

P.IA-01

GUIDELINES FOR THE BREMBO INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

**(EDITION N°3 / REV. 02
- 20/01/2021)**

Prepared by:

Signature

ICRS Executive Director

C. Bombassei

Verified by:

RCSC Chairman

L. Cioli

SB Chairman

G. Canavotto

Contributors list:

Department	Name and surname	Signature
Internal Audit	A. Ramorino	
Risk Management	A. Rocco	
Organizational Development	B. Laitempergher	
Corporate Compliance & Regulatory	N. Bettinelli	
CSR Program Manager	C. Siboni	

Approved by:

Signature

Brembo S.p.A Executive Chairman

M. Tiraboschi

Brembo S.p.A Managing Director

D. Schillaci

ICRS Executive Officer

C. Bombassei

Supervisory Committee Chairman

G. Canavotto

REVISION LIST

REVISION	DATE	NOTES
00	14/05/09	First Edition
01	22/07/15	Second Edition
02	20/01/2022	Third Edition

INTRODUCTION

In an increasingly integrated and dynamic macroeconomic context, the Automotive sector is undergoing a phase of profound and radical change, with a strong growth in the electric vehicle segment to the detriment of traditional vehicles, ever increasing technological innovation and a market seeing the entry of new “*players*” and an imbalance toward the eastern countries. In this context, in order for companies to achieve sustainable success they must define the corporate strategy and governance with an increasingly “*risk-based*” vision, aimed at protecting corporate values and seizing the opportunities offered by market transformations, considering risk as an essential component of doing business.

In this context, the Internal Control and Risk Management System (hereinafter ICRS) is an essential element of Brembo's Governance system as it allows the Board of Directors to pursue its priority objective, which is to ensure the creation of value in the medium to long term, whilst defining the nature and level of risk compatible with strategic objectives, and pursuing the sustainable success of the same.

The ICRS therefore contributes to ensure an upright, correct and proper business management and in line with the aims defined by the Board of Directors and promoting an informed decision-making processes and in line with the risk propensity.

Brembo's ICRS is understood as the set of procedures, organizational structures and related activities aimed at ensuring, through an adequate process of identification, measurement, management and monitoring of the main risks at a Group level so as to contribute to its sustainable success: the ICRS complies with the principles of art. 6 of the Corporate Governance Code¹ and more generally, the best practices existing at a national and international level.

It arises from the sharing of the company's principles and ethics values, and it is the expression of the Brembo Code of Ethics. The ICRS is regarded as a tool aimed to contribute the development of ethics and intended, in the future, to embody a true culture within the company based on the legality, honesty and transparency in all the company's activities, involving the company organization in the development and application of tools aimed to identify, measure, manage and monitor the risks.

The Board of Directors (BoD) is aware that control and risk management processes cannot give absolute guarantees about achieving the corporate purpose and preventing the risks peculiar to the company's business; nevertheless, it believes that the Internal Control and Risk Management System can reduce the probability and impact of erroneous decisions, human error, fraud, violation of laws, regulations and company procedures, and unexpected events.

The information flows between the different actors and control levels ensure that the ICRS operates as a unitary, integrated complex, based on common rules and objectives and on the continuous exchange of information necessary for all components of the system to fully accomplish their roles.

¹ 2020 edition, prepared and approved by the Committee for Corporate Governance and promoted by the Business Associations (ABI, ANIA, Assonime, Confindustria), Borsa Italiana S.p.A. and the Association of Professional Investors (Assogestioni) (hereinafter “Corporate Governance Code”)

ROLES AND RESPONSIBILITIES

The Board of Directors has identified the main roles and responsibilities within the Internal Control and Risk Management System by approving various company documents, to which reference should be made for further information².

In short, the ICRS involves, according to the assigned responsibilities, the administrative bodies (Board of Directors, Audit Risks and Sustainability Committee, the Executive Director overseeing the ICRS and Senior Management), the Board of Statutory Auditors, the External Auditors, the Supervisory Committee, the Global Central Function Internal Audit, the Risk Management area and all the roles and functions of the Company with specific tasks in the internal control and risk management, which are divided in relation to the size, complexity and risk of the company.

The Executive Directors are responsible for establishing further policies for putting these guidelines into effect, referring to *best practice models*; after approval by Senior Management these policies are reported to the Risk Control and Sustainability Committee.

Management is also responsible for the effective application of the Internal Control and Risk Management System in each specific field, through the cooperation and active contribution of every collaborator of Brembo, at every level, in the course of their work, thus contributing to the creation of a value for the company, which is not merely economic but also ethical.

GUIDELINES

RISK MANAGEMENT POLICY

The risk management policy adopted by the Brembo Group is aimed at ensuring that the risks that could compromise the accomplishment of the company's strategic objectives, including those relating to sustainability, are correctly identified, analysed and evaluated beforehand, and that the measures necessary to manage the same are put in place in advance and with a proactive approach, assuming the risks in a conscious and consistent manner according to their risk appetite.

In particular, the *Enterprise Risk Management* model foresees the involvement of all corporate management in order to facilitate the integration of risk assessment when defining business choices at different corporate levels, creating and disseminating a common culture of risk management within the Group.

In relation to the foregoing, the Board of Directors, with the assistance of the Risk, Control and Sustainability Committee, shall:

- evaluate the significant corporate risks drawn to its attention by the ICRS Executive Director and assess how they have been identified, evaluated and managed; special attention must be paid to an analysis of the changes that have occurred during the relevant business year in

²Please refer to the "Manuale di Corporate Governance" ("Corporate Governance Manual"), "Modello di Organizzazione Gestione e Controllo" (Organizational Management and Control Model of Brembo S.p.A.) and "Schema di riferimento del Brembo Group relativo alla redazione dei documenti contabili societari" ("Brembo Group Reference Model concerning the preparation of corporate financial reports") (published on the Brembo Intranet in the Investor Relations/Corporate Governance/Codes and Manuals section)

the nature and extent of the risks and to an evaluation of the response of the Group to those changes;

- check whether the structure of the System is really effective in pursuing its objective and in dealing with such risks, paying particular attention to any weaknesses that have been reported;
- consider the actions that have been taken or that need to be taken quickly in order to correct those shortcomings.

The advantages of adopting such a risk management policy also include that of being able to embrace an overall view of the risks to which the organization is exposed. This makes it possible to optimise the allocation of resources to manage such risks and to improve business performance and “resilience,” over time, also in terms of achieving “sustainable success.”

INTERNAL CONTROL SYSTEM

The Internal Control System not only facilitates the suitable identifying, measuring and monitoring of the risks assumed by the Group, but also provides a set of organizational structures, rules and procedures aimed at ensuring:

- the reliability of the information;
- that laws and regulations are obeyed, as well as the Company by-laws and the internal procedures;
- the safeguarding of company assets, the effectiveness and efficiency of corporate operations and processes.

The BOD intends these Guidelines to direct the actions of the Internal Control and Risk Management System in order to:

- guarantee the implementation of suitable information, communication and training processes, as well as the adoption of retribution and disciplinary systems capable of encouraging proper management of risks and discouraging behaviour conflicting with the principles of the control system;
- ensure suitable organizational solutions are adopted for this purpose that guarantee the functions directly involved in the ICRS access to the necessary information, for subsequent referral to senior management;
- guarantee the necessary segregation between operational and control functions in such a way as to avoid or minimise any conflict of interest in the assignment of duties.
- ensure control activities are carried out at every operational level, clearly identifying duties and responsibilities during the supervision and intervention phases;
- ensuring that irregularities detected are promptly brought to the attention of the appropriate levels of the firm and that suitable initiatives are taken to correct them.

EVALUATING THE EFFICACY OF THE CONTROL AND RISK MANAGEMENT SYSTEM

The activities of monitoring the adequacy and the actual operation of the Internal Control and Risk Management System, and its revision if necessary, constitute an essential part of its structure. The ICRS therefore needs to be periodically reviewed and verified, taking the evolution of the firm's operations and the reference context into account.

On the basis of the roles and responsibilities already defined, a number of control bodies responsible for checking on the Internal Control and Risk Management System and evaluating it can be identified.

Overall and final evaluation rests with the Board of Directors, which expresses an opinion on the basis of the reports drawn up by the control and supervisory bodies. Therefore not only will the BoD make sure to verify its existence and implementation within the Group, but will also periodically carry out a detailed examination of its suitability and its actual and real operation.

This evaluation might also reveal the need to possibly draw up further policies, processes and rules of behaviour to allow the Group to react properly to new and inadequately managed risk situations.

Such actions for improvement, for which the management concerned is responsible, must be coordinated with the Executive Director charged with overseeing and maintaining the ICRS.