries and those responsible for Health, Safety and Environment, maintenance and technologies, during which the main areas for improvement for raising safety levels inside all the cast iron foundries were identified. In particular, the meeting analysed the intrinsic safety issues for plant and processes, behaviour in the workplace and specific risks. This working group then identified a number of lines of action, which gave rise to specific improvement projects that were started immediately.

## Communication campaign on health and safety issues

During the year, Brembo launched the first global communication campaign on health and safety issues, created after a long preparation process personally involving the employees of all the Group's plants, proving Brembo's major focus on workplace health and safety issues.

With this initiative, the Group raised the awareness of employees on health and safety issues through a process leading to everyone feeling responsible for themselves and for other people.

In particular, the Brembo group wanted to use this initiative to:

- disseminate and stimulate a shared Brembo safety culture throughout the Group;
- boost the motivation of Brembo's People to continually improve every safety-related aspect;
- increasingly improve safety performance and the related indicators (accident frequency index and gravity index), focusing attention on the behavioural causes that contribute to accidents and near misses;
- spread awareness that safety is based on principles such as

responsibility, choice, personal and collective commitment and that priorities are non-negotiable.

In addition, this communication campaign was conducted respecting the cultures of each country in which the Group operates, thanks to the organisation, in each of the world's regions, of individual interviews, Focus Groups and workshops involving the people who work in the various production plants, in order to understand which main messages to convey regarding safety. Thanks to this work, the Group was able to identify common values and thinking in the world's different regions regarding the issue of health and safety, which accompany more specific views reflecting the distinctive features and sensitivity in the various countries in which Brembo operates.

This process created a campaign that focuses attention and individual responsibility on workplace health and safety, thanks to a series of images in which People in the Group act as direct spokespersons and witnesses to deliver simple incisive messages on the topic.





## Methods and tools supporting workers' health and safety

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<b>L.O.T.O. (Lockout-Tagout)</b>	In order to improve health and safety management in the workplace, a guideline has been drawn up in relation to the L.O.T.O. standard, which defines the criteria to be used for the management of hazardous energy sources, describing the correct methods to be adopted, for example, during machinery and system maintenance, cleaning and set-up phases.
<b>Brembo Best Practice</b>	Brembo has created a new section on the company's Intranet portal, dedicated to collecting and sharing Safety Best Practices implemented in the Group's plants. Best Practices represent the best solutions identified in the various production plants to resolve specific problems in the Health and Safety area and are therefore suggestions, opportunities and examples for continual improvement in workplace safety.
<b>10 Life Saving Behaviours</b>	Brembo has used a series of workshops to identify 10 safety principles, which serve as a rule book for ensuring that People are working in a work environment that is increasingly safe. The 10 lifesaving behaviours have been brought to the attention of the entire workforce through special training courses, the distribution of dedicated cards and gadgets and the publication of articles on the House Organ MyBrembo and on the company's Intranet.





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



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



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





## 5. The supply chain

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



## A common shared process founded on the same values

### 5.1 Ancillary companies and supplier network

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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



## Clear communication of what the Group expects from suppliers



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

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

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

## Selection and assessment of suppliers



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

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

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

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

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

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

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

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

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

## Development and capacity building



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

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

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

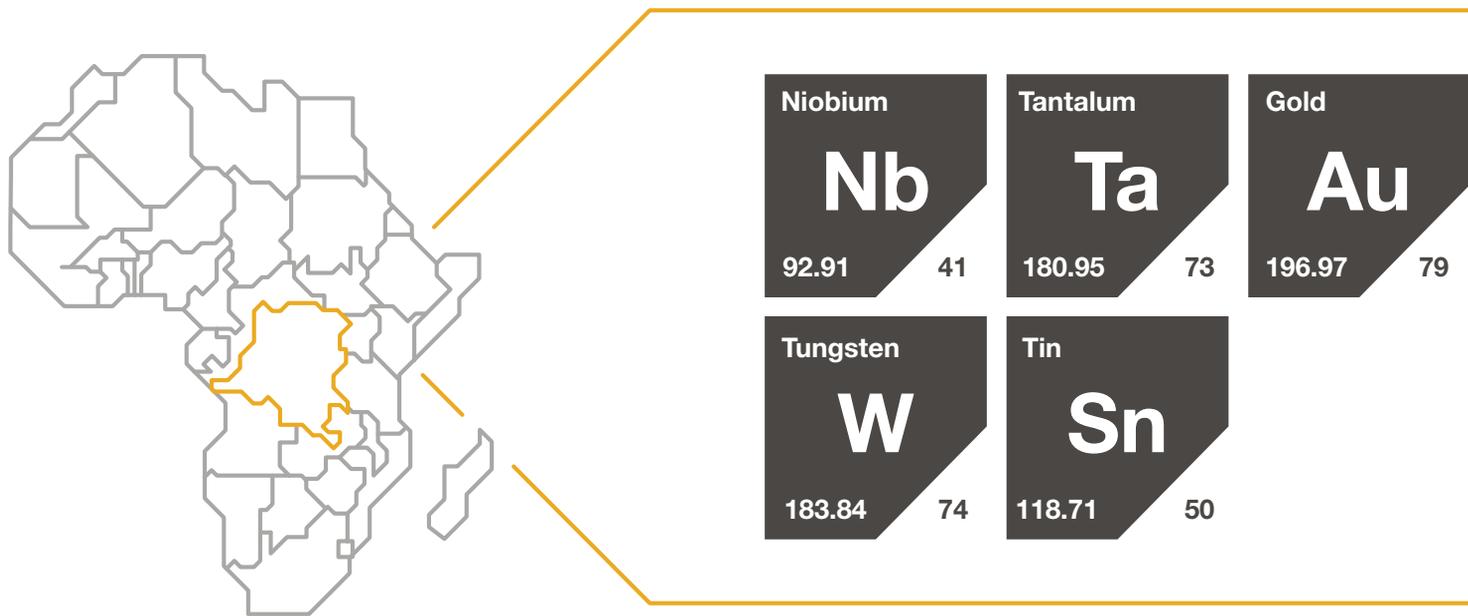




## Combating the use of conflict minerals

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

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



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

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





**2,315**

Active patents,  
utility models and designs



**1,161**<sup>FTE</sup>

Persons employed  
on R&D activities



**100%**

Plants with IATF 16949  
quality certification





# Creating and testing

cutting-edge technologies  
and materials



## Creating and testing cutting-edge technologies and materials

### 6.1 Designing innovation

The constant evolution of transport vehicles is driving Brembo's Research and Development activities, which have always focused on finding the best braking system design to ensure the safety of vehicles of the future.



The work supported by the Group covers all brake system components (caliper, disc, pad, suspension, control unit) and guide Brembo in testing revolutionary solutions that can improve the comfort and environmental sustainability of products, as well as the application of a design that can combine functionality, comfort, durability and aesthetics. Therefore, the aim of the Group's research and development work is to:

- ▶ **increase braking system performance**, while ensuring maximum reliability and improving comfort through solutions that can reduce braking action noise, vibrations and harshness;
- ▶ **prolong the life of Brembo's products**, while minimising disc and pad wear;
- ▶ **reduce the environmental impact** resulting from the use of vehicles in terms of greenhouse gas and particulate emissions into the air, through the reduction of the weight of Brembo's products and the control of the dispersion of braking-related dust, thus contributing to combating the climate change;

- ▶ **enhance the style content** so as to offer products that can interpret concepts of prestige and elegance, thus becoming new status symbols.



**2,315**

**active patents, utility and design models**

filed by the Group since it was founded

Brembo's capacity to innovate and exploit its own expertise as a strategic lever for maintaining its technological and commercial leadership at global level can also be gauged by the patents filed by the Group over time: 2,315 patents divided into 459 families have already been registered in the world in little more than fifty years since its foundation. In 2018, 47 patents and utility and design models were filed, in addition to 43 filed the previous year and 42 in 2016. In 2018, Brembo also registered five new brands.

### Brembo and the Chinese market: collaboration focused on innovation

During the event "Italy – China Science, Technology and Innovation Week 2018" the Popular Republic of China's Minister for Science and Technology, Wang Zhigang, visited the Kilometro Rosso Science and Technology Park. Together with the company's top management Minister Wang visited the exhibition corridors of the Group's headquarters, where he was also able to see an example of virtual reality through a 3D visor

and the first "In-Wheel Drive" application developed by Brembo, namely a 100% electric zero-emissions vehicle.

This meeting highlighted the close collaboration established over the years between China and Brembo. This alliance is aimed at promoting both major investments in research and continual development of technology in many fields, from social issues to climate change.

## 6.2 Awards for innovative ideas of employees

Brembo values the contribution to innovation of all teams and reinforces the spirit of collaboration within the Group, by rewarding ideas that have enabled major improvements and

progress to be made in different areas including quality, process or product innovation, cost reduction, increased productivity and simplified processes.

### BREMBO Excellence Awards



Every year Brembo uses the Excellence Awards to reward the new solutions presented by Group employees. Said awards are structured as follows:

► **Best Idea**, which promotes ideas for improvement in the production and office area; from 2017, there will be a particular focus on innovative ideas in the fields of Sustainability and Digital Factory;

► **Best Improvement Plant e Best in Class Plant**, which respectively reward the plants that have produced the most significant improvements and the best performances in terms of quality, production system efficiency and human resources organisation within the plant.

Innovative ideas in the larger areas of Sustainability and Digital Factory have been given particular emphasis with the introduction of the “Sustainability” and “Digital Factory” special mentions.

Participation in the Excellence Awards is open to individual employees or groups of employees from all of the Brembo sites.

### BREMBO Innovation Awards



The Innovation Awards recognise the best ideas relating to the following business areas:

- product;
- systems production process;
- disc production process.

These annual awards are also accompanied by the Brembo **Monthly Innovation Prize**, which every month recognises the best projects developed by Group employees.

In 2018, **60 ideas were presented**, comprising 37 product ideas and 23 process ideas: the latter regarded both the systems and the discs. Out of all those submitted, **awards were given to 47 ideas**: 31 product ideas and 16 process ideas. In 2018, Brembo allocated a budget five times higher than that of 2017 for awards for employee ideas, confirming the importance that the Group attributes to the innovation and improvements that these projects can bring.

Following on from the increase in patent applications due to Brembo personnel's ideas, from 2018 onwards all new patent applications will automatically be submitted to the Innovation Awards competition.



The main areas that reflect the Group’s capacity to develop new generation brake systems are as follows.

## Discs and calipers



With reference to cast iron discs, during 2018 Brembo continued its research into defining and consolidating parameters for improving the comfort characteristics of the brake system and the methodologies for the disc fluid-dynamic calculation. The Group also continued with studies researching new geometries to enable significant mass reduction and improvement in disc performance, also in environmental terms. The year 2018 also saw the Group engaged in developing and testing new non-conventional solutions to be applied to cast iron discs and the new generations of “light” discs through the study of forms, materials, technologies and surface treatments designed to meet the needs of the new generation electric drive vehicles.

Regarding commercial vehicle applications, Brembo continued to develop, in collaboration with Daimler, a new light disc solution that reduces weight by up to 15%, thanks to the combination of two different materials. In particular, it is due to this solution that Brembo has been chosen as the brake disc supplier for all the new generation rear-drive cars produced by the German manufacturer. In addition, the new “light” disc has also been tested successfully by other leading manufacturers such as Jaguar, Land Rover and Tesla.

With reference to the motorbike sector, the Group has continued to develop composite material discs for road use through the definition of usage limits and the fine tuning of machining processes. In addition, the first testing phase for new disc materials was completed during the year, with the aim of reducing their weight and increasing their performance, with positive results being produced by the bench tests.

Regarding the racing world, which also includes Formula 1, as well as other competitions, work continued on developing new generation brake discs and systems and on improving the performance of the innovative Carbon/Carbon pad.

Research activities in the motorbike field, MotoGP class, covered the new brake calipers and new hydraulic system designed to reduce front caliper retraction. In addition, Brembo has tested a new amplified caliper with anti-drag in the Superbike category.

## Pads



The structure dedicated to the study and production of brake pads, called **Brembo Friction**, is now a well established, stable reality, in constant expansion and focused on continual product improvement in accordance with the company philosophy of innovation and technological development. The friction materials, which are today increasingly flexible and designed to meet the different needs of individual customers, are the result of a specific reactive response made possible by the synergy of the work carried out between the R&D department and all the other Brembo departments. One example is the joint effort to develop new friction materials suitable for the production of pads for electric parking brakes or to be paired with new applications that involve the use of discs that are much lighter than standard but offer a high level of heat and mechanical resistance. Research into innovative friction materials also covers the development of new environmentally friendly solutions that have an increasingly lower impact on the environment.

**Brembo’s capacity to achieve significant results in all areas where the Group is committed to product and process innovation is the result of:**



**1,161 People**  
(Full Time Equivalent) engaged in research and development activities



**More than 19 years**  
of refining the **Brembo Project Development System** methodology which structures phases, roles, responsibilities, controls and tools for the innovation

### 6.3 The results of innovation: some distinctive products

	<p>The <b>Flexira™ compact caliper</b>, the result of the innovation and technological development stimulated by motorsport competitions, represents a new high-performance aluminium caliper concept, which overcomes the limit of the reduced space available inside the wheel, typical of compact cars. The technology applied to the Brembo fixed compact caliper was conceived and developed so that it could be inserted in tight spaces, maintaining the typical functionality and performance of a fixed caliper, but at the same time having similar dimensions to those of a floating caliper. The objective was achieved using aluminium as the reference material, gravity cast in a special alloy through shells; steel inserts have been added only to the outside of the caliper which increase the mechanical strength and reduce the axial bulk of the caliper. The end result is that this solution, patented by Brembo, ensures a significant reduction in mass compared with the cast iron floating calipers normally used on compact cars. This reduction in mass, with a view to environmental sustainability, also reduces fuel consumption and as a result polluting emissions, whilst at the same time increasing the vehicle's dynamic efficiency and reducing moments of inertia. The introduction of Flexira™ has thus enabled Brembo to combine dimensional optimisation with light weight and design, in line with Brembo's values of form and substance.</p>
	<p>The <b>B-M6 brake caliper</b>, a 6-piston aluminium monobloc presented in 2018 at the Speciality Equipment Market Association (SEMA) show in Las Vegas, represents the new innovative solution conceived by Brembo to increase overall performance during the braking phase of all sports sedans, ensuring a constant braking power in intensive use conditions. As with the other calipers in the B-M family, the B-M6 monobloc is also produced thanks to the innovative 4D technological casting process, which allows Brembo to bring a product to market that combines performance and design, thanks to a highly efficient architecture and a unique style.</p>
	<p>The <b>GP4-MS caliper</b> is Brembo's first monobloc machined from solid, developed for MotoGP, also made available for road use. Destined to become the new benchmark for the High Performance range for road motorbikes, the innovative GP4-MS caliper is produced starting with an aluminium monobloc machined from solid through the use of a topological optimiser, software resulting from Brembo's 40 years of victories in the premier World Championship class. The entire process ensures exceptional rigidity, unprecedented lightness and less deformation at high temperatures.</p>
	<p>With the introduction of the <b>17Rcs and 15Rcs short-stroke radial master cylinders</b> Brembo is widening the RCS Short Stroke family with the aim of meeting the needs of all types of motorbike in an optimal and personalised way, with even more modular braking. The 17mm version is conceived and designed to best meet the needs of a growing number of vehicles that use brake calipers having 30mm diameter pistons, whilst the 15mm version has been developed to ensure optimum versatility both for single-disc applications and for motorbikes with floating caliper and dual disc.</p>



The **electric parking brake (EPB) system**, presented by Brembo at the 67th IAA Nutzfahrzeuge, the major European event dedicated to the world of commercial vehicles, replaces the parking brake usually actuated manually from a mechanical lever in the vehicle cab. The international market is welcoming this solution with great enthusiasm because it simplifies the vehicle assembly phases and layout. The commercial vehicle driver is the main beneficiary of this system, as it provides more room in the cab, improved ergonomics and less cognitive effort. As this is a safety critical system, in other words it is able to manage increasingly more complex functions, Brembo has dedicated particular attention to compliance with current legislation. The EPB has obtained ISO 26262 certification, the standard that regulates the use and functional safety of electrical and electronic systems in vehicles. The control software has, by contrast, been developed in accordance with the most stringent Automotive Spice quality standards, the process model conforming to the requirements laid down by ISO 15504.



The new spheroidal cast iron **ECS (Electric Combined Sliding) brake calipers** are the innovative solution conceived by Brembo for commercial vehicles that combines the service brake function and the integrated electro-mechanical parking brake function. This innovative match combines the traditional mechanical competences with the emerging functionalities made available by electronics. Built to withstand the stresses and loads typical of these vehicles, the ECS calipers are integrated in the vehicle's electronic stability control system (ESC). Thanks to this solution, Brembo is confirmed as one of the few brands on the market that can operate with system logics, being able to benefit from continual testing on the various components that determine vehicle safety.



**The Electric Drum in Hat** is a “duo-servo” brake with a special electro-mechanical actuator, designed to ensure the braking of commercial vehicles up to 8 tonnes in weight. Patented by Brembo, this actuator represents one of the jewels in the crown in the research, development and testing of brake systems for commercial vehicles. The Electric Drum in Hat is integrated in the vehicle's electronic stability control (ESC) system and ensures the same functionalities as ECS brake calipers. In addition, if the EPB parking system fails, the EDIH allows the vehicle to move thanks to the actuator's manual release.



The **XTRA brake pads** represent Brembo's new solution conceived to maximise the advantages of the Aftermarket range of drilled and slotted discs. The new pads are based on an innovative mix consisting of more than 30 different components studied in the Kilometro Rosso's Friction laboratory. This material is distinguished by a high friction coefficient which in turn translates into decisive and stable braking both at high and low temperatures. All this without compromising on the product's mileage, and also assuring greater driving comfort.

## Innovation serving the mobility of the future

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The automotive market is on the brink of one of the most important revolutions in its history, which could radically alter the concept of the car and its use. A profound transition as a mark of the new electric drive systems, autonomous driving and integration of different vehicle systems, where the car is increasingly more able to carry out independent actions and provide assistance to the driver in real time. In particular, over the next few years we will witness a sharp increase in cars fitted with hybrid and electric motors in response to the new European regulations. In fact, it is estimated that over the next three or four years hybrid cars could represent about 40% of the vehicles in circulation and electric cars could reach a threshold of 10% of the total.

This is a revolution for which Brembo has been preparing for almost twenty years, due to an ever greater focus and investment spending on electric braking system research. During the year the Group has developed and presented the Brake By Wire system in this direction. This will enable the vehicles of the future to have braking electronically controlled using sensors and control unit, developed on mechatronic bases. The new brake system will also be able to communicate with all the vehicle's other systems and particularly the electric motors, allowing effective use of 'regenerative' braking, typical of these new motors.

In particular, Brembo's Brake By Wire system will provide car drivers with increasingly higher safety standards, thanks to a significant reduction in stopping distances compared to a traditional system, and unprecedented driving comfort, the result of the system's capacity to ensure braking that can automatically adapt to the vehicle's load conditions, whilst maintaining constant stopping distances.

The advantages of the Brake By Wire system do not end with benefits in terms of safety, performance and comfort for the driver, but also extend to the topic of environmental sustainability. On the one hand, integration with the regenerative

systems optimises energy use in hybrid and electric cars; on the other, in the traditional combustion engine car it reduces the phenomenon known as 'residual torque', caused by intrinsic and unwanted friction between disc and pad outside the braking phase. This causes the car to brake, albeit imperceptibly, increasing its fuel consumption and as a result its emissions. This phenomenon is already minimised by Brembo's traditional fixed hydraulic calipers but is further reduced thanks to the Brake By Wire system, which actually allows CO<sub>2</sub> emissions to be reduced.

The first important results for Brembo in the field of future vehicles are also being received from the racing sport world dedicated to single-seater cars and electric motorbikes. In fact, during the year Brembo became the exclusive supplier of the brake system complete with carbon discs and pads for the French team Spark Racing Technologies (SRT), the sole producer of the single-seaters used in Formula E. The premium product in this area is the new Formula E Caliper resulting from in-depth research into lightness and aerodynamic performance to achieve top performance. This research has also led to the definition of identity-making, dynamic and sporting aesthetics that have featured in the ADI design Index. This is the annual publication of ADI (Association for Industrial Design) which includes the best Italian designs entering production during the year.

In addition, Brembo has officially presented the brake system to be used on all the Energica motorbikes in the next MotoE Championships, the single-brand full electric competition that will be raced over 5 European circuits in the 2019 World Championships. The new brake system includes the "T Drive" brake disc, created from the experience gained in Superbike and MotoGP, the GP4-PR front monobloc caliper, again derived from MotoGP and the Z04 Pads, already used in Superbike championship races, in the SuperSport Championships and in Moto2.



## 6.4 Listening to customers for product improvement

Brembo works to improve its products through collaboration and daily contact with customers who manufacture vehicles fitted with Brembo braking systems. It does this to understand and anticipate their future needs and promote joint development of new solutions in yet-to-be consolidated technological areas.

It is just as essential for the company to keep a constant dialogue with end-users of the vehicles fitted with Group products, so we can understand the extent to which Brembo solutions meet their expectations and which are the aspects that can be improved further, especially with regard to perceived quality and comfort.

Thus in this regard, the annual analyses of data relating to issues encountered by drivers in certain key markets during brake use are important. To conduct these analyses the Group uses the “Initiative Quality Study” and “Vehicle Dependability Study” monitoring research, published by Jdpower. These studies cover drivers in the first few months after buying a new vehicle, as well as those using vehicles from one to three years old, and reveal the main braking system issues.

In addition to monitoring the quality and comfort perceived by users of Brembo solutions, the Group also involves end customers in its processes to develop new products. For example, new design concepts for the composite disc were presented during various trade fairs — amongst the most

important for 2017 the Frankfurt IAA, NAIAS, MIMS in Moscow and Auto Shanghai — and visitors were asked to choose which one they preferred. Likewise, during the local aftermarket fairs, meetings are organised with distributors to hear what their mechanics have to suggest. In 2017, initiatives also took place involving top universities, designed to engage students in experimental workshops. One example of this is the Digital LAB Brembo “Internet of Brakes: braking system innovation.”

During 2018, Brembo also took part in the “Ad Impresa Docet” series of meetings, organised by the School of Design, in collaboration with the Design Department of the Milan Polytechnic university, Polidesign and ADI, an event that offers the opportunity for dialogue and discussion amongst design students, businesses and professionals in Italy. On this occasion Brembo portrayed itself as a company in which product design has enabled it to create the foundations for its competitive advantage, sharing the main challenges overcome over the years to transform a project into a successful product.

Other important opportunities for making contact and engaging with the Group’s clients include its Tech Days, such as the ones held in Brazil, designed to reveal ‘another side’ of Brembo, which differs from the one clients usually encounter, highlighting everything that goes into making Brembo a global leader in braking systems.



more than **1.5 million fans**

for the Brembo brand Facebook page, who have left more than 3.7 million likes



about **310,000 fans**

for Brembo’s Instagram profile



more than **26,500 followers**

for Brembo’s Twitter profile



about **77,000 followers**

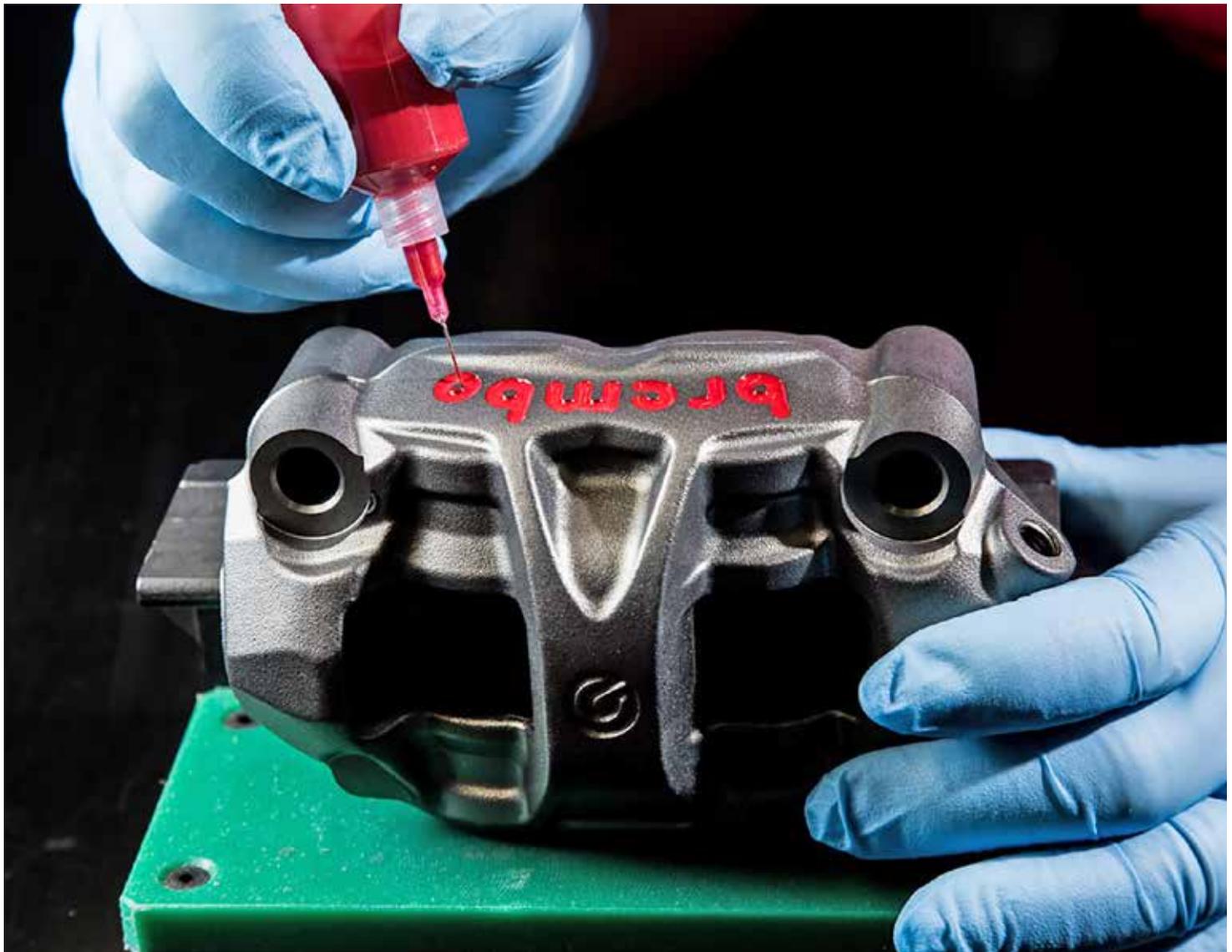
for Brembo’s LinkedIn profile

The Group is also working to constantly develop the digital channels for contacting and communicating with its customers and end users. The Group's corporate website is important in this area. Over the year it recorded more than 4.5 million visitors, up by about 20% compared to 2017. It should be emphasised that the website's visitors are more and more 'mobile', since almost 4 out of 5 visitors used a smartphone or a tablet to connect to the site.

Finally, Brembo is active on the main social media (Facebook, Instagram, LinkedIn and Twitter) within which the company

publishes a large amount of content conceived for the various public segments and optimised to be used in the best way on the different networks. During the year, the Group reported excellent performance on these channels as well, with a general growth in engagement on the 4 main channels, with more than 8 million interactions.

Brembo's presence also continued to grow on WeChat, the most popular network in China, and on the other Chinese social platforms such as the microblogging platform WeBo and the video hosting channel Youku.





## 6.5 Partnerships to improve the environmental impact of products

One of the prime objectives of Brembo product innovation is to reduce environmental impact, linked especially to the production of raw materials used, the generation of particulates during braking — harmful for human health — and greenhouse gas emissions caused by vehicles that can be reduced also by limiting the brake systems' weight.

In a perspective of open-innovation, and to improve the effectiveness of research in these areas, the Group encourages collaboration, through networks and joint work projects, with other players in the automotive sector, Research Centres and Universities both at Italian level (where the Group works closely with organisations including the Milan Polytechnic and the Universities of Padua and Trento) and at international level (where Brembo continues to partner with the Royal Institute of Technology in Stockholm).

Brembo subscribes to various coordinating organisations that promote industrial research in the automobile field, including AIRI (Italian Association for Industrial Research), ATA (Technical Automobile Association), Automotive SPIN Italia, CAAR (Automotive Cluster of Aragon Region) and the Lombardy Mobility Cluster.

The main joint research projects in which Brembo participates are described below:

► **LOWBRASYS**: acronym for “Low Environmental Impact Braking System”, this three-year project began in the second half of 2015 as part of the Horizon 2020 scientific research and technological innovation programme. It involves Brembo in the role of coordinator of a consortium of 10 partners from the industrial world — including Ford, Continental Teves, Federal Mogul and Flame Spray — and research institutions including: Ostrava Technical University, Stockholm's Royal Institute of Technology, Trento University's Department of Industrial Engineering, the European Commission's Joint Research Center and the Mario Negri Institute for Pharmacological Research in Bergamo. The challenge is to develop a new generation of technologies, materials and measures to improve the impact of vehicles on health and the environment through an innovative braking system that can halve the emissions of micro and nano particles. To date, the first results of the project have highlighted the possible

reduction of about 30% of particulate matter generated by braking systems, through the implementation of next generation discs and new friction materials; similar results have been reached through the implementation of an in-vehicle smart dashboard designed to teach more sustainable braking styles to drivers. Lastly, the project has shown that it is possible to obtain a further 20% reduction of emissions by using the new Brake By Wire system.



Learn more

LowBraSys Project

► **REBRAKE**: financed by the European Union and coordinated by Brembo together with the Royal Institute of Technology of Stockholm and the University of Trento, it is the first project relating to the production of braking systems that allow a reduction in the emissions of particulates during the braking phase.

Launched in 2013 with the objective of improving the skills of Brembo's research team through partnerships with Italian and international Universities, the project concluded in February 2017. It contributed to the production of 30 scientific articles, featured at around 30 events and was widely cited in the media. Thanks to this project, two researchers from the Brembo team achieved a PhD. The skills gained will be applied in numerous projects over the coming years.

► **LIFE-CRAL**: launched by the European Union in July 2016 and set to end in December 2019, this project is coordinated by Brembo and aims to develop a production line, in the pre-industrial phase, that will allow aluminium and magnesium components to be produced, starting with recycled or highly impure materials, whilst at the same time maintaining the product's end quality. The use of secondary aluminium, i.e., arising on the recycling process, avoids the energy consumption required to prepare aluminium, by saving 97% of CO<sub>2</sub>, as well as the emissions of polluting gases released in the magnesium casting process. The first pilot production line was introduced, whilst plant verification and improvement activities are still in progress.

- ▶ **EQUINOX:** european research project in which Brembo is a partner. The project aims to identify possible alternatives to critical raw materials included in the list drawn up by the European Union. The project focuses particularly on replacing stainless steel in brake systems since the elements required for its production, such as nickel and molybdenum, are deemed to have limited availability. Brembo is developing a new large-scale industrial process to replace stainless steel by 2019. This process uses an aluminium-iron alloy, which is used only in small market niches at the moment. This change would also allow materials to be used that have better environmental performance since they can be more easily recycled than stainless steel.
- ▶ **COBRA:** this is a research project for the development of a new type of material for brake pads, steered by Brembo and co-financed by the European Commission. It aims to develop a pre-industrial process for the production of pads whereby organic origin binders can be substituted with cement binders, with the same finished product performance, allowing a significant reduction in both water and energy consumption, estimated at 88% and 95%, respectively.
- ▶ **LIBRA (Light Brake):** launched in 2015, this project aims to develop brake pads using a material capable of replacing steel in the composite material backing plate, reducing pad weight by 50%. In addition to the light weight, advantages include faster brake pad production times and a reduction in CO<sub>2</sub> emissions. The results achieved as soon as in the first year of research and development have confirmed the soundness and competitiveness of this approach. This project has attracted the attention of several companies in the automotive sector.
- ▶ **ECOPADS:** this is an international research project to develop new copper-free brake pads, with excellent brake performances and lower polluting emissions. In this project Brembo works in partnership with the Trento University and the Stockholm Royal Institute of Technology (KTH).
- ▶ **EU-LIVE:** this is an R&D project carried out by an international consortium made up of 12 companies, including Brembo. The project is funded by the European Union and aims at finding sustainable solutions for future mobility by developing the concept of an L-category urban vehicle with lower noise and lower pollution emissions. In the consortium, Brembo is the specialised company tasked with the braking system and In-Wheel Motor development and integration into the wheel end, equipped with units with regenerative capacity during deceleration phases.
- ▶ **IMPROVES:** this is a pilot project aimed at creating brushless motors based on permanent magnets (PMM) for braking systems, traction and energy recovery. Brembo is the lead partner of the project in which other partners are Magneti Marelli, the Milan Polytechnic University, the Bergamo University and PMI members MD Quadro, eNovia, Peri, Mako-Shark and Utp Vision. The project is also aimed at integrating product and process innovation, by designing a new production line exploiting the potential of digitalization and IOT to produce future electrical motors.

**REBRAKE****€ 2,061,000**

allocated by the European Union for this project. Brembo is Project Coordinator  
[www.rebrake-project.eu](http://www.rebrake-project.eu)

**LOWBRASYS****€ 9,465,000**

budget for the project, 8% of the costs are financed by Brembo, which is the Project Coordinator  
[www.lowbrasys.eu](http://www.lowbrasys.eu)

**LIFE - CRAL****€ 3,327,000**

budget for the project, 42% of the costs are financed by Brembo  
[www.cralproject.eu](http://www.cralproject.eu)

**COBRA****€ 3,825,000**

budget for the project, 43% of the costs are financed by Brembo  
[www.cobralifeproject.eu](http://www.cobralifeproject.eu)

**EQUINOX****€ 4,678,000**

budget for the project Brembo works in collaboration with 11 international partners  
[www.equinox-project.eu](http://www.equinox-project.eu)

**LIBRA****€ 2,987,140**

budget for the project, 50% of the costs are financed by Brembo



## 6.6 Creativity and method: ensuring product safety

Over the past few years, Brembo has promoted constant innovation and improvement of its production processes by researching cutting-edge solutions that can enable the Group to meet the many difficulties of integration and direct management of all the braking system's main production phases, starting with raw material processing in the foundries, moving through product machining and assembly, and then ensuring that products are promptly distributed in the various geographical areas where the Group's customers are located.

Following a preventive and proactive approach, Brembo is committed to applying the voluntary technical standards that

national and international standards bodies develop to define in detail how to produce excellent products and align production processes with best practice, guaranteeing safety, quality, respect for the environment and reliable performance. All Brembo products have to pass controls and checks designed to ensure their quality and safety, following a logic of ongoing improvement which makes an essential contribution to increasing the ability to meet all requirements and to improving process efficacy and efficiency, both within the Group and throughout the supply chain. From this standpoint, every problem identified and resolved for a specific product is then extended, on the basis of a "lesson learnt" approach, to the entire Brembo product range, where applicable.

### The Road Safety Award

Dekra, one of the leading global organizations specialising in mobility and training, with a presence in over 50 countries and more than 35,000 employees, has awarded Chairman Alberto Bombassei with the first Road Safety Award. The prize is bestowed on entrepreneurs who over the past few years have contributed significantly with their companies to improving roads safety. The Chairman received the prize on 30 October upon the occasion of the Milan #FORUMAutoMotive.

The seven requirements assessed for choosing the award winner are:

- The development of a significant action in road safety research.
- The creation of products that have improved and contribute to road safety.
- Innovation as a fundamental criterion for road safety.
- Use of procedures to ensure workplace safety.
- Attention to young talents.
- The theme of road safety training.



### The tests

During the development and technical approval stage, each product is subject to tests, carried out in different operating conditions.

These are tests designed to define product quality, performance and efficiency and are performed in type-approved laboratories, as well as on the road and racetrack. This process follows a rigorous sequence that includes: static bench tests, dynamic bench test cycles and then on-road tests. These three steps are needed to ensure that the products meet the relevant requirements, to identify any discrepancies with the quality standards pinpointed during the design phase and to test the braking systems in operating conditions similar to actual usage conditions.

The static bench tests represent the moment when design, testing and production come together; in order to check that design requirements are met, the prototypes are subject to load, pressure and braking torque cycles, superior to those physically applicable on the vehicle in various ambient conditions in terms of temperature, humidity and corrosion.

The dynamic benches, by contrast, are used to replicate vehicle dynamics through a combination of mass and speed. The checks carried out regard efficiency, functionality and resistance, and also use loads that are greater than operating ones in accordance with appropriate safety coefficients. To reduce



development times, these benches, designed by Brembo, operate independently 24/7 thanks to sophisticated control systems. They are able to simulate all worldwide type-approved circuits for the various categories of cars and motorbikes, as well as the main alpine descents for any vehicle type.

Comfort is also tested on dynamic benches and is measured based on three characteristics defined in the acronym NVH — Noise Vibration Harshness: the lower these three elements, the more silent and vibration-free the braking.

In addition, Brembo has a roller bench for cars, motorbikes and heavy goods vehicles, where vehicles can reach 250km/h at temperatures between -30 and +40C° (-22 and 104°F).

This is a test booth which simulates road tests in all conditions, from snow to wet roads to extreme speeds. However, it is the final on-road vehicle tests that allow Brembo to achieve excellence.

In fact, the products approved on the various benches are mounted on car prototypes supplied by the manufacturers. An internal team, consisting of expert inspectors, carries out all the tests necessary for testing brake system performance, comfort and durability.

The inspectors trained by Brembo have a broad-spectrum profile that allows them to cover tasks ranging from prototype assembly to data analysis, and thereby provide a subjective assessment supported by the measurements carried out.

The tests carried out include “superfading”, which involves a suitable braking sequence, from high speed to speed kept at zero in full load conditions, the subjective comfort and feeling assessment, carried out by drivers who have an in-depth knowledge of the vehicles and products, and the efficiency tests on wet and dry terrain.

## Training on the Butterfly system

Given the importance that the Butterfly system holds for Brembo, the Quality Department, with the support of the Brembo Academy, designed the first BPDS training course conceived and taught by certified internal teachers. The main objective of this project is to train new people recruited for

## Partnership with Regulatory Bodies

- ▶ The Brembo Group is associated with the **Italian Standardisation Body (UNI)** and complies with the technical standards of the **British Standards Institute**.
- ▶ The Group also works with the **National Unification Commission for the Automobile** which, in the framework of UNI federated bodies, assists with defining technical standards and instructions for production, testing, the correct use and maintenance of vehicles, motor vehicles, operating machines and related components so as to improve their safety and reliability.
- ▶ Brembo also participates as an expert member on functional safety in the joint **working group in technical commission TC22/SC3/WG16** appointed to improve standard WG 16 ISO:26262 regarding the functional safety of electrical and electronic systems in motor vehicle production.

The entire test system falls within the solid Project Management (BPDS - Brembo Project Development System), known as “Butterfly”. This management system is based on Project Management, a structured method that, focusing on the principles of coordination and control, enables to develop and follow a new project in all phases of its evolution. By planning and managing specific inspection moments (so-called “gates”) and handling any recovery plans, the Butterfly system makes it possible to verify the suitability and completeness of the activities carried out, guaranteeing that the mass-produced products fully comply with the set requirements.

platform roles and who are not familiar with this methodology. At the same time, Brembo intends to highlight the strategic nature and importance of this process for the entire company population operating in development platforms. A first training session took place at the end of 2018.

## FMEA/FMECA



**100%**<sup>13</sup>  
of production plants  
are IATF 16949 certified

To ensure maximum safety and quality of its products, Brembo adopts a preventive and proactive approach enabling the company to anticipate any problems and criticalities along the entire production cycle and take preventive correction measures. In detail, during the **design and development phase**, the Group carries out product and process FMEAs/FMECAs to identify in advance the weaknesses and critical issues that could compromise product reliability and safety and define the necessary improvements and priority measures to be taken before the product enters into production. FMEA methodology is used, in particular, to identify product and process characteristics having a potential impact on end-user safety, so that these characteristics can be managed and controlled systematically throughout the entire production chain (product development, internal process and supplier process). These elements represent a fundamental part of Brembo's quality management system, compliant with **IATF 16949:2016** technical specification.

This system, characterised by Guidelines common to all the Group's production sites, allows best practices to be transferred from one plant to another, as well as all the production sites to be managed with the same standards and quality indicators. Like other management systems, in newly opened sites the quality management system is implemented when production gets underway and certification audits are normally carried out around twelve months after the plant is commissioned.

## Quality monitoring process



Brembo has established a structured internal and external quality monitoring process, which therefore also involves clients and suppliers. In detail, product quality and safety is monitored at all the Group's plants, by using specific indicators that are set

out annually by the Quality Department as part of the Quality Plan, which also sets yearly quality objectives.

From an internal standpoint, the most important indicators involved are those regarding waste; from an external standpoint, indicators regarding complaint monitoring and the number of defective items sent out to clients are key, both as regards their level of criticality (in terms of inconvenience for the client) and severity (in terms of their impact on end-user safety). Brembo also monitors any product recalls from the market, or customer's notifications of non-compliance with the pre-defined qualitative standards. The application of these indicators also extends to the monitoring of product quality and safety made by the suppliers. Should these indicators reveal situations that diverge from the established objectives, action plans are immediately put in place to restore compliance.

## Activities guaranteeing product authenticity



For the Group, safeguarding the safety of those who buy and use Brembo equipment means promoting initiatives aimed at countering product illegal counterfeiting activities and fraud in the distribution channels. The sale of counterfeit braking systems may represent a source of high risk for the end user due to the importance of the braking system as a safety component in vehicles. In fact, it is not uncommon that counterfeit products are found to be extremely dangerous because they are not made with controlled materials and are inadequately tested in the production phase.

The main tool developed by Brembo to counter the sale of non-original products is the **"anti-fraud card"** which allows customers to easily check if their purchase is really "Made in Brembo". The anti-fraud card is delivered inside a sealed bag in the packing of the product purchased and gives a unique identification code, which — once entered on the website [www.original.brembo.com](http://www.original.brembo.com) together with the card number, component type and country of purchase — allows its authenticity to be checked. If the check fails to give a positive outcome, the purchaser is invited to enter further information to enable the Group to start investigations about the origin of the counterfeit part. The card also contains the quality control document — another

<sup>13</sup> The Zaragoza site is ISO 9001 certified. By 2019 the Escobedo cast iron foundry is expected to obtain the IATF 16949 certification.



tool for confirming product originality — whilst an external seal guarantees that the purchaser has received the product intact from the factory.

The anti-fraud card is currently available for the Brembo High Performance and Brembo Racing lines, with reference to the following products: Sports discs, Rally discs and GT kits. For motorbikes, the initiative covers: calipers, discs, brake/clutch cylinders and replacement levers.

The collaborations established by the Group over the years with public institutions, public security authorities and customs control authorities are fundamental in Brembo's fight against the production of and illegal trade in counterfeit products. In this context, Brembo's collaboration with OLAF - European Commission Anti Fraud Office continued during the year to prevent the growing presence of counterfeit products. Moreover, the Group has carried out numerous operations in collaboration with the local authorities in China and Taiwan which led to the closure of laboratories and shops that

produced and sold counterfeit Brembo-branded products. In 2018, Brembo launched specific activities in collaboration with Thailand local authorities to combat counterfeiting. In particular, the Group has involved local port officials in three training sessions, with the aim of supporting them in identifying and recognizing counterfeit Brembo products. The activities carried out in collaboration with the local authorities have led to 19 anti-fraud operations in China and Thailand and to the removal of over 29,000 non-original Brembo components from the markets of these countries.

Lastly, regarding the online sales channels, the Group is engaged in monitoring the main e-commerce sites with the aim of reducing the number of counterfeit Brembo products sold on digital platforms. Thanks to these activities, in 2018, Brembo was able to remove more than 48,000 counterfeit product offers from e-commerce platforms, block over 15,000 pages and fraudulent accounts on the main social networks and identify 745 websites using the Brembo brand illegally.

## Eureka: a software to tackle and manage product criticalities

“Eureka” is the new software that will enable Brembo to revolutionise the management of all product issues, both in the development phase and for products that have already entered the mass production phase. This is an innovative project developed by Quality Management, ICT Management and Technical Management, as well as Advanced R&D, in collaboration with inter-departmental and interdivisional teams and some sites. Eureka is a tool intended to support those who have to face any critical product issues by conveying all the relevant information in a single container. The new software will not only allow to understand the underlying causes in a more structured and faster way, but it will also enable the plants to more easily share solutions, by making such information available to all the people involved at the various Brembo offices. The problems, whether internal to Brembo or reported by the client, can then be managed by the relevant teams

using a common problem solving methodology. Thanks to Eureka it will also be possible to view similar cases that have already occurred at other sites and to know in real time how and by whom they have been solved. The goal is to use shared knowledge to preventively manage potential problems, prevent the occurrence of the same problem at other plants and / or on similar products. Eureka, combines under the same name two basically ‘twin’ software, one dedicated to products under development (Eureka Development) and one to series products (Eureka Production). Finally, the new system will allow real-time reporting of problems underway and how they are being managed, resolution times and compliance with the pre-set deadlines, providing a brief overview of the issues underway. From January 2019 the software will be officially released and integrated into all Brembo plants, starting from the European ones.





**100%**  
ISO 14001 certified plants



**-13.2%**  
Emissions of CO<sub>2</sub> per cast tonne compared to the previous year

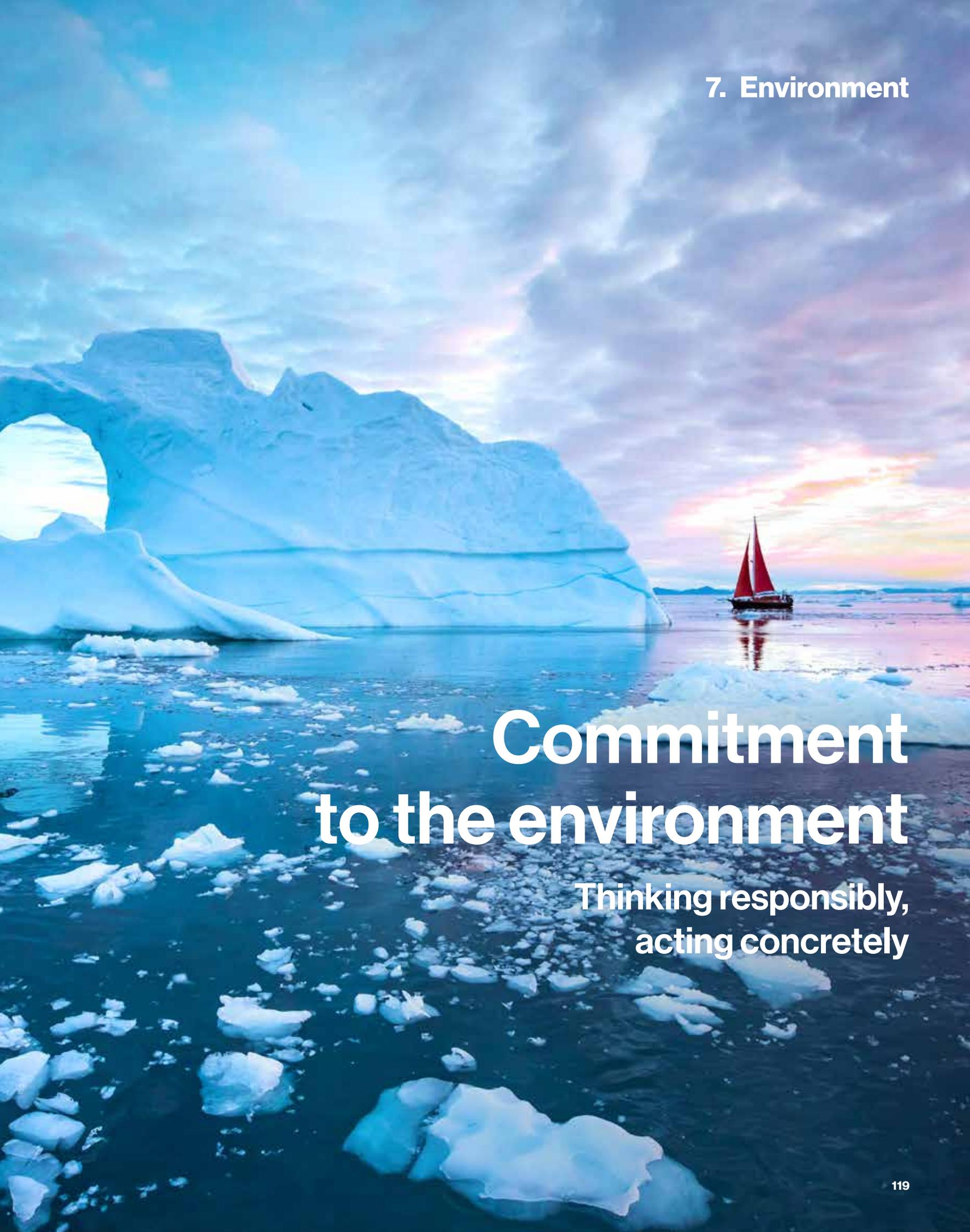


**-18.3%**  
Emissions of CO<sub>2</sub> per unit of finished product compared to the previous year



**21%**  
Electricity coming from renewable sources





# Commitment to the environment

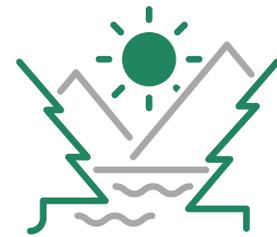
Thinking responsibly,  
acting concretely



# Commitment to the environment. Thinking responsibly, acting concretely

## 7.1 Efficiency and environmental protection in production processes

As a responsible and sustainable business, Brembo is actively engaged in constantly innovating its production processes and transforming its operating model to be increasingly more focused on countering climate change, using water resources rationally and protecting the environment in all its forms.



To give concrete shape to its commitment in the environmental field the Group has defined a structured process founded on a systematic, organic and shared approach involving all the production plants in a gradual reduction in their environmental impact.

for several years on developing its own energy procurement processes, also by adding specific sustainability requirements to the traditional energy purchasing procedures.

Alongside the reduction in emissions the Group seeks energy efficiency and rational use of energy in its own production processes. These activities are fundamental for achieving the targets that Brembo has set itself regarding the reduction in CO<sub>2</sub> emissions in all the production plants. In addition, since 2018 these objectives form part of the performance assessment scheme for each of the Group's managers.



Since **2018** every site has maintained an **environmental identity card**, containing all the environmental information.

This process is founded on creating a solid culture of sustainability within the Brembo community, as a fundamental tool for stimulating the creation of innovative ideas aimed at constantly reducing energy consumption, atmospheric emissions and use of water resources. In this way all employees are hence asked to make a daily contribution to achieving the business objectives defined by the Group for environmental protection.



**910,879 t of CO<sub>2</sub> eq** greenhouse gas emissions into the atmosphere

Brembo also aims to analyse in greater detail the emissions generated by its business activities. The identification and quantification of all the direct and indirect emission sources means that it is possible to identify the priority action areas for which specific objectives and improvement measures have to be defined. For this reason Brembo has drawn up an internal procedure that describes the process of building the emissions inventory in all the Group's factories and the data collection and processing procedures.

Finally, the environmental protection process embarked on by Brembo also includes rational use of water. In this area



About **21%** of the energy purchased in 2018 came from renewable sources, compared to 8% in 2017.

The focal point of Brembo's commitment in the environmental field concerns reducing polluting atmospheric emissions through a gradual transition to production processes featuring reduced CO<sub>2</sub> emissions and an ever-increasing use of energy from renewable sources. In particular, the Group has been working

the propensity for technological innovation and awareness of the water resource's value has led the Group to identify and gradually introduce new production processes requiring less water use or allowing it to be reused.

The careful management of the environmental impacts of Brembo's activities has received growing attention from its stakeholders, not only the local communities, but also customers and investors.

For example, for several years now, there has been an ongoing exchange of information regarding the Group's environmental performance with almost all its customers. A particular focus has been placed on strategies, technical and organisational solutions, which have led Brembo to highly mitigate risks for the environment.

The values, the vision and the mission of Brembo are reflected and made available in the Environmental and Energy Policy, which sets out the commitments, objectives and areas on which to intervene. This document is an integral part of the Management System and is an element of assessment by investors.

In order to ensure transparency and accurate information about these aspects, Brembo has voluntarily adhered to CDP initiatives since 2011. This independent organisation promotes synergies between the financial community and the business world, monitoring and advocating for commitment to limiting climate change and ensuring responsible and sustainable use of water resources.

Brembo has progressively extended this monitoring and reporting activity over the years, making it possible to include all Group sites as of 2015. This commitment has allowed not only to paint a full mapping of greenhouse gas emissions deriving from both energy and fuel consumption during production processes and from the Group's logistic activities, but also to identify the main mitigation actions put in place to reduce the environmental impact. In addition, since 2016 Brembo has extended its reporting to water resources as well, identifying improvement measures with particular regard to the plants located in geographical areas where there is a greater water risk.



In recognising this commitment, in 2018 CDP named Brembo as one of the 136 leading companies at global level for its commitment and capacity to respond to climate change, awarding it an "A" score (on a scale ranging from the lowest D- up to the maximum of A), maintaining its position in the Climate A List, already achieved last year.



Moreover, in 2018, Brembo was named by CDP also as one of the 31 world's leading companies in terms of commitment to guarantee water security. At world level 18 companies are included, together with Brembo, in both the A-lists Climate Change and Water Security. Of them only 7 are European companies. 3 Italian companies are included in the Climate Change A-List and only Brembo is included in the Water Security A-list.

## System for the effective management of environmental impact (ISO 14001)

In a complex aspect such as the environment, which is characterised, at world level, by the constant evolution of regulatory requirements, a growing attention from stakeholders — communities, governments, customers, investors — towards the Group's environmental impacts, and the need to reduce non-compliance risks related to effective and applicable regulations, Brembo has developed and maintains an up-to-date Environmental Management System based on the ISO 14001 standard. The Group voluntarily submits its system for periodical assessments by independent third-party organisations to ensure its full compliance with international standards.

During 2018, the management system was radically changed

to also include elements useful for implementing energy topics in the near future, adopting the requirements expressed in the new version of the reference standard ISO 14001:2015. This was done with the aim of reinforcing the strategic direction, as well as ensuring that environmental issues are safeguarded effectively on all the Group's sites.

The new Environment Management System obtained the third-party body's certification in July and this is applied by all the plants now included in a single Group certificate. The Buenos Aires and Chinese plants have kept their previous environmental certification and will be subsequently included in the Brembo certificate. The recently constructed sites, which are in the



closing stage of the commissioning process, are currently going through the certification process which is expected to be concluded during 2019.

One of the elements featured in the new management system is the introduction of common requirements for all sites, inspired by best internal and external practice and focused on environmental risk prevention — including risks linked to climate change and water management —, going beyond the concept of respect for requirements defined by local legislation, which remains an essential element to be assured for all the sites. The system also aims to involve the entire value chain — including suppliers — in the risk prevention and environmental impact reduction process. The centrally defined guidelines prescribe common methodologies for managing each process, such as for example environmental risk assessment and environmental impact management (water, waste, energy, emissions, etc...), the final objective of which is to build a homogeneous management model throughout the Group, ensuring that all the requirements are met whilst at the same time producing a highly competitive edge through greater production efficiency and cost optimisation.

In addition, each plant is required to prepare an “Environmental identity charter“ in order to ensure precise and structured safeguards against environmental risks and respond effectively to the rapid legislative changes in the environmental field. This lists the sensitive features of the surrounding local area, the binding requirements, environmental authorisations in force, a description of the processes with an environmental impact and the systems for their control.



**100%**  
plants with ISO 14001 certified  
Environment Management System

One of the subjects on which Brembo is most focused is its coexistence with the local communities in accordance with legislation, and its readiness to listen to them. As a binding requirement for all the Group’s sites, the management system introduces suitable channels for listening to local communities,

for example, dedicated email boxes that can be used to promptly resolve any complaints reported. All reports are always analysed to understand their cause and identify the best corrective measures to be implemented.



**Over 5,900**  
hours of environmental management  
training provided to employees

Lastly, in addition to investments in technology and services to protect the environment, the human factor is a decisive element for ensuring the effective protection of the environment in everyday corporate activities. Because of this, as part of its Management System, Brembo invests in training activities designed to provide indications on how to deal with the main environmental aspects. In 2018, besides standard training, more than 5,900 hours of training on environmental issues were provided across the Group’s sites.

## The path towards ISO 14001:2015 certification

The first audit by the certifying body was carried out in June 2018 at the Apodaca plant to check full compliance with the international standards of the new Environment Management System. During the three-day audit the independent external company certified the full compliance of the Management System implemented in the plant with the requirements of ISO 14001:2015. After Apodaca the Environment Management System of another 7 production plants was audited successfully (Mapello cast iron foundry, Mapello machining, Mapello aluminium foundry, Czestochowa, Pune, Niepolomice and La.Cam), and the positive results led to the Group’s global certification.

## Energy consumption

It is claimed by the world's scientific community that one of the main contributors to the emissions of climate-altering substances lies with CO<sub>2</sub> emissions due to electrical energy production.

For this reason Brembo is working hard to reduce its impact due to electrical energy use to a maximum, undertaking to play its part in containing global warming. On the one hand, this commitment translates into related choices in the energy procurement area, trying to use renewable energy sources as much as possible — to the detriment of fossil fuels — and self-production, through the installation of photovoltaic cells. On the other hand, it aims to promote a reduction in energy consumption to the maximum, in other words to always use less energy in relation to production growth. From this point of view, 2018 saw Brembo define a series of challenging objectives to reduce consumption at its production sites.

Regarding the Green energy quota which the Group procured during 2018, this almost tripled over the previous year, rising from 8% in 2017 to 21%. This result was achieved thanks to the purchase of Certificates of Origin equivalent to 50% of electricity consumption in the Italian sites and about 40% in the Polish sites. The result achieved in Mexico is worth noting. Thanks to the adoption of a new purchasing strategy, the Mexican factories will move gradually to a totally renewable supply as from 2019. Self-production also represents one of the action areas in Brembo, where, thanks to the new photovoltaic plants installed in recently constructed buildings in the Stezzano area and in the Curno building, an installed capacity of about 1MW was achieved.

The promotion of energy saving, which is reflected in the rational use of energy and hence in reduced consumption, is a topic that involves all the Group's operating units, which were asked to help achieve Brembo's energy efficiency objective set for 2018 at 1.58%.



**About 1.8%**  
reduction of energy consumption compared to 2017 thanks to the energy saving measures undertaken.

The actual goal achieved was about 1.8% thanks to measures such as the gradual extension of LED lighting and the optimisation of compressed air management in the different production, distribution and usage phases.

The cast iron foundries, the processes of which make up about 60% of total consumption, have implemented energy efficiency projects that have helped achieve about 50% of the goal set for the Group.



**60%**  
of Group's consumption are cast iron foundries.

The energy consumption optimisation measures have produced major savings and reduced costs significantly, both in the Group's older plants built with previous-generation technology, and in the more recently constructed plants which, built with high energy efficiency, cutting-edge technologies, have focused on the management procedures connected with electricity use. Overall the measures implemented in 2018 in the various production hubs have reduced energy consumption by more than 12,000 MWh, equivalent to more than 8,800 tonnes of emissions of CO<sub>2</sub> eq (equivalent).



**50%**  
of energy efficiency comes from plant projects.

Special technology investment programmes and research projects supported by the Group, also in partnership with other qualified bodies in the sector, are also heading in this direction. The industrial strategy decision, taken in more recent years by Brembo, to vertically integrate at the same plants the production process, the machining process and the metal alloy casting and production phase, as well as to give a definite competitive and industrial edge, allows the Group to intervene more effectively and more quickly in applying innovative solutions to reduce the environmental impact of one of the most significant phases in the production cycle, namely metal casting.

**Analysis of main measures to reduce energy consumption at global level**

Area of intervention	Energy consumption reduction (KWh)	Estimate of CO <sub>2</sub> eq tonnes avoided*
Lighting system optimisation (installation of LED lamps in offices and production departments)	1,765,371	1,112
Compressed air system optimisation (replacement of compressors, leak detection and repair, optimised use during production processes)	2,072,393	1,492
Replacement of processing systems with more efficient technology	1,519,344	1,131
General production process optimisation	6,613,509	4,939
Optimisation of general technical equipment management	83,825	74
Installation of photovoltaic plant	137,703	70
<b>TOTAL</b>	<b>12,192,145</b>	<b>8,818</b>

\* For all the above-mentioned intervention categories, the reduction regards scope 2 type emissions. It bears recalling that the only gas included in the calculation of CO<sub>2</sub>eq avoided emissions is carbon dioxide.

**Nanjing times compressed air flow**

Nanjing Machining has set up an Energy Team to manage electricity consumption in the most efficient way possible. The team has focused on inefficiencies in the use of compressed air in the production process, particularly in the various blowing points, intervening where air delivery was continuous, even when the piece was not physically on the machine. Hence the decision to time the blowing action in a machine and then on the entire line, a process innovation that has produced a significant energy saving equal to 4% of total consumption. After an initial monitoring phase, the solution was extended to all the machines and to all the lines.

**Apodaca: an example of energy saving**

Apodaca started its energy saving programme as far back as 2014, following a detailed analysis of the plant's processes by an internal working group called the Green Team. Various energy efficiency opportunities were then identified and important projects undertaken which produced major savings and recognition with a special Award for environmental sustainability during the 2015 "Brembo Excellence Awards".

One of the main activities carried out, which could potentially be implemented in most disc machining plants, involves changing the process for evacuating cast iron swarf from lathes and drilling machines. In the past swarf was eliminated by means of a conveyor belt which operated continuously; as a result of the project it is left to accumulate for defined cycle times and is removed in small piles. This means that the machine motors are not always on and the energy saving is about 84% compared to the initial solution. This innovation was also adopted subsequently in the disc machining plant in Homer (USA) and from 2018 in the Nanjing plant (China).

## Curno: the software change saves 80 thousand kWh/year

A major energy efficiency measure has been carried out on the caliper machining systems in the Curno plant. These systems, by their very nature, are always active, even during periods of production inactivity. So, the plant operators identified an opportunity to reduce machine consumption when the machine is not in production.

This is due to a change in the software which acts on the system's management logic and allows the work centre to

recognise situations of production inactivity or stand-by and shut down the lubrication and cooling pumps, as they are not required.

Thanks to this solution, which is due to be extended to similar machines in other Group plants, the Curno system has achieved an energy saving estimated to be in the region of 80,000 kWh/year.

Overall in 2018 Brembo consumed around 4.5 million GJ (Gigajoule, the joule is the unit of measurement of energy), up compared to 2017 mainly due to the start of production and entrance into full production of the cast iron foundries in Homer

(USA) and Escobedo (Mexico), the start of production in the aluminium foundry in Nanjing (China) and the expansion of the Dabrowa foundry. This consumption was primarily in the form of electricity (about 69% of total consumption).

### Annual energy consumption broken down by source (GJ)

	2016*	2017	2018
<b>DIRECT CONSUMPTION</b>	<b>1,024,066</b>	<b>1,165,662</b>	<b>1,385,284</b>
<b>Energy from non-renewable sources</b>			
Natural Gas	651,329	795,293	1,017,612
Other fossil fuels**	370,891	372,118	365,975
<b>Energy from renewable sources***</b>			
Photovoltaic	1,422	1,564	1,627
Other sources (thermal solar, etc)	424	224****	70*****
<b>INDIRECT CONSUMPTION</b>	<b>2,048,842</b>	<b>2,673,431</b>	<b>3,151,771</b>
Electrical energy	2,037,390	2,647,302	3,124,939
from non-renewable sources	2,037,390	2,429,422	2,458,899
from renewable sources	-	217,880	666,040
District heating	11,452	26,129	26,832

\* The figures for the Langfang (China) production plant, which entered the consolidation scope during 2016, are excluded from the energy consumption calculation.

\*\* "Other fossil fuels" include: diesel, petrol, LPG and other.

\*\*\* In 2018, the Group did not generate any energy destined for sale.

\*\*\*\* The entry does not include production at the plant in Homer (USA), which manufactures discs, because the data was not provided by the plant operator in time to draw up this document.

\*\*\*\*\* The entry does not include production at the US and Chinese plants because the data was not provided by the plant operator in time to draw up this document.



## The Brembo Energy Platform

In 2018, Brembo launched a new project to permanently monitor the energy consumption of every facility, every department, and where consumption levels are significant, even production machinery. A new IT platform called Brembo Energy Platform (BEP) is currently being built and implemented. Thanks to a network of sensors and measuring equipment it is able to monitor the consumption patterns of each site and to provide more targeted energy efficiency programmes. Besides being able to monitor their consumption, every facility will also be able to see the consumption levels of other facilities with similar processes, thus enabling the creation of an internal benchmark and the

implementation of tried and tested improvement measures. Finally, since abnormal consumption - including in terms of energy - can be a tell-tale sign of malfunctioning machinery, the platform will be an important source of information for maintenance and production teams, enabling the deployment of preventative and predictive actions which can ensure production continuity at optimal machine capacity levels. The project started as a pilot at the Curno site and will be rolled out across all of the Group's production facilities by mid-2019. It is a smart energy project which applies the typical concepts of the "Industry 4.0" initiative.

## Greenhouse gas emissions

The CO<sub>2</sub>eq emissions generated by Brembo's production activities in 2018 amounted to 910,000 tons (scope 1+2+3), higher than those of 2017. The factors that contributed to the increase are the greater production volumes, the inclusion of the Chinese site of Langfang in the calculation, the launch and running of recently built facilities in Mexico, the USA and China, which led to greater power consumption.

In 2015, which is considered the benchmark year for the monitoring of emissions improvements, emissions amounted to 440,000 tons (scope 1+2). In a like-for-like comparison with

2015, over the last year a total of 402,000 tons of CO<sub>2</sub>eq were produced, marking a reduction of almost 9%. This result was achieved thanks to energy efficiency-boosting projects totalling 8,818 tons of CO<sub>2</sub>eq and to the implementation of renewable energy solutions equal to 147,000 tons, which made up for emissions caused by increased production volumes.

Like every year, the emissions inventory and calculation methodology underwent assurance certification by a third-party body in accordance with the ISO14064 standard.



**-13.2%**  
reduction of CO<sub>2</sub> emissions  
per cast tonne compared  
to the previous year.



**-18.3%**  
reduction of CO<sub>2</sub> emissions  
per unit of finished product  
compared to the previous year.

**Greenhouse gas emission by scope (t CO<sub>2</sub>eq)\***

	2016*	2017	2018
<b>Scope 1</b>	<b>68,342</b>	<b>74,911</b>	<b>87,691</b>
Emissions from foundries	33,039	34,959	35,379
Emissions from production plants and heating systems	30,339	35,381	46,845
Coolants for air-conditioning systems**	1,323	1,200	1,234
Emissions from company vehicles and other fuels	3,641	3,371	4,233
<b>Scope 2</b>	<b>410,679</b>	<b>444,525</b>	<b>492,821</b>
Indirect emissions due to power consumption and heating district			
market based	410,679	444,525	492,821
location based	369,212	498,005	584,916
<b>Scope 3</b>	<b>201,866</b>	<b>270,687</b>	<b>330,367</b>
Emissions due to product distribution logistics and waste transport	102,616	161,001	201,594
Emissions due to employees commuting between home and workplace	23,503	34,303	29,199
Emissions due to business trips	13,752	7,623	3,934
Emissions due to product transport within the Group	37,730	38,762	54,595
Emissions due to the energy lost through power distribution and transmission	24,265	28,998	41,044
<b>Total</b>	<b>680,888</b>	<b>790,123</b>	<b>910,879</b>

\* The calculation of the CO<sub>2</sub>eq (which includes CH<sub>4</sub>, NO<sub>2</sub>, HFC, PFC and SF<sub>6</sub> emissions, when present) was carried out in accordance with the indications contained in the "Global Warming Potential Values" guide from the Greenhouse Gas Protocol (calculation methodology and emission factors as per the GHG Protocol. See <http://www.ghgprotocol.org/calculation-tools/all-tools>), which is based on the latest scientific studies carried out by the Intergovernmental Panel on Climate Change (IPCC): "IPCC Fifth Assessment Report, 2014 (AR5)", "IPCC fourth assessment report, 2007 (AR4)" and "IPCC second assessment report, 1995 (SAR)", supplemented by data from the EPA (Environmental Protection Agency) for US emissions and ASHRAE34 for coolants. The 2016 and 2017 data does not include the plant in Langfang (China), acquired in 2016, as some utilities and some general systems are still shared with other activities that are not controlled by Brembo.

\*\* The figure includes the quantities of coolants dispersed into the atmosphere and reported in the special registers when air conditioning systems are refilled periodically. In the absence of such a record or other evidence of gas refills carried out during the year, all the gas contained in the air conditioning systems is considered to be dispersed into the atmosphere — as a precautionary measure.

**Scope 1**

Climate-changing emissions generated directly by Brembo come from plants, assets and vehicles operated directly by the Company. This scope includes emissions from the combustion of fossil fuels in melting furnaces, leakage of coolants in air conditioning systems or use of the company fleet.

**Scope 2**

Indirect emissions of greenhouse gases resulting from the generation of electricity purchased by Brembo, as well as the heating of water/steam procured by the Group through district heating systems. With these purchases Brembo indirectly contributes to the emissions generated by electricity or heat suppliers.

**Scope 3**

Emissions that are not included in the previous scopes linked to Brembo's value chain. This scope includes emissions from Brembo product distribution and handling among plants, personnel commuting from home to workplace or business trips.



The Group has set specific medium- and long-term objectives to reduce greenhouse gases and implement Brembo's commitment to environmental protection and combating climate change:

<p><b>-19%</b> by 2025</p>	<p>Brembo is committed to reducing Scope 1 and Scope 2 direct and indirect emissions by 19% compared to the levels measured in 2015 (on a like-for-like consolidation basis), through actions aimed at improving the efficiency of plants and increasing the percentage of energy used that comes from renewable sources.</p>
<p><b>-41%</b> by 2040</p>	<p>Brembo is committed to reducing Scope 1 and Scope 2 direct and indirect emissions by 41% compared to 2015 levels (on a like-for-like consolidation basis).</p>

Brembo's commitment to the reduction of CO<sub>2</sub> has been transformed into an internal reduction objective using the following formula:

$$\frac{\text{CO}_{2\text{eq}} \text{ reduction achieved through improvement actions}}{\text{CO}_{2\text{eq}} \text{ emissions of the previous year}} \geq 2.1\%$$



**-18.78%**  
CO<sub>2</sub>eq emission reduction compared to the previous year thanks to improvement actions undertaken in 2018.



## Atmospheric polluting emissions

Gas emissions are also periodically monitored, in accordance with authorisation regulatory requirements at all Group plants. Although national and local laws set different limits and pollutants, as part of Brembo's new Environmental Management System common requirements have been defined for all the Brembo plants, to control the risks associated with this topic and ensure uniform emission control at all plants.

The substances chiefly present in Brembo's emissions are those typical of melting processes and the use of fuels (NO<sub>x</sub> and SO<sub>x</sub>), as well as those generated by mechanical processes such as powders (PM) and volatile organic compounds (VOC). With regard to the emission trend, it is specified that it is not possible to make a comparison with previous years as the emissions are subject to the variability of the production mix, which can also significantly influence the quantity of substances emitted. Furthermore, the 2018 report was highly influenced by production growth and the entry into full operation of the foundries in Dabrowa (Poland), Homer (USA), Nanjing (China) and Escobedo (Mexico).

Every emission subject to authorisation is monitored periodically to ensure compliance with the established limits set out in the authorisation documents.

In the same way it monitors pollutants, Brembo also monitors the quantity of coolant gases (HFC and HCFC) released into the atmosphere, calculating the relevant CO<sub>2</sub> equivalent impact. In 2018, 0.64 tons of gas capable of damaging the ozone layer were released into the atmosphere, including 0.25 tons of coolant gases with hydrofluorocarbons and about 0.39 tonnes of freon 22 gas (R-22). The figure includes the quantities of coolants dispersed into the atmosphere and reported in the special registers when air conditioning systems are refilled periodically. In the absence of such a record or other evidence of gas refills carried out during the year, all the gas contained in the air conditioning systems is considered to be dispersed into the atmosphere — as a precautionary measure.

With the aim of anticipating legal requirements in every country where it operates, in 2018 Brembo officially banned the use of R22 in all its factories, an early move ahead of the phasing-out programme schedules of those countries where the use of the gas is still allowed. As a consequence, every factory is required to plan the replacement of this gas with an environmentally friendlier one. With this in mind, 2018 saw both the Chinese and Indian factories initiating the replacement process.

### Emissions of harmful substances (t)\*

	2016	2017	2018
Nitrogen oxides (NO <sub>x</sub> )	118.75	131.90	95.13
Dusts	79.43	160.95	315.07
Volatile organic compounds	146.51	118.02	165.66
Sulphur oxides (SO <sub>x</sub> )	45.95	49.35	40.11
Hazardous pollutants	35.14	4.29	12.03
Persistent organic compounds	0.69	0.00	0.00
Other	-	-	-

\* the values shown are based on precise measurements made in plants that are subject to regular spot checks. Each plant's emissions is calculated based on these precise measurements, since the concentration of harmful substances, the mass flow and the operating time of the plant are already known. Hence, the values shown only refer to the plants equipped with measuring instruments.



## Management and use of water resources

One of the UN SDGs concerns water, a precious and indispensable resource for the human beings.

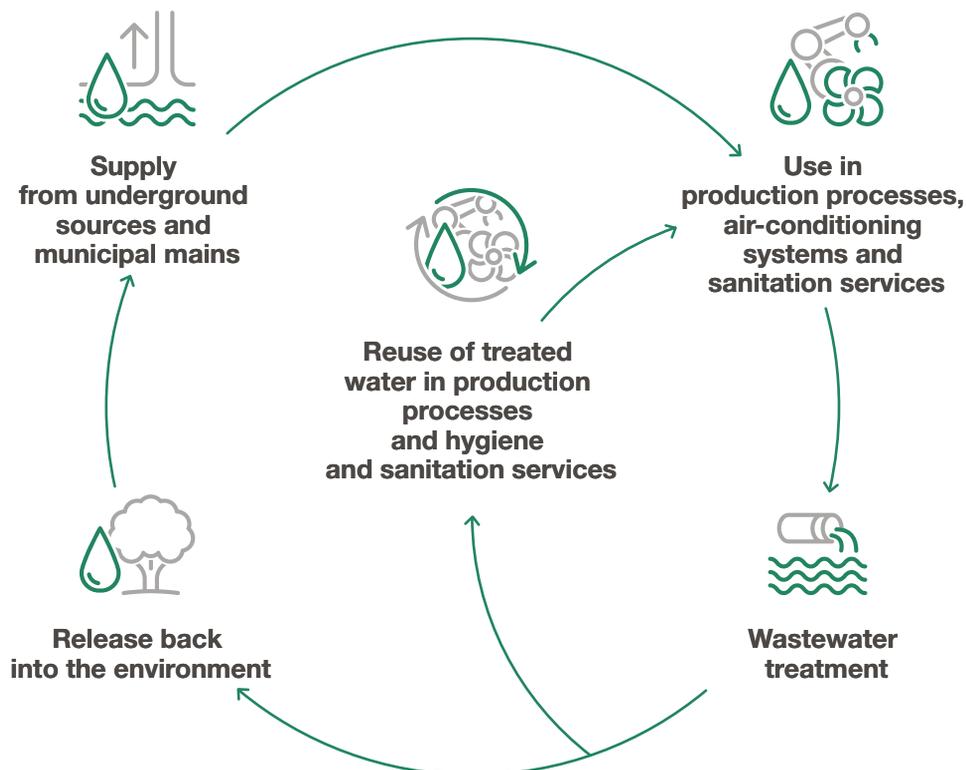
The demographic growth in world population, with the resultant increase in demand for water particularly for agricultural production purposes, and the gradual desertification of increasingly large areas of the planet due to climate change are forcing industrial complexes with a significant need for water resources, such as Brembo, to essentially commit towards a more rational use of this resource, through both progressively reducing its use and minimising the risk of potential pollutants that could cause water not to be released back into the environment. This is the prerequisite on which Brembo has built its strategy, which is reflected in the rules set out in its Environmental Management System. These rules define a water management model shared across all the Group's facilities.

As far as water performance is concerned, 1,335 million cubic meters of water were used, a slight increase compared to 2017, following the launch and running of the Homer (Michigan) and the Escobedo (Mexico) cast iron foundries, the start of

production at the Nanjing (China) aluminium foundry, and the expansion of the Dabrowa foundry (Poland). The water mains still constitutes the main source of supply (approximately 70%) which not only ensures suitable quality levels, but also a reliably constant supply over time. Groundwater supply has decreased by 2% compared to 2017, and constitutes a significant supply source only in Italy and the USA, although this type of source — where available — can ensure greater autonomy without impacting the water supply of neighbouring communities.

The use of water is mainly needed in Brembo's process to cool the industrial plants (melting furnaces), for surface treatments and for the preparation of cooling lubricating fluids, i.e. 7- 10% oil emulsions required for the cooling and the elimination of shavings generated by machine processing.

Brembo is constantly looking to reduce water consumption in its processes by re-using and internally recycling water, or by implementing less water-intensive processes. In this respect there are some noteworthy initiatives undertaken by the Indian facility at Pune, where all the water used for both industrial and



civilian purposes is collected and processed through a water-treatment facility, and then re-used internally for the irrigation of the green areas or for toilet flushing. In 2018, a similar system was launched at the Betim factory in Brazil, where the water coming from mechanical processing, which used to be disposed of as waste water, is now being treated and made suitable for internal re-use.

In 2018, a new braking systems factory has been launched in Nanjing, where an oxidation plant especially designed to avoid the generation of any waste water is used, which translates into significantly lower water consumption on the site, but also into a remarkable reduction in contamination risks for the downstream water catchments, precisely because of the absence of a point of discharge. Moreover, the progressive replacement of certain types of mechanical processing plants requiring water with water-free ones continued in 2018.

With reference to waste water, nearly all of it – about 579 million litres – is destined for the local water consortium sewers to which the sites are linked. Only a tiny fraction (about 2%) of waste water is released into surface water bodies, after ensuring that the relevant local legal specifications on acceptability are met.

To enable increasingly accurate water reporting, the company set itself as a target the deployment of measuring equipment at every water entry and exit point, making every instance of waste easier to pinpoint. In 2018, the installation of flowmeters at the entry points of every production facility was completed.

It should be noted that throughout the year Brembo's production facilities did not report any significant instances of leaks of hazardous substances into the environment.

#### Water consumption by supply source (megalitres)

	2016*	2017	2018
Public water mains	668	782	948
Water well	326	374	387
<b>Total</b>	<b>994</b>	<b>1,156</b>	<b>1,335</b>

\* The figures for the Langfang (China) production plant, which entered the consolidation scope during 2016, are excluded from the water consumption calculation.

#### Water discharges by destination (megalitres)

	2016*	2017	2018
Public sewage system	232	430	565
Surface waterbodies	208	54	14
Other	-	18	-
<b>Total</b>	<b>440</b>	<b>502</b>	<b>579</b>

\* The figures for the Langfang (China) production plant, which entered the consolidation scope during 2016, are excluded from the water discharges calculation.



## Waste management

Brembo has long been convinced that waste is to be viewed as a resource rather than as something to be disposed of, and hence as still capable of generating value through both potential cost reduction and benefits to the environment, in a manner fully consistent with the logic of the circular economy. The typical situation at certain production facilities — such as cast iron foundries — is a clear example of how this concept is put into practice at Brembo. A foundry primarily uses ferrous scrap, such as cuttings and discarded materials produced during mechanical processing, thereby contributing to circular waste management. The vertical integration of Brembo’s factories is a positive example of how having a foundry near the machining and assembly facility — typically housed within a single industrial complex — in most cases enables immediate reuse of scrap metal in melting furnaces. In 2018, Brembo generated approximately 382,000 tons of

waste, an increase of 20% on 2017, due to the start-up and transition to full operational status of the new plants in USA, China and Mexico. Most of the waste generated — approximately 95% of the total — is classed as non-hazardous, and 50% of the total is recovered.

Noteworthy, waste reuse initiatives undertaken by Brembo include those currently in place at the plant in Buenos Aires (Argentina), where the wood from packaging materials — previously disposed of — is now supplied to an association devoted to re-educating convicts in a local prison by teaching them woodworking. The plants in Dabrowa (Poland) and Apodaca (Mexico) and the LaCam plant in Sellero (Italy) have systems in place for processing cutting emulsions and oils that reduce the amount of waste oil and contaminated water to be disposed of.

### Waste generated (t)\*

	2016**	2017	2018***
Hazardous waste	18,300	18,427	20,644
of which: discharged	-	-	12,799
of which: reused	-	-	7,821
Non-hazardous waste	199,979	301,118	362,180
of which: discharged	-	-	172,507
of which: reused	-	-	183,923
<b>Total</b>	<b>218,279</b>	<b>319,545</b>	<b>382,825</b>
of which: discharged	-	-	185,306
of which: reused	-	-	191,744

\*Data on waste’s final destination (reuse/discharge) referring to fiscal years 2016 and 2017 are not available as they were not specifically subject to monitoring by the Group.

\*\* The figures for the Langfang (China) production plant, which entered the consolidation scope during 2016, are excluded from the calculation of waste generated.

\*\*\* The entries “of which: discharged” and “of which: reused” do not include waste generated in the year but not discharged by the Langfang and Nanjing plants (5,774.42 tonnes).





€ **2,440** million  
Economic value distributed



**5**  
Action areas for social projects



**91%**  
Local managers, i.e., born in the countries where they work for





# The wellbeing of local communities

Supporting the territories where we operate is our priority



## The wellbeing of local communities. Supporting the territories where we operate is our priority

### 8.1 Creating opportunities for local areas

For more than 50 years, Brembo has contributed directly and indirectly to the economic development of the local areas and numerous communities around the world, which the Group has joined during its expansion at global level. This has stemmed from its willingness to keep strong geographical proximity to its reference markets and to its Customers' production centres, where the vehicles and motorbikes fitted with the Group's braking systems are manufactured.



In particular, the Group's expansion to the different countries in the world has always been carried out taking into account the need to support the economic, social and employment growth of the territories, as well as the responsibility towards local communities.

This vision is reflected in Brembo's investment management policy, which, in continuity with the development and modernization lines followed up to now, aims on the one hand at strengthening the Group's presence both in Italy and internationally and from another at creating and developing manufacturing districts in the various countries in which it operates, thus guaranteeing employment and income for the people who work within such manufacturing districts.

In more recent years, investment plans focussed on Italy (30.0%), Poland (27.8%), North America (19.1%) and China (15.2%). In detail:

- ▶ In Italy, Brembo started the construction of the new "Carbon Factory" in Curno. The new structure is aimed at integrating in a single manufacturing site the entire development, processing and production process of unrefined products for the production of carbon discs and pads for the racing segment. The building will occupy an area of about 7 thousand square meters, in addition to 10 thousand square meters for green areas, parking lots and logistics and storage areas. Construction work on the site was completed in 2018 and

production activities are expected to be fully operational by the end of 2019. Further investments made by the Group in Italy mainly concerned the purchase of plants, machinery and equipment aimed at increasing the production automation level;

- ▶ in Poland, Brembo completed the expansion plan launched in 2016 for the Dabrowa Gornicza (Poland) manufacturing hub, with the construction of a third casting line and the installation of new machining lines extending over a covered area of a further 22 thousand square meters. The new plant, which, once fully operational, will entail an increase in casting capacity of 100,000 tons a year, produces both 'grey' cast iron (used for brake discs) and 'spheroidal cast iron' (used for calipers intended for light commercial vehicles), to meet the steadily increasing European demand for brake discs and floating calipers;
- ▶ in Escobedo, Mexico, during the year work was completed for the construction of a new cast iron foundry, adjacent to the plant for the processing and assembly of brake calipers. The new plant extends over 25,000 square metres and has a casting capacity of about 100 thousand tonnes per year. The production of the two new sites will be delivered to the major European, Asian, and American OEM manufacturers;
- ▶ in China, Brembo has finalized the investment of about €100 million, launched in 2016 to set up a new complex in Nanjing to produce aluminium calipers. Equipped with cutting-edge process integration and automation, the new production

hub extends over about 40,000 square metres and, once fully operational, it will have a casting capacity of more than 15 thousand tonnes and a production capacity of more than 2 million pieces a year, including calipers and spindles. Production from the new site will target the main European, Asian and American original equipment manufacturers (OEMs) with production plants in China.

In addition, Brembo, which represents a reliable partner for many businesses in the supply industry, with which they can develop partnerships and grow over time, has contributed to strengthening the entrepreneurial fabric in its value chain, creating a network of ancillary companies that guarantees

additional employment and technological development. In fact, in 2018, much of the wealth distributed by Brembo went towards remunerating and supporting the system of businesses in the supply chains: overall, the Group made purchases worth over €1,700 million. More than €460 million were distributed to Brembo personnel in the form of salaries, variable remuneration and social security contributions.

The economic impact of the Group can also be measured in terms of its support for public spending through its contribution to tax revenue and its dividends to Shareholders, thereby encouraging further investments.

#### Economic value generated, distributed and retained (€ thousand)

	2016	2017	2018
<b>Economic value generated</b>	<b>2,353,494</b>	<b>2,546,706</b>	<b>2,748,210</b>
<b>Economic value distributed</b>	<b>2,058,781</b>	<b>2,235,339</b>	<b>2,440,370</b>
Suppliers	1,504,633	1,608,135	1,748,475
Brembo People*	387,640	436,050	465,306
Investors and lenders	101,807	120,862	148,111
Public Administration	63,494	69,215	76,997
Gifts and sponsorships	1,207	1,077	1,481
<b>Economic value retained</b>	<b>294,713</b>	<b>311,367</b>	<b>307,840</b>

\* The item "Economic value distributed to Brembo People" includes the costs of Brembo's employed personnel and temporaries.

The generation and distribution of wealth by the Group had a particularly significant positive impact in those areas characterised by levels of industrialisation and wealth distribution below the national average. This is the case, for example, with the Homer production plant in the United States and the Ostrava plant in the Czech Republic — areas that are characterised by an above-average employment rate.

In recognition of the benefits produced by the presence of highly specialised manufacturing firms, in 2018 — as part of national policies designed to attract and support industrial innovation and development — the Group received more than €23 million in public grants, in the form of tax relief and research grants.



## Contribution to developing the local intellectual capital

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Brembo's effects on local communities are not just measured in terms of the investments channelled into these areas or the job opportunities that are created there. Even more important to their development is the Group's contribution to increasing the intellectual capital of those districts.

The main tools used to make Brembo's "knowledge" capital a resource for the local area include personnel training and partnerships developed with various research and education institutions, including the Milan Polytechnic, the Royal Institute of Technology in Stockholm, the University of Padua and the University of Trento. These partnerships have made it possible to share Brembo's legacy of expertise in materials, braking systems, technology, and industrial fusion and mechanical processing procedures, while also allowing the Group to develop highly innovative products with a view to open innovation that benefits both Brembo and the local areas.

Out of the main initiatives that demonstrate Brembo's key role in creating and promoting knowledge and innovation on a local level, the most significant are reported below:

### The development of the innovation hub **Kilometro Rosso**

The Group was involved in the creation of **Kilometro Rosso** from the very start. Established on the outskirts of Bergamo, where Brembo has its roots, this district acts as a catalyst for various areas of excellence in the field of research, high-tech production and services for innovation in various sectors and areas of specialisation. This knowledge hub aims to create a meeting point for businesses with a strong propensity for innovation, scientific institutions and R&D centres, with a view to promoting the sharing of specialist expertise among businesses operating in various industries, considerably increasing the ability of the

people involved to generate product, process and service innovation.

**Kilometro Rosso** is now one of Italy's main science parks, accredited by the CENSIS 2009 report as one of Italy's top 10 outstanding initiatives for innovation. Brembo has its main headquarters in the park, along with a mechatronics, sensor systems and mechanical Research Centre and the laboratories of Brembo SGL Carbon Ceramic Brakes, a joint-venture set up between Brembo and SGL Group.

For further information: <http://www.kilometrorosso.com/en/>

### **Brembo awarded the Confindustria stamp of quality for student internships**

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In 2018, Brembo — along with 36 other Bergamo area companies — received the Confindustria stamp of quality for its student internship programmes. This award is intended to recognise the student internship programmes offered by companies that stand out for their ability to form positive collaborative relationships with local schools.

The award emphasises Brembo's commitment to creating strategic alliances aimed at forming educational relationships with academic institutions. Such alliances also support the promotion of the spread of teaching focused on skill-building aimed at concretely meeting the needs expressed in a time of profound change in the school system.

### Accademia del Freno (Brake Academy) at the Polytechnic University of Milan

In partnership with the Milan Polytechnic, Brembo set up the Accademia del Freno [Brake Academy] in 2014. This technical and scientific advanced education initiative specialising in braking systems seeks to complement the academic curriculum of Milan Polytechnic's engineering students. The Academy features a cycle of lessons and seminars in the University and in the company. It involves Group managers and specialists, who provide students with the knowledge and expertise developed by the Group, ranging from brake disc and brake disc caliper design to further study of friction materials, thermal and structural calculations, and testing and validation processes. This partnership aims to train new braking system specialists, therefore developing the sector's future professionals.

### The support to local technological institutions

The Group's partnerships with the world of education do not focus solely on universities. In fact, it is important for Brembo to develop a relationship with future generations from secondary schools onwards, so as to guide and introduce the best talents to the mechanics industry.

### Enhancement of car design

In partnership with Auto&Design magazine, the Group contributed to the revival of the "Car Design Award", a prestigious award presented in Turin and aimed to promote industrial design in the automotive industry, rewarding designers who have stood out for innovations in series-production models, prototypes and showcar categories, demonstrating the best developments while remaining in keeping with the image of the brand.





## 8.2 Social and cultural development of local communities

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Over the years, Brembo has established close ties to the local areas where it is present, paying attention to the needs they express, and defining a path of joint development and growth, which leads the Group to provide tangible support to numerous projects and initiatives in favour of local communities in the areas of greatest social needs.

In order to guarantee structured and strategic management of philanthropic initiatives, the Group set up a central Social and Cultural Sponsorships and Donations Committee. This body periodically brings together the Heads of the main corporate functions, in order to define criteria, guidelines and priorities on which to focus sponsorships and donations in the social and cultural arena, establish the annual budget set aside for these activities, evaluate projects and initiatives to support, as well as monitor the compliance and efficacy of the projects being promoted. In order to be ever closer to local communities and fully understanding their needs, the Group also actively engages Brembo's Country General Managers in listening to and supporting local socio-cultural development initiatives. In keeping with the priorities identified by the Committee, they

identify local needs and define suitable ways of providing support to the communities.

In 2018, the Brembo Group confirmed its commitment to developing various social projects and initiatives in support of local communities. In particular, during the year the Group supported initiatives in five areas of intervention viewed as priorities by Brembo:

- **Social issues and safeguarding children**
- **Education, training and research**
- **Art and culture**
- **Sport**
- **Worldwide social projects**

With respect to this latter area of intervention, which conveys the Group's desire to play an active role in the most urgent international contexts and situations, three projects — two in India, the other one in Italy — were particularly significant in the three-year period 2016-2018 and saw Brembo acting as the direct promoter of initiatives, developed through the active search for partnerships with non-profit organisations.

### House of Smile

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As a result of the collaboration between Brembo and CESVI, an NGO involved in supporting development and combatting poverty, the House of Smile was inaugurated in 2017 in Pune, India.

The House of Smile project aims to support highly vulnerable women and children and consists of a service centre within a brickwork building in Bidwedi, and three education centres for children and young people in poor areas on the outskirts. Swadhar, the local NGO, operates within the service and education centre hub, coordinating the psychological support, legal guidance, healthcare and career assistance services for women and the support services for young mothers. Swadhar also promotes activities for children between the ages of 3 and adolescence in favour of education and children protection.

The children, divided into classes by age, attend daily classroom sessions in the three educational centres, consisting of fully

equipped facilities offering a wealth of didactic materials, and take part in a programme aimed at encouraging literacy, supporting study, civic education and proper, healthy nutrition. Each class also has access to a small library space where children can borrow textbooks to read at home.

The three educational centres also offer professional training programmes for young women such as tailoring, hair-styling and beautician courses that award a recognised completion certificate.

The new objective is now to replicate the project in the Pimpri area, closer to the Brembo plant, thereby promoting the more ambitious project of opening an actual Brembo Village of Smiles. A modular village for women and children, which can grow over time, which can also house classrooms and professional training premises, such as an I was a Sari mechanical workshop and a

workshop for teaching young disadvantaged women the art of tailoring.

In addition to this, Brembo continued its support for the CESVI Houses of Smile in Tamil Nadu, also in India, where, with the Group's contribution, maintenance and extension work have been carried out on the existing structures and more extensive services have been provided. For example, in addition to promoting various training and educational initiatives for young people, the Group has also organised a series of programmes

at the various sites intended to improve the health conditions of the children housed in the House of Smile facilities, thanks to examinations by specialist physicians and the distribution of healthy, nutritious food. Finally, a fundamental role was played in this project by the active contribution of the local team at Brembo Brake India and Cristina Bombassei, who visited the facilities regularly, contributing their time, commitment and dedication to the success and growth of the House of Smile initiative.





## I was a Sari

The “Sari” is the traditional dress for Indian women that has passed down through the centuries in local culture and I was a Sari is one of the social projects supported by Brembo since 2015. It is a social enterprise based in Mumbai, founded by an Italian entrepreneur with the aim of improving the lives of Indian women from the most disadvantaged social and economic classes. The women of I was a Sari create hand-crafted fashion accessories — necklaces, bracelets, purses, shawls — using recycled Sari fabrics or premium textiles which are selected and checked at the new Mumbai logistics centre. At this facility, awash in the unique colours of the fabrics, a group of women selects items, performs quality control and cuts the finest of the saris.

This is where the products created at the three tailoring centres, which employ approximately 60 seamstresses, are stocked and a custom label with a description of the project is affixed to each item before it is dispatched to the customer.

In 2018, thanks to Brembo’s initiatives, important efforts were made to renovate and ensure building code compliance of the fabric production area of “I was a Sari” articles. In particular, such work involved installing ceiling insulation, a new ventilation system, new window fixtures that let in more natural light, painting and renovation of the recreation room where the seamstresses’ children can pass the time after school until the end of their mothers’ shifts in a safe environment monitored

by a teacher. Through these initiatives, Brembo ensures that the women of “I was a Sari” are able to work in a comfortable environment compliant with all safety requirements. The Indian women are thus taught specialist tailoring skills and guaranteed a dignified regular wage, which provides them with precious independence.

Brembo’s contribution has made it possible to transform a social project for women’s empowerment into an independent “social business”.

The initiative was welcomed with great enthusiasm and engagement by Brembo People, who were able to purchase I was a Sari products in the temporary shops set up at three production hubs to promote awareness amongst the employees and the objectives of the “I was a Sari” project, thanks in part to the inclusion in the various garments available for sale of a custom label containing a detailed description of the project.

The “House of Smile” and “I was a Sari” projects received the Impresa Award, set up by the Italian-Indian Chamber of Commerce, in the “Community Development (Society) Awards 2017” category; this award is dedicated to corporate initiatives that have made the biggest contribution to the development of local communities in India. The two projects were judged to be the best from among more than 50 initiatives presented by as many Italian and Indian firms.



## SOSTeniamoci

Given the current crisis that has led to migrants and refugees seeking refuge in Europe, landing in Italy and other southern Mediterranean countries, Brembo has launched with the NGO CESVI, in addition to the partnership mentioned above, the SOSTeniamoci project: a two-year process of assistance for a group of 23 unaccompanied foreign minors or youth who have just turned 18, resident in the Bergamo area, helping them to achieve socioeconomic independence. The young people, selected based on their strong motivation and desire to build a life in Italy, are supported not only from the psychological standpoint, but also through individual training paths aimed at improving their potential of finding a job. The young people involved in the project attend an orientation and professional training programme, Italian specialist language and civic education course, tailored to their needs and aspirations. They are therefore able to improve their abilities and skills during the project, which culminates in apprenticeship and training opportunities within various local firms.

In November 2018, at Brembo's Stezzano plant, a ceremony was held for 23 young foreign students from Egypt, Albania, Nigeria, Gambia, the Ivory Coast, Pakistan, Bangladesh and Senegal, during which they were awarded diplomas certifying the objectives achieved during the two-year academic programme designed to ensure integration and socio-economic autonomy. Some of them also entered the working world through apprenticeship or internship contracts. The latest edition of the project SOSTeniamoci, launched in October 2018, will involve 20 young people, who will be given a sound educational and professional foundation to start off their journeys in life on the right foot.

The short film "NumerUomini", by the director Gianfranco Ferraro tells the story of the young participants in the SOSTeniamoci project using fairy-tale language.

## Short film "NumerUomini"

The short film examines the migration issue by taking a look at its most dramatic moments: from leaving one's homeland to the journey proper, which ends up turning people into numbers. The young migrants become part of the faceless masses, exposed to the cruelty of unscrupulous smugglers and almost always destined to brave the sea in unsound vessels. The short film shows how a painful experience can be transformed into an opportunity for redemption and evocatively and effectively tells the story of how the young participants succeed in taking back their dignity through a gradual process that lets them to go back to viewing themselves as people after being regarded as numbers throughout the migration process.

"NumerUomini" received a special mention during the Foreign Press Globi D'Oro Award Ceremony held on 13 June 2018 in Rome.



Learn more

Numeruomini





Brembo supports the communities in which it operates through local initiatives focused on the following priorities:

**Social issues and safeguarding children.** Within this area, Brembo makes an annual contribution to the Giocamico project at the Papa Giovanni XXIII hospital in Bergamo. Giocamico provides a psychological support to young patients through a fun activity that prepares them for surgery and diagnostic investigations. Children can therefore find out about what will happen to them in a fun manner: the operating theatre becomes a space ship, the operation an adventurous journey. Thanks to the use of sounds, images and simulations, they are not just told about their treatment, but actually experience it. Thanks partly to Brembo, Giocamico's fun-filled psychological support activities are now available in paediatric wards.

**Education, training and research.** In keeping with its nature as a company with a strong vocation for innovation, Brembo supports scientific research projects in various fields of application, as well as various initiatives linked to education and training for young people. In particular, the Group renewed its support and partnership with the Mario Negri Institute for Pharmacological Research, one of Italy's most important biomedical and pharmacological research centres. In addition, in 2018 Brembo provided funding for two three-year scholarships for the doctoral programme in Economics and Company Law at the University of Bergamo.

**Art and Culture.** Brembo has also sought to promote the artistic and cultural heritage of the areas in which it operates, as well as Italian culture around the world. In this regard, in 2018 the Group, beside supporting Fondazione Teatro alla Scala by sponsoring its Teatro alla Scala's tour in China and Hamburg, also confirmed its support to the Fondazione Accademia Carrara in Bergamo through its sponsorship of the May 2018 exhibition dedicated to Raffaello Sanzio.

**Sport.** Brembo believes strongly in the importance of sports as an educational teambuilding element for young people. Because of this, it has sponsored a local female volleyball team, the "Brembo Volley Team", since 2003.

Moreover since 2017, Brembo has been sponsoring the Atalanta Youth Team, in keeping with its commitment to supporting local areas of excellence and with a view to sharing important values for both the world of sport and the world of business, such as team spirit and commitment, the quest for ongoing improvement, fair play and a love of challenges.

Brembo is supporting the project "La Scuola allo Stadio" (The School at the Stadium) as part of its sponsorship of the Atalanta youth division. This programme, intended for students enrolled in elementary and middle schools and in the first two years of secondary schools, is aimed at educating young people about respect for the rules, fair play and the fight against racism. During the year, the project involved over 1,500 students and 150 teachers from 74 classes at various academic institutions. This initiative allows them to combine football and school in an academic programme that pairs educational visits to various parts of the stadium with scholastic activities aimed at learning the values of sport and civic tolerance.

## Brembo Award

In 2018, Brembo bestowed the Brembo Award on 12 students in the Atalanta youth programme, eight boys and four girls regarded as the most meritorious, not only from an athletic standpoint, but also in light of their academic performance and fair play behavior on field.





SPEAKER

KEYBOARD

MOUSE

PC: MSN 1408 TN Com 17/04/14 11:12

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**In-depth information**



**Methodological note**



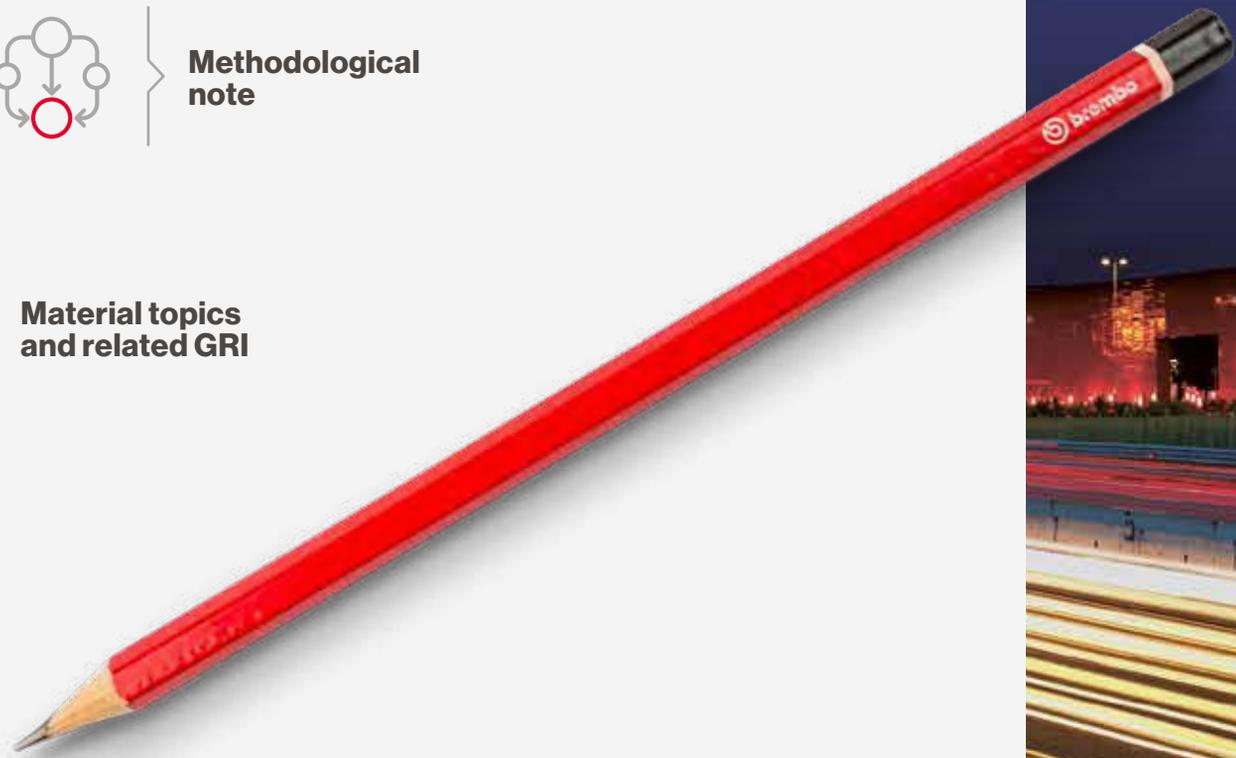
**Material topics and related GRI**



**GRI content index**



**Report by the Independent Auditors**





# Appendix



# Appendix

## In-depth information

### Board of Directors

	Director	AGE	Gender	EX.	NON EX.	INDEP	ARSC	RAC	Strategy	Experience in the field	Finance	Legal/ Risk Management	Internat. background
1	Alberto Bombassei	78	M	X					X	X		X	X
2	Matteo Tiraboschi	51	M	X					X	X	X	X	X
3	Andrea Abbati Marescotti	54	M	X					X	X	X	X	X
4	Cristina Bombassei	50	F	X						X		X	X
5	Giovanni Canavotto	67	M	X					X	X			X
6	Barbara Borra	58	F		X	X	X	X	X		X		X
7	Laura Cioli	55	F		X	X	X		X		X	X	X
8	Nicoletta Giadrossi	52	F		X	X	X	X	X		X	X	X
9	Umberto Nicodano	66	M		X			X	X		X	X	X
10	Valerio Battista	61	M		X	X			X	X	X	X	X
11	Gianfelice Rocca	70	M		X	X			X	X	X	X	X

### Board of Statutory Auditors

Position	Members	Year of birth	Date of first appointment	In office from	In office until	List	Indep. as per Code	Attendance to Board of Statutory Auditors' meetings in 2018	Attendance to Board of Directors' meetings in 2018	Weight of other offices held
<b>Acting Auditors</b>										
Chairwoman	Raffaella Pagani	1971	29.04.2014	20.04.2017	Approval of the Financial Statements at 31.12.2019	m	X	100%	100%	4.31
Acting Auditor	Alfredo Malguzzi	1962	20.04.2017	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	X	100%	88%	N.A.
Acting Auditor	Mario Tagliaferri	1961	20.04.2017	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	X	92%	100%	4.51
<b>Alternate Auditors</b>										
Alternate Auditor	Myriam Amato	1974	29.04.2014	20.04.2017	Approval of the Financial Statements at 31.12.2019	m	X	–	–	–
Alternate Auditor	Marco Salvatore	1965	29.04.2014	20.04.2017	Approval of the Financial Statements at 31.12.2019	M	X	–	–	–
<b>No. of meetings held during the year of reference (2018)</b>							<b>Board of Statutory Auditors: 13</b>	<b>Board of Directors: 8</b>	<b>Audit, Risk &amp; Sustainability Committee: 6</b>	<b>Remuneration &amp; Appointments Committee: 1</b>

### Supervisory Committee

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

### Workforce

	2017			2018		
	Men	Women	Total	Men	Women	Total
Employees (Headcount)	8,203	1,634	9,837	8,894	1,740	10,634
Temporaries (Full time Equivalent)	1,538	198	1,736	1,515	182	1,697

### Temporaries by gender and geographical area<sup>14</sup> (No.)

	2017			2018		
	Men	Women	Total	Men	Women	Total
Europe	748	148	896	543	125	668
America	54	16	70	75	13	88
Asia	736	34	770	897	44	941
<b>Total</b>	<b>1,538</b>	<b>198</b>	<b>1,736</b>	<b>1,515</b>	<b>182</b>	<b>1,697</b>

### Employees by gender and geographical area<sup>14</sup> (No.)

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Europe	4,955	1,051	6,006	5,197	1,122	6,319	5,474	1,175	6,649
America	1,341	181	1,522	1,541	234	1,775	1,731	268	1,999
Asia	1,270	244	1,514	1,465	278	1,743	1,689	297	1,986
<b>Total</b>	<b>7,566</b>	<b>1,476</b>	<b>9,042</b>	<b>8,203</b>	<b>1,634</b>	<b>9,837</b>	<b>8,894</b>	<b>1,740</b>	<b>10,634</b>

<sup>14</sup> The category "geographical area" is broken down in three macro-categories: Europe, America and Asia.

"Europe" includes Italy, Poland, the United Kingdom, Czech Republic, Spain and other countries.

"America" includes Argentina, Brazil, the United States and Mexico.

"Asia" includes China, Japan and India.



**Employees by employment contract and gender (No.)**

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Permanent contract	6,201	1,136	<b>7,337</b>	6,894	1,302	<b>8,196</b>	7,269	1,394	<b>8,663</b>
Fixed-term contract	1,365	340	<b>1,705</b>	1,309	332	<b>1,641</b>	1,625	346	<b>1,971</b>
<b>Total</b>	<b>7,566</b>	<b>1,476</b>	<b>9,042</b>	<b>8,203</b>	<b>1,634</b>	<b>9,837</b>	<b>8,894</b>	<b>1,740</b>	<b>10,634</b>

**Employees by employment contract and gender (No.)**

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full-time employees	7,508	1,260	<b>8,768</b>	8,146	1,434	<b>9,580</b>	8,845	1,529	<b>10,374</b>
Part-time employees	58	216	<b>274</b>	57	200	<b>257</b>	49	211	<b>260</b>
<b>Total</b>	<b>7,566</b>	<b>1,476</b>	<b>9,042</b>	<b>8,203</b>	<b>1,634</b>	<b>9,837</b>	<b>8,894</b>	<b>1,740</b>	<b>10,634</b>

**Employees by educational qualification**

Educational qualifications of Brembo People (% on total)	2016	2017	2018
<b>Brembo People</b>	<b>9,042</b>	<b>9,837</b>	<b>10,634</b>
Compulsory primary school	16%	18%	34%
High school*	56%	57%	43%
University	28%	25%	23%
<b>People with a university degree by subject studied (% on total)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Brembo People with a university degree</b>	<b>2,547</b>	<b>2,523</b>	<b>2,472</b>
Engineering	57%	57%	54%
Business and Law	18%	19%	17%
Arts, Humanities and Foreign Languages	8%	7%	7%
Mathematical, Physical and Natural Sciences	7%	6%	8%
IT	4%	3%	4%
Social, Political and Behavioural Sciences	3%	3%	2%
Chemistry	1%	3%	1%
Other	2%	2%	7%

\* As of 2018, the category "High school" includes exclusively Brembo People bearing a diploma awarded at the end of the whole secondary education.

**Turnover by gender (%)**

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Hiring rate	13.7	17.2	<b>14.2</b>	16.1	18.3	<b>16.4</b>	17.3	18.0	<b>17.4</b>
Termination rate	8.0	7.9	<b>8.0</b>	7.7	8.6	<b>7.9</b>	11.8	12.1	<b>11.8</b>

**Turnover by age (%)**

	2016				2017				2018			
	<30	31-40	41-50	>50	<30	31-40	41-50	>50	<30	31-40	41-50	>50
Hiring rate	29.9	13.4	6.7	4.3	33.6	16.5	8.4	3.6	35.6	17.4	8.7	3.5
Termination rate	13.4	7.7	4.1	7.1	13.0	7.8	4.5	6.1	18.4	13.3	6.3	8.3

**Turnover rate by geographical area<sup>15</sup> (%)**

	2016			2017			2018		
	Europe	America	Asia	Europe	America	Asia	Europe	America	Asia
Hiring rate	10.4	28.8	14.9	11.5	31.0	19.6	13.5	29.4	18.4
Termination rate	6.0	17.6	6.5	6.9	11.5	7.7	9.5	20.6	11.0

**Hours of training by classification level and gender (h)**

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	12,385	1,521	<b>13,905</b>	12,923	2,813	<b>15,736</b>	12,736	2,980	<b>15,716</b>
White-collar workers	57,960	15,874	<b>73,834</b>	75,641	19,505	<b>95,145</b>	78,495	20,958	<b>99,453</b>
Blue-collar workers	87,431	8,129	<b>95,560</b>	78,818	5,655	<b>84,474</b>	115,366	10,170	<b>125,536</b>
<b>Total</b>	<b>157,776</b>	<b>25,524</b>	<b>183,299</b>	<b>167,382</b>	<b>27,973</b>	<b>195,355</b>	<b>206,597</b>	<b>34,108</b>	<b>240,705</b>

<sup>15</sup> The category "geographical area" is broken down in three macro-categories: Europe, America and Asia.

"Europe" includes Italy, Poland, the United Kingdom, Czech Republic, Spain and other countries.

"America" includes Argentina, Brazil, the United States and Mexico.

"Asia" includes China, Japan and India.



**Accidents, fatalities and occupational diseases of employees by geographical<sup>16</sup> area and gender (No.)**

	2017			2018		
	Men	Women	Total	Men	Women	Total
<b>At work</b>						
Europe	89	18	107	75	9	84
America	16	1	17	21	0	21
Asia	21	3	24	13	1	14
<b>Total</b>	<b>126</b>	<b>22</b>	<b>148</b>	<b>109</b>	<b>10</b>	<b>119</b>
<b>During work commuting</b>						
Europe	13	2	15	18	6	24
America	3	1	4	1	0	1
Asia	0	0	0	0	0	0
<b>Total</b>	<b>16</b>	<b>3</b>	<b>19</b>	<b>19</b>	<b>6</b>	<b>25</b>
<b>Fatalities</b>						
Europe	0	0	0	0	0	0
America	0	0	0	0	0	0
Asia	0	0	0	1	0	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>Occupational diseases</b>						
Europe	8	1	9	8	6	14
America	0	0	0	0	0	0
Asia	3	0	3	0	0	0
<b>Total</b>	<b>11</b>	<b>1</b>	<b>12</b>	<b>8</b>	<b>6</b>	<b>14</b>

<sup>16</sup> The three macro-areas include the following countries:

Europe: includes Italy, Poland, the United Kingdom, Czech Republic, Spain and other countries;

America: includes Argentina, Brazil, the United States and Mexico;

Asia: includes China, Japan and India.

**Employee accident rate (at work or during commuting) by geographical area<sup>17</sup> and gender**

	2017			2018		
	Men	Women	Total	Men	Women	Total
<b>Accident severity rate*</b>						
Europe	0.41	0.18	<b>0.37</b>	0.36	0.23	<b>0.34</b>
America	0.02	0.02	<b>0.02</b>	0.03	0	<b>0.03</b>
Asia	0.23	0.01	<b>0.20</b>	0.07	0	<b>0.06</b>
<b>Accident frequency rate</b>						
Europe	2.43	2.15	<b>2.38</b>	2.06	1.50	<b>1.96</b>
America	1.24	1.05	<b>1.21</b>	1.19	0	<b>1.05</b>
Asia	1.06	1.05	<b>1.06</b>	0.62	0.36	<b>0.59</b>

**Calculation methods:**

- **Accident severity rate:** (No. of total days of absence due to accident / No. of hours worked) x 1,000
- **Accident frequency rate:** (No. of accidents / No. of hours worked) x 200,000

\* Accident severity rate does not include the fatal accident that involved one of the Group employees in 2018 and all days lost due to diagnosed occupational diseases.

**Employee accident rate (at work) by geographical area<sup>17</sup> and gender**

	2017			2018		
	Men	Women	Total	Men	Women	Total
<b>Accident severity rate*</b>						
Europe	0.34	0.17	<b>0.31</b>	0.30	0.14	<b>0.27</b>
America	0.01	0	<b>0.01</b>	0.03	0	<b>0.03</b>
Asia	0.23	0.01	<b>0.20</b>	0.07	0	<b>0.06</b>
<b>Accident frequency rate</b>						
Europe	2.12	1.94	<b>2.09</b>	1.66	0.90	<b>1.52</b>
America	1.04	0.52	<b>0.98</b>	1.14	0	<b>1.01</b>
Asia	1.06	1.05	<b>1.06</b>	0.62	0.36	<b>0.59</b>

**Calculation methods:**

- **Accident severity rate:** (No. of total days of absence due to accident / No. of hours worked) x 1,000. Only accidents at work are included in this calculation.
- **Accident frequency rate:** (No. of accidents / No. of hours worked) x 200,000. Only accidents at work are included in this calculation.

\* Accident severity rate does not include the fatal accident that involved one of the Group employees in 2018 and all days lost due to diagnosed occupational disease.

<sup>17</sup> The three macro-areas include the following countries:

Europe: includes Italy, Poland, the United Kingdom, Czech Republic, Spain and other countries;

America: includes Argentina, Brazil, the United States and Mexico;

Asia: includes China, Japan and India.



**Rate of employee occupational disease by geographical area<sup>18</sup> and gender**

	2017			2018		
	Men	Women	Total	Men	Women	Total
<b>Rate of occupational disease</b>						
Europe	0.19	0.11	0.18	0.18	0.60	0.25
America	0	0	0	0	0	0
Asia	0.15	0	0.13	0	0	0

**Calculation methods:**

– **Rate of occupational disease:** (No. of cases of occupational diseases/ No. of hours worked) x 200,000

**Accidents and fatalities of workers who are not employees by geographical area<sup>18</sup> and gender (No.)**

	2017			2018		
	Men	Women	Total	Men	Women	Total
<b>At work</b>						
Europe	12	2	14	10	4	14
America	0	1	1	0	0	0
Asia	5	0	5	2	1	3
<b>Total</b>	<b>17</b>	<b>3</b>	<b>20</b>	<b>12</b>	<b>5</b>	<b>17</b>
<b>During work commuting</b>						
Europe	0	0	0	0	0	0
America	0	0	0	0	0	0
Asia	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fatalities</b>						
Europe	0	0	0	0	0	0
America	0	0	0	0	0	0
Asia	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<sup>18</sup> The three macro-areas include the following countries:

Europe: includes Italy, Poland, the United Kingdom, Czech Republic, Spain and other countries;

America: includes Argentina, Brazil, the United States and Mexico;

Asia: includes China, Japan and India.

**Accident frequency rate for workers who are not employees by geographical area<sup>19</sup> and gender**

	2017			2018		
	Men	Women	Total	Men	Women	Total
<b>Accident frequency rate</b>						
Europe	1.50	1.23	1.45	1.16	2.52	1.37
America	0	7.26	1.25	0	0	0
Asia	0.94	0	0.80	0.31	2.56	0.44

**Calculation methods:**

– **Accident frequency rate:** (No. of accidents / No. of hours worked) x 200,000

<sup>19</sup> The three macro-areas include the following countries:

Europe: includes Italy, Poland, the United Kingdom, Czech Republic, Spain and other countries;

America: includes Argentina, Brazil, the United States and Mexico;

Asia: includes China, Japan and India.



## Methodological note

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### Reporting standards applied

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The Consolidated Disclosure on Non-Financial Information of the Brembo Group (hereinafter also “Disclosure”) pursuant to Article 4 of Legislative Decree No. 254/2016 (hereinafter also “Decree”) contains information relating to environmental, social and employee-related matters, respect for human rights, anti-corruption and bribery matters, providing suppliers with an accurate, thorough and transparent view of Brembo’s strategies, activities, performance and the Group’s results in its pursuit of economic growth and business development, while taking account of the expectations of the stakeholders involved and seeking constant improvement of the environmental and social impacts of its activities.

This Disclosure, published annually, has been written in accordance with Italian Legislative Decree No 254/2016 and in compliance with the Sustainability Reporting Standards published in 2016 by the Global Reporting Initiative - GRI (Core Option). These Guidelines currently represent the most widespread and recognised standard on an international level regarding non-financial reporting. In order to facilitate the reader in finding information within the document, page 159 contains the GRI Content Index. It should be noted that all the reported GRI refer to the version of the GRI Standard published in 2016.

The information included in the non-financial report reflects the principle of materiality or relevance, an element provided for by reference standards and characterising the GRI standard: the issues discussed within the Disclosure are those that, following a materiality analysis and assessment, described on pages 42-47 of this document, were deemed to be relevant, inasmuch as they reflect the social and environmental impacts of the Group’s activity or influence the decisions made by its stakeholders.

### Reporting scope

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The qualitative and quantitative data contained in the Consolidated Non-Financial Disclosure issued by the Brembo Group refer to the performance of the Brembo Group (hereinafter also referred to as “the Group”) during the financial year ended 31 December 2018. As provided for by Article 4 of Italian Legislative Decree No. 254/2016, this Consolidated Non-Financial Disclosure includes data from the parent (Brembo S.p.A.) and its subsidiaries, all consolidated together.

The only exception is the environmental data, regarding which a number of commercial companies have been excluded (Brembo Deutschland GmbH, Brembo Japan Co. Ltd, Brembo Russia Llc., Brembo Scandinavia A.B.), in consideration of the fact that their impacts regarding production sites are not material. Any further boundary limitation is specified appropriately in the document.

For the purposes of comparing or contextualising information, data from the 2017 and 2016 financial years have been included and duly indicated.

### Reporting process

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The preparation of the 2018 Consolidated Disclosure of Non-financial Information is a real annual reporting process, subject to inspection, analysis and approval by several parties. In fact, the document is:

- prepared by the Chief CSR Officer and the relevant work team, which coordinate and involve all the main company functions in the phase of collecting, analysing and consolidating data, with the task of checking and validating — each with regards to their respective area of competence — each information included in the Consolidated Disclosure of Non-Financial Information;
- approved by the Board of Directors, which meets to approve the draft budget, after it has been assessed by the CSR Steering Committee which, through the Chief CSR Officer, presents it to the Risk Control and Sustainability Committee and, insofar as it is competent, to the Supervisory Committee for its examination and assessment. Brembo’s Directors are responsible for ensuring that the Consolidated Disclosure of Non-Financial Information is written and published in accordance with current legislation. Once it has been approved by the governing body and within the terms provided for the presentation of the draft Consolidated Financial Statements, the draft Consolidated Disclosure of Non-Financial Information is made available to the auditors (Board of Statutory Auditors and Independent Auditors);
- submitted for auditing by Ernst & Young, meaning that responsibility for the data and information lies solely with the Brembo Group managers;
- made available to Shareholders and the public within the same terms and using the same methods provided for the presentation of the draft Consolidated Financial Statements;
- published on and downloadable from the corporate website.

## Reporting principles

The following principles have been taken into consideration in defining and reporting the contents of the Consolidated Disclosure on Non-Financial Information:

<b>Materiality</b>	The Report covers aspects that reflect the main direct economic, environmental and social impacts of Brembo's activities that are more significant for the Group and the internal and external stakeholders involved in company activities.
<b>Inclusiveness</b>	Brembo takes into account the expectations and interests of all stakeholders who for various reasons participate in or are influenced by the Company's activities. The Disclosure provides a description of the Group's main stakeholders and the main sources – documents or dialogue channels – used to identify stakeholders' interests and expectations.
<b>Sustainability Context</b>	The Consolidated Disclosure on Non-Financial Information has taken into account the social and economic context in which the Group operates and the most significant Topics for the engineering and automotive industry, including through the analysis of sustainability reports of national or international groups of the same or similar industries.
<b>Completeness</b>	The aspects and scope of the Disclosure allow the stakeholders to comprehensively assess the Group's main economic, social and environmental impacts.
<b>Balance</b>	The Disclosure covers the Group's main sustainability performances. It reflects both aspects where the Group recorded favourable results and trends, and those where the Group has detected room for improvement.
<b>Comparability</b>	The indicators contained in the Report have been selected and presented in a manner that enables their construction and processing over time, therefore allowing stakeholders to analyse changes in the Group's performance over different periods. Figures for 2016 and 2017 have been added and indicated appropriately if useful for purposes of comparison or contextualisation of the information.
<b>Accuracy</b>	To guarantee the accuracy and comparability of the reported information, the data have been directly measured, limiting the use of estimates to the extent possible. The report indicates which data has been estimated. Estimates were produced using the best calculation techniques currently available.
<b>Timeliness</b>	Brembo's Consolidated Disclosure on Non-Financial Information is prepared annually and disclosed in the same period of the presentation of the Consolidated Financial Statement.
<b>Reliability</b>	All the data and information reported have been validated by the Heads of the relevant company functions and have been processed based on documents that prove their existence, completeness and accuracy.
<b>Clarity</b>	Brembo's Consolidated Disclosure on Non-Financial Information contains information presented in such a way as to be clear and accessible to all stakeholders.



## Material topics and related GRI Standards:

Material topics identified by Brembo	Reference GRI Standards	Impacts boundary		
		Internal impact	External impact	Boundary limitations
Product quality and safety	416: Customer Health and Safety	•		
Occupational health and safety	403: Occupational Health and Safety	•	Collaborators other than employees Contractors	Reporting partially extended to contractors
Brand value and reputation	206: Anti-competitive Behaviour	•		
Product and process innovation	416: Customer Health and Safety	•		
Business ethics	205: Anti-corruption 206: Anti-competitive Behaviour 307: Environmental Compliance 406: Non-discrimination 412: Human Rights assessment 418: Customer Privacy	•	Suppliers	Reporting partially extended to suppliers
Supply chain development	204: Procurement Practices 308: Supplier Environmental Assessment 414: Supplier Social Assessment	•		
Brembo People development	404: Training and Education	•		
Product design and style	*	•		
Partnership with customers and co-design	416: Customer Health and Safety	•	Customers	
Effective management of emissions in the atmosphere	305: Emissions	•	Suppliers	Reporting partially extended to suppliers
Energy efficiency	302: Energy	•		
Talent attraction and partnerships with Universities	401: Employment 404: Training and Education	•		
Responsible water consumption	303: Water 306: Effluents and Waste	•		
Local and Global Development	201: Economic Performance 202: Market Presence	•		
Effective waste management	306: Effluents and Waste	•		

(\*) As regards the topic in question (not directly linked to an aspect covered by GRI Standards), Brembo reports the management approach adopted and the relative indicators in the document.

## GRI Table of contents

### GRI table of contents 'in accordance' – core option

GRI CONTENT INDEX			
GRI ID	Indicator description	Page number or disclosure	Omissions
<b>GENERAL STANDARD DISCLOSURES</b>			
<b>ORGANIZATION PROFILE</b>			
102-1	Name of the organisation	7	
102-2	Main activities, brands, products and/or services	13, 20	
102-3	Location of headquarters	16	
102-4	Location of operations	16 - 17	
102-5	Ownership and legal form	22, Corporate Governance and Ownership Structure Report; Annual Report	
102-6	Markets served (including geographic locations, sectors, types of customers and beneficiaries)	13, 18 - 19	
102-7	Scale of the organization	12, Annual Report	
102-8	Number of employees by employment contract, region and gender	72, 76 – 78, 149, 150	
102-9	Supply chain description (activities, products, number of suppliers, suppliers by geographical area, monetary value of supplies)	94 - 95	
102-10	Significant changes to the Group's size, structure, ownership, or supply chain in the reporting period	No significant changes have been reported	
102-11	Application process of the precautionary principle or approach	64 - 66	
102-12	Endorsement of externally-developed economic, social and environmental codes and principles	The Group does not adopt any codes and principles that are external to the organisation. However, the Group follows the International Labour Standards set out in the fundamental conventions of the International Labour Organisation (ILO)	
102-13	Membership of national or international advocacy association and organisations	38 - 41	
<b>STRATEGY</b>			
102-14	Statement from the Chairman and the CEO	4 - 5	
102-15	Key impacts, risks, and opportunities	66 - 68, 102, 110 - 111	
<b>ETHICS AND INTEGRITY</b>			
102-16	Values, principles, standards, codes of conduct and codes of ethics	28, 58 - 61	
102-17	Description of mechanisms for reporting about non-ethical and unlawful behaviour	63, 78, 122	



GRI ID	Indicator description	Page number or disclosure	Omissions
<b>GOVERNANCE</b>			
102-18	Governance structure, including committees of the highest governance body. Other committees responsible for decision-making on environmental and social topics.	26 - 27, 52 – 57, 148, Corporate Governance and Ownership Structure Report	
102-19	The process for delegating authority for economic, environmental, and social topics	26 - 27	
102-20	Individuals or bodies with responsibility for economic, environmental, and social topics, and the processes for reporting directly to the highest governance body	26 –27	
102-22	Composition of the highest governance body and its committees	55, 56, 148, Corporate Governance and Ownership Structure Report	
102-23	Indication on whether the Chairman of the highest governance body is also an executive officer	55, 148, Corporate Governance and Ownership Structure Report	
102-24	Nomination and selection processes for the highest governance body	53 - 54, Corporate Governance and Ownership Structure Report	
102-26	Highest governance body's role in the development of economic, environmental and social strategies	53	
102-27	Development of collective knowledge of economic, environmental, and social topics of the Group	55	
102-30	Highest governance body's role in reviewing the effectiveness of the risk management system for economic, environmental, and social topics	64 - 65	
102-31	Frequency of the highest governance body's review of the effectiveness of the risk management system for economic, environmental, and social topics.	53	
102-32	Highest governance body's role in sustainability reporting	7, 26 - 27, 156	
102-35	Remuneration policies	53	
<b>STAKEHOLDER ENGAGEMENT</b>			
102-40	List of stakeholders engaged	34	
102-41	Percentage of employees covered by collective bargaining agreements	72	
102-42	Process for identifying and selecting stakeholders with whom to engage	34	
102-43	Approach to stakeholder engagement	35 – 37	
102-44	Key topics and concerns that have been raised through stakeholder engagement and ensuing actions	35 – 37, 108 - 109	
<b>REPORTING PRACTICE</b>			
102-45	List of entities included in the consolidated financial statements and entities not included in the sustainability report	156	
102-46	Process for defining report content	42 - 43	
102-47	Material topics identified	43 - 47	
102-48	Explanation of the effects of any restatements of information given in previous reports, and the reasons for such restatements	Any changes to the information provided in previous documents have been duly identified in the text through related explanatory notes.	
102-49	Significant changes compared to previous report	No significant changes have been reported during the year	

GRI ID	Indicator description	Page number or disclosure	Omissions
102-50	Reporting period	7, 156	
102-51	Date of most recent report	7, 156. 2017 Consolidated Disclosure of Non-Financial Information (in accordance with Legislative Decree No. 254/2016) was published on 20 March 2018	
102-52	Reporting cycle	156	
102-53	Contact point and details for information regarding the report	7	
102-54	Claims of reporting in accordance with the GRI Standards	7, 156	
102-55	GRI content index	159 - 163	
102-56	Report external assurance	164 - 167	
<b>CATEGORY: ECONOMIC PERFORMANCE</b>			
<b>ASPECT: ECONOMIC PERFORMANCE</b>			
103-1, 103-2, 103-3	Management approach	44 - 47, 136 - 139	
201-1	Direct economic value generated and distributed	137	
<b>ASPECT: MARKET PRESENCE</b>			
103-1, 103-2, 103-3	Management approach	44 - 47, 76 - 77	
202-2	Proportion of senior management hired from the local community	77	
<b>ASPECT: PROCUREMENT PRACTICES</b>			
103-1, 103-2, 103-3	Management approach	44 - 47, 94, 95	
204-1	Proportion of spending on local suppliers	9, 92, 95	
<b>ASPECT: ANTI-CORRUPTION</b>			
103-1, 103-2, 103-3	Management approach	44 - 47, 58 - 59, 63	
205-2	Communication and training about anti-corruption policies and procedures	63, Corporate Governance and Ownership Structure Report	
205-3	Confirmed incidents of corruption and actions taken	63	
<b>ASPECT: ANTI-COMPETITIVE BEHAVIOUR</b>			
103-1, 103-2, 103-3	Management approach	44 - 47, 59	
206-1	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	59	
<b>CATEGORY: ENVIRONMENTAL PERFORMANCE</b>			
<b>ASPECT: ENERGY</b>			
103-1, 103-2, 103-3	Management approach	44 - 47, 120 - 126	
302-1	Energy consumption within the organisation	125	
302-4	Reduction of energy consumption	124	



GRI ID	Indicator description	Page number or disclosure	Omissions
<b>ASPECT: WATER</b>			
103-1, 103-2, 103-3	Management approach	44 - 47, 120 - 122, 130 - 131	
303-1	Water withdrawal by supply source	130 - 131	
<b>ASPECT: EMISSIONS</b>			
103-1, 103-2, 103-3	General requirements about the management approach and its components	44 - 47, 120 - 122, 126 - 129	
305-1	Direct (Scope 1) GHG emissions	126, 127	
305-2	Energy indirect (Scope 2) GHG emissions	126, 127	
305-3	Other indirect (Scope 3) GHG emissions	126, 127	
305-5	Reduction of GHG emissions	124, 126, 128	
305-7	Nitrogen oxides (NO <sub>x</sub> ), sulphur oxides (SO <sub>x</sub> ), and other significant air emissions	129	
<b>ASPECT: EFFLUENTS AND WASTE</b>			
103-1, 103-2, 103-3	Management approach	44 - 47, 120 - 122, 130 - 132	
306-2	Total weight of waste generated by type and disposal method	132	
306-3	Significant spills	131	
<b>ASPECT: ENVIRONMENTAL COMPLIANCE</b>			
103-1, 103-2, 103-3	Management approach	44 - 47, 61, 120 - 122	
307-1	Non-compliance with environmental laws and regulations	In 2018, Brembo did not receive any pecuniary fine due to non-compliance with environmental laws and regulations	
<b>ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT</b>			
103-1, 103-2, 103-3	Management approach	44 - 47, 95 - 98	
308-1	Percentage of new suppliers that were screened using environmental criteria	9, 92, 97	
<b>CATEGORY: SOCIAL PERFORMANCE</b>			
<b>ASPECT: EMPLOYEMENT</b>			
103-1, 103-2, 103-3	General requirements about the management approach and its components	44 - 47, 72 - 75	
401-1	Total number and rate of new employee and of employee turnover	72 - 74, 151	
<b>ASPECT: OCCUPATIONAL HEALTH AND SAFETY</b>			
103-1, 103-2, 103-3	Management approach	44 - 47, 61, 84 - 90	
403-1	Percentage of workers represented in formal joint management worker health and safety committees	84	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and gender	85, 152 - 155	2018 absenteeism rate refers exclusively to employees based in Italy, as other countries' data is not available.

GRI ID	Indicator description	Page number or disclosure	Omissions
<b>ASPECT: TRAINING AND EDUCATION</b>			
103-1, 103-2, 103-3	Management approach	44 – 47, 80 – 83, 86 - 87	
404-1	Average hours of training per employee by gender and employee category	81	
404-3	Percentage of employees receiving regular performance and career development reviews, by gender and employee category	83	
<b>ASPECT: NON-DISCRIMINATION</b>			
103-1, 103-2, 103-3	Management approach	44 – 47, 60, 77 - 78	
406-1	Incidents of discrimination and corrective actions taken	78	
<b>ASPECT: HUMAN RIGHTS ASSESSMENT</b>			
103-1, 103-2, 103-3	Management approach	44 – 47, 62, 63, 80	
412-2	Employee training on human rights	80	
<b>ASPECT: SUPPLIER SOCIAL ASSESSMENT</b>			
103-1, 103-2, 103-3	Management approach	44 – 47, 95 - 98	
414-1	Percentage of new suppliers that were screened using social criteria	9, 92, 97	
<b>ASPECT: CUSTOMER HEALTH AND SAFETY</b>			
103-1, 103-2, 103-3	Management approach	44 – 47, 113 - 116	
416-1	Assessment of the health and safety impacts of products and services	113	
<b>ASPECT: CUSTOMER PRIVACY</b>			
103-1, 103-2, 103-3	Management approach	44 – 47, 60	
418-1	Number of substantiated complaints received concerning breaches of customer privacy and loss of customer data	60	
<b>MATERIAL TOPIC: PRODUCT DESIGN AND STYLE</b>			
103-1, 103-2, 103-3	Management approach	44- 47, 102 - 107	



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## Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 2018

(Translation from the original Italian text)

To the Board of Directors of  
Brembo S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Brembo S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on 31<sup>st</sup> December 2018 in accordance with article 4 of the Decree and approved by the Board of Directors on 4<sup>th</sup> March 2019 (hereinafter "DNF").

### Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

### Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

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### Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Brembo Group's consolidated financial statements;
4. understanding of the following aspects:
  - o Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
  - o policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
  - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.

In particular, we have conducted interviews and discussions with the management of Brembo S.p.A. and with the personnel of Brembo Mexico S.A. de C.V. and we have performed limited documentary evidence procedures, in order to collect information about the processes and



procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level:
  - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- For the production site of Curno of Brembo S.p.A., the production site of Apodaca of Brembo Mexico S.A. de C.V. and the production site of Escobedo (aluminum smelter and calipers manufacturing plant) of Brembo Mexico S.A. de C.V., that we have selected based on their activity, relevance to the consolidated performance indicators and location, we have carried out site visits during which we had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

### **Conclusion**

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Brembo Group for the year ended on 31<sup>st</sup> December 2018 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

### **Other Information**

The Group has prepared a Sustainability Report for the year ended on 31<sup>st</sup> December 2016; such data are presented for comparative purposes in the DNF. This Sustainability Report has not been subject to limited assurance procedures in accordance with ISAE 3000.

Bergamo, 18<sup>th</sup> March 2019

EY S.p.A.  
Claudio Ferigo  
(Partner)

*This report has been translated into the English language solely for the convenience of international readers.*





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